

## Company Overview

### *History and development of the Company*

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

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

ArcelorMittal's success is built on its core values of sustainability, quality and leadership and the entrepreneurial boldness that has empowered its emergence as the first truly global steel and mining company. Acknowledging that a combination of structural issues and macroeconomic conditions will continue to challenge returns in its sector, the Company has adapted its footprint to the new demand realities, redoubled its efforts to control costs and repositioned its operations to outperform 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; unmatched 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 54 integrated and mini-mill steel-making facilities. As of December 31, 2015, ArcelorMittal had approximately 209,000 employees.

ArcelorMittal's steel-making operations have a high degree of geographic diversification. Approximately 37% of its crude steel is produced in the Americas, approximately 47% is produced in Europe and approximately 15% 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 June 2013, ArcelorMittal launched an innovative ultra-lightweight steel car door, which is less expensive than an aluminum door. In addition, further solutions developed for the pick-up trucks market offer weight savings benefits.

*Mining Value Chain:* ArcelorMittal has a significant portfolio of raw material and mining assets, as well as certain strategic long-term contracts with external suppliers. In 2015 (assuming full shipments of iron ore at ArcelorMittal Mines Canada, Serra Azul, Andrade, Liberia and full shipments at Peña Colorada for own use), approximately 62% of ArcelorMittal's iron-ore requirements and approximately 15% of its PCI and coal requirements were supplied from its own mines or pursuant to strategic contracts at many of its operating units. 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. ArcelorMittal also has made strategic investments in order to secure access to other raw materials including manganese and ferro alloys.

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 86% of its coke needs through its own production facilities. ArcelorMittal's facilities have good access to shipping facilities, including through ArcelorMittal's own 17 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 may contain forward-looking statements based on estimates and assumptions. Forward-looking statements include, among other things, statements concerning the business, future financial condition, results of operations and prospects of ArcelorMittal, including its subsidiaries. These statements usually contain the words "believes", "plans", "expects", "anticipates", "intends", "estimates" or other similar expressions. For each of these statements, you should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although it is believed that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of ArcelorMittal.

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

## **Corporate and other information**

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

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

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

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

## ***Internet site***

ArcelorMittal maintains an Internet site at [www.arcelormittal.com](http://www.arcelormittal.com). Information contained in 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, 2015 included in this annual report.

### ***Key factors affecting results of operations***

ArcelorMittal's sales are predominantly derived from the sale of flat steel products, long steel products, and tubular products, as well as of iron ore and coal. Prices of steel products, iron ore and coal, in general, are sensitive to changes in worldwide and regional demand, which, in turn, are affected by worldwide and country-specific economic conditions and available production capacity.

The steel industry, and the iron ore and coal mining industries, which provide its principal raw materials, have historically been highly cyclical. They are significantly affected by general economic conditions, as well as by worldwide production capacity and fluctuations in international steel trade and tariffs. In particular, this is due to the cyclical nature of the automotive, construction, machinery and equipment and transportation industries that are the principal consumers of steel. After a period of continuous growth between 2004 and 2008, the sharp fall in demand resulting from the global economic crisis demonstrated the steel market's vulnerability to volatility and sharp corrections.

The North American and European markets together account for over 60% of ArcelorMittal's deliveries in 2014 and 2015 and, consequently, any weakness in these markets can have a significant impact on ArcelorMittal's results. The onset of the eurozone crisis caused underlying European steel demand to weaken in 2012 and, coupled with significant destocking, apparent steel demand fell by over 10%. Since then, deliveries have increased in each of the past three years, but in 2015 were still lower than 2011 levels and remained close to 25% below 2007 levels. Underlying steel demand in North America has increased in each of the past five years, but apparent demand has been negatively impacted by inventory movements, particularly during 2014 when inventories rose significantly on the back of a rapid increase in imports and were up almost 40% over 2013. This led to stockists purchasing over six million fewer tonnes in 2015, as compared to 2014, as they

sought to reduce inventory levels as steel prices declined. Although underlying steel demand continued to rise (remaining strong in the Company's core markets, U.S. and Europe) in 2015, apparent demand declined significantly, negatively impacting the Company's deliveries and profitability. The significant declines in steel demand in Brazil and the CIS over the past two years have reduced their share of the Company's deliveries to under 10% contributing to the overall decrease in deliveries.

Demand dynamics in China have also substantially affected the global steel business. After growing strongly since 2000, Chinese steel demand has started to decline as a result of weaker real estate sector construction and machinery production. This decline in domestic demand has led to a surge in Chinese steel exports, which increased by over 30 million tonnes from 2013 to 2014, and then by an additional 18 million tonnes from 2014 to 2015. This increase in Chinese exports is greater than the growth in world ex-China steel demand over the past two years, and has had the effect of curtailing domestic production in countries outside of China over the period. While the majority of these exports are directed to Asia, an increasing proportion is being directed toward ArcelorMittal's core markets and Europe, in particular. While not a sustainable long-term strategy, Chinese exports in 2015 were increasingly being sold at prices apparently below cost (China Iron and Steel Association ("CISA") reports large and medium-sized CISA mills losing RMB 53 billion (\$8.6 billion) from January through November 2015), negatively impacting prices and therefore margins in many regions.

Unlike many commodities, steel is not completely fungible due to wide differences in shape, chemical composition, quality, specifications and application, all of which affect sales prices. Accordingly, there is still limited exchange trading and uniform pricing of steel, whereas there is increasing trading of steel raw materials, particularly iron ore. Commodity spot prices can vary, which causes sale prices from exports to fluctuate as a function of the worldwide balance of supply and demand at the time sales are made. ArcelorMittal's sales are made on the basis of shorter-term purchase orders as well as some longer-term contracts to certain industrial customers, particularly in the automotive industry. Steel price surcharges are often implemented on steel sold pursuant to long-term contracts in order to recover increases in input costs. However, spot market steel, iron ore and coal prices and short-term contracts are more driven by market conditions.

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

Given this overall dynamic, the Company's operating profitability has been particularly sensitive to fluctuations in raw material prices, which have become more volatile since the iron ore industry moved away from annual benchmark pricing to quarterly pricing in 2010. Iron ore prices were relatively stable in 2013, averaging \$135/t, but fell sharply in 2014, reaching lows of \$68/t in December 2014 and averaging under \$100 for the first time since 2009. Volatility on steel margins aside, the results of the Company's mining segment are also directly impacted by iron ore prices, which were weaker again in 2015, ending the year at \$40/t and averaging only \$55.5/t. This means, among other things, that if iron ore prices were to remain around current levels (\$40/t) due to continued strong growth of supply or any further significant decline of Chinese steel production, this would continue to have a negative impact on ArcelorMittal's revenues and profitability.

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

Global GDP growth fell short of expectations in 2015, slowing marginally, to 2.5% year-on-year, from 2.7% in 2014 (2.5% in 2013) as deceleration in key emerging and developing economies overshadowed a

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<sup>1</sup> GDP and industrial production data and estimates sourced from IHS Global Insight January 15, 2016.

modest recovery in major developed countries in 2015. This deceleration was accompanied by further declines in commodity prices, subdued global trade, bouts of financial market volatility, and weakening capital flows.

Domestic demand in the United States was supported by robust consumption and investment, with the exception of the oil sector. U.S. GDP growth in 2015 is estimated at 2.5%, the highest annual rate in the post-2008 crisis period. Solid labor market conditions and low oil prices continue to support a consumption-led recovery, with automotive sales growing by over 5% year-on-year in 2015 to a record of 17.4 million. Nominal construction spending increased by around 10% year-on-year in 2015, with strong growth in both residential and non-residential construction. The weakness in net exports is the result of the strong dollar and softness in external demand, particularly from large emerging markets. Despite headline inflation of around zero in the second half of 2015, the Federal Reserve began increasing interest rates in December due to the strength of labor markets. Fiscal policy has eased to a broadly growth-neutral stance in 2015, after having been a headwind in previous years.

European Union (EU) GDP growth picked up in 2015 to around 1.8%, as domestic demand strengthened and eurozone exports were supported by euro depreciation. Low oil prices and improving financing conditions are supporting consumer spending and investment. Indeed, EU automotive sales grew by 9% year-on-year in 2015 to 13.7 million, their highest level since 2009. Moderating fiscal consolidation and healing labor markets are also underpinning domestic demand, although conditions vary across countries. Activity firmed in Spain, but France and Italy are still lagging, whereas growth slowed in the United Kingdom but remained stronger than the eurozone average. Peripheral economies saw little contagion from another Greek crisis, which led to a third bailout program and promises of further reforms. Credit conditions have improved, supported by the European Central Bank's ("ECB") quantitative easing program. With headline inflation close to zero in 2015, deflation concerns have receded but have not disappeared, prompting the ECB to ease monetary policy further in December 2015.

Sectoral rebalancing in China became more pronounced in 2015 with GDP growth slowing in 2015 to an estimated 6.9%, down from 7.3% in 2014. In line with rebalancing efforts, the deceleration in activity during 2015 has been most visible in heavy industry and real estate—sectors with considerable overcapacity and, in the case of heavy industry, a high presence of state-owned enterprises. Weaker manufacturing growth and declining construction activity has significantly impacted import demand, which contracted in the first half of 2015. The service sector has seen its share of employment increasing in recent years, and accounted for the majority of new urban jobs created in 2015. The fiscal deficit widened to a six-year high of 2.3 percent of GDP in 2015, reflecting accelerated infrastructure investment by the central government to support growth in the second half of the year. The People's Bank of China introduced a change in the calculation of the renminbi reference rate on August 10, 2015, leading to an almost 3% depreciation against the US\$. Otherwise, the renminbi was stable throughout most of 2015, but weakened further towards the end of the year.

Brazil and Russia have taken a turn for the worse as a result of global and domestic headwinds, and the weakness in oil and other commodity prices, with both countries experiencing deepening contractions, above-target inflation, and deteriorating public finances. In South Africa, chronic power supply bottlenecks are a major factor behind weak growth. In contrast to other major developing countries, growth in India remained robust, buoyed by strong investor sentiment and the positive effect on real incomes of the recent fall in oil prices.

Global industrial production ("IP") growth slowed to 1.5% year-on-year as IP in Organization for Economic Co-operation and Development ("OECD") countries eased to just 0.9% year-on-year in 2015, after growing by 2.3% in 2014, whereas IP growth in non-OECD countries slowed to 2.3% in 2015 from 3.8% in 2014.

Global apparent steel consumption ("ASC") is estimated to have fallen by 2.2% year-on-year. This was mainly due to the slowdown in China, where consumption fell by 4.5% in 2015, the second consecutive year of decline. However, Chinese demand estimates are subject to change, due to significant revisions to steel production estimates to account for under-reported output by Chinese mills. Elsewhere, world-ex-China ASC fell by just 0.3%, as significant declines in CIS (-8%), NAFTA (-7%) and Latin America (-7%) were offset by growth in other regions, particularly EU28 (+3%), Asia ex-China (+5%) and Africa & Middle East (+4%).

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

After declining sharply during 2009 to 1.2 billion tonnes, world crude steel production grew robustly each year to 1.6 billion tonnes in 2013, driven by strong Chinese growth. Global production continued to rise in 2014,

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

up 3.2% to 1.65 billion tonnes due again to the rising output in China. Chinese production is estimated to have increased from 775 million tonnes in 2013 to about 813 million tonnes in 2014 (+5.0% year-on-year), whereas world ex-China growth also increased only 1.5% year-on-year to 839 million tonnes. World crude steel production fell in 2015, for the first time since 2009, as steel consumption in developed and key emerging markets declined. Amid depressed demand conditions, the availability of low priced imports, particularly from CIS, in which domestic demand also declined, forced many producers across the world to curtail output.

Between 2009 and 2014, global production increased by around 35%, rising by approximately 0.5 billion tonnes to 1.67 billion tonnes in 2014, of which China alone accounted for around 60% of the growth. While global steel consumption also increased following the 2009 financial crisis, the slowdown in China in 2014 and 2015 exposed the excess capacity issues faced by the steel industry as Chinese producers increased export volumes to compensate for falling domestic demand. Indeed, Chinese exports soared by 72% over the past two years, rising to a record 112 million tonnes in 2015.

Global steel production is estimated to have fallen by 2.8% to 1.62 billion tonnes in 2015 (-1.8% year-on-year over the first half of the year and -3.6% year-on-year over the second half of the year). Production in the second half of 2015 was weaker and reflected worsening global demand conditions over the period and increased destocking as prices fell. China, which accounted for 49.5% of steel production in 2015 (49.3% in 2014), saw a decline in output of 2.3% as tighter steel margins rendered some mills unprofitable and producers were unable to offset the decline in domestic demand with increased exports. Apart from China, almost all major steel producing regions also recorded a decline in production in 2015. EU28 steel output decreased by 1.8% to around 166.2 million tonnes even though consumption recorded positive growth; the incremental demand was in fact satisfied by imports. North American steel production fell by 8.5% in 2015 mainly due to a decline in U.S. output, which tumbled by 10.5% as stockholders and end-users sought to correct inventories which had grown in 2014 when total steel imports rose by almost 40%. In the CIS, output also fell (-4.3% in 2015 year-on-year) as a recession lowered domestic demand and overwhelmed increased international competitiveness from weaker domestic currencies. South America also saw a 2.5% decline in production as Brazilian steel demand faltered by around 15% due to economic issues facing the country. In Asia, production decreased by 2.3%, mainly due to slower growth in China and a 5% decline in Japanese output. In India, however, production increased by 2.6% and elsewhere, Australia/New Zealand also recorded a 4.6% rise in production.

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

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

In the United States, 2015 started with a positive economic outlook, supported by consumer confidence in February at its highest since 2007, despite negative sentiment in the oil & gas sector. The steel market was nevertheless challenging, due to high inventories and buyer caution in placing orders. A strong USD continued to encourage imports during the first quarter of 2015, with South Korea, Japan, Germany and Australia quickly taking over volumes upon the termination of an export suspension agreement with Russia in December 2014. Domestic prices declined, especially during February and March, following declines in Scrap #1 Busheling, which fell from \$369 per gross tonne ("GT") in January to \$255/GT in March. Spot HRC prices during the first quarter of 2015 dropped from a \$631/t average in January to \$531/t in March, for a quarterly average of \$578/t. The second quarter had a weak start, with declining scrap prices rolling over into April and HRC bottoming at

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

\$491-503/t, before strengthening of underlying demand aided prices to firm to a \$502-510/t level in May. Scrap #1 Busheling gained \$30 from April to June to an average of \$266/GT for the second quarter of 2015, supporting HRC price improvement to \$507-514/t in June, for a quarterly average of \$500-509/t. Despite the consumer confidence index increasing by +10.5 points from July to 101.5 in August, and steel consumption being sustained by strong sales in auto (17.7 million units SAAR in August), prices started weakening again during the third quarter, as U.S. prices re-aligned to those globally and scrap prices failed to provide cost support. Spot HRC price fell to \$485-497/t by September, for a quarterly average of \$499-510/t. Demand for both scrap and finished steel during the fourth quarter remained weak due to destocking and Scrap #1 Busheling fell to \$167-180/GT, pushing HRC spot price down approximately \$70 quarter on quarter, to an average of 421-438/t.

In China, 2015 began with increased uncertainty due to the change in export rebate policy as of January 1, 2015 (discouraging exports and adding more pressure on the domestic market), and the government's efforts to implement anti-pollution regulation, impacting producer costs and possible cuts to capacity. Despite the Central Bank's 0.5% cut to the reserve requirement ratio to boost growth, steel market activity remained depressed in the first quarter of 2015 and remained weak into the second quarter, due to declining real estate demand. Production, however, was sustained by exports, which surged from March onward. Domestic prices continued their accelerated decline, with spot HRC down to \$357-362/t VAT excluded, during the first quarter (from \$415-419/t in the fourth quarter of 2014), and further to \$326-330/t VAT excluded, in the second quarter. Market sentiment remained weak during the third quarter, with prices declining month by month, to an HRC average of \$268-269/t level, VAT excluded. Demand continued to shrink in the fourth quarter, as the cold season approached and HRC domestic prices saw a drop in their quarterly average to \$250-252/t level, VAT excluded.

