

ArcelorMittal CLN



18

**CONSOLIDATED
FINANCIAL
STATEMENTS**

as at 31 December 2018





ArcelorMittal CLN Distribuzione Italia srl

Corso Susa, 13/15 • 10040 Caselette (TO) Italy
Fully Paid-up Share Capital Euro 60,010,000
R.E.A. n. TO-1197930 Registro Imprese di Torino
VAT IT11233970018



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CORPORATE BODIES

of ArcelorMittal CLN Distribuzione Italia srl

BOARD OF DIRECTORS

CHAIRMAN Gabriele Perris Magnetto

MANAGING DIRECTOR Gabriele Perris Magnetto

DIRECTORS Giandionigi Ghislanzoni

Cesare Alessandro Viganò

Vijay Goyal

Alain Marie Legrix de la Salle

BOARD OF AUDITORS

CHAIRMAN Mauro Messi

STATUTORY AUDITORS Maria Venturini

Colin Johnston

SUBSTITUTE AUDITORS Alessandra Odorisio

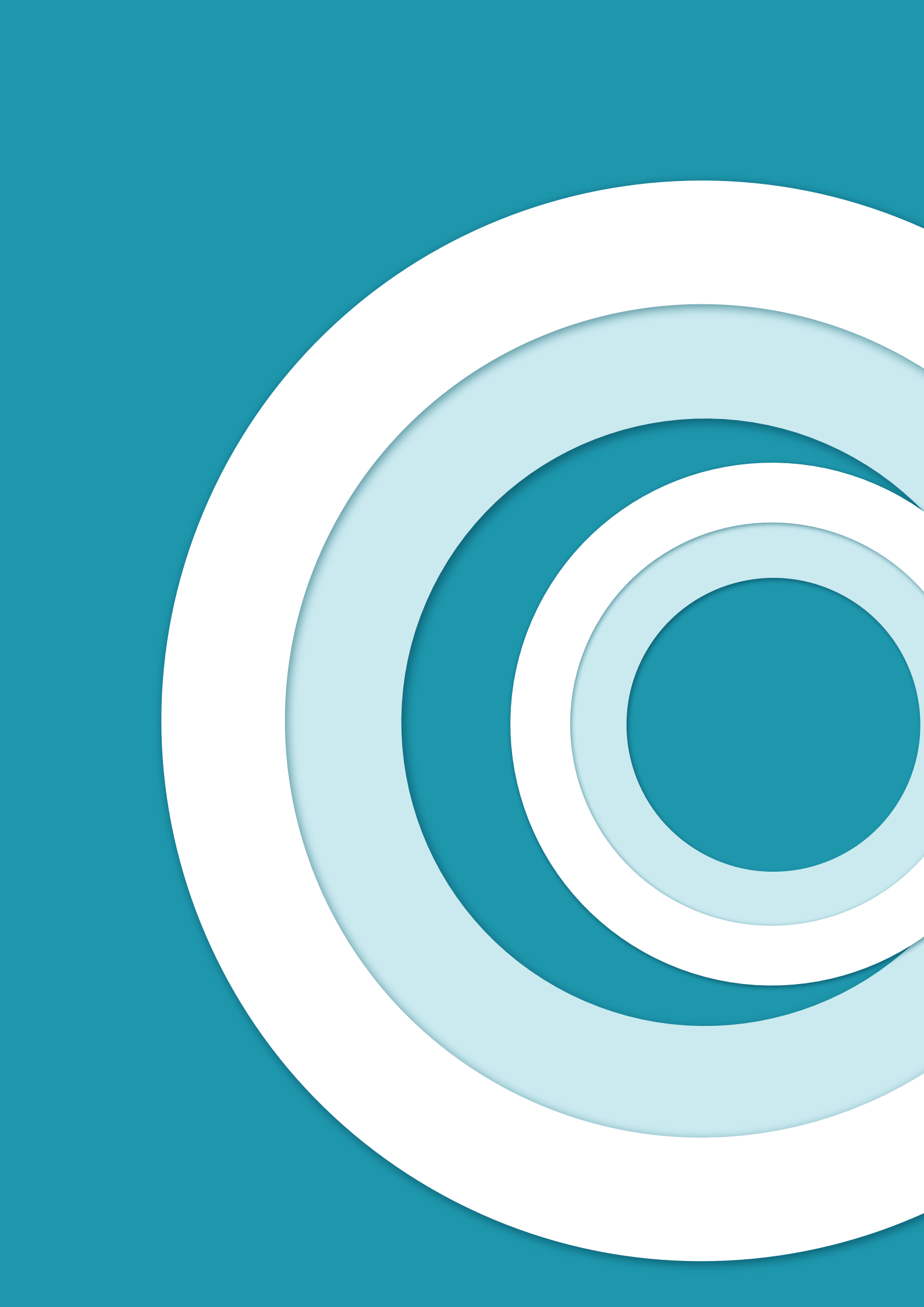
Luca Longobardi

AUDIT COMPANY

Deloitte & Touche S.p.A.



MANAGEMENT REPORT



MANAGEMENT REPORT

The financial year that ended on 31 December 2018 reports an operating loss for the Group of € 12,983 thousand (the loss pertaining to the Group was of € 5,488 thousand at 31 December 2017), net of tax equal to € 395 thousand (€ 1,555 thousand at 31 December 2017). The profit attributable to minority interests (1.59% of shares of Delna S.p.A. and 20% of shares of Tamagnone S.r.l.) equals € 1,074 (the profit of minority interest was € 356 at 31 December 2017).

The ArcelorMittal CLN Group thus reports a loss of € 12,983 thousand against revenues for sales and services rendered equal to € 744,101 thousand (€ 769,103 thousand at 31 December 2017).

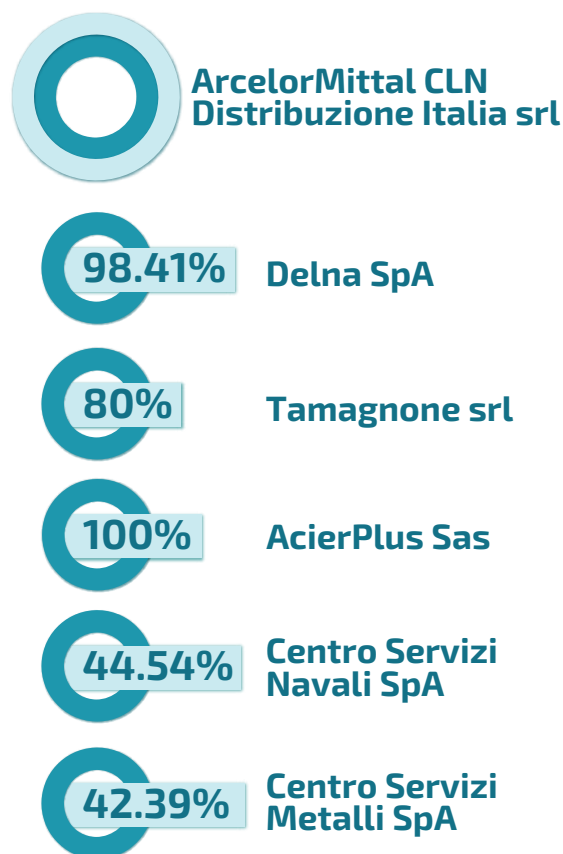
The parent company ArcelorMittal CLN Distribuzione Italia srl, established in 2015 from the creation of a joint-venture between the Italian distribution structures of the ArcelorMittal Group and of the CLN Group, is confirmed, for business volumes and market share, as one of the main players in the distribution of carbon steel in Italy. This operation has enabled the generation of significant synergies that are continuously developing and that, over the years, have been modifying the corporate perimeter. The year 2018 has also been dedicated to new acquisitions and conferments. In this context, the parent company has purchased the equivalent of 42.39% of shares of the company Centro Servizi Metalli S.p.A. and has conferred the San Giorgio di Nogaro business branch into the new joint-venture Centro Servizi Navali S.p.A., controlled jointly with Palescandolo Lavorazioni Siderurgiche S.r.l.

The ArcelorMittal CLN Group operates in the following different businesses:

- Steel Distribution Service Centers (ArcelorMittal CLN Distribuzione Italia srl).
- Production of steel semi-finished products for industry (Acierplus S.a.s.).
- Pickling (Delna S.p.A.).
- Transport and direct and indirect storage service (Tamagnone S.r.l.).
- Processing and distribution of stainless and special alloy sheet metal (Centro Servizi Metalli S.p.A.).
- Handling and processing of long and flat steel

products for naval shipyards (Centro Servizi Navali S.p.A.).

