Company overview

History and development of the Company

ArcelorMittal is the world's leading integrated steel and mining company. It results from the merger in 2007 of its predecessor companies Mittal Steel Company N.V. and Arcelor, each of which had grown through acquisitions over many years. Since its creation ArcelorMittal has experienced periods of external growth as well consolidation and deleveraging (including through divestments), the latter in particular during the years following the global financial and economic crises of 2008-2010. In recent years ArcelorMittal has punctuated its overall deleveraging focus with targeted acquisitions. These have included the acquisition through a joint venture of the Calvert plant in the United States in 2014 and, in 2018 the acquisition of Votorantim S.A.'s long business in Brazil and Ilva in Italy, Europe's largest single steel site. Most recently the Company is poised (subject to favorable resolution of legal challenges) to acquire ESIL (via a joint venture with NSSMC), its bid having been selected by ESIL's committee of creditors. For more information on the key transactions carried out in 2018, see "—Key transactions and events in 2018" below.

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

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

Geography: ArcelorMittal is the largest steel producer in the Americas, Africa and Europe and is the fifth largest steel producer in the CIS region. ArcelorMittal has steel-making operations in 19 countries on four continents, including 48 integrated and mini-mill steel-making facilities. As of December 31, 2018, ArcelorMittal had approximately 209,000 employees.

ArcelorMittal's steel-making operations have a high degree of geographic diversification. Approximately 38% of its crude steel is produced in the Americas, approximately 48% is produced in Europe and approximately 14% is produced in other countries, such as Kazakhstan, South Africa and Ukraine. In addition, ArcelorMittal's sales of steel products are spread over both developed and developing markets, which have different consumption characteristics. ArcelorMittal's mining operations, present in North and South America, Africa, Europe and the CIS region, are integrated with its global steel-making facilities and are important producers of iron ore and coal in their own right.

Products: ArcelorMittal produces a broad range of high-quality finished and semi-finished steel products ("semis"). Specifically, ArcelorMittal produces flat steel products, including sheet and plate, and long steel products, including bars, rods and structural shapes. In addition, ArcelorMittal produces pipes and tubes for various applications. ArcelorMittal sells its steel products primarily in local markets and through its centralized marketing organization to a diverse range of customers in approximately 160 countries including the automotive, appliance, engineering, construction and machinery industries. The Company also produces various types of mining products including iron ore lump, fines, concentrate and sinter feed, as well as coking, PCI and thermal coal.

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

Automotive focus: ArcelorMittal has a leading market share in its core markets in the automotive steel business and is a leader in the fast-growing advanced high strength steels segment. ArcelorMittal is the first steel company in the world to embed its own engineers within an automotive customer to provide engineering support. The Company begins working with original equipment manufacturers ("OEMs") as early as five years before a vehicle reaches the showroom, to provide generic steel solutions, co-engineering and help with the industrialization of the project. In November 2016, ArcelorMittal introduced a new generation of advanced high strength steels, including new press hardenable steels and martensitic steels. Together, these new steel grades aim to help automakers further reduce body-in-white weight to improve fuel economy without compromising vehicle safety or performance. In November 2017, ArcelorMittal launched the second generation of its iCARe® electrical steels.

iCARe® steel grades play a central role in the construction of electric motors.

Mining Value Chain: ArcelorMittal has a significant portfolio of raw material and mining assets. In 2018, approximately 49% of ArcelorMittal's iron-ore requirements and approximately 12% of its PCI and coal requirements were supplied from its own mines. The Company currently has iron ore mining activities in Brazil, Bosnia, Canada, Kazakhstan, Liberia, Mexico, Ukraine and the United States. The Company currently has coal mining activities in Kazakhstan and the United States.

In addition, ArcelorMittal produces substantial amounts of direct reduced iron, or DRI, which is a scrap substitute used in its mini-mill facilities to supplement external metallics purchases. ArcelorMittal is also a significant producer of coke, which is produced from metallurgical coal and is a critical raw material for steel-making, satisfying 91% of its coke needs through its own production facilities. ArcelorMittal's facilities have good access to shipping facilities, including through ArcelorMittal's own, or partially owned, 15 deep-water port facilities and linked railway sidings.

ArcelorMittal has its own downstream steel distribution business, primarily run through its Europe segment. It also provides value-added and customized steel solutions through additional processing activities to meet specific customer requirements.

Cautionary statement regarding forward-looking statements

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

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

Energy market

Solid fuels, electricity and natural gas are some of the primary raw material inputs for a steelmaker. ArcelorMittal is exposed to price volatility in each of these raw materials with respect to its purchases in the spot market and under its long-term supply contracts. Since most of the minerals used in the steel-making process are finite resources, they may also rise in response to any perceived scarcity of remaining accessible supplies, combined with the evolution of the pipeline of new exploration projects to replace depleted resources.

Oil

In a year which was defined by political turmoil, the global oil market went from a tightening of the supply/demand balance to the prospect of a supply surplus. This came amid the general fear of an economic slowdown beyond 2018 as an intensifying tariff war between the world's biggest economies could dent global demand growth combined with record high shale oil output from the U.S.

In the first quarter of 2016, after tumbling for six quarters in a row, the Brent crude oil price came to a halt just south of $30/barrel ("bbl"). In the following six months, prices climbed back up to levels around $50/bbl. A group of producers led by OPEC (the Organization of the Petroleum Exporting Countries) and Russia agreed at the end of 2016 to cut production and cap output at 1.8 million barrels per day ("bpd"). Initially, the cuts were to last for only six months but got extended in May 2017 and again in November 2017. As a result, in the summer of 2017, the momentum shifted and prices gained 75% year-on-year from $45/bbl in May 2017 to $80/bbl in May 2018. In June 2018, OPEC and its allies decided to increase production by 1 million bpd. This came at a time when the U.S. had just pulled out of the Iran nuclear deal, and was threatening sanctions against any country which further imported Iranian oil. The market reacted with a delayed price hike with the Brent crude oil front month contract peaking at $86/bbl (a 4-year high) in October 2018, only to fall more than 30% in the following month. To stop plummeting prices, a last effort from OPEC and its allies was made in early December, when they jointly decided to cut output by 1.2 million bpd throughout the first

half of 2019. Brent crude oil finished the year at $53.8/bbl, a 15-month low.

The following table shows quarterly average prices of oil and CO2 for the past three years:

Commodities

Source: Thomson Reuters	Brent crude oil spot average price $ per barrel	West Texas intermediate spot average price $ per barrel	European thermal coal import (API2) spot average price $ per ton	European Union allowance spot average price € per ton of CO2 equivalent
Q1 2016	35.21	33.63	44.84	5.64
Q2 2016	47.03	45.64	49.09	5.77
Q3 2016	46.99	44.94	61.84	4.55
Q4 2016	51.06	49.29	81.09	5.52
Q1 2017	54.57	51.78	77.86	5.17
Q2 2017	50.79	48.15	75.71	4.81
Q3 2017	52.17	48.20	86.11	5.91
Q4 2017	61.46	55.30	92.68	7.47
Q1 2018	67.23	62.89	86.09	9.80
Q2 2018	74.97	67.91	89.97	14.49
Q3 2018	75.84	69.43	98.66	18.85
Q4 2018	68.60	59.34	92.45	20.47

CO2

The integrated steel process involves carbon and CO_2, which distinguishes integrated steel producers from mini-mills and many other industries where CO_2 generation is primarily linked to energy use. Launched in 2005, the European Union Emission Trading System (“EU-ETS”) is currently in its third phase, stretching from 2013 to 2020. After 2020, this system may require ArcelorMittal to incur additional costs to acquire emissions allowances. The EU-ETS is based on a cap-and-trade principle; it sets a cap on greenhouse gas emissions (“GHG”) from covered installations, which is then reduced year after year. Since 2009, a surplus of emission allowances has built up in the EU-ETS, kept prices below €10 per ton of CO2 equivalent (“€/tCO2e”) until 2018. In 2016 and 2017, the price for a European Union Allowance (“EUA”) - which gives the holder the right to emit one ton of carbon dioxide (“CO2”) - ranged between €4/tCO2e and €6/tCO2e.

To boost the EUA price and to provide an incentive to the industry and the power sector to alter their behavior in terms of CO2 emissions, in July 2015 the European Commission proposed a reform of the EU-ETS for the period 2021-2030 (phase 4). More than 2 years later, inter-institutional negotiations were concluded presenting solutions to reduce the current surplus. Consequently, in November 2017 the EUA price crossed the €8/tCO2e mark for the first time since January 2016. With the EU Council’s final approval in February 2018, the ETS reform became law (directive 2018/410). As a result, the EUA price surged up further and only came to a halt after surpassing the historical high of €25/tCO2e in September 2018. This marked a 360% price increase in only nine months. The EUA price has been subsequently trading around the €20/tCO2e mark driven by uncertainties around Brexit and the looming market stability reserve (“MSR”) which started operating in January 2019. See "Risks related to the global economy and the mining and steel industry". Laws and regulations restricting emissions of greenhouse gases could force ArcelorMittal to incur increased capital and operating costs and could have a material adverse effect on ArcelorMittal's results of operations and financial condition.

Thermal coal

Thermal coal prices have followed the same commodity super-cycle as crude oil and reached the low levels of $45/t at the beginning of 2016. Throughout 2016, prices had been on the rise and by the end of the year had almost doubled. After a sharp drop during the first two quarters of 2017 prices rebounded and finished the year strong. This came on the back of intensified demand from Asia which was witnessing one of the coldest winters ever recorded. The 2017/2018 winter began with a Chinese campaign aimed at switching millions of households from using coal to natural gas for heating purposes. At the same time, the country tightened imports by banning small ports from receiving foreign coal cargoes. The campaign unexpectedly boosted demand from coal-fired power plants as it created a shortage of natural gas. The tightening of the Asian market had some severe spill-overs to the European market and pushed the spot price for the all publications index number 2 (“API2”) - which reflects the price for imports into ARA (Amsterdam-Rotterdam-Antwerp) - above $90/t, a level not seen since the end of 2012. Throughout the first quarter of 2018, the API2 shed almost 20% as the global supply demand balance softened amid the Chinese New Year holiday. After increasing throughout the second quarter of 2018, the API2 reached a new 6-year high when it surpassed the $100/t mark in the third quarter. This was triggered by utilities replenishing stocks and strong demand from power stations due to a hot and dry summer. In the fourth quarter of 2018, prices remained volatile but decreased almost 20% amid China's imposition of new import restrictions, and Europe benefiting from a mild start to the winter.

Natural gas - Europe

Year after year the natural gas market is turning more into a global commodity due to the continuous development of liquefied natural gas (“LNG”), driven by the construction of new liquefaction units (called trains) in Russia, Australia and in the U.S. The worldwide LNG exports reached 430 billion cubic meters (“bcm”) in 2018, an increase of 8.2%

compared to 2017. Consequently, natural gas is increasingly exposed to the same commodity super-cycles that also affect thermal coal and crude oil, for example. Unlike thermal coal and crude oil, the European natural gas market is showing stronger seasonal patterns.

Despite starting the year at the same price level as 2017, the 2018 TTF Spot Price (the price for natural gas to be delivered the next day, which is traded on a virtual trading platform located in the Netherlands) averaged €22.85 per Megawatt hour ("€/MWh"), which is more than 30% higher than the 2017 average (€17.32/MWh) and far above 2016 when prices settled at €14.03/MWh on average. Several events affected the transportation of natural gas in 2017 (an explosion at the Gas Connect Austria's Baumgarten site in eastern Austria and the shut-down of the Forties pipeline system, both of which happened at the end of year). 2018 started with milder than normal weather but a late cold snap at the end of February brought freezing temperatures from Siberia to Europe. Combined with limited storage flexibility and supply problems across Europe, spot prices at major European hubs skyrocketed to multi-year highs. In the aftermath, northwest European natural gas storage levels dropped well below the 5-year average. Efforts to refill storages, together with strong summer demand from natural gas fired power plants, exceptional high LNG prices and an overall rising energy complex kept supporting European natural gas prices up until the start of the fourth quarter of 2018 (an increase of 50% throughout the first nine months of the year). During the last quarter of the year, the TTF spot price tumbled from €29.5/MWh down to €22.0/MWh on the back of milder than seasonal temperatures, significantly improved storage levels, strong LNG arrivals and pipeline imports from Norway and Russia operating close to their maximum capacity.

Natural gas - United States

In 2018, natural gas production in the U.S. remained strong at a level of 102 billion cubic feet per day ("bcf/d"). In North America, natural gas prices trade independently of oil prices and are set by spot and future contracts, traded on the NYMEX exchange or over-the-counter. U.S. thermal coal continues to be challenged as a power producing fuel. Gas power plants first took the lead in the generation mix in 2016, which continued in 2017 with around 32% of electricity produced from burning natural gas. This trend accelerated in 2018 with just over 30GW of new capacity entering commercial service.

U.S. LNG export capacity stands at 4.9 bcf/d, almost 2.4 bcf/d added in 2018 compared to 2016 (1.38 bcf/d), the year the U.S. entered the LNG exporting business. Projections show that U.S. LNG export capacity will reach 8.9 billion bcf/d by the end of 2019, making it the third largest in the world behind Australia and Qatar. The rise of U.S. LNG is driven by the strong development of U.S. shale gas. The number of rigs increased significantly compared to 2017 levels, with the Permian basin marking the biggest increase of close to 100 additional rigs compared to 2017.

In 2017, the Henry Hub front month price (the price for gas traded on a U.S. virtual trading platform, for delivery in the next calendar month) increased by 27% as compared to an average of $3.08 per million British Thermal Units ("$/MMBtu") in 2016. In the first nine months of 2018, month ahead prices averaged $2.85/MMBtu, a 6.5% decrease compared to the first nine months of 2017. The recession in natural gas prices that held from the beginning of 2015 until September 2018 changed in the first two weeks of November 2018, as weather-related natural gas demand increased sharply, and the relatively low levels of natural gas in storage could not provide the needed flexibility leading to 60% price hike in only 10 days. In mid-November 2018, the front-month Henry Hub natural gas futures hit a price of $4.8/MMBtu, the highest price since the second quarter of 2014. Consequently, end of November natural gas inventories stood 19% lower than the previous five-year average forcing the Henry Hub Month Ahead price to average $4.0/MMBtu throughout November and December 2018.

Natural gas - Asia

The Platts Japan Korea Marker (JKM) - the LNG benchmark price assessment for spot physical cargoes delivered ex-ship into Japan, South Korea, China and Taiwan - front month contract finished the year 2017 at the highest levels since the first quarter of 2015 ($11.2/MMBtu). Throughout the first quarter of 2018 prices dropped 35% (equivalent to $4/MMBtu) and bottomed at $7.2/MMBtu before entering a period of increasing prices. While prices normally would have relaxed on the back of muted demand from Asian consumers at the end of June 2018, the front month contract again surpassed the 11 USD/MMBtu level ($6/MMBtu higher year-on-year). However, in 2018 strong Asian restocking demand ahead of the winter met strong cooling needs. At the end of the first quarter of 2018, the price spread between the Pacific and the Atlantic basin dropped below $1/MMBtu erasing the arbitrage window and allowing LNG cargoes to sail to Europe. This spread quickly increased to $3.7/MMBtu dragging cargoes away from Europe. After a period of high volatility, the spread stabilized around $2.0/MMBtu by the end of the third quarter and into the fourth quarter, fueled by lackluster Asian demand. At the same time, charter rates for LNG vessels exploded and moved north of $160,000/day (a long way from the lows of 2016 and 2017 when spot rates were hovering at $25,000/

day). This led to trapped LNG supply in the Atlantic basin leading to sharply dropping European natural gas prices.

The following table shows quarterly average spot prices of natural gas for the past three years:

Natural gas			
Source: Thomson Reuters	TTF Spot average price € per MWh	Henry Hub Spot average price $ per MMBtu	JKM Spot average price $ per MMBtu
Q1 2016	12.86	1.98	5.05
Q2 2016	13.21	2.25	4.66
Q3 2016	12.80	2.79	5.62
Q4 2016	17.28	3.18	7.25
Q1 2017	18.42	3.06	7.35
Q2 2017	15.61	3.14	5.85
Q3 2017	16.13	2.95	6.19
Q4 2017	19.13	2.92	9.45
Q1 2018	21.25	2.85	9.35
Q2 2018	21.06	2.83	8.71
Q3 2018	24.56	2.86	10.71
Q4 2018	24.65	3.72	10.24

Electricity - Europe

Unlike the natural gas market, electricity prices are only indirectly influenced by commodity super-cycles. Due to the regional nature of electricity markets prices follow mainly local drivers (i.e. energy mix of the respective country, power generation from renewables, country specific energy policies, etc.). However, unlike previous years, 2018 marked a structural change with the emergence of the carbon price as one of the major price drivers. The forward baseload power contract for the front calendar year (delivery 2019) strongly increased in all European market places throughout the year (e.g. from €40.5 to €59.1/MWh in Belgium (an increase of 46% year-to-date), from €41.75 to €58.45/MWh in France (an increase of 40% year-to-date) and from €36.7 to €52.7/MWh in Germany (an increase of 44% year-to-date). The 2018 price increase was mainly due to the overall fuel price increases, the unreliability of an aging French and Belgian nuclear fleet and a weak year in terms of renewable output.

The following table shows quarterly average spot prices of electricity in Germany, France and Belgium for the past three years:

Electricity			
Source: Thomson Reuters	Germany Baseload spot average price € per MWh	France Baseload spot average price € per MWh	Belgium Baseload spot average price € per MWh
Q1 2016	25.20	28.89	28.51
Q2 2016	24.79	25.89	27.15
Q3 2016	28.33	32.37	32.64
Q4 2016	37.56	59.92	58.18
Q1 2017	41.32	54.77	51.58
Q2 2017	29.76	33.90	35.74
Q3 2017	32.73	34.56	34.17
Q4 2017	32.49	56.19	56.47
Q1 2018	36.05	44.09	45.17
Q2 2018	36.03	36.78	44.10
Q3 2018	53.86	57.58	61.08
Q4 2018	51.89	62.47	71.01

Corporate and other information

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

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

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

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Internet site

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

Business overview

The following discussion and analysis should be read in conjunction with ArcelorMittal's consolidated financial statements and related notes for the year ended December 31, 2018 included in this annual report.

Key factors affecting results of operations

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

Weakness in North American and European markets has a significant impact on ArcelorMittal's results, with these markets together accounting for over 60% of ArcelorMittal's deliveries in 2018. Historically, in 2012, the onset of the eurozone crisis caused underlying European steel demand to weaken and, coupled with significant destocking, apparent steel demand fell by over 10%. Since then, deliveries have increased in each of the past six years, rising almost 3% per annum, returning to the average demand levels seen during the period between 2000 to 2005. However, deliveries remain approximately 18% below the 2007 peak. Imports into the European Union ("EU") have also risen more strongly than demand, more than doubling since 2012 to over 31 million tonnes in 2018, meaning domestic European deliveries have lost market share, impacting the ability of ArcelorMittal to serve one of its largest markets. Underlying steel demand in North America increased strongly post-crisis, but apparent demand has been impacted by inventory movements, with high inventory levels resulting in stockists purchasing over six million fewer tonnes in 2015, as compared to 2014, as they sought to reduce inventory levels as steel prices declined. This caused a 10% decline in apparent steel demand in 2015, which negatively impacted the Company's deliveries and profitability. Apparent demand in the United States declined further in 2016 as inventories continued to decrease and demand for Oil and Country Tubular Goods ("OCTG") was still very weak. The situation has since improved, with apparent steel demand growing over 6% year-on-year in 2017, due mainly to growth in pipes and tubes, demand for which was up around 85% year-on-year compared to only 2% growth in flat and a slight decline in longs. Apparent steel demand grew again in 2018 by an estimated 2% and 3% for flat and long products respectively, while demand for pipes and tubes declined slightly. Steel prices also recovered significantly in the United States in 2018, due to the imposition of 25% Section 232 tariffs in the United States, coupled with improving capacity utilization. With the United States expected to be enjoying the longest economic expansion on record by the middle of 2019, and given the frailty of the current global economic outlook, any new economic downturn, especially one having a major negative impact on developed markets, could significantly impact ArcelorMittal's deliveries and profitability. See "Risks related to the global economy and the mining and steel industry."

Demand dynamics in China have also substantially affected the global steel business. Historically, after growing strongly since 2000, Chinese steel demand started to decline in 2015 because of weaker real estate sector construction and machinery production. This decline in domestic demand led to a surge in Chinese steel exports, which more than doubled between 2012 and 2015, increasing by over 56 million tonnes to 112 million tonnes in 2015. This increase in Chinese exports was greater than the growth in world ex-China steel demand over the same period, and had the effect of curtailing domestic production in countries outside of China. A rebound in domestic demand and the beginning of a capacity reduction plan in China in the second half of 2016 led to a decline in exports, by 14% year-on-year in the second half of 2016 and by 3% for the year as whole. While most exports were directed to Asia, and exports to the U.S. were reduced due to the impact of anti-dumping trade cases, a declining but still significant proportion were being directed toward ArcelorMittal's core European markets in 2016. In particular, Chinese exports in 2015 were being sold at prices below cost (China Iron and Steel Association (CISA) reported CISA mills losing an accumulated RMB 65 billion ($10 billion) in 2015), negatively impacting prices and therefore margins in many regions. Chinese producers continued to accumulate losses until April 2016 when domestic and export prices rose sharply as domestic demand surprised producers on the upside, increasing capacity utilization. Since the second half of 2016, not only has demand continued to grow but significant capacity has been closed, consisting of over 150 million tonnes of legal blast furnace capacity and an estimated 120 million tonnes of illegal induction furnaces. This has led to a significantly higher capacity utilization rate, despite a 40 million tonnes reduction in exports over the past few years, translating into a much improved domestic spread of steel prices over raw material costs, and therefore higher export prices. Starting in October 2017, this situation combined with environmental policies which led to temporary capacity restrictions over the winter period, and caused even higher utilization rates in China and an even higher spread of steel prices over raw materials. Although prices have since fallen back as these temporary capacity restrictions were less strictly enforced in October 2018, utilization rates remain high and the risk of a renewed flood of Chinese exports has been reduced; it currently appears likely to occur again only if Chinese capacity were to increase and/or if Chinese demand were to

weaken significantly. Excess capacity and oversupply in the steel industry and in the iron ore mining industry have in the past and may continue in the future to weigh on the profitability of steel producers, including ArcelorMittal."