Long products saw resilient demand in Europe in January and February 2015, and a slight increase in scrap price gave support for improvement on commodity pricing, despite pressure from Russia and Ukraine in Eastern Europe. Buyers became more hesitant towards the end of the first quarter as scrap price weakened and expectations built for a price decline. Medium section prices, however, saw progressive, albeit limited, improvement from January to March 2015 (+€7/t), with a quarterly average at €512-522 (\$577-589)/t. Rebar prices, on the other hand, were impacted to a greater degree by scrap fluctuation, and declined by €10 during the quarter, to an average range of €413-422 (\$466-476)/t. The European Central Bank's lending survey at the beginning of the second quarter sustained a take-off for construction investments, thus demand continued solid during the April-June period. In addition, with scrap picking up, further price gains were achieved in euro terms both for medium sections at €521-530 (\$576-585)/t and rebar prices at €418-426 (\$462-470)/t. Price trends reversed starting in the third quarter, as pressure on scrap from the international markets resulted in E3 scrap prices dropping, impacting commodity offers. Medium section prices declined to €511-520 (\$568-578)/t and rebar to €405-413 (\$450-458)/t. The situation continued into the fourth quarter, when further scrap deterioration pushed medium sections down approximately €36/\$48 versus the third quarter, to a range of €474-486 (\$519-532)/t, and rebar prices were down by approximately €38/\$49, ranging around €366-374 (\$401-410)/t.

In 2015, scrap prices globally re-aligned following a year of anomalously high levels. Prices of scrap HMS 1&2 of USA origin imported into Turkey dropped substantially during the first two months of 2015 from \$311/t CFR in January to \$248/t CFR in February. This was followed by an unexpected price improvement starting in March, on the back of tight supply, to a peak of \$286/t in May (average range of \$274-279/t during the second quarter of 2015). Export prices for Turkish rebar fluctuated alongside scrap dropping from \$493/t FOB in January to \$436/t FOB in March (\$455-461/t average range in the first quarter), and reversing to a peak of \$454/t FOB in May (second quarter average range of \$441-446/t FOB). The spread of Turkey FOB rebar prices over scrap declined by approximately \$20/t during the period, partly compensated by the Turkish lira's depreciation. Turkish imported scrap saw significant price declines during the third and the fourth quarters, as raw material costs continued to deteriorate and international price pressure increased. Scrap HMS 1&2 fell to as low as \$204/t CFR Turkey by September and \$180/t CFR Turkey in October, followed by slight improvement towards the end of 2015 (to \$188 avg. in December). Lack of support from scrap, as well as weaker billet prices (due to severe Chinese competition), coupled with weak demand, impacted rebar prices, which dropped during the third quarter to an average of \$383-392/t FOB Turkey, and further to \$331-337/t FOB, during the fourth quarter.

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

Steel output declined in major steel producing regions in 2015 reflecting falling global steel consumption, as well as the availability of cheaper imports from mainly China and the CIS. Chinese production declined by around 2% compared to a fall in domestic consumption of around 4.5%, while exports continued to increase substantially to a record 112 million tonnes in 2015, up 18 million tonnes year-on-year. The combination of softening global demand and excess Chinese capacity had a negative impact on production in many regions.

With the exception of Europe, apparent consumption in developed markets fell in 2015, particularly in United States where the inventory overhang resulted in an almost 10% fall in apparent demand. Steel production in the USA fell by 10.5% in 2015 as imports remained elevated relative to historical levels, particularly for flat and long products, despite an overall fall of 6.5% year-on-year. ArcelorMittal expects continued growth in underlying real steel demand in the United States in 2016 and, due to the level of destocking last year, considers that apparent steel demand and domestic steel production will be likely to rebound. In Europe, ArcelorMittal expects the gradual recovery in the steel consuming sectors to continue, albeit more slowly than in 2015, while steel production is only likely to be up slightly year-on-year in 2016, provided that trade actions are taken to protect domestic producers from unfairly priced imports. ArcelorMittal forecasts that global steel demand will remain stable in 2016, at best rising by less than 1% in 2016, following a 2.2% fall in 2015 triggered by weakening developing markets and destocking in some developed economies. While ArcelorMittal expects continued weakness in Brazil and Russia, the magnitude of their declines is expected to be lower than those of 2015. China too is expected to see demand levels fall slightly, likely to be in the -1% range assuming the real estate market begins to improve in the second half of 2016. Weaker emerging market currencies are expected to continue to support export opportunities, due to international price competitiveness, thereby supporting steel production in these countries. In China, the increasing threat of countervailing and anti-dumping measures against Chinese origin material by several countries, as well as domestic environmental compliance issues are likely to keep steel production growth muted, particularly as global steel demand remains subdued in the first half of 2016. Should competitively priced Chinese exports continue to rise, however, production growth in export destinations will likely be negatively affected.

Despite the weakness of steel prices, steel spreads (the difference between raw material costs and finished steel prices) have actually begun to pick up so far in the first quarter of 2016 from the depressed levels seen at the turn of the year. Ultimately, steel prices will depend on the strength of underlying raw material prices, which are a function of both the demand and supply of each commodity.

#### ***Raw materials***

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

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

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 of pricing mechanisms as steelmakers have developed strategies to benefit from increasing spot market liquidity and volatility. In 2015, the trend for using shorter-term pricing cycles continued, with the spot market remaining liquid and driven by Chinese demand.

#### ***Iron ore***

In the first quarter of 2013, iron ore prices increased dramatically reaching \$160 per tonne in late February as a result of restocking in China before the New Year holiday and a seasonally weaker supply due to weather-related disruptions in production in Brazil and Australia. The average price for the first quarter of 2013 was \$148 per tonne. In the second quarter of 2013, iron ore prices declined significantly as a result of stock cuts stemming from uncertainties about the Chinese market outlook, reaching a low of \$110 per tonne in May and averaging \$126 per tonne for the quarter. In the third quarter of 2013, iron ore spot prices recovered, averaging \$132 per tonne for the quarter, as a result of strong crude steel production rates in China and significant restocking at Chinese steel mills through the end of August. Despite a strong seaborne supply coming on-stream from the third quarter of 2013 onwards, the spot price remained above \$130 per tonne. In the fourth quarter of 2013, the iron ore market stabilized within a range of \$130 to \$140 per tonne with no clear price direction as the increasing supply availability was matched with a higher demand on the winter season restock.



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

The downward trend continued and reached \$66-69 per tonne in late December 2014 on continued structural iron ore oversupply and persistent strains in the credit market in China. The average spot price for the fourth quarter was \$74 per tonne, or 18% lower than the previous quarter at \$90 per tonne. As of end of January 2015, iron ore spot prices were trading in the range of \$62-69 per tonne (January 15-30, 2015, CFR China, Platts index, 62% Fe).

The downward trend of iron ore prices persisted through 2015, with quarterly averages spot prices of \$62.40 per tonne in the first quarter of 2015, \$58.45 per tonne in the second quarter, \$54.90 per tonne in the third quarter and \$46.65 per tonne in the fourth quarter (CFR China, Platts index, 62% Fe). This downward trend has been supported by continued structural oversupply, resilience of high cost mines (in China and seaborne), lower mining costs at major supply regions (supported by currency depreciation, e. g. in Australia and Brazil), lower fuel and freight costs as well as bearish sentiment about Chinese steel demand. In this context of oversupply, the Samarco tailings ponds dam collapsed in November 2015 resulting in a halt of operations (a 30 million tonne pellet capacity producer); however, it did not affect the plummeting iron ore price trend, which continued decreasing through the end of 2015.

### ***Coking coal***

Due to a continued strong supply and weak demand outlook, the spot coking coal market remained weak in 2013. Better-than-average supply conditions during the Australian wet season in early 2013 contributed to a decrease in hard coking coal prices in the first half of 2013, with premium coking coal spot prices reaching a low of \$130 per tonne (FOB Australia) by the end of the second quarter. Spurred by Chinese demand, spot hard coking coal prices began to increase at the beginning of the third quarter of 2013, peaking at \$152 per tonne in mid-September. However, despite high imports of coking coal to China, the seaborne coking coal market remained weak until the end of 2013, largely as a result of relatively weak ex-China seaborne demand, an improved supply base from Australia and strong domestic production in China. The premium coking coal spot price was \$131 per tonne on December 31, 2013. In 2013, contract prices followed the volatile spot price trend over the year, with the quarterly contract price for hard coking coal progressing from \$165 per tonne in the first quarter to \$172 per tonne in the second quarter, then to \$145 per tonne in the third quarter and \$152 per tonne in the fourth quarter.

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

The first half of 2015 experienced sharp spot price and contract reference price reductions, with a widening gap in the second quarter between both references (spot indexes and quarterly contract settlement), as quarterly contract references settled at \$117 per tonne (FOB Australia) and \$109.50 per tonne for the first and second quarters of 2015, respectively. Spot prices for such quarters averaged \$104 per tonne and \$87 per tonne, respectively. In the third quarter of 2015, premium coking coal spot prices reached a low of \$79 per tonne (FOB Australia) while contract settlement for the same quarter was at \$93 per tonne (FOB Australia). Contract settlement further reduced in the fourth quarter of 2015, where contract prices settled at \$89 per tonne (FOB

Australia), while spot prices were trading in the range of \$72-77 per tonne (December 1 through 31, 2015, FOB Australia HCC Peak Downs Platts index).

ArcelorMittal has continued to leverage its full supply chain and diversified supply portfolio in terms of the origin of sources to mitigate risks of regional supply disruptions. Additionally, ArcelorMittal further diversified its coking coal supply portfolio by adding new sources from emerging mines, e.g. from Mozambique and Russia.

### ***Scrap***

Scrap prices decreased throughout 2014. In Europe, the average price of scrap in 2014 was €262 per tonne (Eurofer Index for Demolition Scrap), which was 6.1% lower than in 2013 when the average price was €279.10 per tonne. The published value of the index on February 5, 2015 was €239 per tonne. Similarly, in NAFTA the average price of scrap in 2014 was \$338.50 per tonne (HMS 1&2 FOB East Coast), which was 4.7% lower than in 2013 when the average price was \$355.30 per tonne. The published value of this Index on February 5, 2015 was \$250.60 per tonne. During the course of 2014, scrap prices decreased by 20.2% compared to 2013 (from \$393 to \$313.50 per tonne: MB HMS 1&2 80:20 CFR Turkey, North European origin). The published value of this Index on February 5, 2015 was \$242.20 per tonne. In 2014 as compared to 2013, the drop in the Metal Bulletin Index HMS 1&2 80:20 CFR Turkey, North European origin was 5.5% on average, consistent with the 6.1% in local European Eurofer E3 prices.

Scrap imports towards Turkey remained constant with a decrease of 0.28% in 2014 as compared to 2013. This was, to some extent, a consequence of Turkey's capacity to source iron ore based materials in order to control scrap prices. Imports of billets were sourced from CIS beginning in the second half of 2014. The second and third importers are South Korea (< 1/3 the amount Turkey imports) and Italy. China takes 10<sup>th</sup> place and decreased its imports of scrap by 41.4% in 2014 as compared to 2013, mainly due to preference for iron ore in this context, plus the use of internal scrap (no exports recorded in 2013 or 2014). Regarding exports of scrap, the United States continued to take the lead but with a continuous downtrend to 15.5MT in 2014 as compared to 18.5MT in 2013 as a result of better economic activity, which is to say, strong demand, plus a favorable €/ \$ exchange rate discouraging traditional exports to Turkey.

In Europe, after some volatility in the first quarter of 2014 (average price of €269 per tonne) the Eurofer E3 index remained very stable in the second and third quarters, around €270 per tonne. However, there was a decrease in the fourth quarter of 2014, to €243.67 per tonne on average due to alternative sourcing from Turkey. The lowest price was reached in November at €237 per tonne. In NAFTA, the HMS 1&2 FOB index reacted consistently with Europe, with prices in 2014 at \$345 per tonne in the first quarter, \$355 per tonne in the second quarter, \$357 per tonne in the third quarter and a final decrease to \$297.80 per tonne in the fourth quarter. Beginning in the third quarter of 2014, the U.S. dollar strengthened significantly against the euro, which improved the attractiveness of scrap exports from the eurozone region relative to NAFTA.

Scrap prices decreased throughout 2015. In Europe, the average price of scrap in 2015 was €208.9 per tonne (Eurofer Index for Demolition Scrap), which was 20.3% lower than in 2014. In NAFTA, the average price of scrap in 2015 was \$218 per tonne (HMS 1 Domestic MidWest), which was 40% lower than in 2014 when the average price was \$364 per tonne. Comparing 2015 to 2014, average international scrap prices decreased by 33.5% from \$352 to \$234 per tonne (MB HMS 1&2 80:20 CFR Turkey, North European origin). Similarly for NAFTA, the average price of scrap in 2015 was \$224.4 per tonne (HMS 1&2 FOB East Coast) which was 33.7% lower than in 2014 when the average price was \$338.5 per tonne.

Turkish scrap import volumes were 14.5 million tonnes in the first 11 months of 2015, representing a decrease of 18.4% compared to same period in 2014. This was mainly a consequence of Turkey's capacity to source iron ore based materials which drove scrap prices down. Turkish billets imports from China increased 1.33 million tonnes. Turkey remains the main scrap buying country in the international market and approximately 65% of its steel production is based on the EAF process. Turkey's crude steel production decreased by 8% in the first 11 months of 2015 as compared to the first 11 months of 2014, with a decrease of 14.6% in the EAF process and an increase of 7.5% in the blast furnace process.

The high scrap prices have made the EAF process less profitable as compared to the iron ore based processes. Production cuts in the EAF base processes took place in 2015 reducing scrap demand.

## ***Ferro alloys and base metals***

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

The underlying price driver for manganese alloys is the price of manganese ore which was at the level of \$3.11 per dry metric tonne unit (“dmu”) (for 44% lump ore) on Cost, Insurance and Freight (“CIF”) China for 2015, representing a decrease of 31.80% from \$4.56 per dmu in 2014 (\$5.33 per dmu for 2013) mainly due to poor demand and oversupply of manganese ore in 2015.

The 2015 prices of high carbon ferro manganese decreased compared to the prior year by 15.8% from \$1,119 to \$942 per tonne. Prices of silicon manganese decreased compared to the prior year by 17.43% from \$1,222 to \$1,009 per tonne (\$1,174 per tonne for 2013). Prices for medium carbon ferro manganese decreased in 2015 compared to the prior year by 13.11% from \$1,686 to \$1,465 per tonne (\$1,644 per tonne for 2013).

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

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

The average price of zinc for 2015 was \$1,928 per tonne, representing a decrease of 11% as compared to the 2014 average of \$2,164 per tonne (the 2013 average was \$1,909 per tonne). The low for 2015 was \$1,461 per tonne on December 17, 2015 and high was \$2,405 per tonne on May 6, 2015. The global zinc metal market was in a surplus of 213,000 tonnes in the first 10 months of 2015 (production vs. usage). Stocks registered at the London Metal Exchange (“LME”) warehouses stood at 464,400 tonnes as of December 31, 2015, representing a decrease of 33% compared to December 31, 2014 when stocks registered stood at 691,600 tonnes (933,475 tonnes in 2013), reflecting the change in LME warehousing rules in response to a surfeit in stocks and decreased contango.

The average price of tin for 2015 was \$16,070 per tonne, representing an decrease of 27% compared to the 2014 average of \$21,893 per tonne (the 2013 average was \$22,304).

The average price of aluminum for 2015 was \$1,661 per tonne, representing an decrease of 11% compared to the 2014 average of \$1,867 per tonne (the 2013 average was \$1,845).

The average price of nickel for 2015 was \$11,834 per tonne, representing an decrease of 30% compared to the 2014 average of \$16,867 per tonne (the 2013 average was \$15,003).

## ***Energy market***

### ***Electricity***

In most of the countries where ArcelorMittal operates, electricity prices have moved in line with other commodities. In North America, the continuous pressure on oil brought the natural gas price down approximately 15% while forward prices in the PJM electricity market for the calendar year 2016 have seen a reduction of approximately 9% (from \$44/MWh down to \$40/MWh) compared to November 2015. The mild winter, strong pipeline flows from Russia/Norway to Europe and comfortable storage capacity has decreased the premium built into electricity prices. Brent oil prices are currently in the range of \$30/bbl to \$35/bbl (\$36.70/bbl at the end of December 2015) and the general commodity bearish mood brought the electricity price below €30/MWh at the end of 2015 in most of the western countries, representing a drop between €5~8/MWh or a ~20% price reduction since November 2015. Prices continued to decline in January 2016.

Overall production capacity in Europe is comfortable in the short term but increasing environmental constraints and low market prices are pushing utilities to close recent gas plants and the oldest coal power plants. The electricity price crash that occurred at the end of 2015 and beginning of January 2016 may accelerate decisions for mothballing unprofitable units. This market price driven cut is inconsistent with the need of more flexible power generation required to cope with increasingly intermittent renewables capacity and is therefore fueling “capacity market” debates and other market mechanisms that could be needed to guarantee the required investments ensuring security of supply.