The following graph shows the Group's legal structure as at 31 December 2018 noting that Acierplus S.a.s., Delna S.p.A. and Tamagnone S.r.l. have been consolidated in the Financial statements line by line, while Centro Servizi Metalli S.p.A. and Centro Servizi Navali S.p.A. affect only the Group's equity.



We believe that, in order to better understand the results achieved by the Group in 2018, a brief summary of the market in which it operates is appropriate.

THE STEEL MARKET

In 2018 world steel production exceeded 1.8 billion tons, with an increase of over 4.6% compared to the previous year (WSA data).

Chinese production is still growing, reaching 928.3 million tons, with a positive variation of 6.6% compared to the previous year and with a share of world production right at 50%.

In Europe (EU-28), production reached 168.7 million tons, a slight decrease (-0.3%) compared to the previous year, with a share of total world output that fell below 10%.

Italy's production increased by 1.7% and reached 24.5 million tons. Such growth is led by the long products sector, while the production of flat laminates has confirmed the decreasing trend of the last few years. In Italy there was a divergent trend among the various steel using sectors; some recorded a significant growth (mechanics, electric motors, other means of transport), while the automotive sector recorded a significant contraction.

During the first part of 2018 steel prices grew compared to the end of 2017. Such variation is mostly due to the increase in actual demand against the expected decrease in the supply generated by the introduction of new countervailing duties on the import from Third Countries.

Subsequently, the growth in availability from alternative import sources generated a change in the reference framework, with prices gradually settling.

The expected reductions generated a sharp contraction in apparent consumption and an important wave of destocking that characterized the entire distribution chain. These phenomena deeply affected the margins of the distribution sector, particularly in the second half of the year.

OPERATIONS ON THE SCOPE OF CONSOLIDATION AND SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR.

During the period under analysis, there were changes in the scope of consolidation of the ArcelorMittal CLN Group:

DELNA S.P.A.

In 2018, the Company has increased its ownership of shares of the subsidiary Delna S.p.A. by purchasing 179,522 shares, going from 89.44% to 98.41%.

CENTRO SERVIZI METALLI S.P.A.

On 4 April 2018 the company purchased 3,691,960 shares, the equivalent to 42.39%, of the company Centro Servizi Metalli S.p.A. from Quarto Fin S.r.l. (21.38%), Steel Mac S.A. (16.42%) and Stefano Ricci (4.59%) for a consideration of € 6,782 thousand. Centro Servizi Metalli S.p.A. processes and distributes stainless steel and special alloy sheet metal and has production and commercial units abroad.

CENTRO SERVIZI NAVALI S.P.A.

On 16 April 2018 a new joint-stock company called "Centro Servizi Navali S.p.A." was constituted, with a share capital initially equal to € 50,000, between ArcelorMittal CLN Distribuzione Italia srl, with a contribution of € 22,500 (44.54%), Palescandolo Lavorazioni Siderurgiche S.r.l., with a contribution of € 22,500 (44.54%) and Fincantieri S.p.A., with a contribution of € 5,000 (10.92%).

On 2 May 2018 the new company approved a capital increase equal to € 12.7 million, to be paid into in kind and cash and consisting, more precisely, of conferment by ArcelorMittal CLN Distribuzione Italia srl of the "San Giorgio di Nogaro" business unit with a value of € 5.7 million; conferment by Palescandolo Lavorazioni Siderurgiche S.r.l. of know-how and movable assets with a value of € 5.5 million plus € 0.2 million in cash; conferment by Fincantieri S.p.A. of a priming and sandblasting line with a value of € 1.4 million.

The new company's business purpose is the handling, stocking and processing of long and flat steel products for the naval shipyard sector.

ECONOMIC AND FINANCIAL PERFORMANCE

The 2018 financial year closed with a value of production of € 758.8 million and an EBITDA of € 12 million.

RECLASSIFIED PROFIT AND LOSS STATEMENT ARCELORMITTAL CLN GROUP

€/000	31/12/2018	31/12/2017
Value of production	758,827	790,081
Gross operating margin (EBITDA)	12,081	21,159
<i>%value of production</i>	<i>1.59%</i>	<i>2.79%</i>
Operating Earnings (EBIT)	(7,970)	1,481
<i>%value of production</i>	<i>(1.05%)</i>	<i>0.20%</i>
Net financial income	(5,102)	(4,972)
Value adjustments	561	(84)
Pre-tax result (EBT)	(12,511)	(3,575)
<i>%value of production</i>	<i>(1.65%)</i>	<i>(0.45%)</i>
Income taxes	(374)	(1,557)
Net Profit for the Group and Third Parties (EAT)	(12,885)	(5,132)
<i>%value of production</i>	<i>(1.70%)</i>	<i>(0.65%)</i>

RECLASSIFIED BALANCE SHEET ARCELORMITTAL CLN GROUP

€/000	31/12/2018	31/12/2017
Net trade receivables	89,338	117,465
(Net trade payables)	(191,406)	(190,744)
Closing stock	149,193	139,020
Other current assets/(liabilities)	(3,201)	10,619
NET WORKING CAPITAL	43,924	76,359
Net Tangible Fixed Assets	99,151	102,703
Net Intangible Fixed Assets	30,015	34,733
Equity investments and non-current receivables	17,499	110
Reserves	(9,510)	(11,078)
Deferred tax assets/(liabilities)	(2,549)	(3,546)
NET INVESTED CAPITAL	178,530	199,280
NET EQUITY	47,047	61,064
MINORITY INTERESTS	439	2,168
Group SHAREHOLDER'S EQUITY	46,608	58,897
(Liquid assets)	(21,569)	(12,875)
(Long-term receivables due from others)	(7,147)	(7,126)
Short-term loans	149,975	136,879
Long-term loans	10,224	21,338
NET FINANCIAL DEBT	131,483	138,216
BORROWINGS	178,530	199,280

MAIN INCOME AND CASH FLOW INDICATORS

The main income indicator for the ArcelorMittal CLN Group is represented by the EBITDA, whereas the main cash flow indicator is represented by the Net Financial Debt (as explained in the reclassified income and equity statements shown above).

Other relevant indicators regarding income and cash flow are provided below.

It is noted that such indicators are “non-GAAP” indicators, so the calculation method used by the Company might be different from the one used by other groups/companies.

ROE - Return On Equity (Net profit/net equity)

It shows in summary corporate profitability, meant as the remuneration of equity invested by shareholders.

	Year 2018	Year 2017
ROE	(27.39%)	(8.40%)

ROI - Return On Investment (EBIT/Net Invested Capital)

It shows in summary the company's characteristic turnover, therefore excluding the financial and extraordinary component, with respect to the net invested capital.

	Year 2018	Year 2017
ROI	(4.46%)	0.74%

ROS - Return On Sales (EBIT/Revenues from Sales)

It shows in summary the capability of sales to produce income.

	Year 2018	Year 2017
ROS	(1.05%)	0.19%

Equity/Invested Capital

It shows the ratio between the Group Shareholder's Equity and Invested Capital.

	Year 2018	Year 2017
Equity/Invested Capital	26.11%	29.55%

Current assets to current liabilities ratio

It shows the capacity of current assets (trade debtors, short-term investments and liquid assets) to cover the Current Liabilities (trade creditors and financial liabilities).

	Year 2018	Year 2017
Current assets / Current liabilities	0.80	0.89

Although the indicator is below 1, we do not, however, perceive a situation of tension as the level of stock realizability is high and transformation times are short.

Index of cover of the capital assets

It shows the portion of non-current capital funded by Equity.

The “Long-term receivables due from others” classified among the “Long-term investments” were excluded when determining this ratio, in accordance with the approach explained previously in the comment on the Current assets to current liabilities ratio.

	Year 2018	Year 2017
Equity/Fixed Assets	31.78%	42.82%

The profitability of the ArcelorMittal CLN Group, with the international IFRS principles, would result in a change in the above indexes, as follows:

ROE - Return On Equity (Net profit/net equity)

It shows in summary corporate profitability, meant as the remuneration of equity invested by shareholders.

	Year 2018	Year 2017
ROE	(7.37%)	20.93%

ROI - Return On Investment (EBIT/EBIT/Net Invested Capital)

It shows in summary the company's characteristic turnover, therefore excluding the financial and extraordinary component, with respect to the net invested capital.

	Year 2018	Year 2017
ROI	(2.98%)	13.27%

ROS - Return On Sales (EBIT/Revenues from Sales)

It shows in summary the capability of sales to produce income.

	Year 2018	Year 2017
ROS	(0.08%)	3.66%

Equity/Invested Capital

It shows the ratio between Shareholder's Equity and Invested Capital.

	Year 2018	Year 2017
Equity/Invested Capital	37.66%	38.11%

Current assets to current liabilities ratio

It shows the capacity of current assets (trade debtors, short-term investments and liquid assets) to cover the Current Liabilities (trade creditors and financial liabilities).