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

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

One of the principal factors affecting the Company's operating profitability is the relationship between raw material prices and steel selling prices. Profitability depends in part on the extent to which steel selling prices exceed raw material prices, and specifically the extent to which changes in raw material prices are passed through to customers in steel selling prices. Complicating factors include the extent of the time lag between (a) the raw material price change and the steel selling price change and (b) the date of the raw material purchase and of the actual sale of the steel product in which the raw material was used (average cost basis). In recent periods, steel selling prices have tended to react quickly to changes in raw material prices, due in part to the tendency of distributors to increase purchases of steel products early in a rising cycle of raw material prices and to hold back from purchasing as raw material prices decline. With respect to (b), as average cost basis is used to determine the cost of the raw materials incorporated, inventories must first be worked through before a decrease in raw material prices translates into decreased operating costs. In some of ArcelorMittal's segments, in particular Europe and NAFTA, there are several months between raw material purchases and sales of steel products incorporating those materials. Although this lag has been reduced recently by changes to the timing of pricing adjustments in iron ore contracts, it cannot be eliminated and exposes these segments' margins to changes in steel selling prices in the interim (known as a "price-cost squeeze"). In addition, decreases in steel prices may outstrip decreases in raw material costs in absolute terms, as has occurred numerous times over the past few years, for example in the second quarter of 2013 and fourth quarters of 2015, 2016 and 2018.

The Company's operating profitability has been particularly sensitive to fluctuations in raw material prices, which have become more volatile since the iron ore industry moved away from annual benchmark pricing to quarterly pricing in 2010. Volatility on steel margins aside, the results of the Company's mining segment (which sells externally as well as internally) are also directly impacted by iron ore prices, which decreased significantly in 2015, ending the year at $40 per tonne ("/t") and averaging only $56/t. Iron ore prices rebounded from $40/t during December 2015 to an average of $52/t in the first half of 2016, increasing to an average of $64/t during the second half of the year for a yearly average of $58/t. The upward trend continued into the first quarter of 2017 with an average of $86/t, and then fluctuated between $60-75/t during most of the following two years, leading to an annual average of $71/t in 2017 and $69/t in 2018. Despite recent iron ore price weakness, iron ore prices in January 2019 averaged $76/t, at the top of the trading range for the last two years due to the strength of Chinese steel production. If iron ore prices were to decline from these levels due (among other things) to weaker global, and especially Chinese demand, this would negatively impact ArcelorMittal's revenues and profitability. See Risks related to the global economy and the mining and steel industry—Protracted low steel and iron ore prices would likely have an adverse effect on ArcelorMittal's results of operations.

Economic environment[1]

Global GDP growth peaked at 3% in both 2017 and 2018, and is now beginning to moderate as the recovery in trade and manufacturing activity loses steam. Despite ongoing negotiations, trade tensions among major economies remain elevated. These tensions, combined with concerns about softening global growth prospects, have weighed on investor sentiment and contributed to declines in global equity prices. Borrowing costs for emerging market and developing economies ("EMDEs") have increased, in part as major advanced-economy central banks continue to withdraw policy accommodations in varying degrees. A strengthening U.S. dollar, heightened financial market volatility, and rising risk premiums have intensified capital outflow and currency pressures in some large EMDEs, with some vulnerable countries experiencing substantial financial stress. Energy prices have fluctuated markedly, mainly due to supply factors, with sharp falls experienced towards the end of 2018.

U.S. growth in 2018 is estimated to have picked up to 2.9%, from 2.2% in 2017, mostly reflecting stronger than-expected domestic demand. Activity was bolstered by pro-cyclical fiscal stimulus and still-accommodative monetary policy. The labor market remains robust, with the unemployment rate near a 50-year low, which bolstered consumption. Labor productivity is showing signs of picking up. Nominal wage gains have been outpacing inflation, resulting in modest real wage growth. Long-term inflation expectations have edged up but remain stable. During 2018, the U.S. administration

raised tariffs on about $300 billion worth of imports, mostly from China. As a result, other countries have retaliated with tariffs on about $150 billion worth of U.S. exports. In all, new tariffs have been imposed on about 12% of U.S. goods imports and may expand further, resulting in higher prices and elevated policy uncertainty. See "Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets.

EU GDP growth slowed notably from 2.6% in 2017 to 2% in 2018. Exports have softened, reflecting the earlier appreciation of the euro and slowing external demand. Inflation remains low despite declines in unemployment. The European Central Bank has stopped adding to its balance sheet, although it is expected to maintain its negative interest rate policy until at least mid-2019. Financial system lending and profitability have continued to increase, though some EU banks may be exposed to financial stress in some EMDEs. Across the euro area, fiscal policy is expected to be mildly expansionary. Increased German expenditures are expected to lead to smaller surpluses, while deficits in France and Italy are likely to rise amid public pressures for additional spending and tax relief. Italy's borrowing costs have increased and remain volatile, reflecting uncertainties about the outlook of the country's debt load.

Growth in China is estimated to have slowed from 6.9% in 2017 to a still robust 6.6% in 2018, supported by resilient consumption, although the trend in the fourth quarter of 2018 was down further. A rebound in private fixed investment helped offset a decline in public infrastructure and other state spending. However, industrial production and export growth have decelerated, reflecting easing global manufacturing activity. Import growth continued to outpace export growth, contributing to a shrinking current account surplus. Net capital outflows have resumed, and international reserves have been edging down. Stock prices and the Renminbi have experienced continued downward pressures, and sovereign bond spreads have risen amid ongoing trade tensions and concerns about the growth outlook. New regulations on commercial bank exposures to shadow financing, together with stricter provisions for off-budget borrowing by local governments, have slowed credit growth to the non-financial sector. However, in mid- and late 2018, the Chinese authorities reiterated their intention to pursue looser macroeconomic policies to counter the potential economic impact of trade disputes with the United States. Prices of newly constructed residential buildings have rebounded, including in Tier 1 cities, following several years of correction. Consumer price inflation has generally moved up since mid-2018, partly reflecting currency depreciation and higher energy and food prices in most of last year, but it remains below target.

Growth in Brazil was lackluster in 2018 at 1.2%, reflecting the country's emergence from a severe recession, a truckers' strike mid-year and continued policy uncertainty. In Russia, growth was resilient at 1.6% in 2018, supported by private consumption and exports; however, momentum has slowed, reflecting policy uncertainty, recent oil price declines, and renewed pressures on currency and asset prices. In Turkey, growth slowed down to 2.9% (from 7.4% in 2017) due in part to substantial deterioration in foreign investor confidence. Growth in Argentina plummeted to 2.1% in 2018 (from 2.9% in 2017) following acute financial market stress that resulted in sharp currency depreciation and monetary policy tightening, which have led to Argentina being designated a hyper-inflationary economy. In South Africa, activity contracted in the first half of 2018 and, despite a recovery in the second half, growth remained subdued at 0.7% in 2018 (from 1.3% in 2017), reflecting challenges in mining production, low business confidence, and policy uncertainty.

Global apparent steel consumption ("ASC") grew further in 2018 after a robust growth in 2017, compared to growth of just over 1% in 2016. Growth in 2018 reflected increases in demand in most markets with the notable exceptions of Mexico, South Africa, South Korea, Turkey and Venezuela. Overall, 2018 global ASC is estimated to have grown over 2.8% as Chinese demand was stronger than anticipated, growing approximately 3.5%, supported by the strength of machinery output and a better than expected real estate market. Elsewhere, world-ex-China ASC grew around 2.1% year-on-year, supported by strong growth in Indian sub-continent (7.5%), Latin America (4%), ASEAN (4%), Africa (3.5%) and EU28 (3%). Further regions grew more slowly including CIS (2%) and NAFTA (1%) where growth in the U.S. of almost 2% was offset by declining demand in Mexico. Demand growth in world ex-China was impacted by a sharp decline in Turkish steel demand (a 10% decrease) due to the crisis that hit the economy during the second half of 2018 and a slight decline in developed Asia (a 0.5% decrease).

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[1] GDP and industrial production data and estimates sourced from Oxford Economics January 10, 2019.

Steel production[2]

After reaching a peak of over 1.67 billion tonnes in 2014, world crude steel production declined by 3% in 2015 to 1.62 billion tonnes as output fell in every major steel producing market, except India. In 2016 global output grew marginally as Chinese output increased by under 4 million tonnes and World ex-China growth, which had fallen by 3.6% year-on-year in 2015, rising by 0.4% in 2016 due to higher output from developing countries such as India (+7.2%), Ukraine (+5.4%) and Turkey (+5.2%), although this was partially offset by lower output from South America (-8.4%), EU28 (-2.5%) and developed Asia (-0.6%).

However, over the past two years global steel production grew strongly rising 6.3% in 2017 to 1.73 billion tonnes in line with a strengthening global economy. In 2018, despite concerns about trade protectionism, global production grew a further 4.6% to a new peak of 1.81 billion tonnes. In 2018, China accounted for 52% of global steel production, East Asia 11%, EU28 9%, NAFTA 7%, India 6%, CIS 5% and the rest of the world 9%.

Chinese steel production data over the past few years has been subject to increased uncertainty due to under-reporting and the closure of illegal induction furnaces (IF) around mid-2017. Since IF production was mostly unrecorded in the official figures, as this production is moved to mills whose production is recorded officially, official production estimates are likely stronger than the actual production output as estimated by ArcelorMittal. Although the Company believes that the 2018 official steel production in China of 928 million tonnes is broadly accurate, ArcelorMittal believes that the growth rates recorded by the World Steel Association of 7.8% in 2017 and, to a lesser extent the 6.6% growth recorded in 2018, are higher than what occurred over this period.

World ex-China steel production has risen strongly since 2016 rising 4.8% in 2017 to 859 million tonnes and a further 2.5% in 2018 to 880 million tonnes. In 2017, production was supported by double-digit growth of over 10% year-on-year in Brazil, Egypt, Turkey and Vietnam. By major regions, 2017 production grew by 1.6% year-on-year in East Asia, 3.9% in EU28, 4.6% in North America, 6.3% in India, decreased by 1.2% in CIS and increased by 13.1% in the rest of the world. In contrast, production in 2018 increased by 1.0% in East Asia, decreased 0.3% in EU28, and increased 4.1% in North America, 4.9% in India, 0.3% in CIS and 5.7% in the rest of the world. Production in East Asia has returned to historic highs as intense competition from excess capacity in China has eased, supported by steady growth in global steel demand. Production growth in EU28 has been curtailed by increased import penetration despite continued demand growth and weakness in German steel production. Stronger production growth in North America has been driven by US fiscal stimulus and supported by increasing trade protectionism, initially focused on steel imports like the Section 232 tariffs. Continued growth in Indian steel production reflects continued industrialization supporting strong domestic steel consumption growth. Weakness in CIS steel production is due to persistent weakness in Ukrainian steel production (the 2018 production of 21 million tonnes is a third below the 2011 peak of 35 million tonnes), despite historically high Russian production of nearly 72 million tonnes in 2018. After rising 13.1% to a record 37.5 million tonnes in 2017, Turkish steel production fell slightly by 0.6% in 2018 due to a balance of payment crisis caused by excessive economic policy stimulus in 2017 and triggered by diplomatic tensions with the United States.

Steel prices

Flat products

Steel prices for flat products in Europe improved during the first quarter of 2016 compared to December 2015 levels. In Northern Europe, the price for hot rolled coil ("HRC") improved in the first quarter of 2016, with a similar trend in Southern Europe. The second quarter of 2016 saw a sharp increase in international steel prices, led by China, driving an average increase of approximately €84/t quarter-on-quarter in the North and €97/t in the South. The average HRC prices for the first half of 2016 were at €371/t in Northern Europe and €351/t in Southern Europe compared to the first half of 2015, in which average HRC prices were €405/t in the North and €394/t in the South. Steel prices continued to increase in the third quarter and fourth quarter of 2016.

Steel prices for flat products in Europe were stable in Southern Europe and on a slight upward trend in Northern Europe during the first quarter of 2017 compared to December 2016. Prices of HRC increased in Northern Europe by €69/t quarter-on-quarter and in Southern Europe by €63/t quarter-on-quarter. Prices weakened in the second quarter of 2017 with an average price decline of €47/t in Europe. The average HRC prices for the first half of 2017 were at €545/t in Northern Europe and €513/t in Southern Europe compared to the first half of 2016 as described above. Prices bottomed out in July 2017, thus the downtrend reversed during August and September 2017. In the third quarter of 2017, spot HRC prices in Northern Europe remained €5/t below the second quarter 2017 average, and in Southern Europe there was an average increase of €9/t quarter-on-quarter.

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[2] Annual Global production data is for all 95 countries for which production data is published by the World Steel Association

There was little fluctuation in prices in the fourth quarter of 2017, with a quarter-on-quarter improvement of €22/t in Northern Europe and €11/t in Southern Europe. HRC prices during the second half of 2017 increased €65/t in Northern Europe and €67/t in Southern Europe compared to the second half of 2016.

In the first quarter of 2018, steel prices for flat products in Europe continued their steady upward trend which started in November 2017. HRC prices peaked towards the end of March at €574/t in Northern Europe. In Southern Europe, HRC prices increased from €519/t in January to €558/t at the beginning of March. In the second quarter of 2018, prices decreased sharply in USD terms following the international market trend. However, the depreciation of the euro against USD helped to sustain domestic HRC prices in euro terms, with a low of €561/t in Northern Europe at the beginning of June 2018, €14 below its peak in April 2018. In Southern Europe, HRC prices bottomed out at €514/t by mid-June 2018 from a peak of €544/t in April 2018. Average HRC prices were €564/t in Northern Europe and €538/t in Southern Europe for the first half of 2018, compared to €545/t in Northern Europe and €513/t in Southern Europe for the first half of 2017. The provisional safeguard measures and tariff rate quotas implemented in July 2018 did not create a tangible effect on market protection in Europe and there was very limited improvement in flat products prices during the third quarter of 2018. In Northern Europe HRC prices increased slightly in euro terms compared to the June level but only to reach a quarterly average of €566/t representing a €1/t decrease quarter-on-quarter, while in Southern Europe the price improvement averaged at €537/t representing a €7/t increase over the second quarter level. In USD terms, however, prices declined across the regions due to further euro depreciation against USD. Market seasonality, high inventory levels and imports pressured prices during the fourth quarter of 2018 and HRC prices declined in euro and USD terms both in Northern Europe by €18/t to €548/t and in Southern Europe by €38/t to €499/t compared to the third quarter 2018 average levels. Overall, the second half 2018 HRC prices averaged at €557/t in Northern Europe and at €518/t in Southern Europe, corresponding to a €30/t and €13/t year-on-year increase, respectively.

In the United States, spot HRC prices increased during the first quarter of 2016. The second quarter of 2016 had a strong start and continued to strengthen for a quarter-on-quarter improvement of approximately $184/t. The average HRC price for the first half of 2016 in the United States was $547/t as compared to an average of $541/t in the first half of 2015. The spot HRC prices in the United States started to decrease in July 2016 and continued this downward trend until October 2016. During the third quarter of 2016, the HRC price increased an average of $11/t quarter-on-quarter. The spot HRC prices in the United States reached a low at an average range of $526-552/t in October 2016, but then sharply increased toward the end of the year. In the fourth quarter of 2016, the spot HRC price in the United States decreased approximately $64/t quarter-on-quarter. The average spot HRC price in the second half of 2016 in the United States was $618/t compared to an average of $467/t in the second half of 2015.

In the United States, spot HRC prices increased during the first quarter of 2017 by an average of $106/t quarter-on-quarter. Price levels improved sharply during January, had stability during February and peaked at $725/t by end of March 2017, to reach their highest average level since September 2014. During the second quarter of 2017, HRC spot prices decreased $11/t quarter-on-quarter, with progressive declines until the first week of June 2017, but were followed by a price pickup, sustained by declining inventories and improved international market sentiment. The average HRC price in the United States during the first half of 2017 was $688/t compared to the first half of 2016 at $547/t. The HRC spot price slightly improved in July and August, and stabilized towards the end of the third quarter of 2017, increasing $4/t quarter-on-quarter. Slight declines were recorded during October, but prices picked up during November and December to reach $704/t by the end of 2017. The average prices during the fourth quarter of 2017 decreased $2/t quarter-on-quarter. Overall, in the second half of 2017 prices averaged at $686/t, representing a $68/t increase compared to the second half of 2016.

In the United States, as a consequence of the then-ongoing Section 232 national security investigation which started in April 2017 and the expectation of the imminent implementation of import tariffs on steel, spot HRC prices increased sharply during the first quarter of 2018. Before the release of the investigation report by the Department of Commerce on February 16, 2018, HRC prices reached $830/t from $723/t at the beginning of January 2018. After the release of the report that recommended tariffs in the range of 24 to 53%, prices spiked further to $936/t at the beginning of March 2018. The increase slowed down as 25% tariffs and exceptions went into effect during March 2018, closing the month at a high of $960/t. In the second quarter of 2018, HRC prices surpassed the $1,000/t level in the United States, peaking at $1,012/t by the end of June. The average HRC prices were $907/t for the first half of 2018 in the United States, as compared to $688/t for the first half of 2017, corresponding to a $219/t increase year-on-year. HRC prices hit a 10 year high of $1,014/t at the beginning of July 2018 in the United States. However, market seasonality and weakening of the international prices in the second part of the year coupled with an increase in the domestic capacity utilization rate (thus an increase in domestic supply), resulted in consistent price deterioration, with HRC prices falling to $799/t by the end of the year. Third quarter HRC prices averaged $982/t, still $2/t above the second quarter level, while average prices declined in the fourth quarter by $99/t quarter-on-quarter to

$883/t. Overall, average HRC prices for the second half of 2018 were $932/t as compared to $686/t for the second half of 2017 corresponding to a $246/t increase year-on-year.

In China, spot HRC prices increased during the first quarter of 2017, compared to the average levels of the fourth quarter of 2016, fluctuating on an upward trend until the first part of February 2017, but deteriorated afterwards, in line with raw material basket cost decline. Domestic HRC prices increased during the first quarter of 2017 by an average of $35/t quarter-on-quarter. Prices continued to slide, hitting a bottom level of $374/t, VAT excluded by mid-May, followed however by a rapid recovery to a $439/t, VAT excluded average in June, supported by a new upward trend in raw materials cost, positive market sentiment and local mill interest to ramp up production and maximize profits. HRC spot prices decreased in the second quarter of 2017 on average by $62/t quarter-on-quarter. In the first half 2017, HRC domestic prices in China averaged $427/t, VAT excluded, compared to $317/t, VAT excluded, during the first half of 2016. HRC spot prices in China continued their steady increase in the beginning of September and increased for the third quarter of 2017 by $113/t quarter-on-quarter. The price increases slowed down during the fourth quarter of 2017 with an increase of $29/t quarter-on-quarter. HRC spot prices in China averaged $523/t, VAT excluded in the second half of 2017, an increase of $138/t, VAT excluded from the second half of 2016.

In China, spot HRC prices fluctuated during the first quarter of 2018, peaking at $562/t VAT excluded at the end of February, followed by a sharp decline due to weak demand and high inventories. HRC prices bottomed out at the end of March at $507/t VAT excluded. Production cuts in several regions and mill inspections to ensure compliance with pollution emission standards impacted supply during the second quarter of 2018. These measures supported HRC prices in China, which increased from $524/t VAT excluded at the beginning of April to a high of $581/t VAT excluded by mid-June. However, due to improvements in production levels and seasonal weak demand, HRC prices declined at the end of the month. HRC domestic prices averaged $555/t VAT excluded for the first half of 2018 in China, as compared to $427/t VAT excluded for the first half of 2017.

Despite the implementation of tough environmental controls and positive fiscal policies to expand domestic demand, production continued to increase, sustained by attractive margins, while consumption remained flat during the second half of 2018. This resulted in further pressure on HRC prices in China, which declined by $15/t (during the third quarter 2018) as compared to the second quarter average level to $546/t VAT excluded and by an additional $58/t to $488/t VAT excluded during the fourth quarter of 2018.

HRC domestic prices averaged $517/t VAT excluded in China for the second half of 2018, representing a $7/t decline as compared to $524/t VAT excluded for the second half of 2017.

The following table presents the spot HRC average price range per tonne in Northern and Southern Europe, the United States and China on a quarterly basis from 2016 to 2018.