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

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

In the absence of increasing demand, the only positive signal in the short term, apart from strong climate deviations, would likely be from policy decisions on capacity markets. On the CO<sub>2</sub> markets where the market stability reserve is intended to rebalance the existing long term market, the results of the COP 21 meeting in December 2015 did not succeed in boosting prices, and was in fact followed by a price decrease from €8.5/MWh to below €6.5/MWh (~25% reduction).

#### *Natural gas*

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

This trend is reducing the correlation and sensibility of the Western European market to oil price volatility. As an example, the gas auction of Gazprom in September 2015 was based on market prices and not oil indexation, as market prices were considered better indicators. North American natural gas prices trade independently of oil prices and are set by spot and future contracts, traded on the NYMEX exchange or over-the-counter. Elsewhere, prices are set on an oil derivative or bilateral basis, depending on local market conditions. International oil prices are dominated by global supply and demand conditions and are also influenced by geopolitical factors.

In 2015 and 2014, the LNG market continued to grow in Asia, although at a slower pace than in 2013. Excess supply is developing in that market as new liquefaction capacities are coming on stream or ramping up from Australia, Papuasias and Malaysia. This increase is not being absorbed due to the economic slowdown and is allowing for higher shipments to Europe (compounded by the fact that Japanese nuclear power plants have slowly initiated the ramp-up in generating power). The expected high number of LNG shipments in Europe has pushed the whole forward curve down and has fully erased the bullish market effect of the lack of flexibility that was lost in 2015 when the production of Groningen, a giant natural gas field located in the Netherlands, was reduced due to repeated earthquakes.

Increasing supply (due to, among other things, North America shale oil and a lack of OPEC discipline) and lower demand than expected (due to, among other things, a decrease in the Chinese economy) pushed oil prices down, which resulted in: i) Asian oil indexed LNG prices (JKM) dropping (from \$18 down to \$7.50/MM British thermal unit (“BTU”) during 2015 and down to \$6/MMBtu for spot LNG cargos mid-January 2015), closing the arbitrage window between Europe and Asia (no strong window is expected in the medium term), and ii) European LNG no longer being re-routed to Asia, resulting in increased supply in a continuously depressed market and pushing gas prices down year-on-year from \$10.50/MMBtu in 2013 and \$7.8/MMBtu in 2014 to \$6/MMBtu in 2015, with downward pressure continuing in 2016. Prices are expected to be around \$4/MMBtu for February 2016 onwards.

The premium related to the risk of gas flow disruption between Ukraine and Russia has disappeared with the agreement between Russia and Ukraine already on the table. In addition, Ukraine launched a successful tender to buy natural gas from a national joint-stock company Naftogaz Ukrainy in Europe on the western border of Ukraine using the three-year revolving loan of \$300 million issued by the European Bank for reconstruction and development.

In 2015 in the United States, unconventional gas production proved more than robust despite low oil prices and the continuous drop in gas market prices. A record buildup of gas in storage has materialized during the 2015/2016 winter with a surplus of approximately 15% compared to the 5 year average (decreasing the risk premium for winter months). The situation may change due to the pressure on gas and oil prices that will put pressure on some production areas in 2016. As a result, steam coal continues to be challenged as a fuel to produce power. Gas power plants are taking the lead and increasing their market share in the production mix which could trigger volatility in the summer period if there are heat waves. Projects to build liquefaction facilities for export to Europe or Asia continue to be developed, with production expected to start in early 2016 and potentially pushing U.S. gas prices up to keep up with the new export demand. In this context, natural gas prices in North American markets continued to increase from 2012 lows, averaging in 2014 at around \$4.20 per MMBtu, up from \$3.70 per MMBtu in 2013. Since the end of the 2014-2015 winter, gas prices have been dropping. With storage recovery and high market confidence in the ability to meet demand, prices began to decrease in the fourth quarter of 2014 to \$3/MMBtu and continued to decline in 2015, with prices below \$2.5/MMBtu for 2016. LNG exports and an increase of Mexico’s cross-border infrastructure could play a role in increasing the gas price for 2016 onwards.

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

The shipping market generally exceeded expectations in the first half of 2014, in a period which is usually known to endure seasonal restrictions, due to strength seen in Australian exports. Total iron ore imports by China were up 19% year on year, as iron ore prices dropped. However, coal and other sectors such as grain did not see as much growth and especially as congestion eased, the result was improved vessel turnaround and increased efficiency in ports. Rates were expected to recover in the second half of 2014 as a result of increased Brazilian shipments, however, the recovery never materialized and Chinese demand waned. As a result, rates primarily remained at low levels throughout the second half of 2014, with only small periods of temporary strength. The Baltic Dry Index (“BDI”) averaged 1,105 points, an 8% decrease as compared to 2013. Chinese demand for both iron ore and coal was weaker than expected and even government measures did not allow sustained recovery in 2014. Although Australian exports did well in the first half of 2014, they suffered in the second half of the year as a direct result of the slowdown in Chinese demand. Meanwhile, bunker fuel prices fell in 2014, especially in the second half of the year and this aided in keeping freight rates low. Capesize rates averaged at \$13,800 per day (\$14,842 per day in 2014 based on revised BDI methodology), a 5% decrease as compared to 2013. The smaller vessels saw less significant growth as the sector faced some resistance as a result of the Indonesian ban on bauxite and nickel ore exports, delayed South American grain exports and a weaker coal trade. Panamax rates averaged at \$7,718 per day in 2014, a 19% decrease compared to 2013.

Ocean freight market rates for dry cargo remained low for the majority of 2015, primarily due to a fall in coal and iron ore imports and the fall in oil prices. Chinese coal imports fell 30% year-on-year while average fuel price (reference price recorded for Rotterdam, Netherlands) decreased 51% in 2015 (\$260 per million tonne) compared to 2014 (\$531 per million tonne). There has been a flood of new build deliveries, but at the same time bulker demolition has also surged which has helped to curb a small portion of the oversupply and thereby slow expected net fleet growth.

The BDI averaged 718 points in 2015, representing a 35% decrease compared 2014. The Capesize sector averaged \$8,127 per day in 2015 (\$14,842 per day in 2014 based on revised BDI methodology). The Panamax sector averaged \$5,561 per day in 2015 (\$7,718 per day in 2014).

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<sup>6</sup>Sources: Baltic Daily Index, Clarksons Shipping Intelligence Network, LBH, Fearnleys, RS Platou.

### ***Impact of Exchange Rate Movements***

After having reached a yearly low during the first half of 2013 against most currencies in the jurisdictions where ArcelorMittal operates, the U.S. dollar strengthened significantly during the second part of 2013.

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

In 2015, the currency landscape was reshaped. Supported by a robust labor market and resilient growth figures, the strength of the U.S. dollar was confirmed in December 2015 by the first rate increase by the Federal Reserve after a seven year period of a “zero interest rate policy.” The situation in the U.S. contrasted strongly with the eurozone, where the European Central Bank’s (the “ECB”) quantitative easing program increased in intensity throughout the year. This, alongside disappointing data on production activity and inflation, put pressure on the euro, which started the year at 1.21 and ended the year at 1.09 against the U.S. dollar. The Chinese slowdown hit commodity prices and commodity exporters by extension, contributing to a move of the Canadian dollar and the Mexican peso in 2015 from 1.16 to 1.38 and from 14.80 to 17.20, respectively, against the U.S. dollar. The situation in Brazil, which entered into recession and witnessed unprecedented corruption scandals, and Russia, where geopolitical issues persisted, only further deteriorated by the fall of commodities: during the year the Brazilian real went from 2.55 to 4.25 and the Russian ruble from 58.05 to 73.05 against the U.S. dollar. In August 2015, Kazakhstan switched to a free float and allowed its currency to devalue 86% from 183 to 341 against the U.S. dollar in order to keep its market share vis-à-vis Russia, its main business partner. Currency developments have been similar in South Africa where a combination of weak commodity prices and tense political circumstances pushed the South African rand against the U.S. dollar to 15.55 at the end of 2015 from 11.60 at the beginning of the year.

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

### ***Trade and Import Competition***

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

Import competition in the EU28 steel market peaked in 2007 – when demand was above productive capacity - with import penetration of 18.6% before fluctuating down to 12.0% by 2012, due to recovering global demand post the 2008/09 global recession.

Imports penetration into Europe has continued to trend upwards since 2012 as global steel markets started to slow down and the effects of excess Chinese steel capacity became more apparent. In 2013, despite a slight decline in steel demand, imports rose, particularly from China, Russia and Turkey, to total approximately 18.4 million tonnes, and the penetration ratio increased to 13.1%.

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

In 2015, strengthening industrial activity in Europe led to a 2% rise in underlying steel demand. However, the slowdown in global steel consumption coupled with excess capacity in China resulted in increased shipments to Europe as domestic prices remained relatively attractive. Third country imports into Europe have increased by approximately 22% last year, much faster than apparent consumption growth, leading to the penetration ratio to pick-up to 17.5% in 2015. Between 2012 and 2015, finished steel imports are estimated to

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<sup>7</sup>Source: Eurostat trade data to November 2015, estimates for December 2015.

have increased by approximately 10 million tonnes, of this incremental volume 40% originated from China while 25% were shipped from the Commonwealth of Independent States (CIS). This rapid increase in shipments from China meant the share of Chinese origin imports into Europe has risen from 20% in 2012 to an estimated 27% in 2015. The CIS remains the largest exporter to Europe with an estimated 29% share in 2015 though the share has declined marginally from 31% in 2012. Other traditional importers into Europe such as developed Asia and Turkey have seen their market share squeezed by the growing influence of China and to a lesser extent the CIS.

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

Steel import penetration peaked in 2015 at 29.3% but both apparent consumption and finished imports declined by 9.5% and 6.9% respectively as 2014 import volumes remained the highest on record since 2006.

Imports rose significantly in 2014, up 35.9% year-on-year to 30.6 million tonnes, compared to a 3.9% decline in 2013. In the same year, penetration increased to 28.4% from 23.2% in 2013 despite an 11.8% increase in apparent steel demand as overall steel imports were up 37.9%, buoyed by a strong rise in semis volumes, up 44.6% year-on-year.

Despite the decline in imports in 2015, volumes actually remained relatively elevated compared to historical levels, particularly for flat and long products. In fact, long product imports increased by around 4% in 2015 (+23% in 2014) while flat products declined by just 6.4% (+60% in 2014). Semis and tubes both declined significantly in 2015 to levels consistent with historical averages. As a result, total finished steel imports dropped by just 6.9% to 28.5 million tonnes in 2015 following a 35.9% rise to 30.6 million tonnes in 2014 while overall steel imports were down to 35.3 million tonnes (down 12.3% year-on-year) in 2015 from 40.2 million tonnes (+37.9% year-on-year) in 2014. Almost three quarters of US imports originate from other NAFTA countries (Canada and Mexico), developed Asia, Brazil and EU28 and they have maintained a steady share of imports even though volumes have trended upwards. Of the remaining countries, only Turkey has increased its share from 4% to 8 % in 2015 while China's share of US imports has remained steady at around just 5% to 6% of total volumes. However, trade measures against Russia have seen the CIS share drop from 11% in 2014 to 6% in 2015.

#### *Consolidation in the steel and mining industries*

Given the current economic uncertainties in the developed economies, combined with a slowdown in emerging markets, consolidation transactions decreased significantly in terms of number and value in the past three years and this trend is expected to continue in 2016, unless and until prices stabilize and supply and demand balance out in the context of worldwide structural overcapacity.

While developed markets continued to present fewer opportunities for consolidation, steel industry consolidation also began to slow down substantially in China in 2012 and continued through 2015. Despite being a key initiative of the 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 which has not been very effective. 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 to simplify approval procedures and facilitate acquisition financing for firms in sectors like steel.

Going forward, any further consolidation should foster the ability of the steel industry to maintain more consistent performance through industry cycles by achieving greater efficiencies and economies of scale, and should lead to improved bargaining power relative to customers and, crucially, suppliers, which tend to have higher levels of consolidation. Given the difficult iron ore price environment, it is quite possible that consolidation in this part of the value chain may occur in the future. The last evidence of major consolidation among mining companies was the completion of the merger between Xstrata and Glencore on May 2, 2013.

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<sup>8</sup>Source: U.S. Department of Commerce, customs census data up to November 2015 and estimates for December 2015.

## Key indicators

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

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

## Years ended December 31, 2015, 2014 and 2013

### *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, 2015, 2014 and 2013:

Segment	Sales for the year ended December 31, <sup>1</sup>			Operating income for the year ended December 31, <sup>2</sup>		
	2015 (in \$ millions)	2014 (in \$ millions)	2013 (in \$ millions)	2015 (in \$ millions)	2014 (in \$ millions)	2013 (in \$ millions)
NAFTA	17,293	21,162	19,645	(705)	386	630
Brazil	8,503	10,037	10,148	628	1,388	1,204
Europe	31,893	39,552	40,507	171	737	(985)
ACIS	6,128	8,268	8,419	(624)	95	(457)
Mining	3,387	4,970	5,766	(3,522)	565	1,176
Others and eliminations	(3,626)	(4,707)	(5,045)	(109)	(137)	(371)
<b>Total</b>	<b>63,578</b>	<b>79,282</b>	<b>79,440</b>	<b>(4,161)</b>	<b>3,034</b>	<b>1,197</b>

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

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

Adjustments to segment operating income and other	Year ended December 31,		
	2015 (in \$ millions)	2014 (in \$ millions)	2013 (in \$ millions)
Corporate and shared services <sup>1</sup>	(10)	(132)	(207)
Financial activities	(20)	(16)	(12)
Shipping and logistics	(84)	(30)	(29)
Intragroup stock margin eliminations <sup>2</sup>	31	109	(73)
Depreciation and impairment	(26)	(68)	(50)
<b>Total adjustments to segment operating income and other</b>	<b>(109)</b>	<b>(137)</b>	<b>(371)</b>

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

2 In 2015 and 2014, as compared to 2013, margins decreased as a result of low iron ore prices leading to a reduction in intragroup-margin eliminations.

## Sales

ArcelorMittal had sales of \$63.6 billion for the year ended December 31, 2015, representing a 19.8% decrease from sales of \$79.3 billion for the year ended December 31, 2014, primarily due to lower average steel



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

ArcelorMittal had sales of \$79.3 billion for the year ended December 31, 2014, representing a marginal decrease from sales of \$79.4 billion for the year ended December 31, 2013, primarily due to lower average steel selling prices (which were down 3%) and lower seaborne iron ore reference prices (which were down 28.4%) despite higher steel shipments (which were up 3%) and marketable iron ore shipments (which were up 13.2%). In the first half of 2014, sales of \$40.5 billion represented a 1.5% increase from sales of \$39.9 billion in the first half of 2013, primarily due to an increase in steel shipments, partially offset by a decrease in average steel selling prices. In the second half of 2014, sales of \$38.8 billion represented a marginal decrease from sales of \$39.5 billion in the second half of 2013 primarily driven by a drop in average steel prices of 4%, partially offset by an increase in steel shipments of 4%.

#### *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, 2015 was \$65.2 billion as compared to \$73.3 billion for the year ended December 31, 2014. Cost of sales for the year ended December 31, 2015 was negatively affected by an increase in impairment on tangible and intangible assets for \$4.8 billion partially offset by a decrease in depreciation and foreign exchange impacts due to the appreciation of the U.S. dollar against the major currencies. Selling, general and administrative expenses ("SG&A") were \$2.5 billion for the year ended December 31, 2015 compared to \$3.0 billion for the year ended December 31, 2014. SG&A increased as a percentage of sales to 4.0% of sales for the year ended December 31, 2015 as compared to 3.7% for 2014 as described below.

Cost of sales for the year ended December 31, 2014 was \$73.3 billion as compared to \$75.2 billion for the year ended December 31, 2013. Cost of sales for the year ended December 31, 2014 was positively affected by a decrease in depreciation following a change in the useful lives of certain property plant and equipment as described earlier and a decline in raw material prices. Cost of sales for the year ended December 31, 2013 was negatively affected by impairment losses of \$0.4 billion and restructuring charges for \$0.6 billion. SG&A remained stable at \$3.0 billion for the year ended December 31, 2014 and 2013. SG&A remained relatively stable compared to sales as it represented 3.7% of sales for the year ended December 31, 2014 as compared to 3.8% for the year ended December 31, 2013.