	Year 2018	Year 2017
Current Assets/ Current Liabilities	0.87	0.97

Although the indicator is below 1, we do not, however, perceive a situation of tension as the level of stock realizability is high and transformation times are short.

Index of cover of the capital assets

It shows the portion of non-current capital funded by Equity.

The "Long-term receivables due from others" classified among the "Long-term investments" were excluded when determining this ratio, in accordance with the approach explained previously in the comment on the Current assets to current liabilities ratio.

	Year 2018	Year 2017
Equity/Fixed Assets	49.15%	45.46%

MAIN RISKS AND UNCERTAINTIES TO WHICH THE GROUP IS SUBJECT

Risks of a financial nature

The ArcelorMittal CLN Group is exposed to risks of a financial nature related to its operations; these are constantly monitored in order to mitigate the effects thereof:

- *Business risk*, in relation to the outlet markets and the price trend of the raw material;
- *Credit risk*, in relation to normal trade relations with clients and loan activities;
- *Liquidity risk*, with particular reference to the availability of financial resources and access to the credit market;
- *Interest rate risks*, because the parent company ArcelorMittal CLN Distribuzione Italia srl is potentially exposed to the variability of interest rates;
- *Currency risks*, in relation to the variability of exchange rates.

Business risks

The Company is exposed to certain risks related to its supply and outlet markets, and mainly:

- The price of steel, volatility in particular, which produces significant and repeated variations in the price of raw material which can lead to exposure to the risk of not being able to quickly pass such dynamics on to the end client. One must remember, in particular, that while the price of steel proves to be strongly influenced by "global" dynamics (cost of iron mineral, scrap, carbon and the demand of steel in emerging markets), the end demand for processed steel is strongly influenced by "local" dynamics of consumption and existing competition;
- Risks associated with the trend in consumption within the main end sectors of use, such as construction, the automotive and electrical appliance sectors, which are correlated to the uncertainty of the macroeconomic framework, such as the increase and decrease of the gross national product, the level of consumer loyalty and that of companies, trend in interests rates for consumer credit and in the Euro/ Dollar exchange rate, factors which are always defining in the dynamics of the purchase of long-lasting goods.

Credit risk

The greatest theoretical exposure to credit risk for the ArcelorMittal CLN Group as at 31 December 2018 is represented by the book value of the receivables shown in the financial statements.

The Group adopts specific business policies aimed at monitoring its clients' solvency and disposes of receivables with factoring companies and securitization companies mainly on the basis of agreements without recourse, thereby transferring the related risk.

The Group has chosen to insure its credits through ad hoc companies, while adopting internal commercial policies aimed at monitoring the solvency of its customers, in addition to specific provisions in the presence of an objective condition of partial or total non-recoverability not guaranteed by the insurance.

Liquidity risk

The main factors affecting the situation regarding liquidity of the ArcelorMittal CLN Group are partly the resources generated and absorbed by operational management and partly those used in investments made for development and the debt service. The Group constantly monitors the performance of liquid assets, financial flows (final and expected) and of the lines available through cash account reports. In particular, as of 31 December 2018, the liquid assets (including restricted securities in the portfolio which amount to € 7.1 million) amount to € 28.7 million, whereas payables owed to banks within twelve months amount to € 141.3 million and those after more than 12 months amount to € 18.9 million. During the year, the Group has set up an internal treasury to optimize the financial resources available among the Italian subsidiaries, called Cash Pooling.

Interest rate risk

The Group performs on a recurring basis transactions involving invoices/cash order prepayments subject to collection and transfers mostly without recourse to the factors resulting from its commercial activity and also resorts to other forms of financing, both short (import/export financing) and medium and long-term, mostly with variable interest rates.

Variations in the levels of market interest rates therefore affect the level of the net financial charges.

Currency risk

The operational business of the Group is almost exclusively carried out in Euro and thus the currency risk is limited. During the year the parent company ArcelorMittal CLN Distribuzione Italia srl made some purchases in dollars and, to minimize the inherent risk in the currency exchange, used derivative financial instruments in dollars that will be extinguished at the end of the payment of the foreign supplier.

ENVIRONMENT AND SAFETY

The Group carries out its business in compliance with the provisions in force concerning the protection of the environment with reference to the sectors it belongs to. In particular, we point out that the activity carried out, due both to the materials treated for energy consumption and produced waste, can be considered as of low environmental impact.

As for the REACH legislation, based on the European EC Regulation no. 1907/2006 (introduction of a registration, evaluation and authorization system for the chemical substances circulating in the European Union), the ArcelorMittal CLN Group is positioned with the parent company ArcelorMittal CLN Distribuzione Italia srl as a “downstream user” as it does not purchase, use or import regulated chemical substances for its manufacturing processes; the subsidiary Delna S.p.A., on the other hand, produces waste chemicals during the pickling phase that are sold on the market.

For these products, the chemical components were registered on the basis of REACH legislation in order to obtain the necessary documentation and authorization to sell them. Therefore, the Group periodically requests the REACH declarations of conformity from its suppliers and monitors the updates of the Candidate List (list issued by the ECHA of banned substances), records new chemical compounds produced, and sends the aforementioned declarations to customers in order to carry out its business in compliance with the provisions in force concerning the protection of the environment and health and safety in the workplace.

As far as the environment is concerned, it is emphasized that the business is aimed at protecting the environment and health, with regard to energy consumption, emissions and waste produced.

No environmental damage occurred during the financial year and no penalties were imposed on the Group in this context.

The ArcelorMittal CLN Group considers the protection of the safety of workers and of the work environment as two essential elements of its business.

The objective of the Group is to reduce and prevent accidents and occupational illnesses.

During 2018, work was done in order to continue to further improve the results concerning safety in order to achieve the main goal of “zero accidents” by following these trajectories:

- Guarantee the protection of health and prevention or risks in observance of the normative in force.
- Identify the appropriate measures of prevention and protection in order to reduce the risk of events entailing injuries as much as possible.
- Provide corporate management with an efficient and effective management system allowing the permanent identification and management of emerging problems as well as an orderly flow of information capable of adequately supporting decision-making and operational responsibilities.
- Increase the involvement, motivation and awareness of personnel.
- Increase efficiency and performance with a view to continuous improvement.
- Improve its internal and external image, therefore have greater reliability with regard to clients, suppliers and supervisory entities/authorities.
- Progressively reduce the costs of health and safety at the workplace.

In this regard, it should be noted that, in 2018, seven factories out of a total of twelve achieved or confirmed the “zero accident” target, a goal set by the Company in terms of safety in the workplace. The subsidiary Delna S.p.A. recorded only one mishap, while the subsidiary Tamagnone S.r.l. maintained the trend set the previous year recording three injuries during 2018.

Although these can be considered satisfactory results, it will be necessary to continue working on the behavioral aspect which is currently the most significant added value in tackling the issue of safety and health in the various facilities. Indeed, the involvement of employees and, in particular, supervisors (the link between corporate management and workers), represents a direct channel so that environment and safety are not abstract arguments, but become something real, concrete and tangible also, and, above all on the part of the supervisors. Only in this way shall it be possible for the latter to believe in the project and become a fundamental and essential part thereof in order to reduce the risk of injuries to zero.

The instruments used to be able to reach the set objectives on the matter of health and safety are:

- 1 . Training for personnel which must be specific, periodic and effective.
- 2 . An analysis of injuries required for identifying the root causes of the event.

- 3 . An analysis of incidents and near-misses in order to reduce opportunities for injury.
- 4 . An assessment of the risks per single activity.
- 5 . Safety inspections in order to monitor the correct application of rules and procedures.
- 6 . A safety audit to establish new prompts for improvement.
- 7 . Suggestions from employees so that supervisors become proactively involved in the matter of safety.

The commitment of the Management of the ArcelorMittal CLN Group to reach and maintain the results is also expressed by means of a continuous improvement and identification of new instruments to be adopted and applied.

In this regard, we point out that the parent company ArcelorMittal CLN Distribuzione Italia srl is OHSAS 18001 certified and, in the course of the year 2018, the aforementioned certification was confirmed until March 2021; while the subsidiary Delna S.p.A. has started the ISO 14001 certification process which will conclude during 2019 when the pre-audit with the external certifying body will be carried out.

RELATIONS WITH ASSOCIATED COMPANIES

Relations between the Group companies are governed under market conditions.

A summary table is shown on the following page which highlights financial relations which took place during the year between the Group and other associated companies belonging to the CLN and ArcelorMittal Groups.