Flat products				
	Northern Europe	Southern Europe	United States	China
Source: Steel Business Briefing (SBB)	Spot HRC average price per tonne	Spot HRC average price per tonne	Spot HRC average price per tonne	Spot HRC average price per tonne, VAT excluded
Q1 2016	€329	€303	$456	$282
Q2 2016	€413	€400	$639	$353
Q3 2016	€426	€402	$650	$348
Q4 2016	€498	€474	$586	$423
Q1 2017	€569	€537	$694	$458
Q2 2017	€521	€491	$682	$396
Q3 2017	€517	€500	$687	$509
Q4 2017	€538	€510	$685	$538
Q1 2018	€561	€545	$834	$549
Q2 2018	€567	€530	$980	$561
Q3 2018	€566	€537	$982	$546
Q4 2018	€548	€499	$883	$488

Long products

During the first quarter of 2016, long steel products saw a quarter-on-quarter price decline in Europe for both medium sections and rebar. This downward trend reversed during the second quarter of 2016. The average medium sections price for the first half of 2016 in Europe was €481/t compared to €521/t for the first half of 2015. The average rebar price in Europe for the first half of 2016 was €404/t compared to €420/t for the first half of 2015. Long steel product prices weakened again during the third quarter of 2016 for both medium sections and rebar. Prices reached a low in October 2016, and started recovering through year end, reaching an average of €511/t and €454/t in December 2016 for medium sections and rebar, respectively, although the quarterly average prices remained down quarter-on-quarter. The average medium sections price in Europe for the second half of 2016 was €499/t as compared to €498/t for the second half of 2015. The average rebar price in Europe for the second half of 2016 was €432/t as compared to €389/t for the second half of 2015.

Long steel product prices increased in Europe in the beginning of the first quarter of 2017, followed by a decline in mid-February, but with a recovery by the end of March. Prices then weakened during the second quarter of 2017 for both medium sections and rebars, but seemed to bottom out by the end of June with a quarter on quarter decline of €15/t

and €22/t, respectively. The average price for medium sections in Europe during the first half of 2017 was €508/t compared to €481/t in the first half of 2016. The average rebar price in Europe during the first half of 2017 was €452/t compared to €404/t in the first half of 2016. Prices for long steel products were on a steady upward trend toward the end of the year. Medium sections prices increased €29/t quarter-on-quarter, while rebar prices increased €28/t quarter-on-quarter. During the fourth quarter of 2017, medium sections prices further increased €58/t quarter-on-quarter, while rebar prices increased €84/t quarter-on-quarter. The average medium sections price in Europe for the second half of 2017 was €557/t as compared to €499/t for the second half of 2016. The average rebar price in Europe for the second half of 2017 was €517/t as compared to €432/t for the second half of 2016.

Long steel product prices remained relatively stable in Europe in euro terms at the beginning of 2018 compared to the peak level in December 2017, but continued their upward trend in USD terms as the euro strengthened. Prices weakened from mid-February and towards the end of the first quarter 2018 with inventories reaching comfortable levels and a cautious market following the volatility in raw material costs. Medium sections prices declined from €625/t in January to €600/t by the end of March. Similarly, rebar prices declined from €568/t in January to €553/t in March. Prices remained stable again during April 2018 but followed a downward trend until mid-June when medium sections bottomed out at €585/t and rebar at €528/t. Average medium sections prices were €603/t in Europe for the first half of 2018 as compared to an average of €508/t for the first half of 2017. Average rebar prices were €552/t in Europe for the first half of 2018 as compared to €452/t for the first half of 2017. Good market sentiment and strong demand supported an improvement of long product prices during the third quarter of 2018, with medium sections reaching €620/t and rebars €560/t by September corresponding to a €35/t and €32/t increase, respectively, as compared to the bottom level in June, and representing a quarter-on-quarter average improvement of €20/t for medium sections and €6 for rebars. Prices remained relatively stable during the fourth quarter of 2018 as compared to the levels at the end of September despite some weakening in rebars with a quarterly average of €538/t representing a €13/t decrease quarter-on-quarter. The average medium sections prices were €618/t in Europe for the second half of 2018 as compared to €557/t for the second half of 2017. The average rebar prices were €545/t in Europe for the second half of 2018 as compared to €517/t for the second half of 2017.

With respect to scrap prices, in Turkey, even though the average first quarter 2016 price of imported scrap HMS 1&2 at $194/t CFR showed a small improvement of about $6/t against the average of the fourth quarter 2015, the average price of March 2016 at $218/t CFR represented a month-on-month increase of about $40/t. The Turkish rebar export price followed a similar trend. The March 2016 export price of Turkish rebar increased $44/t month-on-month. This upward trend continued during the first two months of the second quarter of 2016 with the export rebar price from Turkey reaching an average range of $451-457/t FOB in April, and $472-479/t FOB in May. In June 2016, rebar prices reduced to an average range of $395-403/t FOB Turkey. The average rebar export price from Turkey in the first half of 2016 was $388/t FOB compared to the first half of 2015, which was at $451/t FOB. The third quarter of 2016 average export price for Turkish rebar decreased followed by improvements in the fourth quarter. The average rebar export price for the second half of 2016 from Turkey was $394/t FOB as compared to $361/t FOB for the second half of 2015.

In the first quarter of 2017, imported scrap HMS 1&2 in Turkey improved by $18/t compared to the fourth quarter of 2016 average of $275/t CFR. Rebar export prices followed closely the evolution of Turkey imported Scrap HMS 1&2, declining in the beginning of 2017 from $430/t FOB in December 2016 to close to an average of $390/t FOB by the end of January 2017, and continued fluctuating towards the end of March 2017. However, Turkish rebar export prices increased during the first quarter of 2017 by $14/t quarter-on quarter. The price fluctuation continued during the second quarter of 2017, but with an uptick towards the end of June with an overall increase of $4/t over the previous quarter. The average price in the first half of 2017 for rebar exported from Turkey was $425/t FOB compared to $388/t FOB in the first half of 2016. From July through the end of 2017, the Turkey rebar FOB price has been fluctuating on an upward trend, closely following HMS 1&2 Turkey CFR price evolution. After hitting a three-year high of $550/t FOB in the beginning of September 2017, rebar prices declined to $508/t FOB by October. This drove an increase in the average price range during the third quarter of 2017 by $80/t quarter-on-quarter. Toward the end of 2017, the Turkey rebar FOB export price reached $570/t, and further improved the quarterly average price by $20/t for the fourth quarter of 2017. The average Turkey rebar export price was $517/t FOB in the second half of 2017, an increase of $123/t compared to $394/t FOB for the second half of 2016.

In the first quarter of 2018, the price of imported scrap HMS 1&2 in Turkey improved by $40/t to an average level of $363/t CFR as compared to the fourth quarter of 2017. Rebar export prices followed closely the evolution of Turkey imported scrap HMS 1&2, declining from $573/t FOB at the beginning of January to $555/t FOB by the end of the month. Rebar export prices then increased to a peak of $590/t FOB by the end of February followed by a downward trend reaching $568/t FOB at the end of March. During the second quarter of 2018, the Turkish export rebar price continued to follow a downward trend alongside the scrap

HMS 1&2 index, ranging between $565/t FOB at the beginning of April to $540/t FOB at the end of May. The average Turkish export rebar price for the first half of 2018 was $562/t FOB, as compared to $425/t FOB for the first half of 2017. With US and European markets blocked for Turkish exporters due to EU safeguard measures and doubling of the Section 232 import tariffs into the U.S., Turkish producers faced increased competition on alternative markets resulting in further pressure on export rebar prices during the first part of the third quarter. Prices seemed to bottom out mid-August at $523/t; however they continued to deteriorate during October to a $500/t level. After a small uptick in November supported by an improvement in scrap prices as well as a strengthening of the Turkish Lira, Turkish export rebar prices dropped by the end of the fourth quarter of 2018 to $455/t, the lowest level since July 2017.

The average Turkish export rebar price for the second half of 2018 was $507/t FOB, as compared to $518/t FOB for the second half of 2017.

Long products			
	Europe medium sections	Europe rebar	Turkish rebar
Source: Steel Business Briefing (SBB)	Spot average price per tonne	Spot average price per tonne	Spot FOB average price per tonne
Q1 2016	€454	€355	$335
Q2 2016	€509	€453	$442
Q3 2016	€511	€440	$379
Q4 2016	€488	€424	$409
Q1 2017	€515	€463	$424
Q2 2017	€501	€441	$427
Q3 2017	€530	€469	$507
Q4 2017	€587	€553	$527
Q1 2018	€614	€558	$572
Q2 2018	€591	€545	$552
Q3 2018	€611	€551	$524
Q4 2018	€626	€538	$490

Current and anticipated trends in steel production and prices

In China, in 2018, ArcelorMittal believes steel production grew approximately 2.5% (despite the 6.6% increase in official figures - see discussion in "—Steel production" above) as demand grew over 3%, yet exports declined by 8%. However, the Company expects production to be stable to slightly down in 2019 as domestic demand contracts around 1% offset by marginally higher exports. The Chinese HRC spread (difference between raw material costs and finished steel prices) in 2017 increased from approximately $150/t in the first half of 2017 to $250/t in the second half supported by an elevated crude steel utilization rate mainly due to a structural steel capacity cut and the winter heating season policy, which temporarily restricted steel supply. The high Chinese HRC spread was sustained at around $255/t in the first quarter of 2018 and increased to approximately $280/t by the middle of the year supported by an elevated crude steel utilization rate as demand was strong but capacity constrained. The spread fell from October until the end of the year to the level of $190-$195/t due to a lower winter capacity constraint compared to last year and negative sentiment on demand. The low spread has continued into the beginning of 2019, but is expected to pick up from March/April when the demand as well as positive sentiment comes back to the market.

Led by a significant increase in pipe and tube demand, U.S. ASC increased around 6% in 2017, which combined with imports relatively stable at a high level, allowed domestic production to increase as some capacity came back online. ASC increased again in 2018 by almost 2%, and with imports falling by around 10% due to the impact of the 25% Section 232 tariffs, production increased by 6.2%. The Company anticipates a small (1 to 2%) further increase in steel demand in 2019, but with imports continuing to be capped by tariffs, steel production is expected to grow at a slightly stronger rate than demand. In the EU, steel demand continues to grow slowly but imports have taken a larger share of demand over the past couple of years. While European mills output improved in 2017, crude steel output was at best only stable in 2018 (decreasing by 0.4% year-on-year) despite a 3% growth in ASC, as imports (especially longs) continued to take market share, growing over 10% year-on-year. In 2019, the Company expects much slower growth in steel consumption, which is why the safeguards measures on steel trade are important to enable European mills to benefit from any improvement in demand.

Overall, ArcelorMittal expects world ex-China ASC to grow again in 2019 due to strong demand growth in South American and developing Asian markets and the waning negative impact of declining Turkish steel demand, despite slightly slower growth in developed markets. Continued capacity restraint and relatively stable production in China, together with continued growth in demand in world ex-China should lead to a gradual improvement in utilization and support the spread of steel prices over raw material costs.

Raw materials

The primary raw material inputs for a steelmaker are iron ore, coking coal, solid fuels, metallics (e.g., scrap), alloys, electricity, natural gas and base metals. ArcelorMittal is exposed to price volatility in each of these raw materials with respect to its purchases in the spot market and under its long-term supply contracts. In the longer term, demand for raw materials is expected to continue to correlate closely with the steel market, with prices fluctuating according to supply and demand dynamics. Since most of the minerals used in the steel-making process are finite resources, they may also rise in response to any perceived scarcity of remaining accessible supplies, combined with the evolution of the pipeline of new exploration projects to replace depleted resources.

Throughout 2016, raw material prices became increasingly volatile and impacted by short-term changes in sentiment, mainly related to Chinese market demand sentiment for crude steel and how the government might deal with excess steelmaking capacity. Iron ore and coking coal prices increased by 5.1% and 58.2% year-on-year respectively in 2016 (Metal Bulletin 2016 vs. 2015). The increase in the average reference iron ore and hard coking coal price continued in 2017 due to the impact of induction furnaces capacities closures since 2016. In 2017, iron ore and coking coal prices increased by 22.3% and 31.5% year-on-year respectively (Metal Bulletin 2017 vs. 2016). In 2018, strong steel production in China amid its fight against air pollution and overcapacity kept iron ore and coking coal prices at elevated levels and boosted prices for high-grade qualities as steel mills chased productivity. Though prices for the most common qualities of iron ore decreased 2.2% year-on-year in 2018, the high-grade qualities of iron ore posted a price increase on an annual basis. Coking coal prices increased 10.3% compared to 2017 (Metal Bulletin 2018 vs. 2017).

As for pricing mechanisms, since 2012, quarterly and monthly pricing systems have been the main type of contract pricing mechanisms, but spot purchases also appear to have gained a greater share as steelmakers have developed strategies to benefit from increasing spot market liquidity and volatility. In 2016, 2017 and 2018, the trend for using shorter-term pricing cycles continued. Pricing is generally linked to market price indexes and uses a variety of mechanisms, including current spot prices and average prices over specified periods. Therefore, there may not be a direct correlation between market reference prices and actual selling prices in various regions at a given time.

Iron ore

After reaching $39.50/t (delivered to China Metal Bulletin Index 62% Fe) on January 13, 2016 and averaging $48.70/t for first quarter of 2016, iron ore market reference prices reached a low during the first quarter of 2016. During the second quarter of 2016, the average price was $55.50/t and the period was marked by high volatility, with a peak at $70.50/t on April 21, 2016 and a low of $48.18/t on June 2, 2016. For the third quarter of 2016, the average was $58.40/t with a slight downward trend throughout September. During the fourth quarter of 2016, it increased from a minimum of $55.86/t on October 4, 2016 and reached a maximum of $83.58/t on December 12, 2016, the average for the fourth quarter was of $70.50/t and was marked by high volatility and bullish market sentiment driven by higher steel prices as well as closure announcements by the Chinese authorities in steelmaking based on obsolete induction furnaces using mostly scrap as raw materials.

Iron ore prices recovered to $85.60/t in the first quarter of 2017 following strong demand for steel after the Chinese New Year. The average price for the second quarter of 2017 decreased to $62.90/t; this downward trend was influenced by increased inventory levels at Chinese ports. In the third quarter of 2017, the average price increased to $71.20/t driven by bullish sentiment in the steel market reflected in strong steel PMIs (Purchasing Manager Index) for China. During the fourth quarter of 2017, the price varied from a minimum of $58.52/t on October 31, 2017 and a maximum of $76.36/t December 22, 2017, with the average for the fourth quarter at $65.50/t. The quarter was marked by high volatility driven by environmental regulation announcements by the Chinese authorities to constrain emissions and steel production during the 2017-2018 winter period.

In the first quarter of 2018 iron ore prices recovered at $74.39/t, up 13.6% compared to the fourth quarter of 2017. However, great price disparities were observed. Seaborne iron ore demand was hit by a persistent weakness in downstream steel demand, the trade war developing between China and the U.S. and the extension of winter restrictions in China beyond March 15, 2018 all of which had a significant impact. In March, prices plummeted from the highest quarter price of $79.39/t in the beginning of the month to $64.99/t at the end of the month (Metal Bulletin 2017 & 2018). In the second quarter of 2018, prices decreased and remained stable at an average $65.30/t despite strong steel demand over the period. China iron ore port stocks remained high and concentrate production sharply decreased year-over-year as a result of mine inspections. However, steel PMI remained in expansion at 51.6 points in June. In the third quarter, prices were fairly stable, averaging $66.8/t. Low prices on the seaborne market found support in the fear of an intensification of the trade war between China and the U.S., depreciation of the Chinese currency, low future prices and environmental restriction in China. The last quarter of 2018 saw the iron ore price jumping and averaging $71.6/t. It reached $76.75/t on November 12, 2018 amid strong steel margins depleting stocks at Chinese ports and restocking demand in China before the start of the winter period. Also, the derailment of a BHP train carrying iron ore in Australia in the beginning of

November provided some short-term support to the iron ore price that boosted the November average. However, prices dropped at the end of November, and in the beginning of December, mills corrected for weak off-season demand and reduced steel margins due to less stringent winter restrictions, which led to prices at the end of 2018 at $72.70/t.

Coking coal

In 2016, the spot price (Metal Bulletin Premium Hard Coking Coal FOB Australia index) traded on average at $78.90/t in the first quarter with the market contract price (price settled between major steel producers and suppliers) settling at $81/t for the same quarter; then the second quarter of 2016 had a contract settlement fixed at $84/t with the spot average for that quarter at $90.40/t while the third quarter had a market contract price settled at $92.50/t and the spot index traded between $90.20/t and $94.80/t for the first 15 days but averaged $131.50/t for the third quarter. During the fourth quarter of 2016, the spot price reached a maximum of $308.80/t on November 11, 2016 and decreased through the closing of the year to $231/t on December 30, 2016. The average spot price for the fourth quarter of 2016 was $265.80/t with quarterly market contract prices settled at $200/t. The highly volatile spot index over the second half of 2016 was influenced by the Chinese domestic supply reduction (originating from weather/logistic issues combined with regulations issued by the Chinese government on lower mining working days, from an annual rate of 330 days per year to a lower rate at 276 days, with temporary relief as described above) as well as several maintenance and mining operational issues in Australian coking coal mines during that period. Consequently, the premium HCC FOB Australia quarterly market contract price was settled at $200/t for the fourth quarter of 2016 and at $285/t for the first quarter of 2017.

In the first quarter of 2017, the spot prices (Metal Bulletin Premium Hard Coking Coal FOB Australia index) sharply dropped from $266.50/t in December 2016 (monthly average) to $155.20/t in March 2017 (monthly average) with the average spot price for the first quarter at $166.80/t. The temporary relief of the Chinese working days restriction and fully recovered supply from Australia, as well as expected additional seaborne supply from North America allowed such a sharp drop in prices by the end of the first quarter of 2017. At the beginning of the second quarter of 2017, the cyclone Debbie that unexpectedly hit Australia caused supply disruptions and spot prices spiked. The upward trend of April up to $300/t on April 18, 2017 and a monthly average of $257.80/t was followed by the downward trend in May and June as the Australia mining-rail-port system recovered earlier than expected from the cyclone disruption. The spot price decreased through the second quarter to $175/t in May (monthly average) and $145/t in June 2017 (monthly average), leading to an average spot price for the second quarter of 2017 of $190.60/t.

For the second quarter of 2017, a new index-based methodology was adopted for the premium HCC FOB Australia quarterly contract price between some Japanese steel makers and Australian HCC suppliers. In the third quarter of 2017, the average spot price (Metal Bulletin Premium Hard Coking Coal FOB Australia index) increased to $188.30/t driven by bullish sentiment in the steel market and strong steel PMIs for China. In the fourth quarter, supported by the port congestion in Australia, the price further increased to $203.50/t.

Coking coal prices entered 2018 as a bullish market with record high vessel queues at a key port in Queensland, Australia and Chinese restocking demand high ahead of the Chinese New Year holiday. The spot prices (Metal Bulletin Premium Hard Coking Coal FOB Australia index) averaged $228/t in the first quarter of 2018 increasing 36.8% year-on-year and 12.2% as compared to the fourth quarter of 2017. The elevated prices were then corrected in the second quarter and reached $189/t (quarterly average) due to the extension of Chinese winter restrictions until April and delayed increase of steel demand in China. However, the downward movement was limited by a continued threat of supply disruptions due to Aurizon's announced change in the maintenance plan at its rail system in Australia, and safety check at Chinese mines. The price also found support from Chinese coke prices as domestic coke producers faced environmental crackdowns. In the third quarter, coking coal prices averaged $184/t and $183/t in July and August respectively with no major supply disruption and less demand during Indian monsoon season. The prices rose again in September to $198/t with demand from strong steel production in China amid healthy margins and tight supply of low-Sulphur coking coal in the Chinese domestic market. Prices kept on increasing in the last quarter on the back of strong steel production and threat of supply issues from scheduled maintenance at key Australian ports which increased port queues again to the record levels seen at the end of 2017. The bullish sentiment found support from the breakout of a fire at one Australian mine, rendering it idle for at least six months. The coking coal spot prices increased to a quarterly average of $221/t in the fourth quarter of 2018.

ArcelorMittal has continued to leverage its iron ore and coking coal supply chain and diversified supply portfolio as well as the flexibility provided by contractual terms to mitigate regional supply disruptions and also mitigate part of the market price volatility.

	Iron ore	Coking coal
Source: Metal Bulletin	average price per tonne (Delivered to China, Metal Bulletin index, 62% Fe)	average price per tonne (Premium Hard Coking Coal FOB Australia index)
Q1 2016	48.6	79
Q2 2016	55.5	90
Q3 2016	58.3	131
Q4 2016	70.5	266
Q1 2017	85.6	167
Q2 2017	62.9	191
Q3 2017	71.2	188
Q4 2017	65.5	203
Q1 2018	74.4	228
Q2 2018	65.5	189
Q3 2018	66.9	188
Q4 2018	71.5	221

Scrap

Both Eurofer and German Wirtschaftsvereinigung ("WV") indexes were discontinued as of January 1, 2016. The German suppliers' index ("BDSV") is now used and converted into Delivered at Place ("DAP"), in order to be comparable with historical figures.