#### *Operating income or loss*

ArcelorMittal's operating loss for the year ended December 31, 2015 was \$4.2 billion as compared with operating income of \$3.0 billion for the year ended December 31, 2014. Operating loss in 2015 was negatively affected by impairment charges of \$4.8 billion including \$0.9 billion with respect to the Mining segment goodwill and \$3.9 billion related to tangible and intangible assets, of which \$2.5 billion was in respect of iron ore mining operations at ArcelorMittal Liberia (\$1.4 billion), Las Truchas in Mexico (\$0.2 billion), ArcelorMittal Serra Azul in Brazil (\$0.2 billion) and coal mining operations at ArcelorMittal Princeton in the United States (\$0.7 billion) mainly due to a downward revision of cash flow projections relating to the expected persistence of a lower iron ore and coking coal price outlook. Management performed its quarterly analysis of impairment indicators in the context of high volatility in the raw material prices during 2015 and concluded that impairment indicators existed in the fourth quarter of 2015 as a result of the expected persistence of lower long term prices and strategic decisions. ArcelorMittal also recorded impairment charges of \$0.3 billion, \$0.3 billion and \$0.2 billion with respect to the Saldanha plant in ArcelorMittal South Africa (ACIS) as a result of its revised competitive outlook, Indiana Harbor East and West in the United States (NAFTA) in connection with the deployment of asset optimization programs and the currently idled ArcelorMittal Point Lisas facility in Trinidad and Tobago (Brazil segment), respectively. In addition, the Company recorded impairment charges of \$0.2 billion with respect to the intended sale of the Long Carbon facilities in the United States (ArcelorMittal La Place, Steelton and Vinton) and \$0.4 billion primarily in connection with the idling for an indefinite time of the ArcelorMittal Sestao plant in Spain (Europe segment). Operating loss in 2015 also included negative impacts due to inventory related losses of \$1.3 billion following the rapid decline of international steel prices and

litigation costs of \$0.1 billion in South Africa. See note 5 to the consolidated financial statements for the critical accounting policies and uses of judgments and estimates related to the impairment of tangible and intangible assets, including goodwill.

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

ArcelorMittal's operating income for the year ended December 31, 2014 was \$3.0 billion, as compared with an operating income of \$1.2 billion for the year ended December 31, 2013. Operating income in 2014 was negatively impacted by a \$90 million charge following the settlement of antitrust litigation in the United States and a \$76 million charge for onerous supply contract provisions primarily for tin coated products at Weirton in the United States (NAFTA) offset in part by a \$79 million gain on the disposal of the Kuzbass coal mines (Mining). Operating income for the year ended December 31, 2014 was positively affected by a decrease in depreciation (from \$4.7 billion for the year ended December 31, 2013 to \$3.9 billion for the year ended December 31, 2014) as a result of a change in useful lives of plant and equipment. The Company performed a review of the useful lives of its assets and determined its maintenance and operating practices enabled a change in the useful lives of plant and equipment. As a result, certain of the Company's existing assets have been and will be used longer than previously anticipated and therefore, the estimated useful lives of certain plant and equipment were lengthened prospectively. In addition, operating income for the year ended December 31, 2014 was negatively affected by impairment charges of \$264 million, of which \$114 million primarily related to the idling of the steel shop and rolling facilities of the Indiana Harbor Long carbon operations in the United States (NAFTA), \$63 million relating to the impairment of the Volcan iron ore mine in Mexico (Mining) due to a short residual life of the mine and \$57 million related to the idling of mill C in Rodange, Luxembourg (Europe segment).

Operating income was \$2.5 billion for the first nine months of 2014, which was a 108% increase from \$1.2 billion for the first nine months of 2013, while the operating income in the fourth quarter of 2014 was \$569 million and represented a significant improvement over the operating loss recorded in the fourth quarter of 2013 for \$36 million. The fourth quarter of 2014 was impacted by all of the gains and charges mentioned above except for the \$90 million charge following the settlement of antitrust litigation in the United States which was recognized in the second quarter of 2014. The fourth quarter of 2013 was negatively affected by impairment losses and restructuring charges of \$0.7 billion.

Operating income for the year ended December 31, 2013 included impairment losses of \$444 million. These impairment losses included a charge of \$181 million related to the Thabazimbi mine in ArcelorMittal South Africa (ACIS) following the transfer of the future operating and financial risks of the asset to Kumba as a result of the iron ore supply agreement signed with Sishen on November 5, 2013. ArcelorMittal also recognized impairment charges of \$101 million and \$61 million for the costs associated with the discontinued iron ore projects in Senegal and Mauritania (Mining), respectively. The Company recorded an impairment loss of \$55 million in connection with the long-term idling of the ArcelorMittal Tallinn galvanizing line in Estonia (Europe segment) and reversed an impairment loss of \$52 million at the Liège site of ArcelorMittal Belgium (Europe segment) following the restart of the hot dip galvanizing line HDG5. ArcelorMittal also recognized an impairment charge of \$24 million relating to the closure of the organic coating and tin plate lines at the Florange site of ArcelorMittal Atlantique et Lorraine in France (Europe segment). Additionally, in connection with the agreed sale of certain steel cord assets in the United States, Europe and Asia (Europe segment) to the joint venture partner Kiswire Ltd., ArcelorMittal recorded an impairment charge of \$41 million with respect to the subsidiaries included in this transaction.

Operating income for the year ended December 31, 2013 was positively affected by a non-cash gain of \$92 million corresponding to the final recycling of income relating to unwinding of hedges on raw material purchases (Europe) and a \$47 million fair valuation gain relating to DJ Galvanizing in Canada (NAFTA), a joint operation in which the Company acquired the remaining 50% interest held by the other joint operator. Operating income for the year ended December 31, 2013 was negatively affected by restructuring charges totaling \$552 million primarily related to costs incurred for the long-term idling of the Florange liquid phase in ArcelorMittal Atlantique et Lorraine (including voluntary separation scheme costs, site rehabilitation and safeguarding costs and take or pay obligations) and to social and environmental costs as a result of the agreed industrial and social plan for the finishing facilities at the Liège site of ArcelorMittal Belgium.

### *Shipments and average steel selling price*

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

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

ArcelorMittal had steel shipments of 85.1 million tonnes for the year ended December 31, 2014, representing an increase of 3% from steel shipments of 82.6 million tonnes for the year ended December 31, 2013.

Average steel selling price for the year ended December 31, 2014 decreased 3% compared to the year ended December 31, 2013, following weakness in raw material prices. Average steel selling price in the first half of 2014 decreased by 2% from the same period in 2013, while average steel selling price in the second half of the year was down 4% from the same period in 2013.

<b>NAFTA</b>			
	<b>Performance for the year ended December 31,</b>		
<b>(in millions of USD unless otherwise shown)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	17,293	21,162	19,645
Depreciation	616	706	767
Impairments	526	114	-
Operating income / (loss)	(705)	386	630
<hr/>			
Crude steel production (thousand tonnes)	22,795	25,036	24,914
Steel shipments (thousand tonnes)	21,306	23,074	22,500
<hr/>			
Average steel selling price (USD/tonne)	732	843	829

### *Sales*

Sales in the NAFTA segment were \$17.3 billion for the year ended December 31, 2015, representing a decrease of 18.3% as compared to December 31, 2014. Sales decreased primarily as a result of the decrease in average steel selling prices by 13.2% and a decrease in steel shipments by 7.7%, both of which were primarily driven by lower domestic prices impacted by weak demand and import pressures. Sales in the first half of 2015 were \$9.3 billion, a 10% decrease as compared to the same period in 2014, mainly due to a 10% decrease in average steel selling prices and a 3% decrease in steel shipments. In the second half of the year, sales were \$8.0 billion, a decrease of 26.3% compared to the same period in 2014, primarily driven by a 16.3% decrease in average steel selling prices and 12.6% decrease in steel shipments.

Sales in the NAFTA segment were \$21.2 billion for the year ended December 31, 2014 representing an increase of 8% as compared to \$19.6 billion for the year ended December 31, 2013. Sales increased primarily due to a 2% increase in average steel selling prices and a 3% increase in steel shipments. Sales in the first half of 2014 were \$10.4 billion, up 7% from the same period in 2013 primarily driven by a 4% increase in steel shipments and 1% increase in average steel selling prices. In the second half of the year sales were \$10.8 billion, up 8% from the same period in 2013, a 1.5% increase in shipments and a 2% increase in average steel selling prices.

### *Operating income or loss*

Operating loss for the NAFTA segment was \$705 million for the year ended December 31, 2015 as compared to an operating income of \$386 million for the year ended December 31, 2014. Operating loss included impairment charges of \$526 million of which \$231 million related to the intended sale of the Long carbon facilities in the United States (ArcelorMittal Laplace, Steelton and Vinton) and \$276 million with respect to the Indiana Harbor East and West facilities (United States) in connection with deployment of the asset optimization programs. It was also negatively affected by inventory related losses amounting to \$0.5 billion following the rapid decline of steel prices. Operating loss for the segment amounted to \$52 million for the six months ended June 30, 2015 as compared with operating income of \$77 million for the same period of 2014. Operating loss for the first half of 2015 was negatively affected by a \$69 million provision for inventory related losses in the US and an impairment of \$19 million relating to the closure of the Georgetown facility in the U.S. as well as lower volumes and lower average selling prices as compared to the same period of 2014. Operating loss for the second half of 2015 was \$653 million which was negatively affected by the impairments and inventory related losses described above as compared to operating income in the second half of 2014. Operating performance in the second half of 2015 was also affected by negative price-cost squeeze.

Operating income for the NAFTA segment amounted to \$386 million for the year ended December 31, 2014, compared to operating income of \$630 million for the year ended December 31, 2013. Operating income for the segment amounted to \$309 million for the second half of the year, compared to \$77 million in the first half. Operating income in the first half of 2014 was negatively affected by a \$90 million charge following the settlement of antitrust litigation in the United States and higher input costs resulting from the severe winter weather conditions as well as costs related to planned and unplanned maintenance downtime. Operating income in the second half of 2014 benefited from lower input costs and decreased maintenance expenses, particularly in the fourth quarter, but was negatively impacted by a \$76 million charge for onerous supply contract provisions, primarily for tin coated products at Weirton, in the United States and impairment charges of \$114 million in the United States primarily related to the idling of the steel shop and rolling facilities of Indiana Harbor Long carbon operations.

Operating income for the year ended December 31, 2013 was negatively affected by lower shipments in the first half of the year following labor issues at Burns Harbor and operational incidents at Indiana Harbor East and West during the second quarter. Operating income was positively affected by a \$47 million fair valuation gain relating to DJ Galvanizing in Canada, a joint operation in which the Company acquired the remaining 50% interest held by the other joint operator, lower average steel selling prices in the third quarter of 2013 and positively affected by 5% higher volumes in the second half of the year compared to the first half.

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

Crude steel production in the NAFTA segment decreased 9% for the year ended December 31, 2015 as compared to the year ended December 31, 2014 to align with weaker demand. Crude steel production remained relatively flat at 25 million tonnes for the year ended December 31, 2014 and for the year ended December 31, 2013.

Total steel shipments decreased 7.7% for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Shipments were 11.1 million tonnes in the first half of 2015, a decrease of 3% from the same period in 2014, while shipments in the second half of the year were 10.2 million tonnes, a decrease of 12.6% from the same period in 2014. Steel shipments for the first half of 2015 were negatively affected by increased imports. Steel shipments for the second half of 2015 were negatively affected by a decrease in flat product shipments (mainly Mexico and U.S.) and a decrease in long product shipment volumes due to the closure of Georgetown and Indiana Harbor Bar in the first half of 2015.

Total steel shipments were 23.1 million tonnes for the year ended December 31, 2014, representing a 3% increase compared to the year ended December 31, 2013. Shipments were 11.4 million tonnes in the first half of 2014, up 4% from the same period in 2013, while shipments in the second half of the year were 11.7 million tonnes, up 1.5% from the same period in 2013. Steel shipments for the first half of 2013 were negatively affected by labor issues at Burns Harbor and operational incidents at Indiana Harbor East and West, for which reductions in inventory and supplies from other NAFTA units partially mitigated the market impact. The increase in the second half of 2014 reflected improved demand.

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

period in 2014, although average steel selling prices in the fourth quarter of 2015 decreased by 14.3% compared to the same period of 2014.

Average steel selling price increased 2% for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Average steel selling price in the first half of 2014 increased 1% from the same period in 2013, as well as average steel selling price in the second half of the year which was higher by 2%, as compared to the same period in 2013, although average steel selling price in the fourth quarter of 2014 was relatively flat as compared to the fourth quarter of 2013.

<b>Brazil</b>			
	<b>Performance for the year ended December 31,</b>		
<i>(in millions of USD unless otherwise shown)</i>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	8,503	10,037	10,148
Depreciation	336	457	691
Impairments	176	-	-
Operating income / (loss)	628	1,388	1,204
Crude steel production (thousand tonnes)	11,612	10,524	9,987
Steel shipments (thousand tonnes)	11,540	10,376	9,797
Average steel selling price (USD/tonne)	647	867	940

#### *Sales*

In the Brazil segment, sales were \$8.5 billion for the year ended December 31, 2015 which represented a 15.3% decrease as compared to the year ended December 31, 2014 primarily due to lower average steel selling prices, impacted by foreign exchange rates and low international steel pricing for both flat and long products offset in part by higher steel shipments. Sales in the first half of 2015 were \$4.3 billion, down 10% from the same period in 2014 primarily due to lower average selling prices partially offset by higher steel shipments following the restart of Blast Furnace #3 at Tubarão in July 2014, while sales in the second half of the year were \$4.2 billion, down 19.7% from the same period in 2014 primarily due to lower average selling prices (28.2%), partially offset by an increase in shipments (4.5%) and an increase in sales from the Company's Venezuelan operations.

In the Brazil segment, sales were \$10.0 billion for the year ended December 31, 2014 which represented a 1% decrease as compared to the year ended December 31, 2013. Sales in the first half of 2014 were \$4.8 billion, down 6% from the same period in 2013, while sales in the second half of the year were \$5.2 billion, up 4% from the same period in 2013.

#### *Operating income or loss*

Operating income for the Brazil segment for the year ended December 31, 2015 was \$628 million, a decrease of 54.7% as compared to the year ended December 31, 2014. The decrease was primarily due to a 25.4% decrease in average steel selling prices, write-downs of \$91 million primarily related to inventories in the third and fourth quarters of 2015 following the rapid decline of steel prices and an impairment of \$176 million relating to the currently idled ArcelorMittal Point Lisas (Trinidad and Tobago) facility, partially offset by a 11.2% increase in steel shipments. Operating income for the first half of 2015 decreased 4.4% to \$566 million as compared with the first half of 2014 primarily due to lower average steel selling prices offset in part by higher steel shipments following the restart of Blast Furnace #3 at Tubarão and the improvement in the Company's tubular operations. Operating income for the second half of 2015 was \$63 million, a 92.1% decrease compared to the second half of 2014 due to the decrease in average steel selling prices (28.2%) and the impairment and write-down described above, partially offset by a 4.5% increase in shipments.

Operating income for the Brazil segment for the year ended December 31, 2014 was \$1.4 billion compared to \$1.2 billion for the year ended December 31, 2013. The increase was primarily due to higher steel shipment volumes as described below, lower costs and lower depreciation, which was \$457 million for 2014 as compared to \$691 million for 2013, mainly due to the change in asset lives of certain plant and equipment. Operating income for the segment amounted to \$0.8 billion for the second half of 2014, compared to operating income of

\$0.6 billion in the first half of 2014. Operating income for the first half of 2014 was negatively affected by lower shipments and lower average steel selling prices as compared to the same period in 2013. Operating income for the second half of 2014 was positively affected by the additional slab volumes as described below.

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

Crude steel production increased by 10.3% to 11.6 million tonnes for the year ended December 31, 2015 as compared to the year ended December 31, 2014 as a result of the restart of Blast Furnace #3 at Tubarão. Crude steel production increased by 21% to 5.8 million tonnes for the first half of 2015 as compared to 4.8 million tonnes for the first half of 2014 as a result of the restart of the Tubarão furnace in July 2014, while crude steel production increased by 1.3% for the second half of 2015 as compared to the second half of 2014. Similarly, crude steel production increased by 5% to 10.5 million tonnes for the year ended December 31, 2014 as compared with 10.0 million tonnes for the year ended December 31, 2013.

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

Total steel shipments reached 10.4 million tonnes for the year ended December 31, 2014, which was a 6% increase from steel shipments for the year ended December 31, 2013. Shipments were 4.6 million tonnes in the first half of 2014, which was down 5% compared to the same period in 2013, primarily due to operational issues in the hot strip mill in Tubarão, while shipments in the second half of the year were up by 17% as compared to the second half of 2013, primarily due to higher exports of slab shipments from Brazil after blast furnace No. 3 was restarted at Tubarão.

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

Average steel selling price decreased 8% for the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily due to a mix impact (higher slab shipments) following the restart of blast furnace No. 3 at Tubarão. Average steel selling price in the first half of 2014 was down 3% from the same period in 2013, driven by a decrease in global steel prices, currency devaluation in Brazil, Argentina and Venezuela. The average steel selling price in the second half of the year was down 12% from the same period in 2013 due to the mix impact described above.

