ArcelorMittal

Safe Sustainable Steel

ArcelorMittal Annual Report 2008

Steel, as the most recyclable material
in the world, is naturally sustainable.
But we want to go beyond this.
We want to ensure that our business position
in the world creates sustainable benefits
for all our stakeholders.

Lakshmi N Mittal

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Financial Highlights

Sales (million US$)

2008	124,936	+18.7%
2007	105,216	

Shipments (million tonnes)

2008	101.7	-7.3%
2007	109.7	

Operating Income ($ million)

2008	12,236	-17.5%
2007	14,830	

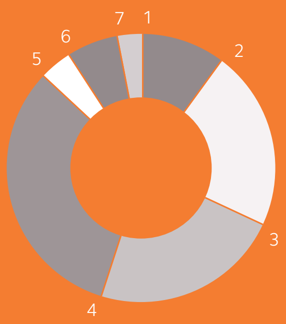
Net Income ($ million)

2008	9,399	-9.3%
2007	10,368	

Basic Earnings per Share ($)

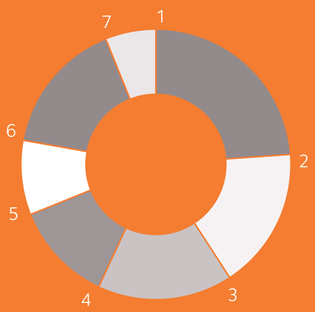
2008	6.80	-8.2%
2007	7.41	

Number of employees[1] at December 31, 2008 according to segments



Segment	*Total*	*%*
1 Flat Carbon Americas	30,848	10
2 Flat Carbon Europe	71,192	22
3 Long Carbon Americas and Europe	72,969	23
4 Asia, Africa and CIS (AACIS)	100,325	32
5 Stainless Steel	12,415	4
6 Steel Solutions and Services	18,871	6
7 Others	9,247	3
Total	**315,867**	**100**

Allocation of employees[1] at December 31, 2008 according to geographic location



	%
1 EU15[2]	24
2 Rest EU (EU27)[3]	17
3 Other European Countries	16
4 North America	12
5 South America	9
6 Asia	16
7 Africa	6
Total	**100**

[1] *Full Time Equivalent.*
[2] *EU15 includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom.*
[3] *EU27 includes the EU15 countries plus Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia.*

Our Philosophy

ArcelorMittal[1] is the world's leading steel company, with approximately 316,000 employees in more than 60 countries.

ArcelorMittal has been built on a consistent management strategy that values scale, vertical integration, product diversity and quality, continuous growth in higher value products, strong employee well-being and customer focus. The Company's three dimensional growth strategy of product diversity, geographical reach and vertical integration is its key to sustainability and growth.

As a result of this strategy, the Company today is the leader in all major global steel markets, including automotive, construction, household appliances and packaging, with leading Research and Development (R&D) and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks. With an industrial presence in over 20 countries spanning four continents, the Company covers all of the key steel markets, from emerging to mature. It is the largest steel producer in the Americas, Africa and Europe, and the second largest producer in the CIS[2] region, with a growing presence in Asia, particularly China.

With crude steel production of 103.3 million tonnes, representing around 10% of world steel output, ArcelorMittal generated revenues of $124.9 billion and an operating income of $12.2 billion in 2008. Approximately 36% of its steel is produced in the Americas; 49% is produced in Europe; and 15% is produced in other countries, such as Kazakhstan, South Africa and Ukraine.

Underpinning all our operations is a philosophy to produce Safe Sustainable Steel.

Safety is the top priority for ArcelorMittal. The Group is building on good practices to improve safety performance. The 'Journey to Zero'[3] program will promote the achievement of world class standards by integrating Health and Safety into the Group's performance management.

ArcelorMittal's leadership position is not only about 'what we do' but also about 'how we do it'. Through its core values of Sustainability, Quality and Leadership, ArcelorMittal commits to operating in a responsible way with respect to the health, safety and well-being of its employees, contractors and the communities in which it operates. It is also committed to the sustainable management of the environment and of finite resources. ArcelorMittal recognizes that it has a significant responsibility to tackle the global climate change challenge; it takes a leading role in the industry's efforts to develop breakthrough steelmaking technologies and is actively researching and developing steel-based technologies and solutions that contribute to combating climate change.

The Company's Research and Development team supports the business units in process and product improvement to produce the best quality steel at low-cost and low environmental impact. With 14 major research centers, ArcelorMittal possesses an R&D capability unique in the steel industry. To improve its research efficiency and to achieve a high level of scientific knowledge, ArcelorMittal maintains strong academic partnerships with world-class scientific and technical universities.

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

[2] Commonwealth of Independent States.

[3] 'Journey to Zero' is ArcelorMittal's Health and Safety improvement process, based on the best practice principles contained within the Group-wide Health and Safety policy.

Message from the Chairman and CEO

Dear Shareholders,

A year ago I was able to report to you on the considerable success of the integration of ArcelorMittal and the related achievements of our Company. I said that despite an uncertain outlook for the global economy I expected 2008 to be a good year for ArcelorMittal.

Clearly the global context has changed dramatically since then, entering a period of instability the extent of which few had predicted or have experienced in their working lives. Nevertheless, 2008 was in general a strong year for our Company. Benefiting from a strong demand for steel in the first three quarters in all main geographies, we reported an operating income of $12.2 billion and net income of $9.4 billion. This performance underlines the benefits of a global and diversified business model and reflects the success of our three dimensional growth strategy.

This generally excellent performance was however overshadowed by the dramatic slowdown in the world economy in the fourth quarter. Since September 2008 we have been facing a very different outlook. By the end of 2008, it was widely accepted that, as a fall-out of the financial crisis, advanced economies were on the edge of the worst recession for decades. The global economy is barely expected to exhibit positive growth in 2009, as declines in the developed economies are accompanied by slower, though still positive, growth in the developing world.

In response, we have seen some quite unprecedented moves from governments across the world in an effort to support and stimulate their economies. The extent of the success these bail-out packages can achieve will not be known for some time. In the meantime, we must all adapt our business to the current climate.

Structurally, the Company benefits today from the size and scale it has built through leading the process of consolidation. This does not mean that we will be unaffected. Rather, it means that today our Company has a business model which I believe will prove more resilient than other business models have proved to be in previous downturns. Nevertheless, we have no choice but to respond to this changed environment.

One of ArcelorMittal's key competitive advantages is our ability to remain flexible and take fast decisions. We have made it a priority to retain this ability even as we have grown. Therefore, as soon as the severity of the new economic reality became apparent, we moved quickly to take the appropriate steps to position ourselves for the new environment.

Most specifically, we made temporary production cuts totaling up to 45% of global production capacity to accelerate inventory reduction. These cuts were introduced across the Group at all our main production facilities. These are the deepest cuts the Group has implemented to date, but they were necessary in response to the speed with which the market has turned, as many of our customers started using up existing inventories rather than buying new stock.

Whilst we must accept that real demand in 2009 will be significantly lower than in 2008, we are confident that these production cuts will begin to yield results as real demand is not expected to fall anywhere near as much as 45%. It is too early yet to say exactly when this technical recovery will begin and therefore production cuts are being maintained at present, but we are cautiously optimistic that the second half of the year should be stronger than the first.

The current climate has also caused us to pause our growth plans for the immediate future. As a result, capital expenditure in 2009 will be kept at a minimum, focusing on health, safety, environment and maintenance. Over the medium to long-term, we believe that developing countries will continue with their industrialization plans and therefore will have a demand for steel to support infrastructure projects. Our growth projects will continue at the appropriate time to ensure we are able to meet this demand when it occurs.

ArcelorMittal is a cost-conscious organization and we have put a renewed emphasis on this aspect of the management of our business in recent months. In the autumn of 2008 we announced a target of achieving $4 billion in management gains over four years through additional selling, general and administrative savings. We later increased this target to $5 billion over the same period. We expect to achieve $2 billion of this amount by the end of 2009.

Regrettably this has included the commencement of implementation of a Voluntary Separation Scheme across the Group. This is never an easy decision for management to take but it was a necessary response to today's deteriorated operating environment.

As part of this emphasis on cost controls and cash conservation, we have also announced an intention to reduce our net debt[1] by $10 billion by the end of 2009, from levels during the third quarter of 2008. Whilst we were comfortable with our net debt/EBITDA[2] ratio for 2008, it is only prudent in the current instability in the credit markets for our Company to make net debt reduction a priority. I am pleased to be able to report that we have already been making significant progress towards this target. By the end of 2008, net debt has already been reduced by $6 billion.

Although this important net debt reduction in the last quarter of 2008 was due in part to non-recurring factors, we believe that the measures we have implemented across the Group will allow us to reach the targeted net debt reduction by the end of 2009. Slightly improved conditions in the worldwide steel markets which we expect to occur before year-end should also help in achieving this target. Along with debt reduction, the Board of Directors has recommended reducing the base dividend for 2009 to $0.75 per share.

All of these measures have been implemented in close collaboration with our key stakeholders, including unions and governments and, of course, our employees. We are very grateful for their support. They have recognized the difficulties that our Company experiences at present and have been largely working with us to ensure the sustainability of ArcelorMittal.

It is important to emphasize also that these measures do not represent any fundamental change in long-term strategy for the Company. We still believe in the benefits of an integrated, diversified and global business model. The systemic failure in the banking system has caused deep and severe repercussions worldwide and across industries, the extent of which are still being worked out and which will probably continue through 2010-2011. But over the long-term, we believe that steel will continue to be in demand as a fundamental material for building the infrastructure of our world. And investment in infrastructure will continue – both in developed and developing economies. It is highly unlikely, for example, that the industrialization of more than 1.5 billion people in the developing markets will simply come to a halt. This is a huge macro-trend, one that will remain relevant despite the current slowing growth rates in developing countries. And of course ArcelorMittal has great experience in and understanding of these developing markets. Few companies are better placed than us to capture stronger growth when levels resume.

Looking ahead.
There can be no doubt that 2009 will be very challenging for our Company. Whilst I hope that the various government stimulus packages will start to bring some relief, we must recognize that we are in the midst of an exceptionally difficult period for the global economy to which there is no easy or swift solution. Nevertheless, I am pleased with the way the Company has adapted so far.

[1] Net debt stands for 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.
[2] EBITDA is defined as operating income plus depreciation, impairment expenses and exceptional items.

Message from the Chairman and CEO *continued*

The current climate will also not compromise the way we do business or our core values of Sustainability, Quality and Leadership. At our senior management convention last September in Delhi, I said that the priority of this Company is to produce Safe Sustainable Steel. This is not dependent on the quantity of steel we produce, but is the basic operating philosophy that we seek to apply to every tonne produced and it will not be compromised by economic fluctuations. We have introduced several important initiatives that support this philosophy during 2008.

First of all safety. 2008 saw not only a repeat of our successful annual Health and Safety Day, but also the launch of our new Health and Safety drive, 'Journey to Zero'. 'Journey to Zero' is all about reaching world class standards by integrating Health and Safety into the performance management system of the Group. The driving philosophy is that, if some parts of the ArcelorMittal Group can deliver best practices, then all parts can do so. By learning together and sharing best practices across the entire organization, we can achieve high impact Health and Safety improvements that protect the Company's greatest asset – our people. In order to leverage this potential, we have identified 15 high priority plants where the improvement plans will be monitored on a weekly basis with the direct involvement of the corporate Health and Safety team. We are making progress. The Lost Time Injury Frequency Rate improved in 2008 to 2.3, compared with 3.3 in 2007. But our 'Journey to Zero' continues.

If we aspire to our steel being accident-free, we also aspire to it being sustainable. Of course steel, as the most recyclable material in the world, is naturally sustainable. But we want to go beyond this. We want to ensure that our business position in the world creates sustainable benefits for all our stakeholders. This desire has translated into a new Corporate Responsibility ('CR') strategy focused on three key areas: Investing in our People through innovative HR policies; Making Steel More Sustainable through focusing on continuous improvement in environmental performance; and Enriching our Communities through engaging more transparently with communities and working in active partnership with local organizations. We see tremendous scope for results in these areas. As one of the largest businesses in the world, we have the ability to have a far-reaching and positive influence in many different areas. We hope our new CR strategy will help us deliver on this ability.

And finally there is steel itself. We continue to produce on a daily basis one of the most useful, durable and necessary materials in terms of building the infrastructure of the modern world. The Shanghai World Financial Center, the Freedom Tower in New York and the Federation Tower in Moscow – these are just some of the renowned global structures made from ArcelorMittal steel. This is a big responsibility. Therefore, whatever the economic climate, we must ensure that the quality of our steel is never compromised – that in every country where customers buy our steel they will be guaranteed the highest quality product. We are continually evaluating opportunities to improve our service to customers.

This is why we invest in Research and Development (R&D) and are expanding our network of R&D centers around the Group. Our team of 1,500 researchers is working daily on new ways to make lighter, stronger, more environmentally friendly steel.

Looking ahead, there can be no doubt that 2009 will be very challenging for our Company. Whilst I hope that the various government stimulus packages will start to bring some relief, we must recognize that we are in the midst of an exceptionally difficult period for the global economy to which there is no easy or swift solution. Nevertheless, I am pleased with the way the Company has adapted so far. Our strategy has been built around designing a company of such a scale and diversity that it has the strength, flexibility and presence to adapt itself to fluctuations in the economic cycle. This current cycle is more extreme than most, but the fact that we have been able to adapt swiftly and take decisive and substantial measures will, I believe, assist in bringing a faster recovery for our Company than might have been the case otherwise.

To this end, I must thank all our employees who have adapted to the required changes with understanding and support. I would also like to thank my colleagues on the Board of Directors, the Group Management Board and the Management Committee who continue to show strong leadership. And finally I would like to extend my thanks to all our stakeholders for their continued commitment to this Company.

Lakshmi N Mittal
Chairman and CEO

Since April 21, 2008, the Group Management Board ('GMB') has had seven members: Lakshmi N Mittal, Aditya Mittal, Michel Wurth, Gonzalo Urquijo, Christophe Cornier, Sudhir Maheshwari and Davinder Chugh.

Mine modernization program

$1.2bn

We are engaged in a $1.2 billion mine modernization program spanning over five years to complete.
Christophe Cornier, GMB.

Given the prime importance of Health and Safety, what progress was made in this area in 2008?

Aditya Mittal: Since our merger in 2006 we have worked to ensure that Health and Safety is our priority number one and our frequency rate has gone down significantly. Building on ArcelorMittal Dofasco's initiative, in 2008 we launched our new global Health and Safety improvement process: 'Journey to Zero'. ArcelorMittal Dofasco was recognized by the World Steel Association with the 2008 Safety and Health Excellence Recognition Award, for its efforts to eliminate accidents and injuries. They also met the requirements of the OHSAS 18001:2007 Occupational Health and Safety Assessment Series Standard, being the first of our North American sites to do so. We must always remember that, even if this performance is encouraging, we need to continue building a culture where everyone realizes that safety must come first.

Michel Wurth: Overall, we have made progress, as our accident frequency and severity figures attest. But we still experienced fatalities, and it is here that we will focus major efforts in the year ahead – particularly in the area of responsible behavior – as we work to implement the 'Journey to Zero' program. One other pressing issue is a relatively poor safety performance among contractors. Clearly, there is greater rotation of outside personnel but that should be no excuse. We are not where we want to be on this issue – and there is much more work to be done. This is the absolute priority.

Gonzalo Urquijo: There are two aspects to consider. On the one hand, we suffered a number of fatalities, which is unacceptable. On the other, we reduced overall accident frequency and severity rates. We are now concentrating on the areas of maximum vulnerability, such as falls from height, road and rail traffic, loading of materials and unauthorized access to particular areas. We are involving everyone, from top to bottom, and we are working hard to share the lessons of every incident in all our plants worldwide. Nothing is more important than safety and we are determined to achieve the highest possible standards.

Christophe Cornier: In the steelmaking and iron ore operations, we are making continuous, step-by-step progress. Safety ratios improved over the year and the extension of our 'world-class manufacturing' initiative in 2009 will keep the pressure up in areas such as good housekeeping. The coal mining operations are another matter. We are engaged in a $1.2 billion mine modernization program spanning over five years to complete. While other areas of capital expenditure will be trimmed in 2009, safety will be one of our focus areas – testimony to the overriding importance we give to lifting safety standards.

Sudhir Maheshwari: For me, the key event was the launch of the 'Journey to Zero' initiative, aimed at making accidents a thing of the past. I am confident this program will yield positive results in 2009 and beyond.

Davinder Chugh: Health and Safety of our colleagues and contractors working in our plants is of utmost importance to the management. Our supplier selection criteria now include a good safety track record. Contractor training is enforced and we have introduced stricter norms in our contracts for adherence to safety standards. There are consequences for safety lapses and there is motivation for good safety performance by contractors.

> We face a big challenge. As part of a value chain that extends from our suppliers at one end to our customers at the other, steel consumption is bound to be hit if, for instance, people are not buying cars or ordering new buildings. The answer is that we must focus on the three 'Cs' – Cash, Customers, and Cost.
> Michel Wurth, GMB.

GMB members, from left to right:
Lakshmi N Mittal
Sudhir Maheshwari
Michel Wurth
Aditya Mittal
Christophe Cornier
Gonzalo Urquijo
Davinder Chugh

How would you sum up performance in your area in 2008?

Aditya Mittal: From the financial perspective, in general 2008 was a very strong year for the Company. Unfortunately, however, the achievements of the first nine months have been overshadowed by the sudden turn in market conditions in the last quarter. In the last quarter, our focus was on reducing costs, reducing net debt and generally adapting to the new environment. While the current economic situation is very challenging, I am pleased with the way the Company has adapted. In particular we have made pleasing progress with debt reduction, reducing net debt by $6 billion in the fourth quarter. In Flat Carbon Americas, we recorded good results in 2008 despite the slowdown in demand experienced in the final quarter.

Michel Wurth: Despite a fourth quarter impacted by the economic crisis, the overall performance was excellent. For much of the year, the major challenge was the unprecedented explosion in the cost of raw materials, followed by the rapid downturn. We responded quickly by implementing Total Cost of Ownership ('TCO') and by deciding actions in the fourth quarter, with the aim to decrease fixed cost parallel to the strong decline in demand, and by increasing our level of contact with customers in order to find appropriate solutions. A re-engineered, more customer-focused R&D department also contributed by delivering new steel solutions and better value to customers. The reorganization of Flat Carbon Europe delivered major integration benefits.

Gonzalo Urquijo: The first eight months of the year saw strong demand, with rising raw material costs matched by higher prices. There was then a downturn, with falling demand exacerbated by de-stocking as customers sought to increase their liquidity. We responded by a reduction in production by approximately 40% in the fourth quarter. Nonetheless, there were important landmarks during the year, such as the blast furnace start-up in Zenica, Bosnia, the opening of the new bar mill in Warsaw, Poland, and a number of acquisitions. On the industrial front, our drive to lift the performance of the weaker plants to benchmark levels is bearing fruit.

Christophe Cornier: The businesses in Ukraine, Kazakhstan and South Africa all experienced a profitable year, especially during the first three quarters, while activities deteriorated during the fourth quarter. In our mining activities, we are on track to achieve our stated aim of becoming two-thirds self-sufficient in iron ore after 2012 and we have made some progress with our program to modernize our Kazakh coal mines – a vital plan in our drive to raise safety standards. We have also taken a major step forward in the transfer of expertise around the Group with the creation of a new organization that will hold a central technical database and help standardize procedures. This is an important tool for capitalizing on the Group's knowledge base.

Sudhir Maheshwari: In the first nine months of 2008, we were very successful in pursuing our three dimensional growth strategy of extending geographic reach, enhancing product diversity and increasing vertical integration. We achieved a major expansion in our coal mining operations, with transactions in Siberia, India, Australia, the USA and Mozambique. We completed four transactions in iron ore mining and commenced work on a Saudi pipe mill project. We also received a positive response to our $3 billion bond issue in the USA, the largest of its kind by a steel producer.

Davinder Chugh: Shared Services has consolidated the transversal functions of the Group into a strategic advantage by leveraging the scale of operations and at the same time providing agility of response to market changes. We have one face to all our suppliers whether big or small and have consolidated relationships and strategic partnerships with our suppliers in 2008. Transversal functions have also been able to consolidate, optimize and harmonize the best practices from one part of the Company to the rest of the Group, be it in IT, Purchasing, Energy, Real Estate, By-Products Sales, Legal or Shipping. A significant leap was that Total Cost of Ownership is now entrenched as a thought model for all sourcing decisions within the Company and will go to a new level of maturity.

What is the outlook for the year ahead?

Aditya Mittal: We are living in exceptional times for the global economy and I don't expect there is going to be any quick solution. ArcelorMittal cut production by 45% in the fourth quarter of 2008 and we are maintaining these cuts into the first quarter of 2009. Real steel demand has not fallen by this level, but cutting production in this way should accelerate the required de-stocking period as customers run down their inventories. De-stocking should complete in most markets by the end of the first quarter and we should expect to see a technical recovery by the second half of the year.

Michel Wurth: We face a big challenge. As part of a value chain that extends from our suppliers at one end to our customers at the other, steel consumption is bound to be hit if, for instance, people are not buying cars or ordering new buildings. The answer is that we must focus on the three 'Cs' – Cash, Customers, and Cost. It means cutting fixed costs in line with the fall in end-demand. It means limiting capex spending to what is strictly necessary, working with our supply chain to minimize inventories while ensuring short lead times for our customers. It means listening to those customers and delivering better service. One thing is certain: there will be no cut in the R&D budget. Innovation will play a major role in keeping our customers competitive.

Gonzalo Urquijo: Several factors combined in the fourth quarter of 2008: customer de-stocking, a rush for cash and falling scrap prices. We believe that de-stocking will have run its course by the end of the first quarter while prices – from scrap to finished goods – may well have hit bottom. This should give buyers more confidence. With little stock in the supply chain and underlying demand not substantially lower, there is then every chance of a pick-up in the market. In the meantime, we have important cost reduction programs underway and are utterly focused on staying close to our customers.

Christophe Cornier: The market backdrop is clearly difficult, particularly for export-based units such as those in Ukraine and Kazakhstan, and we are expecting lower demand in 2009. To counter these difficulties we are engaged in major cost-cutting efforts and we have increased our degree of vertical integration by sourcing coal for Ukraine from our recently acquired mines in Russia. We now face the future with a highly competitive cost base.

Sudhir Maheshwari: We are in an era of unprecedented uncertainty. While the measures taken by governments around the world will hopefully work through to a recovery in economic activity in 2009, there is a risk that this recovery will be slow. We therefore need to be prepared and our measures to maximize cash generation should be seen in this light. For the present, our efforts will be focused on reducing our debt by $10 billion before we engage in any further mergers and acquisitions activity.

Davinder Chugh: 2009 is expected to be a tough year, though in a different way to 2008. In the first half of 2008, we ensured the continuity of supply lines in scarce market conditions and delivered cost reduction simultaneously. In the latter half, the focus was on cash conservation and significant cost reduction. Costs will continue to be of prime focus in 2009. We need to ensure supplies at competitive prices while the volatility in the business environment will challenge the supply chain with continuity risks in the industry. This will be an opportunity to strengthen our relationships with our suppliers and emerge as a stronger and more efficient company.

Monthly Highlights 2008

January

ArcelorMittal signs a Memorandum of Understanding with Société Nationale Industrielle et Minière in Mauritania. The agreement provides for the development of a large iron ore mining project in Mauritania.

ArcelorMittal acquires Unicon, the leading manufacturer of welded steel pipes in Venezuela. Unicon supplies the oil and gas and industrial and construction sectors both domestically and overseas. The transaction was completed in April 2008.

ArcelorMittal inaugurates Arceo, its industrial prototype line for vacuum plasma steel coating in Liège, Belgium. With this process, steel can be a sensor, a reflector, a source of light, more aesthetically pleasing or endowed with better anti-corrosive properties.

ArcelorMittal Steel Service Centre Sverige and BE Group create a 50/50 processed flat carbon steel joint venture in Sweden. This combination creates a new number three in the Swedish market, with a 20% market share.

February

ArcelorMittal acquires the remaining 50% interest in Laminadora Costarricense and Trefileria Colima, the only major long carbon steel company in Costa Rica.

ArcelorMittal and the federal and regional governments of Belgium agree on carbon dioxide ('CO_2') emission allowances. As a consequence, the relaunch of ArcelorMittal Liège, Belgium, Blast Furnace Number 6 is initiated.

April

ArcelorMittal enters the Brazilian Steel Service Centre market with the acquisition of 50% of Gonvarri Brasil. The aim is to establish a strong presence in the Brazilian flat steel downstream segment, building on the product leadership of ArcelorMittal's Tubarão, Vitória, and Vega do Sul plants.

ArcelorMittal acquires three coal mines and associated assets in Russia for a total consideration of $720 million.

ArcelorMittal agrees to build a third line in its joint venture partnership with Nippon Steel by building a new continuous galvanizing line at the I/N Kote facility in New Carlisle, Indiana, at a cost of $240 million. On December 4, 2008, Nippon Steel announced that the project would be delayed until demand in the US automobile industry market strengthens.

ArcelorMittal concludes a coal off-take agreement with Coal of Africa Limited, the South African coal development company, relating to the Baobab and Thuli coal mines.

May

The Court appointed trustee completes the sale of ArcelorMittal's Sparrows Point steel mill to OAO Severstal for $810 million, net of debt.

June

ArcelorMittal and its unions sign a groundbreaking global agreement on occupational Health and Safety. It sets out minimum standards in every site in order to achieve world class performance.

ArcelorMittal holds an inaugural global interactive individual shareholder event with Second Life. Through this virtual reality website, individual shareholders can meet and interact with Mr Mittal.

ArcelorMittal signs an agreement to acquire Bayou Steel, a producer of structural steel with facilities in LaPlace, Louisiana, and Harriman, Tennessee, for $509 million. The transaction closed in July 2008.

ArcelorMittal signs an agreement to acquire the Mid Vol Coal Group. This partnership will increase the Company's upstream self-sufficiency in raw materials.

ArcelorMittal, Hunan Valin Group and Hunan Valin Steel Co. launch Valin ArcelorMittal Automotive Steel, an industrial and commercial automotive joint venture that will have an annual production capacity of 1.2 million tonnes of flat carbon steel, mainly for automotive applications.

ArcelorMittal enhances its distribution activities in the United Arab Emirates. The Company intends to acquire 60% of Dubai Steel Trading Company LLC ('DSTC LLC'), a newly incorporated company located in the Dubai free zone. The acquisition is finalized in January 2009.

ArcelorMittal increases its stake in Macarthur Coal of Australia, from 14.9% to 19.9%.

July

ArcelorMittal and AREVA sign an industrial partnership agreement for a €70 million ($110 million) investment aimed at increasing production of steel products for the nuclear industry at the Group's Industeel plant.

ArcelorMittal launches a new clean technology venture capital fund, with an initial clean technology investment of $20 million in MiaSolé, and a new carbon fund, as part of its commitment to finding solutions for environmental challenges, including climate change.

ArcelorMittal's Stainless International segment acquires the 35% stake in Uginox Sanayi ve Ticaret Limited Sirketi ('Uginox') owned by Primex. Uginox operates a coil processing and service centre in Turkey dedicated to servicing the automotive and white goods markets.

ArcelorMittal signs an agreement to acquire Concept Group ('Concept'), located in southern West Virginia, USA. Concept's proximity to Mid Vol's operations will allow the Group to draw on the complementary strengths of both companies to increase their combined production capacity. The transaction is completed in August 2008.

ArcelorMittal announces a €76 million ($118 million) investment to expand electrical steel production capacity at its Saint Chély d'Apcher plant, France.

ArcelorMittal reinforces its Steel Service Centre network in Brazil by acquiring a 70% share of Manchester Tubos e Perfilados, the Brazilian steel processor and distributor located in Contagem, Minas Gerais.

August

ArcelorMittal projects new investments of $1.6 billion in its carbon steel operations in Brazil. The timing and scope of this investment are currently under review.

ArcelorMittal acquires the Koppers' Monessen coke plant for $170 million. The acquisition is an important step towards increasing upstream self-sufficiency in metallurgical coke production. The transaction was completed in October 2008.

Hunan Valin Iron & Steel Group Co. Ltd and ArcelorMittal sign a 50/50 joint venture agreement for the production and sale of electrical (silicon) steel, one more milestone following the automotive sheet JV agreement signed in June. The new JV, named Valin ArcelorMittal Electrical Steel, will build cold rolling and processing facilities for the production of electrical steels.

ArcelorMittal acquires Brazilian iron ore miner London Mining South America Limited and reaches an agreement with Adriana Resources Inc. for the development of an iron ore port facility in the State of Rio de Janeiro, Brazil. Together with an investment in Mineração Pirâmide Participações Ltda, the acquisition further diversifies ArcelorMittal's iron ore base in the face of tighter raw material supply.

September

ArcelorMittal and Kalagadi Manganese agree a 50/50 joint venture to develop Kalagadi's South African manganese deposits. Project implementation has not yet begun and its scope and timing are under review.

ArcelorMittal Warsaw inaugurates a new bar rolling mill, one of the most advanced rolling lines in Europe, following an investment of €80 million.

ArcelorMittal announces a new 'Management Gains' plan that will target $4 billion of cost savings over the next five years. The plan focuses on increasing employee productivity, reducing energy consumption and reducing input costs to achieve a higher yield and improved product quality.

ArcelorMittal organizes its Leadership Conference in New Delhi, India. The 650 most senior managers have the opportunity to present their strategies, discuss critical issues and plan the future. Mr Mittal launches the new operating philosophy of Safe Sustainable Steel.

November

ArcelorMittal meets with its European Works Council to present voluntary separation programs to be launched across the Group. This is to help achieve the Company's stated aim of reducing SG&A expenditure by an additional $1 billion in response to the current economic situation.

ArcelorMittal announces measures in response to the downturn in the global steel industry. These include: postponing target completion dates for the realization of previously announced shipment growth objectives entailing substantial capital expenditure, increasing targeted cost savings under the 'Management Gains' program over the next five years to $5 billion through additional savings in SG&A costs, increasing temporary cuts in steel production to up to 35% (later increased to approximately 40-45%) globally in order to accelerate steel inventory reduction, and targeting a $10 billion reduction in net debt by the end of 2009. In addition, ArcelorMittal suspends the share buy-back program until the debt reduction targets are achieved.

December

ArcelorMittal enters into binding agreements to reduce its voting interest in Dillinger Hütte Saarstahl AG ('DHS') from 51.25% to 33.4% (corresponding to an economic interest of 30.08% since DHS holds 10% of its shares in treasury), in line with existing governance rights. ArcelorMittal plans to remain a key industrial partner to DHS.

Recent Developments

ArcelorMittal contributes its 76.9% stake in Saar Ferngas AG to Luxembourg-based utility Soteg, in which it holds a minority ownership stake. Upon completion of all steps related to this transaction, ArcelorMittal's stake in Soteg will ultimately increase from 20% to 25.3%.

In connection with its 2008 results announcement on February 11, 2009, ArcelorMittal provides an update on its initiatives in response to the difficult market environment. It will continue temporary production cuts of up to 45% in the first quarter of 2009 until the inventory reduction process is complete, reduce its base dividend for 2009 to $0.75 per share, refocus its $5 billion 'Management Gains' plan, target savings of $2 billion in 2009, reduce its planned capital expenditures to $3 billion in 2009, and target a reduction of working capital rotation days by 15-25 days during 2009.

Safe

"Our vision in this regard is very simple. We have to become the safest steel company in the world."

Lakshmi N Mittal

Ensuring the highest standards of Health and Safety continues to be the overarching priority for ArcelorMittal. This will continue to be the case despite the challenges of the global economic environment since the end of 2008 and continuing into 2009. 'Journey to Zero', launched in September 2008, is the Health and Safety improvement process that is helping the Group realize its commitment and its aim to become one of the safest steel companies in the world.

Journey to Zero

At ArcelorMittal, Health and Safety is the top priority. As clear evidence, every meeting of both the Group Management Board and the Management Committee begins with a Health and Safety review.

In March 2007, ArcelorMittal's Health and Safety policy was launched. Aimed at reducing the frequency of accidents on a continuing basis, it underlines the commitment ArcelorMittal has made to the well-being and safety of all employees – both on and off the job – and is a key component of '*transforming tomorrow*'.

In September 2008, 'Journey to Zero', ArcelorMittal's Health and Safety improvement process, was launched at the Leadership Conference in New Delhi, India. The world class principles contained within the Group-wide Health and Safety policy form the foundation of 'Journey to Zero' – a widely held and deeply felt initiative – with the goal of zero accidents.

'Journey to Zero' represents the committed pursuit of an injury-free, illness-free and healthy workplace. As such, it is a common language used to drive ArcelorMittal's continual Health and Safety improvement and to develop common leadership actions to deliver performance excellence. It leverages learning and shared best practices across the entire organization and engages people at all levels to identify high impact improvement priorities.

The process starts at the top and is led by a senior site leader. In every site/location, a 'talent' has been selected as project leader. Improvement initiatives were rapidly developed since the launch and have already become part of local Health and Safety business plans for 2009.

The focus is on preventive operational activities, improving standards through effective implementation of good and best practices including hazard identification and risk analysis, accident/incident investigation, critical task analysis, indicators follow-up, system review, communication process, layered evaluations/shop floor audits, colleague care and much more.

This becomes part of a complete Health and Safety Management System ('HSMS'), underlying actions that are shop floor oriented and event analysis driven. Each single Health and Safety business plan on site can refer to the HSMS to devise key initiatives with reference to their own culture, their past results, their history and motivational capabilities.

Global Joint Health and Safety Agreement

On June 3, 2008, ArcelorMittal and the European Metalworkers' Federation, the United Steelworkers and the International Metalworkers' Federation, signed a groundbreaking Global Agreement on Occupational Health and Safety.

The agreement, the first of its kind in the steel industry, recognizes the vital role played by trade unions in improving Health and Safety. It sets out minimum standards in every site in which ArcelorMittal operates in order to achieve world class performance. These standards include the commitment to form joint management/union Health and Safety committees as well as training and education programs in order to make a meaningful impact on overall Health and Safety across the Group. Also included in the agreement is the creation of a joint management/union Global Health and Safety Committee that will target plants in the Group in order to help them to further improve their Health and Safety performance.

Following the Global Health and Safety Committee meeting in East Chicago, USA, in June 2008, new Global Health and Safety standards were refined and finalized. These included the new – and very critical – global standards for contractors; vehicles and driving; cranes and lifting, as well as the Alert Procedure.

From September 30 to October 1, 2008, members of the Global Joint Health and Safety Committee met in Kazakhstan. Their primary purpose was to support implementation of the groundbreaking Global Joint Health and Safety Committee agreement. Continuing their work, union leaders and ArcelorMittal management met in Timóteo, Brazil from November 11-13, 2008. Brazil has joint Health and Safety committees – CIPAs – which are a legal requirement – composed of appointed management and elected employees. At this second leg of the 2008 session, union members of the Joint Committee met union representatives from across Brazil in Belo Horizonte.

Performance

Despite the current global economic uncertainties, the ArcelorMittal Group places Health and Safety as its number one priority. ArcelorMittal is on a 'Journey to Zero'. The Group's Lost Time Injury Frequency Rate improved in 2008 to 2.3 (compared with 3.3 in 2007, for steel and mining).

The driving philosophy underlying the Health and Safety process is that if some parts of the ArcelorMittal Group can deliver best practice, all parts can. By learning together and sharing best experience across the entire organization, they achieve high impact Health and Safety improvement that protects the company's greatest asset – the people.

To leverage and improve the Health and Safety performance around the Group, the Group Management Board identified 15 high priority plants at end of year 2008. The implementation of Health and Safety improvement plans at these sites will be closely monitored on a weekly basis with the direct involvement of the corporate Health and Safety team.

Leading by example

There are many good examples of 'Journey to Zero' progress in the Group that show how the process can be implemented.

In 2008, ArcelorMittal Châtelet, Belgium, received the OHSAS 18001 certification in January, followed by the Service Centre based in Genk, Belgium, in April, ArcelorMittal Rodange, Luxembourg, in August, ArcelorMittal Ancerville, France, in September and ArcelorMittal Usti, Czech Republic, in October. More recently, ArcelorMittal Timóteo in Brazil, ArcelorMittal Genk in Belgium, ArcelorMittal Gueugnon, ArcelorMittal Isbergues, ArcelorMittal Pont de Roide and Firminy in France, the Service Centre based in Poland and another one based in Spain also obtained their OHSAS 18001 certification.

Ten Actions of the Health and Safety Corporate with Global Health Committee

- *Analysis of health status and main illness causes*
- *Analysis of hygiene status*
- *Definition of Group health programs contributing to 'Journey to Zero'*
- *Definition of an adequate reporting and metrics system, introducing leading indicators and allowing performance measurements*
- *Definition of advanced environmental-health and hygiene concepts*
- *Definition of advanced disease prevention campaigns*
- *Definition of main Group health and hygiene standards and recommendations*
- *Definition of a best practices portfolio – benchmarking with best of class companies*
- *Definition of a health REX[1] system*
- *Initiation and follow-up of pilot and master plan projects*

Thus 18 units are now certified to OHSAS 18001 within the Stainless segment. All industrial sites are certified. These 18 sites cover around 9,000 employees out of around 12,000 in total within the Stainless segment. It means that three employees out of four are now working on a site accredited with OHSAS 18001 Standard.

On September 29 and 30, Health and Safety managers from Long Carbon Europe ('LCE') highlighted their 'Journey to Zero' program. 2009 will concentrate on closing the gap by aligning the least performing sites to LCE's best in class. 2010 will focus on eliminating losses due to failures in processes and installations. In 2011, they will closely work on the definition and the implementation of additional improvement tools. Finally, 2012 will more specifically stress the health features of our action plans, for instance back pain or occupational illnesses.

In October 2008, the World Steel Association (worldsteel) recognized ArcelorMittal Dofasco with the 2008 Safety and Health Excellence Recognition Award. ArcelorMittal Dofasco was recognized for its excellence in the pursuit of an injury-free, illness-free and healthy workplace. With this recognition, worldsteel (formerly the International Iron and Steel Institute) highlighted the 'Journey to Zero' initiative as an example of how the Company is engaging employees in its efforts to improve Health and Safety performance.

In the last month of 2008, Stainless Brazil reached an unprecedented result: a zero accident rate in all of its units, including service centers, the steel plant in Timóteo, the tubes manufacturing units and the charcoal production complex in Vale do Jequitinhonha, besides the administrative and commercial offices. The result, which covers around 5,500 employees and approximately 2,500 subcontractors, proves that a zero accident rate is a possible target.

Health and Safety Day

Already in March 2007 and 2008, ArcelorMittal held a Group-wide Health and Safety Day that was observed in all of its worldwide operations. Now a regular annual event, Health and Safety Day is an occasion to involve all staff in discussing safety improvements, new targets and associated safety programs at Group as well as plant level.

[1] *Return on Experience.*

Mining activities

In 2008 ArcelorMittal continued to make improvements to the equipment and operating practices and continues to implement an investment program aimed at modernizing the mines, ensuring a safe working environment for employees and improving productivity. The program will take four years to complete. It includes upgrading of the methane degassing and mine ventilation systems and installing electrical and gas detection telemetry systems.

In 2008, the iron ore mining operations of ArcelorMittal reduced its Lost Time Injury Frequency Rate by 50% and the Bosnian operation at Prejidor achieved 15 months without a lost time injury. The focus has been the implementation of shop floor audits and Leading by Example – the theme of Health and Safety Day 2008. The rollout of 'Journey to Zero' will strengthen the focus in reducing accidents and incidents in our operations.

Following the Abayskaya Mine incident in Kazakhstan in January 2008, where 30 employees tragically lost their lives, ArcelorMittal reviewed its investment and modernization program and significantly increased the capital expenditure during 2008. A lengthy investigation into the cause of the accident was consequently conducted and an action plan was provided to the management to ensure the safety of all employees engaged in the Group's mining operations.

ArcelorMittal continues to work with the Government improving and modernizing the coal mines in Kazakhstan. Part of the investment program provides the latest mine environmental monitoring system and is now installed at two of the mines, Kazakhstanskaya and Shaktinkskaya, providing real time monitoring of the mine atmosphere.

A new technique designed to improve the capture of the methane released during mining has recently been implemented at Kuzembaev mine. The Group is also working with international experts reviewing recognized 'world best' techniques in degassing to develop and apply the projects in our coal mines.

New coal production equipment is being installed at the Kostenko coal mine which will contribute to improving the safety of employees. ArcelorMittal continues its Behavioral Safety program 'Each person's safety is everyone's safety' with support from the internationally renowned company DuPont. ArcelorMittal remains committed to the Health and Safety investment program which is designed to eliminate these tragic incidents in its coal mining operations.

50%

In 2008, the iron ore mining operations of ArcelorMittal reduced its Lost Time Injury Frequency Rate by 50%

Unions and ArcelorMittal Health and Safety management are working together to create a dialogue in order to make a meaningful impact on Health and Safety across the Company, including mining. On October 1, 2008, the Global Joint Health and Safety Committee met in Kazakhstan. Topics discussed included the need for employees to be able to raise Health and Safety issues freely with local management. Attendees also stressed the need to accelerate and install planned Health and Safety capital improvements for mining.

Health initiatives: Paying more attention to health

ArcelorMittal views the health of its workforce as a key element in the success of its operations. Maintaining good health is critical to the Company's Health and Safety record. A notable difference in 2008 is a more unified approach towards Health and Safety, placing greater emphasis on the health aspect; a health sub-committee of the Global Health and Safety Committee has been formed, signifying no separation of Health and Safety in terms of importance, best practices and standards.

Along with a focus on major injuries, the Group is integrating a stronger campaign of preventative health measures and recognition of such problems as back pain, carpal tunnel, fatigue syndrome, burns, cardiovascular risks, noise at work, stress, etc.

A main area of focus in 2008 was the development of the Health and Safety Committee's integrated strategy and action plan. A challenge at ArcelorMittal is creating such plans for a company with a broad geographic reach; one which encompasses both aspects of the World Economic Forum's definition of 'two' worlds: developed and developing. Within this context, the new Health Committee is implementing initiatives to respond specifically to the needs of these two worlds, with an ultimate goal of Group-wide common standards for all locations.

For example, in places such as Brazil, Europe, the USA and Canada, where health standards may be higher, more emphasis might be placed on screening for illnesses. In such locations, the ArcelorMittal Group can employ a 'top down' approach, with the global Committee creating initiatives, such as a global Health Standards. In the developing world, a 'bottom-up' approach can prove more fruitful; developing localized solutions to better suit the ground realities. For example, the need may be for basic health care infrastructure, as is the case in Liberia, or the prevalent health care issue might be an illness such as Aids, as is the case in South Africa.

Different locations require different investments in the basics of occupational health. This is why the Global Health and Safety Committee has continental representation (one person each for Canada, USA, Asia, Africa and Europe). The initiatives they develop serve therefore to meet the needs of specific regions with a final objective of improving health care and establishing minimum acceptable levels of quality health care across the geographies.

Localized master plans

One task that Corporate Health and Safety has is the implementation of master plans for 'Journey to Zero', meaning zero occupational diseases, which involve a more 'bottom up' approach, meaning direct help for the operations. Over a period of approximately three years, analysis will be conducted, resulting in the creation of a localized action plan.