During 2018, the German suppliers' index "BDSV" for reference grade E3 was quite stable starting in January 2018 at €290.58/t and reached a yearly maximum of €293.98/t in March 2018. The index dropped continuously until December 2018 down to €279.99/t as Turkey's requirements for EU scrap decreased at the end of 2018. HMS 1&2 North Europe followed a similar trend starting in January 2018 at €294/t and reached a yearly high of €297/t in March 2018. Unlike the German BDSV index, there were up and down movements from April throughout the rest of the year but the general trend remained down and the HMS 1&2 North Europe ended the year at €238/t in December 2018. European scrap price parity with exports continues. The European E3 price moved following HMS and exchange rate fluctuation. The European E3 price was $4/t below, $4/t above, $8/t above and $8/t below HMS in the first, second, third and fourth quarter of 2018, respectively, but the European E3 price and HMS were at the same average levels in 2018.

Turkey remained the main scrap buying country in the international market in 2018, with approximately 69% of its steel production based on the EAF process, with the other 31% through the blast furnace route, similar to its production in 2017. In 2016, the percentage of Turkey's steel production through the EAF process and blast furnaces was 66% and 34% respectively. Steel production in Turkey stagnated in 2018 at the same level as 2017 after a 15% increase in 2017 as compared to 2016 and a 5.2% increase in 2016 as compared to 2015. There was a significant reduction of imported billets, which dropped by 46% in 2018 as compared to 2017, following a 50.1% decrease in 2017 as compared to 2016 and a 1.4% increase in 2016 as compared to 2015. As Turkish scrap import volumes increased in 2018 as compared to 2017 at 21 million tonnes, the decrease in billet imports was compensated by local scrap which increased by 7% year-on-year. In 2017, scrap imports into Turkey increased by 19% compared to 2016, with scrap imports totaling 17.7 million tonnes representing an 8.6% increase as compared to the same period in 2015.

In the domestic US market, average scrap prices increased by 20% or $53/t in 2018 as compared to a $61/t increase in 2017, which represented a 29% increase as compared to 2016. The Midwest Index for HMS 1 increased from an average of 208$/t in 2016 to $269/t in 2017 and $322/t in 2018. On the export market, East Coast FOB average prices increased by $40/t from $280/t in 2017 to $320/t in 2018.

Ferro alloys and base metals

Ferro alloys

The underlying price driver for manganese alloys is the price of manganese ore which was at the level of $7.16 per dry metric tonne unit ("dmt") (for 44% lump ore) on Cost, Insurance and Freight ("CIF") China for 2018, representing a 20% increase from $5.97/dmt in 2017 ($4.30/dmt in 2016) mainly due to sustained demand of manganese ore from China, reflecting appetite showed by manganese alloys producers.

The prices of high carbon ferro manganese decreased by 7% from $1,428/t in 2017 to $1,330/t in 2018 ($960/t in 2016). Prices of silicon manganese decreased by 8% from $1,343/t in 2017 to $1,235/t in 2018 ($992/t for 2016). Finally, prices for medium carbon ferro manganese stagnated (+1%) in 2018 at $1,930/t as compared to $1,910/t in 2017 ($1,376/t for 2016).

Base metals

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

The average price of zinc for 2018 was $2,926/t, representing a 1% increase as compared to the 2017 average of $2,896/t (the 2016 average was $2,095/t). Stocks registered at the London Metal Exchange ("LME") warehouses stood at 129,325 tonnes as of December 31, 2018, representing a 29% decrease compared to December

31, 2017 when registered stocks stood at 182,050 tonnes (427,850 tonnes in 2016).

The average price of tin for 2018 was $20,167/t, slightly above the 2017 average of $20,098/t (the 2016 average was $18,006/t).

The average price of aluminum for 2018 was $2,110/t, representing a 7% increase compared to the 2017 average of $1,968/t (the 2016 average was $1,605/t).

The average price of nickel for 2018 was $13,118/t, representing an 26% increase compared to the 2017 average of $10,407/t (the 2016 average was $9,609/t).

Ocean freight[3]

Ocean freight prices increased in 2018 compared to 2017 primarily due to a lack of dry bulk net fleet growth and a flat demand trend, after increasing in 2017 as well. The Baltic Dry Index ("BDI") averaged 1,352 points against 1,145 points in 2017, an 18% increase year-on-year. The Capesize index increased by 9% year-on-year to average 16,529$/day against 15,129$/day in 2017 (7,388$/day in 2016). Meanwhile the Panamax index increased by 19% to average 11,654$/day against 9,766$/day in 2017 (5,562$/day in 2016). Dry bulk fleet growth has been slow because of a lack of deliveries which was due to vessels not being contracted in the low market of 2016. In 2018, new build deliveries reached the lowest rate of deliveries in the last 10 years, which helped to restrict supply. Due to the market being stronger than in previous years, demolition of ships reduced. Net fleet growth was 2.8% in 2018 compared to 2.9% in 2017. Demand of dry cargo was flat in 2018 affected by global political instability and disruptions. The U.S.-China trade tensions created uncertainty in the market while logistical disruptions (like BHP's train derailment in Australia and leaks in Anglo American's Minas Rio pipeline) constricted the supply of cargo in the second half of the year. Chinese imports were down year-on-year for the first time in 7 years. Chinese coal imports were positive in the first half of 2018 but saw a downturn in the second half as the Chinese government's policy preferred domestic production over imports. Year-on-year dry bulk trade growth was 2.3% in 2018 as compared to 4.1% in 2017.

The industry is preparing for the new sulphur cap on marine fuels set by the International Maritime Organization that will apply from 2020 onwards. Ship owners need to decide whether to install air pollution control devices known as scrubbers which will allow owners to continue using dirty marine fuel or waive the installation and use the more expensive cleaner marine fuel oil. This will have an impact on supply and potentially pricing (as shipowners attempt to pass on the increased costs) dynamics from 2019 onwards.

Impact of exchange rate movements

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the U.S. dollar relative to the euro, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and sales, can have a material impact on its results of operations. For example, ArcelorMittal's non-U.S. subsidiaries may purchase raw materials, including iron ore and coking coal, in U.S. dollars, but may sell finished steel products in other currencies. Consequently, an appreciation of the U.S. dollar will increase the cost of raw materials; thereby having a negative impact on the Company's operating margins, unless the Company is able to pass along the higher cost in the form of higher selling prices. In order to minimize its currency exposure, ArcelorMittal enters into hedging transactions to lock-in a set exchange rate, as per its risk management policies.

In 2016, the outcome of the Brexit referendum triggered a move toward safety trades that prompted U.S. dollar strength, supporting the trend towards lower interest rates in the G10 countries. This climate was confirmed later with the U.S. presidential campaign; however, a sharp reversal of market sentiment followed Donald Trump's election, triggered by the expectation of an ambitious fiscal and investment program. As a consequence, the euro depreciated against the U.S. dollar to 1.0541 at the end of 2016 from 1.0898 at the start of the year, further driven by the reduction of the monthly asset purchase program from the European Central Bank.

In 2017, the fluctuations on the foreign exchange markets were broadly driven by the activity of central banks that started to reduce their accommodative monetary policies, including the U.S. Federal Reserve (the "Federal Reserve"), which increased rates three times during the year. The less accommodative policies adopted by the European Central Bank ("ECB"), Bank of Canada ("BoC") and Bank of England ("BoE") were already anticipated by the markets and their respective currencies strengthened even before the banks' monetary decisions. The euro strengthened significantly against the U.S. dollar, from 1.0541 at the beginning of 2017 to 1.1993 at the end of the year.

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[3] Sources: ACM Braemar, Baltic Index, Clarksons Platou

In 2018, the Company designated a portfolio of euro denominated debt (€5.2 billion as of December 31, 2018) as a hedge of certain euro denominated investments (€7.8 billion as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries net assets. The risk arises from the fluctuation in spot exchange rates between EUR/USD, which causes the amount of the net investments to vary. See also note 6.3 to the consolidated financial statements. As a result of the hedge designation, foreign exchange gains and losses related to the portfolio of euro denominated debt are recognized in other comprehensive income.

As of December 31, 2018, the Company is mainly subject to foreign exchange exposure relating to the euro, Brazilian real, Canadian dollar, Indian rupee, Kazakhstani tenge, South African rand, Mexican peso, Polish zloty, Argentine peso and Ukrainian hryvnia against the U.S. dollar resulting from its trade payables and receivables.

In 2018, the protectionism of the U.S. administration in its trade policies and the monetary policy divergence between the United States and G10 countries led to the global appreciation of the U.S. dollar**.** While the Federal Reserve increased rates from 2.25% to 3.00% in 2018, the ECB announced the end of its quantitative easing program and kept rates on hold. Therefore, the euro depreciated from 1.19 at the start of 2018 to 1.14 at the end of the year.

Elsewhere in Europe, the Czech central bank’s rate increase failed to support the Czech koruna in 2018. The Czech central bank was forced to tighten its policy at a faster pace to offset the loosening effect stemming from the Czech koruna's weakness. The Czech koruna weakened from 21.29 against the U.S. dollar on December 31, 2017 to 22.47 on December 31, 2018. In Poland, the national central bank maintained the reference rate unchanged at a record-low level of 1.50%, even though some members of the current monetary policy council voted for a rate increase at the November meeting for the first time since 2015. The Polish zloty weakened against the U.S. dollar at the end of 2018 to 3.76 compared to 3.48 at the beginning of the year.

In Ukraine, contrary to most other emerging markets currencies, the Ukrainian hryvnia appreciated by 6% against the U.S. dollar during the first half of 2018. As the economy did not show any signs of real improvement, this appreciation was probably the result of certain speculative flows. The second half of the year was marked by a tense geopolitical environment and domestic politics. As a consequence, the hryvnia erased the appreciation of the first half of the year and ended 2018 at 27.69 against the U.S. dollar.

In Kazakhstan, after a strong start of the year due to an increase in oil output with the launch of the Kashagan field, the expansion lost steam on slowing growth and trade disputes with Russia. The tenge came under renewed depreciation pressure, preventing inflation from slowing and prompting the national central bank to keep interest rates on hold. The tenge depreciated against the U.S. dollar and reached its weakest level in December 2018 at 384.17.

In India, the balance of payments deficit weighed on the Indian rupee, which depreciated by 15% versus the U.S. dollar from January 2018 to October 2018. However, the decrease in oil prices since October 2018 was particularly beneficial for India's external finances. The Indian rupee weakened against the U.S. dollar from 63.87 at the start of the year to 69.63 in December 2018. In October 2018, the Company entered into hedging programs including non deliverable forwards and non deliverable options for a total nominal amount of $5.9 billion in order to hedge the volatility between Indian Rupee and U.S. dollar in relation to the proposed acquisition of ESIL.See note 6.3 to the consolidated financial statements for further information.

South Africa exited its first half 2018 recession in the third quarter, expanding at an annualized pace of 2.2% quarter on quarter. Strong improvements in manufacturing, agriculture and services were partly offset by weakness in mining. In response to flagging growth, the government announced an economic recovery and stimulus plan in September 2018. Key proposals included visa reform to boost tourism and high-skilled immigration, implementing the mining charter, a new infrastructure fund, telecoms reform, and reviewing administered prices. The South African rand depreciated from 12.40 against the U.S. dollar at the beginning of the year to 14.43 in December 2018.

In North America, another trade battle took place as the United States, Canada and Mexico tried to reshape the North American Free Trade Agreement. The Canadian dollar and the Mexican peso were first weighed down by negative headlines regarding the negotiations and then supported by news suggesting that an agreement could be achieved. The U.S.-Mexico-Canada trade agreement (“USMCA”) was announced on October 1, 2018. Despite the announcement of this trade agreement, the Canadian dollar finally weakened against the U.S. dollar in the context of lower oil prices and risk aversion from 1.2540 in December 2017 to 1.3629 at the end of 2018. In Mexico, the appreciation of the Mexican peso following the announcement of the USMCA was softened by the new government's decision to cancel the Mexico City airport project at Texcoco. The Mexican peso ended 2018 at 19.64 against the U.S. dollar, only 0.6% below its level at the beginning of the year.

In Brazil**,** the real depreciated from 3.31 to 4.17 against the U.S dollar between January and August 2018, in line with fluctuations of other emerging markets currencies. Optimism rose following the election of Jair Bolsonaro. The new president organized an economic cabinet with the nomination of Finance Minister Paulo Guedes. The Brazilian real strengthened and reached 3.87 in December 2018.

In Argentina, the Argentinian peso was subject to a very strong depreciation during the third quarter of 2018 versus the U.S dollar. When President Macri asked the IMF to speed up payments, the Argentinian peso lost more than 36% of its value. In a chain reaction, inflation has increased significantly since early 2018 and the three-year cumulative inflation rate has exceeded 100%. Argentina is now considered as a hyperinflationary economy. Inflation slowly decreased at the end of 2018; however, the current situation in addition to the 2019 general election have led to high volatility of the Argentinian currency. Starting at 18.65 against the U.S. dollar at the beginning of 2018, the Argentinian peso finished the year at 37.70. See note 2.2.2 to the consolidated financial statements for further information.

On February 17, 2016, the Venezuelan government devalued its currency by changing the official rate of the bolivar fuerte from 6.3 to 10 per U.S. dollar. It also announced the elimination of the SICAD rate and starting February 18, 2016, the SIMADI rate (renamed DICOM) was allowed to float freely at a rate of approximately 203 bolivar fuerte per U.S. dollar. The DICOM rate was originally set at 206 bolivars per U.S. dollar on March 10, 2016, before falling to 674 bolivars per U.S. dollar at December 31, 2016. The DICOM rate continued to weaken during 2017 to 3,345 bolivars per U.S. dollar on August 31, 2017, when the Venezuelan government temporarily suspended the sale of U.S. dollars through its DICOM auction system. Effective January 30, 2018, the Venezuelan government eliminated the DIPRO rate and reopened the DICOM auction system auction on February 5, 2018 at the new DICOM rate of 30,987 bolivars per euro (25,000 bolivars per U.S. dollar). DICOM is now the country's only official exchange rate. On August 20, 2018, the bolivar soberano ("VES") replaced the bolivar fuerte ("VEF") at a rate of 1 VES to 100,000 VEF. The VES continued to weaken and reached 638.16 against the U.S. dollar on December 31, 2018. See note 2.2.2 to the consolidated financial statements for further information.

Trade and import competition

Europe[4]

A slowdown in global steel consumption coupled with excess capacity in China led to increased finished steel shipments into Europe in 2015, with import penetration rising to over 16% in 2018. Since then Chinese imports into Europe have fallen back from a peak of 7 million tonnes in 2015 to around 3 million tonnes in 2018. However, this has been more than offset by an increase in imports from Turkey (up from 2 million tonnes in 2015 to 7 million tonnes in 2018) and Developed Asia (2 million tonnes in 2014 to 5 million tonnes in 2018). Meanwhile, CIS imports have remained the largest share but have been relatively stable between 7 and 8 million tonnes since 2014. Overall, this continued a trend of imports growing more strongly than domestic demand. Between 2012 and 2018, Apparent Steel Consumption ("ASC") increased by 18% while over the same period, finished steel imports increased by over 100%, taking market share from domestic producers. Over this period total finished imports have risen from just over 15 million tonnes in 2012 to over 31 million tonnes in 2018, causing import penetration to rise to a record high of almost 20%. Import penetration in flats rose strongly from 2012 (13%) to 2015 (20%). While import penetration in flats has risen slowly since 2015 (up to 22% in 2018), the significant increase recently has been in long products, where import penetration rose to 13% in 2018 up from only 10% the previous year. See "Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets."

United States[5]

Finished steel imports peaked in 2014 at almost 30 million tonnes, declining to below 23 million tonnes in 2016 (or an import penetration of 25%). Imports in 2017 rose 12% year-on-year to around 25.5 million tonnes or an import penetration of over 26%. However, finished steel import penetration fell in 2018 to 23% as finished imports fell by 12% compared to a 2% year-on-year increase in ASC. Imports of semi-finished steel products continued to rise strongly, up by 11% year-on-year in 2018 after an increase of 28% during 2017.

Steel import penetration in 2018 fell back to 23%, close to the average between 2007 and 2013 and much lower than the 28% average import penetration between 2014 and 2016. The decrease in finished steel imports was due to increasing U.S. trade protection measures, despite attractive prices in the U.S. relative to international markets.

In 2018 over a third of imports came from Canada (25%) and Mexico (9%), up from around 29% in 2017. Imports from the rest of the world took a declining share, with 20% of U.S. steel imports coming from developed Asia (down 17% year-on-year), 18% from EU28 (up 1% year-on-year), 5% from Turkey (down 43% year-on-year), 3% from CIS (down 25% year-on-year) and 3% from China (down 10% year-on-year). In 2018, imports only significantly increased from ASEAN (up 13% year-on-year) taking a 5% share, mainly from Vietnam.

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[4] Source: Eurostat trade data to November 2018, Company estimates for December 2018.

[5] Source: American Iron and Steel Association data to October 2018, Company estimates for November and December 2018.

See ""Information on the Company—Business overview—Government regulations—Foreign trade" and "Key information—Risk factors—Risks related to the global economy and the mining and steel industry". Unfair trade practices in ArcelorMittal's home markets could negatively affect steel prices and reduce ArcelorMittal's profitability, while trade sanctions and barriers may have an adverse effect on ArcelorMittal's operations in various markets.

Consolidation in the steel and mining industries

Prior to 2017, consolidation transactions had decreased significantly in terms of number and value in the context of economic uncertainties in developed economies combined with a slowdown in emerging markets.

However, in an effort to reduce the worldwide structural overcapacity, some key consolidation steps were undertaken in 2018 and 2017, specifically in China and in Europe.

Steel industry consolidation in China has remained slow since 2012. As a key initiative of the Chinese central government's five-year plan issued in March 2011, the concentration process of the steel industry was expected to reduce overcapacity, rationalize steel production based on obsolete technology, improve energy efficiency, achieve environmental targets and strengthen the bargaining position of Chinese steel companies in price negotiations for iron ore. However, that initiative is yet to produce significant tangible results. In 2015, China dropped its target objective for the top ten Chinese steel producers to account for 60% of national production and for at least two producers to reach 100 million tonne capacity in the next few years. A new industry consolidation plan published by China aims at simplifying approval procedures and facilitating acquisition financing for firms in sectors like steel. In late 2016, Baosteel Group and Wuhan Iron and Steel Group completed their merger, creating Baowu Steel Group with an annual production capacity of around 60 million tonnes, also making it the world's second largest steelmaker.

In Europe, 2018 was a landmark year for the consolidation of the steel industry with two major transactions. Following an announcement made in September 2017, Tata Steel and Thyssenkrupp signed a final agreement at the end of June 2018 to consolidate their European steel mills and create the joint venture Thyssenkrupp Tata Steel, Europe's second-largest steel company after ArcelorMittal. The transaction is subject to merger control clearance in several jurisdictions, including the European Union.

In addition, on November 1, 2018, ArcelorMittal completed the acquisition of Ilva, Europe's largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. The transaction was approved by the European Commission on May 7, 2018 subject to the disposal of certain assets in Italy, Romania, North Macedonia, the Czech Republic, Luxembourg and Belgium, for which ArcelorMittal submitted sales offers currently reviewed by the European Commission. See Key transactions and events in 2018.

In the first quarter of 2018, ArcelorMittal signed a joint venture formation agreement with NSSMC in relation to its offer for a competitive resolution plan for ESIL in India setting out a positive future for the bankrupt company, an integrated flat steel producer and the largest steel company in western India. The updated plan would enable ESIL to participate in anticipated steel demand growth in India. Further to ArcelorMittal being named the preferred bidder in October 2018, ESIL's committee of creditors announced in October that the Company has been identified as the successful applicant. ArcelorMittal's resolution plan remains subject to the approval of India's NCLT. See Key transactions and events in 2018.

Further future consolidation should allow the steel industry to perform more consistently through industry cycles by achieving greater efficiencies and economies of scale, and improve bargaining power with customers and, crucially, suppliers, who tend to have higher levels of consolidation.

Critical accounting policies and use of judgments and estimates

Management's discussion and analysis of ArcelorMittal's operational results and financial condition is based on ArcelorMittal's consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of financial statements in conformity with IFRS recognition and measurement principles and, in particular, making the critical accounting judgments highlighted below require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances or obtaining new information or more experience may result in revised estimates, and actual results could differ from those estimates.

An overview of ArcelorMittal's critical accounting policies under which significant judgments, estimates and assumptions are made may be found in note 1.2 to the consolidated financial statements.

Key indicators

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

ArcelorMittal reports its operations in five reportable segments: NAFTA, Brazil, Europe, ACIS and Mining. The key performance indicators that ArcelorMittal's management

uses to analyze operations are sales, average steel selling prices, crude steel production, steel shipments, iron ore and coal production and operating income. Management's analysis of liquidity and capital resources is driven by net cash provided by operating activities.

This annual report includes net debt and operating working capital, which are alternative performance measures. ArcelorMittal believes net debt and operating working capital to be relevant to enhance the understanding of its financial position and provides additional information to investors and management with respect to the Company's operating cash flows, capital structure and credit assessment. Alternative performance measures should be read in conjunction with and not as an alternative for, ArcelorMittal's financial information prepared in accordance with IFRS. Such alternative performance measures may not be comparable to similarly titled measures applied by other companies.