<b>Europe</b>			
	<b>Performance for the year ended December 31,</b>		
<b>(in millions of USD unless otherwise shown)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	31,893	39,552	40,507
Depreciation	1,192	1,510	2,003
Impairments	398	57	86
Operating income / (loss)	171	737	(985)
Crude steel production (thousand tonnes)	43,853	43,419	41,923
Steel shipments (thousand tonnes)	40,676	39,639	38,269
Average steel selling price (USD/tonne)	609	773	804

### *Sales*

Sales in the Europe segment were \$31.9 billion for the year ended December 31, 2015, representing a decrease of 19.4% as compared to the year ended December 31, 2014 primarily due to lower average steel selling prices partially offset by higher shipments. Local average steel selling prices declined, partially reflecting lower raw material costs. Sales in the first half of 2015 decreased 18% to \$17.1 billion as compared to the first half of 2014 primarily due to a 22% decrease in average steel selling prices which were negatively impacted by the USD appreciation against the Euro, partially offset by an increase in steel shipments by 7%. In the second half of the year sales were \$14.7 billion, a decrease of 21.2% compared to the same period in 2014 primarily due to lower average steel selling prices and a marginal decrease in steel shipments described below.

Sales in the Europe segment were \$39.6 billion for the year ended December 31, 2014, representing a decrease of 2% as compared to \$40.5 billion for the year ended December 31, 2013. The decrease was primarily due to a 4% decrease in average steel selling price while steel shipments increased by 4%. Sales in the first half of 2014 were \$20.8 billion, remaining relatively flat compared to the same period in 2013, and in the second half of the year sales were \$18.8 billion, a decrease of 5% compared to the same period in 2013. The decrease was primarily related to lower average steel selling prices.

### *Operating income or loss*

Operating income for the Europe segment for the year ended December 31, 2015 decreased to \$171 million, a 76.8% decrease as compared to the year ended December 31, 2014. Operating loss for the segment was \$533 million for the second half of the year, compared to operating income of \$704 million for the first half of the year. Operating income was negatively impacted by (i) an impairment charge of \$398 million primarily relating to the indefinite idling of the Sestao facility in Spain and the write down of carrying values for certain ArcelorMittal Downstream Solutions operations as a result of the classification as held for sale and (ii) write-downs of inventories for \$0.6 billion in the second half of 2015 following the rapid decline in steel prices, partially offset by improved market conditions and realized benefits of cost optimization efforts as well as increased shipments and the effects of the USD appreciation against the euro.

Operating income for the Europe segment for the year ended December 31, 2014 significantly increased to \$0.7 billion compared to operating loss of \$1.0 billion for the year ended December 31, 2013. Operating income for the segment was \$0.3 billion for the second half of the year, compared to operating income of \$0.4 billion for the first half of the year. Despite the continuous difficult economic environment in Europe reflected in lower average steel selling prices mainly due to lower raw material prices, shipments increased by 4% in 2014 as a result of improved domestic demand. Operating income for the year ended December 31, 2014 was positively affected by improved market conditions, lower costs and benefits of cost optimization efforts. Operating income for the year ended December 31, 2014 included impairment charges of \$57 million related to the idling of mill C in Rodange, Luxembourg. In addition, operating income was positively impacted by a decrease in depreciation which was \$1.5 billion and \$2.0 billion for the years ended December 31, 2014 and December 31, 2013, respectively, mainly due to the change in useful lives of certain plant and equipment.

Europe's operating loss for the year ended December 31, 2013 included restructuring costs amounting to \$517 million, including \$137 million of costs incurred for the long-term idling of the Florange liquid phase in ArcelorMittal Atlantique et Lorraine (including voluntary separation scheme costs, site rehabilitation / safeguarding costs and take or pay obligations) and \$354 million (including social and environmental costs) as

a result of the agreed industrial and social plan for the finishing facilities at the Liège site of ArcelorMittal Belgium. These charges were partially offset by a reversal of provisions of \$38 million in France and Spain following the revision of certain assumptions. Europe's operating loss was reduced by a non-cash gain of \$92 million corresponding to the final recycling of income relating to unwinding of hedges on raw material purchases.

Europe's operating loss for the year ended December 31, 2013 also included impairment charges of \$86 million, of which \$55 million was in connection with the long-term idling of the ArcelorMittal Tallinn galvanizing line in Estonia, largely offset by the reversal of an impairment loss of \$52 million at the Liège site of ArcelorMittal Belgium following the restart of the hot dip galvanizing line HDG5, \$24 million primarily related to the closure of the organic coating and tin plate lines at the Florange site of ArcelorMittal Atlantique et Lorraine in France and included an impairment charge of \$41 million with respect to the subsidiaries included in the agreed sale of certain steel cord assets in the US, Europe and Asia to the joint venture partner Kiswire Ltd.

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

Crude steel production for the Europe segment increased 1% to 43.9 million tonnes for the year ended December 31, 2015 as compared to the year ended December 31, 2014. Crude steel production increased in the first half of 2015 as compared to the first half of 2014 by 5% to 23 million tonnes primarily due to fewer facilities under maintenance during the first half of 2015 and to align with increased demand. Crude steel production decreased in the second half of 2015 as compared to the second half of 2014 by 3.3% driven by lower demand and maintenance work including the relining of a blast furnace in Dunkirk, France, and repairs to a blast furnace in Gent, Belgium. Crude steel production for the Europe segment increased 4% to 43.4 million tonnes for the year ended December 31, 2014, from 41.9 million tonnes for the year ended December 31, 2013.

Total steel shipments were 40.7 million tonnes for the year ended December 31, 2015, an increase of 2.6% from steel shipments for the year ended December 31, 2014. Shipments were 21.6 million tonnes in the first half of 2015, up 7% from the same period in 2014 driven by improved demand, while shipments in the second half of the year were 19.1 million tonnes, down 1.6% from the same period in 2014 driven by lower demand and maintenance work.

Total steel shipments were 39.6 million tonnes for the year ended December 31, 2014, an increase of 4% from steel shipments for the year ended December 31, 2013. Shipments were 20.2 million tonnes in the first half of 2014, up 3% from the same period in 2013, while shipments in the second half of the year were 19.4 million tonnes, up 4% from the same period in 2013. The increase in the first and second half of 2014 was primarily driven by improved demand compared to the first half of 2013.

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

Average steel selling price decreased 4% for the year ended December 31, 2014 as compared to the year ended December 31, 2013. Average steel selling price in the first half of 2014 and in the second half of 2014 was down 1% and 7%, respectively, as compared to the first and second half of 2013, mainly due to the decreasing trend in raw material prices.



<b>ACIS</b>			
	<b>Performance for the year ended December 31,</b>		
<b>(in millions of USD unless otherwise shown)</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	6,128	8,268	8,419
Depreciation	408	525	542
Impairments	294	-	196
Operating income / (loss)	(624)	95	(457)
Crude steel production (thousand tonnes)	14,219	14,148	14,362
Steel shipments (thousand tonnes)	12,485	12,833	12,422
Average steel selling price (USD/tonne)	432	576	613

#### *Sales*

In the ACIS segment, sales were \$6.1 billion for the year ended December 31, 2015, representing a decrease of 25.9% as compared to the year ended December 31, 2014. The decrease was primarily due to a 25% decrease in average selling price and lower steel shipments by 2.7%, as described below. Sales in the first half of 2015 decreased 22% to \$3.4 billion compared to the same period in 2014 and sales in the second half of the year were \$2.8 billion, down 30.4% from the same period in 2014 primarily due to the decrease in average selling prices and lower shipments.

In the ACIS segment, sales were \$8.3 billion for the year ended December 31, 2014, representing a decrease of 2% from sales of \$8.4 billion for the year ended December 31, 2013. The decrease was primarily due to a 6% decrease in average selling price (in all three units), partially offset by an increase in shipments of 3%. Sales in the first half of 2014 remained relatively flat at \$4.3 billion compared to the same period in 2013, while sales in the second half of the year were \$4.0 billion, down 4% from the same period in 2013.

#### *Operating income or loss*

Operating loss for the ACIS segment for the year ended December 31, 2015 was \$624 million, compared to operating income of \$95 million for the year ended December 31, 2014. Operating income for the year ended December 31, 2015 was negatively impacted by a \$294 million asset impairment charge mainly related to the closure of Vereeniging meltshop (\$27 million) and the Saldanha facility in South Africa (\$258 million), as a result of its revised competitive outlook, and charges of \$239 million including \$159 million primarily related to derecognition of a deferred stripping prepayment in connection with the amended iron ore supply agreement and competition cases in South Africa in the fourth quarter of 2015 and \$80 million primarily related to write-downs of inventories following the rapid decline of steel prices and to retrenchment costs of \$27 million in Thabazimbi and Tshikondeni in South Africa in the third quarter of 2015. Operating income for the first half of 2015 was \$7 million as compared to \$5 million for the same period of 2014. Operating loss for the second half of the year was \$631 million as compared to operating income of \$90 million for the same period in 2014. Operating income was negatively impacted by the decrease in average steel selling prices and lower shipments for both the first and second half of 2015 (as well as the impairments and write-downs in the second half of 2015) as compared to the same period of 2014, partially offset by lower costs in all three units (Ukraine, Kazakhstan and South Africa) due to currency devaluation.

Operating income for the ACIS segment for the year ended December 31, 2014 was \$95 million, compared to operating loss of \$457 million for the year ended December 31, 2013. The improved results reflected improved operations and lower costs primarily in the CIS, offset in part by lower average steel selling prices. Operating income for the segment amounted to \$90 million for the second half of the year, compared to operating income of \$5 million in the first half. Operating income was positively impacted by improved market conditions resulting in increased shipments and the realized benefits of cost optimization efforts, offset slightly by lower average steel selling prices.

Operating loss for the year ended 2013 included a charge of \$181 million related to the Thabazimbi mine in ArcelorMittal South Africa following the transfer of the operating and financial risks of the asset to Kumba as a result of the iron ore supply agreement signed with Sishen on November 5, 2013.

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

Crude steel production for the ACIS segment remained fairly flat at 14.2 million tonnes for the year ended December 31, 2015 as compared to 2014. Production was lower in Ukraine due to planned repairs of Blast Furnace #9, partially offset by higher production in South Africa following the Newcastle reline completion. Crude steel production for the first half of 2015 increased 4% to 7.3 million tonnes as compared to 7.0 million tonnes for the first half of 2014 primarily driven by the Newcastle reline completion, while crude steel production for the second half of 2015 decreased 3.0% as compared to the second half of 2014, mainly due to planned repair of Blast Furnace #9 in Ukraine. Crude steel production for the ACIS segment decreased 2% to 14.1 million tonnes for the year ended December 31, 2014, from 14.4 million tonnes for the year ended December 31, 2013.

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

Total steel shipments reached 12.8 million tonnes for the year ended December 31, 2014, an increase of 3% from steel shipments for the year ended December 31, 2013. Steel shipments were 6.5 million tonnes in the first half of 2014, up 5% from the same period in 2013. Steel shipments for the first half of 2014 were positively impacted by improved shipments in Kazakhstan with stable operations, while steel shipments for the first half of 2013 were negatively affected by lower volumes in South Africa, caused by fire disruption at the Vanderbijlpark site, and Kazakhstan. In the second half of 2014, steel shipments were 6.3 million tonnes and represented a 2% increase compared to the same period in 2013, primarily as a result of higher shipments from CIS countries.

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

Average steel selling price decreased 6% for the year ended December 31, 2014 as compared to the year ended December 31, 2013. This decrease was mainly related to lower average steel selling prices in all three units. Average steel selling price in the first half of 2014 was down 7% from the same period in 2013, primarily due to lower international prices driven by lower raw material prices, and partially due to currency devaluation, as well as the second half of the year when average steel selling prices were down 5% compared to the same period in 2013.

<b>Mining</b>			
	<b>Performance for the year ended December 31,</b>		
(in millions of USD unless otherwise shown)	<b>2015</b>	<b>2014</b>	<b>2013</b>
Sales	3,387	4,970	5,766
Depreciation	614	703	642
Impairments	3,370	63	162
Operating income / (loss)	(3,522)	565	1,176

	<b>Year ended December 31,</b>		
<b>Mining shipments (million tonnes) <sup>1</sup></b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<i>Iron ore shipped externally</i>	<i>13.66</i>	<i>14.36</i>	<i>11.60</i>
<i>Iron ore shipped internally and reported at market price <sup>3</sup></i>	<i>26.66</i>	<i>25.40</i>	<i>23.50</i>
Iron ore shipped externally and internally and reported at market price <sup>3</sup>	<b>40.32</b>	<b>39.76</b>	<b>35.10</b>
Iron ore shipped internally and reported at cost-plus <sup>3</sup>	22.12	23.92	24.40
<b>Total iron ore shipments <sup>2</sup></b>	<b>62.44</b>	<b>63.68</b>	<b>59.60</b>
<i>Coal shipped externally</i>	<i>1.48</i>	<i>1.84</i>	<i>3.26</i>
<i>Coal shipped internally and reported at market price <sup>3</sup></i>	<i>1.33</i>	<i>2.09</i>	<i>1.58</i>
Coal shipped externally and internally and reported at market price <sup>3</sup>	<b>2.81</b>	<b>3.93</b>	<b>4.84</b>
Coal shipped internally and reported at cost-plus <sup>3</sup>	3.22	3.29	2.88
<b>Total coal shipments <sup>4</sup></b>	<b>6.03</b>	<b>7.22</b>	<b>7.72</b>

- 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 Total of all finished products of fines, concentrate, pellets and lumps and includes tonnes shipped externally and internally and reported at market price as well as tonnes shipped internally on a cost-plus basis.
- 3 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.
- 4 Total of all finished products of coal and includes tonnes shipped externally and internally and reported at market price as well as tonnes shipped internally on a cost-plus basis.

Year ended December 31,					
Iron ore production (million metric tonnes) <sup>1</sup>	Type	Product	2015	2014	2013
Own mines					
America <sup>2</sup>	Open pit	Concentrate, lump, fines and pellets	39.0	37.3	32.5
South America	Open pit	Lump and fines	3.5	4.5	3.9
Europe	Open pit	Concentrate and lump	2.1	2.1	2.1
Africa	Open pit / Underground	Fines	4.3	5.5	4.8
Asia, CIS & Other	Open pit / Underground	Concentrate, lump, fines and sinter feed	13.9	14.5	15.0
<b>Total own iron ore production</b>			<b>62.8</b>	<b>63.9</b>	<b>58.4</b>
Strategic long-term contracts - iron ore					
North America <sup>3</sup>	Open pit	Pellets	6.6	8.2	7.0
Africa <sup>4</sup>	Open pit	Lump and fines	4.3	4.9	4.7
<b>Total strategic long-term contracts - iron ore</b>			<b>10.9</b>	<b>13.1</b>	<b>11.7</b>
<b>Total</b>			<b>73.7</b>	<b>77.0</b>	<b>70.1</b>

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 for purchases made at a previously set price, adjusted for changes in certain steel prices and inflation factors.

4 Includes purchases under an interim strategic agreement with Sishen Iron Ore Company (Proprietary) Limited ("SIOC") which was extended on December 13, 2012 and became effective on January 1, 2013, pursuant to which SIOC supplied a maximum annual volume of 4.8 million tonnes of iron ore at a weighted average price of \$65 per tonne. On November 5, 2013, ArcelorMittal and SIOC entered into an agreement establishing long-term pricing arrangements for the supply of iron ore by SIOC to ArcelorMittal. Pursuant to the terms of the agreement, which became effective on January 1, 2014, ArcelorMittal may purchase from SIOC up to 6.25 million tonnes iron ore per year, complying with agreed specifications and lump-fine ratios. The price of iron ore sold to ArcelorMittal by SIOC is determined by reference to the cost (including capital costs) associated with the production of iron ore from the DMS Plant at the Sishen mine plus a margin of 20%, subject to a ceiling price equal to the Sishen Export Parity Price at the mine gate. While all prices are referenced to Sishen mine costs (plus 20%) from 2016, the parties agreed to a different price for certain pre-determined quantities of iron ore for the first two years of the 2014 Agreement. On November 6, 2015, ArcelorMittal announced that an agreement had been reached with SIOC to amend the pricing mechanism terms of the current iron ore supply agreement from a cost-based price to an Export Parity Price ("EPP") with effect from October 1, 2015. The EPP will be calculated on the basis of the Platts 62% Fe CFR China Fines Index (the "Index price") and, at certain price levels, ArcelorMittal will receive a discounted price. In addition, under the amended agreement, ArcelorMittal South Africa will no longer contribute toward stripping costs. Accordingly at December 31, 2015, the "deferred stripping pre-payment asset" was derecognized. As a result of this amendment, the contract will no longer be considered as a strategic contract in 2016.