CONSOLIDATED FINANCIAL STATEMENTS

€	31/12/2018	31/12/2017	Variation
ArcelorMittal Atlantique & Lorraine	3,510	7,131	(3,621)
ArcelorMittal Bremen GmbH	14,711	36,912	(22,201)
ArcelorMittal Centres De Services	2,741	117,754	(115,013)
ArcelorMittal Commercial Italy S.r.l.	10,833	4,773	6,060
ArcelorMittal Construction France S.A.	32,159	-	32,159
ArcelorMittal Distribution Solution	(48,588)	4,763	(53,351)
ArcelorMittal España S.A.	7,278	3,714	3,564
ArcelorMittal Flat Carbon Europe S.A.	6,436	-	6,436
ArcelorMittal Logistics Italia S.r.l.	602,173	539,273	62,900
ArcelorMittal Italia S.p.A.	501	-	501
ArcelorMittal Méditerranée SASU	18,520	32,653	(14,133)
ArcelorMittal Piombino S.p.A.	5,815	-	5,815
ArcelorMittal Tb Gent	4,750	-	4,750
C.L.N. Coils Lamiere Nistri S.p.A.	1,261,499	228	1,261,271
C.L.N. Serbia D.O.O.	370,665	370,665	-
C.L.N. Slovakia S.R.O.	18,267	572,711	(554,444)
C.T.L. S.r.l. Centro Taglio Laser	414,540	621,179	(206,639)
Cellino S.r.l.	673,584	1,537,300	(863,716)
Celmac S.r.l.	848,690	(10,049)	858,739
Delfo Polska S.A.	-	50,000	(50,000)
Dp Metal Processing Polska Z.O.O.	82,701	236,764	(154,063)
Emarc S.p.A.	-	25,941	(25,941)
Eurostamp S.A.S.	16,215	38,850	(22,635)
FamMA Automotive S.A.	(1,572)	(1,572)	-
Gianetti Ruote S.r.l.	0*	5,848,977	(5,848,977)
ITLA BONAITI S.r.l.	9,426,986	11,157,750	(1,730,764)
Jbm MA Automotive Pvt Ltd	0*	32,249	(32,249)
L.I.M.A. S.r.l.	0*	45,088	(45,088)
MA Automotive Deutschland GmbH	7,253	36,833	(29,580)
MA Automotive South Africa (Pty) Ltd	6,203	6,203	-
MA France	85,252	5,098	80,154
MA Polska S.A.	14,570	-	14,570
MA S.r.l.	8,081,335	11,858,239	(3,776,904)
MW Aftermarket S.r.l.	162,866	143,635	19,231
MW Italia S.r.l.	35,637	869,319	(833,682)
MW Wheels Sa (Pty) Ltd	2,000	2,000	-
Nichelino immobiliare S.r.l.	36,024	140,944	(104,920)
O.M.V. S.p.A.	543,319	10,949	532,370
P.M.C. Automotive Italia S.r.l.	0*	59,024	(59,024)
P.M.C. Automotive Melfi S.r.l.	4,390	220,516	(216,126)
Proma Poland Sp Z.O.O.	-	1,857	(1,857)
Rizzato Nistri Acciaio S.p.A.	0*	8,118	(8,118)
Solustil La Boisse	481,027	898,367	(417,340)
Um Corporation S.A.S.	141,372	34,631	106,741
Total due from associated companies	23,373,662	35,568,787	(12,195,124)

The companies that show a balance of "0*" in the 2018 table no longer fall within the scope of associated companies and so the balances are recorded under the item "Credits due from third parties".

€	31/12/2018	31/12/2017	Variation
Aperam Stainless Italy S.r.l.	50,186	5,676	44,510
Aperam Stainless Services	32,710	84,495	(51,785)
ArcelorMittal Logistics Italia S.r.l.	595,411	792,098	(196,687)
ArcelorMittal Europe S.A.	-	11,978	(11,978)
ArcelorMittal Centres De Services	39,204	46,304	(7,100)
ArcelorMittal Commercial Italy S.r.l.	83,113,606	88,810,175	(5,696,569)
ArcelorMittal Flat Carbon Europe S.A.	25,602,311	29,566,536	(3,964,225)
ArcelorMittal Rzk Celik Servis Merk	1,031	-	1,031
ArcelorMittal Distribuzione Sol. IT	42,874	-	42,874
ArcelorMittal Italia S.p.A.	12,317,029	-	12,317,029
ArcelorMittal Piombino S.p.A.	173,645	6,989	166,656
C.L.N. Coils Lamiere Nastri S.p.A.	288,444	219	288,225
C.T.L. S.r.l. Centro Taglio Laser	49,295	109,022	(59,727)
C.L.N. Serbia D.O.O.	44,267	-	44,267
DPMP TYCHY	-	53,605	(53,605)
Eurostamp S.A.S.	17,196	-	17,196
ITLA S.r.l.	-	386,508	(386,508)
ITLA BONAITI S.r.l.	91,111	-	91,111
I.D.E.S.T. S.A.R.L.	698,001	-	698,001
Industeel Belgium	17,170	-	17,170
Lima S.p.A.	-	10,744	(10,744)
MA S.r.l.	747,374	89,888	657,486
MFB S.r.l.	-	-	-
MA France	48,103	-	48,103
MW France S.A.	69,025	69,025	(0)
MW Italia S.r.l.	145,830	33,638	112,192
MW Aftermarket S.r.l.	73	-	73
Nichelino immobiliare S.r.l.	3,044	17,080	(14,036)
Um Corporation S.A.S.	42,650	-	42,650
Total Payables to associated companies	124,229,589	120,093,980	4,135,609

RESEARCH AND DEVELOPMENT ACTIVITIES

During the year the Group paid particular attention to developing innovative solutions and improving processes, with a focus on improving the quality of products and services offered and improving efficiency and productivity.

POSSESSION OF SHARES AND FINANCIAL INSTRUMENTS

The Group has not purchased, sold or held shares or holdings of the parent companies either directly or through trust companies or third parties. On the other hand, the parent company ArcelorMittal CLN underwrote hedging forward foreign exchange swaps

during the year.

Please refer to the Explanatory note for details.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR

SALE OF FOUR SITES (REMEDIES) OF THE COMPANY ARCELORMITTAL CLN DISTRIBUZIONE ITALIA SRL

On 12 October 2018 the company ArcelorMittal CLN Distribuzione Italia srl received and accepted a proposal for a non-binding transfer of four sites (Arcore, Rieti, Graffignana and Quarto), as requested by the Antitrust Authority due to the acquisition of Ilva by the ArcelorMittal Group. This transaction should be

completed by 1 July 2019 with the signing of the contracts for the sale of the fixed assets and of the stock of raw materials being stocked on that date. In terms of cash flow, the transaction entails an initial income equal to € 13 million for the sale of the assets. The goods, whose value is between € 13 and 15 million, will be paid 60 days from the closing date.

CO-MANAGEMENT OF THE PADERNO DUGNANO AND LEGNARO SITES WITH ARCELORMITTAL ITALIA S.P.A.

On 29 March the Commission authorized the joint management of the two (former Ilva) sites, with a subcontracting business in 2019 for ArcelorMittal Italia S.p.A. and with a subsequent direct management by ArcelorMittal CLN Distribuzione Italia srl starting from January 2020.

CENTRO SERVIZI METALLI S.P.A

The Centro Servizi Metalli S.p.A. shareholders' meeting to approve the 2018 financial statements approved the payment of € 1,045,200 of dividends, of which € 443,060 pertaining to the Group.

standpoint of worker safety and environmental protection.

Despite this climate of market uncertainty, the Group expects to reach the break-even point during 2019 thanks to the better results of the individual companies; in particular the parent company is obtaining good results in the first months of 2019, and so is Tamagnone S.r.l.

These forecasts are confirmed by the results of the first quarter of 2019 where the Group's final EBITDA at 31 March 2019 was € 5 million, with a positive change compared to the budget of € 0.6 million.

Caselette, 9 May 2019

For the Board of Directors

The Chairman

Gabriele Perris Magnetto

BUSINESS OUTLOOK

In terms of apparent consumption, the year 2019 does not seem to have particularly positive auspices due to the strong slowdown of the automobile market and a very uncertain political and macro-economic context at the European level. The Italian market will presumably be characterized by a significant increase in the supply linked to the successful acquisition of Ilva by the ArcelorMittal Group and to the foreseeable limited effectiveness of the safeguard measures definitively imposed by the European Commission in order to regulate the flow of imports of flat steel laminates. In this context, the Group will probably have to manage a redefinition of its industrial perimeter, but it could have the opportunity to operate in conditions of greater competitiveness.

Also in 2019 attention will be paid to the maintenance and renovation of production facilities, updating production levels and quality using the latest technological innovations in order to preserve the trust of business customers.