Years ended December 31, 2018, 2017 and 2016

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

The following tables provide a summary of ArcelorMittal's performance by reportable segment for the year ended December 31, 2018, 2017 and 2016:

	Sales for the year ended December 31,[1]			Operating income (loss) for the year ended December 31,[2]		
	2018	2017	2016	2018	2017	2016
Segment	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)	(in $ millions)
NAFTA	20,332	17,997	15,806	1,889	1,185	2,002
Brazil	8,711	7,755	6,223	1,356	697	614
Europe	40,488	36,208	29,272	1,632	2,359	1,270
ACIS	7,961	7,621	5,885	1,094	508	211
Mining	4,211	4,033	3,114	860	991	366
Others and eliminations	(5,670)	(4,935)	(3,509)	(292)	(306)	(302)
Total	76,033	68,679	56,791	6,539	5,434	4,161

1. Amounts are prior to inter-segment eliminations (except for total) and sales include non-steel sales.
2. Others and eliminations to segment operating income reflects certain adjustments made to operating income of the segments to reflect corporate costs, income from non-steel operations (e.g. energy, logistics and shipping services) and the elimination of stock margins between segments. See table below.

	Year ended December 31,		
	2018	2017	2016
Adjustments to segment operating income and other	(in $ millions)	(in $ millions)	(in $ millions)
Corporate and shared services [1]	(170)	(199)	(71)
Financial activities	(23)	(23)	(17)
Shipping and logistics	1	(16)	(97)
Intragroup stock margin eliminations [2]	(45)	(41)	(94)
Depreciation and impairment	(55)	(27)	(23)
Total adjustments to segment operating income and other	(292)	(306)	(302)

1. Includes primarily staff and other holding costs and results from shared service activities.
2. In 2017, fourth quarter iron ore prices decreased as compared to the fourth quarter of 2016 leading to lower stock margin eliminations.

Sales

ArcelorMittal had sales of $76.0 billion for the year ended December 31, 2018, representing a 10.7% increase from sales of $68.7 billion for the year ended December 31, 2017, primarily due to a 13.5% increase in the average steel selling prices, partially offset by a 1.6% decrease in steel shipments. In the first half of 2018, sales were $39.2 billion increasing from sales of $33.3 billion in the first half of 2017, primarily due to 16.7% higher average steel selling prices. In the second half of 2018, sales of $36.8 billion represented a 4.2% increase as compared to sales of $35.3 billion in the second half of 2017, primarily driven by a 10.6% increase in average steel selling prices, partially offset by a 4.5% decrease in steel shipments.

ArcelorMittal had sales of $68.7 billion for the year ended December 31, 2017, representing a 20.9% increase from sales of $56.8 billion for the year ended December 31, 2016, primarily due to a 20.4% increase in the average steel selling prices, a 1.6% increase in steel shipments, 22.3% higher seaborne iron ore reference prices and 6.1% higher marketable iron ore shipments. In the first half of 2017, sales were $33.3 billion increasing from sales of $28.1 billion in the first half of 2016, primarily due to 23% higher average steel selling prices and 43% higher seaborne iron ore reference prices. In the second half of 2017, sales of $35.3 billion represented a 23.4% increase as compared to sales of $28.7 billion in the second half of 2016, primarily driven by a 17.5% increase in average steel selling prices, a 5.8% increase in steel shipments and a 6% increase in seaborne iron ore reference prices

Cost of sales

Cost of sales consists primarily of purchases of raw materials necessary for steel-making (iron ore, coke and coking coal, scrap and alloys), electricity, repair and maintenance costs, as well as direct labor costs, depreciation and impairment. Cost of sales for the year ended December 31, 2018 was $67.0 billion as compared to $60.9 billion for the year ended December 31, 2017, primarily due to a 9.4% increase in raw material costs (consistent with the increase in sales) and impairment charges of $1.0 billion primarily related to the remedy asset sales in connection with the Ilva acquisition and the agreed remedy package required for the approval of the Votorantim acquisition, partially offset by the $0.2 billion in gain from a bargain purchase recognized with respect to the acquisition of Ilva. Selling, general and administrative expenses ("SG&A") were $2.5 billion for the year ended December 31, 2018 compared to $2.4 billion for the year ended December 31, 2017. SG&A as a percentage of sales decreased for the year ended December 31, 2018 (3.2%) as compared to 2017 (3.4%).

Cost of sales for the year ended December 31, 2017 was $60.9 billion as compared to $50.4 billion for the year ended December 31, 2016, primarily due to a 22.3% increase in iron ore reference prices, a 31.5% increase in coal reference prices and impairment charges of $206 million related to a downward revision of cash flow projections across all steel facilities in South Africa partially offset by cost optimization efforts as part of the Action 2020 plan. SG&A were $2.4 billion for the year ended December 31, 2017 compared to $2.2 billion for the year ended December 31, 2016. SG&A as a percentage of sales decreased for the year ended December 31, 2017 (3.4%) as compared to 2016 (3.9%).

Operating income

ArcelorMittal's operating income for the year ended December 31, 2018 was $6.5 billion as compared with an operating income of $5.4 billion for the year ended December 31, 2017 and was primarily driven by improved operating conditions (positive price-cost effect in the steel segments), offset in part by the impact of lower iron ore reference prices and impairment charges of $1.0 billion primarily related to the remedy asset sales in connection with the Ilva acquisition and the agreed remedy package required for the approval of the Votorantim acquisition, partially offset by a $0.2 billion bargain purchase gain relating to the acquisition of Ilva. Operating income for the year ended December 31, 2018 was also impacted by $113 million in charges related to a blast furnace dismantling in Florange (France), $60 million in charges related to the new collective labor agreement in the United States (including a signing bonus), a $146 million provision taken in the first quarter of 2018 in respect of a litigation case that was paid in the third quarter of 2018, offset in part by the recognition in Brazil of $202 million in PIS/Cofins tax credits related to prior periods.

ArcelorMittal's operating income for the year ended December 31, 2017 was $5.4 billion as compared with an operating income of $4.2 billion for the year ended December 31, 2016 and was impacted by an impairment charge of $206 million related to a downward revision of cash flow projections in South Africa. Operating income in 2016 was positively affected by a one-time gain of $832 million on employee benefits following the signing of the new U.S. labor contract and partially offset by an impairment charge of $49 million related to the held for sale classification of the ArcelorMittal Zaragoza facility in Spain and an impairment charge of $156 million mainly related to the Vanderbijlpark plant in South Africa.

Shipments and average steel selling price

ArcelorMittal had steel shipments of 83.9 million tonnes for the year ended December 31, 2018 as compared to steel shipments of 85.2 million tonnes for the year ended December 31, 2017,representing a decrease of 1.6%, primarily due to 10.3% decline in shipments in ACIS (including unplanned maintenance in Ukraine and operational issues in Kazakhstan/Ukraine) offset in part by increases in Brazil (5.8%, including the impact of the Votorantim acquisition), NAFTA (1.0%, including the impact of a slower restart post blast furnace maintenance in Mexico) and Europe (0.2%, including the impact from the Ilva acquisition offset by the effect of a flood in Asturias (Spain), power outage in Fos (France) and slower ramp-up after the blast furnace reline in Poland).

Steel shipments increased 1.3% to 43.1 million tonnes in the first half of 2018 compared to 42.5 million tonnes for the first half of 2017 while steel shipments decreased 4.5% to 40.8 million tonnes in the second half of 2018 compared to 42.7 million tonnes in the second half of 2017.

ArcelorMittal had steel shipments of 85.2 million tonnes for the year ended December 31, 2017 as compared to steel shipments of 83.9 million tonnes for the year ended December 31, 2016, representing an increase of 1.6% primarily due to increase in NAFTA (2.6%), Brazil (0.8%) and Europe (1.7%) offset in part by decline in ACIS (1.3%). Steel shipments declined 2.4% to 42.5 million tonnes in the first half of 2017 compared to 43.6 million tonnes for the first half of 2016 while steel shipments increased 5.8% to 42.7 million tonnes in the second half of 2017 compared to 40.4 million tonnes for the second half of 2016.

Average steel selling price increased by 13.5% for the year ended December 31, 2018 as compared to the year ended December 31, 2017. Average steel selling price in the first half of 2018 increased by 16.7% as compared to the first half of 2017 and increased by 10.5% in the second half of 2018 as compared to the second half of 2017.

Average steel selling price increased by 20.4% for the year ended December 31, 2017 as compared to the year ended December 31, 2016. Average steel selling price in the first half of 2017 increased by 23.1% as compared to the first half of 2016 and increased by 17.5% in the second half of 2017 as compared to the second half of 2016.

NAFTA	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	20,332	17,997	15,806
Depreciation	522	518	549
Operating income	1,889	1,185	2,002
Crude steel production (thousand tonnes)	22,559	23,480	22,208
Steel shipments (thousand tonnes)	22,047	21,834	21,281
Average steel selling price (USD/tonne)	852	742	672

Sales

Sales in the NAFTA segment were $20.3 billion for the year ended December 31, 2018, representing a 13.0% increase as compared to the year ended December 31, 2017. Sales increased primarily as a result of the increase in average steel selling prices by 14.8% and a 1.0% increase in steel shipments.

Sales in the NAFTA segment were $18.0 billion for the year ended December 31, 2017, representing a 13.9% increase as compared to 2016. Sales increased primarily as a result of the increase in average steel selling prices by 10.3% and a 2.6% increase in steel shipments.

Operating income

Operating income for the NAFTA segment was $1.9 billion for the year ended December 31, 2018 as compared to operating income of $1.2 billion for the year ended December 31, 2017, primarily driven by a 14.8% increase in average steel selling prices. Operating income for the year ended December 31, 2018 included $60 million in charges related to the new collective labor agreement in the United States (which included a signing bonus).

Operating income for the NAFTA segment was $1.2 billion for the year ended December 31, 2017 as compared to operating income of $2.0 billion for the year ended December 31, 2016, affected by a negative price-cost effect for long products partially offset by a positive price-cost effect for flat products and gains from the Action 2020 program. Additionally, operating income for the year ended December 31, 2016 was positively affected by a one-time $832 million gain on employee benefits following the signing of the new U.S. labor contract.

Crude steel production, steel shipments and average steel selling price

Crude steel production decreased 3.9% to 22.6 million for the year ended December 31, 2018 as compared to 23.5 million for the year ended December 31, 2017. Crude steel

production declined in particular in the second half of 2018, primarily due to market slowdown and blast furnace reline delay in Mexico.

Crude steel production increased 5.7% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 driven by improved operational performance.

Steel shipments increased 1.0% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 reflecting improved demand in the first half and a slowdown and the impact of the blast furnace delay in the second half. Shipments were 11.4 million tonnes for the first half of 2018, an increase of 3% from 11 million tonnes in the first half of 2017, in line with available inventory. Shipments decreased 1.1% to 10.7 million tonnes in the second half of 2018 as compared to 10.8 million tonnes in the second half of 2017.

Steel shipments increased 2.6% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with improved demand.

Shipments were 11 million tonnes for the first half of 2017, an increase of 1.1% from 10.9 million tonnes in the first half of 2016 which included shipments from LaPlace and Vinton which were sold in April 2016. Shipments increased 4.1% to 10.8 million tonnes in the second half of 2017 as compared to 10.4 million tonnes in the second half of 2016.

Average steel selling prices increased 14.8% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in particular as a result of imports tariffs on steel implemented in the United States. Average steel selling prices increased 10.5% for the first half of 2018 as compared to the first half of 2017 and 19.4% for the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 10.3% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling price increased 14% for the first half of 2017 as compared to the first half of 2016 and 6.4% for the second half of 2017 as compared to the second half of 2016.

Brazil	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	8,711	7,755	6,223
Depreciation	298	293	258
Impairments	86	—	—
Operating income	1,356	697	614
Crude steel production (thousand tonnes)	12,264	11,210	11,133
Steel shipments (thousand tonnes)	11,464	10,840	10,753
Average steel selling price (USD/tonne)	719	667	536

Sales

In the Brazil segment, sales increased 12.3% to $8.7 billion for the year ended December 31, 2018 as compared to the year ended December 31, 2017, primarily due to a 7.7% increase in average steel selling prices and a 5.8% increase in shipments. Sales for the year ended December 31, 2018 were also negatively impacted by hyperinflation accounting in Argentina.

In the Brazil segment, sales increased 24.6% to $7.8 billion for the year ended December 31, 2017 as compared to the year ended December 31, 2016, primarily due to 24.5% higher average steel selling prices.

Operating income

Operating income for the Brazil segment was $1.4 billion for the year ended December 31, 2018, representing an increase of 94.6% as compared to the year ended December 31, 2017, primarily driven by increased shipments and higher average steel selling prices. Operating income for the year ended December 31, 2018 was negatively affected by foreign exchange translation impact, hyperinflation in Argentina and $86 million impairment related to the agreed remedy package required for the approval of the Votorantim acquisition. It was positively affected by the recognition of $202 million additional PIS/Cofins tax credits in the fourth quarter of 2018 relating to favorable judgments obtained in cases filed by ArcelorMittal Brasil concerning the period of 2005 to 2013. See note 8.3 to the consolidated financial statements for further information on pending cases related to the PIS/Cofins topic.

Operating income for the Brazil segment for the year ended December 31, 2017 was $697 million, an increase of 13.5% as compared to the year ended December 31, 2016, primarily driven by positive price-cost effect and gains from the Action 2020 program.

Crude steel production, steel shipments and average steel selling price

Crude steel production increased 9.4% to 12.3 million tonnes for the year ended December 31, 2018 as compared to 11.2 million tonnes for the year ended December 31, 2017 mainly due to an increase in long products following the integration of Votorantim. Excluding Votorantim, crude steel production increased 4.9%.

Crude steel production increased marginally to 11.2 million tonnes for the year ended December 31, 2017 as compared to the year ended December 31, 2016 due to an increase in flat production offset by long production due to a scheduled reline at Monlevade.

Steel shipments increased to 11.5 million tonnes for the year ended December 31, 2018 as compared to 10.8 million tonnes for the year ended December 31, 2017, reflecting the contribution from the acquisition of Votorantim. Excluding Votorantim, steel shipments increased 0.5%.

Total steel shipments in the Brazil segment increased 9.6% to 5.3 million tonnes for the first half of 2018 as compared to 4.8 million tonnes for the first half of 2017, driven by improved demand in long products and the integration of Votorantim, partially offset by a nationwide truck strike. Total steel shipments in the Brazil segment increased 2.6% to 6.2 million tonnes in the second half of 2018 as compared to 6.0 million tonnes for the second half of 2017.

Steel shipments remained stable for the year ended December 31, 2017 and 2016 at 10.8 million tonnes.

Average steel selling prices increased 7.7% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with international prices. Average steel selling prices in the Brazil segment increased 11.0% for the six months ended June 30, 2018 as compared to the six months ended June 30, 2017, in line with domestic and export prices, and 4.9% during the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 24.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling prices increased 34.4% during the first half of 2017 as compared to the first half of 2016 and 16.6% during the second half of 2017 as compared to the second half of 2016.

Europe	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	40,488	36,208	29,272
Depreciation	1,195	1,201	1,184
Impairments	908	—	49
Operating income	1,632	2,359	1,270
Crude steel production (thousand tonnes)	44,693	43,768	42,635
Steel shipments (thousand tonnes)	41,020	40,941	40,247
Average steel selling price (USD/tonne)	787	702	568

Sales

Sales in the Europe segment were $40.5 billion for the year ended December 31, 2018, representing an 11.8% increase as compared to sales of $36.2 billion for the year ended December 31, 2017, primarily due to a 12.2% increase in average steel selling prices, a 0.2% increase in steel shipments and the depreciation of the U.S. dollar against the euro.

Sales in the Europe segment were $36.2 billion for the year ended December 31, 2017, representing a 23.7% increase as compared to sales of $29.3 billion for the year ended December 31, 2016, primarily due to a 23.5% increase in average steel selling prices and a 1.7% increase in steel shipments. Spot prices began improving in the second quarter of 2016 which positively impacted sales in the second half of 2016 due to lead times and lagged pricing.

Operating income

Operating income for the Europe segment for the year ended December 31, 2018 decreased to $1.6 billion as compared to $2.4 billion for the year ended December 31, 2017, primarily due to the impairment charges of $908 million mainly related to the remedy asset sales for the acquisition of Ilva (reflecting the adjustment to the carrying amount of the disposal group to the expected sale proceeds based on the offers received) as well as charges of $113 million related to blast furnace dismantling in Florange (France) and a charge of $146 million taken for the German Cartel case which settled in July 2018.Operating income for the Europe segment for the year ended December 31, 2018 was positively impacted by $209 million of bargain purchase gain recognized with respect to the acquisition of Ilva.

Operating income for the Europe segment for the year ended December 31, 2017 increased to $2.4 billion as compared to $1.3 billion for the year ended December 31, 2016, primarily due to higher steel shipments in the flat business, positive price-cost effect in the flat business and gains from the Action 2020 program, partially offset by lower steel shipments and negative price-cost effect in the long business.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the Europe segment increased 2.1% to 44.7 million tonnes for the year ended December 31, 2018 as compared to 43.8 million tonnes for the year ended December 31, 2017, due primarily to the consolidation of Ilva as from November 1, 2018, partially offset by production issues including floods in Asturias (Spain) and blast furnace reline in ArcelorMittal Zenica (Bosnia) in the second quarter and a power outage in ArcelorMittal Méditerranée (Fos-sur-Mer, France) and a slower ramp up following a blast furnace repair in Poland in the third quarter of 2018.

Crude steel production for the Europe segment increased 2.7% to 43.8 million tonnes for the year ended December 31, 2017 as compared to 42.6 million tonnes for the year ended December 31, 2016, reflecting better operational performance.

Steel shipments were 41.0 million tonnes for the year ended December 31, 2018, a 0.2% increase from steel shipments of 40.9 million for the year ended December 31, 2017. In the first half of 2018, steel shipments increased 2.6% to 21.2 million tonnes, from 20.7 million tonnes in the first half of 2017, both for flat and long products partially offset by the operational issues described above, while steel shipments in the second half of 2018 decreased 2.3% to 19.8 million tonnes from 20.3 million tonnes in the second half of 2017 due to weak market conditions in the fourth quarter of 2018, particularly in long products, and the operational issues described above, partially offset by the consolidation of Ilva as from November 1, 2018.

Steel shipments were 40.9 million tonnes for the year ended December 31, 2017, a 1.7% increase from steel shipments for the year ended December 31, 2016. In the first half of 2017, steel shipments decreased 3.1% to 20.7 million tonnes, from 21.3 million tonnes in the first half of 2016, due to weaknesses in long market demand while steel shipments in the second half of 2017 increased 7.1% as compared to the second half of 2016. The decrease in shipments in the first half of 2017 includes the effect of the disposal of ArcelorMittal Zaragoza and the idling of Zumarraga.

Average steel selling prices increased 12.2% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with higher international prices. Average steel selling prices increased 18.8% during the first half of 2018 as compared to the first half of 2017 in line with higher international prices and the depreciation of the U.S. dollar against the euro and 6.0% during the second half of 2018 as compared to the second half of 2017.

Average steel selling prices increased 23.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with higher international prices. Average steel selling prices increased 23.0% both during the first half of 2017 as compared to the first half of 2016 and during the second half of 2017 as compared to the second half of 2016.

ACIS	Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	2018	2017	2016
Sales	7,961	7,621	5,885
Depreciation	311	313	311
Impairments	—	206	156
Operating income	1,094	508	211
Crude steel production (thousand tonnes)	13,022	14,678	14,792
Steel shipments (thousand tonnes)	11,741	13,094	13,271
Average steel selling price (USD/tonne)	598	515	395

Sales

Sales in the ACIS segment were $8.0 billion for the year ended December 31, 2018, representing an increase of 4.5% as compared to the year ended December 31, 2017, primarily due to a 16.1% increase in average steel selling prices, partially offset by a 10.3% decrease in steel shipments.

Sales in the ACIS segment were $7.6 billion for the year ended December 31, 2017, representing an increase of 29.5% as compared to the year ended December 31, 2016, primarily due to a 30.5% increase in average steel selling prices, partially offset by a 1.3% decrease in steel shipments.

Operating income

Operating income for the ACIS segment for the year ended December 31, 2018 was $1.1 billion as compared to $508 million for the year ended December 31, 2017, increasing primarily due to a positive price-cost effect and partially offset by the decrease in shipments in 2018.

Operating income for the ACIS segment for the year ended December 31, 2017 was $508 million as compared to $211 million for the year ended December 31, 2016, the increase is primarily driven by a positive price-cost effect in the CIS business including gains from the Action 2020 program, partially offset by negative price-cost effect in ArcelorMittal South Africa and impairment charges of $206 million related to a downward revision of cash flow projections across all steel facilities in ArcelorMittal South Africa.

Crude steel production, steel shipments and average steel selling price

Crude steel production for the ACIS segment decreased by 11.3% to 13.0 million tonnes for the year ended December 31, 2018, from 14.7 million tonnes for the year ended December 31, 2017, primarily due to planned (blast furnace #9) and unplanned maintenance in Ukraine in the first half of 2018 and an explosion at a gas pipeline at Temirtau (Kazakhstan) in the fourth quarter of 2018.

Crude steel production for the ACIS segment decreased marginally by 0.8% to 14.7 million tonnes for the year ended December 31, 2017, from 14.8 million tonnes for the year ended December 31, 2016.

Steel shipments for the year ended December 31, 2018 decreased by 10.3% to 11.7 million tonnes as compared to 13.1 million tonnes for the year ended December 31, 2017 reflecting the operational issues mentioned above. In the first half of 2018, steel shipments decreased 6.1% to 6.1 million tonnes from 6.5 million tonnes in the first half of 2017 due to lower CIS shipments partially offset by higher steel shipments in South Africa, while steel shipments in the second half of 2018 decreased 14.5% to 5.7 million as compared to 6.6 million in the second half of 2017, primarily due to lower steel shipments in CIS following the incidents mentioned above.