Year ended December 31,			
Coal production (million metric tonnes)	2015	2014	2013
Own mines			
North America	1.57	2.04	2.62
Asia, CIS & Other	4.58	4.98	5.43
<b>Total own coal production</b>	<b>6.15</b>	<b>7.02</b>	<b>8.05</b>
Strategic long-term contracts - coal			
North America <sup>1</sup>	0.14	0.37	0.37
Africa <sup>2</sup>	-	0.31	0.42
<b>Total strategic long-term contracts - coal</b>	<b>0.14</b>	<b>0.68</b>	<b>0.79</b>
<b>Total</b>	<b>6.29</b>	<b>7.70</b>	<b>8.84</b>

1 Includes strategic agreement - prices on a fixed price basis.

2 Includes long-term lease - prices on a cost-plus basis.

## *Sales*

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

Sales to external customers were \$0.8 billion for the year ended December 31, 2015, representing a decrease of 38% compared to the year ended December 31, 2014. Iron ore shipments to external customers decreased 5% from 14.4 million tonnes in 2014 to 13.7 million tonnes in 2015, while coal shipments to external customers decreased by 20% from 1.84 million tonnes to 1.48 million tonnes. The decrease in the volume of external sales for iron ore was primarily due to lower external shipments from Brazil and Liberia partially offset by the Company's Canadian operations. In the second half of 2015, iron ore shipments to external customers were nearly in line with the first half. The decrease in coal shipments to external customers was primarily due the scope change as a result of the disposal of the Company's Russian coal operations and lower external sales from Kazakhstan. With respect to prices, for example, the average reference iron ore price was \$55.50 per tonne in 2015, \$96.7 per tonne in 2014 and \$135.2 per tonne in 2013 (CFR China 62% Fe, Platts Index) and the average reference price for hard coking coal decreased to \$88.00 per tonne in 2015, from \$114.44 per tonne in 2014 and \$148.12 per tonne in 2013 (FOB Australia HCC Peak Downs, Platts Index). The decrease in the average reference iron ore price accelerated in the second half of 2015, with prices down 38% compared to the second half of 2014, and down 46% in the first half of 2015 compared to the first half of 2014. It should be noted, however, that there may not be a direct correlation between reference prices and actual selling prices in various regions at a given time.

In the Mining segment, sales were \$5.0 billion for the year ended December 31, 2014, representing a decrease of 14% from sales of \$5.8 billion for the year ended December 31, 2013. The decrease was primarily due to lower seaborne iron ore market prices which were down 28% (average year-on-year), partially offset by higher marketable iron ore shipments due to higher shipments from the Company's Canadian operations following the successful commissioning and ramp-up of the expanded concentrator. Sales in the first half of 2014 were \$2.64 billion, up 3.5% from the same period in 2013, while sales in the second half of the year were \$2.33 billion, down 28% from the same period in 2013.

Sales to external customers were \$1.3 billion for the year ended December 31, 2014, representing a decrease of 20% from \$1.7 billion for the year ended December 31, 2013. Iron ore shipments to external customers increased 24% from 11.6 million tonnes in 2013 to 14.4 million tonnes in 2014, while coal shipments to external customers decreased by 44% from 3.26 million tonnes to 1.84 million tonnes. The increase in the volume of external sales for iron ore was primarily due to higher shipments from the Company's Canadian operations. In the second half of 2014, iron ore shipments to external customers were 14% higher than in the first half primarily as a result of higher shipments from the Company's Canadian operations. The increase in volume of sales to external customers for iron ore was more than offset by the substantial decrease in the market price of iron ore and coal. The decrease in coal shipments to external customers was primarily due to very difficult geological conditions that limited underground extraction in the Company's Russian coal operations and lower external sales from Kazakhstan due to a change in mix between internal and external sales. With respect to prices, for example, the average reference iron ore price was \$96.7 per tonne in 2014 as compared to \$135.2 per tonne in 2013 (CFR China 62% Fe, Platts Index) and the average reference price for hard coking coal decreased to \$114.44 per tonne in 2014 as compared to \$148.12 per tonne in 2013 (FOB Australia HCC Peak Downs, Platts Index). The decrease in the average reference iron ore price accelerated in the second half of 2014, with prices down 38% compared to the second half of 2013, while prices were only down 19% in the first half of 2014 compared to the first half of 2013. It should be noted, however, that there may not be a direct correlation between reference prices and actual selling prices in various regions at a given time.

## *Operating income or loss*

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

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

Iron ore marketable volume for the year ended December 31, 2015 was 40.3 million tonnes, an increase of 1.4% compared to the year ended December 31, 2014. Coal marketable volume for the year ended December 31, 2015 was lower at 2.8 million tonnes, a decrease of 28.5% compared to the year ended December 31, 2014.

Operating income for the Mining segment for the year ended December 31, 2014 was \$0.6 billion, compared to operating income of \$1.2 billion for the year ended December 31, 2013. Operating income for the year ended December 31, 2014 was positively impacted by a \$79 million gain on disposal of Kuzbass coal mines in Russia and by higher marketable iron ore shipments, offset by negative impacts for the decrease in seaborne iron ore market prices noted above and an impairment charge of \$63 million relating to the Volcan iron ore mine in Mexico due to a short residual life of the mine. Iron ore marketable volume for the year ended December 31, 2014 was 39.8 million tonnes, compared to 35.1 million tonnes for the year ended December 31, 2013. Coal marketable volume for the year ended December 31, 2014 was lower at 3.9 million tonnes, compared to 4.8 million tonnes for the year ended December 31, 2013. Operating income for the segment amounted to \$0.1 billion for the second half of 2014, compared to \$0.5 billion in the first half of 2014. Operating income for the second half of 2014 was negatively affected by the decrease in iron ore reference prices to \$82.4 per tonne in the second half, as compared to \$111.5 per tonne in the first half of the year and the above-mentioned impairment charges.

#### *Production*

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

ArcelorMittal had own coking coal production of 6.1 million tonnes for the year ended December 31, 2015, a decrease of 12.4% compared to the year ended December 31, 2014. The decrease in coal production was primarily due to lower production at both U.S. and Kazakhstan operations as well as the disposal of the Kuzbass coal mines in Russia during the fourth quarter of 2014.

ArcelorMittal had own iron ore production of 63.9 million tonnes for the year ended December 31, 2014, an increase of 9.4%, as compared to 58.4 million tonnes for the year ended December 31, 2013. The increase in iron ore production was driven primarily by Canada as a result of the ramp up post expansion project.

ArcelorMittal had own coking coal production of 7.0 million tonnes for the year ended December 31, 2014, a decrease of 13.6%, as compared to 8.1 million tonnes for the year ended December 31, 2013. The decrease in coal production was primarily due to very difficult geological conditions that limited underground extraction in the Company's Russian coal operations and lower production in the Company's USA coal operations (Princeton).

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

ArcelorMittal recorded a loss of \$502 million from investments in associates, joint ventures and other investments for the year ended December 31, 2015, as compared with a loss of \$172 million for the year ended December 31, 2014. The loss for the year ended December 31, 2015 included an impairment charge of \$283 million related to the Company's 50% interest in the joint venture Kalagadi Manganese (Propriety) Ltd engaged in the development of the Kalagadi manganese ore deposits in South Africa as a result of a downward revision of cash flow projections following an expected persistence of lower manganese prices. It also included an impairment charge of \$138 million with respect to the Company's Indian investee, of which \$69 million on the carrying value of the investment and \$69 million on related loans, respectively, as a result of a downward revision of cash flow projections and a \$101 million impairment charge related to the decrease in market value of the Company's 12.08% interest in Erdemir (Turkey). These losses were partially offset by income generated from the share swap agreement with respect to Gerdau, Brazil entered into on July 14, 2015, as part of which ArcelorMittal received preferred shares of Gerdau and cash consideration of \$28 million in exchange for unlisted Gerdau shares, resulting in a gain of \$55 million.

ArcelorMittal recorded a loss of \$172 million from investments in associates, joint ventures and other investments for the year ended December 31, 2014, as compared with a loss of \$442 million for the year ended December 31, 2013. The loss for the year ended December 31, 2014 was primarily due to a \$621 million impairment charge relating to China Oriental following a revision of business assumptions in the context of continuing growth slowdown in China, an

impairment charge of \$56 million relating to Erdemir and a loss of \$14 million related to the disposal of Hunan Valin shares (comprising a net loss of \$76 million related to the exercise of the third put option on February 8, 2014 and the resulting discontinuation of equity method accounting, partly offset by a net gain of \$62 million with respect to the fourth and last put option exercised on August 6, 2014). These losses were partially offset by a \$193 million gain on the sale of ArcelorMittal's 50% ownership in Gallatin, improved performance of European investees and the share of profits in Calvert's operations.

The loss for the year ended December 31, 2013 included impairment charges for a total amount of \$422 million, of which \$200 million related to the Company's 47% stake in the associate China Oriental. In addition, the Company recorded an impairment charge of \$111 million relating to the Company's 50% interest in the associate Kiswire ArcelorMittal Ltd in the framework of the agreed sale of certain steel cord assets to the joint venture partner Kiswire Ltd. (with another impairment charge recorded in cost of sales in the Europe segment as described above). The loss for the year ended December 31, 2013 also included an impairment charge of \$111 million relating to the associate Coal of Africa as a result of lower profitability and decline in market value. The loss for the year ended December 31, 2013 included a charge of \$57 million following the disposal of a 6.66% interest in Erdemir shares by way of a single accelerated bookbuilt offering to institutional investors. In addition, the loss for the year ended December 31, 2013 included a \$56 million expense for contingent consideration with respect to the Gonvarri Brasil acquisition made in 2008 partly offset by a gain of \$45 million, with respect to the sale of a 10% interest in Hunan Valin Steel Tube and Wire Co. Ltd. ("Hunan Valin") following the exercise of the first and second put options.

#### ***Financing costs-net***

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

Net financing costs were lower for the year ended December 31, 2015, at \$2.9 billion, a 15.5% decrease compared to the year ended December 31, 2014. Net financing costs were higher for the year ended December 31, 2014, at \$3.4 billion, as compared with \$3.1 billion for the year ended December 31, 2013.

Net interest expense (interest expense less interest income) was \$1.3 billion for the year ended December 31, 2015, a decrease of 13% compared to the year ended December 31, 2014 due to lower average cost resulting from debt repaid and raised during the year, despite the increased interest costs following the ratings downgrades that occurred during 2015.

Net interest expense was \$1.5 billion for the year ended December 31, 2014 as compared to \$1.8 billion for the year ended December 31, 2013. Interest expense was slightly lower for the year ended December 31, 2014 at \$1.6 billion, compared to interest expense of \$1.9 billion for the year ended December 31, 2013, primarily due to the positive effect of lower debt following the repayment of convertible bonds in April and May and bonds in October 2014 and lower cost of debt. Interest income for the year ended December 31, 2014 amounted to \$0.1 billion, compared to \$0.1 billion for the year ended December 31, 2013.

Foreign exchange losses increased to \$0.7 billion for the year ended December 31, 2015, an increase of 12.4% compared to \$0.6 billion the year ended December 31, 2014, primarily due to an appreciation of the USD against the euro. This foreign exchange loss primarily relates to the impact of the USD appreciation of an additional 10% against the euro (12% appreciation for the year ended December 31, 2014), a 32% appreciation against the Brazilian real (12% appreciation for the year ended December 31, 2014) and a 46% devaluation of the Kazakhstani tenge.

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

Foreign exchange losses increased to \$620 million for the year ended December 31, 2014, as compared to \$248 million for the year ended December 31, 2013, primarily due to an appreciation of the USD against the euro. This foreign exchange loss primarily relates to the impact of the USD appreciation on euro-denominated deferred tax assets. In addition, other net financing costs (including expenses related to True Sale of Receivables, bank fees, interest on pensions and fair value adjustments of convertible bonds and derivative instruments) were \$1.3 billion for the year ended December 31, 2014, as compared to \$1.1 billion for the year ended December 31, 2013, and included expenses related to

the termination of the Senegal greenfield project, gains and losses on convertible bonds and hedging instruments that matured during the period as well as a \$161 million charge related to the federal tax amnesty plan in Brazil with respect to the settlement of the Siderbras case.

***Income tax expense (benefit)***

ArcelorMittal recorded a consolidated income tax expense of \$0.9 billion for the year ended December 31, 2015, as compared to \$0.5 billion for the year ended December 31, 2014, due to impairments of deferred tax assets stemming from lower future taxable results forecasts in some jurisdictions. For additional information related to ArcelorMittal's income taxes, see note 9 to ArcelorMittal's consolidated financial statements.

ArcelorMittal recorded a consolidated income tax expense of \$0.5 billion for the year ended December 31, 2014, as compared to \$0.2 billion for the year ended December 31, 2013, primarily due to improved results in certain jurisdictions. Income tax expense for the year ended December 31, 2013 included the settlement of two tax amnesty programs in Brazil.

ArcelorMittal's consolidated income tax expense (benefit) is affected by the income tax laws and regulations in effect in the various countries in which it operates and the pre-tax results of its subsidiaries in each of these countries, which can vary from year to year. ArcelorMittal operates in certain jurisdictions, mainly in Eastern Europe and Asia, which have a structurally lower corporate income tax rate than the statutory tax rate as in effect in Luxembourg (29.22%), as well as in jurisdictions, mainly in Western Europe and the Americas, which have a structurally higher corporate income tax rate.



The statutory income tax expense (benefit) and the statutory income tax rates of the countries that most significantly resulted in the tax expense (benefit) at statutory rate for each of the years ended December 31, 2015, 2014 and 2013 are as set forth below:

	2015		2014		2013	
	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate	Statutory income tax	Statutory income tax rate
United States	(863)	35.00%	(352)	35.00%	(120)	35.00%
Argentina	50	35.00%	59	35.00%	52	35.00%
France	(32)	34.43%	18	34.43%	(224)	34.43%
Brazil	(48)	34.00%	141	34.00%	94	34.00%
Belgium	64	33.99%	(10)	33.99%	(208)	33.99%
Germany	(43)	30.30%	(82)	30.30%	(138)	30.30%
Spain	(146)	25.00%	(78)	25.00%	(218)	30.00%
Luxembourg	(613)	29.22%	(228)	29.22%	203	29.22%
Mexico	(55)	30.00%	9	30.00%	(93)	30.00%
South Africa	(199)	28.00%	(23)	28.00%	(57)	28.00%
Canada	247	26.90%	298	26.90%	240	26.90%
Algeria	-	23.00%	-	25.00%	(26)	25.00%
Russia	(1)	20.00%	(18)	20.00%	(14)	20.00%
Kazakhstan	(48)	20.00%	(4)	20.00%	(24)	20.00%
Czech Republic	9	19.00%	38	19.00%	(7)	19.00%
Poland	23	19.00%	25	19.00%	(8)	19.00%
Romania	(10)	16.00%	(12)	16.00%	(29)	16.00%
Ukraine	11	18.00%	23	18.00%	(32)	16.00%
Trinidad & Tobago	(83)	25.00%	(11)	25.00%	(11)	25.00%
Liberia	(388)	25.00%	(30)	25.00%	(14)	25.00%
United Kingdom	17	20.00%	55	20.00%	17	20.00%
Others	(38)		35		26	
<b>Total</b>	<b>(2,146)</b>		<b>(147)</b>		<b>(591)</b>	

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

#### ***Non-controlling interests***

Net loss attributable to non-controlling interests was \$477 million for the year ended December 31, 2015, as compared with net income attributable to non-controlling interests of \$112 million for the year ended December 31, 2014. Net loss attributable to non-controlling interests for 2015 was primarily related to losses generated by ArcelorMittal South Africa and Liberia resulting from the impairments of the assets described above.

Net income attributable to non-controlling interests was \$112 million for the year ended December 31, 2014, as compared with net loss attributable to non-controlling interests of \$30 million for the year ended December 31, 2013. Net income attributable to non-controlling interests increased in 2014 primarily as a result of income attributable to non-controlling interests in ArcelorMittal Mines Canada and Belgo Bekaert Arames, partially offset by losses generated in ArcelorMittal South Africa, which were however significantly lower than in 2013.

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

ArcelorMittal's net loss attributable to equity holders of the parent for the year ended December 31, 2015 amounted to \$7.9 billion compared to net loss attributable to equity holders of \$1.1 billion for the year ended December 31, 2014 and \$2.5 billion for the year ended December 31, 2013, for the reasons discussed above.