To this end interventions are foreseen in various areas, aimed at preventing disruptions associated with the age of the equipment, as well as improvements from the



**CONSOLIDATED
FINANACIAL
STATEMENTS
2018**



CONSOLIDATED BALANCE SHEET

€

ASSETS	31/12/2018	31/12/2017
RECEIVABLES from SHAREHOLDERS FOR PAYMENTS STILL DUE	-	-
FIXED ASSETS		
I) Intangible fixed assets		
Start-up and expansion costs	-	1,439
Development costs	-	-
Industrial patents and intellectual property rights	149,413	148,056
Concessions, licenses, trademarks and similar rights	219,504	228,862
Goodwill	28,867,222	33,488,910
Fixed assets under construction and advances	31,239	31,239
Other	747,456	834,376
Total intangible fixed assets	30,014,834	34,732,882
II) Tangible fixed assets		
Land and buildings	46,362,164	53,880,133
Plant and machinery	43,727,889	40,289,398
Industrial and commercial equipment	1,242,928	888,187
Other tangible assets	1,645,521	1,584,976
Fixed assets under construction and advances	6,172,420	6,059,989
Total tangible fixed assets	99,150,922	102,702,683
III) Long-term investments		
Equity investments in:		
associated companies	13,889,167	-
parent companies	-	-
other companies	3,609,602	104,960
Total long-term investments	17,498,769	104,960
Receivables:		
due from associated companies	-	-
due from parent companies	-	-
due from other companies	7,147,290	7,130,559
Total receivables	7,147,290	7,130,559
Other securities	-	-
Own shares in treasury	-	-
Total long-term investments	24,646,059	7,235,519
Total fixed assets	153,811,815	144,671,083
CURRENT ASSETS		
I) Stock		
Raw materials, ancillary materials and consumables	128,912,206	116,050,748
Work in progress and semi-finished goods	3,689,181	5,538,052
Goods being made to order	-	-
Finished products and goods	16,591,600	17,430,886
Advances paid	-	-
Total stock	149,192,987	139,019,686
II) Receivables		
From		
third parties due within 12 months	64,314,512	81,508,858
Other related parties due within 12 months	23,373,662	35,568,787
third parties after more than 12 months	179,610	387,041

CONSOLIDATED FINANCIAL STATEMENTS

€		
ASSETS (follows)	31/12/2018	31/12/2017
Due from associated companies		
within 12 months	1,470,616	-
after more than 12 months	-	-
Due from parent companies		
within 12 months	-	-
after more than 12 months	-	-
Tax credits		
within 12 months	19,347,725	37,740,727
after more than 12 months	95,486	105,208
Prepaid taxes		
within 12 months	1,535,886	1,115,994
after more than 12 months	-	-
Other debtors		
within 12 months	759,292	1,909,927
after more than 12 months	326,957	183,476
Total receivables	111,403,746	158,520,018
III) Short-term investments		
Holdings in associated companies	-	-
Holdings in parent companies	-	-
Other holdings	-	-
Active derivative financial instruments	-	17,322
Other securities	-	-
Total equity investments	-	17,322
IV) Liquid Assets		
Bank and postal deposits	21,496,294	12,833,455
Cash and cash equivalents in hand	72,961	24,459
Total liquid assets	21,569,255	12,857,914
Total current assets	282,165,988	310,414,940
ACCRUED INCOME AND PREPAID EXPENSES		
Accruals and deferrals	3,215,503	3,773,574
Total accruals and deferrals	3,215,503	3,773,574
TOTAL ASSETS	439,193,306	458,859,597

€		
LIABILITIES	31/12/2018	31/12/2017
NET EQUITY		
I) Share capital	60,010,000	60,010,000
II) Share premium account	-	-
III) Revaluation reserves	-	-
IV) Legal reserve	-	-
V) Reserve for own shares in treasury	-	-
VI) Statutory reserve	-	-
VII) Other reserves:		
- Capital account reserve	-	-
- Consolidation reserve	3,019,704	3,825,341
- Merger surplus reserve	167,364	167,364
- Reserve for unrealized exchange rate gains	(129,713)	-
- Shareholding capital gains reserve	1,532,790	-
VIII) Profits/(losses) carried forward	(5,105,989)	382,562
IX) Profit/(loss) for the year	(12,886,114)	(5,488,551)
TOTAL SHAREHOLDER'S EQUITY for the Group	46,608,042	58,896,716
Minority interests	439,483	2,167,702
TOTAL SHAREHOLDER'S EQUITY	47,047,525	61,064,418
PROVISIONS FOR RISKS AND CHARGES		
Provision for pensions and similar obligations	322,091	281,164
Provisions for taxes, also deferred	4,084,520	4,662,291
Provisions for passive derivative financial instruments	21,422	101,093
Other provisions	3,960,524	4,931,146
Total provisions for risks and charges	8,388,557	9,975,694
STAFF SEVERANCE FUND	5,206,220	5,764,272
PAYABLES		
Debenture loans	-	-
Convertible debentures	-	-
Loans payable to shareholders	-	-
Due to banks		
within 12 months	139,569,446	129,391,540
after more than 12 months	10,224,483	20,658,878
Due to other lenders		
within 12 months	10,405,209	7,487,642
after more than 12 months	-	678,985
Advances paid	-	-
Due to		
third party suppliers within 12 months	66,735,053	70,649,806
other related parties due within 12 months	124,229,589	120,093,980
third parties after more than 12 months	-	-
Bills of exchange payable	-	-
Due to associated companies		
within 12 months	441,115	-
after more than 12 months	-	-
Due to parent companies		
within 12 months	-	-
after more than 12 months	-	-

CONSOLIDATED FINANCIAL STATEMENTS

€		
LIABILITIES (follows)	31/12/2018	31/12/2017
Due to other companies		
within 12 months	-	-
after more than 12 months	-	-
Fiscal liabilities		
within 12 months	2,379,524	3,939,110
after more than 12 months	-	-
Due to welfare agencies and social security		
within 12 months	3,363,348	3,242,342
after more than 12 months	-	757
Other creditors		
within 12 months	11,049,336	12,923,244
after more than 12 months	7,492,345	10,809,377
Total payables	375,889,448	379,875,661
ACCRUED LIABILITIES AND DEFERRED INCOME		
Issue premium	-	-
Other accruals and deferrals	2,661,556	2,179,552
Total accruals and deferrals	2,661,556	2,179,552
TOTAL LIABILITIES	439,193,306	458,859,597

CONSOLIDATED PROFIT AND LOSS STATEMENT

€	2018	2017
A) PRODUCTION VALUE		
Revenues from sales and services	744,101,121	769,102,505
Change in closing stock: work in progress, semi-finished goods and finished products	(1,695,489)	1,440,790
Changes in goods being made to order	-	-
Work performed for own purposes and capitalized	-	-
Other revenues and income	16,098,760	19,537,875
Total production value	758,504,392	790,081,170
B) PRODUCTION COSTS		
Cost of raw materials, ancillary materials, consumables and goods	639,858,305	639,442,657
Cost of outside services	51,520,621	53,991,811
Use of third party assets	5,741,857	4,938,105
Staff costs:		
Wages and salaries	44,153,846	41,849,030
Social charges	11,776,527	14,574,631
Staff severance indemnity	2,165,349	2,151,502
Pensions and post-retirement benefits	40,928	34,916
Other costs	3,298,500	2,194,047
Total staff costs	61,435,150	60,804,126
Depreciation, amortizations and write-downs:		
Amortization of intangible assets	5,051,033	4,964,943
Depreciation of fixed assets	13,838,680	14,712,626
Other reductions in value of fixed assets	40,000	-
Write-downs against short-term receivables and liquid assets	730,937	184,384
Total amortizations and write-downs	19,660,650	19,861,953
Changes in stock: raw materials, ancillary materials, consumables and goods	(13,209,108)	7,589,286
Allocation to risk provisions	-	-
Other provisions	390,304	697,815
Other management expenses	1,076,532	1,274,073
TOTAL PRODUCTION COSTS	766,474,311	788,599,826
Difference between production value and production costs	(7,969,919)	1,481,344
C) FINANCIAL INCOME AND CHARGES		
Income from equity investments:		
associated companies	-	-
parent companies	-	-
other companies	14	14
Total income from equity investments	14	14
Other financial income:		
- income from long-term receivables		
associated companies	-	-
parent companies	-	-
other companies	-	17,692