This process can be quite complex, particularly in places such as Kazakhstan where there are mining and steel operations. Assistance is provided by the Joint Health and Safety Committees, who offer advice and help to create Health and Safety action plans, provide training and assist with the technical aspects of knowledge transfer. The key is for the health team to build up practical help and to be active in projects with concrete actions.

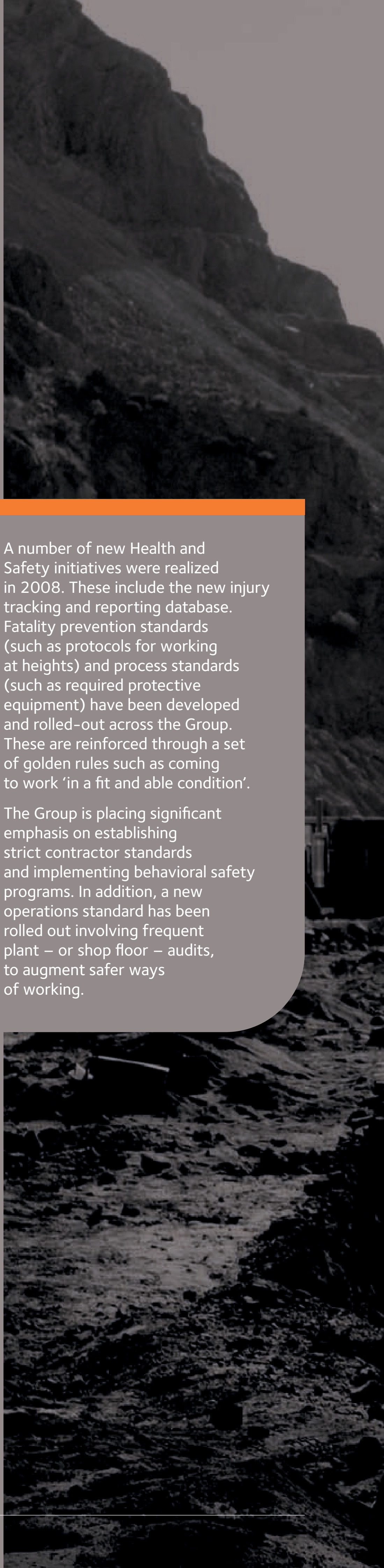
One example where this call to action is being applied is in Kazakhstan. At ArcelorMittal Temirtau, a new CEO was appointed in 2008 who has taken a very pragmatic approach to improving health and hygiene. This resulted in a Directive, a Medical Coordinator, and a consulting group; all valuable elements in developing a local plan.

Lessons learned in one country can be useful company-wide.

In 2008, ArcelorMittal and trade unions across the globe signed a groundbreaking agreement to further improve Health and Safety standards throughout the Company. The agreement sets out minimum standards in every site that the Company operates in, so as to achieve world-class performance. These standards include the commitment to form joint management/union Health and Safety committees as well as training and education programs in order to make a meaningful impact on overall Health and Safety across the Company.

A number of new Health and Safety initiatives were realized in 2008. These include the new injury tracking and reporting database. Fatality prevention standards (such as protocols for working at heights) and process standards (such as required protective equipment) have been developed and rolled-out across the Group. These are reinforced through a set of golden rules such as coming to work 'in a fit and able condition'.

The Group is placing significant emphasis on establishing strict contractor standards and implementing behavioral safety programs. In addition, a new operations standard has been rolled out involving frequent plant – or shop floor – audits, to augment safer ways of working.



'Leading by Example' is an essential concept to promote Health and Safety within the Group.

ArcelorMittal's Board of Directors is responsible for the overall supervision of the Company. On May 13, 2008, following the end of Mr Joseph Kinsch's mandate as Chairman, Mr Lakshmi N Mittal became Chairman of the Board. Currently, the Board of Directors is comprised of 16 directors, 15 of whom are non-executive directors, one of whom is an executive director and 12 of whom are independent directors. The Board is truly international in character.

Board of Directors

Lakshmi N Mittal, 58, is the Chairman and CEO of ArcelorMittal. Mr Mittal founded Mittal Steel Company (formerly the LNM Group) in 1976 and guided its strategic development, culminating in the merger with Arcelor, agreed in 2006, to found the world's largest steelmaker. Since the merger, Mr Mittal has led a successful integration, establishing ArcelorMittal as one of the world's foremost industrial companies. 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 trusts and boards, including Goldman Sachs' Board of Directors, EADS Board of Directors and ICICI Bank Limited's Board of Directors. He is also a member of the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the Investors' Council to the Cabinet of Ministers of Ukraine, the World Economic Forum's International Business Council, the World Steel Association's Executive Committee and the Presidential International Advisory Board of Mozambique. He also sits on the Advisory Board of the Kellogg School of Management in the United States.

Mr Mittal began his career working in the family's steelmaking business in India, and has over 30 years of experience working in steel and related industries. In addition to forcing the pace of industry consolidation, he has also championed the development of integrated mini-mills and the use of DRI as a scrap substitute for steelmaking. Following the transaction combining Ispat International and LNM Holdings to form Mittal Steel in December 2004, together with the simultaneous announcement of the acquisition of International Steel Group in the United States to form the world's then-leading steel producer, Mr Mittal was awarded *Fortune* magazine's 'European Businessman of the Year 2004'.

In 1996, Mr Mittal was awarded 'Steelmaker of the Year' by *New Steel* in the United States and the 'Willy Korf Steel Vision Award' by *World Steel Dynamics* in 1998 for outstanding vision, entrepreneurship, leadership and success in global steel development. Following the creation of ArcelorMittal, 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 the 2007 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.

Mr Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950. He graduated from St Xavier's College in Kolkata where he received a Bachelor of Commerce degree. Mr Mittal is married to Usha Mittal, and has a son, Aditya Mittal and a daughter, Vanisha Mittal Bhatia.

Lewis B Kaden, 66, is the Lead Independent Director of ArcelorMittal. He has approximately 38 years of experience in corporate governance, financial services, dispute resolution and economic policy. He is currently Vice Chairman of Citigroup. 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 Centre 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 Directors of the Markle Foundation. He is a member of the Council on Foreign Relations and has been a moderator of the Business-Labor Dialogue. Mr Kaden is a magna cum laude graduate of Harvard College and of Harvard Law School. He was the John Harvard Scholar at Emmanuel College, Cambridge University. Mr Kaden's principal duties and responsibilities as Lead Independent Director are as follows:

- Coordination of activities of the other Independent Directors;
- Liaison between the Chairman and the other Independent Directors;
- Calling meetings of the Independent Directors when necessary and appropriate; and
- Such other duties as are assigned from time to time by the Board of Directors.

First row (left to right)
Lakshmi N Mittal
Lewis B Kaden
Vanisha Mittal Bhatia
Narayanan Vaghul
Second row (left to right)
Wilbur L Ross
François Pinault
José Ramón Álvarez Rendueles
Sergio Silva de Freitas
Third row (left to right)
Georges Schmit
Michel Angel Marti
Jean-Pierre Hansen
John O Castegnaro
Fourth row (left to right)
Antoine Spillmann
H.R.H. Prince Guillaume de Luxembourg
Ignacio Fernández Toxo
Malay Mukherjee

Board of Directors *continued*

Vanisha Mittal Bhatia, 28, was appointed as a member of the LNM Holdings Board of Directors in June 2004. Mrs Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School and has completed corporate internships at Mittal Shipping Ltd., Mittal Steel Hamburg GmbH and an Internet-based venture capital fund. She is the daughter of Mr Lakshmi N Mittal.

Narayanan Vaghul, 72, has over 50 years of experience in the financial sector and has been the Chairman of ICICI Bank Limited since 2002. 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 was chosen as Businessman of the Year in 1992 by *Business India* and has served as a 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. Mr Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a Board member of various other companies, including Wipro, Mahindra & Mahindra, Nicholas Piramal India, Apollo Hospitals and Himatsingka Seide.

Wilbur L Ross, Jr, 71, has served as the Chairman of the ISG Board of Directors since ISG's inception. Mr Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position that he has held since April 2000. Mr Ross is also the Chairman and Chief Executive Officer of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment, Nippon Investment Partners and Absolute Recovery Hedge Fund. Mr Ross is also Chairman of Invesco Private Capital, Ohizumi Manufacturing Company in Japan, International Textile Group, International Coal Group and of American Home Mortgage Servicing Inc. Mr Ross is a Board member of the Turnaround Management Association, Nikko Electric in Japan, Clarent Hospital Corp. and International Automotive Components. He also serves as a Director to Compagnie Européenne de Wagons SARL, Luxembourg, Wagon PLC, UK, the Japan Society, the Whitney Museum of American Art and the Yale School of Management. Previously, Mr Ross served as the Executive Managing Director at Rothschild, the investment banking firm, from October 1974 to March 2000 and as Chairman of the Smithsonian Institution National Board.

François Pinault, 72, is the founder and former President of the Artemis Group and PPR. The Artemis Group is a global investment holding company including 42% of the listed company PPR. PPR includes retail brands such as FNAC, La Redoute, Conforama, and luxury brands such as Gucci Group, which includes Gucci, Bottega Veneta, Yves Saint Laurent, Boucheron and Balenciaga. Artemis also owns the Chateau Latour vineyard in France and Christie's auction house. Mr Pinault also owns insurance and media businesses and holds minority shares in the French groups Bouygues and Vinci. Mr Pinault also serves on the Board of Directors of Financière Pinault and Artemis.

José Ramón Álvarez Rendueles, 68, has extensive experience in the financial, economic and industrial sectors. He is a former Governor of the Bank of España and President of the Bank Zaragozano. He is President of the Board of Directors of ArcelorMittal España and Peugeot España. He is also a retired full professor of public finance at the Universidad Autónoma de Madrid and a Director of Gestevisión Telecinco S.A., Generali España and Sanitas.

Sergio Silva de Freitas, 65, has over 40 years of experience in the financial sector. He is President of the Board of Directors of ArcelorMittal Brasil. From 1975 to 1979, he was Secretary of Finance of São Paulo and served as Director of the Central Bank of Brasil in 1996. After several years spent in high-ranking positions in important financial institutions in São Paulo, London and Washington, he became Senior Vice President of Banco Itaú and is currently a member of the International Advisory Board of Banco Itaú, São Paulo, Brazil. He is also a member of the Board of several Brazilian and foreign companies. He has a Bachelor's degree in Electrical Engineering from Escola Nacional de Engenharia da Universidade Brasil.

Georges Schmit, 55, is Director General at the Ministry of the Economy and Foreign Trade and Member of the Board of Economic Development of the Grand-Duchy of Luxembourg. He is also Vice Chairman of the Société Nationale de Crédit et d'Investissement (SNCI) and of the Entreprise des Postes et Télécommunications, Luxembourg, and a Director of SES, Banque et Caisse d'Epargne de l'Etat and Paul Wurth. Mr Schmit graduated from the University of Louvain, Belgium and holds a Master of Arts degree in Economics from the University of Michigan.

Michel Angel Marti, 61, serves as a representative of the employees of ArcelorMittal. He is a former Secretary of the Confédération Française Démocratique du Travail (CFDT) union, located in Broye, France.

Jean-Pierre Hansen, 60, is Vice Chairman of the Executive Committee and Senior Executive Vice President of Suez, in charge of Operations. He entered the electricity and gas sector in 1975. Since January 2005, Mr Hansen has been Vice Chairman and CEO of Electrabel, a role he had previously held from 1992 to March 1999. Since March 1999, he has also held the position of Chairman of the Executive Committee of Electrabel. He is also CEO of Suez-Tractebel, Chairman of Fabricom and Director of Distrigas, Fluxys, AGBAR and ACEA, Vice Chairman of the Federation of Enterprises in Belgium and associate professor of economics at the UCL and at the École Polytechnique, Paris. Mr Hansen holds a Master's degree in Electrical Engineering, a degree in Economics and a Doctorate in Engineering.

John O Castegnaro, 64, serves as a representative of the employees of ArcelorMittal. He is a member of the Luxembourg Parliament and Honorary Chairman of the Onhofhängege Gewerkschaftsbond Lëtzebuerg (OGB-L) trade union.

Antoine Spillmann, 45, worked for leading investment banks in London from 1986 to 2000. He is now an Asset Manager and executive partner at the firm Bruellan Wealth Management, an independent asset management company based in Geneva. Mr Spillmann studied in Switzerland and London, receiving diplomas from the London Business School in Investment Management and Corporate Finance.

H.R.H. Prince Guillaume de Luxembourg, 45, worked for six months at the International Monetary Fund in Washington D.C. and spent two years working for the Commission of European Communities in Brussels. He studied at the University of Oxford in the United Kingdom, and Georgetown University in Washington D.C. from which he graduated.

Ignacio Fernández Toxo, 56, has approximately 30 years of experience in trade union matters. He is currently a member of the Confederal Executive Committee of Comisiones Obreras (CC.OO.), serving as Secretary of Acción Sindical y Políticas Sectoriales.

Malay Mukherjee, 60, has over 30 years of experience in a variety of technical and commercial functions in the steel industry, including iron ore mining, project implementation, materials management and steel plant operations. He joined the LNM Group in 1993 after working at the Steel Authority of India Limited (SAIL), where he last served as Executive Director (Works) at the Bhilai Steel Plant, the largest integrated steel plant in India, which has a production capacity of approximately four million tonnes. Mr Mukherjee has a Master's degree in Mining from the U.S.S.R. State Commission in Moscow and a Bachelor of Science degree from the Indian Institute of Technology in Kharagpur, India. Mr Mukherjee also completed an advanced management program conducted by the Commonwealth Secretariat in joint association with the University of Ottawa, Canada, and the Indian Institute of Management, Ahmedabad. Mr Mukherjee joined Ispat Karmet in 1996 after serving as Managing Director of Ispat Mexicana, joining Ispat Europe as President and CEO in June 1999. Formerly the President and Chief Operating Officer of Ispat International N.V., Mr Mukherjee became the Chief Operating Officer of Mittal Steel Company in October 2004. He is a former Member of ArcelorMittal's Group Management Board with responsibility for Asia, Africa, CIS, Mining, Stainless, Pipes and Tubes as well as Technology.

Senior Management - Group Management Board

The strategic direction of the business is the responsibility of the Group Management Board (GMB). The GMB members are elected by the Board of Directors and are headed by Lakshmi N Mittal as Chief Executive. On April 21, 2008, the GMB was expanded, to reflect the increasing size, scope and ambitions of ArcelorMittal. Sudhir Maheshwari, Christophe Cornier and Davinder Chugh have joined the GMB. This ensures that the senior executive team continues to enjoy the relevant talent and expertise it needs to continue to deliver the best possible performance to all stakeholders.

Aditya Mittal, CFO, Responsible for Flat Americas, Mergers and Acquisitions (M&A), Investor Relations, Strategy and Communications

Aditya Mittal, 33, is Chief Financial Officer of ArcelorMittal with additional responsibility for M&A Business and Project Development, Flat Americas, Strategy, Investors Relations and Communications. Prior to the merger to create ArcelorMittal, Aditya Mittal held the position of President and CFO 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 the Merger and Acquisition responsibilities, Aditya Mittal was involved in post-integration, turnaround and improvement strategies. As CFO of Mittal Steel, he also initiated and led Mittal Steel's offer for Arcelor to create the first 100 million tonne plus steel company. In 2008, Aditya Mittal was awarded 'European Business Leader of the Future' by *CNBC Europe*. He is a member of the World Economic Forum's Young Global Leaders Forum, the Young President's Organization, a Board Member at the Wharton School, a Board Member at Bennett, Coleman & Co. and a member of Citigroup's International Advisory Board. 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. Aditya Mittal is the son of Mr Lakshmi N Mittal.

Gonzalo Urquijo, Responsible for Long Products, China, Stainless, Tubular Products, Corporate Responsibility, ArcelorMittal Foundation, Investment Allocation Committee (IAC) Chairman

Gonzalo Urquijo, 47, previously Senior Executive Vice President and Chief Financial Officer of Arcelor, held the following responsibilities: Finance, Purchasing, IT, Legal Affairs, Investor Relations, Arcelor Steel Solutions and Services, and other activities. Gonzalo Urquijo also held several other positions within Arcelor, including Deputy Senior Executive Vice President and Head of the functional directorates of distribution. Until the creation of Arcelor in 2002, when he became Executive Vice President of the Operational Unit South of the Flat Carbon Steel sector, Mr Urquijo was CFO of Aceralia. Between 1984 and 1992, he held a variety of positions at Citibank and Crédit Agricole before joining Aristrain in 1992 as CFO and later Co-CEO. Gonzalo Urquijo is a graduate in Economics and Political Science of Yale University and holds an MBA from the Instituto de Empresa in Madrid.

Michel Wurth, Responsible for Flat Europe, Steel Solutions and Services, Products Development and R&D, Global Customers

Michel Wurth, 54, was previously Vice President of the Group Management Board of Arcelor and Deputy CEO, with responsibility for Flat Carbon Steel Europe and Auto, Flat Carbon Steel Brazil, Coordination Brazil, Coordination Heavy Plate, R&D, NSC Alliance. The merger of Aceralia, Arbed and Usinor leading to the creation of Arcelor in 2002 led to Michel Wurth's appointment as Senior Executive Vice President and CFO of Arcelor, with responsibility over Finance and Management by Objectives. Michel Wurth joined Arbed in 1979 and held a variety of functions including Secretary of the Board of Directors, head of the Arbed subsidiary Novar and Corporate Secretary, before joining the Arbed Group Management Board and becoming its Chief Financial Officer in 1996. He was named Executive Vice President in 1998. Michel Wurth holds a law degree from the University of Grenoble, a degree in Political Science from the Institut d'Études Politiques de Grenoble and a Master of Economics degree from the London School of Economics.

Sudhir Maheshwari, Responsible for M&A, Business Development, Corporate Finance and Tax Committee (reporting to CFO)

Sudhir Maheshwari, 45, was previously Member of the Management Committee of ArcelorMittal, Responsible for Finance and M&A. Prior to this, Mr Maheshwari was Managing Director of Business Development and Treasury at Mittal Steel and has over 20 years of experience in steel and related industries. Prior to this he was the Chief Financial Officer of LNM Holdings N.V. from January 2002 until its merger with Ispat International in December 2004. He played an integral role in all Mittal Steel acquisitions in recent years, including turnaround and integration activities. He also played a key role in various corporate finance and capital market projects including the initial public offering in 1997. Over a 20-year career with Mittal Steel, Mr Maheshwari also held the positions of Chief Financial Officer at Mittal Steel Europe S.A., Mittal Steel Germany and Mittal Steel Point Lisas, and Director of Finance and Mergers and Acquisitions at Mittal Steel. Mr Maheshwari also served on the Board of various subsidiaries of Mittal Steel.

First row (left to right)
Lakshmi N Mittal
Aditya Mittal
Gonzalo Urquijo
Michel Wurth
Second row (left to right)
Sudhir Maheshwari
Christophe Cornier
Davinder Chugh

He is the Alternate Chair of the Strategic Finance and Tax Committee. Mr Maheshwari is an Honors Graduate in Accounting and Commerce from St. Xavier's College, Calcutta and a Fellow of The Institute of Chartered Accountants and The Institute of Company Secretaries in India.

Christophe Cornier, Responsible for Asia, Africa, Technology and Projects

Christophe Cornier, 56, was previously a Member of the Management Committee of ArcelorMittal, Responsible for Flat Carbon Western Europe. Prior to that, Christophe Cornier was responsible for Arcelor's flat products activities in Europe and for its worldwide automotive sector since December 2005, when he was appointed a member of Arcelor's Management Committee. In June 2005, he was appointed head of Arcelor's Client Value Team. Upon the creation of Arcelor in 2002, he was named Executive Vice President of FCS Commercial Auto. Before that, he was CEO of Sollac Mediterranée. In 1998, he was appointed CEO of La Magona, after joining Sollac Packaging as Managing Director in 1993. In 1985 he joined Usinor, where he was Business Development Director and Chief Controller of Sollac. He began his career with the French Ministry of Industry, which he left as a Deputy Director. Mr Cornier is a graduate of the École Polytechnique and the École des Mines in Paris.

Davinder Chugh, Responsible for Shared Services (reporting to CEO), IAC Member

Davinder Chugh, 52, has over 30 years of experience in the steel industry in general management, materials purchasing, marketing, logistics, warehousing and shipping. Davinder Chugh was previously a Member of the Management Committee of ArcelorMittal until 2007. Before becoming a Member of the Management Committee, he served as the CEO of Mittal Steel South Africa until 2006. Mr Chugh also worked in South Africa from 2002 after the acquisition of Mittal Steel South Africa (ISCOR) and was involved in the turnaround and consolidation of the South African operations of ArcelorMittal. He also served as Director of Commercial and Marketing at Mittal Steel South Africa, among other positions. Mr Chugh was Vice President of Purchasing in Mittal Steel Europe until 2002, where he consolidated procurement and logistics across plants in Europe. Prior to this, he held several senior positions at the Steel Authority India Limited in New Delhi, India.
He holds degrees in science and law and has a Master of Business Administration.

Senior Management - Management Committee

Name	Age[1]	Position
Bhikam Agarwal	56	Executive Vice President, Head of Finance
Vijay Bhatnagar	61	Executive Vice President, CEO India
José Armando Campos	60	Executive Vice President, CEO Flat South America
Philippe Darmayan	56	Executive Vice President, CEO Steel Solutions and Services
Bernard Fontana	47	Executive Vice President, Head of Human Resources
Jean-Yves Gilet	52	Executive Vice President, CEO Stainless
Pierre Gugliermina	57	Executive Vice President, Chief Technology Officer
Robrecht Himpe	50	Executive Vice President, CEO Flat Europe
Peter Kukielski [2]	52	Senior Executive Vice President, Head of Mining
Carlo Panunzi	59	Executive Vice President, CEO Long Americas
Michael Pfitzner	59	Executive Vice President, Head of Marketing and Commercial Coordination
Arnaud Poupart-Lafarge	43	Executive Vice President, CEO Africa and CIS
Gerhard Renz	61	Executive Vice President, CEO Long Europe
Michael Rippey	51	Executive Vice President, CEO USA
Lou Schorsch	59	Executive Vice President, CEO Flat Americas
Bill Scotting	50	Executive Vice President, Head of Strategy
Invitee - John Macnamara	58	Vice President, Health and Safety

[1] Age as of December 31, 2008
[2] Effective at December 15, 2008

"When people hear the word sustainability, they often think first about the environment. But arguably the highest prize of all is to sustain your reputation because a reputation is a cumulative measure – it is the running scorecard on all that we do."

Lakshmi N Mittal

Sustaina

able

Business Strategy

ArcelorMittal has been built on a management philosophy that values scale, vertical integration, product diversity and quality, continuous growth in higher value products and a strong employee well-being and customer service focus. The Company has continued to enhance these characteristics through its three dimensional strategy for sustainability and growth. As a result, the Company enjoys unique geographical and product diversification, coupled with upstream and downstream integration that reduces exposure to risk and cyclicality. This strategy can be broken down into three major elements:

Geography: ArcelorMittal is the largest producer of steel in Europe, North and South America, Africa, the second largest steel producer in the CIS region, and has a growing presence in Asia, particularly in China. ArcelorMittal has steel-making operations in 20 countries on four continents, including 66 integrated, mini-mill and integrated mini-mill steel-making facilities which provide a high degree of geographic diversification. Approximately 36% of its steel is produced in the Americas, approximately 49% is produced in Europe and approximately 15% is produced in other countries, such as Kazakhstan, South Africa and Ukraine. ArcelorMittal is able to improve management and spread its risk by operating in six segments (Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, AACIS, Stainless Steel, and Steel Solutions and Services) reflecting its geographical and product diversity. Worldwide steel demand in recent years has been driven by growth in developing economies, in particular the BRICET[1] countries. The Company's expansion strategy over recent years has given it a leading position in Africa, Central and Eastern Europe, South America and Asia. As these economies develop, local customers will require increasingly advanced steel products as market needs change.

Products: As a global steel producer, ArcelorMittal is able to meet the needs of diverse markets. Steel consumption and product requirements are different in mature economy markets and developing economy markets. Steel consumption in mature 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, ArcelorMittal maintains a high degree of product diversification and seeks opportunities to increase the proportion of its product mix consisting of higher value-added products. The Company produces a broad range of high-quality finished, semi-finished carbon steel products and stainless steel products.

Value chain: Vertical integration is key to ArcelorMittal. The Company has access to high-quality and low-cost raw materials through its captive sources and long-term contracts. ArcelorMittal plans to continue to develop its upstream and downstream integration in the medium term, following a return to a more favorable market environment. Accordingly, the Company intends in the medium-term to increase selectively its access to and ownership of low-cost raw material supplies, particularly in locations adjacent to, or accessible from, its steel plant operations.

Downstream integration is a key element of ArcelorMittal's strategy to build a global customer franchise. In high-value products, downstream integration allows steel companies to be closer to the customer and capture a greater share of value-added activities. As its key customers globalize, ArcelorMittal intends to invest in value-added downstream operations, such as steel service centers and building and construction support unit services for the construction industry.

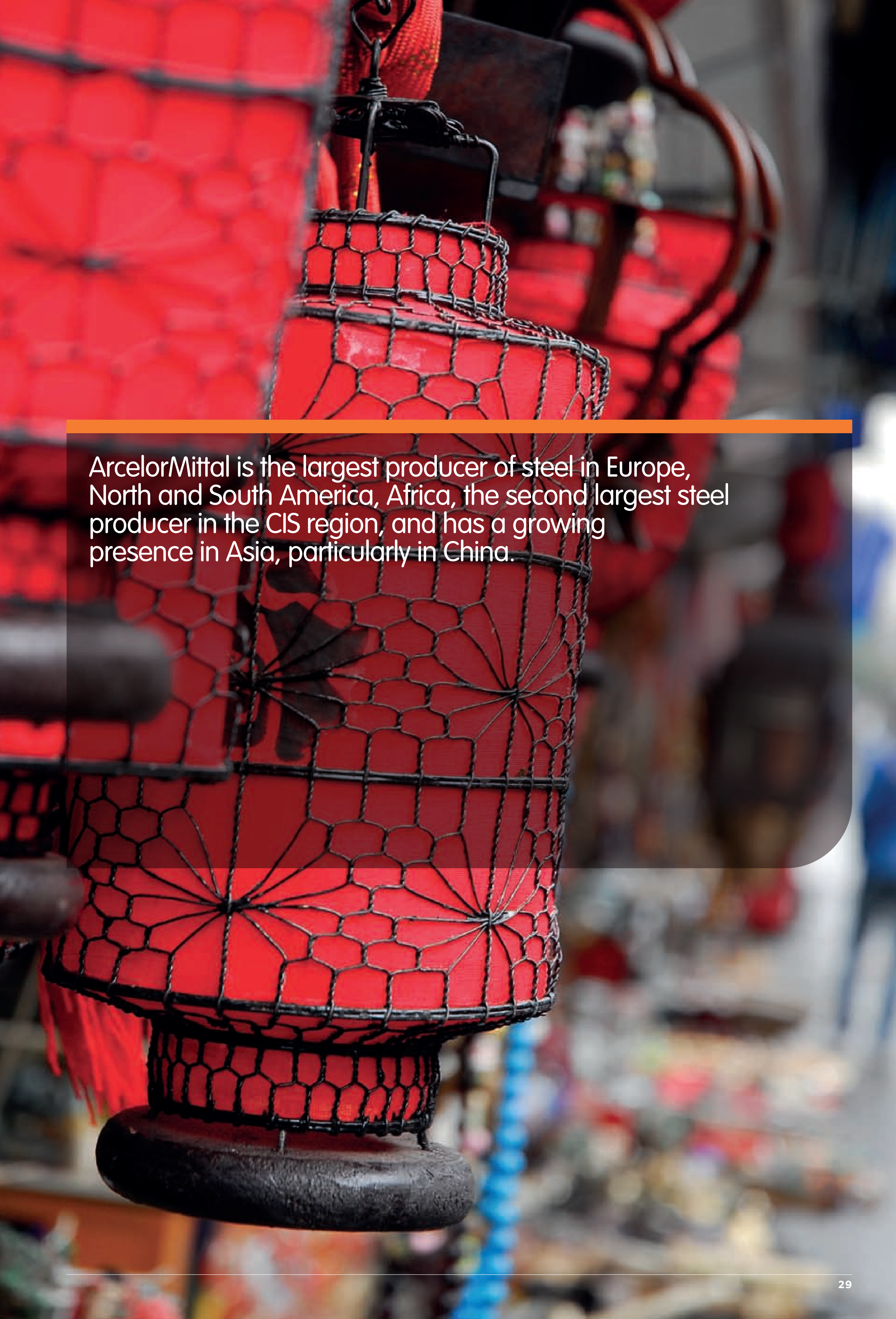
In addition, the Company intends to continue to develop its distribution network in selected geographic regions. ArcelorMittal believes that these downstream and distribution activities should allow it to benefit from better market intelligence and to better manage inventories in the supply chain to reduce volatility and improve working capital management. Furthermore ArcelorMittal will continue to expand its production of value-added products in developing markets, leveraging off its experience in developed markets.

Organic growth: Notwithstanding the current downturn, ArcelorMittal's management believes there will be strong global steel demand growth in the medium and long-term. Accordingly, the Company is maintaining its previously announced strategic growth plan to increase shipments in the medium-term to 130 million tonnes, which represents a 20% increase over 2006 levels, primarily through production improvements at existing facilities. Realization of this plan will nonetheless be delayed due to the postponement of capital expenditure in light of current market conditions and uncertainties.

Mergers and acquisitions and Greenfield growth: Mergers and acquisitions have historically been a key pillar of ArcelorMittal's strategy to which it brings unique experience, particularly in terms of integration. Instead of creating new capacity, mergers and acquisitions increase industry consolidation and create synergies. ArcelorMittal has also placed strong emphasis on growth in emerging economies through Greenfield developments. In light of the current economic and market conditions, ArcelorMittal has temporarily curtailed merger and acquisition and Greenfield investment activity until a return to a more favorable market environment.

Despite the unprecedented global economic situation which has resulted in some postponements or temporary adjustments of growth targets, the Company's three dimensional strategy remains its key to sustainability and growth over the long-term. However, given the current economic challenges, the Company has temporarily put its growth plans on pause, focusing instead on adapting the Company to the current difficult environment.

[1] Brazil, Russia, India, China, Eastern Europe and Turkey.



ArcelorMittal is the largest producer of steel in Europe, North and South America, Africa, the second largest steel producer in the CIS region, and has a growing presence in Asia, particularly in China.

ArcelorMittal continues to support the Bone Marrow Registry project, started in France 20 years ago and is steadily expanding to new countries around the world. The international expansion of the potential donor base improves the chances of finding compatible donors, thus increasing number of people who could benefit from potentially life-saving bone marrow transplants each year.

December 2008.
ArcelorMittal staged its first global Volunteer Work Day that mobilized more than 10,000 employees across all regions of operations to volunteer for good causes and to the benefit of the community.

ArcelorMittal's brand promise is *'transforming tomorrow'*. The Group understands that its leadership position in the steel industry brings unique responsibilities. ArcelorMittal works towards building the sustainability of its business as well as the communities in which it operates by investing in its people, making steel more sustainable, enriching its communities, and running its operations in an open and transparent way.

It is ArcelorMittal's conviction that business growth, sustainable communities and the creation of shareholder value go hand-in-hand. Only by addressing the global issues affecting its business, its people and its communities can ArcelorMittal help establish mutually beneficial stakeholder relationships, attract and retain top talent and maintain its 'license to operate'. While contributing to the Group's stated aim of becoming one of the world's most admired companies and demonstrating clear evidence of its commitment to sustainability, an effective Corporate Responsibility ('CR') program should also bring significant returns.

ArcelorMittal aims to adhere to best practice environmental, social and governance disclosure guidelines in this Annual Report, as well as in its CR Reports. In 2008, the Group published its first full CR report, providing an overview of progress made since the merger of Arcelor and Mittal Steel in addressing the key economic, environmental and social challenges that confront it. The next report will be a comprehensive review of ArcelorMittal's CR performance including a more detailed account of significant and relevant CR risks and opportunities. This report will be published during summer of 2009 on *www.arcelormittal.com*

To help manage risk and enhance value creation, ArcelorMittal has a clearly defined strategy for Corporate Responsibility. ArcelorMittal believes that the Corporate Responsibility strategy will enhance growth of shareholder value, improve the Group's capability to deal with local and global issues affecting its operations and improve its stakeholder relations.

Corporate Responsibility governance

During 2008 the CR governance structure at ArcelorMittal was reviewed. The aim was to make the business quicker to respond and internalize the management of issues that arise through stakeholder engagement, specifically in reference to social, environmental and ethical risks.

The new CR governance structure at Group level provides regular reporting to the Board of Directors and the GMB by the CR GMB representative. Board reports that include performance monitoring are prepared by the corporate CR team, with the support of the new CR Coordination Group to ensure that the management of the Company is given adequate information for their decision-making. The CR Coordination Group is constituted by a minimum of four corporate representatives and invited guests from the corporation, operating units and external experts. Each subsidiary is asked to establish its own formal CR governance structure, in adherence to the Group level arrangement. The aim is to establish a participatory CR governance structure locally that would support effective community relations and CR management.

To ensure effective, efficient and strategic execution of CR across the Group, the governance structure is supported by roles and accountability descriptions for CEOs/plant managers and CR Coordinators at all levels. To further improve the capacity of the organization to deal with CR issues and to drive and evaluate performance in line with our business objectives, a set of CR competencies have been developed specifically for the appointed CR Coordinators, in collaboration with ArcelorMittal University.

The new CR governance principles are also designed to aid the ongoing commitment to improve transparency in our operation and external reporting.

Corporate Responsibility strategy

In 2008, the Group embarked on a study to analyze the financial impact of CR on the business and to investigate ways of embedding CR into mainstream decision-making. The study highlighted the potential significance of the CR agenda to ArcelorMittal's business and its role in generating value by managing the upsides of risks, operating efficiently and supporting the core business strategy.

In support of this, ArcelorMittal has a clearly defined strategy for CR. The CR strategy is aimed at enhancing growth of shareholder value, improving the Group's capability to deal with local and global issues affecting its operations and improving its stakeholder relations.

ArcelorMittal's CR strategy comprises four themes:

Investing in our people. ArcelorMittal's people are the key to its future. It is a core tenet of its policy that each and every one is made to feel valued, is treated with dignity and respect, is provided with a safe and healthy environment in which to work, and is given every opportunity for personal development.

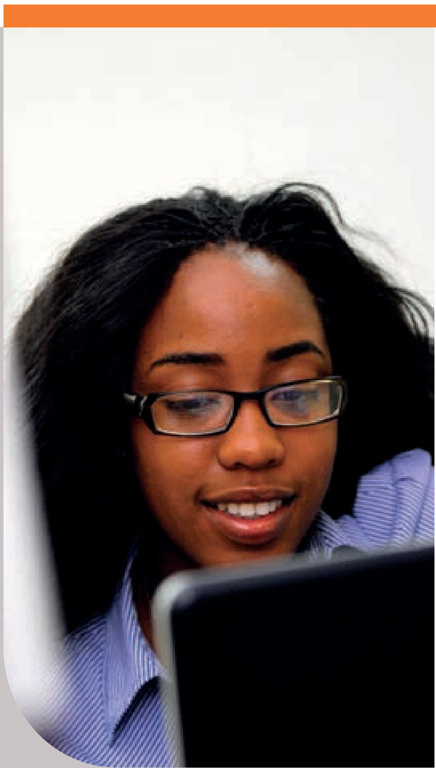
Making steel more sustainable. The Group's efforts are focused on achieving a continuous improvement in environmental performance through increased efficiency, the development of pioneering new processes and acting with customers and others to help them achieve their environmental goals.

Enriching our communities. ArcelorMittal seeks to contribute to the development of strong and sustainable local communities wherever it operates. It aims to achieve this by being sensitive to local needs and priorities, by engaging with local communities in an open and straightforward way and by working in active partnership with local organizations.

The strategy is supported by a commitment to *transparent governance.* ArcelorMittal will take steps to understand the true impact of its business, predict future consequences and manage risks consistently across its operations. This is done through incorporating environmental, social and governance considerations into risk management procedures, as well as other existing systems and processes. It will engage meaningfully with key stakeholders and respond in a transparent manner. To that end it will seek constantly to improve the quality of disclosures to investors and of CR reporting, treat all shareholders equally and communicate with them proactively, implement governance policies and frameworks though the business, and integrate CR principles into all business and management practices.

The progress made against the CR strategy is carefully monitored through 14 Key Performance Indicators addressing material CR issues. The indicators will be measured locally through existing procedures, where applicable, and monitored through local CR committees.

The ArcelorMittal Human Resources (HR) professionals support Company leadership to attract, develop and retain tomorrow's leaders, enable employees at all levels to manage their performance, realize their potential and build and maintain good relations and social dialogue with employees and their representatives. They support the Cost Leadership programs of the Company.



A number of initiatives were introduced in 2008 to bring the business closer to employees and facilitate the cascading of key information. These include among other things: quarterly meetings with the Human Resources Leadership Team, an internal newsletter, Knowledge Management Programs and proximity meetings. In 2008, over 50 proximity meetings were conducted in more than 20 countries serving to align priorities and initiatives, narrow the gap between Corporate and local operations, shop floor workers, white collar workers, young talents and employee representatives, and to stimulate the exchange of information.

Human Resources achievements in 2008

'Speak Up' survey

In June 2008, Human Resources at ArcelorMittal launched its first survey, called 'Speak Up', for 'exempts'[1] designed to assess how ArcelorMittal leaders combine competitiveness and HR management, two critical challenges for the Group to ensure a successful execution of its strategies. In total, 22,750 exempts, in 76 countries, participated. The results of the survey helped to enrich managers' understanding at all levels and to build local and Company-wide action plans to help improve the way management and leadership of the Company is practiced. More specifically, the results confirmed that employees perceived a significant improvement in the leadership practices of ArcelorMittal owing to the strong support of HR initiatives and processes. A majority of respondents declared that they would recommend ArcelorMittal as a great place to work.

Dialogue with trade unions and employees

The majority of ArcelorMittal employees are represented by trade unions. The Group is party to collective bargaining agreements with many employee organizations as part of its commitment to open dialogue.

On June 3, 2008, ArcelorMittal signed a landmark Global Joint Health and Safety Agreement with all of its trade unions. A Joint Health and Safety Committee in every plant now meets at least once a month. The process is monitored by a Joint Global Health and Safety Committee comprising both management and trade union bodies.

In 2008, as part of its commitment to open dialogue at multiple management levels, ArcelorMittal introduced a new process based around monthly meetings between management and employee representatives. Implemented plant by plant over the second half of the year, the new process aims to put regular, constructive discussions at the heart of ArcelorMittal's employee relations.

For additional information about Employee Benefits, see Note 23 of the Consolidated Financial Statements.

Employee Share Purchase Plan

In 2008, ArcelorMittal launched its first Employee Share Purchase Plan ('ESPP') as part of a global employee engagement and participation policy. This plan was aimed at rewarding employees through ownership, improving awareness of economic and financial developments, and ultimately incentivizing them towards shareholder value creation. The plan was offered to approximately 216,000 employees in locations with more than 250 employees. In total, employees across the globe bought nearly one million shares. Shares were sold at the then prevailing market price, minus a discount of 15% for the first 100 shares per employee and 10% for the second 100 shares. Any shares bought are subject to a three-year holding requirement. As it met with great interest from employees, the ESPP initiative will be re-conducted in 2009.

International mobility

International mobility is a key factor for the career development of employees and to further develop the Company's competitive advantage. Some 390 mobility cases were finalized in 2008, resulting in a total number of 847 expatriates. The updated mobility policy was introduced in 2008 and includes relocation and cultural support as well as succession plans for expatriates.

Employer branding campaign

At the beginning of 2008, Human Resources underwent an Employee Value Proposition study to understand what ArcelorMittal represents. From this study, ArcelorMittal can differentiate itself as a world leader, known for its technology and innovation, its entrepreneurship and the Company is synonymous with boldness. The Employer Branding campaign was rolled out in the press and online media in Mexico, South Africa, France, Czech Republic, Ukraine, Spain, Poland, Romania and India. The key message to young graduates and experienced professionals was that ArcelorMittal would afford them the rare opportunity to address some of the world's most important and complex challenges and make their own contribution to *'transforming tomorrow'.*

Resourcing: The challenge of getting the right people for the right job

Up until September 2008, recruitment was one of the biggest challenges for ArcelorMittal's HR department. In 2008, 249 Group Engineers were recruited for international careers; there were 46 recruitments to the redesigned Business Leaders Program (MBA); 300 internal candidates were identified and 186 people enrolled in the Project Leaders Program. In addition, through the Group's e-recruitment tool for exempts, JobMarketOnline, 6,669 candidates (internal and external) applied for jobs. Of the 1,523 vacancies posted in 2008, approximately 1,000 jobs were filled.

Induction: Introducing new employees to the Company's values and business strategy

Effective induction not only helps to promote the Group's culture and reputation but is a clear investment in '*transforming tomorrow*'. In 2008 a comprehensive Group-wide global Induction Program was designed and rolled out. The Induction Program facilitates the integration of newcomers into the ArcelorMittal environment and enables them to maximize their contribution to the Group's objectives. In addition, it accelerates their understanding of the ArcelorMittal philosophy and business strategy.

Training and development

The 2008 budget for the ArcelorMittal University ('The University') was $25 million. The ArcelorMittal University plays a central role in the area of training and development, delivering its courses both through local training centers and online. The program was expanded significantly in 2008 in areas such as Health and Safety, intensive language training, core leadership and management skills, executive education and technical and functional skills. More than 30,000 people have received training through the University since its inception in 2007.

Last year, over 10,000 people participated in ArcelorMittal University Core Leadership and Management Programs in 20 different countries. These programs are 1-2 day management courses, based on ArcelorMittal's vision, mission and values. They are delivered country by country in the local language, enabling the Company to deliver consistent training across the Group.

The University is supported by regional and country-specific programs. In South Africa, for instance, virtual classrooms at operating sites across the country allow for simultaneous video conferences and recorded presentations. This model will be applied to the transfer of knowledge from the Group's best practice mining sites to its other operations in countries such as Senegal and Liberia.

In August 2008, ArcelorMittal's online English training program was honored with an Optimas Award in the category 'Global Outlook'. The recognition confirms the University's success in implementing a program that will help the Company to thrive in the global market. Created in 2006, this online tool gives ArcelorMittal employees the opportunity to learn English, the Group's official corporate language. In addition, e-Learning is proving to be the most cost-efficient didactic tool for ArcelorMittal during the current challenging economic period.

A most ambitious project came to completion at the end of the year with the inauguration of the new ArcelorMittal University Campus located in Luxembourg.

Group Engineers Program

In order for ArcelorMittal to attract the necessary young, talented and mobile engineers to help the Group transform tomorrow, the Group Engineers Program was developed. Its aim is to create a pool of internationally mobile engineers – with strong potential for growth and the ability to assume leading positions in the future.