### ***Liquidity and capital resources***

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

Because ArcelorMittal is a holding company, it is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service obligations. Significant cash or cash equivalent balances may be held from time to time at the Company's international operating subsidiaries, including in particular those in France, where the Company maintains a cash management system under which most of its cash and cash equivalents are centralized, and in Argentina, Brazil, Canada, Morocco, South Africa, Ukraine, USA, and Venezuela. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions on such operating subsidiaries' ability to pay dividends, but such restrictions are not significant in the context of ArcelorMittal's overall liquidity. Repatriation of funds from operating subsidiaries may also be affected by tax and foreign exchange policies in place from time to time in the various countries where the Company operates, though none of these policies 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, 2015, ArcelorMittal's cash and cash equivalents, including restricted cash, amounted to \$4.1 billion as compared to \$4.0 billion as of December 31, 2014. In addition, ArcelorMittal had available borrowing capacity of \$6.0 billion under its \$6.0 billion revolving credit facility as of December 31, 2015 and 2014.

As of December 31, 2015, ArcelorMittal's total debt, which includes long-term debt and short-term debt, was \$19.8 billion, compared to \$19.8 billion (excluding \$0.1 billion debt classified as held for sale) as of December 31, 2014.

Net debt (defined as long-term debt plus short-term debt, less cash and cash equivalents and restricted cash) was \$15.7 billion as of December 31, 2015, essentially stable compared to \$15.8 billion at December 31, 2014. 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, 2015 was 57% as compared to 35% at December 31, 2014. The Company expects gearing to decrease in 2016 as a result of the planned capital increase and the sale of 35% of its stake in Gestamp, each announced on February 5, 2016, see—Recent developments.

The margin applicable to ArcelorMittal's principal credit facilities (\$6 billion revolving credit facility and certain other credit facilities) and the coupons on certain of its outstanding bonds are subject to adjustment in the event of a change in its long-term credit ratings. In a context of low steel prices and challenging industry conditions, on February 3, 2015, Standard & Poor's further downgraded ArcelorMittal's credit rating and, on December 18, 2015, it placed ArcelorMittal on negative outlook. On November 12, 2015, Moody's further downgraded ArcelorMittal and placed it on negative outlook. On November 16, 2015, while Fitch affirmed its credit rating of ArcelorMittal, it lowered its outlook to negative. The margin under ArcelorMittal's principal credit facilities and certain of its outstanding bonds is subject to adjustment in the event of a change in its long-term credit ratings, and the February 2015 downgrade resulted in an increase in interest paid of \$28 million in 2015. The November 2015 downgrade will similarly result in increased interest expense.

ArcelorMittal's \$6 billion revolving credit facility, which incorporates a first tranche of \$2.5 billion maturing on April 30, 2018, and a second tranche of \$3.5 billion maturing on April 30, 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 principle credit facilities set this ratio to 4.25 to 1, whereas one facility has a ratio of 4.0 to 1. As of December 31, 2015, the Company was in compliance with both ratios.

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

the financial covenants in the agreements related to all of its borrowings as of December 31, 2015 and December 31, 2014.

As of December 31, 2015, ArcelorMittal had guaranteed approximately \$0.2 billion of debt of its operating subsidiaries. ArcelorMittal's debt facilities have provisions whereby the acceleration of the debt of another borrower within the ArcelorMittal group could, under certain circumstances, lead to acceleration under such facilities.

The following table summarizes the repayment schedule of ArcelorMittal's outstanding indebtedness, which includes short-term and long-term debt, as of December 31, 2015

Type of indebtedness as of December 31, 2015	Repayment amounts per year (in billions of \$)						Total
	2016	2017	2018	2019	2020	>2020	
Bonds	1.1	2.5	2.5	2.3	2.4	6.9	17.7
Long-term revolving credit lines	-	-	-	-	-	-	-
- \$2.5 billion tranche of \$6 billion revolving credit facility	-	-	-	-	-	-	-
- \$3.5 billion tranche of \$6 billion revolving credit facility	-	-	-	-	-	-	-
Commercial paper <sup>1</sup>	0.1	-	-	-	-	-	0.1
Other loans	1.1	0.2	0.1	0.2	0.1	0.3	2.0
<b>Total gross debt</b>	<b>2.3</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>7.2</b>	<b>19.8</b>

<sup>1</sup> Commercial paper is expected to continue to be rolled over in the normal course of business.

The following table summarizes the amount of credit available as of December 31, 2015, under ArcelorMittal's \$6 billion revolving credit facility:

Credit lines available	Facility amount	Drawn	Available
\$2.5 billion tranche of \$6 billion revolving credit facility	\$2.5	-	\$2.5
\$3.5 billion tranche of \$6 billion revolving credit facility	\$3.5	-	\$3.5
<b>Total committed lines</b>	<b>\$6.0</b>	<b>-</b>	<b>\$6.0</b>

The average debt maturity of the Company was 6.2 years as of December 31, 2015, as compared to 6.3 years as of December 31, 2014.

Further information regarding ArcelorMittal's outstanding long-term indebtedness as of December 31, 2015, 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 April 30, 2015, ArcelorMittal signed a \$6 billion revolving credit facility which incorporates a first tranche of \$2.5 billion maturing on April 30, 2018 and a second tranche of \$3.5 billion maturing on April 30, 2020. The facility may be used for general corporate purposes and replaces the \$2.4 billion revolving credit facility agreement dated May 6, 2010 and the \$3.6 billion revolving credit facility agreement dated March 18, 2011. As of December 31, 2015, the \$6 billion revolving credit facility remains fully available.

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 and matures on September 30, 2016. 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.

#### *2015 capital markets transactions*

On October 22, 2015, the Company redeemed its \$500 million 3.75% Unsecured notes due March 1, 2016, prior to their scheduled maturity for a total amount of \$511 million, including premium and accrued interest.

On July 3, 2015, ArcelorMittal completed the offering of CHF 225 million 2.5% Notes due July 3, 2020, issued under the Company's Euro Medium Term Notes Programme. The proceeds of the issuance were used to repay or prepay existing indebtedness.

On July 2, 2015, the Company redeemed its \$1 billion 3.75% Unsecured Notes due August 5, 2015, prior to their scheduled maturity for a total amount of \$1,022 million, including premium and accrued interest.

On June 1, 2015, ArcelorMittal completed the offering of \$500 million 5.125% Notes due June 1, 2020, and \$500 million 6.125% Notes due June 1, 2025, issued under the Company's automatic shelf registration statement filed with the U.S. Securities and Exchange Commission (including a prospectus). The proceeds of the issuance were used to repay existing indebtedness, in particular the early redemption of bonds maturing in August 2015.

On April 9, 2015, ArcelorMittal completed the offering of €400 million Floating Rate Notes due April 9, 2018, and €500 million 3.00% Notes due April 9, 2021, issued under the Company's Euro Medium Term Notes Programme. The proceeds of the issuance were used for general corporate purposes.

On March 20, 2015, ArcelorMittal increased the size of its wholesale Euro Medium Term Notes Programme to €6 billion.

On January 14, 2015, ArcelorMittal completed the offering of €750 million 3.125% Notes due January 14, 2022. The Notes were issued under ArcelorMittal's €3 billion wholesale Euro Medium Term Notes Programme.

#### *Mandatory convertible bond*

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

#### *Other loans and facilities*

During the six months ended June 30, 2014, ArcelorMittal entered into certain short-term committed bilateral credit facilities. The facilities were extended in 2015. As of December 31, 2015, the facilities, totalling approximately \$0.8 billion, remain fully available.

On June 10, 2014, ArcelorMittal entered into an agreement for financing with a financial institution for \$1.0 billion. The financial institution had the right to request early repayment once per year beginning in February 2015 until the final maturity on April 20, 2017. On February 13, 2015, the Company elected to make an early repayment of such financing.

#### *True sale of receivables (“TSR”) programs*

The Company has established a number of programs for sales without recourse of trade accounts receivable to various financial institutions (referred to as True Sale of Receivables (“TSR”)) for an aggregate amount of \$5,254 million as of December 31, 2015. This amount represents the maximum amount of unpaid receivables that may be sold and outstanding at any given time. Of this amount, the Company has utilized \$4,580 million and \$5,015 million, as of December 31, 2015 and 2014, respectively. Through the TSR programs, certain operating subsidiaries of ArcelorMittal surrender the control, risks and benefits associated with the accounts receivable sold; therefore, the amount of receivables sold is recorded as a sale of financial assets and the balances are removed from the consolidated statements of financial position at the moment of sale. The total amount of receivables sold under TSR programs and derecognized in accordance with IAS 39 for the years ended 2015, 2014 and 2013 was \$33.1 billion, \$37.8 billion and \$35.4 billion, respectively (with amounts of receivables sold converted to U.S. dollars at the monthly average exchange rate). Expenses incurred under the TSR programs (reflecting the discount granted to the acquirers of the accounts receivable) recognized in the consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 were \$116 million, \$150 million and \$172 million, respectively.

#### *Earnings distribution*

In light of the downturn in global economic conditions that commenced in September 2008, ArcelorMittal’s Board of Directors recommended on February 10, 2009 a reduction of the annual dividend in 2009 to \$0.75 per share (with quarterly dividend payments of \$0.1875) from \$1.50 per share previously. The dividend policy was approved by the annual general meeting of shareholders on May 12, 2009, and was also maintained in 2010, 2011 and 2012.

In view of the continued challenging global economic conditions affecting the Company’s business in 2013 and its priority to deleverage, ArcelorMittal’s Board of Directors recommended on May 7, 2013 a further reduction of the annual dividend to \$0.20 per share from \$0.75 per share in 2012. The recommendation was approved by the annual general meeting of shareholders on May 8, 2013, and the dividend was paid in full on July 15, 2013.

On February 7, 2014, ArcelorMittal’s Board of Directors announced a gross dividend payment of \$0.20 per share. The dividend was approved by the shareholders at the annual general meeting of shareholders held on May 8, 2014, and the dividend was paid in full on July 15, 2014.

On February 13, 2015, ArcelorMittal’s Board of Directors announced a gross dividend payment of \$0.20 per share. The dividend was approved by the shareholders at the annual general meeting of shareholders held on May 5, 2015, and the dividend was paid in full on June 15, 2015.

On November 6, 2015, ArcelorMittal’s Board of Directors proposed the suspension of the dividend for the financial year 2015. This proposal is subject to shareholder approval at the annual general meeting to be held on May 4, 2016. The Company has indicated that a dividend will not be proposed until its leverage has further improved from what it will be following the proposed \$3.0 billion rights offering and sale of Gestamp.

ArcelorMittal held 8,581,090 shares in treasury as of December 31, 2015, as compared to 11,018,413 shares as of December 31, 2014. As of December 31, 2015, the number of shares held by the Company in treasury represented approximately 0.52% of the Company’s total issued share capital.

#### *Pension/OPEB liabilities*

The defined benefit liabilities for employee benefits decreased by \$0.8 billion, from \$9.9 billion as of December 31, 2014 to \$9.1 billion as of December 31, 2015. The main effects for ArcelorMittal are related to the appreciation of the U.S. Dollar against the major currencies (mainly EUR and CAD) and the change in financial assumptions such as the increase of discount rates used to calculate the pension, other post-employment benefits (“OPEB”) and early retirement obligations. For additional information with respect to the Company’s pension plan and OPEB liabilities, including a breakdown by region and by type of plan, see note 7.2 to the consolidated financial statements.

## Sources and uses of cash

### Years ended December 31, 2015, 2014 and 2013

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

Summary of cash flow (in \$ millions)	For the year ended December 31,		
	2015	2014	2013
Net cash provided by operating activities	2,151	3,870	4,296
Net cash used in investing activities	(2,170)	(3,077)	(2,877)
Net cash (used in) provided by financing activities	395	(2,750)	241

#### *Net cash provided by operating activities*

For the year ended December 31, 2015, net cash provided by operating activities decreased to \$2.2 billion, as compared with \$3.9 billion for the year ended December 31, 2014, mainly due to lower operating working capital release. As a result of stable operating working capital with rotation days remaining fairly constant at 50 for the year ended December 31, 2015 and 51 for the year ended December 31, 2014, net cash provided by operating activities for the year ended December 31, 2015 included a marginal increase of \$31 million in working capital (consisting of inventories plus trade accounts receivable less trade accounts payable), including a \$0.3 billion decrease in accounts receivable and \$0.9 billion decrease in inventories, partially offset by a decrease in trade payables of \$1.3 billion.

For the year ended December 31, 2014, net cash provided by operating activities decreased to \$3.9 billion, as compared with \$4.3 billion for the year ended December 31, 2013, mainly because of lower operating working capital release. The net cash provided by operating activities for the year ended December 31, 2014 was positively affected by a \$0.4 billion decrease in working capital (consisting of inventories plus trade accounts receivable less trade accounts payable), including a \$0.5 billion decrease in accounts receivable which was partially offset by a \$0.1 billion increase in inventories. The decrease in accounts receivable was primarily related to a lower average number of rotation days (18 days as compared to 22 days) combined with lower sales and steel selling prices.

#### *Net cash used in investing activities*

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

Net cash used in investing activities was \$3.1 billion for the year ended December 31, 2014 as compared to \$2.9 billion for the year ended December 31, 2013. This increase is mainly related to capital expenditure which amounted to \$3.7 billion for the year ended December 31, 2014 as compared to \$3.5 billion for the year ended December 31, 2013. Capital expenditures in 2014 were mainly related to blast furnace relining in South Africa, Ukraine, Kazakhstan and the US. Net inflows from other investing activities amounted to \$0.6 billion, including an inflow of \$0.6 billion relating to various disposals (\$144 million from the sale of the Company's 78% stake in ATIC, preliminary proceeds of \$39 million for the sale of the steel cord business, \$49 million relating to the sale of Circuit Foil and \$389 million related to proceeds from the sale of the Company's 50% interest in Gallatin) and \$133 million of proceeds from the exercise of the second and third put option in Hunan Valin shares (cash proceeds from the fourth put option were received in the first quarter of 2015). In addition, net inflows from other investing included an outflow of \$258 million relating to the acquisition of a 50% interest in Calvert. In 2014, capital expenditure of \$3.7 billion included \$2.8 billion related to maintenance

(including health and safety investments) and \$0.9 billion dedicated to growth projects mainly in Mining. ArcelorMittal's major capital expenditures in the year ended December 31, 2014 included the following major projects: Liberia greenfield mining project; capacity expansion in finished products, wire rod production expansion in Monlevade; rebar and meltshop expansion in Juiz de Fora; construction of a new rolling mill in Acindar and construction of a heavy gauge galvanizing line to optimize galvanizing operations in ArcelorMittal Dofasco. In 2013, capital expenditure of \$3.5 billion included \$2.4 billion related to maintenance (including health and safety investments) and \$1.1 billion dedicated to growth projects mainly in mining.

In 2016, capital expenditure is expected to be approximately \$2.4 billion.

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

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

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

Net cash used in financing activities was \$2.8 billion for the year ended December 31, 2014, as compared to net cash provided by financing activities of \$0.2 billion in 2013. The increase in cash used in financing activities was primarily due to payments of \$6.5 billion including a €360 million bond repayment, a \$136 million bond repayment, €1.25 billion for the 7.25% convertible bonds due April 1, 2014, \$800 million for the 5.00% convertible bonds due May 15, 2014, redeemed subordinated perpetual capital securities for \$657 million and \$1.25 billion for the early redemption of the 9% Notes due February 15, 2015 and the 3.75% Notes due February 25, 2015. These payments were partly offset by the receipts of \$4.3 billion, including \$1.0 billion financing, proceeds from the issuance of €750 million 3.00% Notes due March 25, 2019, \$805 million from the issuance of €600 million 2.875% Notes due July 6, 2020 under the Company's €3 billion wholesale Euro Medium Term Notes Programme and proceeds from a new 3-year \$300 million financing provided by EDC (Export Development Canada).

Dividends paid during the year ended December 31, 2014 were \$0.5 billion, including \$328 million paid to ArcelorMittal shareholders, \$22 million paid to holders of subordinated perpetual capital securities and \$108 million paid to non-controlling shareholders in subsidiaries. Dividends paid in the year ended December 31, 2013 were \$0.4 billion.

#### ***Equity***

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

Equity attributable to the equity holders of the parent decreased to \$42.1 billion at December 31, 2014, as compared to \$49.8 billion at December 31, 2013, primarily due to a \$4.7 billion decrease in the foreign exchange translation reserve as a result of the depreciation of most currencies against the U.S. dollar, \$1.4 billion of recognized actuarial losses, the redemption of subordinated perpetual capital securities for \$0.7 billion, the net loss attributable to the equity holders of the parent of \$1.1 billion and dividend payments of \$0.3 billion.