CONSOLIDATED FINANCIAL STATEMENTS

€ (follows)	2018	2017
Total income from long-term receivables	-	17,692
- income from securities held on a long-term basis	-	-
- income from securities entered under current assets	-	-
- other financial income not included above:		
interests and commissions from associated companies	5,619	-
interests and commissions from parent companies	-	-
interests and commissions from other companies and miscellaneous income	381,560	36,217
Total other financial income not included above	387,179	36,217
Total other financial income	387,179	53,909
Interest payable and other financial charges:		
associated companies	-	-
parent companies	-	-
other Group companies	-	-
other companies	5,546,750	5,027,025
Total interest payable and other financial charges	5,546,750	5,027,025
Gains and losses on exchange rates	56,627	641
Total financial income and charges	(5,102,930)	(4,972,461)
D) VALUE ADJUSTMENTS TO INVESTMENTS		
Revaluations:		
of equity investments	1,272,124	-
of long-term investments	-	-
of long-term investments	-	-
of securities entered under current assets	-	-
of derivative financial instruments	-	17,322
Total revaluations	1,272,124	17,322
Write-downs:		
of equity investments	672,023	-
of long-term investments	-	-
of securities entered under current assets	-	-
of derivative financial instruments	38,744	101,093
Total write-downs	(710,767)	(101,093)
Total adjustments made to the value of investments	561,357	(83,771)
PRE-TAX RESULT	(12,511,492)	(3,574,887)
Current taxes	1,628,244	1,974,035
Prepaid and deferred taxes	(1,254,696)	(416,783)
Income tax for the year	373,548	1,557,252
PROFIT/(LOSS) OF THE GROUP AND THIRD PARTIES FOR THE PERIOD	(12,885,040)	(5,132,139)
Profit/(loss) attributable to minority interests	1,074	356,412
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO THE GROUP	(12,886,114)	(5,488,551)

FINANCIAL STATEMENT CHART

€	Year 2018	Year 2017
Financial flow from operating activities (indirect method)		
Profits/(losses) for the year	(12,885,040)	(5,132,139)
Income taxes	373,548	1,557,252
Interest paid/(interest earned)	5,102,944	4,972,475
(Dividends)	(14)	(14)
(Gains)/losses arising from the sale of assets	(1,175,191)	(4,320,371)
Profit/(loss) for the financial year before income taxes, interest, dividends and gains/losses on sales	(8.583.753)	(2.922.797)
<i>Adjustments for non-monetary items that did not have a contra-entry in the net working capital</i>		
Provisions	3,286,590	2,879,986
Amortizations of fixed assets	18,929,713	19,677,569
Write-downs for impairment	-	-
Other increase/(decrease) adjustments for monetary items	38,744	83,771
Other increase/(decrease) adjustments for non-monetary items	1,394	2
Financial flow before changes in the net working capital	13,672,688	19,718,531
<i>Changes in net working capital</i>		
Decrease/(increase) in stock	(10,173,301)	6,361,132
Decrease/(increase) in receivables from clients	29,596,902	(26,929,183)
Increase/(decrease) in trade payables	661,971	4,791,181
Decrease/(increase) in accrued income and prepaid expenses	558,071	10,362
Decrease/(increase) in accrued expenses and deferred income	482,004	-
Other changes in net working capital	12,703,215	(18,692,850)
Financial flow after changes in the net working capital	47,501,550	(14740.827)
<i>Other adjustments</i>		
Interest received/(paid)	(5,145,785)	(4,081,712)
(Income taxes paid)	(1,842,199)	(3,341,113)
Dividends received	14	14
(Use of provisions)	(2,914,056)	(3,093,172)
Other receipts/payments	-	-
Operating financial flow (A)	37,599,524	(25,256,810)
Financial flows deriving from investments		
Purchase price of the controlling shares of MG net of initial liquidity	-	(1,451,349)
<i>Tangible Fixed Assets</i>		
Investments	(15,888,632)	(15,062,561)
Disinvestments	1,734,828	1,936,866
<i>Intangible Fixed Assets</i>		
Investments	(341,606)	(488,693)
Disinvestments	44	7,216
<i>Long-term investments</i>		
Investments	(14,777,557)	(1,485,285)
Disinvestments	-	-
<i>Non-fixed financial assets</i>		
Investments	-	-
Disinvestments	-	-

CONSOLIDATED FINANCIAL STATEMENTS

€ (follows)	Year 2018	Year 2017
Investing financial flow (B)	(29,272,923)	(16,543,807)
Financial flows deriving from financing activities		
<i>Third party means</i>	-	-
Increase/(decrease) of payables to banks	(256,489)	38,847,647
Increase/(decrease) of payables to other lenders	2,238,583	4,460,225
(Increase)/decrease of intragroup financial receivables	(1,470,616)	-
Increase/(decrease) of intragroup financial payables	-	-
<i>Own means</i>		
Paid increase in capital	-	-
(Capital repayment)	-	-
Sale/(purchase) of own shares	-	-
(Dividends (and dividend advances) paid)	(126,738)	(110,263)
Financial flow from financing activities (C)	384,740	43,197,608
Increase/(decrease) in liquid assets (A ± B ± C)	8,711,341	1,396,992
Liquid assets at the beginning of the financial year	12,857,914	11,460,923
of which:		
bank and postal deposits	12,833,455	11,425,697
cash and cash equivalents in hand	24,459	35,226
Liquid assets at the end of the financial year	21,569,255	12,857,914
of which:		
bank and postal deposits	21,496,294	12,833,455
cash and cash equivalents in hand	72,961	24,459

* The financial statement for the previous year has been reclassified according to the OIC 10 framework



NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS



MAIN BUSINESSES

ArcelorMittal CLN Distribuzione Italia srl is a legal entity under Italian law and with its subsidiaries ("the Group") works along different business lines: steel service centers (pre-processing of steel coils and sheet metal processing in general); transport service; direct and indirect warehousing management; steel pickling and cutting; and production of semi-finished steel products for industry.

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements comply with the provisions of Articles 2423 et seq. of the Italian Civil Code as shown in this Explanatory Note drawn up in accordance with Article 2427 of the Civil Code, which constitutes, pursuant to Article 2423 of the Italian Civil Code, an integral part of the Consolidated Financial Statements.

The Consolidated Financial Statements include the Balance sheet, the Profit and loss statement, the Financial statement (prepared in accordance with the frameworks referred to in Articles 2424, 2424 bis C.C., 2425 and 2425 bis C.C. and Article 2425 ter of the Italian Civil Code) and of this Explanatory note.

The significant events which took place after the year closed, explained in the Management Report, form an integral part of these Explanatory Notes.

The Consolidated Financial Statements have been prepared by applying the line-by-line consolidation method to the financial statements of ArcelorMittal CLN srl, the parent company, with those of all Italian and foreign companies where it directly or indirectly holds the majority of voting rights and where it exercises unilateral control.

The subsidiaries that are jointly controlled or strongly influenced by the Group were consolidated using the equity method. Group companies, their legal names, locations, corporate purpose, share capital and direct and indirect holding percentages are listed as an attachment to this Explanatory note. The financial statements being consolidated refer to the same date of closure of the parent company.

We specify that we did not proceed with derogations pursuant to paragraph 4 of art. 2423 of the Civil Code in these Financial statements.

The amounts indicated in the Financial statements and the Explanatory Notes are all expressed in Euros, unless indicated otherwise.

PRINCIPLES OF CONSOLIDATION

The consolidated Financial statements were drafted including the financial statements as of 31 December 2018 of the Group companies included in the area of consolidation that had been drawn up by the Boards of Directors for approval by the individual Shareholder's Meetings, duly amended where necessary, in order to standardize them to the accounting principles adopted by the parent company.

All the subsidiary companies included in the area of consolidation are consolidated using the global integration method, as from acquisition of control and summarized thus:

- a. Assumption of the assets, liabilities, costs and revenues at their comprehensive total amount, regardless of the entity of the shareholding and attributing, in general, to minority Shareholders the portion of equity and net profit for the period due to them under dedicated entries.
- b. The difference emerging from the act of acquisition from the elimination of the book value of the holding in an enterprise included in the area of consolidation against the corresponding portion of equity is imputed, where possible, to the elements of the assets and liabilities of such enterprise. Any remaining amounts are treated as follows:
 - if positive, it is recorded under the item "goodwill" of intangible fixed assets and is amortized on a straight-line basis in relation to its expected recoverability;
 - if negative it is entered under an item of the shareholder's equity as "consolidation reserve", or, when due to expected unfavorable operating results, under an item called "consolidation provision for future risks and charges".
- c. Elimination of receivables and payables, as well as costs and revenues between the consolidated companies.
- d. The following were also eliminated:
 - Capital gains deriving from transfers of fixed assets among consolidated companies;
 - Profits, where significant, deriving from transactions between consolidated companies related to transfers of assets remaining as inventories at the buying company, where deemed significant.