Business Leaders Program

ArcelorMittal has been running its Business Leaders Program since 2003. Each year this program targets external recruitment of MBAs or other functional Masters degrees, who have proven managerial experience. The objective of the program is to attract new ideas to continuously refresh the organization and provide a globally mobile pool of international managers who will develop into the future leaders of the Group's business. The program also assists in addressing some of the key skills gaps in organizational succession plans including skills shortages in emerging markets and demographic challenges in developed markets. The exchange of knowledge also taps into the latest thinking from the top business schools worldwide.

'Steelworker for the Future'

The Steelworker for the Future initiative is part of the North America Footprint project, to strengthen ArcelorMittal's human capital, Students in the program complete two years of course work and 24 weeks of onsite job training that culminate in an associate's degree in applied science and the prospect of a steelworker's job.

[1] Exempts consist of employees with an education level of Master and above, with managerial responsibility over a department or a large service, or designated as such by the CEO of the entity they work in.

Corporate Responsibility – Making Steel more Sustainable

As the world's largest steel company, ArcelorMittal recognizes that its environmental footprint is considerable. Steelmaking is highly energy-intensive.

While technical developments have reduced relative CO_2 emissions in Western European countries by nearly 50% in the last 30 years, on average every tonne of primary steel produced in a blast furnace (the 'integrated production route') results in one-and-a-half to two tonnes of direct CO_2 emissions.

As a material, however, steel is almost endlessly recyclable, with scrap steel providing the main feedstock for the alternative production method – the electric arc furnace ('EAF') route – where CO_2 emissions are significantly lower than in the integrated route. However, EAF production remains limited by the availability of scrap and scrap substitutes. ArcelorMittal is the largest recycler of scrap steel in the world and also the biggest producer of direct reduced iron ('DRI') used in EAF plants.

Steel is also at the forefront of the growing 'green' building markets and is playing a major role in the automotive market helping make vehicles more energy-efficient. In the construction market, ArcelorMittal's new High Strength Steels ('HSS'), such as HISTAR®, contribute to a major reduction in greenhouse gases by making it possible to use lighter structures. Substituting HISTAR® for common steels reduces the weight of steel columns by 32% and that of beams by 19%. In the automotive market, the use of Advanced High Strength Steels ('AHSS') and the stronger HSS steels has the potential to reduce the weight of a vehicle by up to 25%. ArcelorMittal is a leading producer of both these steels.

Confronting climate change

The challenge of climate change is a global issue and must be addressed through global solutions. ArcelorMittal has advocated the adoption of a sectoral approach in the search for solutions that are acceptable to developing, as well as developed countries and avoid creating competitive distortions. The Group is working with the World Steel Association in taking this forward. The dialogue extends beyond European Union boundaries to include US and Canadian legislative bodies.

Internally, ArcelorMittal is engaged in a multi-faceted approach that encompasses short, medium and long-term goals through technological support, the use of market mechanisms and the promotion of innovation. Its Environmental Policy places responsibility and environmental excellence at its core. ISO 14001, the internationally recognized standard for environmental management systems, is now mandatory for all production facilities. By the end of 2008, 91% of production sites had attained certification, with all remaining facilities expected to be certified by the end of 2010.

The search for quick wins in the area of emissions reduction focuses on two prime areas. The first of these is process performance benchmarking and target-setting. While many of the Group's European and US sites are close to their technical limits for CO_2 reduction, others have further to go. ArcelorMittal has now developed an internal methodology that monitors the CO_2 efficiency of steel production at each site – taking into account all the multiple processes, differences in plant structure, power generation and products involved.

The methodology benchmarks each plant against the reference performance for the Group and can be used to determine resource allocation between sites and help share best practice. It provides the basis for modeling emissions scenarios and the setting of realistic but challenging targets.

The second area is energy saving. A new Group-wide energy policy was launched in May 2008. It encompasses the procurement of energy-related commodities, the integration of energy considerations into process and equipment design, technology selection and procurement and individual employee behavior.

An energy management system is being implemented throughout the Group. It includes the establishment and monitoring of corporate performance objectives, benchmarking and best practice operations, the generation of technology standards and best operating practice guidelines and investment and technology upgrades.

At the same time, trials are under way to establish the viability of recycling coke oven gas into the production of DRI. Indications are that this produces higher yields than recycling the same gas into a power plant. Using the resultant DRI in blast furnace steelmaking has the potential to achieve a significant reduction in energy consumption and therefore CO_2 emissions.

Breakthrough technologies

ArcelorMittal's longer-term response to the emissions reduction challenge focuses on the development of breakthrough technologies. It is one of the leading companies in the EU-sponsored Ultra Low CO_2 Steelmaking ('ULCOS') project, which seeks to achieve a reduction of more than 50% in steel industry CO_2 emissions. Four potential breakthrough routes are to be evaluated on an industrial scale.

The first stage of the project, which is planned to be in operation by 2015, envisages the removal of CO_2 from the emitted gases, their reheating and recycling. The second stage, which is dependent on the identification and authorization of an appropriate storage site, would include the further purification and storage of the CO_2, thereby achieving a reduction in carbon emissions of at least 50%. For more information, please see *www.ulcos.org*.

ArcelorMittal's longer-term response to the emissions reduction challenge focuses on the development of breakthrough technologies. It is one of the leading companies in the EU-sponsored Ultra Low CO_2 Steelmaking ('ULCOS') project.

ArcelorMittal benefits from maintaining good relationships with all of its stakeholders and particularly with the local communities in which it operates. These wider relationships can have a direct impact on the Group's success in strengthening its reputation as a trusted and responsible organization – one that works for a more sustainable future.

Corporate Responsibility – Enriching our Communities

In 2008, ArcelorMittal published its Community Engagement Standard, supported by a practical manual. The standard defines minimum community engagement requirements that all the Group's major operations must meet, both nationally and locally. It places great emphasis on regular contact with stakeholders, the establishment of communications channels through which they can raise any concerns and the need to run at least one formal event each year.

ArcelorMittal has stepped up its dialogue with stakeholders at many of its operations in the past year, demonstrating its commitment to deal with issues raised at a local level. For instance, in Ostrava, Czech Republic, that dialogue now includes regular meetings with political and community representatives. ArcelorMittal also launched a formal collaboration with the Technical University of Ostrava to assess the impact of two major environment-related investment projects and a regular newsletter is now being produced to keep all stakeholders informed of progress.

ArcelorMittal Kazakhstan is now holding quarterly reviews of its engagement plan involving local stakeholder groups. Some 70 representatives of local Non-Governmental Organizations ('NGOs'), Mayors and union representatives attended the first in March 2008. A community liaison system is now in place, supported by a formal grievance procedure that guarantees documented answers to complaints within ten days. A process of public disclosure with a focus on Health and Safety and the environment allows public access to all information submitted to the Government.

In Prijedor, Bosnia, where ArcelorMittal began mining operations in 2004, the Company is focusing its efforts on a variety of socio-economic projects designed to help bring together local Serb, Muslim, Ukrainian, Macedonian and Croatian communities in this post-war region. ArcelorMittal has developed a healthcare centre and a maternity centre (the only one in the Republic of Srprska), sponsored schools for children with special needs, opened an office for the treatment of diabetes and provided support for local schools, camps, sports teams and a folklore festival. Increasing numbers of people who fled Prijedor during the war are returning and a concerted effort is being made to ensure hiring practices are fair and equitable.

Greenfield projects pose particular engagement challenges where they involve the need for resettlement and rehabilitation. While resettlements are generally conducted by local and national governments, ArcelorMittal makes it a priority to engage in the process and encourages reference to international standards with regard to community engagement and compensation. Where possible, the Group seeks to exceed minimum practice standards by developing regional action plans and toolkits.

In India, where the Group is planning to build two large steel plants in the states of Orissa and Jharkhand, detailed census and socio-economic studies of the affected populations have been conducted as the basis of action plans submitted to the state governments.

Together with the government and local administration, ArcelorMittal is identifying available land suitable for resettlement and a land acquisition program will commence shortly. A compensation framework for those subject to resettlement has been devised, discussed and shared with affected communities and villages, and a number of workshops have been held with local NGOs. A variety of educational and vocational training moves are underway. Importantly, the plan includes the whole community and not just families affected by the two projects. Built on local consultation and participation, it is designed to protect the social, cultural and economic fabric of the two regions.

ArcelorMittal Foundation

The ArcelorMittal Foundation is a non-profit organization that focuses on providing support for the communities in which the Group operates. Working with the local business units, its priority areas are education, Health and Safety and social promotion. Its strategy is to set up projects to maximize the potential of each community, respecting its specific needs and empowering local resources. It favors projects that can become self-sustainable after initial support in order to maximize the number of potential beneficiaries. In 2008, the ArcelorMittal Foundation supported projects in 27 countries with a monetary value of $57.1 million. In addition to supervising local programs implemented by ArcelorMittal units, it also invests in global programs to support humanitarian initiatives aligned with its mission and provides emergency aid.

Educational projects supported in the past year include the continued support to the Science Centre in Sedibeng, South Africa, catering for 1,800 students; a Youth Centre built in Nowa Huta, near Kraków in Poland; management and improvement of the two schools in Yekepa, Liberia; and a new partnership with the International Baccalaureate NGO, to develop their two-year diploma program in three colleges in Bosnia with the aim to gather students from all ethnic communities and to promote reconciliation.

In the area of Health and Safety, the ArcelorMittal Foundation has supported, among other projects, investments in hospital equipment, refurbishment and transportation for seven hospitals in Kryviy Rih, Ukraine; an AIDS care centre in South Africa; a sexual education program in Brazil, mobile health clinics in the state of Orissa, India; and the continued running and upgrading of the two hospitals in Yekepa and Buchanan, Liberia. The Foundation's activities in Social Promotion include a wide variety of social projects on four continents, with the aim to support the integration of disadvantaged people into the society. In Algeria, funding has helped set up the 'Dar el Insania' home for abused women, which delivers shelter and support. In Spain, several projects with associations around the Asturias plants are working to support the social acceptance of disabled people. In Brazil, the Bem Bank micro-credit initiative, set up in 2005 and supported by ArcelorMittal Tubarão, has been expanded to include a brick factory and small-scale production of house-cleaning products. Bem Bank serves a population of around 30,000 in the São Benedito area in Vitória.

Emergency Aid initiatives include partnerships with other associations to help the people of Myanmar in the wake of the devastation caused by the cyclone of May 2008. A donation of €100,000 to Save the Children helped the charity reach over 500,000 people, distributing food, water, purification tablets, canvas and other essential items. In the same period, the Sichuan province in China was hit by an earthquake and the ArcelorMittal Foundation sent another emergency donation of around €80,000 to the Chinese Red Cross.

The Foundation also supports a number of global projects. One example is the partnership with Habitat for Humanity, which provides low-cost housing for people in need, including victims of catastrophes such as the recent floods in Romania. ArcelorMittal agreed to sponsor the organization in April 2008 with an initial focus on building or renovating homes in Romania, Costa Rica and Argentina. The partnership agreement includes ArcelorMittal's expertise in steel construction – this resulted in the design of the 'Casa Buna' steel frame housing concept, and the construction of the first prototype in October 2008 near Bucharest, Romania.

Another global project is the continued support to the Bone Marrow Registry project, started in France 20 years ago and steadily expanding to new countries around the world. The international expansion of the potential donor base improves the chances of finding compatible donors, thus increasing number of people who could benefit from potentially life-saving bone marrow transplants each year.

December 2008.
ArcelorMittal staged its first global Volunteer Work Day that mobilized more than 10,000 employees across all regions of operations to volunteer for good causes and to the benefit of the community.

2009

ArcelorMittal is constructing 3 'Casa Buna' homes for 12 families

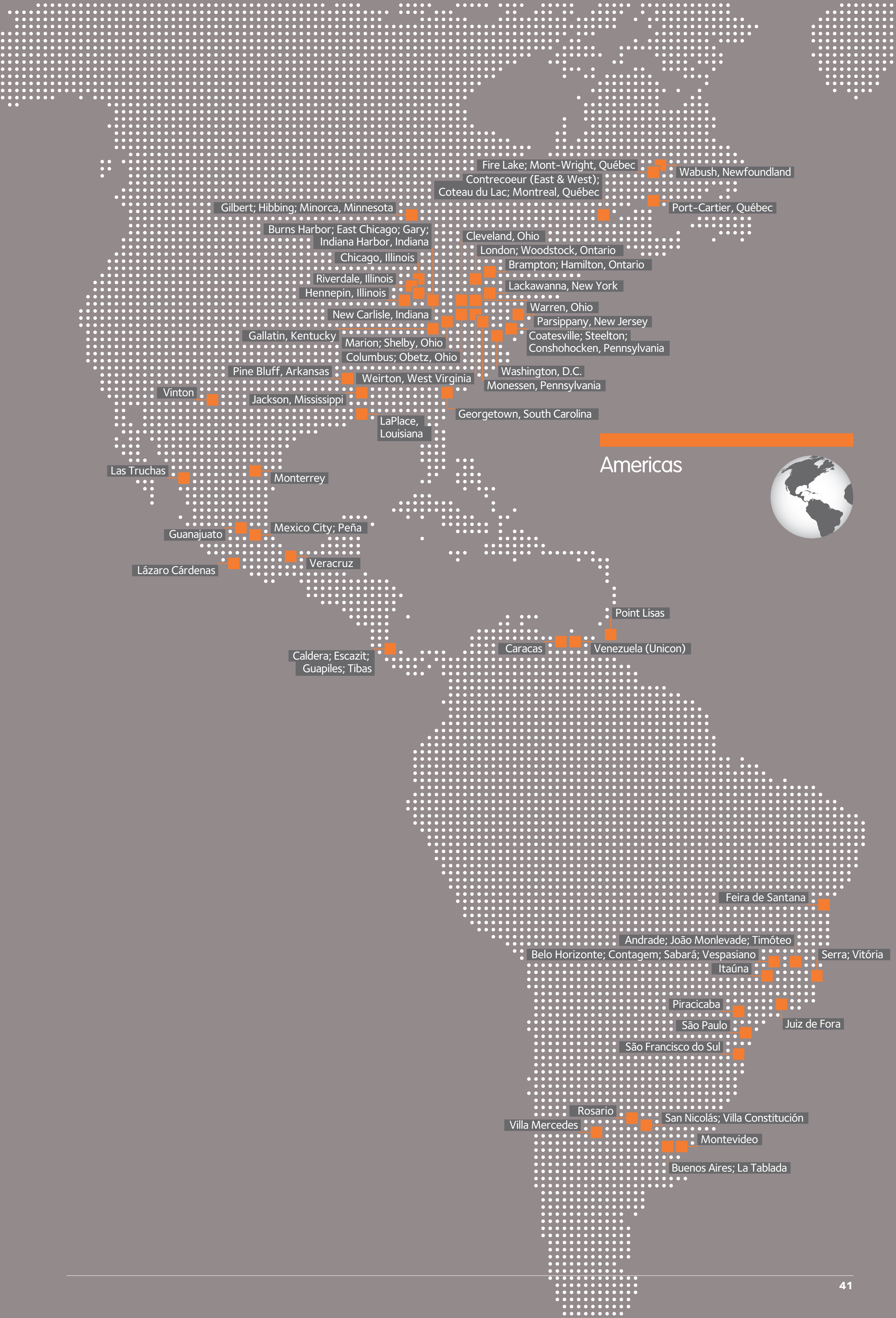
The Casa Buna prototype was constructed in the ArcelorMittal facility in Pantelimon, Bucharest. It uses a steel frame superstructure, steel roof tile system, steel rainwater extraction system and a steel cladding. The model has been tested for energy efficiency and carefully assessed to ensure comfort and adequate living space.

As a result of its partnership with Habitat for Humanity, in 2009 ArcelorMittal is constructing three 'Casa Buna' homes (housing 12 families) in Romania. The Group is also providing funding for critically needed renovations to more than 20 apartment block homes in the country. These renovations also include measures to improve energy efficiency.

The ArcelorMittal Foundation's global partnership with Habitat for Humanity began in April 2008. By the end of the year, results were already remarkable: 89 families were enjoying new or improved homes, and a joint team of ArcelorMittal and Habitat experts designed an innovative home prototype called 'Casa Buna'. Casa Buna, 'Good House' in Romanian, is a steel-intensive four-unit housing solution over two floors that can be easily constructed by volunteers and has a long life span.

ArcelorMittal is the largest producer of steel in Europe, North and South America, Africa, the second largest steel producer in the CIS region, and has a growing presence in Asia, particularly in China. ArcelorMittal has steelmaking operations in 20 countries on four continents, including 66 integrated, mini-mill and integrated mini-mill steelmaking facilities which provide a high degree of geographic diversification.

Americas


Fire Lake; Mont-Wright, Québec
Wabush, Newfoundland
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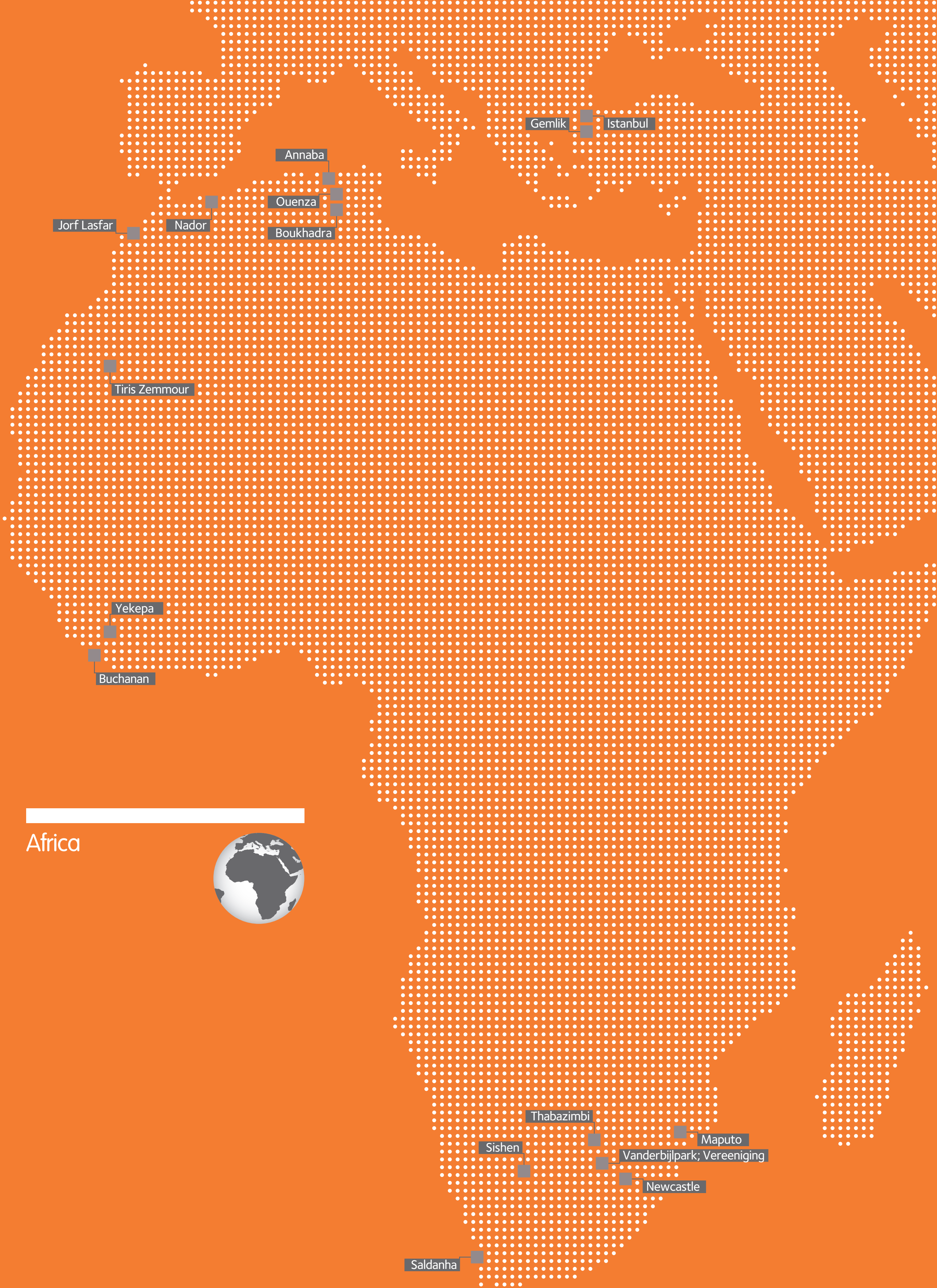
Coteau du Lac; Montreal, Québec
Port-Cartier, Québec
Gilbert; Hibbing; Minorca, Minnesota
Burns Harbor; East Chicago; Gary;
Indiana Harbor, Indiana
Cleveland, Ohio
London; Woodstock, Ontario
Chicago, Illinois
Brampton; Hamilton, Ontario
Riverdale, Illinois
Lackawanna, New York
Hennepin, Illinois
Warren, Ohio
New Carlisle, Indiana
Parsippany, New Jersey
Gallatin, Kentucky
Coatesville; Steelton;
Conshohocken, Pennsylvania
Marion; Shelby, Ohio
Columbus; Obetz, Ohio
Pine Bluff, Arkansas
Washington, D.C.
Weirton, West Virginia
Monessen, Pennsylvania
Vinton
Jackson, Mississippi
LaPlace,
Louisiana
Georgetown, South Carolina
Las Truchas
Monterrey
Guanajuato
Mexico City; Peña
Lázaro Cárdenas
Veracruz
Point Lisas
Caracas
Venezuela (Unicon)
Caldera; Escazit;
Guapiles; Tibas
Feira de Santana
Andrade; João Monlevade; Timóteo
Belo Horizonte; Contagem; Sabará; Vespasiano
Serra; Vitória
Itaúna
Piracicaba
Juiz de Fora
São Paulo
São Francisco do Sul
Rosario
Villa Mercedes
San Nicolás; Villa Constitución
Montevideo
Buenos Aires; La Tablada

Europe

Tallinn
Hamburg
Sheffield
Warsaw
Bremen
Eisenhüttenstadt
Brussels; Charleroi; Châtelet; La Praye
Duisburg (Hochfeld & Ruhrort)
Dąbrowa Górnicza; Katowice; Świętochłowice; Sosnowiec
Ghent
Hautmont
Geel; Genk
Dunkerque
Sycow
Flémalle; Liège; Seraing
Kraków
Desvres
Isbergues
Luxembourg; Belval; Differdange; Dudelange; Schifflange
Frýdek Místek; Karvina; Ostrava
Montataire; Paris; Rueil-Malmaison; Saint Denis; Vitry-sur-Seine
Reims
Mouzon
Florange; Gandrange
Kryviy Rih
Chevillon
Ried im Innkreis
Iasi
Basse-Indre
Imphy
Pont de Roide
Szengotthárd
Le Creusot
Roman
Gueugnon
Hunedoara
Asturias (Avilés & Gijón); Langreo
Firminy; Saint-Chamond & Châteauneuf
Galati
Bergara; Olaberría; Zumárraga
Milan
Omarska
Zenica
Fos-sur-Mer
Saint-Chély d'Apcher
Buvač
Basauri; Etxebarri; Sestao
Lesaka; Berrioplano
Piombino
Skopje
Salvatierra
Zaragoza
Madrid
Avellino
Noblejas
Sagunto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Ouenza
Boukhadra
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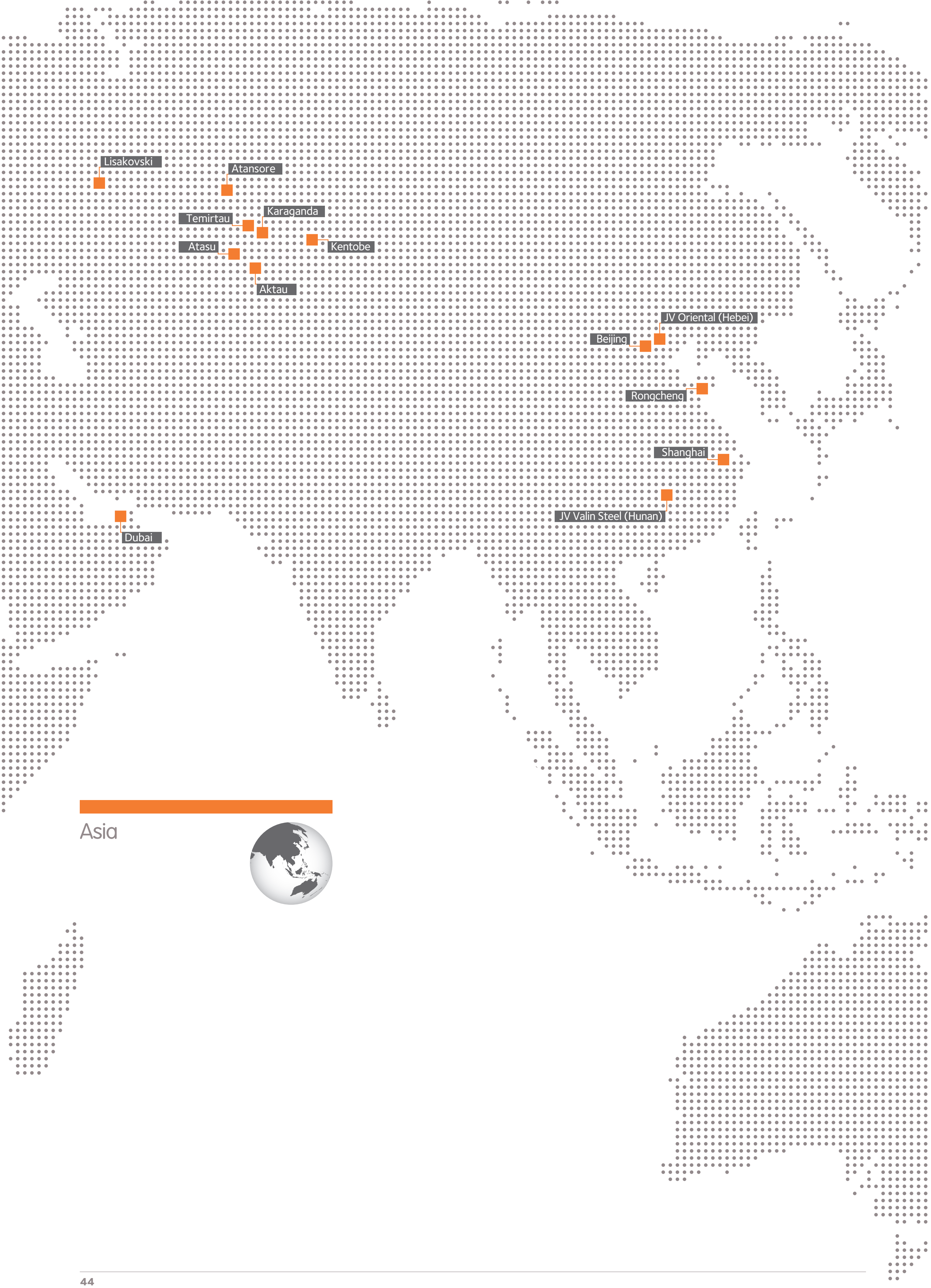
Jorf Lasfar
Tiris Zemmour
Yekepa
Buchanan
Thabazimbi
Maputo
Sishen
Vanderbijlpark; Vereeniging
Newcastle
Saldanha

Africa

Asia



Lisakovski
Atansore
Temirtau
Karaganda
Atasu
Kentobe
Aktau
Dubai
JV Oriental (Hebei)
Beijing
Rongcheng
Shanghai
JV Valin Steel (Hunan)

Mergers and acquisitions have historically been a key pillar of ArcelorMittal's strategy to which it brings unique experience, particularly in terms of integration. Instead of creating new capacity, mergers and acquisitions increase industry consolidation and create synergies. ArcelorMittal has also placed strong emphasis on growth in emerging economies through Greenfield developments.

2008 $124.9 billion

2007 $105.2 billion

ArcelorMittal sales

Operational Review – Sales, steel shipments and average steel selling prices

Sales in the Flat Carbon Europe segment were $38.3 billion for the year ended December 31, 2008, representing 30.7% of total consolidated sales for 2008, an increase of 10% as compared to $34.9 billion, or 33.2% of the total consolidated sales, for the year ended December 31, 2007.

The following table provides a summary of ArcelorMittal's sales by operating segment for the year ended December 31, 2008 as compared to the year ended December 31, 2007:

Segment	Sales for the year ended December 31[1] 2007	2008	Changes in Sales	Steel Shipments	Average Steel Selling Price
	(in $ millions)	(in $ millions)	(%)	(%)	(%)
Flat Carbon Americas	21,839	27,031	24	(4)	31
Flat Carbon Europe	34,924	38,300	10	(6)	23
Long Carbon Americas and Europe	27,035	32,268	19	(4)	36
AACIS	14,971	13,133	(12)	(19)	37
Stainless Steel	9,349	8,341	(11)	1	(11)
Steel Solutions and Services	16,988	23,126	36	16	20

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

ArcelorMittal had sales of $124.9 billion for the year ended December 31, 2008, representing an increase of 19% over sales of $105.2 billion for the year ended December 31, 2007. Sales were higher overall primarily due to increases in average steel selling prices (except Stainless Steel due to falling nickel prices), partially offset by decreases in shipment volumes. Generally strong conditions in the Company's main markets during the first nine months of the year were offset by a sharp slowdown in the fourth quarter following the severe downturn in the global economy.

ArcelorMittal had steel shipments of 101.7 million tonnes for the year ended December 31, 2008, representing a 7% decrease from steel shipments of 109.7 million tonnes for the year ended December 31, 2007. Overall shipment volumes were lower due to the substantial decline in the fourth quarter, in line with the global economic slowdown and reduction in market demand.

Average steel selling prices for the year ended December 31, 2008 increased 27% as compared to the average steel selling prices for the year ended December 31, 2007, reflecting strong steel demand and high raw material prices in the first nine months of 2008, partially offset by sharp price declines in the fourth quarter amid the global economic crisis. Average steel selling prices were higher when comparing the year ended December 31, 2008 to December 31, 2007 in all segments except for Stainless Steel where prices decreased 11%, primarily as a result of lower nickel prices.

Flat Carbon Americas

Sales in the Flat Carbon Americas segment reached $27.0 billion for the year ended December 31, 2008, representing 21.6% of the total consolidated sales for 2008, an increase of 24% as compared to $21.8 billion, or 20.8% of total consolidated sales, for the year ended December 31, 2007. Sales were higher mainly due to a higher average steel selling price, partially offset by lower steel shipment volumes. As with the rest of the Company, generally strong conditions during the first nine months of the year were partially offset by a sharp slowdown in the fourth quarter following the downturn in the global economy.

Total steel shipments were 25.8 million tonnes for the year ended December 31, 2008, a decrease of 4% from shipments for the year ended December 31, 2007. Shipment volumes decreased on account of the sharp drop in demand in the fourth quarter (with shipments decreasing nearly 43% compared to the third quarter) as a result of rapidly deteriorating economic conditions, inventory reduction by customers. In addition, total steel shipments decreased due to the sale on May 7, 2008 of ArcelorMittal's Sparrows Point steel mill to OAO Severstal partially offset by the additional shipment volumes from ArcelorMittal Brasil following the completion of its capacity expansion project. Excluding the impact of Sparrows Point, total steel shipments were 25.0 million tonnes for the year ended December 31, 2008, as compared to 25.2 million tonnes for the year ended December 31, 2007.

Average steel selling prices for the year ended December 31, 2008 increased 31% as compared to the average steel selling price for the year ended December 31, 2007, due mainly to strong steel demand in the first nine months of 2008, as well as the ability to pass on higher input costs to customers during this period. This was partially offset by sharp price declines in the fourth quarter amid the global economic crisis, with average steel selling prices decreasing by 8.7% compared to the third quarter.

Flat Carbon Americas implemented production cuts in excess of 50% in the fourth quarter due to a further decline in global economic conditions and the reduction in market demand. Production in the fourth quarter was cut to approximately 3.5 million tonnes, which was approximately 3.9 million tonnes lower than in the third quarter, and 4.2 million tonnes (or more than 55%) lower than in the second quarter of 2008.

Flat Carbon Europe

Sales in the Flat Carbon Europe segment were $38.3 billion for the year ended December 31, 2008, representing 30.7% of total consolidated sales for 2008, an increase of 10% as compared to $34.9 billion, or 33.2% of the total consolidated sales, for the year ended December 31, 2007. The increase was primarily due to a 23% increase in average steel selling prices, partially offset by the 6% decrease in total steel shipments.

Total steel shipments reached 33.5 million tonnes for the year ended December 31, 2008, a decline of 6% from steel shipments for the year ended December 31, 2007. This decrease was primarily the result of sharply lower demand in the fourth quarter (with shipments dropping 27% as compared to the third quarter) as a result of rapidly deteriorating economic conditions and inventory reduction by customers.

The average steel selling price for the year ended December 31, 2008 increased 23% as compared to the average steel selling price for the year ended December 31, 2007, due mainly to strong steel demand, strength of the euro to US dollar in the first nine months of 2008, and the ability to pass on higher input costs to customers during this period. This was partially offset by sharp price declines in the fourth quarter as a result of the global economic crisis, with average steel selling price decreasing by 15.0% compared to the third quarter.

Flat Carbon Europe implemented production cuts of approximately 46% for the fourth quarter in response to declining global economic conditions and the reduction in market demand. Production in the fourth quarter was cut to approximately 5.1 million tonnes, which was approximately 4.3 million tonnes lower than for the third quarter, and 4.9 million tonnes (or more than 49%) lower than for the second quarter.

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, sales reached $32.3 billion for the year ended December 31, 2008, representing 25.8% of the total consolidated sales for 2008, an increase of 19% over sales of $27.0 billion, or 25.7% of the total consolidated sales, for the year ended December 31, 2007. Sales were higher mainly due to a 36% higher average steel selling price, which was partially offset by a 4% decrease in steel shipment volumes.

Total steel shipments were 27.1 million tonnes for the year ended December 31, 2008, a decrease of 4% from steel shipments for the year ended December 31, 2007. This decrease was primarily a result of sharply reduced demand in the fourth quarter due to rapidly deteriorating economic conditions and inventory reduction by customers. Steel shipments fell 32% for the fourth quarter of 2008 as compared to the third quarter of 2008.

Average steel selling price increased 36% for the year ended December 31, 2008, as compared with average steel selling price for the year ended December 31, 2007, due mainly to strong steel demand in the first nine months of 2008 and the ability to pass on higher input costs to customers during this period. However, average steel selling price decreased by 20.7% for the fourth quarter compared to the third quarter.

Long Carbon Americas and Europe implemented production cuts of approximately 45% for the fourth quarter due to the declining global economic conditions and the reduction in market demand. Production for the fourth quarter of 2008 was cut to approximately 3.7 million tonnes, which was approximately 3.1 million tonnes lower than for the third quarter, and 3.7 million tonnes (or approximately 50%) lower than for the second quarter.

AACIS

In the AACIS segment, sales were $13.1 billion for the year ended December 31, 2008, representing 10.5% of the total consolidated sales in 2008, a decrease of 12% over sales of $15.0 billion, or 14.2% of total consolidated sales, for the year ended December 31, 2007. The main reason for the decrease was a reduction in steel shipment volumes caused by the sharp decline in demand in the fourth quarter, particularly in operations in Ukraine and Kazakhstan, which were partially offset by an increase in the average selling price.

Total steel shipments reached 13.3 million tonnes for the year ended December 31, 2008, a decrease of 19% from steel shipments for the year ended December 31, 2007. This decrease resulted primarily from plummeting demand for products at our Ukrainian and Kazakhstan operations during the fourth quarter of 2008, as the credit crisis had a particularly strong impact on the CIS region; steel shipments fell 34% for the fourth quarter as compared to the third quarter.

Average steel selling price increased 37% for the year ended December 31, 2008, as compared to the average steel selling price for the year ended December 31, 2007, primarily due to the ability to pass on increased input costs to customers and the strong market demand during the first nine months of the year. However, average steel selling price decreased by 40.4% for the fourth quarter compared to the third quarter.

AACIS implemented production cuts in excess of 50% for the fourth quarter due to declining global economic conditions and the reduction in market demand. Production in the fourth quarter of 2008 was cut to approximately 2.1 million tonnes, which was approximately 2.1 million tonnes lower than for the third quarter, and 2.3 million tonnes (or more than 52%) lower than for the second quarter.

Stainless Steel

Sales in the Stainless Steel segment were $8.3 billion for the year ended December 31, 2008, representing 6.7% of the total consolidated sales in 2008, a decrease of 11% over sales of $9.3 billion, or 8.9% of total consolidated sales, for the year ended December 31, 2007. This decrease was mainly due to a lower average selling price caused by falling nickel prices.

Total steel shipments were essentially flat (1% increase) at 2.0 million tonnes for the year ended December 31, 2008. This outcome reflected strength in the first half of the year, particular in the austenitic stainless market through inventory replenishment, and weakness in the second half including a sharp downturn in the fourth quarter (shipments dropped 25% in the fourth quarter as compared with the third quarter).

Average steel selling price decreased 11% for the year ended December 31, 2008, as compared to the average steel selling price for the year ended December 31, 2007, mainly due to lower nickel prices in the second half of the year and the fall in customer demand in the fourth quarter due to declining economic conditions. Average steel selling price decreased by 17.7% for the fourth quarter compared to the third quarter.

Stainless Steel implemented production cuts of approximately 26% due to the declining global economy and the reduction in customer demand. Production for the fourth quarter of 2008 was cut to approximately 0.4 million tonnes, which was approximately 0.1 million tonnes lower than in the third quarter, and 0.3 million tonnes (or more than 43%) lower than in the second quarter.

Steel Solutions and Services

In the Steel Solutions and Services segment, sales reached $23.1 billion for the year ended December 31, 2008, representing 18.5% of the total consolidated sales for 2008, an increase of 36% over sales of $17.0 billion, or 16.1% of the total consolidated sales, for the year ended December 31, 2007. The increase was driven by higher selling prices and increased shipments primarily during the first nine months of 2008, which was partially offset by a slowdown in demand during the fourth quarter of 2008 following the downturn in the global economy.

Total steel shipments were 19.1 million tonnes for the year ended December 31, 2008, an increase of 16% over steel shipments for the year ended December 31, 2007 due to favorable demand for the first three quarters of the year, as well as the inclusion of new entities, although shipments dropped 14% in the fourth quarter as a consequence of the economic downturn. The shipments of ArcelorMittal Steel Solutions and Services are not consolidated.

Average steel selling price increased 20% for the year ended December 31, 2008, as compared to the average steel selling prices for the year ended December 31, 2007, primarily due to the ability to pass on increased input costs to customers and the strong market demand during the first nine months of the year. However, average steel selling price decreased by 18.7% for the fourth quarter compared to the third quarter.

2008 $4.2 billion

2007 $4.1 billion

Long Carbon Americas and Europe segment operating income

Operational Review – Operating income

In the AACIS segment operating income amounted to $3.1 billion for the year ended December 31, 2008, representing an increase of 11% compared to operating income of $2.8 billion for the year ended December 31, 2007.

The following table provides a summary of the operating income and operating margin of ArcelorMittal for the year ended December 31, 2008, as compared with the operating income and operating margin for the year ended December 31, 2007:

	Operating Income year ended December 31		*Operating Margin*	
Segment[1]	*2007*	*2008*	*2007*	*2008*
	(in $ millions)	(in $ millions)	(%)	(%)
Flat Carbon Americas	3,163	2,524	14	9
Flat Carbon Europe	4,148	2,773	12	7
Long Carbon Americas and Europe	4,083	4,154	15	13
AACIS	2,843	3,145	19	24
Stainless Steel	876	383	9	5
Steel Solutions and Services	559	206	3	1

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

ArcelorMittal's operating income amounted to $12.2 billion for the year ended December 31, 2008, representing a decrease of 17% compared to operating income of $14.8 billion for the year ended December 31, 2007. Contributing substantially to this decrease was $6.1 billion of pre-tax expenses that ArcelorMittal recorded in the second half of the year. Of these pre-tax charges, approximately $4.1 billion resulted directly from the rapidly deteriorating economic and market conditions in the fourth quarter of the year and consisted of write-downs of inventory (approximately $2.5 billion), provisions for onerous raw material supply contracts (approximately $0.7 billion) and provisions for workforce reductions (including voluntary separation programs of approximately $0.9 billion). The other expenses consisted of a provision taken in connection with ArcelorMittal USA's new four-year labor contract with its union employees (approximately $1.6 billion) and provisions for litigation (approximately $0.4 billion). For 2008 as a whole, inventory write-downs and litigation provisions amounted to approximately $2.7 billion and $0.6 billion, respectively.

Further details of these expenses are set out below.

- *Write-downs of inventory.* On each balance sheet date, inventories are measured and valued at the lower of cost and net realizable value. Due to the rapid and sharp decline in demand for, and prices of, steel products and the expectation of lower demand and selling prices in the near-term, the net realizable value of certain inventories of finished steel products, works in process and raw materials (in particular iron ore and coking coal) after processing of these raw materials / works in process into steel products at the Company's facilities across its segments at year-end were lower than their cost, resulting in write-downs.
- *Provision for onerous raw material supply contracts.* ArcelorMittal sources a portion of its raw materials requirements under contracts whereby it has a firm commitment to purchase specified quantities at a set price over a set period. Due to the sharp decline in steel selling prices in the second half of 2008, the Company has recorded a provision with respect to raw materials sourced under these contracts because the net realizable value of such raw materials (assuming their processing into steel products at year-end) was expected to be lower than their cost and to result in write-downs.
- *Provision for workforce reduction (including voluntary separation programs).* This provision relates to costs (including severance costs) expected to be incurred in connection with the voluntary separation plans that ArcelorMittal has communicated to employee representatives and is in the process of implementing. These plans include the voluntary separation plan announced by ArcelorMittal in November 2008 relating in particular to employees in administrative or other non-production functions at numerous sites worldwide, as well as the extension of such voluntary separation plans to production employees at various sites worldwide on a site-by-site basis pursuant to consultations undertaken with local employee representatives.
- *Provision for ArcelorMittal USA labor contract.* On August 30, 2008 ArcelorMittal USA reached a labor agreement with the United Steelworkers of America (the 'USW') for most of its steel plants and iron ore operations in the US and recorded an expense of $1.6 billion in this respect. For a full description of the agreement and the accounting treatment, see note 23 to the ArcelorMittal Consolidated Financial Statements. The most significant feature of this agreement from a financial statement perspective is the change in the funding principles of a 'voluntary employee benefit association' for retiree healthcare from a profit-sharing arrangement to providing defined benefits. The change in the contractual obligation led to the recognition of a liability and other post-employment expense of $1.4 billion for those obligations that had previously vested. The cash outflow related to these benefits is expected to be approximately $25 million per quarter for the first four years.

Operating income for the year ended December 31, 2008 was further reduced by impairment expenses amounting to $1.1 billion, consisting of asset impairments of $499 million, goodwill impairment of $131 million and reduction of goodwill of $429 million. The impairments included a $200 million loss on the disposal of the Sparrows Point plant in the United States and asset impairments of $74 million (various ArcelorMittal USA sites), $60 million (Gandrange, France) and $54 million (Zumarraga, Spain). In determining these expenses, the Company analyzed the recoverable amount of these facilities based on their value in use and determined that the recoverable amount from these facilities was less than their carrying amount. The reduction of goodwill resulted primarily from the recognition of deferred tax assets on acquired net operating losses not previously recognized in purchase accounting which were subsequently recognized (with the amount of the reduction also included within cost of sales in the statement of income). These goodwill reductions were (among other factors) due to reorganizations in the Flat Carbon Europe segment ($117 million) and in the Long Carbon Americas and Europe segment ($291 million). For further information regarding accounting for goodwill, see note 8 to the ArcelorMittal Consolidated Financial Statements. The impairment losses compared to impairment losses for the twelve months ended December 31, 2007 of $432 million, including impairments of $172 million (resulting primarily from restructurings of the Company's facilities in Contrecoeur, Canada ($82 million) and Gandrange, France ($50 million)) and the reduction of goodwill of $260 million.