#### ***Research and Development, Patents and Licenses***

Costs relating to research and development, patents and licenses were not significant as a percentage of sales. Research and development costs expensed (and included in selling, general and administration expenses) in 2013, 2014 and 2015 amounted to \$270 million, \$259 million and \$227 million, respectively.

#### ***Trend Information***

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

#### ***Outlook***

According to ArcelorMittal’s estimates, global ASC declined by 2.2% in 2015 as compared to 2014. ArcelorMittal expects stabilization in 2016. By region: Driven by a significant destock, ASC in the U.S. declined by 9.6% in 2015. However, underlying demand continues to expand and due to the expected absence of a further destock in 2016, ArcelorMittal expects ASC in the US to grow by +3% to 4% above 2015 levels, despite an expected further decline in Oil Country Tubular Goods demand. ArcelorMittal expects the pick-up in underlying European demand to continue but apparent demand is expected to be modest at +0% to +1% in 2016 (versus growth of 3.4% in 2015) as the high level of imports in the fourth quarter of 2015 have raised inventory levels particularly in Southern Europe. Despite declining 15.6% in 2015, Brazil ASC is expected to decline further, albeit slower at -6% to -7% in 2016 as the economy remains mired in recession. With the ongoing recession in Russia impacted by weak oil prices, CIS demand is expected to decline -5% to -6% (versus a decline of 8.0% in 2015). In China, we expect ongoing weakness in the real estate sector to have a negative impact, and expect steel demand decline of around -1% (from -4.3% decline in 2015).

Despite an expected difficult start to 2016, due to order book and the time lag required for lower raw material costs to positively impact cost of sales, a combination of Company actions and known developments is expected to support operating performance in the full-year 2016, at prevailing raw material costs and spot steel spreads.

The Company also targets a reduction of its cash requirements in 2016 in excess of \$1 billion as compared to 2015, through lower capital expenditures (full-year 2016 capital expenditure is expected to be approximately \$2.4 billion as compared to \$2.7 billion in full-year 2015), lower interest expenses (full-year 2016 net interest expenses are expected to be lower at approximately \$1.1 billion as compared to \$1.3 billion in full-year 2015, due to net debt reductions and lower cash payments for interest following the maturity of the Mandatorily Convertible Notes in January 2016); no dividend in respect of the 2015 financial year; and lower cash payments in respect of taxes.

These actions and developments are intended to enable the Company to reduce net debt and maintain strong liquidity.

#### **Disclosures about market risks**

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



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

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

### ***Risk management***

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

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

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

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

### ***Counterparty risk***

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

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

### ***Currency exposure***

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

Because a substantial portion of ArcelorMittal's assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), ArcelorMittal has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real, South African rand, Kazakh tenge and Ukrainian hryvnia, as well as fluctuations

in the currencies of the other countries in which ArcelorMittal has significant operations and/or sales, could have a material impact on its results of operations.

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

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

The tables below illustrate the impact of an appreciation and a depreciation of the U.S. dollar of 10% against the euro, on the conversion of the net debt of ArcelorMittal into U.S. dollars as of December 31, 2015 and December 31, 2014. 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.

<b>Currency</b>	<b>Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro</b>	<b>Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro</b>
<b>In 2015</b>	<b>in \$ equivalent (in millions)</b>	<b>in \$ equivalent (in millions)</b>
Brazilian real	(13)	17
Canadian dollar	16	(18)
Euro	(420)	420
Swiss franc	(8)	8
Ukrainian hryvnia	9	(13)
South African rand	1	(1)
Other	8	(8)

<b>Currency</b>	<b>Impact on net debt translation of a 10% appreciation of the U.S. dollar against the euro</b>	<b>Impact on net debt translation of a 10% depreciation of the U.S. dollar against the euro</b>
<b>In 2014</b>	<b>in \$ equivalent (in millions)</b>	<b>in \$ equivalent (in millions)</b>
Brazilian real	(20)	24
Euro	(341)	341
Ukrainian hryvnia	10	(17)
Other	15	(18)

#### ***Derivative instruments***

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

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

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

***Interest rate sensitivity***

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

***Interest rate risk on debt***

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

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

***Commodity price risk***

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

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

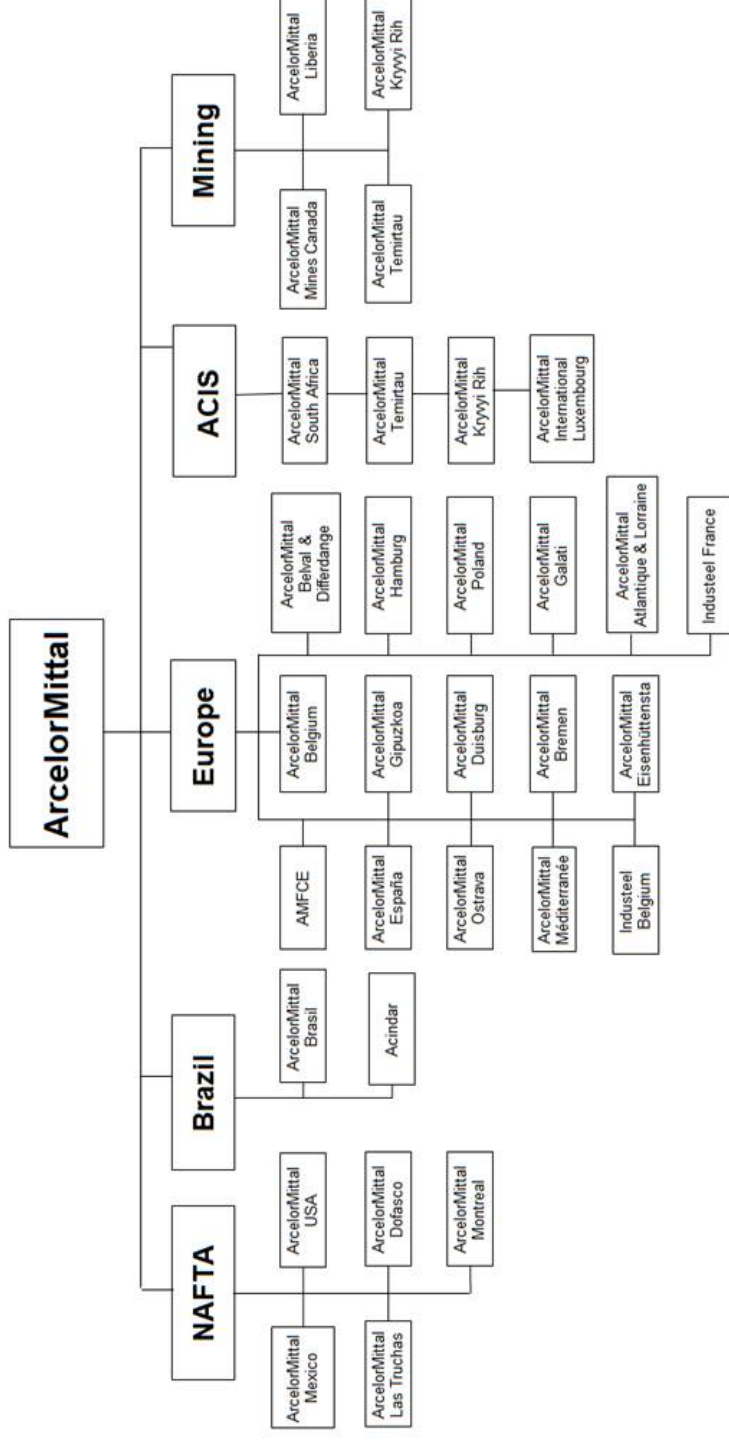
Hedges in the form of swaps and options are utilized to manage the exposure to commodity price fluctuations.

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

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

## Group operational structure

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



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

<b>Name of Subsidiary</b>	<b>Abbreviation</b>	<b>Country</b>
<b>NAFTA</b>		
ArcelorMittal Dofasco Inc. <sup>1</sup>	ArcelorMittal Dofasco	Canada
ArcelorMittal Mexico S.A. de C.V.	ArcelorMittal Mexico	Mexico
ArcelorMittal USA LLC	ArcelorMittal USA	USA
ArcelorMittal Las Truchas, S.A. de C.V.	ArcelorMittal Las Truchas	Mexico
ArcelorMittal Montreal Inc. <sup>2</sup>	ArcelorMittal Montreal	Canada
<b>Brazil and neighboring countries ("Brazil")</b>		
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
<b>Europe</b>		
ArcelorMittal Atlantique et Lorraine S.A.S.	ArcelorMittal Atlantique & Lorraine	France
ArcelorMittal Belgium N.V.	ArcelorMittal Belgium	Belgium
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
ArcelorMittal Galati S.A.	ArcelorMittal Galati	Romania
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
Industeel Belgium S.A.	Industeel Belgium	Belgium
Industeel France S.A.	Industeel France	France
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Méditerranée S.A.S.	ArcelorMittal Méditerranée	France
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Gipuzkoa S.L.	ArcelorMittal Gipuzkoa	Spain
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Duisburg GmbH	ArcelorMittal Duisburg	Germany
<b>Africa and Commonwealth of Independent States ("ACIS")</b>		
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine
ArcelorMittal International Luxembourg S.A.	ArcelorMittal International Luxembourg	Luxembourg
<b>Mining</b>		
ArcelorMittal Mines Canada Inc.	ArcelorMittal Mines Canada	Canada
ArcelorMittal Liberia Ltd	ArcelorMittal Liberia	Liberia
JSC ArcelorMittal Temirtau	ArcelorMittal Temirtau	Kazakhstan
PJSC ArcelorMittal Kryvyi Rih	ArcelorMittal Kryvyi Rih	Ukraine

1 As of January 1, 2016, the business formerly carried on by ArcelorMittal Dofasco Inc. is now carried on by ArcelorMittal Dofasco G.P.

2 As of January 1, 2016, the business formerly carried on by ArcelorMittal Montreal Inc. is now carried on by ArcelorMittal Long Products Canada G.P.

### Key transactions and events in 2015

ArcelorMittal's principal investments, acquisitions and disposals, and other key events that occurred during the year ended December 31, 2015 are summarized below.

- During 2015, ArcelorMittal completed several financing transactions. Please refer to “—Liquidity and capital resources—Financings” for a summary of the transactions.
- During 2015, ArcelorMittal completed several divestment and other investment transactions. Please refer to notes 2.3 and 2.5 to the consolidated financial statements within this report for a summary of the transactions.
- On December 16, 2015, ArcelorMittal announced a new organizational structure for the Americas and group finance. The Group Management Board (“GMB”), which was established to ensure a smooth integration following the creation of ArcelorMittal, was replaced with a more flexible structure effective January 1, 2016. The CEO office, comprised of the CEO and CFO, will work directly with a team of seven executive officers, who collectively encompass the key regions and corporate functions of ArcelorMittal. In addition, the Company announced that Lou Schorsch, senior executive vice president, member of the GMB and CEO of ArcelorMittal Americas will retire from the Company, effective end of February 2016. Please refer to “—Corporate governance” for a discussion of the new management structure resulting from this announcement.

The seven executive officers include:

- Davinder Chugh, Senior executive vice president, CEO of Africa and the CIS
  - Brian Aranha, Executive vice president, Head of strategy, CTO, R&D, CCM and global automotive
  - Jim Baske, Executive vice president, CEO ArcelorMittal NAFTA Flat Rolled
  - Henri Blaffart, Executive vice president, Group head of HR and corporate services
  - Jefferson de Paula, Executive vice president, CEO of ArcelorMittal South America Long
  - Geert van Poelvoorde, Executive vice president, CEO of ArcelorMittal Europe Flat
  - Simon Wandke, Executive vice president, CEO of ArcelorMittal Mining
- On October 7, 2015, ArcelorMittal announced it reached an outline agreement for restructuring the shareholding of ArcelorMittal Algeria, ArcelorMittal Pipes and Tubes Algeria and ArcelorMittal Tebessa. As part of the restructuring, ArcelorMittal will transfer its minority shareholding in both ArcelorMittal Algeria and ArcelorMittal Tebessa as well as its majority shareholding in ArcelorMittal Pipes & Tubes Algeria to the state-owned Algerian company IMETAL. ArcelorMittal will continue its technical support for the implementation of the El Hadjar Complex development plan.
  - On July 10, 2015, ArcelorMittal announced that Simon Wandke was nominated Executive Vice President of ArcelorMittal and promoted to Chief Executive Officer of ArcelorMittal Mining, with immediate effect. Simon replaced Bill Scotting, who left the Company to pursue other opportunities.
  - On May 22, 2015, ArcelorMittal and the Steel Authority of India Limited (“SAIL”), India's leading steel company, signed a Memorandum of Understanding to set up an automotive steel manufacturing facility under a joint venture arrangement in India. This was the first step toward creating the proposed joint venture which will construct a state-of-the-art cold rolling mill and other downstream finishing facilities in India that will offer technologically advanced steel products to India's rapidly growing automotive sector.

## Recent developments

- On March 11, 2016, ArcelorMittal announced the terms of a \$3 billion capital increase by way of the issuance of 1,803,359,338 rights at a ratio of 7 shares for 10 rights following the adoption of enabling resolutions by the extraordinary general meeting of shareholders on March 10, 2016. The rights issue for an aggregate of 1,262,351,531 shares is structured as non-statutory preferential subscription rights for ArcelorMittal shareholders. The Mittal family has committed to take up its pro-rata 37.38% entitlement corresponding to approximately \$1.1 billion. ArcelorMittal has entered into a standby underwriting commitment with different banks acting as joint global coordinators, pursuant to which the latter undertook to underwrite the capital increase for the remaining amount, subject to customary conditions. Subscription price of €2.20 per share represents a 35.3% discount to the theoretical ex-rights price, based on the closing price of ArcelorMittal's shares on Euronext Amsterdam on March 10, 2016. Rights exercise periods run from March 15, 2016 until March 29, 2016 for rights held via book entry in Depositary Trust Company ("DTC") or in the New York rights register and March 30, 2016 for rights held in the European clearing systems. Delivery of the new shares pursuant to rights held through the European clearing systems and in the European rights register is expected to take place on or about April 8, 2016. Delivery of the new shares to holders whose rights are held via book entry in DTC or directly on the New York rights register is expected to take place on or about April 11, 2016.
- On March 10, 2016, at the extraordinary general meeting, the shareholders approved a decrease of the authorized share capital of the Company by €8,049 million through a reduction of the accounting par value per share to €0.10 and a subsequent increase by €3 billion. Following this approval, which is valid for five years, the total authorized share capital was €3,200 million represented by 31,995,857,213 shares without par value. Following the extraordinary general meeting, ArcelorMittal also decreased share capital by €7,273 (10,376) from €7,453 (10,633) to €180 (257) through a reduction of the accounting par value per share to €0.10 without any distribution to shareholders, the balance being allocated to additional paid-in capital. The aggregate number of shares issued and fully paid up amounts to 1,803,359,338. The ordinary shares do not have a par value.
- On February 1, 2016, ArcelorMittal completed the sale of its 35% stake in Gestamp Automoción ("Gestamp") to the majority shareholder, the Riberas family, for total cash consideration of €875 million. The transaction is unconditional and payment is expected to be made to ArcelorMittal within six months. In addition to the cash consideration, ArcelorMittal will receive a payment of €10 million for the 2015 dividend. ArcelorMittal will continue its supply relationship with Gestamp through its 35% shareholding in Gonvarri Steel Industries, a sister company of Gestamp. ArcelorMittal sells coils to Gonvarri Steel Industries for processing before they pass to Gestamp and other customers. Further, ArcelorMittal will continue to have a board presence in Gestamp, collaborate in automotive R&D and remain its major steel supplier. In 2015, Gestamp contributed \$57 million to income (loss) from investments in associates, joint ventures and other investments and paid a dividend of \$15 million.
- On January 15, 2016, ArcelorMittal South Africa completed a rights offering fully underwritten by ArcelorMittal. The total cash proceeds amounted to R4.5 billion. ArcelorMittal subscribed to the capital increase through repayment of an outstanding intragroup loan of R3.2 billion and an additional cash injection of approximately R460 million. The intragroup loan is being repaid in two tranches; the first has been repaid and the second is expected to be paid in 2016. As a result of the rights issue, ArcelorMittal's shareholding in ArcelorMittal South Africa increased from 52% to 71%.
- On January 13, 2016, ArcelorMittal announced the issuance of 137,967,116 new ordinary shares of the Company upon conversion of the 88,182,131 outstanding 6% Mandatorily Convertible Subordinated Notes due January 15, 2016. Following this issuance, the share capital of the Company is €7,453,441,006.98 represented by 1,803,359,338 shares