Steel shipments for the year ended December 31, 2017 decreased by 1.3% to 13.1 million tonnes as compared to 13.3 million tonnes for the year ended December 31, 2016. Steel shipments decreased 4.3% in the first half of 2017 to 6.5 million tonnes as compared to 6.8 million tonnes for the first half of 2016. In the second half of 2017, steel shipments increased 1.7% to 6.6 million as compared to 6.5 million in the second half of 2016.

Average steel selling prices increased 16.1% for the year ended December 31, 2018 as compared to the year ended December 31, 2017 in line with international prices. Average steel selling prices increased 23.1% and 9.4% in the first and second half of 2018, respectively, as compared to the same periods in 2017.

Average steel selling prices increased 30.5% for the year ended December 31, 2017 as compared to the year ended December 31, 2016 in line with international prices. Average steel selling prices increased 36.9% and 24.7% in the first and second half of 2017, respectively as compared to the same periods in 2016.

Mining		Performance for the year ended December 31,		
(in millions of USD unless otherwise shown)	Note	2018	2017	2016
Sales		4,211	4,033	3,114
Depreciation		418	416	396
Operating income		860	991	366
Own iron ore production (million tonnes)		58.5	57.4	55.2
Iron ore shipped externally and internally at market price (million tonnes)	1,2	37.6	35.7	33.6
Iron ore shipment - cost plus basis (million tonnes)	1	20.6	22.2	22.3
Own coal production (million tonnes)		5.9	6.3	6.3
Coal shipped externally and internally at market price (million tonnes)	1,2	2.5	2.8	3.4
Coal shipment - cost plus basis (million tonnes)	1	3.3	3.5	3.4

1. There are three categories of sales: (1) “External sales”: mined product sold to third parties at market price; (2) “Market-priced tonnes”: internal sales of mined product to ArcelorMittal facilities reported at prevailing market prices; (3) “Cost-plus tonnes”: internal sales of mined product to ArcelorMittal facilities on a cost-plus basis. The determinant of whether internal sales are reported at market price or reported at cost-plus is whether or not the raw material could practically be sold to third parties (i.e., there is a potential market for the product and logistics exist to access that market).
2. Market-priced tonnes represent amounts of iron ore and coal from ArcelorMittal mines that could practically be sold to third parties. Market-priced tonnes that are transferred from the Mining segment to the Company’s steel producing segments are reported at the prevailing market price. Shipments of raw materials that do not constitute market-priced tonnes are transferred internally on a cost-plus basis.

	Note			Year ended December 31,		
Iron ore production (million metric tonnes)	1	Type	Product	2018	2017	2016
Own mines						
North America	2	Open pit	Concentrate, lump, fines and pellets	36.9	38.1	35.9
South America		Open pit	Lump and fines	2.8	3.2	3.1
Europe		Open pit	Concentrate and lump	1.4	1.6	1.8
Africa		Open pit / Underground	Fines	4.6	2.0	2.1
Asia, CIS & Other		Open pit / Underground	Concentrate, lump, fines and sinter feed	12.8	12.5	12.3
Total own iron ore production				58.5	57.4	55.2
Strategic long-term contracts - iron ore						
North America	3	Open pit	Pellets	—	0.9	6.1
Africa		Open pit	Lump and fines		—	0.8
Total strategic long-term contracts - iron ore				—	0.9	6.9
Total				58.5	58.3	62.1

1. Total of all finished production of fines, concentrate, pellets and lumps.
2. Includes own mines and share of production from Hibbing (United States, 62.30%) and Peña (Mexico, 50%).
3. Consists of a long-term supply contract with Cleveland-Cliffs Inc. which expired in the first quarter of 2017.

	Note	Year ended December 31,		
Coal production (million metric tonnes)		2018	2017	2016
Own mines				
North America		2.09	2.06	1.80
Asia, CIS & Other		3.82	4.25	4.45
Total own coal production		5.91	6.31	6.25

Sales

Sales in the Mining segment were $4.2 billion for the year ended December 31, 2018, representing an increase of 4.4% as compared to the year ended December 31, 2017. Sales were 2.2% higher at $2.1 billion and 6.7% higher at $2.1 billion for the first and second half of 2018, respectively as compared to the same periods in 2017.

Sales in the Mining segment were $4.0 billion for the year ended December 31, 2017, representing an increase of 29.5% as compared to the year ended December 31, 2016. Sales were 45.1% higher at $2.0 billion and 16.6% higher at $2.0 billion for the first and second half of 2017, respectively as compared to the same periods in 2016.

Sales to external customers were $1,009 million for the year ended December 31, 2018, representing an increase of 2.4% as compared to the year ended December 31, 2017,

primarily due to the increase in prices. Iron ore shipments were 58.3 million tonnes for the year ended December 31, 2018, representing a marginal 0.7% increase as compared to 57.9 million for the year ended December 31, 2017. Iron ore shipments to external parties were 12.7 million tonnes for the year ended December 31, 2018 as compared to 11.8 million tonnes for the year ended December 31, 2017. Coal shipments were 5.8 million tonnes for the year ended December 31, 2018 as compared with 6.3 million tonnes for the year ended December 31, 2017.

Sales to external customers were $985 million for the year ended December 31, 2017, representing a 26.1% increase as compared to the year ended December 31, 2016, primarily due to the increase in prices. Iron ore shipments were 57.9 million tonnes for the year ended December 31, 2017, representing an increase of 3.5% as compared to the year ended December 31, 2016, primarily due to the restart of Volcan in Mexico that delivered 1.7 million tonnes in 2017. Iron ore shipments to external parties were 11.8 million tonnes for the year ended December 31, 2017 as compared to 12.3 million tonnes for the year ended December 31, 2016. Coal shipments were 6.3 million tonnes for the year ended December 31, 2017 as compared with 6.8 million tonnes for the year ended December 31, 2016. Shipments in 2016 were higher from Princeton in the U.S. from liquidation of inventory.

The average reference iron ore price was $69.7per tonne in 2018, $71.39 per tonne in 2017 and $58.36 per tonne in 2016 (delivered to China, normalized to Qingdao and 62% Fe US $ per tonne, Metal Bulletin) and the average reference price for hard coking coal increased to $206.62 per tonne in 2018, $187.28 per tonne in 2017 and $142.44 per tonne in 2016 (Premium HCC FOB Aus, Metal Bulletin). The increase in the average reference hard coking coal price, accelerated in the second half of 2016 and continued significant increases in 2017 and 2018. However, there may not be a direct correlation between reference prices and actual selling prices in various regions at a given time.

Operating income

Operating income for the Mining segment was $860 million for the year ended December 31, 2018 as compared to $991 million for the year ended December 31, 2017, primarily driven by the decrease in the iron ore reference prices and lower coal volumes.

Operating income for the Mining segment was $991 million for the year ended December 31, 2017 as compared to $366 million for the year ended December 31, 2016, primarily driven by higher shipments and the increases in the iron ore and coal reference prices.

Production

ArcelorMittal had own iron ore production of 58.5 million tonnes for the year ended December 31, 2018, an increase of 1.9% compared to the year ended December 31, 2017, primarily due to Liberia (production of 4.6 million tonnes in 2018 which, although above the 2017 level, was slightly below the 5 million tonne full year capacity, due to handling/ logistical issues at the new Gangra deposit during the wet season in the second half of 2018), offset in part by lower production in Canada (lower yield from a new mix of ore bodies following a pit wall instability issue which first occurred in the fourth quarter of 2017) and Mexico.

ArcelorMittal had own iron ore production of 57.4 million tonnes for the year ended December 31, 2017, an increase of 4.0% compared to the year ended December 31, 2016, primarily attributed to an increase in production in Mexico (following the restart of the Volcan mine in 2017) and Canada. Liberia production was 2 million tonnes for the year ended December 31, 2017.

ArcelorMittal had own coking coal production of 5.9 million tonnes for the year ended December 31, 2018, a decrease of 6.3% compared to the year ended December 31, 2017 mainly due to lower production in the Kazakhstan mines following operational and geological issues..

ArcelorMittal had own coking coal production of 6.3 million tonnes for the year ended December 31, 2017, an increase of 0.9% compared to the year ended December 31, 2016.

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

ArcelorMittal recorded income of $652 million from investments in associates, joint ventures and other investments for the year ended December 31, 2018, as compared to $448 million for the year ended December 31, 2017 and includes a dividend income from Erdemir of $87 million as compared to $45 million in 2017.

ArcelorMittal recorded income of $448 million from investments in associates, joint ventures and other investments for the year ended December 31, 2017, as compared to $615 million for the year ended December 31, 2016 and includes a $133 million gain from disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership and improved performance of Calvert and Chinese investees, offset in part by a loss on dilution of the Company's stake in China Oriental and the recycling of cumulative foreign exchange translation losses to the consolidated statement of operations following the disposal of the Company's 50% stake in Kalagadi ($187 million).

Financing costs-net

Financing costs-net include net interest expense, revaluation of financial instruments, net foreign exchange income/expense (i.e., the net effects of transactions in a foreign currency other than the functional currency of a subsidiary) and other net financing costs (which mainly include bank fees, accretion of defined benefit obligations and other long-term liabilities).

Net financing costs were higher at $2.2 billion for the year ended December 31, 2018 as compared to $0.9 billion for the year ended December 31, 2017. Net interest expense (interest expense less interest income) was lower at $0.6 billion for the year ended December 31, 2018 as compared to $0.8 billion for the year ended December 31, 2017, driven by debt reduction including early bond repayments and lower cost of debt.

Foreign exchange losses were $235 million as compared to a gain of $546 million for the years ended December 31, 2018 and 2017, respectively. The foreign exchange losses were primarily due to the effect of the depreciation of the U.S. dollar against the euro on the Company's euro denominated debt in the first quarter of 2018. As of April 1, 2018, the Company designated a portfolio of euro denominated debt (€5,169 million as of December 31, 2018) as a hedge of certain euro denominated investments (€7,804 million as of December 31, 2018) in order to mitigate the foreign currency risk arising from certain euro denominated subsidiaries' net assets. The risk arises from the fluctuation in spot exchange rates between the U.S. dollar and euro, which causes the amount of the net investments to vary. The hedged risk in the hedge of net investments is a risk of a weakening euro against the U.S. dollar that will result in a reduction in the carrying amount of the Company's net investments in the subsidiaries subject to the hedge. The euro denominated debt is designated as a hedging instrument for the change in the value of the net investments that is attributable to changes in the euro/U.S. dollar spot rate. As a result, the Company's statement of operations no longer includes foreign exchange exposure on such euro denominated debt .

Other net financing costs (including expenses related to true sale of receivables, bank fees, interest on pensions and fair value adjustments of the call option of the mandatorily convertible bond and derivative instruments) were $1.4 billion for the year ended December 31, 2018 compared to $0.6 billion for the year ended December 31, 2017, and included mark-to-market losses related to the mandatory convertible bond call option totaling $0.5 billion as compared to gains of $0.8 billion for the year ended December 31, 2017. Other net financing costs for the year ended December 31, 2018 also included $0.1 billion premium expense on the early redemption of bonds as compared to $0.4 billion for the year ended December 31, 2017. Other net financing costs in 2017 were negatively affected by mark-to-market losses relating to a derivative embedded in a pellet supply agreement in the United States (due to a payment based on the evolution of the price of steel in the United States domestic steel market) of $0.3 billion.

Net financing costs were lower at $0.9 billion for the year ended December 31, 2017 as compared to $2.1 billion for the year ended December 31, 2016. Net interest expense (interest expense less interest income) was lower at $0.8 billion for the year ended December 31, 2017 as compared to $1.1 billion for the year ended December 31, 2016, driven by debt reduction including early bond repayments.

Foreign exchange gains were $546 million as compared to a loss of $3 million for the years ended December 31, 2017 and 2016, respectively. The foreign exchange gains were primarily due to the impact of the U.S. dollar depreciation on euro denominated deferred tax assets, partially offset by foreign exchange losses on euro denominated debt. The U.S. dollar depreciated 13.8% against the euro in 2017.

Other net financing costs (including expenses related to true sale of receivables, bank fees, interest on pensions and fair value adjustments of the call option of the mandatorily convertible bond and derivative instruments) was $0.6 billion for the year ended December 31, 2017 compared to $0.9 billion for the year ended December 31, 2016, and included $0.8 billion mark-to-market gains on derivatives (primarily the call option of the mandatory convertible bond following the market price increase in the underlying shares), mark-to-market losses relating to a derivative embedded in a pellet supply agreement in the United States (due to a payment based on the evolution of the price of steel in the United States domestic steel market) of $0.3 billion, $0.4 billion for premium expense on the early redemption of bonds and an expense of $92 million relating to the extension of the mandatory convertible bond. Other net financing costs in 2016 were negatively affected by premiums and fees of $0.4 billion relating to early redeemed bonds in 2016 and $0.1 billion non-cash expense in connection with the issuance of shares in the context of a B-BBEE transaction in South Africa, partially offset by the fair value adjustment for the mandatory convertible bonds for $0.2 billion.

Income tax expense (benefit)

ArcelorMittal recorded an income tax benefit of $0.3 billion for the year ended December 31, 2018 as compared to income tax expense of $0.4 billion for the year ended December 31, 2017. The current income tax expense of $928 million for the year ended December 31, 2018 as compared to $583 million for the year ended December 31, 2017 was primarily driven by improved results in a number of countries. The deferred tax benefit of $1,277 million for the year ended December 31, 2018 as compared with a deferred tax benefit of $151 million for the year ended

December 31, 2017 included a $1.4 billion deferred tax benefit recorded mainly in Luxembourg, due to the expectation of higher future profits. This benefit included a $0.6 billion deferred tax income in the context of the change in the currency denomination of the Company's tax losses in Luxembourg as the revised taxable income projections in U.S. dollar terms reflect a change in the foreign currency exposure of the different income streams. Following the May 16, 2018 approval of the extraordinary general meeting ("EGM") to change the share capital of the ArcelorMittal parent company from euro to U.S. dollar, the parent company will file consolidated tax returns in U.S. dollar for the main Luxembourg tax integration going forward. The euro denominated tax losses and the related deferred tax asset held by the ArcelorMittal parent company in Luxembourg were translated into U.S. dollar effective as of January 1, 2018.

ArcelorMittal recorded an income tax expense of $0.4 billion for the year ended December 31, 2017 as compared to $1.0 billion for the year ended December 31, 2016. The tax expense for the year ended December 31, 2016 included a derecognition of deferred tax assets for $0.7 billion in Luxembourg largely due to the change in tax rate, while in 2017 a deferred tax asset of $0.3 billion was recorded in Luxembourg following increased expectation of future profits.

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and the pre-tax results of its subsidiaries in each of these countries, which can change from year to year. ArcelorMittal operates in jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as enacted in Luxembourg (26.01%), as well as in jurisdictions, mainly in Brazil and Mexico, which have a structurally higher corporate income tax rate.

The statutory income tax expense (benefit) and the statutory income tax rates of the countries that most significantly resulted in the tax expense (benefit) at statutory rate for each of the years ended December 31, 2018, 2017 and 2016 are as set forth below:

	2018		2017		2016	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	44	21.00%	(98)	21.00%	224	35.00%
Argentina	6	25.00%	15	25.00%	22	35.00%
France	48	25.82%	112	25.82%	17	28.92%
Brazil	271	34.00%	69	34.00%	86	34.00%
Belgium	55	25.00%	105	25.00%	71	33.99%
Germany	(22)	30.30%	7	30.30%	(37)	30.30%
Spain	18	25.00%	(4)	25.00%	(47)	25.00%
Luxembourg	123	26.01%	1,139	26.01%	196	26.01%
Mexico	73	30.00%	(18)	30.00%	53	30.00%
South Africa	19	28.00%	(115)	28.00%	(96)	28.00%
Canada	359	25.90%	190	25.90%	98	26.10%
Kazakhstan	65	20.00%	77	20.00%	36	20.00%
Czech Republic	(51)	19.00%	(21)	19.00%	3	19.00%
Poland	45	19.00%	30	19.00%	33	19.00%
Romania	(44)	16.00%	(7)	16.00%	(11)	16.00%
Ukraine	69	18.00%	47	18.00%	20	18.00%
Trinidad & Tobago	—	25.00%	—	25.00%	66	25.00%
Liberia	(3)	25.00%	(18)	25.00%	6	25.00%
United Kingdom	8	17.00%	(1)	17.00%	15	17.00%
Switzerland	17	7.83%	(67)	7.83%	(13)	7.83%
Others	(57)		(35)		(65)	
Total	1,043		1,407		677	

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

Non-controlling interests

Net income attributable to non-controlling interests was $181 million for the year ended December 31, 2018 as compared to $7 million for the year ended December 31, 2017. Net income attributable to non-controlling interests increased in 2018 primarily as a result of the improved operating performance of ArcelorMittal South Africa.

Net income attributable to non-controlling interests was $7 million for the year ended December 31, 2017 as compared with net loss attributable to non-controlling interests of $45 million for the year ended December 31, 2016. Net income

attributable to non-controlling interests for 2017 was primarily related to income generated by ArcelorMittal Mines and Infrastructure Canada and Belgo Bekaert Arames in Brazil partly offset by losses including impairment losses generated by ArcelorMittal South Africa.

Net income attributable to equity holders of the parent

ArcelorMittal's net income attributable to equity holders of the parent was $5.1 billion $4.6 billion and $1.8 billion for the years ended December 31, 2018, 2017 and 2016, respectively.

Liquidity and capital resources

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

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

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

As of December 31, 2018, ArcelorMittal's cash and cash equivalents, including restricted cash of $182 million, amounted to $2.4 billion as compared to $2.8 billion as of December 31, 2017. In addition, ArcelorMittal had available borrowing capacity of $5.5 billion under its $5.5 billion revolving credit facility as of December 31, 2018 and 2017.

As of December 31, 2018, ArcelorMittal's total debt, which includes long-term debt and short-term debt (including debt classified as held for sale) was $12.6 billion, compared to $12.9 billion as of December 31, 2017.

Net debt (defined as long-term debt ($9.3 billion) plus short-term debt ($3.2 billion) including debt classified as held for sale ($0.1 billion), less cash and cash equivalents and restricted cash ($2.4 billion) was $10.2 billion as of December 31, 2018, up from $10.1 billion at December 31, 2017, comprised of long-term debt ($10.1 billion) plus short-term debt ($2.8 billion), less cash and cash equivalents and restricted cash ($2.8 billion). Most of the external debt is borrowed by the parent company on an unsecured basis and bears interest at varying levels based on a combination of fixed and variable interest rates. Gearing (defined as net debt divided by total equity) at December 31, 2018 was 23% as compared to 25% at December 31, 2017.

The margin applicable to ArcelorMittal's principal credit facilities ($5.5 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings. On February 1, 2018, Standard & Poor's upgraded ArcelorMittal's credit rating to BBB- and placed ArcelorMittal on stable outlook. On June 22, 2018, Moody's upgraded ArcelorMittal's credit rating to Baa3 and placed it on stable outlook. On July 13, 2018, Fitch upgraded ArcelorMittal's credit rating to BBB- and placed it on stable outlook. These upgrades resulted in reduced interest expense.

ArcelorMittal's $5.5 billion revolving credit facility signed on December 19, 2018 and maturing on December 19, 2023 (with two one-year extension options (i.e. the options to extend are in the first and second years, so at end 2019 and at end 2020)), contains restrictive covenants. Among other things, these covenants limit encumbrances on the assets of ArcelorMittal and its subsidiaries, the ability of ArcelorMittal's subsidiaries to incur debt and the ability of ArcelorMittal and its subsidiaries to dispose of assets in certain circumstances. The agreement also requires compliance with a financial covenant, as summarized below.

The Company must ensure that the ratio of "Consolidated Total Net Borrowings" (consolidated total borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to certain adjustments as set out in the facility) does not, at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of the Company), exceed a certain ratio, referred to by the Company as the "Leverage ratio". ArcelorMittal's principal credit facilities set this ratio to 4.25 to 1. The Term Facilities Agreement entered into on November 20, 2018 also includes this financial covenant (see "—Financings—Other loans and facilities" below). As of December 31, 2018, the Company was in compliance with the ratio.

Non-compliance with the covenants in the Company's borrowing agreements would entitle the lenders under such facilities to accelerate the Company's repayment obligations. The Company was in compliance with the financial covenants in the agreements related to all of its

borrowings as of December 31, 2018 and December 31, 2017.

As of December 31, 2018, ArcelorMittal had guaranteed $99 million of debt of its operating subsidiaries. See also note 8.4 to the consolidated financial statements for all other ArcelorMittal guarantees for associates and joint ventures. ArcelorMittal's debt facilities have provisions whereby the acceleration of the debt of another borrower within the ArcelorMittal group could, under certain circumstances, lead to acceleration under such facilities.

The following table summarizes the repayment schedule of ArcelorMittal's outstanding indebtedness, which includes short-term and long-term debt, as of December 31, 2018.

	Repayment amounts per year (in billions of $)						
Type of indebtedness as of December 31, 2018	2019	2020	2021	2022	2023	>2023	Total
Bonds	0.9	1.9	1.3	1.5	0.5	1.6	7.7
Commercial paper	1.3						1.3
Other loans	1.0	1.3	0.5	0.2	0.3	0.3	3.6
Total gross debt	3.2	3.2	1.8	1.7	0.8	1.9	12.6

As of December 31, 2018, the $5.5 billion revolving credit facility was fully available.