Conversely, operating income was increased in 2008 by the recognition of a $349 million gain relating to the ineffective portion of forward exchange and options contracts initially executed in order to hedge currency exposure on expected raw material supply purchases that were unwound during the year.

Flat Carbon Americas

In the Flat Carbon Americas segment, operating income amounted to $2.5 billion for the year ended December 31, 2008, representing a decrease of 20% from operating income of $3.2 billion for the year ended December 31, 2007. This decrease resulted from $2.1 billion in charges recorded in the third and fourth quarters. These included an approximately $1.5 billion expense relating to the new labor agreement entered into by ArcelorMittal USA, and expenses relating to write-downs of inventory (approximately $0.4 billion) and provisions for onerous raw material supply contracts.

Operating income was also affected by impairment expenses of $291 million related primarily to Sparrows Point ($200 million) and the asset impairments at various ArcelorMittal USA facilities ($74 million).

Flat Carbon Europe

In the Flat Carbon Europe segment, operating income amounted to $2.8 billion for the year ended December 31, 2008, representing a decrease of 33% from operating income of $4.1 billion for the year ended December 31, 2007. This decrease resulted from $1.8 billion in expenses recorded in the fourth quarter. These related to write-downs of inventory (approximately $1.0 billion), provisions for onerous raw material supply contracts, and provisions for workforce reductions (including voluntary separation programs).

Operating income was also affected by impairment expenses of $275 million, primarily related to goodwill impairment of $246 million, which included a $116 million reduction in goodwill relating to Noble International Ltd., as well as the recognition of deferred tax assets on acquired net operating losses not previously recognized in purchase accounting in connection with the reorganization of certain legal entities.

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, operating income amounted to $4.2 billion for the year ended December 31, 2008, essentially flat (up 2%) from operating income of $4.1 billion for the year ended December 31, 2007. Operating income for 2008 included $0.8 billion in expenses recorded in the third and fourth quarters, including approximately $0.1 billion expense relating to ArcelorMittal USA's new four-year agreement with its union employees, and expenses relating to write-downs of inventory (approximately $0.4 billion) and provisions for onerous raw material supply contracts, as well as provisions for workforce reductions (including voluntary separation programs).

Operating income was affected by impairment expenses of $458 million consisting primarily of reduction of goodwill of $296 million (resulting from the recognition of deferred tax assets on acquired net operating losses not previously recognized in purchase accounting in connection with the reorganization of certain legal entities in Europe and asset impairments of $162 million, mainly from asset impairments of $60 million (Gandrange, France) and $54 million (Zumarraga, Spain).

AACIS

In the AACIS segment operating income amounted to $3.1 billion for the year ended December 31, 2008, representing an increase of 11% compared to operating income of $2.8 billion for the year ended December 31, 2007. The result included expenses of $0.3 billion taken in the fourth quarter relating to write-downs of inventory (approximately $0.2 billion) and provisions for workforce reductions (including voluntary separation programs).

Stainless Steel

In the Stainless Steel segment, operating income amounted to $0.4 billion for the year ended December 31, 2008, representing a decrease of 56% compared to operating income of $0.9 billion for the year ended December 31, 2007 (mainly due to sharp fall in nickel prices described above). The result included expenses of approximately $0.2 billion recorded in the fourth quarter relating to a write-down of inventory and provisions for workforce reductions (including voluntary separation programs).

Steel Solutions and Services

In the Steel Solutions and Services segment, operating income amounted to $0.2 billion for the year ended December 31, 2008, representing a decrease of 63% compared to operating income of $0.6 billion for the year ended December 31, 2007. The decline also reflected expenses of $0.7 billion recorded in the fourth quarter, relating primarily to a provision for litigation ($0.4 billion), write-downs of inventory (approximately $0.2 billion), provisions for onerous raw material supply contracts and provisions for workforce reductions (including voluntary separation programs).

Income from investment in associates and joint ventures

ArcelorMittal recorded income of $1.7 billion from investments accounted for using the equity method for the year ended December 31, 2008, as compared with income from equity method investments of $985 million for the twelve months ended December 31, 2007. The increase is primarily related to ArcelorMittal's investments in Dillinger Hütte Saarstahl AG ('DHS') in Germany, China Oriental and Hunan Valin in China, MacArthur coal in Australia, Kalagadi Manganese in South Africa and Eregli Demir Ve Celik Fab.T.AS ('Erdemir') in Turkey. On December 15, 2008, ArcelorMittal sold a 17.82% stake in DHS for €695 million (plus a dividend of €82 million to be received in 2009).

Financing costs

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 financing costs. Net financing costs were 154% higher for the year ended December 31, 2008, at $2,352 million, as compared with $927 million for the year ended December 31, 2007.

Interest expense, which includes bank fees, interest on loans and interest on pensions, increased to $2.5 billion for the year ended December 31, 2008 compared to $2.2 billion for the year ended December 31, 2007, due to an increased average level of borrowing. As of December 31, 2008, ArcelorMittal's total debt was $34.1 billion (compared to $30.6 billion as of December 31, 2007). Also contributing to the increase was higher interest cost on pensions, particularly in the United States.

Interest income for the year ended December 31, 2008 was $0.5 billion as compared to $0.6 billion for the year ended December 31, 2007, due a reduction in average interest rates on deposits.

Losses related to the fair value of derivative instruments for the year ended December 31, 2008 amounted to $177 million, as compared with $431 million of gains for the year ended December 31, 2007. The Company recorded a substantial loss on forward contracts on freight in 2008 (primarily in the fourth quarter), whereas in 2007 it had recorded a substantial gain on derivative instruments primarily in connection with its purchase of a stake in a Turkish entity.

Foreign exchange and other financing expenses were $156 million for the twelve months ended December 31, 2008, compared to foreign exchange and other financing income of $239 million for the twelve months ended December 31, 2007.

Income tax

ArcelorMittal recorded a consolidated tax expense of $1,098 million for the year ended December 31, 2008, compared to income tax expense of $3,038 million for the year ended December 31, 2007. The effective tax rate (ETR) for the twelve months ended December 31, 2008 was lower at 9.5% (or 12.7% before the recognition of deferred tax assets on acquired net operating losses) as compared with the effective tax rate for the twelve months ended December 31, 2007 of 20.4% on income before taxes of $11,537 million and $14,888 million, respectively. The lower ETR for the year is primarily due to a change in the geographical mix of ArcelorMittal's sources of income and a decrease in the statutory tax rates in some countries.

For additional information related to ArcelorMittal's income taxes, see note 19 to the ArcelorMittal Consolidated Financial Statements.

Minority interest

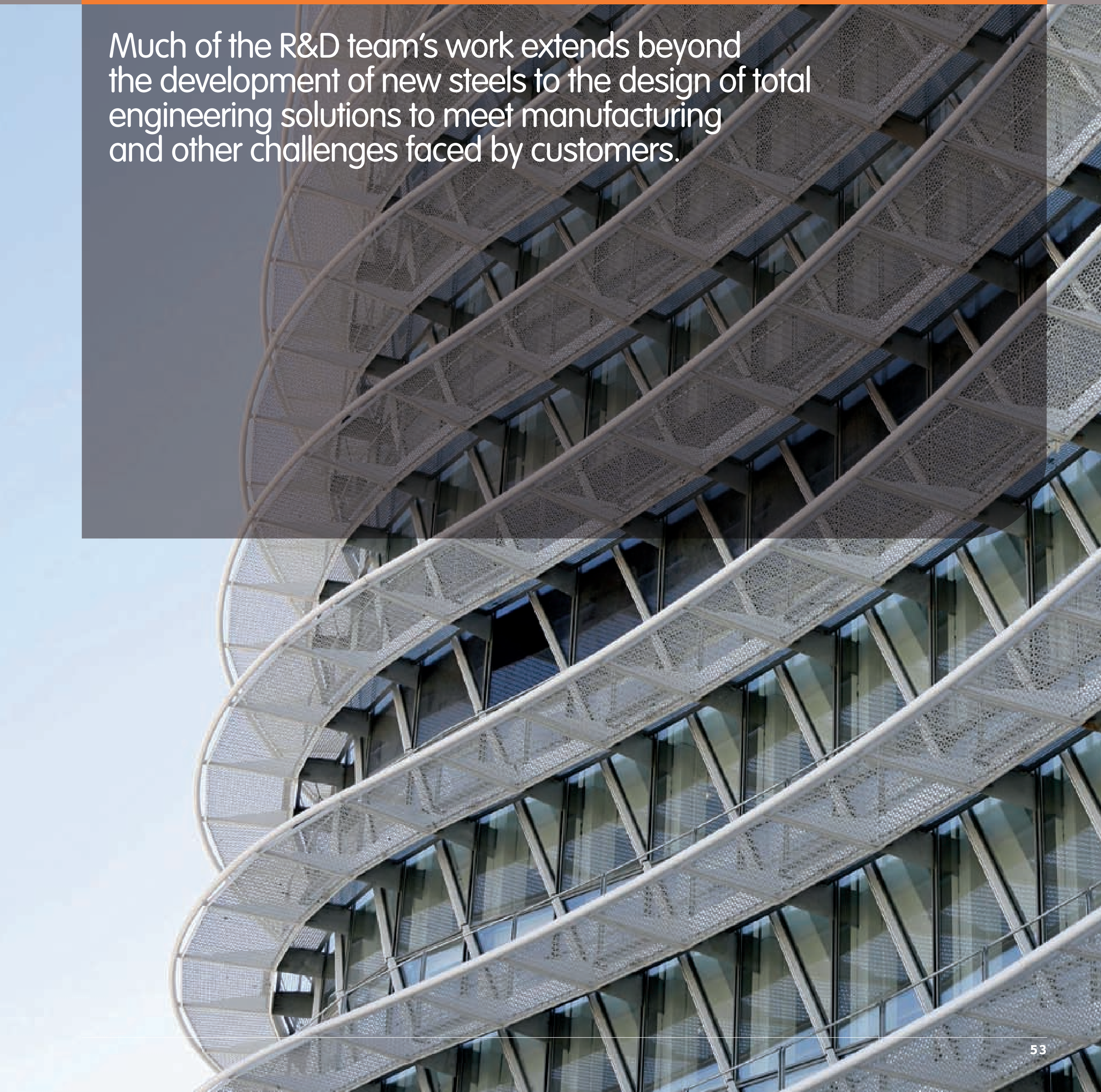
Minority interest was $1,040 million for the year ended December 31, 2008, as compared with $1,482 million for the year ended December 31, 2007. The decrease resulted primarily from the repurchase of minority interests in Arcelor (via the second-step merger in 2007), ArcelorMittal Brasil, ArcelorMittal Inox Brasil and Acindar, partially offset by higher income from ArcelorMittal South Africa and ArcelorMittal Ostrava.

Net income attributable to equity holders of the parent

ArcelorMittal's net income attributable to equity holders of the parent for the year ended December 31, 2008 decreased to $9,399 million from $10,368 million for the year ended December 31, 2007, for the reasons discussed above.

Customers and Innovation

Much of the R&D team's work extends beyond the development of new steels to the design of total engineering solutions to meet manufacturing and other challenges faced by customers.



ArcelorMittal's 1,500 strong R&D team works in close collaboration with customers, often in committed co-engineering programs, devising new steels and design solutions that improve the competitiveness of their products.

Customers and Innovation *continued*

ArcelorMittal seeks to develop high-value and strategic niche products to increase its market share, especially against competing materials. Increasingly, it has a parallel goal – to meet the wider demands of society for a lower carbon dioxide world. It does this by constantly reducing the CO_2 content both of its own products – by minimizing the use of energy, the production of waste, and optimizing the use of raw materials – and those of its customers through the development of lighter, stronger, better designed steel solutions.

Some 40 new products and numerous design solutions were commercialized in 2008 – a new record. They were developed for a wide spectrum of customer segments. In addition to delivering new functionalities and meeting the specific needs of a developing marketplace, many reflect the growing importance of product life cycle analysis that takes account of the CO_2 emitted at every stage from production through usage to end of life.

Total engineering solutions

Much of the R&D team's work extends beyond the development of new steels to the design of total engineering solutions to meet manufacturing and other challenges faced by customers. Three examples in the area of construction entered production in 2008:

- The Arsolar solar roof, which won the Golden Innovation Medal at the Batimat trade fair in late 2007, is a visually attractive roofing or cladding system with an integrated photovoltaic solution that reduces energy consumption in buildings.
- The Angelina® beam, which has won a number of awards, is a highly versatile beam offering new architectural possibilities within an environmentally friendly approach.
- The Firebreak Wall 4H, is a fire resistant wall for storage facilities that need four-hour fire resistance in each of their compartments.

Automotive developments

Throughout the world, automotive manufacturers face a similar challenge: to develop a new generation of vehicles with improved fuel consumption and lower CO_2 emissions while meeting ever more stringent safety requirements. ArcelorMittal works closely with its customers from the design stage of new product launches, helping them develop vehicles that meet the demands of a lower carbon world while still delivering the safety and design appeal expected by end-customers.

ArcelorMittal also launched its 'S-in Motion' project, which targets a 20% weight reduction in vehicle body structures compared with current levels and is expected to be completed in 2010. The 'S' stands for steel, safety, stiffness, savings – all key issues for original equipment manufacturers – and is a follow-up to the ArcelorMittal Body Concept launched in 2005. Some of the new steels developed in the 'S for Motion' program are expected to be deployed by 2010.

Construction

In the construction and civil engineering markets, the Group develops new products and solutions to help customers cut construction costs, improve safety or comfort, achieve specific architectural requirements, extend durability or reduce environmental impact. Besides earthquake-resistant structures projects, the Group has developed a modular building design to facilitate the quick build of emergency housing for victims of natural disasters. The Group's advanced high-strength steels have played a major role in a number of the world's high-profile commercial developments:

- The 492 meter-tall Shanghai World Financial Center, which opened in August 2008, incorporates 24,000 tonnes of high-quality, heavy plate from ArcelorMittal associate Dillinger Hütte and 12,000 tonnes of rolled sections from different Group plants around Europe.

- In Russia, ArcelorMittal was involved in two prestigious projects, the 300 meter-high Moscow International Business Center and the 360 meter-high Federation Tower. Together, the two projects incorporate 20,000 tonnes of ArcelorMittal sections.
- In New York, ArcelorMittal delivered 2,100 tonnes of very advanced jumbo beams for the 415 meter Freedom Tower project. The jumbo beams were made at ArcelorMittal's Differdange plant in Luxembourg, the only steelmaker in the world capable of producing beams of this scale with a 460 MPa tensile strength.
- Since 2004, 100,000 tonnes of sheet piles have been delivered for a foundation project to protect the Lagoon of Venice, Italy, from the floods.

By supplying innovative products and applications and delivering high-quality steel solutions, ArcelorMittal aims at making steel the material of choice in construction.

Specialty plate developments

In 2008, the R&D team developed a range of quenched and tempered plates for use in the transportation industry, typically in the building of large wagons for the transport of compressed natural gas. In addition, a new heavy plate product, 1.6 inches thick, developed in the Group's laboratories, went into production in the Burns Harbor heavy plate mill in August for the pipe manufacturer and fabricator, Canadoil. A new Duplex grade, 2202, has also been developed. With its outstanding mechanical properties enabling weight reduction of the final application and lower alloying element content, Duplex 2202 leads to important cost savings at our customers. This grade is already used in sea water desalination plants as well as chemical and pulp and paper industries.

Stainless Steels

After the successful promotion of the ferritic stainless steels 'Kara' (nickel free grades) in 2007, new grades have been developed in 2008. The most popular one has a 20% chrome content and is a substitute to the usual 304 austenitic stainless steel used in various applications such as appliances and construction items.

Arceo

In January 2008, ArcelorMittal inaugurated Arceo, a pilot line for a ground-breaking vacuum plasma steel coating process developed by the Group's R&D team in partnership with the Walloon Region of Belgium. The vacuum plasma process offers a range of new surface functionalities, allowing steel to become a sensor, a reflector, a source of light, an anti-bacterial or self-cleaning surface or simply more aesthetically pleasing. It also offers better anti-corrosion properties and is environmentally friendly. It does not use solvents or chemical preparations and does not generate effluents or gases that require treatment. With a wide spectrum of potential applications in the appliance, automotive, lighting and metal processing sectors, commercial development is expected to commence in 2009.

Breakthrough projects

The R&D team continues to work on a large number of breakthrough projects. Some are still at the exploratory stage. Others, such as titanium oxide-coated steel offering air purification qualities and with applications in air conditioning, are a year or two away from commercialization. A number of initiatives are on the verge of full-scale production. They include a new, ultra fine grain steel called High Fatigue Limit, which offers enhanced fatigue resistance. It is expected to enter production in 2009 for use in automotive wheels.

Large Hadron Collider.
As a testimony to its strengths in electrical steels, ArcelorMittal was a major contributor to the Large Hadron Collider particle accelerator project developed by the European Organization for Nuclear Research (CERN). The Group's Industeel unit in France was the only steel producer that could meet the specification for 16-metre plates made of a special type of fully non-magnetic stainless steel required for the external envelope of the LHC ring. In all, Industeel delivered 3,000 tonnes of plates and the Group's flat carbon plant in Liège delivered 70,000 tonnes of high permeability low carbon 'Magnetil' electrical steel for the magnet guiding of the particle flow.

Market Information

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

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

ArcelorMittal remains optimistic about the industry's medium-term growth prospects, but believes it is appropriate to take a pause in its growth strategy until the economic outlook is more settled.

Share price performance

As a result of the challenging economic environment and the strong de-stocking of steel taking place in the developed and emerging world, the ArcelorMittal share has decreased by 35% since the creation of the Group, or by 78% compared to the highest share price of early June 2008.

Industrial plan

ArcelorMittal has taken rapidly significant initiatives to face the economic downturn, such as large production cuts to adapt production to the de-stocking phase, refocusing the $5 billion management gains program to target savings of $2 billion in 2009, targeting a reduction of working capital rotation by 15-25 days during 2009, reducing CAPEX to $3 billion in 2009 and reducing the dividend to $0.75/share. ArcelorMittal is also targeting a $10 billion net debt reduction to ensure financial flexibility once markets recover.

Indexes

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

Dividend

Considering the exceptional global economic conditions since mid-September 2008, ArcelorMittal's Board of Directors has recommended reducing the quarterly dividend payment by half to $0.1875 in 2009, resulting in an annual dividend per share of $0.75, subject to the approval of the annual general meeting of shareholders on May 12, 2009. Once market conditions have normalized, the Board of Directors will review the dividend policy.

The dividend payments will occur on a quarterly basis for the full year 2009 (see financial calendar). Dividends are announced in US$ and paid in US$ for shares listed on the New York Stock Exchange and paid in euros for shares listed on the European stock exchanges (Netherlands, France, Spain, Luxembourg and Belgium).

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 has decided to implement an active and broad communications policy: road shows with the financial community, conference calls, plant visits, meetings with retail and private investors, a virtual meeting and conference center on Second Life and a website featuring management comments on quarterly, half-year and full-year results.

Private Investors

ArcelorMittal's senior management intends to meet private investors and shareholder associations in road shows throughout 2009. In order to improve the communication and debate with its private investors, ArcelorMittal has opened a virtual meeting and conference centre on Second Life. The ArcelorMittal virtual meeting and conference centre enables investors to have access to Group documentation, corporate videos, discuss in real time with company representatives or other shareholders present on the location or leave questions in the dedicated question box. This is also the optimal location to arrange interactive Group presentations and courses. A dedicated toll free number for private investors is available at 00800 4792 4792. Requests for information or meetings on the virtual meeting and conference centre may also be sent to: *PrivateInvestors@arcelomittal.com*

Analysts and 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:
InstitutionalsAmericas@arcelormittal.com
InstitutionalsEurope@arcelormittal.com

Socially Responsible Investors

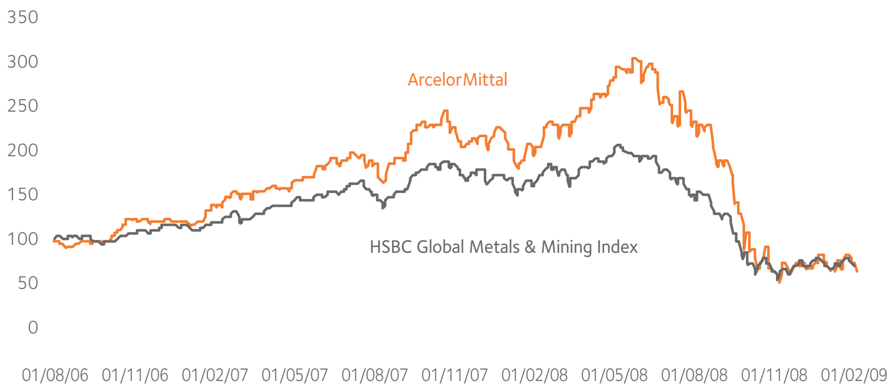
The Investor Relations team is also a privileged source of information for the growing Socially Responsible Investment community. The team organizes special events on ArcelorMittal's Corporate Responsibility strategy and answers all requests for information sent to the Group *(SRI@arcelormittal.com)*.

Credit and Fixed Income Investors

Credit, Fixed Income Investors and rating agency are followed by a dedicated team from Investor Relations *(CreditFixedIncome@arcelormittal.com)*.

ArcelorMittal share price performance since creation

Base 100 at 1st August 2006 (US$)



Financial Calendar

Financial Results*	
April 29, 2009	Results for 1st quarter 2009
July 29, 2009	Results for 2nd quarter 2009 and 6 months 2009
October 28, 2009	Results for 3rd quarter 2009 and 9 months 2009

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

Dividend payment	
March 16, 2009	1st quarterly payment of base dividend (interim dividend)
June 15, 2009	2nd quarterly payment of base dividend**
September 14, 2009	3rd quarterly payment of base dividend**
December 14, 2009	4th quarterly payment of base dividend**

*** Subject to shareholder approval*

Shareholder and investor meetings	
March 26 and 27, 2009	Plant tour with analysts and institutional investors
May 12, 2009	Annual shareholder meeting in Luxembourg
June 17, 2009	Individual investor event
September 16, 2009	Investor day with Group Management Board members

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Steel

"We need world-class Leadership to propel us forward. We must be visionary thinkers, creating opportunities every day. We must maintain the entrepreneurial spirit that has brought us to the forefront of the steel industry. We must move beyond what the world expects of steel."

Lakshmi N Mittal

One of the elements in the Corporate Responsibility strategy is 'transparent governance', showing ArcelorMittal's commitment to visible governance based on an understanding of business reality. This section provides a summary of the corporate governance practices of ArcelorMittal, including in particular the practices of its Board of Directors.

Corporate Governance

Board of Directors, Group Management Board and Management Committee

ArcelorMittal is governed by a Board of Directors and a Group Management Board. The Group Management Board is assisted by a Management Committee.

Board of Directors

The Board of Directors is in charge of the overall management 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 expressly reserved by Luxembourg law or the Articles of Association to the general meeting of shareholders. The Articles of Association provide that the Board of Directors is composed of a minimum of three and a maximum of 18 members, all of whom, except the Chief Executive Officer, must be non-executive directors, and none of the members of the Board of Directors, except for the Chief Executive Officer, may hold an executive position or executive mandate within ArcelorMittal or any entity controlled by ArcelorMittal.

At ArcelorMittal's annual general meeting of shareholders on May 13, 2008, Mr Joseph Kinsch stepped down as Chairman and Mr Lakshmi N Mittal became the new Chairman following a unanimous nomination by the Board of Directors. Mr Mittal also continues to hold his position as Chief Executive Officer.

As of the date hereof, the Board of Directors is comprised of 15 non-executive directors, 12 of whom are independent, and one executive director. The Chief Executive Officer of ArcelorMittal is the sole executive director.

The Articles of Association and the Memorandum of Understanding entered into among Mittal Steel NV, Arcelor SA and ArcelorMittal's largest shareholder on June 25, 2006 ('Memorandum of Understanding' or 'MoU') both provide that at least half of the Board of Directors must be composed of independent members. Currently, 12 of the 16 members of the Board of Directors are independent. A director is considered to be 'independent' if (a) he or she is independent within the meaning of the Listed Company Manual of the New York Stock Exchange, Inc., as it may be amended from time to time, or any successor provision, subject to the exemptions available for foreign private issuers, and (b) he or she is unaffiliated with any shareholder owning or controlling more than two percent of the total issued share capital of ArcelorMittal. 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. There is no requirement in the Articles of Association that directors be shareholders in the Company.

The Memorandum of Understanding provides that until August 1, 2009, subject to the Significant shareholder[1] owning or controlling at least 15% of the outstanding share capital of ArcelorMittal, the Significant shareholder will be entitled to elect to the Board of Directors a maximum of six directors, comprising three directors affiliated (directly or indirectly) with the Significant shareholder and three independent directors. The Articles of Association provide that the Significant shareholder will be entitled to a proportional right of representation on the Board of Directors after August 1, 2009.

As a general matter, the Articles of Association provide that directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Except as described above, no shareholder has any specific rights to nominate, elect or remove directors. All directors are elected by the general meeting of shareholders for three-year terms, except in the event of the replacement of a member of the Board of Directors during his or her mandate.

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 benefits upon the termination of their mandate.

Operation of the Board of Directors

The Board of Directors meets when convened by the Chairman of the Board or two members of the Board of Directors. 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 the Chairman and a majority of the independent directors. 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. The previously existing role of 'President' of the Board of Directors was replaced by the role of 'Lead Independent Director' as a result of changes approved in April 2008 to the Memorandum of Understanding. Please see 'Memorandum of Understanding and Initial Term' below.

[1] *'Significant shareholder' refers to Mr Lakshmi N Mittal and his wife, Mrs Usha Mittal, who together own approximately 45.63% of ArcelorMittal's outstanding voting equity as at December 31, 2008.*

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 quorate meeting.

The agenda of the meeting of the Board of Directors is agreed by the Chairman of the Board of Directors and the Lead Independent Director.

Separate Meetings of Independent Directors

The Lead Independent Director may schedule meetings of the independent members of the Board of Directors outside the presence of management and of the non-independent directors. There is no minimum number of such meetings that must be held per year, and no such meetings were held in 2008.

Board of Directors Committees

The Board of Directors has two committees: the Audit Committee and the Appointments, Remuneration and Corporate Governance Committee.

Audit Committee

The Articles of Association provide that the Audit Committee is composed solely of independent members of the Board of Directors. The MoU further provides that the Audit Committee must be composed of at least three members and that the applicable standard of independence is that defined in Rule 10A-3 of the U.S. Securities Exchange Act of 1934. The members are appointed by the Board of Directors. The Audit Committee makes decisions by a simple majority with no member having a casting vote.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

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

The Audit Committee's primary duties and responsibilities are to:

- be an independent and objective party to monitor ArcelorMittal's financial reporting process and internal controls system;
- review and appraise the audit efforts of ArcelorMittal's independent auditors and internal auditing department;
- provide an open avenue of communication among the independent auditors, senior management, the internal audit department and the Board of Directors;
- approve the appointment and fees of the independent auditors; and
- monitor the independence of the independent auditors.

The three members of the Audit Committee are Messrs Narayanan Vaghul, José Ramón Álvarez Rendueles and Wilbur L Ross, each of whom is an independent director under ArcelorMittal's Corporate Governance guidelines and the NYSE standards. The Chairman of the Audit Committee is Mr Vaghul, who has significant experience and financial expertise. Mr Vaghul is the Chairman of ICICI Bank Ltd., a company that is listed on the NYSE and the Mumbai Stock Exchange. Mr Álvarez Rendueles, a former Governor of the Banco de España and former President of the Banco Zaragozano, also has significant experience and financial expertise. Mr Ross has been the Chairman of International Steel Group (ISG) since its creation, he is the Chairman of a number of international companies and is the Chairman and Chief Executive Officer of private equity firm WL Ross & Co. LLC. As such, he has acquired significant experience in the steel industry and in the management of international companies in various economic sectors.

According to its charter, the Audit Committee is required to meet at least four times per year. During 2008, the Audit Committee met twelve times, seven of which were meetings held in person and five of which were held by teleconference.

Appointments, Remuneration and Corporate Governance Committee

The Appointments, Remuneration and Corporate Governance Committee is comprised of three directors, each of whom is an independent director under ArcelorMittal's Corporate Governance guidelines and the NYSE standards. The members are appointed by the Board of Directors. The Appointments, Remuneration and Corporate Governance Committee makes decisions by a simple majority with no member having a casting vote.

The Board of Directors has established the Appointments, Remuneration and Corporate Governance Committee to:

- determine, on its behalf and on behalf of the shareholders within agreed terms of reference, ArcelorMittal's remuneration and compensation framework, including stock options for the Chief Executive Officer, the Chief Financial Officer, the members of the Group Management Board and the members 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-assessment process; and
- develop, monitor and review corporate governance principles applicable to ArcelorMittal.

The Appointments, Remuneration and Corporate Governance 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 three members of the Appointments, Remuneration and Corporate Governance Committee are Messrs Lewis Kaden, Sergio Silva de Freitas and Jean-Pierre Hansen, each of whom is 'independent' under ArcelorMittal's Corporate Governance guidelines and the NYSE standards. The Chairman of the Appointments, Remuneration and Corporate Governance Committee is Mr Kaden.

The Appointments, Remuneration and Corporate Governance Committee is required to meet at least twice a year. During 2008, this committee met six times.

Group Management Board

The Group Management Board is entrusted with the day-to-day management of ArcelorMittal. Mr Lakshmi N Mittal, the Chief Executive Officer, is the Chairman of the Group Management Board. The members of the Group Management Board are appointed and dismissed by the Board of Directors. As the Group Management Board is not a corporate body created by Luxembourg law or ArcelorMittal's Articles of Association, the Group Management Board may exercise only the authority granted to it by the Board of Directors.

In establishing ArcelorMittal's strategic direction and corporate policies, Mr Lakshmi N Mittal is supported by members of ArcelorMittal's senior management, who have substantial professional and worldwide steel industry experience. Some of the members of ArcelorMittal's senior management team are also members of the Group Management Board.

Management Committee

The Group Management Board is assisted by a Management Committee comprised of the members of the Group Management Board, 16 other senior executive officers, and one invitee to the Management Committee. The Management Committee discusses and prepares Group decisions on matters of Group-wide importance, integrates the geographical dimension of the Group, ensures in-depth discussions with ArcelorMittal's operational and resources leaders, and shares information about the situation of the Group and its markets.

Memorandum of Understanding and initial term

On June 25, 2006, Mittal Steel, the 'Significant shareholder'[1] and Arcelor signed a binding Memorandum of Understanding based on which Arcelor's Board of Directors recommended Mittal Steel's offer for Arcelor and the parties agreed to certain corporate governance matters relating to the Arcelor-Mittal combined 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 shareholders on November 5, 2007.

In April 2008, the Board of Directors completed a review of certain provisions of the MoU to adapt it to the Company's needs in the post-merger and post-integration phase. In particular, the Board decided to create the role of Lead Independent Director. The Lead Independent Director replaces the 'President' of the Board of Directors created by the MoU and his/her function is to:

- co-ordinate the activities of the independent directors;
- liaise between the Chairman of the Board of Directors and the independent directors;
- call meetings of the independent directors when necessary and appropriate; and
- perform such other duties as may be assigned to him or her by the Board from time to time.

Mr Lewis B Kaden was elected by the Board of Directors as ArcelorMittal's first Lead Independent Director in April 2008.

Furthermore, the Board of Directors decided to remove references in the MoU to the size of the Board of Directors and the distinction between former Arcelor and Mittal directors. Finally, the Board of Directors decided that the Audit Committee and the Appointments, Remuneration and Corporate Governance Committee will each be composed of a minimum of three independent directors.

In accordance with the Memorandum of Understanding, until August 1, 2009, with respect to Board of Directors' decisions that require shareholders approval, the Significant shareholder will vote in accordance with the position expressed by the Board of Directors, unless the Significant shareholder opposes any such position, in which case the Significant shareholder can vote as it wishes subject to the following requirements. Until August 1, 2009, if Mr Lakshmi N Mittal opposes any decision of the Board of Directors on a matter that does not require shareholder approval and that was not proposed by him, he will have the right to request that such action first be approved by a shareholders' meeting and the Significant shareholder will have the right to vote at such meeting as it sees fit. The Board of Directors will not approve any action rejected by the shareholders' meeting.

The Memorandum of Understanding further provides that until August 1, 2009, subject to the Significant shareholder owning or controlling at least 15% of the outstanding share capital of ArcelorMittal, the Significant shareholder is entitled to elect to the Board of Directors a maximum of six directors comprised of three directors affiliated (directly or indirectly) with the Significant shareholder and three independent directors. Thereafter, the Significant shareholder will be entitled to representation on the Board of Directors in proportion to its shareholding in ArcelorMittal.

[1] *As such term is defined in the introduction to the Board of Directors section of this Corporate Governance section.*

Upon expiration of a three-year transitional period (referred to as the Initial Term) on August 1, 2009, ArcelorMittal's corporate governance rules described above will be revised to reflect, subject to certain provisions of the MoU 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 the Luxembourg Stock Exchange code of governance.

Other corporate governance practices

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

Ethics and Conflicts of Interest

Ethics and conflicts of interest are governed by ArcelorMittal's Code of Business Conduct, which establishes the standards for ethical behavior that are to be followed by all employees and directors of ArcelorMittal in the exercise of their duties. They must always act in the best interests of ArcelorMittal and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to ArcelorMittal. As employees, they may not acquire 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 management, the head of the legal department or the head of the internal audit/internal assurance department. Code of Business Conduct training is offered throughout ArcelorMittal. All new employees of ArcelorMittal must acknowledge the Code of Business Conduct in writing upon joining and are periodically trained about the Code of Business Conduct in each location where ArcelorMittal has operations. The Code of Business Conduct is available in the 'Corporate Governance – Code of Business Conduct' section of ArcelorMittal's website at *www.arcelormittal.com.*

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 Code of Business Conduct encourages all employees to bring such issues to the Audit Committee's attention on a confidential basis. In accordance with ArcelorMittal's Whistleblower Policy, concerns with regard to possible irregularities in accounting, auditing or banking matters or bribery within ArcelorMittal or any of its subsidiaries or other controlled entities may also be communicated through the 'Corporate Governance – Whistleblower' section of the ArcelorMittal website at *www.arcelormittal.com*, where ArcelorMittal's Whistleblower Policy is also available.

During 2008, employees reported 184 total complaints, of which 32 were deemed significant complaints by the Internal Assurance team.

Internal Assurance

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

Independent Auditors

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

Measures to Prevent Insider Dealing and Market Manipulation

The Board of Directors of ArcelorMittal has adopted Insider Dealing Regulations ('IDR'), which are updated when necessary and in relation to which training is conducted throughout the Group. The most recent version of the IDR is available on ArcelorMittal's website, *www.arcelormittal.com*, under 'Investors & Shareholders – Corporate Governance – Insider Dealing Regulations'.

The IDR apply to the worldwide operations of ArcelorMittal. The Company Secretary of ArcelorMittal is the IDR compliance officer and answers questions that members of senior management, the Board of Directors, or employees may have about the IDR's interpretation. The IDR compliance officer may also 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.

Compensation

Compensation information

The total annual compensation of the members of ArcelorMittal's Board of Directors paid in 2007 and 2008 was as follows:

	Year ended 31 December 2007	*Year ended 31 December 2008*
(Amounts in $ thousands except option information)		
Base salary and/or directors fees	4,334	5,569
Short-term performance-related bonus	2,181	2,200
Long-term incentives (number of options)	60,000	60,000

The annual compensation paid to the members of ArcelorMittal's Board of Directors for services in all capacities in 2007 and 2008 was as follows:

	2007[1]	*2008*	*2007 Short-term Performance Related*	*2008 Short-term Performance Related*	*2007 Long-term Number of Options*	*2008 Long-term Number of Options*
(Amounts in $ thousands except option information)						
Lakshmi N Mittal	2,001	1,916	2,181	2,200	60,000	60,000
Vanisha Mittal Bhatia	—	199	—	—	—	—
Narayanan Vaghul	—	240	—	—	—	—
Malay Mukherjee[2]	—	—	—	—	—	—
Wilbur L Ross, Jr	—	224	—	—	—	—
Lewis B Kaden	—	221	—	—	—	—
François Pinault	—	176	—	—	—	—
Joseph Kinsch[3]	338	368	—	—	—	—
José Ramón Álvarez Rendueles	297	227	—	—	—	—
Sergio Silva de Freitas	181	206	—	—	—	—
Georges Schmit	197	196	—	—	—	—
Edmond Pachura[4]	213	227	—	—	—	—
Michel Angel Marti	180	199	—	—	—	—
Manuel Fernández López[5]	163	187	—	—	—	—
Jean-Pierre Hansen	200	199	—	—	—	—
John Castegnaro	180	199	—	—	—	—
Antoine Spillmann[6]	163	196	—	—	—	—
HRH Prince Guillaume de Luxembourg	184	199	—	—	—	—
Romain Zaleski[7]	37	190	—	—	—	—
Ignacio Fernández Toxo[8]	—	—	—	—	—	—
Total	4,334	5,569	2,181	2,200	60,000	60,000

[1] The compensation that was paid in 2007 to the former Arcelor Board Members was for their services to Arcelor in 2006. No compensation was paid to the former Mittal Steel Board Members on the ArcelorMittal Board in 2007. Compensation with respect to 2007 was paid after shareholder approval at the AGM held on May 13, 2008. Attendance fees for 2007 amounting to approximately $0.4 million were paid in February 2008 and are included in the 2008 column above. Compensation with respect to 2008 will be paid after shareholder approval at the AGM held on May 12, 2009. Attendance fees for 2008 amounting to approximately $0.4 million were paid in January 2009 and are not included in the 2008 column above.

[2] Mr Mukherjee was elected to ArcelorMittal's Board of Directors on May 13, 2008, prior to which he was a Member of the Group Management Board, responsible for Asia, Africa, Mining and CIS. Mr Mukherjee was compensated as a member of senior management in 2007 and in 2008 until his appointment to the Board, and as a Director since then. The table above relates solely to compensation received by Mr Mukherjee while a Director. Compensation received by Mr Mukherjee in 2008 prior to becoming a Director is included in the aggregate amount disclosed below for senior management.

[3] The mandate of Mr Kinsch ended on May 13, 2008.

[4] The mandate of Mr Pachura ended on May 13, 2008.

[5] Mr Fernández López resigned on May 13, 2008.

[6] Mr Spillmann was elected to ArcelorMittal's Board of Directors on May 13, 2008, replacing Corporación JMAC. Mr Spillmann had been the representative of Corporación JMAC on the Board before May 13, 2008. Compensation received by Mr Spillmann both as a representative of Corporación JMAC and as a Director in his own right is included in this table.

[7] Mr Zaleski resigned on March 5, 2008.

[8] Mr Fernández Toxo was elected to ArcelorMittal's Board of Directors on May 13, 2008.

On February 10, 2009 the Board of Directors decided that it would propose to the next annual general meeting of shareholders to reduce the annual remuneration of board members (including the Chairman and Chief Executive Officer) by 15% as compared to the previous year as an additional measure to address the current situation in the steel industry and to show leadership and solidarity with the Company's employees affected by redundancies and temporary lay-offs.

As of December 31, 2007 and 2008, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors, and, as of December 31, 2008, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors.

The following table provides a summary of the options outstanding and the exercise of the options granted to ArcelorMittal's Board of Directors (in 2001, 2003 and 2004, no options were granted to members of ArcelorMittal's Board of Directors):

	Granted in 1999	*Granted in 2000*	*Granted in 2002*	*Granted in 2005*	*Granted in 2006*	*Granted in 2007*	*Granted in 2008*	*Total*	*Weighted Average Exercise Price*
Lakshmi N Mittal	80,000	80,000	80,000	100,000	100,000	60,000	60,000	560,000	$30.15
Vanisha Mittal Bhatia	—	—	—	—	—	—	—	—	—
Narayanan Vaghul	—	—	—	—	—	—	—	—	—
Malay Mukherjee [1]	—	—	—	—	—	—	—	—	—
Wilbur L Ross	—	—	—	—	—	—	—	—	—
Lewis B Kaden	—	—	—	—	—	—	—	—	—
François Pinault	—	—	—	—	—	—	—	—	—
Joseph Kinsch [2]	—	—	—	—	—	—	—	—	—
José Ramón Álvarez Rendueles	—	—	—	—	—	—	—	—	—
Sergio Silva de Freitas	—	—	—	—	—	—	—	—	—
Georges Schmit	—	—	—	—	—	—	—	—	—
Edmond Pachura [3]	—	—	—	—	—	—	—	—	—
Michel Angel Marti	—	—	—	—	—	—	—	—	—
Manuel Fernández López [4]	—	—	—	—	—	—	—	—	—
Jean-Pierre Hansen	—	—	—	—	—	—	—	—	—
John Castegnaro	—	—	—	—	—	—	—	—	—
Antoine Spillmann [5]	—	—	—	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg	—	—	—	—	—	—	—	—	—
Romain Zaleski [6]	—	—	—	—	—	—	—	—	—
Ignacio Fernández Toxo [7]	—	—	—	—	—	—	—	—	—
Total	80,000	80,000	80,000	100,000	100,000	60,000	60,000	560,000	—
Exercise price	$11.94	$8.57	$2.26	$28.75	$33.755	$64.30	$82.57	—	$30.15
Term (in years)	10	10	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	August 2, 2017	August 5, 2018	—	—

[1] Mr Mukherjee was elected to ArcelorMittal's Board of Directors on May 13, 2008, prior to which point he was a Member of the Group Management Board, responsible for Asia, Africa, Mining and CIS. Mr Mukherjee was compensated as a member of senior management in 2007 and in 2008 until his appointment to the Board on May 13, 2008, and as a Director since then. Options granted before this date are not included in this table but are included in the table with respect to outstanding share options held by senior management.
[2] The mandate of Mr Kinsch ended on May 13, 2008.
[3] The mandate of Mr Pachura ended on May 13, 2008.
[4] Mr Fernández López resigned on May 13, 2008.
[5] Mr Spillmann was elected to ArcelorMittal's Board of Directors on May 13, 2008, replacing Corporación JMAC. Mr Spillmann had been the representative of Corporación JMAC on the Board before May 13, 2008.
[6] Mr Zaleski resigned on March 5, 2008.
[7] Mr Fernández Toxo was elected to ArcelorMittal's Board of Directors on May 13, 2008.

The total compensation paid in 2008 to members of ArcelorMittal's senior management was $20.5 million in base salary (including various allowances paid in cash) and $21 million in short-term performance-related bonuses. As of December 31, 2008, approximately $1.2 million was accrued by ArcelorMittal to provide pension benefits to its senior management.