The holdings of joint control and affiliated companies were assessed according to the equity method, deducting the dividends distributed to the parent company and enacting the rectifications required by the consolidation principles:

1. the consolidated Financial statements include only their share of the subsidiary's equity, including the profit for the year;
2. any positive difference between the purchase cost of the holding and their share of the subsidiary's equity, adjusted for the existing capital gains on assets, represents the goodwill included in the value of the holding in the consolidated financial statements. In the calculation inherent in the valuation according to the equity method, this goodwill is amortized on the basis of a determined useful life, within a period not exceeding twenty financial years, which is deemed not to exceed the period of potential benefit;
3. any negative difference, on the other hand, is entered into the net equity reserve until the eventual sale of the holding itself.

ACCOUNTING PRINCIPLES

The criteria set out in Article 2426 of the Italian Civil Code used in the preparation and valuation of the consolidated financial statements as at 31 December 2018 are similar to those used for the financial statements for the previous year. The provisions of the Civil Code are interpreted by the accounting standards published by the Italian Accounting Body (OIC).

The valuation of the financial statements items was done based on general criteria of prudence and competence, in view of the continuation of the business and taking into account the economic

function of each asset or liability considered.

The accounting principles are based on the principle of the prevalence of substance over form where they are not expressly in contrast with other specific financial statements rules.

No exceptional events occurred which made it necessary to resort to exemptions pursuant to articles 2423 bis, second paragraph and 2423, fifth paragraph of the Civil Code.

The amounts are expressed in Euros, unless otherwise indicated.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are entered at purchase cost. The cost includes accessory charges and direct and indirect costs for the portion that can be reasonably attributed to the asset. In all cases the sustained cost, as defined above, does not exceed the recoverable value.

The values are shown net of the amortizations allocated in the various financial years. Amortization starts from the financial year when the asset becomes available for use or when it begins to produce economic benefits.

The item "Goodwill" includes the sums paid for this purpose with reference to the acquisition of companies or other corporate transactions and is amortized according to its useful life. Useful life is estimated at the time of initial recognition of the goodwill and is not changed in subsequent financial years. If it is not possible to estimate its useful life, the goodwill is amortized over a period of 10 years.

At each financial statements closing, the presence of indicators of loss of value of intangible fixed assets is assessed. If these indicators emerge, a reduction of value is carried out (impairment test). If the net book value of the fixed assets exceeds the recoverable value, they are written down to reflect the latter.

The recoverable amount of intangible fixed assets was determined as the greater between the use value calculated by discounting future cash flows, and the fair value.

In determining the recoverable value of intangible fixed assets, the following parameters were considered:

- time horizon of five years as a reference for the analytical estimate of future cash flows (arising from the most recent business plan approved by the Board of Directors);
- a growth rate of 1.7% determined on the basis of the expected long-term inflation rate in Italy;
- an 8.6% cash flow discounting rate, determined on the basis of an unlevered approach in line with the method for calculating cash flows, using specific parameters of the Company/reference country (Italy).

ACCESSORY COSTS RELATED TO FINANCING

The Company applies the amortized cost criterion exclusively to payables that arose in 2016 onwards and therefore the costs relating to previous loans continue to be recorded under the item "Others" of intangible fixed assets and amortized in accordance with the previous accounting standard, without prejudice to the exemptions specified in the paragraph "Payables".

TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded at the cost of purchase or production. Furthermore, some assets were revalued following their initial transfer on the basis of values certified by independent third

party experts. The Company ArcelorMittal CLN srl has recorded (subject to the limits established by the Law) revaluations with a contra-entry to the goodwill deriving from the initial transfer.

The tangible fixed assets whose use is limited in time are systematically depreciated each year on the basis of economic-technical rates determined in relation to the residual possibilities of use of the assets, with the exception of those whose usefulness does not end and that consist of land already existing as of 31 March 2015. If the value of buildings also incorporates the value of the land on which they are located, the value of the building has been separated.

For fixed assets that became operational during the financial year, the rates are reduced to 50%, assuming that the purchases are homogeneously distributed over the year.

If, regardless of the already recorded depreciation, there is a permanent loss in value, the fixed asset is correspondingly devalued; if in subsequent financial years the conditions for the write-down no longer apply, the original value is reinstated within the limits of the value that the asset would have had if the value adjustment had never taken place.

Ordinary maintenance costs are fully charged to the Profit and Loss Statement, while those of an incremental nature are attributed to the assets to which they refer and amortized in relation to the residual possibility of using them.

Notwithstanding generally accepted accounting principles, where:

- permitted by special laws;
- deemed appropriate in order to provide a more truthful and correct representation of the values of land, buildings, plants and machinery,

and as previously clarified, ArcelorMittal CLN srl has recorded (subject to the limits established by law) revaluations following the initial transfer. The revaluation amounts do not, in any case, exceed the recoverable values. The partial allocation of the initial difference from asset transfer to revaluation was redeemed in 2016.

Leasing contracts have been recorded in the consolidated financial statements according to the criteria established by the financial methodology. In particular, the capital worth of the assets, including quotas of initial fees included in the prepaid expenses in the financial statements for the year, was included in the tangible fixed assets whereas payables for lease fees as principal were included in the medium/long term financial debts. The lease fees booked in the financial statements for the year were replaced with the depreciation and write-downs of the fixed assets subject matter of the lease, with the related interest payables entered in the financial charges and the related appropriated deferred taxes.

LONG-TERM INVESTMENTS

Holdings are valued using the cost method. The carrying value in the financial statements is determined on the basis of the purchase price, or subscription price, including accessory charges or the value attributed to the assets transferred.

The carrying amount of the holding, when the existence of a permanent loss in value is recognized, is reduced to its lowest recoverable value which is determined on the basis of the future benefits expected to flow to the holder's economy. The original value is reinstated in subsequent years if the reasons for the

write-down no longer exist.

Holdings in subsidiaries and affiliated companies not included in the area of consolidation are adjusted each year based on the relative pro-quota net equity owned by the Group.

INVENTORIES

Inventories are recorded at the lesser of purchase or production cost, and the presumable net realizable value inferable from the market trend, represented by the replacement value for raw materials and the realizable value for finished products and semi-finished products.

The cost is determined according to the LIFO method in annual increments. The difference between the inventories calculated using the LIFO method and the valuation at current costs (FIFO method) recognized at the end of the year is provided in the Explanatory note.

RECEIVABLES

Pursuant to art. 2426, paragraph 1, number 8 of the Italian Civil Code, Receivables are recognized according to the amortized cost method, with the exception of receivables for which the effects of the application of the amortized cost criteria, pursuant to art. 2423 paragraph 4 of the Italian Civil Code, are irrelevant (expiration in less than 12 months).

In accordance with the materiality concept referred to in art. 2423 paragraph 4 of the Italian Civil Code, receivables were not discounted if the interest rate deducible from the contractual terms is not significantly different from the actual interest rate. The receivables, regardless of the whether the amortized cost was applied or not, are shown in the financial statements net of the allocation to a provision to cover bad debts and the generic risk relating to the remaining receivables, based on estimates made on the basis of the past experiences, the performance of maturity indexes of overdue credits, the general economic and sector situation, as well as events that happened after the end of the financial year which have an effect on the numbers at the balance sheet date. For collateralized receivables, the effects related to the enforcement of the collateral have been taken into account, and only the portion not covered by insurance has been taken into account for insured receivables.

The Group implements disposal transactions on its trade receivables portfolio by means of securitization and factoring operations. In some cases, transfers can take place according to the "with recourse" procedure, so that the Group continues to be subjected to the risk of insolvency of the transferred debtor. In this case the receivables are not removed from the financial statements.

LIQUID ASSETS

Liquid assets are entered at their nominal value. Any liquid assets denominated in foreign currencies are valued at the year-end exchange rate. Restricted liquid assets are recorded under receivables in current assets or fixed assets, depending on the characteristics of the restriction.

ACCRUALS AND DEFERRALS

Accruals constitute the numeric counterpart of the ascertainment of the portion of competence of costs (where owed) and revenues (where due) common to several financial years, for which, as at the date of the financial statements, the corresponding changes in monetary availability or of receivables and payables have not yet been verified.

Deferrals represent the counterpart of portions of costs (where due) and revenues (where owed) common to several financial years not imputable to the net profit for the year related to the period during the course of which the corresponding monetary variation took place or that of receivables and payables. These express the value of services yet to be received or in any case usable in future financial years, where due, and the value of services yet to be carried out or for which the corresponding costs are yet to be sustained, where owed.

The adopted criteria of measurement constitute the application of the general principle of correlation of costs and revenues according to the financial year.

PROVISIONS FOR RISKS AND CHARGES

The provisions for risks and charges are appropriated in order to cover losses or debts of certain or likely existence, the amount or date of occurrence of which, however, could not be determined upon closure of the financial year. The appropriations reflect the best possible estimate on the basis of available elements.