The average debt maturity of the Company was 4.0 years as of December 31, 2018, as compared to 5.5 years as of December 31, 2017.

Further information regarding ArcelorMittal's outstanding short-term and long-term indebtedness as of December 31, 2018, including the breakdown between fixed rate and variable rate debt, is set forth in note 6 to the consolidated financial statements. Further information regarding ArcelorMittal's use of financial instruments for hedging purposes is set forth in note 6 to the consolidated financial statements.

Financings

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

Principal credit facilities

On December 19, 2018, ArcelorMittal signed an agreement for a $5.5 billion revolving credit facility (the "Facility"). This Facility replaced the $5.5 billion revolving credit facility dated April 30, 2015, which was amended and extended on December 21, 2016. The agreement incorporates a single tranche of $5.5 billion maturing on December 19, 2023 , with two one-year extension options (i.e. the options to extend are in the first and second years end of 2019 and end of 2020). The Facility may be used for general corporate purposes. As of December 31, 2018, the $5.5 billion revolving credit facility was fully available. The Company makes drawdowns from and repayments on this Facility in the framework of its cash management.

On September 30, 2010, ArcelorMittal entered into the $500 million revolving multi-currency letter of credit facility (the "Letter of Credit Facility"). The Letter of Credit Facility is used by the Company and its subsidiaries for the issuance of letters of credit and other instruments. The terms of the letters of credit and other instruments contain certain restrictions as to duration. The Letter of Credit Facility was amended on October 26, 2012, to reduce its amount to $450 million. On September 30, 2014, the Company refinanced its Letter of Credit Facility by entering into a $350 million revolving multi-currency letter of credit facility, which matures on May 31, 2019.

2018 and early 2019 capital markets, liability management transactions and debt repayments

On March 29, 2018, at maturity, ArcelorMittal repaid the €334 million ($411 million) principal amount that remained outstanding, following the cash tender offers in April 2016 of its €500 million 4.5% unsecured bonds.

On April 9, 2018, at maturity, ArcelorMittal repaid its €400 million ($491 million) 2018 Floating Rate Notes.

On August 7, 2018, pursuant to cash tender offers and financed with existing cash and liquidity, ArcelorMittal purchased:

- $432 million of its U.S. dollar denominated 7.00% Notes due October 15, 2039 (the "2039 Notes") for a total aggregate purchase price (including premiums and accrued interest) of $505 million. Following this purchase, $686 million principal amount of the 2039 Notes remained outstanding.
- $195 million of its U.S. dollar denominated 6.75% Notes due March 1, 2041 (the "2041 Notes") for a total aggregate purchase price (including premiums and accrued interest) of $224 million. Following this purchase, $434 million principal amount of the 2041 Notes remained outstanding.

On January 17, 2019, ArcelorMittal issued €750 million 2.250% Notes due 2024. The Notes were issued under ArcelorMittal's €10 billion wholesale Euro Medium Term Notes Program.

Mandatory convertible bond

On December 14, 2017, the Company extended the conversion date for the $1 billion privately placed mandatory convertible bond (the "MCB") issued by Hera Ermac, a wholly-owned Luxembourg subsidiary. The MCB is mandatorily convertible into preferred shares of such subsidiary. The mandatory conversion date of the bond has been extended to January 29, 2021. The Company has the option to call the mandatory convertible bond until 10 business days before the maturity date. Hera Ermac invested the proceeds of the bond issuance and an equity contribution by the Company in notes issued by subsidiaries of the Company linked to the values of shares of Erdemir and China Oriental. The bond was privately placed with Credit Agricole Corporate and Investment Bank and is not listed. In connection with the extension of the conversion date of the MCB, ArcelorMittal also extended the maturities of the equity-linked notes in which the proceeds of the MCB issuances are invested. The other main features of the MCB remain unchanged. See note 10.2 to the consolidated financial statements for additional details.

Commercial paper program

ArcelorMittal has a commercial paper program enabling borrowings of up to €1.5 billion. As of December 31, 2018, the outstanding amount was $1,295 million, compared to $1,125 million as of December 31, 2017.

Other loans and facilities

On December 18, 2018, ArcelorMittal entered into an agreement for financing with a financial institution for net proceeds of CAD 292 million ($214 million) with repayment over several dates in 2019 and 2020. As of December 31, 2018, CAD 295 million ($216 million) was outstanding.

On November 20, 2018, ArcelorMittal entered into a $7 billion term facility agreement with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the joint venture through which the Company expects jointly to own and operate ESIL in partnership with Nippon Steel & Sumitomo Metal Corporation (the "Joint Venture"). Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The agreement includes the same Leverage Ratio financial covenant as that included in the Company's $5.5 billion revolving credit facility and is also subject to certain mandatory prepayment events, including the use of proceeds from debt capital market issuances by the Group or capital raising by the Joint Venture and certain disposals, in each case above $1 billion.See Key transactions and events in 2018.

On August 10, 2018, ArcelorMittal entered into a €300 million ($344 million) term loan with a financial institution maturing on April 30, 2019.

On May 14, 2018, ArcelorMittal entered into a term facility agreement in the amount of $1 billion to make a payment to the financial creditors of Uttam Galva and KSS Petron to clear overdue debts in order that the offer the Company submitted for ESIL on April 2, 2018 would be eligible and considered by ESIL's Committee of Creditors. The facility was drawn on May 14, 2018 in connection with the subsequent payment and was repaid on November 29, 2018 via a drawing under the above-referenced $7 billion term facility.

On January 16, 2018, the Company entered into a fully drawn bilateral term loan due July 16, 2018, for an amount of €400 million ($466 million). The bilateral term loan was fully repaid on July 16, 2018.

On December 21, 2017, ArcelorMittal Kryvyi Rih entered into a $175 million loan agreement with the European Bank for Reconstruction and Development in order to support the upgrade of its production facilities, energy efficiency improvement and environmental impact reduction. The loan agreement also provides for an additional $175 million in loan facilities which are currently uncommitted. As of December 31, 2018, $50 million was drawn under the agreement and the remainder remained fully available.

On October 9, 2017, ArcelorMittal issued a €300 million ($344 million) variable rate loan in the German Schuldschein market. The proceeds of the issuance were used to repay or prepay existing indebtedness.

On May 25, 2017, ArcelorMittal South Africa signed a 4.5 billion South African rand revolving borrowing base finance facility maturing on May 25, 2020. Any borrowings under the facility are secured by certain eligible inventory and receivables, as well as certain other working capital and related assets of ArcelorMittal South Africa. The facility is used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, 0.3 billion South African rand ($21 million) was drawn.

On December 16, 2016, ArcelorMittal signed a €350 million finance contract with the European Investment Bank in order to finance European research, development and innovation projects over the period 2017-2020 within the European Union, namely predominantly France, Belgium and Spain, but also in Czech Republic, Poland, Luxembourg and Romania. This operation benefits from a guarantee from the European Union under the European Fund for Strategic Investments. As of December 31, 2018, €350 million ($401 million) was fully drawn.

On May 23, 2016, ArcelorMittal USA LLC signed a $1 billion senior secured asset-based revolving credit facility maturing on May 23, 2021. Borrowings under the facility are secured

by inventory and certain other working capital and related assets of ArcelorMittal USA and certain of its subsidiaries in the United States. The facility may be used for general corporate purposes. The facility is not guaranteed by ArcelorMittal. As of December 31, 2018, the facility was fully available.

In 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2015, 2016, 2017 and 2018. As of December 31, 2018, the facilities, totaling approximately $0.9 billion, remained fully available.

True sale of receivables ("TSR") programs

The Company has established a number of programs for sales without recourse of trade accounts receivable to various financial institutions (referred to as true sale of receivables ("TSR")). As of December 31, 2018, the total amount of trade accounts receivables sold amounted to $4,980 million. Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the consolidated statements of financial position at the moment of sale.

Earnings distribution

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

ArcelorMittal held 8.3 million shares in treasury as of December 31, 2018, as compared to 2.0 million shares as of December 31, 2017. As of December 31, 2018, the number of shares held by the Company in treasury represented approximately 0.82% of the Company's total issued share capital.

On January 31, 2018, the Company announced that the Board had agreed on a new dividend policy which was approved by the shareholders at the annual general meeting of shareholders in May 2018. Given the current de-leveraging focus, dividends begin at $0.10/share in 2018 (paid from 2017 results). The Company intends to progressively increase the base dividend paid to its shareholders, and, on attainment of the net debt target, return a percentage of net cash provided by operating activities annually. Accordingly, the Board is proposing an increase in the base dividend for 2019 (paid from 2018 earnings) to $0.20 per share to the shareholders at the annual shareholders meeting in May 2019.

Pension/OPEB liabilities

The defined benefit liabilities for employee benefits decreased $0.6 billion to $6.9 billion as of December 31, 2018, as compared to $7.5 billion as of December 31, 2017. The decrease is mainly due to the decrease in the defined benefit obligation due to higher discount rates during 2018. For additional information with respect to the Company's pension plan and OPEB liabilities, including a breakdown by region and by type of plan, see note 7.2 to the consolidated financial statements.

IFRS 16

As described in note 1.3.2. to the consolidated financial statements, IFRS 16 "Leases" applies from January 1, 2019. At December 31, 2018 and 2017, the Company had non-cancellable operating lease commitments on an undiscounted basis of $1,869 million and $1,311 million, respectively (see note 8.4 to the consolidated financial statements). A review and assessment of the Company's lease arrangements indicates that most of these arrangements will meet the definition of a lease under IFRS 16 and the Company's gross debt and net debt will increase accordingly. As at December 31, 2018, the Company expects to recognize on January 1, 2019 additional lease liabilities (discounted at the incremental borrowing rates at that date) and right-of-use assets for an amount of $1.1 billion.

IFRS 9

In connection with the initial application of IFRS 9, as of January 1, 2018, equity instruments with a carrying amount of $1,471 million were reclassified from assets available-for-sale to financial assets at fair value through other comprehensive income. As a result, unrealized gains and losses of investment in such equity instruments are no longer recycled to the consolidated statement of operations upon disposal but are now reclassified from other comprehensive income to retained earnings within equity upon disposal. The $608 million loss recorded in comprehensive income in 2018 was mainly related to the decrease in the share price of Erdemir.

Research and development, patents and licenses

Cost relating to research and development, patents and licenses were not significant as percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) in 2018, 2017 and 2016, amounted to $290 million, $278 million and $ 239 million, respectively.

Sources and uses of cash

Years ended December 31, 2018, 2017 and 2016

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

Summary of cash flow		For the year ended December 31,	
(in $ millions)	2018	2017	2016
Net cash provided by operating activities	4,196	4,563	2,708
Net cash used in investing activities	(3,759)	(2,830)	(1,143)
Net cash used in financing activities	(689)	(1,731)	(2,926)

Net cash provided by operating activities

For the year ended December 31, 2018, net cash provided by operating activities decreased to $4.2 billion , as compared with $4.6 billion for the year ended December 31, 2017. The decrease in net cash provided by operating activities was mainly due to an investment in operating working capital of $4.38 billion which represented an outflow for trade accounts receivable of $0.65 billion, an outflow for inventories of $4.65 billion and an inflow for trade accounts payable and other of $0.91 billion, partially offset by an increase in operating income driven by the increase in average steel selling prices offset by lower steel shipments. The operating working capital investment for the year ended December 31, 2018 largely reflected the price effect of improved market conditions which impacted operating working capital through higher inventories and higher trade receivables. The investment in operating working capital for the year ended December 31, 2018 reflected a lower than anticipated release of working capital in the fourth quarter of 2018 due to the weaker apparent demand conditions leading to an accumulation of metal stock and raw material volumes.

For the year ended December 31, 2017, net cash provided by operating activities increased to $4.6 billion, as compared with $2.7 billion for the year ended December 31, 2016. The increase in net cash provided by operating activities is mainly due to an increase in operating income driven by the increase in average steel selling prices partially offset by increases in the raw material costs and an investment in operating working capital of $1.88 billion which represented an outflow for trade accounts receivable of $0.62 billion, an outflow for inventories of $2.35 billion and an inflow for trade accounts payable and other of $1.09 billion.

Net cash used in investing activities

Net cash used in investing activities was $3.8 billion for the year ended December 31, 2018 as compared to $2.8 billion for the year ended December 31, 2017. Capital expenditures increased to $3.3 billion for the year ended December 31, 2018 as compared to $2.8 billion for the year ended December 31, 2017. Capital expenditures for the year ended December 31, 2018 was lower than expected due to underspending in certain strategic projects (see "Information on the Company—Property, plant and equipment—Capital expenditure projects") and at Ilva due to the acquisition only being completed in November 2018. Cash used in investing activities for the year ended December 31, 2018 included the acquisition of the Uttam Galva and KSS Petron debt for $1,001 million in the context of the ESIL bidding process, offset in part by the proceeds from the sale of Go Steel Frýdek Místek ($39 million), the second installment of proceeds of $44 million from the disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership, $220 million of sale proceeds following the disposal of the Company's 50% interest in Macsteel and $55 million relating to the release of restricted cash related to the mandatory convertible bond following contractual renegotiation.

Net cash used in investing activities was $2.8 billion for the year ended December 31, 2017 as compared to $1.1 billion for the year ended December 31, 2016. Cash from investing activities for the year ended December 31, 2017 included tangible asset disposals and proceeds from the disposal of U.S. long products Georgetown, the first installment of proceeds of $44 million from the disposal of ArcelorMittal USA's 21% stake in the Empire Iron Mining Partnership offset by $44 million cash consideration (net of cash

acquired for $14 million and $5 million to be paid upon conclusion of certain business restructuring measures) for the acquisition of a 55.5% stake in Bekaert Sumaré and $110 million deposited in a restricted cash account in ArcelorMittal South Africa in connection with various environmental obligations and true sales of receivables programs.

ArcelorMittal's major capital expenditures in the year ended December 31, 2018 included the following projects: the Mexico hot strip mill, the new LF&CC 2&3 in ArcelorMittal Kryvyi Rih, the modernization of ArcelorMittal Dofasco's hot strip mill, the footprint optimization project at Indiana Harbor and the new walking beam furnaces at Burns Harbor, along with other ongoing projects.

In 2019, capital expenditure is expected to be approximately $4.3 billion reflecting carry over from underspend in 2018 (approximately $0.4 billion), the impact of Ilva and the continued high return investments in Mexico and Brazil and other strategic projects (largely cost optimization). See "Capital Expenditure projects" for more detail.

Net cash used in financing activities

Net cash used in financing activities was $0.7 billion for the year ended December 31, 2018, as compared to $1.7 billion in 2017. In 2018, net cash used by financing activities included $0.2 billion net payments/proceeds for short and long-term debt, dividend payments of $220 million and $226 million outflow related to the share buyback program. Net cash used by financing activities for the year ended December 31, 2017 included net payments/proceeds for short and long-term debt of $1.5 billion. Net cash used by financing activities for the year ended December 31, 2017 included $1.2 billion of bonds repurchased pursuant to cash tender offers, $0.6 billion repayment at maturity of the euro denominated 4.625% Notes, $0.6 billion used to early redeem the 6.125% Notes due June 1, 2018 and $1.0 billion used to early redeem the 9.85% Notes due June 1, 2019, offset in part by a new $0.4 billion Schuldschein loan, a $0.4 billion loan from the European Investment Bank, $0.3 billion drawdown on the 4.5 billion South African rand revolving borrowing base finance facility and $0.6 billion proceeds from the issuance of euro denominated 0.95% Notes due January 17, 2023.

Net cash used by financing activities was $1.7 billion for the year ended December 31, 2017, as compared to $2.9 billion in 2016. In 2016, net cash used in financing activities included $6.0 billion net payments/proceeds for short and long-term debt, partially offset by the $3.1 billion proceeds from the Company's equity offering, while for the year ended December 31, 2017, net payment/proceeds for short and long-term debt was $1.5 billion.

Dividends paid during the year ended December 31, 2018 were $220 million, including $101 million paid to ArcelorMittal shareholders and $119 million paid to non-controlling shareholders in subsidiaries. Dividends paid to non-controlling shareholders in subsidiaries during the year ended December 31, 2017 were $141 million.Dividends paid during the year ended December 31, 2016 were $61 million.

Equity

Equity attributable to the equity holders of the parent increased to $42.1 billion at December 31, 2018, as compared to $38.8 billion at December 31, 2017, primarily due to net income attributable to the equity holders of the parent of $5.1 billion and $0.6 billion actuarial gains partly offset by $2.2 billion foreign exchange losses. See note 10 to ArcelorMittal's consolidated financial statements for the year ended December 31, 2018.

Equity attributable to the equity holders of the parent increased to $38.8 billion at December 31, 2017, as compared to $30.1 billion at December 31, 2016, primarily due to net income attributable to the equity holders of the parent of $4.6 billion, $2.6 billion foreign exchange gains and $1.2 billion in actuarial gains.

Trend information

All of the statements in this "Trend Information" section are subject to and qualified by the information set forth under the "Cautionary Statement Regarding Forward-Looking Statements". See also "Key factors affecting results of operations".

Outlook

Based on the current economic outlook, ArcelorMittal expects a slight expansion in global ASC in 2019 by +0.5% to +1% (versus growth of +2.8% in 2018). By region: ASC in the United States is expected to grow +0.5% to +1.5% in 2019, with automotive demand to remain broadly stable, growth is driven by continued albeit weaker demand in machinery and construction (a moderation of growth versus +1.7% in 2018). In Europe, continued strength in construction is balanced by stable automotive demand and slower growth in machinery and is expected to support ASC growth of approximately +0.5% to +1.0% in 2019 (a moderation of growth versus +2.9% in 2018). In Brazil, ASC growth in 2019 is forecasted in the range of +3.5% to +4.5% (a moderation of growth versus +7.3% in 2018) as growth in automotive and machinery slows but construction activity grows for the first time since 2013. In the CIS, ASC is expected to grow +1.0% to +2.0% in 2019 (versus +1.8% in 2018). Overall, World ex-China ASC is expected to grow by approximately +2.0% to +3.0% in 2019, slight stronger than in 2018 due to stabilization in Turkey after a significant decline in 2018 (versus +2.1% in 2018). In China, overall demand is expected to decline by between -0.5% to -1.5% in 2019 (versus growth of +3.5% in 2018) as relatively stable demand from automotive and construction is offset by

declining machinery output. Given these demand expectations, as well as the expectation that operational disruptions (both controllable and uncontrollable) that negatively impacted 2018 shipments will not recur, the Company's steel shipments are expected to increase in 2019 versus 2018.

Market-priced iron ore shipments for 2019 are expected to be broadly stable as compared to 2018 with increases in Liberia and AMMC to be offset by lower volume in Mexico (in part due to the end of life of the Volcan mine).

The Company expects capital expenditures to increase by $1.0 billion to $4.3 billion in 2019 from $3.3 billion in 2018, including $0.4 billion carryover from underspend from 2018, the impact of Ilva ($0.4 billion) and the continued investment in higher return projects in Mexico and Brazil. Interest is expected to be stable at $0.6 billion, and cash taxes are expected to increase primarily on account of certain cash tax settlements deferred from 2018.

Due to a smaller than anticipated release in the fourth quarter of 2018, the Company invested more in working capital than expected in 2018 ($4.4 billion versus guidance of $3.0-3.5 billion). The Company expects this additional investment to be released over the course of 2019. The extent of this release will be dictated by market conditions, particularly the price and volume environment in the final weeks.

Disclosures about market risk

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

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

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

Risk management

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

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

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

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

Counterparty risk

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

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

Currency exposure

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

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real, South African rand, Argentine peso, Kazakh tenge and Ukrainian hryvnia, as well as fluctuations in the currencies of the other countries in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

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

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

The tables below illustrate the impact of an appreciation and a depreciation of the U.S. dollar of 10% against the euro, on the conversion of the net debt of ArcelorMittal into U.S. dollars as of December 31, 2018 and December 31, 2017. The impact on net debt denominated in a currency different than the euro, is computed based on historical data of how such currency would move against the U.S. dollar when the U.S. dollar appreciates/depreciates 10% against the euro. A positive sign means an increase in the net debt.