In connection with the Board of Directors' decision in February 2009 to reduce its compensation in light of conditions in the steel market, Group Management Board members similarly voluntarily decided to reduce their salary by 12%, and the members of the Management Committee voluntarily decided to reduce their salary by 10%, as compared to the previous year.

During 2008, no loans or advances to ArcelorMittal's senior management were outstanding. As of December 31, 2007, no loan was outstanding.

Executive compensation policy

Philosophy

The ArcelorMittal Compensation Policy for executives is based on the following principles:

- Provide a total compensation competitive with executive compensation levels of industrial companies of a similar size and scope;
- Promote internal equity and market median base pay levels for our executives, combined with 'pay for performance';
- Motivate managers towards the achievement of Group-wide and personal goals, including efficiency and growth; and
- Retain individuals who consistently perform at expected levels and contribute to the success of the organization.

Governance Principles

The Appointments, Remuneration and Corporate Governance Committee of ArcelorMittal reviews and recommends proposals annually for the Board of Directors on ArcelorMittal's executive compensation. The Committee also prepares proposals on the fees to be paid annually to the members of the Board of Directors. Such proposals relating to executive compensation comprise the following elements:

- Fixed annual salary,
- Short-term incentives, e.g., performance-related bonus, and
- Long-term incentives, e.g., stock options,

and apply to the group of senior executives, i.e.

- the Chief Executive Officer,
- the members of the Group Management Board, and
- the members of the Management Committee.

Decisions on short and long-term incentive plans may apply to a larger group of employees. The Appointments, Remuneration and Corporate Governance Committee receives updates about the application of these plans on a regular basis.

Fixed Annual Salary

The size of the fixed annual salary is targeted to the median salary level of the peer group of companies, i.e. industrial companies of a similar size and scope. The base salary levels are reviewed annually to ensure that ArcelorMittal remains competitive.

Short-term Incentives: Performance-related Bonus

A discretionary bonus plan is in place at ArcelorMittal. The performance of the ArcelorMittal Group as a whole, the performance of the relevant business units, the achievement of specific objectives and the individual's overall performance and potential determine the outcome of the bonus calculation. This bonus plan, called the Global Performance Bonus Plan, is applicable to more than 2,000 executives and managers worldwide.

The bonus is calculated as a percentage of the individual's base salary. Different percentage ranges are used depending on the hierarchical level of the individual. Performance-related bonuses are paid only if certain minimum performance thresholds are exceeded by the ArcelorMittal Group as a whole and/or the relevant business segment.

Long-term Incentives: Stock Options

The Chief Executive Officer, the Group Management Board members and the Management Committee members benefit from the Global Stock Option Plan. This plan also applies to a larger group of employees. The overall cap on options available for grants during a year is approved by the shareholders at the annual general meeting. The stock option plan is detailed in Note 17 of the Consolidated Financial Statements.

Other Benefits

In addition to the main compensation elements described above, other benefits may be provided to executives, such as company cars and contributions to pension plans and insurance policies.

Share Ownership

As of December 31, 2008, the aggregate beneficial share ownership of ArcelorMittal directors and senior management (37 individuals) totaled 1,610,922 ArcelorMittal shares (excluding shares owned by ArcelorMittal's Significant shareholder and including options to acquire 596,453 ArcelorMittal common shares that are exercisable within 60 days of December 31, 2008), representing 0.11% of the total issued share capital of ArcelorMittal. Excluding options to acquire ArcelorMittal common shares, these 37 individuals beneficially own 1,014,469 ArcelorMittal common shares. Other than the Significant shareholder, each director and member of senior management beneficially owns less than 1% of ArcelorMittal's shares.

The percentage of total common shares in the possession of the Significant shareholder (including treasury stock) decreased from 44.79% prior to November 13, 2007 to 43.05% after that date as a result of the second step of the merger of Mittal Steel and Arcelor. In 2006, the number of Mittal Steel options granted to its directors and senior management (including the Significant shareholder) was 388,541 at an exercise price of $33.755, and the number of Arcelor options granted to its directors and senior management was 312,146 at an exercise price of €34.43. In 2007, the number of ArcelorMittal (or Mittal Steel) options granted to directors and then-senior management (including the Significant shareholder) was 695,001 at an exercise price of $64.30.

In 2008, the number of ArcelorMittal options granted to directors and then-senior management (including the Significant shareholder) was 740,500 at an exercise price of $82.57. The Mittal Steel and ArcelorMittal options vest either ratably upon each of the first three anniversaries of the grant date (or in total upon the death, disability or retirement of the grantee) and expire ten years after the grant date.

The following table summarizes outstanding share options, as of December 31, 2008, granted to the members of senior management of ArcelorMittal (or its predecessor company Mittal Steel, depending on the year):

	*Year of Grant 1999**	*Year of Grant 2000**	*Year of Grant 2002**	*Year of Grant 2005**	*Year of Grant 2006**	*Year of Grant 2007**	*Year of Grant 2008**	*Total***	*Average weighted exercise price***
Senior Managers*** (including the Significant shareholder)	87,500	87,500	105,000	275,348	388,541	695,001	740,500	2,474,390	—
Exercise price	$ 11.94	$ 8.57	$ 2.26	$ 28.75	$ 33.76	$ 64.30	$ 82.57	—	$ 62.74
Term (in years)	10	10	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	August 2, 2017	August 5, 2018	—	—

* *Options awarded under ArcelorMittalShares.*

** *The options granted by Arcelor (noted above) have been included in the total number of options and the average weighted exercise price (at a conversion rate of €1 = $1.3705).*

*** *Includes options granted to Mr Mukherjee, all of which were received in his capacity as a member of senior management. Mr Mukherjee was elected to ArcelorMittal's Board of Directors on May 13, 2008, prior to which point he was a Member of the Group Management Board, responsible for Asia, Africa, Mining and CIS.*

In 2001, 2003 and 2004, no options were granted to members of Mittal Steel's senior management.

In accordance with the Luxembourg Stock Exchange's Ten Principles of Corporate Governance, independent non-executive members of ArcelorMittal's Board of Directors do not receive share options.

Share Capital and Voting Rights

	ArcelorMittal Common Shares [1] Number	%
Significant shareholder [2]	623,751,667	43.05
Treasury Stock [3]	81,760,949	5.64
Other Public Shareholders	743,317,731	51.31
Total	1,448,826,347	100.00
Directors and Senior Management [4 5]	1,610,922	0.11

[1] *For purposes of this table, a person or group of persons is deemed to have beneficial ownership of any ArcelorMittal common shares as of a given date on which such person or group of persons has the right to acquire such shares within 60 days after December 31, 2008 upon exercise of vested portions of stock options. The first-third of the stock options granted on August 2, 2007 and the first- and second-thirds of the stock options granted on September 1, 2006 vested on August 2, 2008, and September 1, 2008, respectively, and all stock options of the previous grants have vested. None of the stock options granted on August 5, 2008 has vested; the first-third of such options, however, will vest on August 5, 2009.*

[2] *Mr Lakshmi Mittal and his wife, Mrs Usha Mittal, have direct ownership of ArcelorMittal common shares and indirect ownership of holding companies that own ArcelorMittal common shares. Ispat International Investments S.L. is the owner of 98,250,000 ArcelorMittal common shares. Mittal Investments S.à r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 525,000,000 ArcelorMittal common shares. Mr Mittal is the direct owner of 30,000 ArcelorMittal common shares and holds options to acquire an additional 560,000 ArcelorMittal common shares, of which 426,667 are, for the purposes of this table, deemed to be beneficially owned by Mr Mittal due to the fact that those options are exercisable within 60 days. Mrs Mittal is the direct owner of 5,000 ArcelorMittal common shares and holds options to acquire an additional 40,000 ArcelorMittal common shares, of which all 40,000 options are, for the purposes of this table, deemed to be beneficially owned by Mrs Mittal due to the fact that those options are exercisable within 60 days. Mr Mittal and Mrs Mittal share equally beneficial ownership of 100% of Ispat International Investments S.L. and share equally beneficial ownership of 100% of Mittal Investments S.à.r.l. Accordingly, Mr Mittal is the beneficial owner of 623,706,667 ArcelorMittal common shares and Mrs Mittal is the beneficial owner of 623,295,000 common shares. Excluding options, Mr Lakshmi Mittal and Mrs Usha Mittal together, directly and indirectly through intermediate holding companies, own 623,285,000 ArcelorMittal common shares.*

[3] *Represents ArcelorMittal common shares repurchased by ArcelorMittal pursuant to share repurchase programs. Consisting of 27,375,557 ArcelorMittal common shares purchased between November 13, 2007 and December 31, 2007; 56,523,212 ArcelorMittal common shares purchased between December 31, 2007 and December 31, 2008; and excluding (1) 119,856 options that were exercised during the November 13, 2007—December 31, 2007 period and 954,844 options that were exercised during the December 31, 2007—December 31, 2008 period; (2) 596,453 stock options that can be exercised by directors and senior management (other than the Significant shareholder); and (3) 466,667 stock options that can be exercised by the Significant shareholder, in each case within 60 days of December 31, 2008. The ArcelorMittal common shares are, for the purposes of this table, deemed to be beneficially owned by the stock options holders due to the fact that those options are exercisable within 60 days.*

[4] *Excludes shares beneficially owned by the Significant shareholder.*

[5] *These 1,610,922 ArcelorMittal common shares are included in shares owned by the public shareholders indicated above.*

As of December 31, 2008, the authorized share capital of ArcelorMittal consisted of 1,617,000,000 common shares without nominal value. At December 31, 2008 and 2007, 1,448,826,347 common shares were issued and at December 31, 2008, 1,366,002,278 common shares, compared to 1,421,570,646 common shares at December 31, 2007, were outstanding, the difference consisting in common shares held in treasury by ArcelorMittal.

The preceding table sets forth information as of December 31, 2008 with respect to the beneficial ownership of ArcelorMittal common shares by each person who is known to be the beneficial owner of more than 5% of the shares and all directors and senior management as a group.

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

At December 31, 2008, there were 3,028 shareholders other than the Significant shareholder holding an aggregate of 53,550,631 ArcelorMittal common shares registered in ArcelorMittal's shareholder register, representing approximately 3% of the common shares issued (including treasury shares).

At December 31, 2008, there were 133 U.S. shareholders holding an aggregate of 46,060,462 New York Shares, representing approximately 3.17% of the common 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 common shares.

At December 31, 2008, there were 723,506,498 ArcelorMittal common shares being held through the Euroclear/Iberclear clearing system in The Netherlands, France, Luxembourg and Spain.

As of December 31, 2008, ArcelorMittal's Significant shareholder owned directly and indirectly through holding companies 623,285,000 ArcelorMittal common shares, representing approximately 45.67% of the combined voting interest in ArcelorMittal. In the merger between ArcelorMittal and Arcelor, 31,619,094 ArcelorMittal shares were issued on November 13, 2007. After closing of the third offer period for Arcelor shares on November 17, 2006, a total of 679,416,607 shares had been issued to the shareholders of Arcelor since July 31, 2006, as partial payment for Arcelor (the other part was paid in cash). Prior to closing of the third offer period for Arcelor shares on November 17, 2006, Mittal Steel's Significant shareholder owned directly and indirectly through holding companies 165,794,790 Mittal Steel class A common shares (approximately 67% of the issued and outstanding class (except for class A common shares held in treasury)) and 457,490,210 Mittal Steel class B common shares (100% of the issued and outstanding class), representing approximately 98% of the combined voting interest in Mittal Steel. Upon completion of the merger with ISG on April 15, 2005, 60,891,883 shares were issued to the former shareholders of ISG as partial payment for ISG (the other part was paid in cash). Prior to the merger with ISG, Mittal Steel's Significant shareholder owned directly and indirectly through holding companies 165,794,790 Mittal Steel class A common shares (approximately 89.5% of the issued and outstanding class (except for class A common shares held in treasury)) and 457,490,210 Mittal Steel class B common shares (100% of the issued and outstanding class), representing approximately 99.6% of the combined voting interest in Mittal Steel. On completion of the acquisition of LNM Holdings on December 17, 2004, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares were issued to an intermediate holding company owned by the Significant shareholder. Prior to the completion of the acquisition of LNM Holdings, the Significant shareholder owned 26,135,000 Mittal Steel class A common shares (approximately 57.5% of the then issued and outstanding class (save for class A common shares held in treasury)) and 72,150,000 Mittal Steel class B common shares (100% of the then issued and outstanding class), representing approximately 97.5% of the combined voting interest in Mittal Steel.

Share buy-back program

In 2008, ArcelorMittal implemented two types of share buy-backs: Dividend policy share buy-backs and specific supplementary share buy-backs.

ArcelorMittal's general meeting of shareholders held on May 13, 2008 authorized share buy-backs for a period of 18 months. The maximum number of shares that may be acquired is the maximum allowed by the Luxembourg law on commercial companies (the 'Law') in such a manner that the accounting par value of the Company's shares held by the Company (or other Group companies) does not exceed 10% of its subscribed share capital.

Dividend Policy Share Buy-backs

The policy of ArcelorMittal aims to return 30% of ArcelorMittal's prior year's annual net income to shareholders every year through an annual base dividend supplemented by share buy-backs. ArcelorMittal confirmed on February 22, 2008 that, with the acquisition of 25 million shares from Carlo Tassara International S.A. announced on February 20, 2008, it completed its $1 billion share buy-back program announced in November 2007 and on February 13, 2008, which was part of its policy to return 30% of the previous year's net income to shareholders, together with the Company's 2008 base cash dividend of $1.50. Out of the 25 million shares purchased at a price of €46.6 ($68.70) per share, 14.6 million have been purchased under the $1 billion share buy-back program and 10.4 million under the 44 million shares buy-back program which started on December 18, 2007 and is to be completed over two years.

On March 17, 2008, June 16, 2008, September 15, 2008 and December 15, 2008, an interim dividend of $0.375 cents per share was paid.

Considering the exceptional global economic conditions since September 2008, share buy-backs were suspended after September 5, 2008 and on February 10, 2009, ArcelorMittal's Board of Directors recommended reducing the annual dividend in 2009 to $0.75 per share (with quarterly dividend payments of $0.1875), subject to the approval of the annual general meeting of shareholders on May 12, 2009. The new quarterly dividend payments would take place on March 16, 2009 (an interim dividend), June 15, 2009, September 14, 2009 and December 14, 2009. The Company has suspended its previously announced policy to return 30% of net income to shareholders through an annual base dividend supplemented by share buy-backs. Once market conditions have normalized, the Board intends to review the Company's policy.

Supplementary Share Buy-backs

On December 12 and 18, 2007, ArcelorMittal announced a share buy-back program for up to a maximum of 44 million shares. This share buy-back program is aimed at offsetting the issuance of 44 million ArcelorMittal shares that took place in connection with the ArcelorMittal merger on November 13, 2007. This program started on December 18, 2007 and is to be realized in a 2-year time frame. The shareholders' meeting on May 13, 2008 authorized the use of the repurchased shares for any purpose permitted by Luxembourg law, including future corporate opportunities, allocation to employees, or cancellation. Under this program, ArcelorMittal had, as of the close of business on January 31, 2009, repurchased a total of 43.9 million shares, leaving 100,000 shares for repurchasing under this program.

ArcelorMittal held, indirectly and directly, approximately 82.8 million shares in treasury as at December 31, 2008. This is equivalent to approximately 5.72% of the total issued number of ArcelorMittal shares at that date.

Additional Information about ArcelorMittal

ArcelorMittal, incorporated under the laws of Luxembourg, is the parent company of the ArcelorMittal Group and is expected to continue this role over the coming years. The Company has no branch offices. ArcelorMittal generated a profit of $19,094 million in 2008, primarily from revenues from its holdings including a gain of $18,525 million following a legal restructuring of its investments in affiliated undertakings mainly in Luxembourg and Belgium.

On January 8, 2008, the Company received a writ of summons on behalf of four of its hedge fund shareholders to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of the Company at the time of the merger and on the Significant shareholder. The claimants request, among other things (1) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for seven Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the Company of additional shares to the claimants to reflect this revised ratio, and alternatively, (2) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of EUR 180 million. ArcelorMittal submitted its brief in response on October 16, 2008, challenging the validity, the admissibility and the merits of the claims. Hearing and judgment in the first instance are not expected before the end of 2009 or early 2010.

By 2012, Spain is expected to have the largest high speed rail network in the world, with over 2,200 km. By 2020, its length will reach 10,000 km, which means that 90% of the Spanish population will live within a distance of 50 km of a high speed train station. ArcelorMittal Asturias is supplying the rails for the project, meeting the stringent quality controls that enable these trains to travel safely at 350 km/h.

The first high-speed rail line in Spain, linking Madrid and Seville, was commissioned in 1992. Since then, the proven quality of the rails produced by ArcelorMittal has led to them being chosen for all high speed rail tracks currently in service in Spain. The production of these rails requires very stringent controls; they have to meet exacting requirements in terms of durability, cost, minimum acoustic impact, passenger comfort and safety.

The Rail Mill operated by ArcelorMittal Asturias has an annual production capacity of 250,000 tonnes and can roll rails in lengths of up to 90 meters. It has supplied over 500,000 tonnes of high-speed rails which have also been installed in France, Germany and Turkey, amongst other countries.

By2012 over 2200km
of rail track in Spain.

Underpinning all our operations is a philosophy to produce

Safe
Sustainable
Steel

Directors' Responsibility Statement

We confirm to the best of our knowledge:

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

By order of the Board of Directors

Chief Executive Officer
Mr Lakshmi N Mittal
February 26, 2009

Chief Financial Officer
Mr Aditya Mittal
February 26, 2009

Consolidated Balance Sheets

ArcelorMittal and Subsidiaries

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

Assets	December 31, 2007	December 31, 2008
Current assets:		
Cash and cash equivalents	7,860	7,576
Restricted cash	245	11
Assets held for sale (note 4)	1,296	910
Trade accounts receivable and other (note 5)	9,533	6,737
Inventories (note 6)	21,750	24,741
Prepaid expenses and other current assets (note 7)	4,644	4,439
Total current assets	**45,328**	**44,414**
Non-current assets:		
Goodwill and intangible assets (note 8)	15,031	16,119
Property, plant and equipment (note 9)	61,994	60,755
Investments in associates and joint ventures (note 10)	5,887	8,512
Other investments (note 11)	2,159	437
Deferred tax assets (note 19)	1,629	751
Other assets (note 12)	1,597	2,100
Total non-current assets	**88,297**	**88,674**
Total assets	**133,625**	**133,088**

Liabilities and equity	December 31, 2007	December 31, 2008
Current liabilities:		
Short-term debt and current portion of long-term debt (note 14)	8,542	8,409
Trade accounts payable and other	13,991	10,501
Short-term provisions (note 20)	1,144	3,292
Liabilities held for sale (note 4)	266	370
Accrued expenses and other liabilities (note 21)	7,275	7,413
Income tax liabilities (note 19)	991	775
Total current liabilities	**32,209**	**30,760**
Non-current liabilities:		
Long-term debt, net of current portion (note 15)	22,085	25,667
Deferred tax liabilities (note 19)	7,927	6,395
Deferred employee benefits (note 23)	6,244	7,111
Long-term provisions (note 20)	2,456	2,343
Other long-term obligations	1,169	1,582
Total non-current liabilities	**39,881**	**43,098**
Total liabilities	**72,090**	**73,858**
Commitments and contingencies (note 22 and note 24)		
Equity (note 17): Common shares (no par value, 1,470,000,000 and 1,617,000,000 shares authorized, 1,448,826,347 and 1,448,826,347 shares issued, 1,421,570,646 and 1,366,002,278 shares outstanding at December 31, 2007 and 2008, respectively)	9,269	9,269
Treasury stock (27,255,701 and 82,824,069 common shares at December 31, 2007 and 2008, respectively, at cost)	(1,552)	(5,800)
Additional paid-in capital	20,309	20,575
Retained earnings	23,552	30,403
Reserves	5,107	751
Equity attributable to the equity holders of the parent	56,685	55,198
Minority interest	4,850	4,032
Total equity	**61,535**	**59,230**
Total liabilities and equity	**133,625**	**133,088**

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

Consolidated Statements of Income

ArcelorMittal and Subsidiaries

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

	Year ended December 31, 2007	Year ended December 31, 2008
Sales (Including 4,767 and 6,411 of sales to related parties for 2007 and 2008, respectively)	105,216	124,936
Cost of sales (Including 4,570 and 6,100 of depreciation and impairment and 2,408 and 2,391 of purchases from related parties for 2007 and 2008, respectively)	84,953	106,110
Gross margin	20,263	18,826
Selling, general and administrative	5,433	6,590
Operating income	14,830	12,236
Other income – net	—	—
Income from investments in associates and joint ventures	985	1,653
Financing costs – net (note 18)	(927)	(2,352)
Income before taxes	14,888	11,537
Income tax expense (note 19)	3,038	1,098
Net income (including minority interest)	**11,850**	**10,439**
Net income attributable to:		
Equity holders of the parent	10,368	9,399
Minority interest	1,482	1,040
Net income (including minority interest)	**11,850**	**10,439**

	Year ended December 31, 2007	Year ended December 31, 2008
Earnings per common share (in U.S. dollars)		
Basic: Common shares	7.41	6.80
Diluted: Common shares	7.40	6.78
Weighted average common shares outstanding (in millions) (note 17)		
Basic: Common shares	1,399	1,383
Total	**1,399**	**1,383**
Diluted: Common shares *	1,401	1,386
Total	**1,401**	**1,386**

** Diluted common shares relate to the effect of stock options (see note 17).*
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

ArcelorMittal and Subsidiaries

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

						Reserves					
	Shares[1]	Share Capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) On Derivative Financial Instruments	Unrealized Gains (Losses) On Available for Sale Securities	Equity attributable to the equity holders of the parent	Minority Interest	Total Equity
Balance at December 31, 2006	**1,385**	**17**	**(84)**	**25,566**	**14,995**	**1,436**	**(20)**	**238**	**42,148**	**8,080**	**50,228**
Items recognized directly in equity		—	—	—	—	3,220	(336)	569	3,453	1,046	4,499
Net income		—	—	—	10,368	—	—	—	10,368	1,482	11,850
Recognized income and expenses		—	—	—	*10,368*	*3,220*	*(336)*	*569*	*13,821*	*2,528*	*16,349*
Recognition of share-based payments	2	—	111	52	—	—	—	—	163	2	165
Treasury Stock (note 17)	(36)	—	(2,553)	—	—	—	—	—	(2,553)	—	(2,553)
Dividend (1.30 per share)		—	—	—	(1,826)	—	—	—	(1,826)	(443)	(2,269)
Issuance of shares in connection with the acquisition of ArcelorMittal Brasil minority interest	27	—	—	1,713	—	—	—	—	1,713	(2,760)	(1,047)
Issuance of shares in connection with the acquisition of Arcelor SA minority interest	44[2]	9,252	974	(7,022)	—	—	—	—	3,204	(2,592)	612
Other movements		—	—	—	15	—	—	—	15	35	50
Balance at December 31, 2007	**1,422**	**9,269**	**(1,552)**	**20,309**	**23,552**	**4,656**	**(356)**	**807**	**56,685**	**4,850**	**61,535**
Items recognized directly in equity		—	—	—	—	(6,122)	1,844	(78)	(4,356)	(627)	(4,983)
Net income		—	—	—	9,399	—	—	—	9,399	1,040	10,439
Recognized income and expenses		—	—	—	*9,399*	*(6,122)*	*1,844*	*(78)*	*5,043*	*413*	*5,456*
Recognition of share-based payments	2	—	62	337	—	—	—	—	399	—	399
Treasury Stock (note 17)	(58)	—	(4,310)	(71)	—	—	—	—	(4,381)	—	(4,381)
Dividend (1.50 per share)		—	—	—	(2,068)	—	—	—	(2,068)	(508)	(2,576)
Acquisition of minority interest (note 3)		—	—	—	—	—	—	—	—	(1,297)	(1,297)
Dilution of interest in consolidated subsidiary and others		—	—	—	(480)	—	—	—	(480)	574	94
Balance at December 31, 2008	**1,366**	**9,269**	**(5,800)**	**20,575**	**30,403**	**(1,466)**	**1,488**	**729**	**55,198**	**4,032**	**59,230**

[1] *Excludes treasury shares.*
[2] *Includes 12 million treasury shares.*
The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

ArcelorMittal and Subsidiaries

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

	Year ended December 31, 2007	Year ended December 31, 2008
Operating activities:		
Net income	11,850	10,439
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation and impairment	4,570	6,100
Interest expense	1,839	2,044
Income tax expense	3,038	1,098
Net realizable value and onerous supply contract	45	3,451
Labor agreement and separation plans	—	2,577
Litigation provisions	135	595
Unrealized foreign exchange effects, provisions and other non-cash operating expenses (net)	(1,681)	(478)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	548	2,139
Inventories	(690)	(7,724)
Trade accounts payable	565	(2,485)
Other working capital movements	370	(946)
Interest paid and received	(1,494)	(1,943)
Taxes paid	(2,563)	(2,724)
Cash received from settlement of hedges not recognized in the statement of income	—	2,509
Net cash provided by operating activities	**16,532**	**14,652**
Investing activities:		
Purchase of property, plant and equipment	(5,448)	(5,531)
Acquisition of net assets of subsidiaries and minorities, net of cash acquired of 24 and 103 respectively	(6,052)	(6,201)
Investments in associates and joint ventures accounted for under equity method	(1,196)	(3,114)
Disposals of financial fixed assets	979	2,226
Other investing activities (net)	(192)	192
Net cash used in investing activities	**(11,909)**	**(12,428)**
Financing activities:		
Proceeds from short-term debt	5,848	7,121
Proceeds from long-term debt, net of debt issuance costs	3,034	14,599
Payments of short-term debt	(1,126)	(11,720)
Payments of long-term debt	(6,321)	(5,127)
Purchase of treasury stock	(2,553)	(4,440)
Sale of treasury stock for stock option exercises	55	68
Dividends paid (includes 443 and 508 of dividends paid to minority shareholders in 2007 and 2008, respectively)	(2,269)	(2,576)
Other financing activities (net)	(85)	(57)
Net cash provided by (used in) financing activities	**(3,417)**	**(2,132)**
Effect of exchange rate changes on cash	634	(376)
Net increase (decrease) in cash and cash equivalents	1,840	(284)
Cash and cash equivalents:		
At the beginning of the year	**6,020**	**7,860**
At the end of the year	**7,860**	**7,576**

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

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

Nature of business

ArcelorMittal ("ArcelorMittal", or "Mittal Steel", or the "Company"), together with its subsidiaries, is a manufacturer of steel and steel related products. ArcelorMittal owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. These manufacturing facilities, each of which includes its respective subsidiaries, are referred to in these consolidated financial statements as the "Operating Subsidiaries".

Basis of presentation

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

Adoption of new IFRS standards and interpretations applicable in 2008

The following new standards, amendments to standards or interpretations were adopted by the Company on January 1, 2008:

- IFRIC 11 "IFRS 2 – Group and Treasury Shares Transactions"
- IFRIC 12 "Service Concession Arrangements"
- IFRIC 14 "IAS 19 – the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction"

The effects from the adoption of these standards for the year ended December 31, 2008 were not material to the consolidated financial statements. IFRIC 12 has not yet been endorsed by the European Union ("the EU").

New IFRS standards and interpretations applicable from 2009 onward

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

In May 2008, the IASB issued revisions to IFRS 1, "First Time Adoption of International Financial Reporting Standards", and International Accounting Standard ("IAS") 27, "Consolidated and Separate Financial Statements". The revisions allow first-time adopters to use a deemed cost of either fair value or the carrying amount under a previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendments also remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor.

The revisions of IFRS 1 are effective for annual periods beginning on or after July 1, 2009 and the revisions of IAS 27 are effective for annual periods beginning on or after July 1, 2009. The Company does not expect that the revisions to the standards will have a significant impact on its financial statements.

IFRS 2 - Share-based Payment

In January 2008, the IASB issued revisions to IFRS 2, "Share-based Payment". The amended standard clarified the terms "vesting conditions" and "cancellations". It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, either by the entity or by other parties, should receive the same accounting treatment. The amendment is effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. As the Company was already applying IFRS 2 as amended, it believes that adoption will not impact its financial statements.

IFRS 3 (revised) – Business Combinations and IAS 27 (revised) – Consolidated and Separate Financial Statements

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

IFRS 8 – Operating Segments

In November 2006, the IASB issued IFRS 8, "Operating Segments", which specifies how an entity should report information about its operating segments in annual financial statements, and amends IAS 34, "Interim Financial Reporting", to require an entity to report selected information about its operating segments in interim financial reports. This statement defines operating segments as components of an entity about which separate financial information is available and is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and assessing performance. This statement also outlines the requirements for related disclosures about products and services, geographical areas, and major customers and is effective for annual periods beginning on or after January 1, 2009. The Company believes that the adoption of IFRS 8 will not have a significant impact on its financial statements disclosures.

IAS 1 (revised) – Presentation of Financial Statements

In September 2007, the IASB issued a revised IAS 1 "Presentation of Financial Statements". The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the statement of income and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as of the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply the revised standard on its effective date which is for annual periods beginning on or after January 1, 2009.

IAS 23 – Borrowing Costs

In March 2007, the IASB issued a number of amendments to IAS 23 "Borrowing Costs". The amendments require that borrowing costs relating to the acquisition, construction or production of a qualifying asset be capitalized as part of the cost of the asset. All other borrowing costs should be expensed as incurred. The revised standard is effective for annual periods beginning on or after January 1, 2009, with early application permitted. Retrospective application is not required. As the Company is already in compliance with the revised standard, it believes that its adoption will have no impact on its financial statements.

The definition of borrowing costs has also been amended during the IASB's annual improvements project published in May 2008. The amended definition states that interest expense must be calculated using the effective interest method defined in IAS 39, "Financial Instruments: Recognition and Measurement". This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Company will apply the amended IAS 23 prospectively to the capitalization of borrowing costs on qualifying assets from January 1, 2009.

IAS 27 (revised) – Consolidated and Separate Financial Statements

In January 2008, the IASB issued revisions to IAS 27, "Consolidated and Separate Financial Statements". The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized in profit or loss. The revised standard is effective for annual periods beginning on or after July 1, 2009 and should not be applied before that date unless it also applies IFRS 3 (revised) as discussed previously. The Company is in the process of assessing whether there will be any significant changes to its financial statements upon the adoption of the revised standard. This revised standard has not yet been endorsed by the EU.

IAS 32 (revised) – Financial Instruments: Presentation and IAS 1 (revised) Presentation of Financial Statements

In February 2008, the IASB issued amendments to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements". The amendments are relevant to entities that have issued financial instruments that are (i) puttable financial instruments, or (ii) instruments, or components of instruments, which impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only upon liquidation.

Under the revised IAS 32, subject to specified criteria being met, these instruments will be classified as equity whereas, prior to these amendments, the instruments would have been classified as financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2009. The Company believes that the adoption of these amendments will not have a significant impact on its financial statements.

IAS 39 (revised) – Financial Instruments: Recognition and Measurement

On July 30, 2008, the IASB published amendments to IAS 39, "Financial Instruments: Recognition and Measurement", to clarify two hedge accounting issues:

Inflation in a financial hedged item – Inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognized financial instrument. However, the amendment clarifies that an entity may not designate an inflation component of issued or acquired fixed rate debt in a fair value hedge because such a component is not separately identifiable and reliably measurable. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed rate financial instrument will normally be separately identifiable and reliably measurable and, therefore, may be hedged.

A one-sided risk in a hedged item – IAS 39 permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. The amendments make clear that the intrinsic value, not the time value, of an option reflects a one-sided risk and, therefore, an option designated in its entirety cannot be perfectly effective. The time value of a purchased option is not a component of the forecast transaction that impacts profit or loss. Therefore, if an entity designates an option in its entirety as a hedge of a one-sided risk arising from a forecast transaction, hedge ineffectiveness will arise. Alternatively, an entity may choose to exclude time value as permitted by IAS 39 to improve hedge effectiveness.

This amendment to IAS 39 is effective for annual periods beginning on or after July 1, 2009, with earlier application permitted, and must be applied retrospectively.

IAS 39 has also been amended during the IASB's annual improvements project published in May 2008. This amendment clarifies that it is possible for there to be movements into and out of the fair value through net income when a derivative financial instrument commences or ceases to qualify as a hedging instrument in cash flow or a net investment hedge.

The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking, is included in such a portfolio on initial recognition.

The current guidance on designating and documenting hedges states that a hedging instrument must involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes the example of a segment so that the guidance is consistent with IFRS 8, "Operating Segments", which requires disclosure for segments to be based on information reported to the chief operating decision-maker. After the amendment is effective, the hedge will continue to be reflected in the segment to which the hedged items relate (and information provided to the chief operating decision-maker), but the Company will not formally document and test this relationship.

When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) should be used.

These amendments to IAS 39 are effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements. This revised standard has not yet been endorsed by the EU.

Amendments to IFRS standards and interpretations as a result of the IASB's annual improvement project applicable from 2009 onward

The following amendments are part of the IASB's annual improvements project published in May 2008. Unless otherwise indicated below, the Company is still in the process of assessing whether there will be any significant changes to its financial statements upon adoption of these amendments.

IFRS 5 (revised) – Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The revised standard is effective for annual periods beginning on or after July 1, 2009.

IAS 16 (revised) – Property, Plant and Equipment and IAS 7 (revised) – Statement of Cash Flows

The amendment requires entities whose ordinary activities comprise renting and subsequently selling assets to present proceeds from the sale of those assets as revenue and to transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are to be classified as cash flows from operating activities. The amendment is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 19 (revised) – Employee Benefits

The amendment clarifies that a plan amendment that reduces benefits affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service results in negative past service cost if it results in a reduction in the present value of the defined benefit obligation.

The definition of return on plan assets was amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

The revised standard is effective for annual periods beginning on or after January 1, 2009. The Company will apply the IAS 19 amendments prospectively from January 1, 2009.

IAS 20 (revised) – Accounting for Government Grants and Disclosure of Government Assistance

The benefit of a below market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 28 (revised) – Investments in Associates

The amendment states that an investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss should not be allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

Where an investment in associate is accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", only certain disclosure requirements of IAS 28 need to be made in addition to disclosures required by IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial Instruments: Disclosures". The amendment is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 31 (revised) – Interests in Joint Ventures, IAS 32 (revised) – Financial Instruments: Presentation and IFRS 7(revised) – Financial Instruments: Disclosures

Where an investment in a joint venture is accounted for in accordance with IAS 39, "Financial Instruments: Recognition and Measurement", only certain disclosure requirements of IAS 31 need to be made in addition to disclosures required by IAS 32, "Financial instruments: Presentation", and IFRS 7, "Financial Instruments: Disclosures". The amendment is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 36 (revised) – Impairment of Assets

The amendment states that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value in use calculation should be made. The revised standard is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 38 (revised) – Intangible Assets

The amendment states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The amendment also deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortization than the straight-line method. The revised standard is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standard will have a significant impact on its financial statements.

IAS 40 (revised) – Investment Property and IAS 16 (revised) – Property, Plant and Equipment

Property that is under construction or development for future use as investment property is within the scope of IAS 40, "Investment Property". Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment is effective for annual periods beginning on or after January 1, 2009. The Company does not expect that the revised standards will have a significant impact on its financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate

On July 3, 2008, the International Financial Reporting Interpretations Committee, (the "IFRIC") issued IFRIC 15, "Agreements for the Construction of Real Estate". The interpretation addresses the accounting for revenue and associated expenses by units that undertake the construction of real estate directly or through subcontractors. The Company does not expect that this interpretation will have a significant impact on its financial statements. IFRIC 15 is effective for annual periods beginning on or after January 1, 2009. This interpretation has not yet been endorsed by the EU.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

On July 3, 2008, the IFRIC issued IFRIC 16, "Hedges of a Net Investment in a Foreign Operation". The interpretation provides guidance on net investment hedging, including which foreign currency risks qualify for hedge accounting and what amount can be designated, where within the group the hedging instrument can be held and what amount should be reclassified to net income when the hedged foreign operation is disposed. IFRIC 16 is effective for annual periods beginning on or after October 1, 2008. The Company does not expect that the revised standard will have a significant impact on its financial statements. This interpretation has not yet been endorsed by the EU.

IFRIC 17 - Distributions of Non-cash Assets to Owners

In November 2008, the IFRIC issued IFRIC 17, "Distributions of Non-cash Assets to Owners", that clarifies that a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. The dividend payable should be measured at the fair value of the net assets to be distributed. The entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss and the entity needs to provide additional disclosures if the net assets that are being held for distribution to owners meet the definition of a discontinued operation. This interpretation applies prospectively to pro rata distributions of non-cash assets except for common control transactions and is effective for annual periods beginning on or after July 1, 2009. Earlier application is permitted. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 17. This interpretation has not yet been endorsed by the EU.

IFRIC 18 - Transfers of Assets from Customers

In January 2009, the IFRIC issued IFRIC 18, "Transfers of Assets from Customers", that provides guidance on the accounting for transfers of cash or items of property, plant and equipment by entities that receive such transfers from their customers. Agreements within the scope of this interpretation are agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. If the transferred item of property, plant and equipment meets the definition of an asset, the entity shall measure the cost of the asset received on initial recognition at its fair value and consequently the entity shall recognize revenue in accordance with IAS 18, "Revenue". This interpretation applies prospectively to transfers of assets or cash from customers received on or after July 1, 2009. Earlier application is permitted provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 18. This interpretation has not yet been endorsed by the EU.

Basis of consolidation

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

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

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

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

Minority interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the statement of income and within equity in the consolidated balance sheet.

Note 2: Summary of Significant Accounting Policies

Translation of financial statements denominated in foreign currency

The functional currency of each of the major Operating Subsidiaries is the local currency, except for ArcelorMittal SA, OJSC ArcelorMittal Kryviy Rih, ArcelorMittal Lázaro Cárdenas S.A. de C.V., ArcelorMittal Brasil, ArcelorMittal Galati S.A., and ArcelorMittal Temirtau, whose functional currency is the U.S. dollar. Following the merger of the flat and long operations in Brazil, the Company reviewed various indicators and concluded that the U.S. dollar represents most faithfully the economic effects of the merged entity operations.

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

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

Business combinations

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

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition. The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. Interests previously held in that entity are revalued on the basis of the fair values of the identifiable assets and liabilities at the date control is obtained. The excess of the cost over the fair value of the net assets acquired is recorded as goodwill or as a gain in the statement of income when the fair value of the asset acquired exceeds the cost.

Subsequent purchases, after the Company has obtained control, are treated as the acquisitions of shares from minority shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded as goodwill or immediately as a gain in the statement of income when the difference is negative.

Cash and cash equivalents

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

Restricted cash

Restricted cash represents cash and cash equivalents not readily available to the Company, mainly related to insurance deposits, various other deposits or required balance obligations related to letters of credit and credit arrangements, and escrow accounts created as a result of acquisitions.

Trade accounts receivable

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

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

Inventories

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

Goodwill and negative goodwill

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

Goodwill is allocated to the cash-generating units expected to benefit from the synergies of the combination for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

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

Cash flow forecasts are derived from the most recent financial forecasts for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, any residual amount of goodwill is included in the determination of the profit or loss on disposal.

ArcelorMittal has historically purchased certain steel assets involved in various privatization programs in former government controlled economies. Businesses with these characteristics typically have been purchased for an amount that does not exceed net asset fair value, thus producing negative goodwill for accounting purposes.

In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, ArcelorMittal's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in the statement of income.

Intangible assets

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

Costs incurred on internally developed products are recognized as intangible assets from the date that all of the following conditions are met: (i) completion of the development is considered technically feasible and commercially viable; (ii) it is the intention and ability of the Company to complete the intangible asset and use or sell it; (iii) it is probable that the intangible asset will generate future economic benefits; (iv) adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset are available; and (v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development.

The intangible asset capitalized includes the cost of materials, direct labor costs and an appropriate proportion of overheads incurred during its development. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. Other development expenditures that do not meet the conditions for recognition as an asset are recognized as an expense as part of operating income in the statement of income in the period in which it is incurred.

Property, plant and equipment

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

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

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

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

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

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

Investment in associates, joint ventures and other entities

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

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

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

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

Assets held for sale

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

Deferred employee benefits

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

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 balance sheet date. Actuarial gains and losses that exceed 10% of the greater of the present value of the Company's defined benefit obligation and the fair value of plan assets at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

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

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

Provisions and accruals

ArcelorMittal recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events and it is probable that the Company will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost.

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

Environmental costs

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

Asset retirement obligations

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

Income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the taxable temporary difference arises from the initial recognition of goodwill or if the differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Financial instruments

Derivative financial instruments

The Company enters into derivative financial instruments principally to manage its exposure to fluctuation in interest rates, exchange rates, prices of raw materials, energy and emission rights allowances. Derivative financial instruments are classified as current assets or liabilities based on their maturity dates and are accounted for at trade date. Embedded derivatives are separated from the host contract and accounted for separately if required by IAS 39, "Financial Instruments: Recognition and Measurement". The Company measures all derivative financial instruments based on fair values derived from market prices of the instruments or from option pricing models, as appropriate. Gains or losses arising from changes in fair value of derivatives are recognized in the statement of income, except for derivatives that are highly effective and qualify for cash flow or net investment hedge accounting.

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

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

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

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

Non-derivative financial instruments

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

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

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

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

Impairment of financial assets

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

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

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

Emission rights

ArcelorMittal's industrial sites which are regulated by the European Directive 2003/87/EC of October 13, 2003 on carbon dioxide ("CO_2") emission rights, effective as of January 1, 2005 and amended by European Directive 2004/101/EC of October 27, 2004, are located primarily in Germany, Belgium, Spain, France, Poland, Romania, Czech Republic and Luxembourg. The emission rights allocated to the Company on a no-charge basis pursuant to the annual national allocation plan are recorded on the balance sheet at nil value and purchased emission rights are recorded at cost. Gains and losses from the sale of excess allowances are recognized in the statement of income. If at the balance sheet date the Company is short of emission rights, it will record a provision through the statement of income.

Revenue recognition

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

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

Shipping and handling costs

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

Financing costs

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

Earnings per common share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to shareholders and assumed conversion by the weighted average number of common shares and potential common shares from outstanding stock options. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options.

Stock option plan/share-based payments

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

Segment reporting

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

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

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

Critical accounting judgments

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

Purchase accounting

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

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

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

- The fair value of identifiable intangible assets (generally patents, customer relationships and favorable and unfavorable contracts) is estimated as described above.
- Property, plant and equipment is recorded at depreciated replacement cost.
- The fair value of pension and other post-employment benefits is determined separately for each plan using actuarial assumptions valid as of the acquisition date relating to the population of employees involved and the fair value of plan assets.
- Inventories are estimated based on expected selling prices at the date of acquisition reduced by an estimate of selling expenses and a normal profit margin.
- Adjustments to deferred tax assets and liabilities of the acquiree are recorded to reflect purchase price adjustments, other than goodwill.

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

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

Deferred tax assets

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

Note 19 describes the total deferred tax assets recognized in the consolidated balance sheets and the estimated future taxable income required to utilize the recognized deferred tax assets.

Provisions for pensions and other post-employment benefits

ArcelorMittal's Operating Subsidiaries have employee benefits such as pension plans and post-employment benefit plans (primarily post-employment health care). The expense associated with these pension plans and post-employment benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as discount rates, expected rate of compensation increase, expected return on plan assets, health care cost trend rates, mortality rates, and retirement rates.

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

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

Note 23 details the net liabilities of pension plans and other post-employment benefits including a sensitivity analysis illustrating the effects of changes in assumptions.

Environmental and other contingencies

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

The estimates of loss contingencies for environmental matters and other contingencies are based on various judgments and assumptions including the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to ArcelorMittal or purchased assets from it subject to environmental liabilities. ArcelorMittal also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or charges in the statement of income. ArcelorMittal does not expect these environmental issues to affect the utilization of its plants, now or in the future.

Impairment of tangible and intangible assets including goodwill

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

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

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

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

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

Use of estimates

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

Note 3: Acquisitions

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

Significant acquisitions made during the years ended December 31, 2007 and 2008 include:

Sicartsa

On April 20, 2007, ArcelorMittal acquired 100% of the outstanding common shares of Siderúrgica Lázaro Cárdenas Las Truchas, S.A. de C.V. ("Sicartsa") from Grupo Villacero. Sicartsa is a Mexican fully integrated producer of long steel. The acquisition also includes Metave, a mini-mill, Sibasa and Camsa, two rolling-mills located in Mexico, as well as Border Steel, a mini-mill in the US. Finally, through the acquisition of Sicartsa, Sersiinsa, a 50% joint-venture between Sicartsa and ArcelorMittal Lázaro Cárdenas S.A. de C.V., is fully consolidated.

Sicartsa was acquired for a total cash consideration of 1,436 (1,427 net of 9 of cash acquired) consisting of 526 for its shares and 910 related to a debt assumption. The allocation of the total purchase price was preliminary at December 31, 2007. Iron ore mines were revalued by 138 and property, plant and equipment was stepped down by 138.

Following the finalization of the allocation of the purchase price of Sicartsa and Sersiinsa in 2008, total goodwill decreased from 274 to 153. Regarding Sicartsa, consideration paid was reduced by 75 and net assets acquired increased by 56.

With respect to Sersiinsa, the acquisition of the 50% held by ArcelorMittal Lázaro Cárdenas S.A. de C.V. in Sersiinsa led to the recognition of goodwill of 10 and an increase of 72 in retained earnings corresponding to the revaluation of previously held interests. The acquisition of Sicartsa and Sersiinsa resulted in the consolidation of total assets of 2,086 and total liabilities of 1,630.

Unicon

On April 4, 2008, the Company completed the acquisition of Unicon, Venezuela's leading manufacturer of welded steel pipes for a total consideration of 350 (336 net of 14 of cash acquired). The allocation of the total purchase price is preliminary at December 31, 2008. Intangible assets were recognized for a total amount of 130 with respect to the valuation of trade mark and customer relationships. The acquisition of Unicon resulted in the consolidation of total assets of 591 and total liabilities of 413. The preliminary goodwill amounts to 158. The net result consolidated since acquisition date amounts to 16.

Russian coal mines

On April 10, 2008, the Company completed the acquisition from Severstal of three coal mines (Berezovskaya, Pervomayskaya and Anzherskoye) and associated assets located in the Kemerovo region in Russia for a total consideration of 720 (715 net of 5 of cash acquired) consisting of 272 for the shares and 448 related to a debt assumption. The allocation of the total purchase price is preliminary at December 31, 2008. The fair value of the mining reserves was stated at 365. The preliminary goodwill amounts to 143. The net result consolidated since acquisition date amounts to (14).

Bayou Steel

On July 31, 2008, ArcelorMittal completed the acquisition of Bayou Steel, LLC, a producer of structural steel products with facilities in LaPlace, Louisiana and Harriman, Tennessee (USA) for a total consideration of 509 (504 net of 5 of cash acquired). The allocation of the total purchase price is preliminary at December 31, 2008. The net result consolidated since acquisition date amounts to (14).

Mid Vol and Concept

On June 30, 2008, the Company completed the acquisition of Mid Vol Coal Group for a total consideration of 491 (453 net of 38 of cash acquired). On August 18, 2008, ArcelorMittal finalized the acquisition of Concept Group for a total consideration of 166 (152 net of 14 of cash acquired). These acquisitions operate coal mines in the states of West Virginia and Virginia (USA). The allocation of the total purchase price is preliminary at December 31, 2008. The acquisition of Mid Vol and Concept resulted in the consolidation of total assets of 1,217 and total liabilities of 718. The fair value of the mining reserves was 638 for Mid Vol and 185 for Concept. The acquired liabilities include 617 assigned to unfavorable selling contracts that are being amortized over the term of the associated contracts ranging from four months to two years. The preliminary goodwill is 54 for Mid Vol and 52 for Concept. The net result consolidated since acquisition date amounts to 41.

London Mining

On August 20, 2008, the Company acquired London Mining South America Limited, an iron ore mine located in the Serra Azul region in Brazil for a total consideration of 818 (813 net of 5 of cash acquired) consisting of 772 for the shares and 46 related to a debt assumption. The allocation of the total purchase price is preliminary at December 31, 2008. The net result consolidated since acquisition date amounts to (9).

Koppers' Monessen

On October 1, 2008, the Company completed the acquisition of the Koppers' Monessen Coke Plant, located in Monessen, Pennsylvania (USA) and owned by Koppers Inc., for a total consideration of 170 (169 net of 1 of cash acquired). The allocation of the total purchase price is preliminary at December 31, 2008. The net result consolidated since acquisition date amounts to (16).

Acquisitions of minority interests

The Company acquired significant minority interests in 2007 and 2008.

Arcelor Brasil S.A.

As a result of the acquisition of Arcelor, the Company made a mandatory tender offer to acquire all of the outstanding shares in Arcelor Brasil S.A. ("Arcelor Brasil"), subsequently renamed ArcelorMittal Brasil, not previously owned by Arcelor or any other affiliate of ArcelorMittal.

On June 5, 2007, the Company publicly announced the results of its mandatory tender offer for the shares it did not hold in Arcelor Brasil. In the aggregate, the Company acquired 29.5% of the total share capital and 89.7% of the free float of Arcelor Brasil as of June 5, 2007, thereby increasing its current 67.1% shareholding in Arcelor Brasil to 96.6%. The Company paid for the shares with 3,694 in cash and approximately 27 million Mittal Steel Class A common shares, representing a total consideration of 5,407.

Following the auction and after a general Arcelor Brasil shareholders' meeting held on August 8, 2007 approving the redemption of the remaining shares, the Company acquired the remaining 3.4% for a total cash consideration of 497. On September 12, 2007, the Company announced that it held 100% of Arcelor Brasil. Total consideration for the transaction was 5,879, of which 4,191 paid in cash. The goodwill related to this acquisition amounts to 3,119 and the reduction in minority interests to 2,760.

Arcelor

On November 13, 2007, as a result of the legal merger between the former ArcelorMittal and Arcelor, the 5.76% remaining minority interests in Arcelor were cancelled. The transaction was recorded as if ArcelorMittal had been the acquirer. Total consideration was 3,204 (44 million, including 12 million treasury shares, with shares of the former ArcelorMittal valued at $72.65 per share) and resulting goodwill was 612.

ArcelorMittal Poland

On July 20, 2007, ArcelorMittal announced that it had reached an agreement with the Polish government to acquire an additional 25.2% of the outstanding shares in ArcelorMittal Poland, which were previously held by the Polish state and treasury ministry. The additional consideration was 181. These shares were accounted for as an acquisition in 2004 in conjunction with the acquisition of a controlling interest in ArcelorMittal Poland as there was an irrevocable commitment to transfer operational and economic control of these remaining shares to the Company.

ArcelorMittal Kryviy Rih

The Company's ownership in ArcelorMittal Kryviy Rih increased from 93.77% in 2006 to 94.66% in 2007 and 95.02% in 2008. In 2008, the reduction in minority interest is 18 and the resulting goodwill amounts to 38. In 2007, the reduction in minority interest was 49 and the resulting goodwill amounted to 5.

ArcelorMittal Inox Brasil

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

Acindar

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

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

Summary of significant acquisitions

The table below summarizes the estimated fair value of the assets acquired and liabilities assumed for significant acquisitions and the acquisition of minority interests:

	2007		
	Sicartsa[2]	Acquisition of minority interests	Others[1,3]
Current assets	558	—	612
Property, plant and equipment	1,411	—	134
Other assets	117	—	2
Total assets acquired	**2,086**	**—**	**748**
Current liabilities	914	—	561
Long-term loan	548	—	37
Other long-term liabilities	20	—	8
Deferred tax liabilities	148	—	6
Minority interest	—	2,809	—
Total liabilities assumed	**1,630**	**2,809**	**612**
Total net assets	**456**	**2,809**	**136**
Minority interest	**—**	**2,591**	**20**
Net assets acquired	**456**	**5,400**	**116**
Fair value of shares issued	**—**	**4,917**	**—**
Cash paid, net	1,352	4,401	224
Debt repayment	(910)	—	—
Equity investment	95	—	—
Purchase price, net	**537**	**9,318**	**224**
Revaluation of interests previously held	**72**	**—**	**—**
Goodwill	**153**	**3,918**	**108**

	2008							
	Russian coal mines[3]	Mid Vol & Concept[3]	Unicon[3]	London Mining[3]	Koppers' Monessen[3]	Bayou Steel[3]	Acquisition of minority interests	Others[3]
Current assets	145	44	280	27	25	202	—	287
Property, plant and equipment	716	908	181	818	109	211	—	240
Other assets	26	265	130	—	47	84	—	47
Total assets acquired	**887**	**1,217**	**591**	**845**	**181**	**497**	**—**	**574**
Current liabilities	179	349	255	54	8	45	—	184
Long-term loan	449	—	78	15	—	2	—	138
Other long-term liabilities	91	312	6	2	4	10	—	8
Deferred tax liabilities	44	57	68	7	—	93	—	1
Minority interest	—	—	6	—	—	—	1,365	—
Total liabilities assumed	**763**	**718**	**413**	**78**	**12**	**150**	**1,365**	**331**
Total net assets	**124**	**499**	**178**	**767**	**169**	**347**	**1,365**	**243**
Minority interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**38**
Net assets acquired	**124**	**499**	**178**	**767**	**169**	**347**	**1,365**	**205**
Fair value of shares issued	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Cash paid, net	715	605	336	813	169	504	2,648	411
Debt repayment	(448)	—	—	(46)	—	—	—	(117)
Debt outstanding on acquisition	—	—	—	—	—	—	—	105
Purchase price, net	**267**	**605**	**336**	**767**	**169**	**504**	**2,648**	**399**
Goodwill	**143**	**106**	**158**	**—**	**—**	**157**	**1,283[4]**	**194**

[1] Historical IFRS information as of the date of acquisition was not available for the acquired entities.
[2] During 2008, the Company finalized the purchase price allocation for Sicartsa.
[3] Based on a preliminary purchase price allocation, which is subject to change.
[4] Includes negative goodwill of 17.

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

	2007						2008
	Sicartsa	Russian coal mines	Mid Vol & Concept	Unicon	London Mining	Koppers' Monessen	Bayou Steel
Cash paid to stockholders, gross	1,359	719	655	349	814	170	509
Transaction related fees	2	1	2	1	4	—	—
Shares issued	—	—	—	—	—	—	—
Total purchase price	**1,361**	**720**	**657**	**350**	**818**	**170**	**509**
Debt assumed	(910)	(448)	—	—	(46)	—	—
Cash acquired	(9)	(5)	(52)	(14)	(5)	(1)	(5)
Equity investments acquired	95	—	—	—	—	—	—
Total purchase price, net	**537**	**267**	**605**	**336**	**767**	**169**	**504**

The preliminary fair value adjustments for acquisitions made in 2008 are as follows:

	Historical IFRS information	Preliminary fair value adjustments	Preliminary allocation of purchase price
Current assets	996	14	1,010
Property, plant and equipment	988	2,195	3,183
Other assets	68	531	599
Total assets acquired	**2,052**	**2,740**	**4,792**
Current liabilities	809	265	1,074
Long-term loan	712	(30)	682
Other long-term liabilities	34	399	433
Deferred tax liabilities	43	227	270
Minority interest	6	—	6
Total liabilities assumed	**1,604**	**861**	**2,465**
Total net assets	**448**	**1,879**	**2,327**

Pro forma results

The following pro forma financial information presents the results of operations of ArcelorMittal for 2008 as if all acquisitions had occurred as of the beginning of the periods presented. The 2007 pro forma information includes the results of operations of Sicartsa on the same basis. The pro forma financial information is not necessarily indicative of what consolidated results of operations would have been had the acquisitions been completed at the dates indicated. In addition, the pro forma financial information does not purport to project the future results of operations of the combined company.

	Unaudited pro forma for the year ended December 31, 2007	Unaudited pro forma for the year ended December 31, 2008
Sales	105,456	125,614
Net income	10,372	9,500
Per share amounts:		
Basic earnings per common share	7.14	6.87
Diluted earnings per common share	7.13	6.85

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

Note 4: Assets and Liabilities Held for Sale

On February 20, 2007, the U.S. Department of Justice ("the DOJ") informed the Company that the DOJ had selected the Sparrows Point (Flat Carbon Americas) steel mill located near Baltimore, Maryland for divestiture under a consent decree filed by the DOJ in August 2006. As a consequence, the assets and liabilities of Sparrows Point were classified as held for sale as of December 31, 2007. The DOJ appointed a trustee to handle the sale process. On March 26, 2008, ArcelorMittal confirmed that the Court-appointed divestiture trustee had entered into an agreement to sell Sparrows Point to OAO Severstal for total consideration of 810. The disposal was completed during the second quarter of 2008 and resulted in a loss of 207 (of which 200 was recorded as impairment loss).

On August 30, 2007 the Company acquired a 76.9% stake in the German gas distribution company Saar Ferngas AG for total consideration of 542. As the result of a business combination in January 2009 under which the Company lost control of Saar Ferngas AG, the assets of this subsidiary were classified as held for sale.

	December 31, 2007	December 31, 2008
Assets classified as held for sale:		
Property, plant and equipment	670	417
Trade and other receivables	127	201
Inventories	470	—
Other assets	29	292
Total	**1,296**	**910**

	December 31, 2007	December 31, 2008
Liabilities classified as held for sale:		
Trade and other payables	173	271
Other liabilities	93	99
Total	**266**	**370**

Note 5: Trade Accounts Receivable and Other

Total trade receivables (net of allowances) held by ArcelorMittal amounted to 9,533 and 6,737 at December 31, 2007 and 2008, respectively.

Before accepting any new customer, ArcelorMittal uses an internally developed credit scoring system to assess the potential customer's credit quality and to define credit limits. 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 receivables.

Included in ArcelorMittal's trade receivable balance are debtors with a carrying amount of 6,866 and 5,125 as of December 31, 2007 and 2008, respectively, which were not past due at the reporting date.

The trade receivables balances are as follows as of December 31, 2007 and 2008:

	2007	2008
Gross amount	9,950	7,108
Allowance for doubtful accounts	(417)	(371)
Total	**9,533**	**6,737**

Exposure to credit risk by business segment

The maximum exposure to credit risk for trade receivables at the reporting date by segment is:

	2007	2008
Flat Carbon Americas	1,018	543
Flat Carbon Europe	1,866	1,330
Long Carbon Americas and Europe	2,210	1,777
ArcelorMittal Steel Solutions and Services	2,378	1,914
AACIS and Stainless Steel	964	959
Others activities	1,097	214
Total	**9,533**	**6,737**

Exposure to credit risk by geography

The maximum exposure to credit risk for trade receivables at the reporting date by geographical area is:

	2007	2008
Europe	5,876	4,280
North America	1,562	909
South America	1,151	884
Africa, Asia and CIS	563	542
Middle East	381	122
Total	**9,533**	**6,737**

Aging of trade receivables

The aging of trade receivables is as follows:

	2007		2008	
	Gross	Allowance	Gross	Allowance
Not past due	6,866	(98)	5,125	(50)
Past due 0-30 days	1,995	(55)	1,159	(50)
Past due 31-120 days	695	(37)	552	(181)
More than 120 days	394	(227)	272	(90)
Total	**9,950**	**(417)**	**7,108**	**(371)**

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

Balance at December 31, 2006	Additions	Deductions/ Releases	Others	Balance at December 31, 2007
428	14	(75)	50	417

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

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

Note 6: Inventories

Inventory, net of allowance for slow-moving, excess of cost over net realizable value or obsolete inventory, of 799 and 3,519 as of December 31, 2007 and 2008, respectively, is comprised of the following:

	December 31, 2007	December 31, 2008
Finished products	8,108	7,788
Production in process	4,582	4,501
Raw materials	6,739	9,771
Manufacturing supplies, spare parts and other	2,321	2,681
Total	**21,750**	**24,741**

The amount of inventory pledged as collateral was 217 and 352 as of December 31, 2007 and 2008 respectively.

The movement in the allowance for slow-moving, excess of cost over net realizable value or obsolete inventory is as follows:

Balance at December 31, 2006	Additions	Deductions/ Releases	Others	Balance at December 31, 2007
602	483	(407)	121	799

Balance at December 31, 2007	Additions	Deductions/ Releases	Others	Balance at December 31, 2008
799	3,049	(303)	(26)	3,519

The cost of inventories recognized as an expense during the period was 43,455 and 42,433 in 2007 and 2008, respectively. The amount of write-down of inventories to net realizable value recognized as an expense within cost of sales in the statement of income is 483 and 3,049 in 2007 and 2008, respectively, and has been reduced by 407 and 303 for the reversal of such write-downs in 2007 and 2008, respectively.

Note 7: Prepaid Expenses and Other Current Assets

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

	December 31, 2007	December 31, 2008
VAT recoverable short-term	1,312	1,758
Income tax receivable	504	837
Other	2,828	1,844
Total	**4,644**	**4,439**

Note 8: Goodwill and Intangible Assets

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisition	Concessions, patents and licenses	Favorable contracts	Other	Total
Cost:					
At December 31, 2006	7,574	488	983	2,508	11,553
Acquisitions	4,300	26	—	17	4,343
Disposals	—	(23)	—	(1)	(24)
Foreign exchange differences	1,092	51	44	174	1,361
Transfers and other movements	—	127	(4)	(815)	(692)
At December 31, 2007	12,966	669	1,023	1,883	16,541
Acquisitions	2,058	147	76	17	2,298
Disposals	—	(66)	—	(270)	(336)
Adjustment on allocation of purchase price	(194)	—	—	65	(129)
Foreign exchange differences	(482)	(85)	(35)	(143)	(745)
Transfers and other movements	118	289	64	267	738
At December 31, 2008	14,466	954	1,128	1,819	18,367
Accumulated amortization and impairment losses:					
At December 31, 2006	—	120	280	113	513
Disposals	—	(17)	—	—	(17)
Impairment and reduction of goodwill	303	—	—	—	303
Amortization charge	—	82	332	184	598
Foreign exchange differences	—	35	22	56	113
At December 31, 2007	303	220	634	353	1,510
Disposals	—	(63)	—	(268)	(331)
Impairment and reduction of goodwill	560	—	—	—	560
Amortization charge	—	100	260	223	583
Foreign exchange differences	(26)	(62)	(30)	(27)	(145)
Transfers and other movements	—	33	44	(6)	71
At December 31, 2008	837	228	908	275	2,248
Carrying amount:					
At December 31, 2007	**12,663**	**449**	**389**	**1,530**	**15,031**
At December 31, 2008	**13,629**	**726**	**220**	**1,544**	**16,119**

Goodwill acquired in business combinations and acquisitions of minority interests are as follows:

	Net value December 31, 2006	Acquisitions (including minority interests)	Exchange rate differences and other movements	Impairment and other reductions	Adjustment on allocation of purchase price	Net value December 31, 2007
Flat Carbon Europe	2,240	400	319	(34)	—	2,925
Flat Carbon Americas	1,048	2,372	336	(220)	—	3,536
Long Carbon Europe	1,030	102	120	—	—	1,252
Long Carbon Americas	426	1,163	128	(43)	—	1,674
AACIS	1,384	10	6	—	—	1,400
Stainless [1]	740	92	96	(2)	—	926
Steel Solutions and Services	694	161	82	(4)	—	933
Others	12	—	5	—	—	17
Total	**7,574**	**4,300**	**1,092**	**(303)**	**—**	**12,663**

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

	Net value December 31, 2007	Acquisitions (including minority interests)	Exchange rate differences and other movements	Impairment and other reductions	Adjustment on allocation of purchase price	Net value December 31, 2008
Flat Carbon Europe [2]	2,925	70	(51)	(248)	—	2,696
Flat Carbon Americas [2]	3,536	122	189	(17)	—	3,830
Long Carbon Europe	1,252	—	(13)	(2)	—	1,237
Long Carbon Americas [2]	1,674	417	78	(292)	(131)	1,746
Pipes & Tubes [2]	—	158	—	—	—	158
AACIS [2]	1,400	181	(90)	—	—	1,491
Stainless [1]	926	902	(280)	—	(63)	1,485
Steel Solutions and Services [2]	933	205	(151)	(1)	—	986
Others	17	3	(20)	—	—	—
Total	**12,663**	**2,058**	**(338)**	**(560)**	**(194)**	**13,629**

[1] Includes Acesita, with a net value of 257 as of December 31, 2007 and December 31, 2008.
[2] Subject to change upon finalization of purchase price allocation.

The allocation by segment and operating unit has been aligned with the cash-generating unit ("CGU") defined for impairment testing purposes.

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

Cash flow forecasts are derived from the most recent financial 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. This rate does not exceed the average long-term growth rate for the relevant markets. Once recognized, impairment losses recognized for goodwill are not reversed.

During 2007 and 2008, the Company recorded an impairment of goodwill of 43 and 131 and reduction of goodwill of 260 and 429, respectively. The reduction of goodwill is due to the recognition of deferred tax assets on acquired net operating losses not previously recognized in purchase accounting because they did not satisfy the criteria for separate recognition when the business combination was initially accounted for. These amounts have been included within cost of sales in the statement of income.

The Company's weighted average discount rate used for the valuation of the main cash-generating units ("CGU") was 14.1% and 15.0% for the years ended December 31, 2007 and 2008, respectively.

As a part of its annual impairment test procedures, the Company did not record an impairment expense for the CGUs above. In addition, the Company assessed the sensitivity of the estimated recoverable amounts to an independent change of one point in either the discount rate or the perpetual growth rate as of December 31, 2008. An increase in one percentage point in discount rate as well as a decrease in one percentage point in the perpetual growth assumption would have not resulted in any material additional goodwill impairment.

Research and development costs are expensed and included in selling, general and administrative expenses within the statement of income. These costs amounted to 214 and 295 for the years ended December 31, 2007 and 2008, respectively.

Note 9: Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost:				
At December 31, 2006	14,344	44,169	4,460	62,973
Additions	440	1,964	3,044	5,448
Acquisitions through business combinations	499	896	88	1,483
Foreign exchange differences	2,403	7,096	245	9,744
Disposals	(174)	(1,030)	(22)	(1,226)
Other movements	1,658	2,005	(4,036)	(373)
At December 31, 2007	19,170	55,100	3,779	78,049
Additions	350	1,771	3,410	5,531
Acquisitions through business combinations	2,385	719	79	3,183
Foreign exchange differences	(2,451)	(6,381)	(321)	(9,153)
Disposals	(150)	(873)	(39)	(1,062)
Other movements	412	3,158	(2,875)	695
At December 31, 2008	19,716	53,494	4,033	77,243
Accumulated depreciation and impairment:				
At December 31, 2006	1,878	6,514	8	8,400
Depreciation charge for the year	567	3,235	5	3,807
Impairment	3	178	12	193
Disposals	(42)	(819)	—	(861)
Foreign exchange differences	884	3,919	43	4,846
Other movements	(38)	(272)	(20)	(330)
At December 31, 2007	3,252	12,755	48	16,055
Depreciation charge for the year	702	4,015	3	4,720
Impairment	101	387	11	499
Disposals	(73)	(773)	—	(846)
Foreign exchange differences	(854)	(3,598)	(12)	(4,464)
Other movements	46	484	(6)	524
At December 31, 2008	3,174	13,270	44	16,488
Carrying amount:				
At December 31, 2007	**15,918**	**42,345**	**3,731**	**61,994**
At December 31, 2008	**16,542**	**40,224**	**3,989**	**60,755**

Other movements represent mostly transfers between the categories.

During the period, the Company analyzed the recoverable amount of its manufacturing property, plant and equipment. The recoverable amount of the relevant assets was determined on the basis of their value in use. As a result, the Company determined that the recoverable amount for certain of its property, plant and equipment was less than its carrying amount. Accordingly, impairment loss of 193 and 499 for the year ended December 31, 2007 and 2008, respectively, was recognized immediately as an expense as part of operating income in the statement of income.

The Company has pledged 671 and 580 in land and buildings as of December 31, 2007 and 2008, respectively, to secure banking facilities granted to the Company. These facilities are further disclosed in note 15.

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

Note 10: Investments in Associates and Joint Ventures

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

Investee	Location	Ownership % at December 31, 2008	Net asset value attributable to the Company at December 31, 2007	Net asset value attributable to the Company at December 31, 2008
DHS Group [1]	Germany	33.43%	1,598	1,262
China Oriental Group Company Ltd [2]	China	47.03%	644	1,187
Gestamp	Spain	35%	361	404
Gonvarri Industrial Consolidated	Spain	35%	423	376
Eregli Demir Ve Celik Fab.T.AS [3]	Turkey	24.99%	—	1,633
Macarthur Coal [4]	Australia	19.9%	—	515
Hunan Valin [5]	China	33.02%	442	780
Kalagadi Manganese (Propriety) Limited [6]	South Africa	50%	—	360
Other			2,419	1,995
Total			**5,887**	**8,512**

[1] On December 15, 2008, the Company reduced its voting interest from 51.25% to 33.43%, corresponding to an economic interest of 30.08% for total consideration of 936 through the sale of shares to Struktur-Holding-Stahl GmbH & Co. ("SHS") and Dillinger Hütte Saarstahl AG ("DHS").

[2] On November 8, 2007, ArcelorMittal purchased approximately 820,000,000 China Oriental shares for a total consideration of 644 (HK$ 5.02 billion), or a 28.02% equity interest. On December 13, 2007, the Company entered into a shareholder's agreement which enabled it to become the majority shareholder of China Oriental and to raise eventually its equity stake in China Oriental to 73.13%. At the time of the close of its tender offer on February 4, 2008, ArcelorMittal had reached a 47% shareholding in China Oriental. Given the 45.4% shareholding by the founding shareholders, this left a free float of 7.6% against a minimum Hong Kong Stock Exchange ("HKSE") listing requirement of 25%. The measures to restore the minimum free float have been achieved by means of sale of 17.4% stake to ING Bank and Deutsche Bank together with put option agreements. The Company has not derecognized the 17.4% stake as it retained the significant risks and rewards. As of December 31, 2008, the investment had a market value of 228.

[3] On June 13, 2008, ArcelorMittal acquired 11.31% of Eregli Demir Ve Celik Fab.T.AS ("Erdemir") shares for a total consideration of 869, increasing its stake to 24.99%. As of December 31, 2008, the investment had a market value of 766. In 2007 and the first five months of 2008, this investment had been classified as available-for-sale.

[4] On May 21, 2008, ArcelorMittal acquired a 14.9% stake in Macarthur Coal Limited. On July 10, 2008, the Company increased its stake from 14.9% to 19.9%, following the acquisition of 10,607,830 shares from Talbot Group Holdings. The total acquisition price for Macarthur Coal is 812. As of December 31, 2008, the investment had a market value of 87.

[5] Following additional purchases of shares in January 2008, the stake of the Company increased to 33.02%. As of December 31, 2008, the investment had a market value of 604 (1,058 in 2007).

[6] On August 19, 2008, ArcelorMittal set up a joint venture partnership with Kalagadi Manganese and acquired a 50% stake for 432.

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

	December 31, 2007	December 31, 2008
Condensed statement of income data:		
Gross revenue	28,696	45,101
Net income	1,806	3,319
Condensed balance sheet data:		
Total assets	27,518	40,671
Total liabilities	14,551	21,181

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

Note 11: Other Investments

The Company holds the following other investments:

	December 31, 2007	December 31, 2008
Available-for-sale securities (at fair value)	1,839	56
Erdemir	*1,019*	*—*
Others	*820*	*56*
Investments accounted for at cost	320	381
Total	**2,159**	**437**

The change in fair value of available-for-sale securities for the period was recorded directly in equity as an unrealized result of 569 and (78) for the years ended December 31, 2007 and 2008, respectively, net of income tax and minority interests. No impairment loss for available-for-sale securities was recognized in 2007. An impairment expense of 109 was recognized in 2008 because the Company determined that the market value decline for certain of its available-for-sale securities was either significant or prolonged.

The decrease in available-for-sale securities is mainly related to the reclassification of Erdemir shares to investments in associates on July 1, 2008 and to the disposal of certain of these available-for-sale securities.

Note 12: Other Assets

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

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

	December 31, 2007	December 31, 2008
Revaluation of derivative financial instruments	105	240
Assets in pension funds	419	491
Long-term VAT receivables	298	215
Collateral related to the put agreements on China Oriental	—	381
Other financial assets	775	773
Total	**1,597**	**2,100**

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

Note 13: Balances and Transactions with Related Parties

Transactions with related parties, all of which are associates or joint ventures of the Company, were as follows:

	Sales		Trade receivables	
Transactions	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2008
Macsteel Int'l Holding & Subsidiaries	941	729	45	25
I/N Kote	408	347	6	—
Polski Koks	445	632	81	31
Coils Lamiere Nastri ("CLN") SPA	645	797	107	51
Gonvarri Industrial SA	275	553	1	25
WDI	175	106	3	—
Zaklad Przetworstwa	169	240	21	5
Stalprofil S.A.	111	111	13	9
Lamines Marchands Europeens SA	168	165	37	5
Borcelik Celik Sanayii Ticaret AS	214	315	39	—
Florin Centrum	47	64	7	6
Gouvauto SA	145	239	12	22
GTC	—	167	—	34
Berg Steel Pipe Corp	110	113	—	—
ArcelorMittal Gonvarri SSC Slovakia	92	121	12	1
Gestamp Servicios	71	70	7	3
Gonvarri Productos Siderurgicos SA	67	82	11	3
Bamesa Celik Servis Sanayii Ticaret AS	66	92	19	9
Hierras Aplanaciones SA	65	93	9	11
Gonvarri Brasil SA	62	314	22	13
Noury SA	50	62	5	3
Alcat SP	36	71	12	6
Consolidated Wire Industries Limited	36	52	4	1
Condesa Favril Sa	—	136	—	4
Noble[1]	—	113	—	21
Westfälische Drahtindustrie	—	94	—	1
Arcelor SSC Sverige AB	—	63	—	6
Glacier Trading Centre FZE	—	55	—	13
Other	369	415	94	65
Total	**4,767**	**6,411**	**567**	**373**

[1] *During 2008, the Company granted a long-term loan to Noble International Ltd. ("Noble") of 85. The outstanding balance payable by Noble as of December 31, 2008 is 86, for the principal and accrued interest.*

Transactions	Purchases of raw materials & others Year ended December 31, 2007	Year ended December 31, 2008	Trade payables Year ended December 31, 2007	Year ended December 31, 2008
Polski Koks	623	490	72	21
E.I.M.P	282	274	—	—
Forges et Acieries de Dillingen	330	129	56	41
I/N Tek (Tolling charges)	136	57	31	—
Peña Colorada	70	85	41	39
PCI Associates (Tolling Fees)	45	—	—	—
Eko Recycling GmbH	—	50	—	1
Borcelik Celik Sanyaii Ticaret AS	198	188	40	20
ArcelorMittal Gonvarri SSC Slovakia	64	1	8	4
ATIC Services	164	79	22	2
Dillinger Hütte Saarstahl AG	103	8	24	1
Cia Hispano Brasileira de Pelotizaçao SA	60	98	12	18
Macarthur Coal LTD	—	132	—	30
SOTEG	—	107	—	24
Noble	—	78	—	17
SOMEF	—	59	—	9
ArcelorMittal Insurance Consultants SA	—	51	—	9
Other	333	505	140	106
Total	**2,408**	**2,391**	**446**	**342**

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to note 26 for disclosure of transactions with key management personnel.

The principal subsidiaries of the Company in 2008 were as follows:

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

Note 14: Short-Term Debt

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

	December 31, 2007	December 31, 2008
Short-term bank loans and other credit facilities	3,653	4,564
Current portion of long-term debt (note 15)	4,832	3,777
Revaluation of interest rate hedge instruments (note 16)	—	3
Current portion of lease obligations (note 15)	57	65
Total	**8,542**	**8,409**

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

Commercial paper

The Company has a commercial paper program that was increased by €1 billion on March 26, 2008, enabling borrowings of up to €3 billion (4,175).

Note 15: Long-Term Debt

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

	Year of maturity	Type of interest	Interest rate [1]	2007	2008
Corporate					
$3.2 billion Credit Facility	2010	Floating	2.5%-3.2%	2,700	3,181
€17 billion Credit Facility	2011 – 2012	Floating	2.5%-5.7%	16,357	16,289
EBRD loans	2009 – 2015	Floating	3.3%-4.7%	216	304
Debenture loans	2009 – 2018	Fixed	3.4%-6.1%	2,917	4,809
Other loans	2009 – 2035	Floating	1%-5.5%	1,583	1,385
Other loans	2009 – 2015	Fixed	3.7%-6.4%	372	724
Total Corporate				**24,145**	**26,692**
Americas					
Senior secured notes	2014	Fixed	9.75%	420	420
Senior unsecured notes	2014	Fixed	6.5%	500	500
Asset acquisition loans	2009 – 2018	Fixed/Floating	4.5%-11.4%	813	836
Other loans	2009 – 2014	Fixed	5.75%-10%	101	376
Other loans	2009 – 2018	Floating	2%-21%	380	249
Total Americas				**2,214**	**2,381**
Europe, Asia & Africa					
Other loans	2009 – 2010	Fixed	3.2%-16%	259	67
Other loans	2009 – 2010	Floating	3%-23%	16	88
Total Europe, Asia & Africa				**275**	**155**
Total				**26,634**	**29,228**
Less current portion of long-term debt				4,832	3,777
Total long-term debt (excluding lease obligations)				21,802	25,451
Revaluation of interest rate hedge instruments (note 16)				18	—
Lease obligations [2]				265	216
Total long-term debt, net of current portion				**22,085**	**25,667**

[1] Rates applicable to balances outstanding at December 31, 2008. The effective rate of the €17 billion Credit Facility amounts to 4.60% in 2008.
[2] Net of current portion of 57 in 2007 and 65 in 2008.

Corporate

€17 billion credit facility

On January 30, 2006, the Company entered into a €5 billion credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs (the "Initial Acquisition Facility") and a €3.0 billion credit agreement to refinance the previous credit facility entered into during 2005 (the "Refinancing Facility"). On May 23, 2006, the Company entered into a €2.8 billion agreement with a group of lenders to finance the cash portion of the increased offer for Arcelor along with related transaction costs (the "Revised Acquisition Facility").

On November 30, 2006, the Company entered into a €17 billion credit agreement, which is comprised of a €12 billion term loan facility and a €5 billion revolving credit facility, with a group of lenders to refinance the Company's Refinancing Facility and Initial and Revised Acquisition Facilities and Arcelor's €4.0 billion term loan facility and €3.0 billion revolving credit facility. All of these refinanced facilities were repaid and cancelled in December 2006. On October 30, 2007, the maturity of the €5 billion revolving credit facility was extended for one additional year, to November 30, 2012. On December 10, 2007, ArcelorMittal transferred the total credit facility to ArcelorMittal Finance. ArcelorMittal provided an unconditional guarantee securing the debt. On October 31, 2008, the total outstanding amount under this credit facility was transferred to ArcelorMittal.

$3.2 billion credit facility

On April 7, 2005, the Company and certain subsidiaries signed a five-year $3.2 billion credit facility, which is comprised of a $1.7 billion term loan and a $1.5 billion revolving credit facility, with a consortium of banks.

On February 6, 2007, an amendment deed was signed to align the agreement with the €17 billion credit facility agreement discussed above. On December 10, 2007, this credit facility was transferred to ArcelorMittal Finance and on September 5, 2008 the total outstanding amount under this credit facility was transferred to ArcelorMittal.

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

The Company has entered into three separate agreements with the EBRD for on-lending to its subsidiaries as follows:

On November 18, 2002, as part of the acquisition of ArcelorMittal Galati, the Company entered into an agreement with the EBRD for capital expenditures and working capital requirements. The loan is guaranteed by the Company and certain of its subsidiaries. The outstanding amount as of December 31, 2007 and 2008 was 33 and 15, respectively.

On April 4, 2006, the Company signed a 200 loan agreement with the EBRD for on-lending to ArcelorMittal Kryviy Rih. The outstanding amount of the loan was 183 and 150 as of December 31, 2007 and 2008, respectively.

On June 15, 2007, the Company signed a 100 loan agreement with the EBRD for on-lending to ArcelorMittal Temirtau in order to finance the overall modernization of the coal mines operated by ArcelorMittal Temirtau in the region of Karaganda with the aim to bring them in line with international best practice in terms of productivity and health and safety. The outstanding amount under this agreement at December 31, 2007 and 2008 was nil and 100, respectively.

Debenture loans

During 2001, the former Usinor (renamed ArcelorMittal France) issued €600 million of loans in two tranches of €500 million on April 10 and €100 million on July 31. The loans are unsecured and unsubordinated and bear interest at 6.125% per annum due April 10, 2008. On April 10, 2008 the bond was repaid.

During 2003, ArcelorMittal Finance issued €600 million of loans in two tranches of €500 million on September 24 and €100 million on December 4. The loans are unsecured and unsubordinated and bear interest at 5.125% per annum due September 24, 2010.

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

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

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

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

Debenture loans denominated in euro represent a total amount of €1,300 million. Other debenture loans are denominated in U.S. dollars.

Other facilities

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

In 2007 and 2008, ArcelorMittal Finance entered into bilateral credit facilities totaling €950 million. Their proceeds may be used for general corporate purposes. During 2008, all these credit facilities were transferred to ArcelorMittal. All credit facilities remained unutilized at December 31, 2008.

On May 13, 2008, ArcelorMittal Finance entered into a liquidity facility through a loan that was pre-marketed to a group of relationship lenders totaling 4,000. This credit facility has remained unutilized and is fully available to ArcelorMittal. Their proceeds may be used for general corporate purposes.

On February 11, 2009, ArcelorMittal announced that it had secured commitments from banks for two forward start facilities totaling 4,800 (the "Forward Start Facilities"), subject to certain conditions. A 3,250 revolving credit facility in respect of these commitments was entered into on February 13, 2009. A forward start facility provides a borrower with a committed facility to refinance an existing facility (which is not amended and continues in force), and therefore certainty as to the availability of funds for that refinancing. If drawn, the Forward Start Facilities would effectively extend the maturities of the 4,800 principal amount of indebtedness to 2012 (from original maturity dates in 2009-2011).

Americas

Senior Secured Notes

On March 25, 2004, Ispat Inland ULC issued Senior Secured Notes with an aggregate principal amount of 800 of which 150 were floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010 and 650 were fixed rate notes bearing interest at 9.75% (issued at 99.212% to yield 9.875%) due April 1, 2014 (the "Senior Secured Notes").

The Senior Secured Notes are secured by First Mortgage Bonds (relating to certain assets of the former Ispat Inland Inc.) originally totaling 800 and by a second position lien on the inventory of Mittal Steel USA (renamed ArcelorMittal USA). As further credit enhancement, the Senior Secured Notes are fully and unconditionally guaranteed by ArcelorMittal USA, certain of its subsidiaries as well as by ArcelorMittal and certain other subsidiaries. The terms of the Senior Secured Notes place certain limitations on the ability of ArcelorMittal USA and its subsidiaries to incur additional indebtedness, pay dividends or make other distributions and various other activities. The indenture also contains limited covenants that are applicable to ArcelorMittal. These limitations are subject to a number of exceptions and qualifications. The Senior Secured Notes became investment grade rated as of January 19, 2006. As a result, many of the above limitations were suspended, including restrictions on paying dividends or making other distributions to shareholders.

Senior Unsecured Notes

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

Asset Acquisition Loans

In May 2005, ArcelorMittal USA acquired a coke oven battery at one of its steel plants that was previously leased under a capital lease. The related loan amounted to 118 and 101 as of December 31, 2007 and 2008, respectively. Certain Operating Subsidiaries in Brazil entered into loans mainly with Banco Nacional de Desenvolvimento and Banco Bradesco S.A. for a total amount of 695 in order to finance expansion of capacity. Together the outstanding loan amount was 813 and 836 including accrued interest as of December 31, 2007 and 2008, respectively.

Other loans

The other loans relate mainly to loans contracted by ArcelorMittal Inox Brasil SA, ArcelorMittal Brasil and Vega do Sul with different counterparties. On April 24, 2008, ArcelorMittal Brasil entered into a BRL 600 million loan agreement due 2010 and bearing a floating interest rate.

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

Europe, Asia & Africa

ArcelorMittal Annaba had a 150 ten-year term loan agreement with the government of Algeria. The loan is guaranteed by ArcelorMittal and was repaid in full during the first quarter of 2007.

In 2007, the acquisition of Rongcheng included the assumption of 66 principal amount of borrowings maturing between 2008 and 2010 of which 40% bears fixed interest rates and 60% bears variable interest at rates based on 6 months LIBOR.

In 2007, the acquisition of Rozak included the assumption of 267 principal amount of borrowings maturing between 2008 and 2010 and bears interest at fixed interest rates.

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

Other

Certain debt agreements of the Company or its subsidiaries contain certain restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and ArcelorMittal's ability to dispose of assets in certain circumstances. Certain of these agreements also require compliance with financial maintenance tests, including financial ratios and minimum levels of net worth. The Company is in compliance with the financial covenants contained within the (amended) agreements related to all of its borrowings.

Scheduled maturities of long-term debt including lease obligations at December 31, 2008 are as follows (without taking into consideration the Forward Start Facilities announced on February 11, 2009):

2009	3,842
2010	8,119
2011	3,928
2012	7,712
2013	1,871
Subsequent years	4,037
Total	**29,509**

The following table presents the structure of the Company's short-term debt, long-term debt and cash in original currencies:

		In original currency as of December 31, 2008				
	Total USD	EUR	USD	BRL	CAD	Other (in $)
Short-term debt and current portion of long-term debt	**8,409**	4,311	1,666	315	44	572
Long-term debt	**25,667**	9,332	11,673	1,428	66	360
Cash	**7,587**	3,173	1,546	460	6	1,424

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 currencies.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is:

	December 31, 2007		December 31, 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Instruments payable bearing interest at fixed rates	4,596	4,683	6,914	5,150
Instruments payable bearing interest at variable rates	22,360	22,315	22,595	17,709

Note 16: Financial Instruments and Credit Risk

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

Fair values versus carrying amounts

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

Cash and cash equivalents, restricted cash, short-term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Other current assets include derivative instruments of 303 and 560 as of December 31, 2007 and 2008, respectively, which are classified as "Financial assets at fair value through profit or loss". Other investments are classified as "Available-for-sale" with gains or losses arising from changes in fair value recognized in equity. Other assets are classified as "Financial assets at fair value through profit or loss".