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
In 2018	in $ equivalent (in millions)	in $ equivalent (in millions)
Argentine peso	7	(23)
Canadian dollar	(9)	10
Euro	(564)	564
Indian rupee	33	(42)
South African rand	25	(38)
Swiss franc	(12)	14
Other	10	(8)

Currency	Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro	Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro
In 2017	in $ equivalent (in millions)	in $ equivalent (in millions)
Argentine peso	(6)	5
Bosnia and Herzegovina convertible mark	2	(3)
Chinese renminbi	(8)	9
Euro	(597)	597
Moroccan dirham	3	(4)
Swiss franc	(6)	7
Other	2	(1)

Derivative instruments

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

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

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

Interest rate sensitivity

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

Interest rate risk on debt

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

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

Commodity price risk

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

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

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

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

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

Group organizational structure

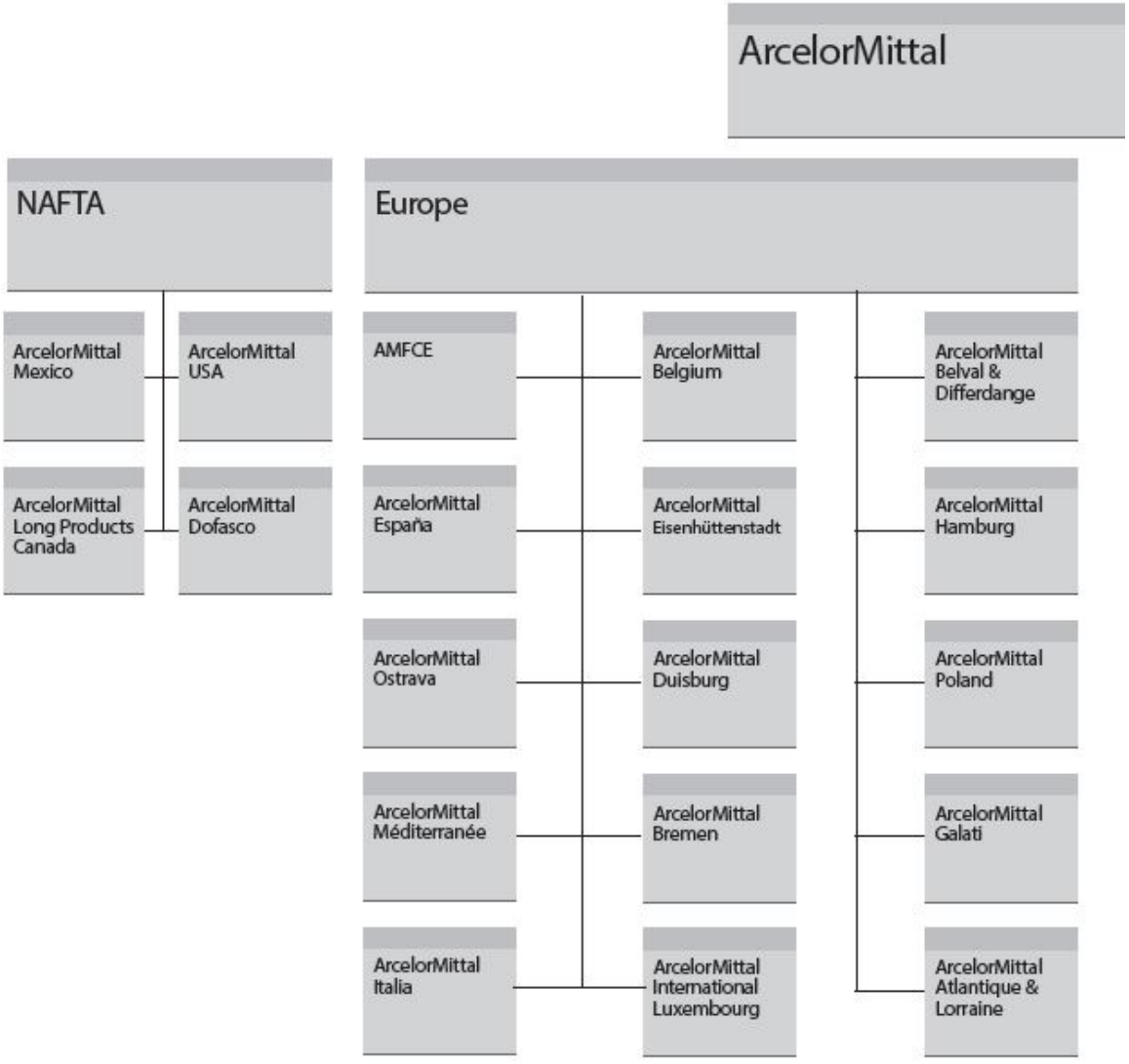
The following table identifies each significant operating subsidiary of ArcelorMittal, including the country of incorporation. Please refer to note 2.2.1 of the consolidated financial statements for the ownership percentages of these subsidiaries. Unless otherwise stated, the subsidiaries as listed have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

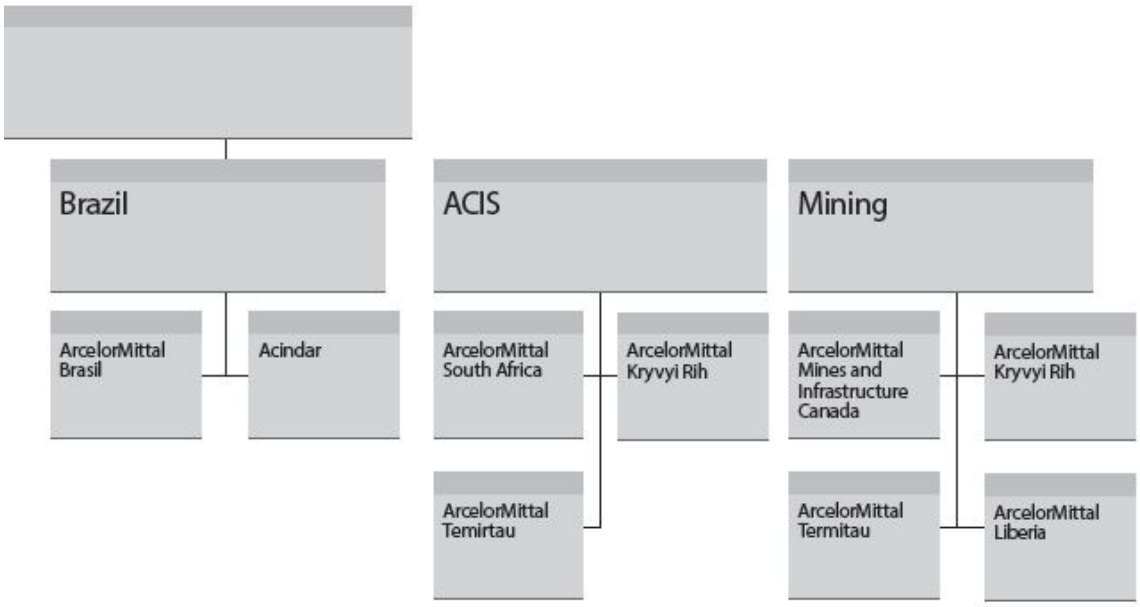
Name of Subsidiary	Abbreviation	Country
NAFTA		
ArcelorMittal Dofasco G.P.	ArcelorMittal Dofasco	Canada
ArcelorMittal México S.A. de C.V.	ArcelorMittal Mexico	Mexico
ArcelorMittal USA LLC	ArcelorMittal USA	USA
ArcelorMittal Long Products Canada G.P.	ArcelorMittal Long Products Canada	Canada
Brazil and neighboring countries ("Brazil")		
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
Europe		
ArcelorMittal Atlantique et Lorraine S.A.S.	ArcelorMittal Atlantique & Lorraine	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
ArcelorMittal Galati S.A.[1]	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Méditerranée S.A.S.	ArcelorMittal Méditerranée	France
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Ostrava a.s.[1]	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Duisburg GmbH	ArcelorMittal Duisburg	Germany
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg
ArcelorMittal Italia S.p.A.[2]	ArcelorMittal Italia	Italy
Africa and Commonwealth of Independent States ("ACIS")		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine
Mining		
ArcelorMittal Mining Canada G.P. and ArcelorMittal Infrastructure Canada G.P.	ArcelorMittal Mines and Infrastructure Canada	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine

1. ArcelorMittal Galati S.A. and ArcelorMittal Ostrava a.s. were classified as held for sale as of December 31, 2018.

2. On November 1, 2018, ArcelorMittal completed the acquisition of Ilva S.p.A. subsequently renamed ArcelorMittal Italia S.p.A. See Key transactions and events in 2018.

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


ArcelorMittal
NAFTA
Europe
ArcelorMittal Mexico
ArcelorMittal USA
ArcelorMittal Long Products Canada
ArcelorMittal Dofasco
AMFCE
ArcelorMittal España
ArcelorMittal Ostrava
ArcelorMittal Méditerranée
ArcelorMittal Italia
ArcelorMittal Belgium
ArcelorMittal Eisenhüttenstadt
ArcelorMittal Duisburg
ArcelorMittal Bremen
ArcelorMittal International Luxembourg
ArcelorMittal Belval & Differdange
ArcelorMittal Hamburg
ArcelorMittal Poland
ArcelorMittal Galati
ArcelorMittal Atlantique & Lorraine


Brazil
ACIS
Mining
ArcelorMittal Brasil
Acindar
ArcelorMittal South Africa
ArcelorMittal Kryvyi Rih
ArcelorMittal Temirtau
ArcelorMittal Mines and Infrastructure Canada
ArcelorMittal Kryvyi Rih
ArcelorMittal Termitau
ArcelorMittal Liberia

Key transactions and events in 2018

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2018 are summarized below.

Acquisition of Ilva

On November 1, 2018, ArcelorMittal announced that AM InvestCo Italy S.r.l ("AM Investco") completed the acquisition of Ilva, after having been granted merger clearance by the European Commission ("EC") on May 7, 2018 on the basis of the Company's committed divestment package (see below) and fulfilling all of the conditions precedent in ArcelorMittal's contract with the Italian government for the lease and subsequent purchase of Ilva, including the labor agreement with Ilva's trade unions, which was reached on September 6, 2018. Ilva is Europe's largest single steel site and only integrated steelmaker in Italy with its main production facility based in Taranto. Ilva also has significant steel finishing capacity in Taranto, Novi Ligure and Genova. As a result of the lease agreement, the assets and liabilities subject to the transaction are leased by subsidiaries of AM InvestCo, including ArcelorMittal Italia S.p.A. The purchase price amounts to €1.8 billion ($2.1 billion) subject to certain adjustments, with annual leasing costs of €180 million ($206 million) to be paid in quarterly installments, with rental payments qualifying as down payments against the purchase price. The lease is for a minimum period of four years. The agreement includes industrial capital expenditure commitments of approximately €1.3 billion ($1.4 billion) over a seven-year period focused on blast furnaces including €0.2 billion revamping of blast furnace #5 intending to bring steel production to 8 million tonnes by 2024, steel shops and finishing lines and environmental capital expenditure commitments of approximately €0.8 billion ($0.9 billion) including €0.3 billion for stock pile coverage, €0.2 billion for reduction of emissions at coke ovens and €0.2 billion in waste water treatment. The agreement also includes environmental remediation obligations of approximately €0.5 billion ($0.6 billion), the latter of which will be funded with funds seized by the Italian Government from the former shareholder. As part of the labor agreement with Ilva's trade unions, of Ilva's 13,800 employees, 10,700 were hired by ArcelorMittal. In addition, between 2023 and 2025, the Company has committed to hire any workers who remain under Ilva's extraordinary administration. The Company has identified synergies of €310 million, which are targeted to be realized by 2020.

ArcelorMittal is the principal partner in AM InvestCo with a 94.45% equity stake in the consortium, with Banca Intesa Sanpaolo ("ISP") holding 5.55%. ISP's interest is subject to put and call option arrangements exercisable by ArcelorMittal and ISP between November 1, 2020 and November 1, 2025 and between November 1, 2021 and November 1, 2025, respectively. Following completion of the transaction, ArcelorMittal has assumed full management control of Ilva, which forms a new business cluster within ArcelorMittal Europe - Flat Products and has been renamed ArcelorMittal Italia. See Note 2.2.4 to ArcelorMittal's consolidated financial statements for further details.

Ilva related Divestments

On October 12, 2018 and November 2, 2018 ArcelorMittal received two binding offers from Liberty House Group ("Liberty House") for the acquisition of ArcelorMittal Ostrava (Czech Republic), ArcelorMittal Galati (Romania), ArcelorMittal Skopje (North Macedonia), ArcelorMittal Piombino (Italy), the Company's only galvanized steel plant in Italy, ArcelorMittal Dudelange (Luxembourg) and the following finishing lines at ArcelorMittal Liège (Belgium): hot dipped galvanizing lines 4 and 5 in Flémalle, hot-rolled pickling, cold rolling and tin packaging lines in Tilleur. All assets are part of a divestment package the Company agreed to with the EC during its merger control investigation into the Company's acquisition of Ilva. On January 23, 2019, the Company submitted to the EC a revised offer from Liberty House in respect of the same package of assets. Transaction closing is conditional on EC approval and the conclusion of consultations with local and European Works Councils.

ESIL

On March 2, 2018, ArcelorMittal announced the signature of a joint venture formation agreement with NSSMC in relation to its offer to acquire ESIL, which was subsequently amended and restated on January 22, 2019. On April 2, 2018, ArcelorMittal submitted an offer (the "Offer") in the re-bidding process for ESIL. On October 17, 2018, following a judgment from the Supreme Court of India on October 4, 2018, ArcelorMittal announced that it had approved a payment of 7,469 crore rupees (approximately $1 billion, subsequently paid) to the financial creditors of Uttam Galva and KSS Petron in order that the Offer would be eligible for consideration by ESIL's Committee of Creditors ("CoC"). ArcelorMittal had previously been a shareholder of Uttam Galva and HSBC Trustee (C. I.) Limited, as trustee of trusts of which Mr. Lakshmi N. Mittal, Mrs. Usha Mittal and their children are the beneficiaries, had previously been a shareholder of KSS Petron. At the time of such payment, neither had any interest in such companies and, in particular, the trusts and their beneficiaries did not have any liability to KSS Petron or its creditors or other stakeholders and hence did not benefit from such payment. On October 19, 2018, ArcelorMittal was evaluated the H1 Resolution

Applicant (the preferred bidder) by the CoC of ESIL and on October 26, 2018, ArcelorMittal announced that the CoC voted to approve the Company's acquisition plan for ESIL (the "Resolution Plan"). ESIL's Resolution Professional, on behalf of the CoC, issued the Company with a Letter of Intent ("LOI") stating that the Company was identified as the "Successful Resolution Applicant".

The Resolution Plan includes an upfront payment of 42,000 crore rupees (approximately $5.7 billion) towards ESIL's debt resolution, with a further 8,000 crore rupees (approximately $1.1 billion) of capital injection into ESIL to support operational improvement, increase production levels and deliver enhanced levels of profitability. The Company provided a $0.6 billion performance guarantee in connection with the execution of the Resolution Plan.

In line with ESIL's corporate insolvency process, ArcelorMittal's Resolution Plan must now be formally accepted by India's National Company Law Tribunal ("NCLT") before completion. The NCLT has completed hearing the CoC's application for the approval of the Resolution Plan, as well as objections and challenges from different parties, including creditors of ESIL and the current shareholder. While it is difficult to predict the timing of an NCLT approval, a decision is expected in the first quarter of 2019 and the amounts of debt payment and capital injection specified in the Resolution Plan would become payable promptly after such approval is obtained.

ESIL is an integrated flat steel producer, and the largest steel company in western India. ESIL's main steel manufacturing facility is located at Hazira, Gujarat in Western India. It also has:

- Two iron ore beneficiation plants close to the mines in Kirandul and Dabuna, with slurry pipelines that then transport the beneficiated iron ore slurry to the pellet plants in the Kirandul-Vizag and Dabuna-Paradeep systems;
- a downstream facility in Pune (including a pickling line, a cold rolling mill, a galvanizing mill, a color coating mill and a batch annealing plant); and
- seven service centers in the industrial clusters of Hazira, Bhuj, Indore, Bahadurgarh, Chennai, Kolkata and Pune. It has a complete range of flat rolled steel products, including value added products, and significant iron ore pellet capacity with two main pellet plant systems in Kirandul-Vizag and Dabuna-Paradeep, which have the potential for expansion. Its facilities are located close to ports with deep draft for movement of raw materials and finished goods.

In terms of iron ore pellet capacity, the Kirandul-Vizag system has 8 million tonnes of annual pellet capacity and the Dabuna-Paradeep system has 6 million tonnes of annual pellet capacity, which is in the process of being expanded to a new capacity level of 12 million tonnes. This expansion would bring pellet capacity above Essar's own requirements and provide the opportunity to improve operating income by fully utilizing such pellet capacity.

The Resolution Plan includes a capital expenditure plan of 18,697 crore (approximately $2.8 billion) to be implemented in two stages over six years. The first stage would involve investments to increase the production of finished steel goods sustainably to 6.5 million tonnes per annum and includes completion of ongoing capital expenditure projects with respect to a coke oven, second sinter plant, third line CSP caster, Paradeep pellet plant and Dabuna beneficiation plant. The first stage will also include investment in maintenance to restore current assets, the implementation of an environmental management plan and the implementation of ArcelorMittal's best practices on raw material sourcing, plant operations, sales and product mix (in particular through greater sophistication of the quality and markets of the steel produced with a focus on developing sales to the automotive industry), people management and health & safety. The second stage would involve investments to increase the production of finished steel goods from 6.5 million tonnes per annum to 8.5 million tonnes per annum by the end of 2024, including asset reconfiguration and the addition of a coke oven, blast furnace and basic oven furnace.

There is also a long-term aspiration to increase finished steel shipments to between 12 and 15 million tonnes tonnes through the addition of new iron and steelmaking assets, so that ESIL can play an active role and fully benefit from the anticipated growth in the Indian steel industry.

After completion, ArcelorMittal expects jointly to own and operate ESIL in partnership with NSSMC, Japan's largest steel producer and the third largest steel producer in the world, in-line with a joint venture formation agreement signed with NSSMC (the "Joint Venture"). ArcelorMittal and NSSMC currently expect to finance the Joint Venture through a combination of partnership equity (one-third) and debt (two-thirds), and ArcelorMittal anticipates that its investment in the Joint Venture will be equity accounted.

On November 20, 2018, ArcelorMittal entered into a $7 billion term facilities agreement (the "Term Facilities Agreement") with a group of lenders in connection with the acquisition of ESIL. The agreement has a term of one year (i.e., until November 20, 2019), subject to ArcelorMittal's option to extend the term by six months. The facility may be used for certain payments by ArcelorMittal as well as by the Joint Venture. Any amounts borrowed by the Joint Venture under the agreement are irrevocably and unconditionally guaranteed by ArcelorMittal. The Term Facilities Agreement includes the following financial covenant: ArcelorMittal must ensure that the "Leverage Ratio", being the ratio of "Consolidated Total Net Borrowings" (consolidated total

borrowings less consolidated cash and cash equivalents) to "Consolidated EBITDA" (the consolidated net pre-taxation profits of the ArcelorMittal group for a Measurement Period, subject to certain adjustments as defined in the facilities), at the end of each "Measurement Period" (each period of 12 months ending on the last day of a financial half-year or a financial year of ArcelorMittal), is not greater than a ratio of 4.25 to one. The Term Facilities Agreement is also subject to certain mandatory prepayment events, including as a result of the use of proceeds from debt capital market issuances by the Group or capital raising by the Joint Venture and certain other disposals, in each case above $1 billion.

ESIL's assets do not include certain assets that are ancillary to the steel plant, such as a slurry pipeline, power plants and port facilities. AM and NSSMC are visiting some of these facilities in light of the planned acquisition of ESIL to understand the supply arrangements for raw materials and power for the steel mill.

Acquisition of Votorantim Siderurgia.

In February 2018, the Brazilian antitrust authority ("CADE") approved the acquisition by ArcelorMittal of Votorantim Siderurgia, subject to certain divestments. The closing of the transaction occurred on April 1, 2018, and Votorantim Siderurgia, under the new corporate name of ArcelorMittal Sul Fluminense ("AMSF"), became a subsidiary of ArcelorMittal Brasil.

The combination of the businesses resulted in a long product steel producer with annual crude steel capacity of 5.1 million metric tonnes. This acquisition aims to create value through cost, logistical and operational synergies totaling approximately $110 million per annum. See Note 2.2.4 to ArcelorMittal's consolidated financial statements for further details. In particular, the combination results in geographically complementary production facilities (i.e., ArcelorMittal's Monelevade, Juiz de Fora and Piracicaba facilities and Votorantim's Barra Mansa and Resende plants and its 50% interest in the joint venture Sitrel in Três Lagoas).

CADE's approval was subject to the fulfillment of certain divestment commitments which were completed in early May. The divestments included ArcelorMittal Brasil's two production sites of Cariacica and Itaúna, as well as some wire drawing equipment. See Note 2.3.1 to ArcelorMittal's consolidated financial statements for further details.

Other Events in 2018

- During 2018, ArcelorMittal completed several debt financing and repayment transactions. See "Liquidity and capital resources—Financings" for a summary of the transactions.
- On May 16, 2018, the extraordinary general meeting of shareholders of ArcelorMittal held in Luxembourg approved the resolution on the agenda to change the currency of the share capital from euro to U.S. dollar.
- On March 26, 2018, ArcelorMittal completed a share buyback program. ArcelorMittal repurchased 7 million shares for a total value €184 million ($226 million) at an average price per share of €26.34.

On March 5, 2018, ArcelorMittal announced that Aditya Mittal, CFO of ArcelorMittal and CEO of ArcelorMittal Europe, was appointed as President, ArcelorMittal, in addition to his current responsibilities. This nomination reflects the increasing global strategic role Aditya Mittal has across the group, supporting the Chairman and CEO, Mr. Lakshmi Mittal. As President and CFO, he will continue to report to the Chairman and CEO. Together, Mr. Mittal and Aditya Mittal comprise the CEO office.

Recent developments

On February 19, 2019, ArcelorMittal announced the completion of its share buyback program on February 15, 2019 (the "2019 Program"). The Company repurchased 4 million shares for a total value of approximately $90 million (€80 million) at an approximate average price per share of €19.89 ($22.42) pursuant to the 2019 Program that was announced on February 7, 2019. The 2019 Program was completed under the authorization given by the annual general meeting of shareholders held on May 5, 2015 and applicable market abuse regulations. The shares acquired under the 2019 Program are intended to meet ArcelorMittal's obligations arising from employee share programs.