Except for derivative financial instruments, amounting to 674 and 1,473 as of December 31, 2007 and 2008, respectively, which are classified as "Financial liabilities at fair value through profit or loss", financial liabilities are classified as "Financial liabilities measured at amortized cost".

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

Portfolio of derivatives

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

The portfolio associated with derivative financial instruments as of December 31, 2007 is as follows:

			Assets			Liabilities
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
Interest rate swaps – fixed rate borrowings / loans	1,311	4	4.31%	1,108	(16)	3.83%
Interest rate swaps – fixed rate variable / variable	—	—		143	(2)	
Total interest rate instruments		**4**			**(18)**	
Exchange rate instruments:						
Forward purchase of contracts	304	32		9,672	(218)	
Forward sale of contracts	3,246	45		1,409	(16)	
Exchange option purchases	8,720	111		—	—	
Exchange options sales	—	—		5,682	(258)	
Total exchange rate instruments		**188**			**(492)**	
Raw materials (base metal), freight, energy, emission rights:						
Term contracts sales	199	20		82	(4)	
Term contracts purchases	554	89		1,229	(151)	
Options sale / purchase	69	2		121	(9)	
Total raw materials (base metal), freight, energy, emission rights		**111**			**(164)**	
Total		**303**			**(674)**	

** 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.*

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

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

	Assets			Liabilities		
	Notional amount	Fair value	Average rate*	Notional amount	Fair value	Average rate*
Interest rate swaps – fixed rate borrowings / loans	1,320	42	4.11%	264	(3)	5.37%
Other interest rate instrument	135	—		—	—	
Total interest rate instruments		**42**			**(3)**	
Exchange rate instruments:						
Forward purchase of contracts	954	95		649	(131)	
Forward sale of contracts	6	1		1,168	(106)	
Currency swap purchases	2,888	36		7,468	(399)	
Currency swap sales	6,672	243		6,239	(80)	
Exchange option purchases	1,818	37		—	—	
Exchange options sales	—	—		1,941	(33)	
Total exchange rate instruments		**412**			**(749)**	
Raw materials (base metal), freight, energy, emission rights:						
Term contracts sales	81	9		174	(79)	
Term contracts purchases	197	50		1,342	(540)	
Swaps using raw materials pricing index	10	—		35	(15)	
Options sale / purchase	144	47		282	(87)	
Total raw materials (base metal), freight, energy, emission rights		**106**			**(721)**	
Total		**560**			**(1,473)**	

** 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.*

Interest rate risk

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

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

Exchange rate risk

The Company is mainly exposed to changes in values arising from foreign exchange rate fluctuations of raw materials, energy and freight. Normally, the Company invoices its customers in the functional currency of its Operating Subsidiaries.

The Company uses forward purchases and sales of foreign currency, "plain vanilla" options, and foreign currency swaps to hedge foreign currency transactions at the majority of its subsidiaries. The Company also uses these instruments at the corporate level to hedge debt recorded in foreign currency other than the functional currency or the balance sheet risk incurred on certain monetary assets denominated in a foreign currency other than the functional currency.

The general policy of the Company is to hedge its exposure to exchange rate risk transactions. However, as an exception to this general policy, for certain currencies and for risks and amounts that are clearly identified and authorized by management, the Company may either hedge in anticipation of future transactions or not hedge transactional risks. To hedge the above exposure to exchange rate risk, the Company had 2.5 billion of short positions in forward contracts and option arrangements against other currencies as of December 31, 2008.

Liquidity risk

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

	December 31, 2007					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bonds / notes over 100	(3,839)	(4,875)	(1,111)	(169)	(1,299)	(2,296)
Loans over 100	(20,216)	(22,476)	(6,454)	(4,158)	(11,864)	—
Trade and other payables	(13,991)	(13,991)	(13,991)	—	—	—
Other non-derivative financial liabilities	(7,903)	(9,074)	(2,890)	(923)	(3,923)	(1,338)
Total	**(45,949)**	**(50,416)**	**(24,446)**	**(5,250)**	**(17,086)**	**(3,634)**
Derivative financial liabilities						
Interest rate instruments	(18)	(18)	(5)	(5)	(8)	—
Foreign exchange contracts	(492)	(492)	(426)	(35)	(31)	—
Other commodities contracts	(164)	(164)	(156)	(6)	(2)	—
Total	**(674)**	**(674)**	**(587)**	**(46)**	**(41)**	**—**

	December 31, 2008					
	Carrying amount	Contractual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Bonds / notes over 100	(5,730)	(7,722)	(477)	(1,458)	(3,966)	(1,821)
Loans over 100	(25,011)	(29,391)	(9,675)	(11,318)	(8,060)	(338)
Trade and other payables	(10,501)	(10,501)	(10,501)	—	—	—
Other non-derivative financial liabilities	(3,335)	(3,582)	(1,866)	(876)	(651)	(189)
Total	**(44,577)**	**(51,196)**	**(22,519)**	**(13,652)**	**(12,677)**	**(2,348)**
Derivative financial liabilities						
Interest rate instruments	(3)	(3)	(3)	—	—	—
Foreign exchange contracts	(750)	(750)	(461)	(97)	(192)	—
Other commodities contracts	(720)	(720)	(653)	(36)	(31)	—
Total	**(1,473)**	**(1,473)**	**(1,117)**	**(133)**	**(223)**	**—**

Cash flow hedges

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

	December 31, 2007				
	(liabilities) Carrying amount	(outflows)/inflows 3 months and less	(outflows)/inflows 3-6 months	(outflows)/inflows 6-12 months	(outflows)/inflows 1-2 Years
Forward exchange contracts	(420)	(305)	(53)	(27)	(35)
Commodities and emission rights	(86)	(50)	(21)	(16)	1
Total	**(506)**	**(355)**	**(74)**	**(43)**	**(34)**

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

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

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

					December 31, 2007
	(liabilities) Carrying amount	(expenses)/income 3 months and less	(expenses)/income 3-6 months	(expenses)/income 6-12 months	(expenses)/income 1-2 Years
Forward exchange contracts	(420)	(102)	(79)	(74)	(165)
Commodities and emission rights	(86)	(38)	(30)	(21)	3
Total	**(506)**	**(140)**	**(109)**	**(95)**	**(162)**

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

Several forward exchange and options contracts have been unwound during 2008. The effective portion recorded in equity and amounting to 2,678 (at the year-end balance sheet rate) is expected to be recycled in the statement of income along with the recording of the hedged items as follows:

Year	Amount
2009	778
2010	716
2011	647
2012	537
Total	**2,678**

The ineffective portion amounted to 349 and has been recorded as operating income.

Raw materials, freight, energy risks and emission rights

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

Fair values of raw material instruments are as follows:

	December 31, 2007	December 31, 2008
Base metals, freight	(79)	(216)
Energy (oil, gas, electricity), emission rights	12	(399)
	(67)	**(615)**
Assets associated with raw materials, energy, freight and emission rights	91	106
Liabilities associated with raw materials, energy, freight and emission rights	(158)	(721)
Total	**(67)**	**(615)**

Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003, establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (cash purchase and sale, forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2007 and 2008, the Company had a net notional position of 29 with a net fair value of 14 and a net notional position of 171 with a net fair value of (32), respectively.

Counterparty 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 cash pooling transaction must be approved by the treasury department. Counterparty risk related to customers, customer credit terms and receivables is discussed in note 5.

Sensitivity analysis

Foreign currency sensitivity

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

	December 31, 2007		December 31, 2008	
	Income	Other equity	Income	Other equity
10% strengthening in U.S. dollar	129	933	288	(120)
10% weakening in U.S. dollar	(40)	(995)	(288)	120

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates during the period would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	December 31, 2007		
	Variable rate instrument	Interest rate swaps/Forward rate agreements	Cash flow sensitivity (net)
100 bp increase	(179)	1	(178)
100 bp decrease	179	(1)	178

	December 31, 2008		
	Variable rate instrument	Interest rate swaps/Forward rate agreements	Cash flow sensitivity (net)
100 bp increase	(153)	(19)	(172)
100 bp decrease	153	20	173

Base metals, energy, freight, emissions rights

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

	December 31, 2007		December 31, 2008	
	Income	Other equity cash flow hedging reserves	Income	Other equity cash flow hedging reserves
+10% in prices	41	112	31	42
-10% in prices	(41)	(112)	(31)	(42)

Note 17: Equity

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

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

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

The issued corporate share capital is €6.3 billion (9,269) represented by approximately 1,449 million shares without nominal value of which approximately 1,422 million and 1,366 million shares were outstanding as of December 31, 2007 and 2008, respectively.

Employee Share Purchase Plan

In May 2008, the Company adopted an Employee Share Purchase Plan ("ESPP") as part of a global employee engagement and participation policy. The plan aims to strengthen the link between the Company and its employees and to align the interests of the Company employees and shareholders. The main features of the plan, which was approved by the annual general shareholders' meeting held on May 13, 2008, are the following:

- The plan was offered to 216,311 employees in 22 jurisdictions. The Company offered a maximum total number of 2,500,000 treasury shares (0.2% of issued shares). A total of 955,820 shares were subscribed, which are held in treasury for the employees. The implementation of the plan was split into two tranches (in September and November 2008). The subscription price for the first tranche was $57.05 and $21.71 for the second tranche, before discounts;
- Pursuant to the plan, eligible employees could apply to purchase a number of shares not exceeding that number of whole shares equal to the lower of (1) 200 shares and (2) the number of whole shares that may be purchased for fifteen thousand U.S. dollars (rounded down to eliminate fractional shares).

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

a) 15% of the reference price for a purchase order not exceeding the lower of (1) 100 shares, and (2) the immediately lower whole number of shares corresponding to an investment of seven thousand five hundred U.S. dollars; and thereafter;

b) 10% of the reference price for any additional acquisition of shares up to a number of shares (including those in the first cap) not exceeding the lower of (x) 200 shares, and (y) the immediately lower whole number of shares corresponding to an investment of fifteen thousand U.S. dollars.

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

Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's Luxembourg statutory accounts, which are different from its consolidated accounts. ArcelorMittal has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of (new) common shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

On September 27, 2006, Mittal Steel announced that its Board of Directors had agreed upon, and the shareholders subsequently approved, a new dividend and cash distribution policy. The new policy aimed to return 30% of Mittal Steel's prior year annual net income to shareholders annually through an annual base dividend, supplemented by share buy-backs. The annual base dividend was $1.30 per share.

The dividend for 2007 amounted to 1,826 ($1.30 per share) and was paid quarterly ($0.325 cents per share) on March 15, 2007, June 15, 2007, September 17, 2007 and December 17, 2007.

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

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

On February 10, 2009, ArcelorMittal's Board of Directors recommended reducing the quarterly dividend payment to $0.1875 in 2009. The new quarterly dividend payments will take place on March 16, 2009, June 15, 2009, September 14, 2009 and December 14, 2009.

Treasury stock

On April 2, 2007, ArcelorMittal announced the start of a share buy-back program designed to achieve the 30% distribution pay-out commitment described above. This share buy-back program was completed on September 4, 2007 as the 590 was reached. ArcelorMittal purchased an aggregate of 9,513,960 Mittal Steel Class A common shares and ArcelorMittal shares under the program.

On June 12, 2007, ArcelorMittal announced the start of a share buy-back program for up to 27 million shares, for cancellation in due course. This share buy-back program was designed to offset the issuance of 27 million shares in connection with ArcelorMittal's mandatory offer for ArcelorMittal Brasil. This share buy-back program was completed on December 13, 2007. The shares were repurchased at an average price of €50.15 ($72.39) per share and for a total amount of €1.4 billion (1,955).

On November 5, 2007, ArcelorMittal announced the start of a 1.0 billion share buy-back program valid for a period of 18 months or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to such period.

This program was completed on February 19, 2008 with the acquisition of 14.6 million shares from Carlo Tassara International S.A. ("Carlo Tassara") at a price of €46.60 ($68.70) per share for a total amount of €680 million (1,003). Carlo Tassara is controlled by the Zygmunt Lubicz-Zaleski Foundation. Mr Romain Zaleski was a member of the ArcelorMittal Board of Directors at the time of this transaction.

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

During the year 2008, ArcelorMittal acquired approximately 43.8 million shares under the 44 million shares program for a total amount of 3,440 at an average price of $78.58 per share. Of this amount, 10.4 million shares were acquired on February 19, 2008 from Carlo Tassara at a price of €46.40 ($68.70) per share. In total, 25 million shares were acquired from Carlo Tassara.

As of December 31, 2008, ArcelorMittal had acquired approximately 43.9 million shares under the 44 million share buy-back program for a total amount of 3,449 at an average price of $78.56 per share.

As of December 31, 2008, ArcelorMittal owned 82,824,069 treasury shares.

Share Retention Agreements

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

The Company has pledged 40% of the outstanding shares of ArcelorMittal Galati to AVAS (the governmental body in Romania responsible for privatization) in relation to the Company's ten-year capital expenditure commitment at ArcelorMittal Galati which commenced November 2001.

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

The Company has entered into a share pledge agreement with APAPS for 1.4% of its share holding in ArcelorMittal Hunedoara's share capital with respect to its commitment to pay the purchase price for ArcelorMittal Hunedoara. The Company has also entered into a share pledge agreement with APAPS for 58% of its share holding in ArcelorMittal Hunedoara's share capital towards its capital expenditure commitments for five years commencing April 2004.

The Company is required to establish a registered pledge in favor of the State Treasury of Poland for the number of the Company's shares of ArcelorMittal Poland, which is 100% owned by ArcelorMittal Holdings AG, which is in turn 100% owned by the Company, equal to the difference between: (i) the number of shares of ArcelorMittal Poland held by the Company and (ii) 50% of the shares of ArcelorMittal Poland plus one share. As a result, the number of the shares pledged equals to 124,828,159 shares, which constitutes about 46.8% of the shares of ArcelorMittal Poland.

Stock Option Plan

In 1999, the Company established the ArcelorMittal Global Stock Option Plan ("ArcelorMittalShares"). Under the terms of ArcelorMittalShares, ArcelorMittal may grant options to purchase common stock to senior management of ArcelorMittal and its associates for up to 20,000,000 shares of common stock (increased from 6,000,000 shares to 10,000,000 shares of common stock after shareholder approval in 2003 and increased from 10,000,000 shares to 20,000,000 shares of common stock after shareholder approval in 2006). The exercise price of each option equals not less than the fair market value of ArcelorMittal stock on the grant date, with a maximum term of 10 years. Options are granted at the discretion of the ArcelorMittal's Appointments, Remuneration and Corporate Governance Committee or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

On September 1, 2006, ArcelorMittal granted 3,999,223 options to a group of key employees at an exercise price of $33.755. The options expire on September 1, 2016.

On August 2 and December 11, 2007, ArcelorMittal granted 5,965,200 and 13,000 options, respectively, to a group of key employees at an exercise price of $64.30 and $74.535, respectively. The options expire on August 2, 2017, and on December 11, 2017, respectively.

On August 5, November 10 and December 15, 2008, ArcelorMittal granted 7,255,950, 20,585 and 48,000 options, respectively, to a group of key employees at an exercise price of $82.57, $22.245 and $23.745, respectively. The options expire on August 5, November 10 and December 15, 2018, respectively.

In addition, Arcelor had stock option plans (grants for 2003, 2004, 2005, 2006) with 1,346,160 options outstanding prior to step-two of the two-step merger.

In connection with the merger of Arcelor and Mittal Steel, each Arcelor stock option was provided the right to purchase or subscribe, as applicable, a number of shares equal to seven pre-capital restructuring options to purchase underlying shares in exchange for eight post-capital restructuring options to purchase underlying shares. No other modifications to the initial Arcelor stock option grants were made. This resulted in the issuance of 1,538,469 options to purchase common stock of ArcelorMittal, with an exercise price ranging from €8.46 ($11.78) to €30.13 ($41.93) per option.

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

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

	Year of grant - 2007	Year of grant - 2008
Exercise price per share	$64.30 – 74.535	$82.57 – 22.245 – 23.745
Dividend yield	2.03%	1.82% – 6.74% – 6.32%
Expected annualized volatility	142%	111% – 131% – 139%
Discount rate – bond equivalent yield	4.91%	4.02% – 3.76% – 2.52%
Weighted average share price	$64.30 – 74.535	$82.57 – 22.245 – 23.745
Expected life in years	6	6
Fair value of options (per share)	$52	$62 – 13 – 15

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

The compensation expense recognized for stock option plans was 108 and 362 for each of the years ended December 31, 2007 and 2008, respectively.

Option activity with respect to ArcelorMittalShares is summarized below as of and for each of the years ended December 31, 2007 and 2008:

	Number of options	Range of exercise prices (per options)	Weighted average Exercise price (per option)
Outstanding, December 31, 2006	**8,450,968**	**2.26 – 33.76**	**28.27**
Granted	5,978,200	64.30 – 74.535	64.32
Exercised	(2,129,255)	2.26 – 33.76	25.94
Cancelled	(222,566)	28.75 – 33.76	32.20
Forfeitures	(36,378)	11.94 – 33.76	30.61
Effect of legal merger	1,538,469	12.46 – 44.35	43.28
Outstanding, December 31, 2007	**13,579,438**	**2.26 – 74.535**	**46.15**
Granted	7,324,535	22.245 – 82.57	82.01
Exercised	(954,844)	2.26 – 64.30	31.88
Cancelled	(347,034)	2.26 – 82.57	51.28
Forfeitures	(43,629)	28.75 – 64.30	43.35
Outstanding, December 31, 2008	**19,558,466**	**2.26 – 82.57**	**60.01**
Exercisable, December 31, 2008	6,011,214	2.26 – 82.57	39.75
Exercisable, December 31, 2007	2,595,164	2.26 – 64.30	24.49

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

The following table summarizes information about total stock options of the Company outstanding as of December 31, 2008:

			Options Outstanding
Exercise prices (per option)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
82.57	7,201,250	9.59	13,500
74.535	13,000	8.95	4,333
64.30	5,729,402	8.59	1,960,913
41.93	1,445,757	4.50	—
33.76	2,739,507	7.68	1,671,503
28.75	1,737,997	6.65	1,737,997
23.745	48,000	9.96	—
22.245	20,585	9.87	—
19.69	11,429	3.50	11,429
15.96	29,373	2.50	29,373
11.78	17,622	1.50	17,622
11.94	186,099	0.71	186,099
8.57	165,100	1.42	165,100
2.26	213,345	3.27	213,345
$2.26 – 82.57	**19,558,466**	**8.15**	**6,011,214**

For the purpose of calculating earnings per share, diluted weighted average common shares outstanding excludes 5 million and 9 million potential common shares from stock options outstanding for the years ended December 31, 2007 and 2008, respectively, because such stock options are anti-dilutive.

Note 18: Financial Income and Expense

Financial income and expense recognized in the years ended December 31, 2007 and 2008 is as follows:

	2007	2008
Recognized in profit and loss		
Interest expense	(2,174)	(2,516)
Interest income	577	497
Net gain (loss) on derivative instruments	431	(177)
Net foreign exchange result and others	239	(156)
Total	**(927)**	**(2,352)**
Recognized in equity (Company share)		
Net change in fair value of available-for-sale financial assets	569	(78)
Effective portion of changes in fair value of cash flow hedge	(336)	1,844
Foreign currency translation differences for foreign operations	3,220	(6,122)
Total	**3,453**	**(4,356)**

Interest expense includes interest on borrowings, interest cost on defined benefit obligations and bank fees.
Interest on borrowings amounted to 1,839 and 2,044 for the year ended December 31, 2007 and 2008, respectively.

Note 19: Income Tax

Income tax expense

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2007 and 2008, respectively, is summarized as follows:

	Year ended December 31, 2007	Year ended December 31, 2008
Total current income tax expense	2,544	2,494
Total deferred tax expense (benefit)	494	(1,396)
Total income tax expense	**3,038**	**1,098**

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

	Year ended December 31, 2007	Year ended December 31, 2008
Net income:	**10,368**	**9,399**
Minority interest	1,482	1,040
Income from investments in associates and joint ventures	(985)	(1,653)
Income tax expense	3,038	1,098
Income before tax and income from investments in associates and joint ventures	**13,903**	**9,884**
Tax at the domestic rates applicable to profits in the countries	3,926	1,392
Permanent items	(318)	(540)
Benefit arising from interest in partnership	(51)	(21)
Rate changes	(209)	(151)
Net change in measurement of deferred tax assets	103	(410)
Re-characterization of capital loss to ordinary loss	—	—
Benefit of tax holiday	(27)	(7)
Effects of foreign currency translation	(297)	728
Tax deduction	(105)	—
Tax credits	(14)	(95)
Other taxes	67	177
Others	(37)	25
Income tax expense	**3,038**	**1,098**

The 2008 permanent items of (540) result from deemed deductions on taxable income of (979), tax expense relating to interest recaptures of 184, tax expense of 177 relating to non-deductible provisions and tax expense of 78 relating to other permanent items. The 2007 permanent items of (318) result from deemed deductions on taxable income of (347), income tax expense of 98 on inter-company dividends and share transfers, and other taxable income of (69) relating to other permanent items.

The 2008 tax benefit from rate changes of (151) mainly results from the decrease of corporate income tax rates in Kazakhstan, Luxembourg, South Africa and Russia. The 2007 tax benefit from rate changes of (209) results from the decrease of corporate income tax rates in Canada, Czech Republic, Germany and Morocco.

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

The 2007 net change in measurement of deferred tax assets of 103 primarily consists of a tax benefit of 260 for acquired deferred tax assets, a tax expense of 192 for unrecognized net operating losses relating to the legal merger of Arcelor and Mittal Steel and other net tax expense of 171, mainly relating to deferred tax assets not recognized for losses of the year.

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

The effects of foreign currency translation of 297 and 728 at December 31, 2007 and 2008, respectively, pertain to certain entities with the U.S. dollar as functional currency and the local currency for tax purposes.

The tax deduction of 105 in 2007 relates to federal governmental incentives granted to CST in Brazil as part of a program to promote the development of the Brazilian northeast region.

The 2008 tax credits of 95 are mainly attributable to our Operating Subsidiaries in Spain. They relate to credits claimed on research and development, credits on investment and to tax sparing credits.

Other taxes include withholding taxes on dividends including Secondary Taxation on Companies ("STC"), which is a tax levied on dividends declared by South African companies. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. On declaration of a dividend, the South African Operating Subsidiary includes the STC tax in its computation of the income tax expense. If the South African Operating Subsidiary distributed all of its undistributed retained earnings of 2,978 million and 3,015 million in 2008 and 2007, respectively, it would be subject to additional taxes of 271 million and 274 million, respectively. STC on dividends declared in 2008 and 2007 were 31 million and 67 million, respectively.

Others of (37) in 2007 consists of a tax expense of 110, due to a change in Mexican tax law, a tax expense of 92 for deferred tax liabilities recorded on investments, a tax benefit of 193 due to a release of tax liabilities following the finalization of tax audits, and other tax benefits of 46.

Tax agreements

Certain agreements relating to acquisitions and capital investments undertaken by the Company, provides reduced tax rates, or, in some cases exemption from income tax. Such arrangements expire over various fiscal years through 2014.

The net deferred tax benefit (expense) recorded directly to equity was 286 and (789) as of December 31, 2007 and 2008, respectively. The net current tax benefit (expense) recorded directly to equity was 119 and (67) as of December 31, 2007 and 2008, respectively.

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

	Assets		Liabilities		Net	
	2007	2008	2007	2008	2007	2008
Intangible assets	45	175	(665)	(1,211)	(620)	(1,036)
Property, plant and equipment	493	237	(10,027)	(9,775)	(9,534)	(9,538)
Inventories	287	554	(364)	(470)	(77)	84
Available-for-sale financial assets	—	—	(52)	(14)	(52)	(14)
Financial instruments	222	77	(62)	(67)	160	10
Other assets	172	98	(151)	(1,530)	21	(1,432)
Provisions	1,828	2,748	(446)	(574)	1,382	2,174
Other liabilities	651	884	(60)	(323)	591	561
Tax losses carried forward	1,659	3,164	—	—	1,659	3,164
Tax credits	214	424	—	—	214	424
Untaxed reserves	—	—	(42)	(41)	(42)	(41)
Deferred tax assets / (liabilities)	**5,571**	**8,361**	**(11,869)**	**(14,005)**	**(6,298)**	**(5,644)**
Deferred tax assets					1,629	751
Deferred tax liabilities					(7,927)	(6,395)

Deferred tax assets not recognized by the Company as of December 31, 2007 were as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	7,179	2,373	1,659	714
Tax credits	292	292	214	78
Other temporary differences	12,853	4,022	3,698	324
Total		**6,687**	**5,571**	**1,116**

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

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	11,370	3,557	3,164	393
Tax credits	719	719	424	295
Other temporary differences	15,915	5,018	4,773	245
Total		**9,294**	**8,361**	**933**

ArcelorMittal had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 933 as of December 31, 2008 (1,116 as of December 31, 2007). As of December 31, 2008, most of these temporary differences relate to tax loss carry forwards attributable to our Operating Subsidiaries in Belgium, Brazil, Luxembourg, Mexico and the United States. The majority of unrecognized tax losses have no expiration date. The utilization of tax loss carry forwards is, however, restricted to the taxable income of the subsidiary or tax consolidated group to which it belongs.

At December 31, 2008, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is probable that ArcelorMittal will realize the benefits of the total deferred tax assets of 751 recognized. The amount of future taxable income required to be generated by ArcelorMittal's Operating Subsidiaries to utilize the total deferred tax assets is approximately 2,540. For each of the years ended December 31, 2007 and 2008, these Operating Subsidiaries generated approximately 29% and 62%, respectively, of the Company's income before tax of 14,888 and 11,537, respectively. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

In 2007, ArcelorMittal has recorded approximately 35 of deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income taxes due if these earnings would be distributed. There was no material change to these liabilities as of December 31, 2008. Investments in our subsidiaries are not expected to reverse in the foreseeable future and therefore capital gains are not anticipated. The aggregate amount of deferred tax liabilities relating to investments in subsidiaries, branches and associates and investments that is not recognized is approximately 892.

Tax loss carry forward

At December 31, 2008, the Company had total estimated net tax loss carry forwards of 11,370.

Such amount includes net operating losses of 2,527 primarily related to Operating Subsidiaries in Canada, Mexico, Romania, Spain and the United States, which expire as follows:

Year expiring	Amount
2009	17
2010	40
2011	85
2012	35
2013	17
Thereafter	2,333
Total	**2,527**

The remaining tax loss carry forwards of 8,843 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, France, Luxembourg and Trinidad and Tobago.

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

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

Note 20: Provisions

The movements by provision were as follows:

	Balance at December 31, 2006	Additions	Deductions / Releases	Acquisitions	Effects of foreign exchange and other movements	Balance at December 31, 2007
Environmental (see note 24)	827	134	(62)	4	(14)	889
Asset retirement obligations	169	19	(26)	6	8	176
Restructuring	209	394	(123)	80	5	565
Litigation (see note 24)	711	317	(182)	—	177	1,023
Commercial agreements and onerous contracts	56	96	(36)	—	18	134
Other [1]	637	450	(328)	28	26	813
	2,609	**1,410**	**(757)**	**118**	**220**	**3,600**
Short-term provisions	569					1,144
Long-term provisions	2,040					2,456
	2,609					**3,600**

	Balance at December 31, 2007	Additions	Deductions / Releases	Acquisitions	Effects of foreign exchange and other movements	Balance at December 31, 2008
Environmental (see note 24)	889	125	(146)	—	(99)	769
Asset retirement obligations	176	22	(3)	71	12	278
Restructuring	565	215	(117)	8	(105)	566
Voluntary separation plans	—	945	—	—	(10)	935
Litigation (see note 24)	1,023	847	(252)	66	(83)	1,601
Commercial agreements and onerous contracts	134	743	(29)	12	(5)	855
Other [1]	813	317	(519)	16	4	631
	3,600	**3,214**	**(1,066)**	**173**	**(286)**	**5,635**
Short-term provisions	1,144					3,292
Long-term provisions	2,456					2,343
	3,600					**5,635**

[1] *Other includes provisions for technical warranties, guarantees as well as other disputes and staff related provisions.*

The provisions will be used in a period of one to four years except for the environmental provisions which will be used for up to 20 years.

Note 21: Accrued Expenses and Other Liabilities

Accrued expenses were comprised of the following at December 31:

	December 31, 2007	December 31, 2008
Accrued payroll and employee related expenses	2,008	1,949
Other payables	1,703	1,942
Other creditors	1,535	1,320
Revaluation of derivative instruments	549	1,094
Other amounts due to public authorities	909	791
Unearned revenue and accrued payables	571	317
Total	**7,275**	**7,413**

Accrued expenses and other liabilities as at December 31, 2008 were higher than as at December 31, 2007 on account of the increase in mark-to-market of the derivative instruments held by the company.

Note 22: Commitments

The Company's commitments consist of three main categories:

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

Operating leases

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

Less than 1 year	86
1-3 years	143
4-5 years	105
More than 5 years	155
Total	**489**

Commitments given

	December 31, 2007	December 31, 2008
Purchase commitments	31,539	29,724
Capital expenditure commitments	414	2,233
Guarantees, pledges and other collateral	6,413	4,796
Other commitments	3,358	5,759
Total	**41,724**	**42,512**

Purchase commitments

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

Guarantees, property and other collateral

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

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

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

Other commitments given

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

Commitments received

	December 31, 2007	December 31, 2008
Endorsements and guarantees received from non-consolidated companies	1,218	921
Other commitments received	10,674	7,037
Total	11,892	7,958

Other commitments received

Other commitments received include commitments deriving from bills, sureties and guarantees provided by third parties.

Note 23: Deferred Employee Benefits

ArcelorMittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer other post-employment benefits, principally health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheets are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect the statement of income and the recorded obligation in future periods. The total accumulated unrecognized actuarial loss amounted to 1,969 for pensions and 454 for other post retirement benefits as of December 31, 2008.

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

The most significant change to this agreement is the change in the funding principles of a Voluntary Employee Benefit Association ("VEBA") for retiree healthcare. Previously this fund was accounted for as a profit-sharing arrangement. The change in the contractual obligation led to the recognition of a liability and other post-employment expense of 1,424 for those obligations that had previously vested.

The cash outflow related to these benefits is a requirement to fund 25 per quarter into the VEBA for the first four years plus an initial cash payment of 90 upon the signing of the contract. The impact of those changes is discussed further in the post-employment benefits section of this note.

The Company agreed to transfer to ArcelorMittal USA a number of shares held in treasury equal to 130, subject to certain adjustments, in several tranches until the end of 2009 to provide a means for ArcelorMittal USA to meet its cash funding requirements to the ArcelorMittal USA Pension Trust. The first tranche, consisting of 1,121,995 treasury shares, was transferred on December 29, 2008 for consideration of $23.72 per share, the NYSE opening price on December 23, 2008.

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

Americas

U.S.

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

Canada

The primary pension plans are those of ArcelorMittal Dofasco and ArcelorMittal Mining Canada. The ArcelorMittal Dofasco (Hamilton) pension plan is a hybrid plan providing the benefits of both a defined benefit and defined contribution pension plan. The defined contribution component is financed by both employer and employee contributions. The employer also contributes a percentage of profits in the defined contribution plan. The ArcelorMittal Mining Canada (QCM) defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on employee length of service.

Brazil

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

Europe

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

South Africa

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

Other

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

Plan assets

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

						December 31, 2007
	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Equity Securities	63%	54%	10%	17%	34%	45%
Fixed Income (including cash)	23%	38%	88%	64%	52%	48%
Real Estate	5%	—	—	—	—	—
Other	9%	8%	2%	19%	14%	7%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

						December 31, 2008
	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Equity Securities	45%	55%	7%	13%	34%	39%
Fixed Income (including cash)	35%	40%	91%	69%	52%	56%
Real Estate	7%	—	—	—	—	—
Other	13%	5%	2%	18%	14%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

These assets do not include any direct investment in ArcelorMittal or in property or other assets occupied or used by ArcelorMittal except for the transaction explained previously. This does not exclude ArcelorMittal shares being included in mutual fund investments. The invested assets produced an actual return of 379 and (1,128) in 2007 and 2008, respectively.

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

						December 31, 2008
	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Equity Securities	50%	59%	17%	18%	35%	50%
Fixed Income (including cash)	23%	41%	80%	74%	53%	50%
Real Estate	7%	—	—	2%	—	—
Other	20%	—	3%	6%	12%	—
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

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

The following tables detail the reconciliation of defined benefit obligation, plan assets and balance sheet liability.

							December 31, 2007
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Change in benefit obligation							
Benefit obligation at beginning of the period	9,609	3,075	2,730	481	2,228	1,017	78
Service cost	176	39	73	10	45	—	9
Interest cost	574	167	152	60	107	73	15
Plan amendments	13	—	3	—	10	—	—
Plan participants' contribution	5	—	1	2	1	—	1
Curtailments and settlements	96	—	48	—	—	—	48
Actuarial (gain) loss	(501)	(201)	(311)	10	(62)	51	12
Benefits paid	(560)	(2)	(141)	(34)	(209)	(105)	(69)
Foreign currency exchange rate differences and other movements	1,100	—	479	110	366	33	112
Benefit obligation at end of the period	**10,512**	**3,078**	**3,034**	**639**	**2,486**	**1,069**	**206**
Change in plan assets							
Fair value of plan assets at beginning of the period	6,985	2,335	2,193	551	551	1,256	99
Expected return on plan assets	580	221	176	76	24	73	10
Actuarial gain (loss)	(201)	(184)	(54)	—	5	28	4
Employer contribution	419	257	106	13	42	—	1
Plan participants' contribution	5	—	1	2	1	—	1
Benefits paid	(347)	(2)	(141)	(34)	(63)	(105)	(2)
Foreign currency exchange rate differences and other movements	650	—	426	123	63	38	—
Fair value of plan assets at end of the period	**8,091**	**2,627**	**2,707**	**731**	**623**	**1,290**	**113**
(Unfunded) funded status of the plans	(2,421)	(451)	(327)	92	(1,863)	221	(93)
Unrecognized net actuarial loss (gain)	578	808	(195)	9	(45)	(19)	20
Unrecognized past service cost	(2)	—	(1)	—	—	—	(1)
Prepaid due to unrecoverable surpluses	(305)	—	—	(103)	—	(202)	—
Net amount recognized	**(2,150)**	**357**	**(523)**	**(2)**	**(1,908)**	**—**	**(74)**
Net assets related to funded obligations	419	357	29	4	3	—	26
Balance sheet liabilities	**(2,569)**	**—**	**(552)**	**(6)**	**(1,911)**	**—**	**(100)**

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

Asset ceiling

The amount not recognized in the fair value of plan assets due to the asset ceiling was 305 and 155 at December 31, 2007 and 2008, respectively.

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

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

							December 31, 2007
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Net periodic cost (benefit)							
Service cost	176	39	73	10	45	—	9
Interest cost	574	167	152	60	107	73	15
Expected return on plan assets	(580)	(221)	(176)	(76)	(24)	(73)	(10)
Charges due to unrecoverable surpluses	16	—	—	16	—	—	—
Curtailments and settlements	118	—	72	—	(2)	—	48
Amortization of unrecognized past service cost	13	—	3	—	10	—	—
Amortization of unrecognized actuarial (gain) loss	71	68	4	—	(1)	—	—
Total	**388**	**53**	**128**	**10**	**135**	**—**	**62**

							December 31, 2008
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	SOUTH AFRICA	OTHERS
Net periodic cost (benefit)							
Service cost	163	42	61	11	38	—	11
Interest cost	625	181	161	69	127	69	18
Expected return on plan assets	(584)	(215)	(182)	(82)	(25)	(69)	(11)
Charges due to unrecoverable surpluses	(8)	—	—	(11)	3	—	—
Curtailments and settlements	25	—	(1)	—	—	—	26
Amortization of unrecognized past service cost	152	127	11	—	10	—	4
Amortization of unrecognized actuarial (gain) loss	78	69	(6)	12	2	—	1
Total	**451**	**204**	**44**	**(1)**	**155**	**—**	**49**

Other post-employment benefits

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

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

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

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

						December 31, 2007
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	2,614	1,169	935	6	474	30
Service cost	62	9	19	—	16	18
Interest cost	139	64	52	1	22	—
Plan amendment	47	44	—	—	3	—
Actuarial loss (gain)	(181)	(12)	(158)	(1)	(10)	—
Benefits paid	(195)	(70)	(34)	(1)	(51)	(39)
Curtailments and settlements	18	11	10	—	(3)	—
Acquisition (divestitures)	15	—	—	—	(4)	19
Foreign currency exchange rate changes and other movements	286	—	159	1	75	51
Benefits obligation at end of period	**2,805**	**1,215**	**983**	**6**	**522**	**79**
Fair value of assets	49	34	—	—	15	—
Funded (unfunded) status of the plans	**(2,756)**	**(1,181)**	**(983)**	**(6)**	**(507)**	**(79)**
Unrecognized net actuarial loss (gain)	165	322	(144)	—	(13)	—
Unrecognized past service cost (benefit)	8	13	(2)	—	(3)	—
Net amount recognized	**(2,583)**	**(846)**	**(1,129)**	**(6)**	**(523)**	**(79)**

						December 31, 2008
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	2,805	1,215	983	6	522	79
Service cost	54	12	14	—	23	5
Interest cost	212	121	48	1	34	8
Plan amendment	1,695	1,642	2	—	8	43
Actuarial loss (gain)	224	379	(155)	—	(18)	18
Benefits paid	(250)	(135)	(36)	(1)	(78)	—
Curtailments and settlements	4	4	—	—	—	—
Acquisition (divestitures)	(47)	(47)	—	—	—	—
Foreign currency exchange rate changes and other movements	557	670 [1]	(189)	(1)	112	(35)
Benefits obligation at end of period	**5,254**	**3,861**	**667**	**5**	**603**	**118**
Fair value of assets	635	623	—	—	12	—
Funded (unfunded) status of the plans	**(4,619)**	**(3,238)**	**(667)**	**(5)**	**(591)**	**(118)**
Unrecognized net actuarial loss (gain)	454	695	(223)	—	(35)	17
Unrecognized past service cost (benefit)	199	197	(1)	—	3	—
Net amount recognized	**(3,966)**	**(2,346)**	**(891)**	**(5)**	**(623)**	**(101)**

[1] *This amount includes the existing asset VEBA trust.*

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

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

	December 31, 2007					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Components of net periodic cost (benefit)						
Service cost	62	9	19	—	16	18
Interest cost	139	64	52	1	22	—
Expected return on plan assets	(3)	(2)	—	—	(1)	—
Curtailments and settlements	20	11	13	—	(4)	—
Amortization of unrecognized past service cost	4	—	—	—	4	—
Amortization of unrecognized actuarial (gain) loss	23	27	—	(1)	(3)	—
Total	**245**	**109**	**84**	**—**	**34**	**18**

	December 31, 2008					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Components of net periodic cost (benefit)						
Service cost	54	12	14	—	23	5
Interest cost	212	121	48	1	34	8
Expected return on plan assets	(16)	(15)	—	—	(1)	—
Curtailments and settlements	6	6	—	—	—	—
Amortization of unrecognized past service cost	1,504	1,458	1	—	2	43
Amortization of unrecognized actuarial (gain) loss	6	12	(15)	—	9	—
Total	**1,766**	**1,594**	**48**	**1**	**67**	**56**

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

	Pension Plans		Other Post-employment Benefits	
	2007	2008	2007	2008
Discount rate	5.17% – 10.77%	5.42% – 10.77%	2.94% – 10.77%	4.25% – 10.77%
Rate of compensation increase	2% – 8%	2.50% – 9.2%	1% – 8%	1.5% – 7.12%
Expected long-term rate of return on plan assets	3.54% – 11.25%	3.47% – 11.72%	4.5% – 5%	4.5% – 6.11%

Health care cost trend

	December 31, 2007	December 31, 2008
Health care cost trend rate assumed	2.5% – 6.31%	3% – 5.71%

Cash flows

In 2009, the Company expects its cash contributions to amount to 543 for pension plans, 289 for other post employment benefits plans (including 100 related to USW agreement in USA) and 134 for the defined contribution plans. Cash contributions to the defined contribution plans, sponsored by the company, amounted to 115 in 2008.

Balance sheet

	At December 31, 2007	At December 31, 2008
Pension plan benefit	2,569	2,219
Other post-employment benefit	2,583	3,966
Early retirement benefit	780	669
Other long-term employee benefits	312	257
Total	**6,244**	**7,111**

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions for ArcelorMittal's pension plans (as of December 31, 2008, the defined benefit obligation ("DBO") for pension plans was 9,359):

Change in assumption	Effect on 2009 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect of December 31, 2008 DBO
100 basis point decrease in discount rate	1	973
100 basis point increase in discount rate	(3)	(818)
100 basis point decrease in rate of compensation	(31)	(240)
100 basis point increase in rate of compensation	36	264
100 basis point decrease in expected return on plan assets	56	—
100 basis point increase in expected return on plan assets	(56)	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal's OPEB plans (as of December 31, 2008 the DBO for post-employment benefit plans was 5,254):

Change in assumption	Effect on 2009 Pre-Tax OPEB Expense (sum of service cost and interest cost)	Effect of December 31, 2008 DBO
100 basis point decrease in discount rate	(7)	580
100 basis point increase in discount rate	6	(464)
100 basis point decrease in healthcare cost trend	(36)	(441)
100 basis point increase in healthcare cost trend	40	498

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

Experience adjustments

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

(in millions of U.S. dollars)	At December 31, 2007	At December 31, 2008
Present value of the defined benefit obligations	(10,512)	(9,359)
Fair value of the plan assets	8,091	5,788
Deficit	(2,421)	(3,571)
Experience adjustments: (increase)/decrease plan liabilities	(195)	(122)
Experience adjustments: increase/(decrease) plan assets	(201)	(1,712)

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

(in millions of U.S. dollars)	At December 31, 2007	At December 31, 2008
Present value of the defined benefit obligations	(2,805)	(5,254)
Fair value of the plan assets	49	635
Deficit	(2,756)	(4,619)
Experience adjustments: (increase)/decrease plan liabilities	(33)	(142)
Experience adjustments: increase/(decrease) plan assets	—	(19)

Note 24: Contingencies

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

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

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

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

These assessments can involve a series of complex judgments about future events and can rely heavily on estimates and assumptions. Our assessments are based on estimates and assumptions that have been deemed reasonable by management. We believe 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, we could, in the future, incur judgments that could have a material adverse effect on our results of operations in any particular period.

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, 2008, ArcelorMittal had established reserves of 769 for environmental remedial activities and liabilities, including 385 in provisions relating to Europe, 222 in provisions relating to the United States, 143 in provisions relating to South Africa and 7 in provisions relating to Canada. Previous owners of ArcelorMittal's facilities expended in the past, and ArcelorMittal expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations.

United States

ArcelorMittal USA's environmental provisions of 222 are mainly related to investigation, monitoring and remediation of soil and groundwater investigation at its current and former facilities and to removal and disposal of PCBs and asbestos-containing material. The environmental provisions include 4 to address ArcelorMittal USA's potential liability at two Superfund sites. ArcelorMittal USA's largest environmental provisions relate to investigation and remediation at Indiana Harbor (East), Lackawanna, and its closed mining operations in southwestern Pennsylvania.

In 1990, ArcelorMittal USA's Indiana Harbor (East) facility was party to a lawsuit filed by the U.S. Environmental Protection Agency (the "EPA") under the U.S. Resource Conservation and Recovery Act ("RCRA"). In 1993, ArcelorMittal Indiana Harbor (East) entered into a Consent Decree, which, among other things, requires facility-wide RCRA Corrective Action and sediment assessment and remediation in the adjacent Indiana Harbor Ship Canal. ArcelorMittal USA's provisions for environmental liabilities include approximately 12 for RCRA Corrective Action, and 25 for sediment assessment and remediation at this site. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor (East), but the potential costs of any such remediation cannot yet be reasonably estimated.

ArcelorMittal USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA Corrective Action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires the Company to perform a Remedial Facilities Investigation ("RFI") and a Corrective Measures Study, to implement appropriate interim and final remedial measures, and to perform required post-remedial closure activities. In 2006, the New York State Department of Environmental Conservation and the EPA conditionally approved the RFI. ArcelorMittal USA has executed Orders on Consent to perform certain interim corrective measures while advancing the Corrective Measures Study. These include installation and operation of ground water treatments system and dredging of a local waterway known as Smokes Creek. The Company expects to execute a Corrective Measure Order on Consent in 2009 for other site remediation activities. ArcelorMittal USA's provisions for environmental liabilities include approximately 47 for anticipated remediation and post remediation activities. The reserved amount is based on the extent of soil and groundwater contamination identified by the RFI and the remedial measures likely to be required, including excavation and consolidation of containments in an on-site landfill and continuation of groundwater pump and treat systems.

ArcelorMittal USA is required to prevent acid mine drainage from discharging to surface waters at closed mining operations in southwestern Pennsylvania.

In 2003, ArcelorMittal USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the "PaDEP") requiring submission of an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required ArcelorMittal USA to propose a long-term financial assurance mechanism. In 2004, ArcelorMittal USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. ArcelorMittal USA has been funding the treatment trust and has a period of up to ten years to reach the current target value of approximately 20. After the treatment trust is fully funded, the treatment trust will then be used to fund the continuing cost of treatment of acid mine drainage. Although remote, ArcelorMittal USA could be required to make up any deficiency in the treatment trust in the future. ArcelorMittal USA's provisions for environmental liabilities include approximately 29 for this matter.

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

Europe

Provisions total 385 and are mainly related to investigation and remediation of environmental contamination at current and former operating sites in France (169), Luxembourg (105) and Belgium (85). This remediation work relates to various elements such as decontamination of water discharges, waste disposal, cleaning water ponds as well as certain remediation activities that involve the clean-up of soil and groundwater. These reserves are also related to human health protection measures such as fire prevention and additional contamination prevention measures to comply with local health and safety regulations.

In Belgium, Cockerill Sambre SA has an environmental provision of 50, of which the most significant elements are legal obligations linked to the dismantling of steelmaking installations and soil treatment of sites.

In France, ArcelorMittal France has environmental provisions of 74, principally relating to the remediation of former coke plant sites and the capping and monitoring of landfills or basins previously used for residues and secondary materials.

ArcelorMittal Atlantique et Lorraine has an environmental provision that principally relates to the remediation and the improvement of storage of secondary materials and disposal of waste at different ponds and landfills and an action plan for removing asbestos from the installations.

In Luxembourg, the provisions are essentially associated with post-closure monitoring and remediation of former landfill and mining sites.

Additionally, ArcelorMittal Belval and Differdange has a provision of 12 to clean pond water in Differdange in order to meet the requirements of the Luxembourg Environment Administration *(Administration de l'Environnement)* regarding discharge in the Chiers River and maintain sufficient cold water reserves to permit the production of degassed steel in warmer months. The cleaning started in 2006 and is expected to continue for five years.

South Africa

ArcelorMittal South Africa has environmental provisions of 143, mainly relating to environmental remediation obligations that represent the present value of the costs of remedial action to clean and secure a site. These actions are primarily attributable to historical, or legacy, waste disposal activities. With subsequent changes in national environmental legislation, the unit has a legal obligation to remediate these facilities.

Asset Retirement Obligations ("AROs")

AROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to retire plant and equipment. As of December 31, 2008, ArcelorMittal had established reserves for asset retirement obligations of 29 in provisions relating to Canada and 26 in provisions relating to South Africa. Most of the AROs relate to ancillary plants and equipment that will be retired as part of the closure of the facilities subject to remediation obligations.

Environmental Remediation Obligations ("EROs")

EROs arise from legal requirements and represent management's best estimate of the present value of the costs that will be required to restore a site at the end of its useful life. As of December 31, 2008, ArcelorMittal had established reserves for environmental remediation obligations of 120 in provisions relating to Ukraine and 61 in provisions relating to Russia.

Legal claims

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

Environmental claims

ArcelorMittal is a party to various legacy environmental claims. As of December 31, 2008, ArcelorMittal had not established reserves for the claims disclosed below.

United States

In July 2004, the Illinois Environmental Protection Agency (the "IEPA") notified Indiana Harbor (East) that it had identified that facility as a potentially responsible party in connection with alleged contamination relating to Hillside Mining Co. ("Hillside"), a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940s and whose assets it sold in the early 1950s, in conjunction with the corporate dissolution of that company. The IEPA is requesting that ArcelorMittal USA and other potentially responsible parties conduct an investigation of certain areas of potential contamination. ArcelorMittal USA intends to defend itself fully in this matter. As of December 31, 2008, ArcelorMittal is not able to reasonably estimate the amount of liabilities relating to this matter, if any.

Europe

On December 16, 2008, the European Court of Justice ruled that certain European Union air pollution legislation does not discriminate against ArcelorMittal and other steelmakers by exempting from its requirements other industries with similar levels of carbon dioxide emissions. ArcelorMittal had argued that the European Union had breached the principle of equal treatment by excluding the aluminum and chemical industries from legislation that imposed caps on carbon dioxide emissions.

Tax claims

ArcelorMittal is a party to various tax claims. As of December 31, 2008, ArcelorMittal has established reserves in the aggregate of approximately 128 for the claims disclosed below.

Brazil

The Brazilian Federal Revenue Service has claimed that ArcelorMittal Brasil owes 100 for IPI (Manufactured Goods Tax) concerning its use of tax credits on the purchase of raw materials that were non-taxable, exempt from tax or subject to a 0% tax rate and the disallowance of IPI credits recorded five to ten years after the relevant acquisition. Recent Brazilian Supreme Court jurisprudence would tend to support the Brazilian Federal Revenue Service's position.

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 is appealing to the administrative tribunal of second instance.

In May 2007, the Brazilian Federal Revenue Service issued a 614 tax assessment to ArcelorMittal Brasil to recover taxes primarily related to credit settlements in the context of the 2003 financial reorganization and acquisition of Mendes Júnior Siderurgia S.A. In September 2007, ArcelorMittal Brasil received an administrative decision on the tax assessment pursuant to which it was determined that the amount of tax payable under the assessment should be 12. In December 2008, the administrative court held that ArcelorMittal Brasil was not liable to pay any tax. The decision is subject to further appeal by the Federal Revenue Service.

The Brazilian Social Security Administration has claimed that ArcelorMittal Brasil owes certain amounts for social contributions in respect of amounts paid by ArcelorMittal Brasil to employees under its profit sharing scheme for the 1998-2005 period. In December 2007, it issued a further 11 tax assessments to ArcelorMittal Brasil in respect of the same subject matter, bringing the total amount claimed to 79. The various claims are at different stages in the administrative and judicial procedures. ArcelorMittal Brasil is unable reasonably to estimate when any or all of the cases may reach a definitive conclusion.

Spain

Spanish tax authorities have claimed that amortization recorded by the former Siderúrgica del Mediterraneo, S.A. (currently ArcelorMittal Segunto S.L.) in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 55, including the amount of tax, interest and penalties. The case is pending before the court (the *Audiencia Nacional*), administrative procedures having been exhausted.

Kazakhstan

In May and June 2007, the Tax Committee of the Kazakh Ministry of Finance issued two tax assessments against ArcelorMittal Temirtau for (1) adjustment of sales income for related and non-related party sales under transfer pricing law in the sum of 1,042 and (2) the inclusion of income of a subsidiary company domiciled in the United Arab Emirates tax-free zone in the sum of 840, in both cases plus administrative charges. ArcelorMittal Temirtau appealed both tax assessments to the courts. In November 2007, the Astana Court held that the assessment levied by the Tax Committee for 1,042 was not justified and cancelled it, along with related administrative charges of 363. This decision was upheld on appeal to the Kazakh Supreme Court in January 2008. The time for the Tax Committee to appeal this decision (one year) has expired. In respect of the tax demand for 840, in February 2008, the Karaganda Court found in favor of the Tax Committee, quantifying the amount due as 840 plus administrative charges of 261. In April 2008, the Karaganda Regional Court reversed this decision, and this reversal upheld by its highest body. The Tax Committee has one year to appeal this decision, but has not done so to date. The Company believes that it has no liability in respect of either tax assessment, since its obligation to pay income tax is capped under the share purchase agreement and related agreements pursuant to which it acquired ArcelorMittal Temirtau from the government of Kazakhstan. ArcelorMittal Temirtau has paid its income tax in accordance with these agreements.

Competition/Antitrust claims

ArcelorMittal is a party to various competition/antitrust claims. As of December 31, 2008, ArcelorMittal has established reserves of approximately 595 in the aggregate for the claims disclosed below:

United States

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

Brazil

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council (CADE) issued a decision against ArcelorMittal Brasil that resulted in ArcelorMittal Brasil's having to pay a penalty of 42. ArcelorMittal Brasil has appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

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

Europe

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

On April 23, 2007, ArcelorMittal received a decision of the Financial Directorate in Ostrava, Czech Republic, which ordered ArcelorMittal Ostrava to pay approximately 106 for allegedly abusing its economic position and, as a result, acquiring unjustified profits in respect of prices of blast furnace coke produced by ArcelorMittal Ostrava and delivered in 2004. The Financial Directorate subsequently ordered ArcelorMittal Ostrava to pay an additional fine of 25 for the period from January to March 2005.

After its previous decision in October 2006 was cancelled by the Czech Ministry of Finance, the matter was returned to the Financial Directorate in Ostrava for reexamination. ArcelorMittal Ostrava received notice on June 14, 2007 that the Ministry of Finance had upheld the Financial Directorate of Ostrava's decision. ArcelorMittal Ostrava filed a petition against the decision with the Municipal Court of Prague on June 29, 2007. Filing the petition had the effect of suspending payment of the fines.

In 2004, the French competition authorities *(La Direction Générale de la Consommation et de la Repression des Fraudes)* commenced an investigation into alleged anti-competitive practices in the steel distribution sector in France, including Arcelor Négoce Distribution, a subsidiary of Arcelor. The case was then referred to the French Competition Council *(Conseil de la Concurrence)*, which conducted an investigation. On March 5, 2008, a Statement of Objections was issued to three subsidiaries of ArcelorMittal (PUM Service d'Acier, Arcelor Profil and AMD Sud/Ouest). On December 16, 2008, the French Competition Council imposed fines of €575 million, of which €302 million was apportioned to subsidiaries of ArcelorMittal. In its decision, the French Competition Council concluded that these companies had agreed to fix prices and allocate markets and customers from the period of 1999 to 2004 through regular meetings and exchanges of information. On January 19, 2009, ArcelorMittal appealed the amount of the fine.

South Africa

ArcelorMittal South Africa is involved in a dispute with Harmony Gold Mining Company Limited and Durban Roodeport Deep Limited in which the latter companies allege that ArcelorMittal South Africa is in violation of the Competition Act. On March 27, 2007, the Competition Tribunal decided that ArcelorMittal South Africa had contravened Section 8(a) of the Competition Act by charging an excessive price. On September 6, 2007, the Competition Tribunal imposed a penalty on ArcelorMittal South Africa of approximately 97, other behavioral remedies designed to prevent ArcelorMittal South Africa imposing or agreeing with customers any conditions on the resale of flat steel products and ordered that ArcelorMittal South Africa pay the costs of the case. ArcelorMittal South Africa has appealed the decision of the Competition Tribunal on the merits and its decision on the remedies. In November 2007, the Competition Appeal Court ordered the suspension of the Tribunal's decision on the remedies pending the appeal. On October 23 and 24, 2008, the hearing before the Competition Appeal Court took place. ArcelorMittal is unable at present to determine the outcome of the appeal. A decision is expected during the first quarter of 2009.

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

Other legal claims

ArcelorMittal is a party to various other legal claims. As of December 31, 2008, ArcelorMittal has established reserves of approximately 54 in the aggregate for the claims disclosed below.

Canada

In 2008, two complaints were filed by Canadian Natural Resources Limited ("CNRL") in Calgary, Alberta against ArcelorMittal, ArcelorMittal USA Inc., Mittal Steel North America Inc. and ArcelorMittal Tubular Products Roman S.A. CNRL alleges negligence in both complaints, seeking damages of 50 and 22, respectively. The plaintiff alleges that it purchased a defective pipe manufactured by ArcelorMittal Tubular Products Roman and sold by ArcelorMittal Tubular Products Roman and Mittal Steel North America Inc. ArcelorMittal is unable to reasonably estimate the amount of ArcelorMittal's, ArcelorMittal USA Inc.'s, Mittal Steel North America Inc.'s and ArcelorMittal Tubular Products Roman's liabilities relating to this matter, if any.

Mexico

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

France

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

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

The number of claims outstanding for asbestos exposure at December 31, 2008 was 431, as compared to 449 at December 31, 2007. The range of amounts claimed for the year ended December 31, 2008 was €7,500 to €865,000 (approximately ten thousand dollars to one million one hundred fifty thousand dollars). The aggregate costs and settlements for the year ended December 31, 2008 were €383,825 (approximately five hundred ten thousand dollars) and zero respectively. The aggregate costs and settlements for the year ended December 31, 2007 were €350,141 (approximately five hundred fifteen thousand dollars) and zero respectively.

	In number of cases	
	2007	2008
Claims unresolved at beginning of period	421	449
Claims filed	191	63
Claims settled, dismissed or otherwise resolved	(163) [1]	(81)
Claims unresolved at December 31,	449	431

[1] *After purchase of a new company, sale of a subsidiary and further verification.*

Minority shareholder claims regarding the exchange ratio in the second-step merger of ArcelorMittal into Arcelor

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

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

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

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

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

On September 20, 2007, the claimants filed formal objections with the AFM against the decision of August 17, 2007, asking the AFM to overturn its decision on the same grounds as those presented in support of their initial request. On February 4, 2008, the AFM confirmed its decision of August 17, 2007. On March 13, 2008, the claimants lodged an appeal against the AFM's decision with the Rotterdam Administrative Court. By judgment dated December 10, 2008, the Court nullified the AFM's decision of February 4, 2008, on the grounds that the AFM's limited investigation was an insufficient basis for its decision, and requiring it to conduct a further investigation and issue a new decision. AFM and ArcelorMittal are both appealing the court's ruling.

On October 18, 2007 and November 19, 2007, ArcelorMittal (the entity resulting from the first step merger) and Arcelor were notified of an appeal by three former hedge fund shareholders of Arcelor before the administrative court of Luxembourg against the March 2, 2007 decision of the CSSF exempting the Significant shareholder from the obligation (under the Luxembourg law implementing the European Takeover Directive) under specified circumstances to launch a tender offer for all Arcelor shares outstanding after the merger. The CSSF had based its grant of an exemption on the fact that the merger would not result either in an acquisition of shares or in a change of the ultimate control of the company. The hearing took place on July 7, 2008.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of ArcelorMittal at the time of the merger and on the significant shareholder.

The claimants' request, among other things (1) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for seven Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (2) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of €180 million. ArcelorMittal submitted its brief in response on October 16, 2008, challenging the validity, the admissibility and the merits of the claims. Hearing and judgment in the first instance are not expected before the end of 2009 or early 2010.

Note 25: Segment and Geographic Information

ArcelorMittal has a high degree of geographic diversification relative to other steel companies. During 2008, ArcelorMittal shipped its products to customers in approximately 180 countries, with its largest markets in the Flat Carbon Europe, Flat Carbon Americas and Long Carbon America and Europe segments. ArcelorMittal conducts its business through its Operating Subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As of December 31, 2008, ArcelorMittal employed approximately 316,000 persons.

A segment is a distinguishable component of the Company that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Company's primary segment is defined as the "business segment", while its secondary segment is the "geographical segment".

Business segmentation

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

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

The following table summarizes certain financial data relating to our operations in different reportable business segments. The December 31, 2007 information has been adjusted retrospectively following the redefinition of operating responsibilities of all members of the Board of Management announced on April 21, 2008 and made effective January 1, 2008 in light of the new Group Management Board ("GMB") structure also announced on April 21, 2008.

	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas and Europe	Asia & Africa CIS	Stainless Steel	Steel Solutions and Services	Others/ elimination*	Total
Year ended December 31, 2007								
Sales	21,839	34,924	27,035	14,971	9,349	16,988	(19,890)	105,216
Operating income	3,163	4,148	4,083	2,843	876	559	(842)	14,830
Depreciation and impairment	940	1,415	993	489	275	154	304	4,570
Capital expenditures	1,272	1,752	1,077	764	263	243	77	5,448
Total assets	19,192	32,932	24,992	10,275	5,564	6,188	34,482	133,625
Total liabilities	6,248	12,392	9,192	4,104	2,278	4,278	33,598	72,090
Year ended December 31, 2008								
Sales	27,031	38,300	32,268	13,133	8,341	23,126	(17,263)	124,936
Operating income	2,524	2,773	4,154	3,145	383	206	(949)	12,236
Depreciation and impairment	1,228	1,924	1,725	549	343	201	130	6,100
Capital expenditures	1,082	1,443	1,195	891	262	280	378	5,531
Total assets	22,507	35,083	19,830	8,512	7,447	6,524	33,185	133,088
Total liabilities	7,438	11,853	6,571	2,195	1,738	3,825	40,238	73,858

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

Geographical segmentation

Sales (by destination)

	Year ended December 31, 2007	Year ended December 31, 2008
Americas		
United States	19,560	20,200
Canada	4,139	4,505
Brazil	6,628	9,759
Argentina	1,101	1,485
Others	3,241	4,989
Total Americas	**34,669**	**40,938**
Europe		
France	8,989	9,578
Spain	7,843	8,441
Germany	11,629	14,185
Romania	1,330	1,347
Poland	4,355	5,113
Belgium	2,181	2,574
Italy	5,584	5,782
United Kingdom	2,731	2,605
Turkey	2,057	3,001
Czech Republic	1,953	2,492
Others	9,973	12,247
Total Europe	**58,625**	**67,365**
Asia & Africa		
South Africa	4,396	5,163
Others	7,526	11,470
Total Asia & Africa	**11,922**	**16,633**
Total	**105,216**	**124,936**

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

Capital expenditures and segment assets per significant country*

	Capital expenditures For the year ended December 31, 2007	Capital expenditures For the year ended December 31, 2008	Segment assets As of December 31, 2007	Segment assets As of December 31, 2008
Americas				
Brazil	775	621	12,782	12,609
United States	461	530	10,333	11,197
Canada	298	267	7,915	5,598
Mexico	154	195	3,019	2,561
Others	150	66	1,942	2,412
Total Americas	**1,838**	**1,679**	**35,991**	**34,377**
Europe				
France	744	680	15,508	17,506
Luxembourg	192	212	6,899	4,822
Belgium	315	345	8,858	8,700
Spain	285	219	7,423	6,874
Ukraine	295	309	5,427	5,446
Poland	603	265	5,974	4,801
Germany	237	282	5,744	6,685
Czech Republic	119	227	2,963	2,518
Romania	155	148	1,961	1,940
Italy	42	36	1,298	1,192
Others	107	164	2,543	3,675
Total Europe	**3,094**	**2,887**	**64,598**	**64,159**
Asia & Africa				
South Africa	275	203	3,931	3,753
Kazakhstan	159	305	1,945	2,493
Liberia	13	275	15	299
Others	69	182	3,217	2,578
Total Africa & Asia	**516**	**965**	**9,108**	**9,123**
Unallocated	**—**	**—**	**23,928**	**25,429**
Total	**5,448**	**5,531**	**133,625**	**133,088**

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

Note 26: Employees and Key Management Personnel

The total annual compensation of ArcelorMittal's employees paid in 2007 and 2008 was as follows:

	Year ended December 31, 2007	Year ended December 31, 2008
Employee Information		
Wages and salaries	11,221	12,593
Pension cost	611	2,080
Total	**11,832**	**14,673**

The total annual compensation of ArcelorMittal's key management personnel, including its Board of Directors, paid in 2007 and 2008 was as follows:

	Year ended December 31, 2007	Year ended December 31, 2008
Base salary and/or directors fees	20	24
Short-term performance-related bonus	24	21
Post-employment benefits	2	1
Share based compensation	21	30

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

As of December 31, 2007 and 2008, 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, 2007 and 2008, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors or key management personnel.

Note 27: Subsequent Events

On January 23, 2009, the Company contributed its 76.9% stake in Saar Ferngas AG to an associated company, Soteg. Following this transaction, ArcelorMittal's stake in Soteg increased from 20% to 26.15%.

On January 31, 2009, ArcelorMittal completed the acquisition of 60% of DSTC FZCO, a newly incorporated company located in the Dubai free zone which will acquire the main business of Dubai Steel Trading Company LLC, a steel distributor in the United Arab Emirates.

Auditors’ Report on the Consolidated Financial Statements

Report of the *Réviseur d’Entreprises*

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

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated May 13, 2008, we have audited the accompanying consolidated financial statements of ArcelorMittal, which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, consolidated statement of cash flows, and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors’ responsibility for the consolidated financial statements

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

Responsibility of the réviseur d’entreprises

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of ArcelorMittal as of December 31, 2008, 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 in the European Union.

Report on other legal and regulatory requirements

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

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

February 26, 2009
560, rue de Neudorf
L-2220 Luxembourg

Balance Sheet

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars)

		December 31, 2008	December 31, 2007
Assets			
C. Fixed assets		**72,347**	**68,168**
I. Intangible assets	**Note 3**	**63**	**2**
2. Concessions, patents, licenses, trademarks and similar rights and assets		63	2
II. Tangible assets	**Note 4**	**43**	**11**
1. Land and buildings		23	5
3. Other fixtures and fittings, tools and equipment		5	5
4. Payment on account and tangible assets in course of construction		15	1
III. Financial assets	**Note 5**	**72,241**	**68,155**
1. Shares in affiliated undertakings		68,645	51,454
2. Loans to affiliated undertakings		2,528	16,112
3. Participating interests		1,015	535
5. Securities held as fixed assets		47	47
6. Other loans		6	7
D. Current assets		**10,954**	**3,168**
II. Debtors becoming due in one year or less		**9,641**	**2,055**
1. Trade debtors		5	7
2. Amounts owed by affiliated undertakings	**Note 6**	9,626	2,021
4. Other debtors		10	27
III. Transferable securities	**Note 7**	**1,298**	**902**
2. Own shares *(54,290,240 shares with an accounting par value of USD 6.40 per share)*		1,298	902
IV. Cash at bank, cash in postal check accounts, checks and cash in hand		**15**	**211**
E. Prepayments and accrued income		**49**	**5**
Total assets		**83,350**	**71,341**

		December 31, 2008	December 31, 2007
Liabilities			
A. Capital and reserves	**Note 8**	**56,939**	**39,960**
I. Subscribed capital		**9,269**	**9,269**
II. Share premium account		**17,811**	**17,811**
IV. Reserves		**2,120**	**1,343**
1. Legal reserve		822	441
2. Reserve for own shares		1,298	902
V. Profit brought forward		**8,645**	**3,926**
VI. Profit for the financial year		**19,094**	**7,611**
B. Provisions for liabilities and charges		**39**	**21**
1. Provisions for pensions and similar obligations		6	2
3. Other provisions	**Note 9**	33	19
C. Creditors	**Note 10**	**26,372**	**31,360**
1b. Non convertible debenture loans becoming due in more than one year	**Note 11**	3,089	89
2. Amounts owed to credit institutions	**Note 12**	20,944	239
Becoming due in one year or less		*6,144*	*50*
Becoming due in more than one year		*14,800*	*189*
4. Trade creditors becoming due in one year or less		54	—
6. Amounts owed to affiliated undertakings		2,087	30,923
Becoming due in one year or less		*2,057*	*11,538*
Becoming due in more than one year		*30*	*19,385*
8. Tax and social security debts becoming due in one year or less		124	47
9. Other creditors becoming due in one year or less		74	62
Total liabilities		**83,350**	**71,341**

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

Profit and Loss Account

ArcelorMittal, Société Anonyme

(expressed in millions of U.S. dollars)

		Year ended December 31, 2008	Year ended December 31, 2007
A. Charges			
3. Staff costs		137	92
a) Wages and salaries		86	72
b) Social security costs attributable to wages and salaries		8	9
c) Supplementary pensions		14	8
d) Other social security costs		29	3
4. a) Value adjustments in respect of formation expenses and tangible and intangible fixed assets		4	4
5. Other operating charges		284	318
6. Value adjustments in respect of financial assets and of transferable securities held as current assets	**Note 5, 7**	2,655	—
7. Interest payable and similar charges	**Note 13**	1,078	2,188
a) In respect of affiliated undertakings		653	432
b) Other interest payable and charges		425	1,756
13. Profit for the financial year		**19,094**	**7,611**
Total charges		**23,252**	**10,213**

		Year ended December 31, 2008	Year ended December 31, 2007
B. Income			
4. Other operating income		437	461
5. Income from participating interests	**Note 14**	18,701	9,043
a) Derived from affiliated undertakings		18,701	9,043
6. Income from other transferable securities and from loans forming part of fixed assets		662	586
a) Derived from affiliated undertakings		662	586
7. Other interest receivable and similar income	**Note 13**	3,452	123
a) Derived from affiliated undertakings		76	121
b) Other interest receivable and similar income		3,376	2
Total income		**23,252**	**10,213**

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

Notes to the Annual Accounts

ArcelorMittal, Société Anonyme

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

Note 1: General

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

The registered office of the Company is established in Luxembourg City and the Company is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

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

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

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

Note 2: Summary of Significant Accounting Principles

General principles

These annual accounts have been prepared in accordance with generally accepted accounting principles and in accordance with the laws and regulations in force in the Grand-Duchy of Luxembourg.

Main valuation rules

Translation of currencies

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

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

- Fixed assets, creditors due after more than one year and off-balance sheet commitments are translated at historical exchange rates. Differences in the exchange rates leading to an unrealized loss are recorded in the profit and loss for the year.
- Other balance sheet items are translated at the year-end exchange rate and related exchange differences are recorded in the profit and loss for the year.
- Profit and loss items are translated at the exchange rate prevailing at transaction date.

Financial assets

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

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

Debtors

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

Transferable securities

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

Provisions for liabilities and charges

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

Creditors

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

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

Note 3: Intangible Assets

	Concessions, patents, licenses, trademarks and similar rights and assets
Acquisition cost	
Opening balance	2
Additions	62
Closing balance	**64**
Value adjustment	
Opening balance	—
Charge for the year	(1)
Closing balance	**(1)**
Net book value	
Opening balance	2
Closing balance	**63**

Note 4: Tangible Assets

	Land and buildings	Other fixtures, fittings tools and equipment	Payment on account and tangible assets under construction	Total
Acquisition cost				
Opening balance	9	13	1	23
Additions	20	1	14	35
Closing balance	**29**	**14**	**15**	**58**
Value adjustment				
Opening balance	(4)	(8)	—	(12)
Charge for the year	(2)	(1)	—	(3)
Closing balance	**(6)**	**(9)**	**—**	**(15)**
Net book value				
Opening balance	5	5	1	11
Closing balance	**23**	**5**	**15**	**43**

Note 5: Financial Assets

	Shares in affiliated undertakings	Loans to affiliated undertakings	Participating interests	Securities held as fixed assets	Other loans	Total
Acquisition cost						
Opening balance	51,811	16,112	535	47	7	68,512
Additions	50,289	967	674	—	—	51,930
Disposals	(33,455)	(14,551)	—	—	(1)	(48,007)
Closing balance	**68,645**	**2,528**	**1,209**	**47**	**6**	**72,435**
Value adjustments						
Opening balance	(357)	—	—	—	—	(357)
Reversals	357	—	—	—	—	357
Charge for the year	—	—	(194)	—	—	(194)
Closing balance	**—**	**—**	**(194)**	**—**	**—**	**(194)**
Net book value						
Opening balance	51,454	16,112	535	47	7	68,155
Closing balance	**68,645**	**2,528**	**1,015**	**47**	**6**	**72,241**

Description of main movements

Upon completion of the legal merger process of the Company and Mittal Steel Company N.V. in 2007, the Company embarked on a significant reorganization with a view to optimize ArcelorMittal Group ("the Group") legal and organizational structure. This reorganization resulted in the alignment of the key ArcelorMittal functions within the Group's corporate structure through a series of contributions in kind and sales within the Group.

In accordance with the prudence principle and Luxembourg Company law, the Company has not recognized any profits on contributions in kind within the Group. Profits on the sale of holdings by the Company to other Group entities and dividends received in kind from other Group entities are recognized in the profit and loss account (see note 14). The decrease in loans receivable, and the increase in shares in affiliated undertakings are consequences of the contribution-in-kind of loans receivable to other Group entities and other transactions carried out within the Group in the context of the reorganization.

Upon completion of the reorganization in 2008, the Company has reclassified a non certificate evidenced investment in a subsidiary of 1,955; that was previously carried as a discrete investment in that subsidiary; to the Company's investment in the subsidiary's legal shareholder. This reclassification has no impact on the Company's capital and reserves or profit for the year.

The main holdings at December 31, 2008 are listed below:

Name and registered office	Carrying amount	Percentage of Capital held %	Result for 2008*	Capital and reserves (including result for 2008)*
AMO Holding Switzerland A.G. Zug (Switzerland)	26,387	100.00	—	54,325
ArcelorMittal Cyprus Holding Limited Nicosia (Cyprus)	18,332	100.00	—	16,388
AM Global Holding S.à r.l. Luxembourg (Luxembourg)	6,705	100.00	966	5,900
ArcelorMittal Investment S.A. Luxembourg (Luxembourg)	3,057	100.00	(783)	9,626
ArcelorMittal Finance and Services Belgium S.A. Brussels (Belgium)	12,024	26.74	2,156	46,599
4313267 Canada Inc, Montréal / Québec (Canada) 900 Depositary receipts	2,054	10.89	701	2,248

** In accordance with unaudited IFRS reporting packages.*

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

Note 6: Amounts Owed by Affiliated Undertakings

Amounts owed by affiliated undertakings have increased by 7,605 over the year under review. This movement is primarily a consequence of the inclusion of the following elements within this amount:

i) The cash-pooling accounts held with ArcelorMittal Treasury SNC which have increased over the year as a consequence of the new external financing (notes 11 & 12).

ii) The amounts receivable from other Group companies as a consequence of the tax consolidation (notes 13 & 15).

Note 7: Transferable Securities

	Own shares
Acquisition cost	
Opening balance	902
Additions	3,102
Disposals	(245)
Closing balance	**3,759**
Value adjustments	
Opening balance	—
Charge for the year	(2,461)
Closing balance	**(2,461)**
Net book value	
Opening balance	902
Closing balance	**1,298**

As of December 31, 2008, the Company holds 54,290,240 (2007: 17,173,201) of its own shares. The value adjustments of 2,461 represent the difference between the aggregate cost of the own shares and the market value determined on the basis of the Euronext market price as of December 31, 2008.

Additions for the year relate to own shares acquired in connection with the share buy-back program announced by the Company on December 12, 2007.

Disposals for the year comprise the transfer of shares to Corea S.A. (part of the Group) and the sale of shares to ArcelorMittal USA Inc ("AMUSA" – part of the Group) as described below.

On December 15, 2008, the Company entered into an agreement in virtue of which a total of 833,143 own shares with a carrying value of 20 have been transferred to Corea S.A. for a period that ends on December 31, 2009. The agreement may be tacitly extended for successive periods of one year unless terminated by either party. At the end of the agreement, Corea S.A. shall reimburse the Company with either the same number and type of ArcelorMittal shares or the equivalent in cash subject to the Company's prior approval.

On December 19, 2008, the Company entered into an agreement with AMUSA in virtue of which it agrees to sell to AMUSA; on specific dates in the period ranging from December 19, 2008 to September 30, 2009 a number of own shares for an aggregate market value of 130. This agreement has been concluded in order to fund AMUSA's pension trust. Pursuant to this agreement, 1,121,995 shares have been sold to AMUSA on December 19, 2008 for 27.

Note 8: Capital and Reserves

	Number of shares	Subscribed capital	Share premium amount	Legal reserve	Reserve for own shares	Profit brought forward	Profit for the year	Total
Balance as at January 1, 2008	**1,448,826,347**	**9,269**	**17,811**	**441**	**902**	**3,926**	**7,611**	**39,960**
Allocation of net result	—	—	—	381	—	7,230	(7,611)	—
Profit for the year	—	—	—	—	—	—	19,094	19,094
Directors' fees	—	—	—	—	—	(3)	—	(3)
Dividends paid *	—	—	—	—	—	(2,112)	—	(2,112)
Reserve for own shares	—	—	—	—	396	(396)	—	—
Balance as at December 31, 2008	**1,448,826,347**	**9,269**	**17,811**	**822**	**1,298**	**8,645**	**19,094**	**56,939**

** Equivalent to the 2007 dividend of 2,173; net of dividends on own shares.*

8.1: Share capital and share premium account

At December 31, 2008 and 2007 the subscribed capital comprises 1,448,826,347 ordinary shares, fully paid up and amounting to EUR 6,345,859,400 (9,269). During an extraordinary general meeting of the shareholders held on May 13, 2008, it was resolved to increase the authorized share capital from EUR 6,438,600,000 (represented by 1,470,000,000 shares without nominal value) to EUR 7,082,460,000 (represented by 1,617,000,000 shares without nominal value).

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

	December 31, 2008
Mittal Investments S.à r.l.	36.24%
Ispat International Investment S.L.	6.78%
Other shareholders *	56.98%
Total	**100.00%**

** Including own shares and shares held by affiliated undertakings.*

8.2: Legal reserve

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

8.3: Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the allocation of 396 from the profit brought forward in order to establish a non distributable reserve equivalent to the carrying value (note 7) of its own shares in accordance with Luxembourg Company Law.

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

Note 9: Other Provisions

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

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

The Company has recognized a provision equivalent to 22 in connection with ArcelorMittal Finance S.C.A.

Note 10: Maturity of Creditors

	December 31, 2008				December 31, 2007			
	Up to 1 year	From 1 to 5 years	5 years or more	Total	Up to 1 year	From 1 to 5 years	5 years or more	Total
Non convertible debenture loans	—	1,500	1,589	3,089	—	—	89	89
Amounts owed to credit institutions	6,144	14,800	—	20,944	50	189	—	239
Trade creditors	54	—	—	54	—	—	—	—
Amounts owed to affiliated undertakings	2,057	30	—	2,087	11,538	19,385	—	30,923
Tax and social security debts	124	—	—	124	47	—	—	47
a) Tax	121	—	—	121	45	—	—	45
b) Social security	3	—	—	3	2	—	—	2
Other creditors	74	—	—	74	62	—	—	62
Total	**8,453**	**16,330**	**1,589**	**26,372**	**11,697**	**19,574**	**89**	**31,360**

Note 11: Non Convertible Debenture Loans

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

Note 12: Amounts Owed to Credit Institutions

On April 7, 2005, Mittal Steel (predecessor to the Company) and certain subsidiaries signed a five-year USD 3.2 billion credit facility with a consortium of banks. This facility bears interest at a variable rate. On September 5, 2008, the total outstanding amount under this credit facility was transferred from ArcelorMittal Finance to the Company. The balance outstanding under this facility as of December 31, 2008 amounts to USD 1.5 billion.

On November 30, 2006, the Company and ArcelorMittal Finance S.C.A. entered into a EUR 17 billion credit agreement (comprising a EUR 12 billion term loan facility and a EUR 5 billion revolving credit facility) with a group of lenders. On October 30, 2007, the maturity of the EUR 5 billion revolving credit facility was extended in agreement with the lenders for one additional year, to November 30, 2012. These facilities bear interest at a variable rate. On October 31, 2008, the total outstanding amount under this credit facility was transferred from ArcelorMittal Finance to the Company. The balance outstanding under this facility as of December 31, 2008 amounts to USD 16.3 billion.

The Company runs a commercial paper program enabling borrowing of up to EUR 3 billion. The balance outstanding under this program as of December 31, 2008 amounts to USD 2.4 billion.

Note 13: Net Interest and Similar Income/(Charges)

	Year ended December 31, 2008	Year ended December 31, 2007
Net interest *	(1,004)	(1,363)
Effects of changes foreign exchange rates	1,469	(704)
Amounts received in connection with the Group tax consolidation	1,772	46
Others	137	(44)
Total	**2,374**	**(2,065)**
* Net interest includes:		
receivable from affiliates	76	121
payable to affiliates	(653)	(432)
payable to credit institutions	(427)	(1,052)
Total	**(1,004)**	**(1,363)**

Note 14: Income from Participating Interests

	Year ended December 31, 2008	Year ended December 31, 2007
Dividends received [1]	3,639	2,650
Profit on disposal of financial assets [2]	15,062	6,382
Others	—	11
Total	**18,701**	**9,043**

[1] *This amount includes a dividend-in-kind of 3,563 received from ArcelorMittal Investment S.A. in connection with the legal reorganization described in note 5.*
[2] *This amount includes profits of 14,692 (2007: 6,382) recognized further to the disposal of the Company's investment in ArcelorMittal Belgium Holdings S.A. in connection with the legal reorganization described in note 5.*

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

Note 15: Income Tax

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

As a consequence of the net tax losses within the tax consolidation, no income tax is payable in respect of 2008 (2007: nil). The amount charged to affiliated undertakings amounts to 1,772 (2007: 46).

Note 16: Commitments and Contingencies

Commitments given

	Year ended December 31, 2008	Year ended December 31, 2007
Guarantees on debts [1]	939	19,800
Other commitments [2]	1,134	—
Foreign exchange derivative instruments [3]	4,989	—
Total	**7,062**	**19,800**

[1] *The decrease in the guarantees on Group debts is a consequence of the transfer of debt from ArcelorMittal Finance S.C.A. (note 12)*
[2] *Other commitments comprise amounts committed with regard to credit lines and guarantees given on behalf of Group companies.*
[3] *Foreign exchange derivative instruments mainly consist of EUR/USD currency swaps that have matured on January 2, 2009. As of December 31, 2008, a loss amounting to 87 has been recognized on these instruments.*

Available lines of credit

The Company has available lines of credit for an aggregate amount of 5,829 as of December 31, 2008 (2007: nil).

Contingencies

On January 8, 2008, the Company received a writ of summons on behalf of four of its hedge fund shareholders to appear before the civil court of Luxembourg. The summons was also served on all natural persons sitting on the Board of Directors of the Company at the time of the merger and on the significant shareholder. The claimants request, among other things (1) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of eleven ArcelorMittal (the entity resulting from the first step merger) shares for seven Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor), accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (2) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of EUR 180 million. ArcelorMittal submitted its brief in response on October 16, 2008, challenging the validity, the admissibility and the merits of the claims. Hearing and judgment in the first instance are not expected before the end of 2009 or early 2010.

Note 17: Staff

Average number of staff

	Year ended December 31, 2008	Year ended December 31, 2007
Employees	411	318
Workers	28	31
Total	**439**	**349**

Note 18: Directors' Remuneration

Members of the Board of Directors are entitled to a total remuneration of 7.8 for the year 2008 (2007: 6.5)

Note 19: Stock Option Plan

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

Allocated share options at December 31, 2008 are as follows:

	Number of shares	Exercise price	Maturity
Plan 1999 (legacy Mittal Steel)	186,099	11.94	September 14, 2009
Plan 2000 (legacy Mittal Steel)	165,100	8.57	June 1, 2010
Plan 2002 (legacy Mittal Steel)	213,345	2.26	April 5, 2012
Plan 2003	17,622	11.78	June 30, 2010
Plan 2004	29,373	15.96	June 30, 2011
Plan 2005 (legacy Mittal Steel)	1,737,997	28.75	August 23, 2015
Plan 2005	11,429	19.69	June 30, 2012
Plan 2006 (legacy Mittal Steel)	2,739,507	33.76	September 1, 2016
Plan 2006	1,445,757	41.93	June 30, 2013
Plan August 2007	5,729,402	64.30	August 2, 2017
Plan December 2007	13,000	74.53	December 11, 2017
Plan August 2008	7,201,250	82.57	August 5, 2018
Plan November 2008	20,585	22.25	November 10, 2018
Plan December 2008	48,000	23.75	December 15, 2018

The movements in the number of outstanding share options during the year are as follows:

Number of shares options	2008	2007
Options outstanding at the beginning of the year	13,579,438	1,447,793
Effect of legal merger	—	8,541,644
Options granted during the year	7,324,535	5,978,200
Options forfeited during the year	(43,629)	(36,378)
Options exercised during the year	(954,844)	(2,129,255)
Options expired during the year	(347,034)	(222,566)
Options outstanding at the end of the year	**19,558,466**	**13,579,438**

Note 20: Subsequent Events

On February 11, 2009 ArcelorMittal announced that it had secured commitments from banks for two Forward Start facilities totaling 4,800 ("the Forward Start facilities"), subject to certain conditions. A 3,250 revolving credit facility in respect of these commitments was entered into on February 13, 2009. A Forward Start facility provides a committed facility to refinance an existing facility (which is not amended and continues in force), and therefore certainty as to the availability of funds for that refinancing. If drawn, the Forward Start facilities would effectively extend the maturities of 4,800 principal amount of indebtedness to 2012 (from original maturity dates in 2009-2011).

Auditors' Report on the Annual Accounts

Report of the *Réviseur d'Entreprises*

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

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated May 13, 2008, we have audited the accompanying annual accounts of ArcelorMittal, which comprise the balance sheet as at December 31, 2008 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of directors' responsibility for the annual accounts

The board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of ArcelorMittal as of December 31, 2008 and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the board of directors, is consistent with the annual accounts.

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

February 26, 2009
560, rue de Neudorf
L-2220 Luxembourg

Proposed Allocation of Results for 2008

Proposed Allocation of Results and Determination of Dividend

	In U.S. dollars
Profit for the year	19,093,961,939
Profit brought forward *(Report à nouveau)*	9,040,282,780
Results to be allocated and distributed	**28,134,244,719**
Transfer to the reserve for own shares	395,657,429
Allocation to the legal reserve	105,278,200
Directors' fees, compensation and attendance fees	2,870,634
Dividend of $0.75 (gross) per share for the 2008 financial year *	1,086,619,760
Profit carried forward	**26,543,818,696**

** On the basis of 1,448,826,347 shares in issue at December 31, 2008. Dividends are paid quarterly, resulting in a total annualized cash dividend per share of $0.75.*

Notes

Notes

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To receive a copy of the Annual Report,
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