The provision "for taxes, also deferred" is included in the provisions for liabilities and charges which includes the amounts relating to liabilities for probable taxes, of an undetermined amount or due date, deriving from not yet definitive audits or pending disputes and other similar cases. The provision "for taxes, also deferred" includes the liabilities for deferred taxes determined on the basis of the taxable temporary differences.

STAFF SEVERANCE INDEMNITY RESERVE

The Staff severance indemnity reserve, appropriated by the Italian companies of the Group, is allocated in order to cover the entire liability accrued against each employee, in conformity with the legislation in force and the collective and supplementary corporate labor agreements.

As far as the Group's Italian companies are concerned, Law 27 December 2006, no. 296 (Finance Law 2007) introduced new rules for Severance Indemnity (TFR) accrued as from 1 January 2007. By effect of the reform on supplementary pensions:

- Portions of TFR accrued up to 31/12/2006 remain in the company;
- Portions of TFR accrued starting from 1/1/2007, by choice of the employee and according to the explicit or implicit process of participation, were:
 - a. Destined to forms of supplementary pension.
 - b. Kept in the company which proceeded to transfer the portions of TFR to the Treasury Reserve established at the National Social Welfare Institution (INPS).

At a financial level, item "Staff severance indemnity reserve" represents the remainder of the provision existing as of 31 December 2018; item "Payables due to welfare agencies and social security" shows the debt accrued as of 31 December 2018 related to the quotas of severance indemnity yet to be paid to the pension reserves and to social welfare entities.

PAYABLES

Pursuant to art. 2426, paragraph 1, number 8 of the Italian Civil Code, payables are identified according to the amortized cost method, with the exception of payables for which the effects of the application of the amortized cost criteria, pursuant to art. 2423

paragraph 4 of the Italian Civil Code, are irrelevant (i.e. when the transaction costs, the commissions paid between the parties and any other difference between the initial value and the value at expiry are not relevant or when the expiration is less than 12 months).

In accordance with the materiality concept referred to in art. 2423 paragraph 4 of the Italian Civil Code, payables were not discounted if the interest rate deductible from the contractual terms is not significantly different from the actual interest rate.

Payables for which the amortized cost criterion has not been applied have been entered at their nominal value. Payables arising from asset acquisitions are recorded at the time when the risks, charges and benefits were transferred; those relating to the services are recorded at the time of performance of the service; those of a financial or other nature are recorded at the time when the obligation towards the counterparty arises.

"Tax payables" include deferred tax liabilities as well as withholdings that have not yet been paid at the Financial statements date and, where compensation is permitted, they are entered net of advances, withholdings and tax receivables.

RECOGNIZING REVENUES

Revenues are recorded net of returns, discounts, allowances and bonuses, and of taxes directly connected with the sale of goods and the provision of services. Revenues from product sales are recognized upon the transfer of ownership, which normally corresponds to the delivery or shipment of the goods. Revenues for the provision of services are recognized based on the performance of the service and in accordance with the related contracts.

RECOGNIZING COSTS AND EXPENSES

Costs and expenses are booked according to the accrual principle.

INTERESTS RECEIVABLE AND PAYABLE, INCOME AND CHARGES

Interests receivable and payable as well as income and charges are disclosed in the financial statements according to the accrual principle, with a calculation of the related accruals and deferrals.

INCOME TAX FOR THE YEAR

Current taxes are allocated in the Financial statements according to the rates and norms in force based on a precise estimate of the taxable income for fiscal purposes, considering applicable exemptions or eventual tax credits.

Prepaid and deferred taxes are calculated on the temporary differences between the value attributed to assets and liabilities in the financial statements and the corresponding values recognized for tax purposes, based on the rates in force when the temporary differences are carried over. The Company makes appropriate adjustments in the event of a change in the tax rate compared to previous years, if the law that changes the tax rate has already been issued at the Financial statements reference date.

Assets deriving from prepaid taxes, entered in the dedicated item, are not recorded, in compliance with the principle of prudence, if there is no reasonable certainty of the existence of a taxable income equal to or higher than the differences that will be canceled, in the years to which the relative temporary differences will be carried over. The tax benefit deriving from carrying tax losses forward is disclosed when there is a reasonable certainty of the existence of future taxable income in which losses can be carried forward.

Deferred and prepaid taxes are calculated by applying the tax rate in force for the periods in which the temporary differences shall be carried over.

Starting from the financial year that ended on 31 December 2017 and for the three-year period 2017-2021, the parent company ArcelorMittal CLN srl has decided to join the national tax consolidation of the CLN Group pursuant to art. 117/129 of the Consolidated Tax Law (CTL).

C.L.N. S.p.A. acts as the consolidating company and determines a single taxable base for the group of companies adhering to the tax consolidation, which thus benefits from the possibility of compensating taxable income with tax losses in a single tax return. Each company participating in the tax consolidation transfers the taxable income (taxable income or tax loss) to the consolidating company; the consolidating company recognizes a credit against it that is equal to the CIT to be paid (the consolidated company recognizes a payable toward the consolidating company). On the other hand, with regard to companies that record tax losses, the consolidating company recognizes a payable equal to the CIT on the part of the loss effectively offset at a group level (the consolidated company recognizes a receivable from the consolidating company).

CONVERSION CRITERION FOR ITEMS IN FOREIGN CURRENCY

The assets and liabilities originally recorded in foreign currency and realized during the year have generated exchange gains/losses recorded in the Profit and loss statement following their valuation at the spot exchange rate on the date of realization.

COMMITMENT, GUARANTEES AND RISKS

The amounts of the actual risks, commitments and guarantees that were in existence at the balance sheet date are shown at the end of the Explanatory note.

OTHER INFORMATION

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are classified as negotiable since, although they were stipulated for the management hedging of exchange rate risk and interest rate fluctuations risk, the formal requirements necessary for them to be dealt with in hedge accounting were not verified as these are non-recurring transactions for the Group. The variations of fair value are recorded in the Profit and loss statement with a contra-entry to the Balance sheet items "Active derivative financial instruments" or "Provisions for passive derivative financial instruments" on the basis of the positive or negative fair value at the end of the year. Please refer to the note "Information relating to the fair value of derivative financial instruments" for more information.

CONSOLIDATION SCOPE

Below is a list of the subsidiaries included in the scope of consolidation:

Parent company

Legal Name	Registered office
ArcelorMittal CLN Distribuzione Italia srl	Corso Susa 13/15, Caselette (Turin)

Companies consolidated using the line-by-line consolidation method - Subsidiaries

Legal Name	Registered office	Share capital	% owned
Delna S.p.A.	Via Per Airuno 20, Brivio (Lecco)	2,000,000	98%
Tamagnone S.r.l.	Corso Susa 13/15, Caselette (Turin)	20,000	80%
AcierPlus S.a.s.	Impasse des Prairies, Z.I. Nord, Arnas (FR)	1,001	100%

Companies consolidated using the equity method - Affiliated or joint-control companies

Legal Name	Registered office	Share capital	% owned
Centro Servizi Navali S.p.A.	Via Volta SNC, San Giorgio di Nogaro (UD), Italy	12,782,000	44.54%
Centro Servizi Metalli S.p.A.	Via G.M. Ferraroni 7, Reggio Emilia (RE), Italy	871,000	42.39%

CHANGES IN THE CONSOLIDATION SCOPE

During 2018, the parent company ArcelorMittal CLN Distribuzione increased its number of shares of the subsidiary Delna S.p.A. from 89.44% to 98.41%. In addition, the affiliated company Centro Servizi Metalli SpA, 42.39% owned, and the new Centro Servizi Navali SpA joint venture, owned at 44.54%, both consolidated with the equity method, became part of the consolidation perimeter.

ASSETS**FIXED ASSETS****l) Intangible fixed assets**

Intangible fixed assets at 31 December 2017 amounted to € 34,732,882; while in 2018 this item amounted to € 30,014,834.

€	31/12/2018	31/12/2017
Start-up and expansion costs	-	1,439
Industrial patent rights and use of intellectual property	149,413	148,056
Concessions, licenses, trademarks and similar rights	219,504	228,862
Goodwill	28,867,222	33,488,910
Fixed assets under construction and advances	31,239	31,239
Other	747,456	834,376
Total Intangible fixed assets	30,014,834	34,732,882

CONSOLIDATED FINANCIAL STATEMENTS

During the 2018 financial year, the changes in the Intangible fixed assets are as follows:

€	Initial situation			Movements of the financial year					Final situation			
Description costs	Historical cost (HC)	Amort. Fund	Net value	Purchases	Disinvest. HC	Disinvest. Amort. Fund	Write-downs	Amort.	Other variations	Historical cost	Amort. Fund	Net value
Goodwill	46,111,423	(12,573,513)	33,537,910					(4,621,687)	(49,001)	46,062,422	(17,195,200)	28,867,222
Industrial patent rights and use of intellectual property	236,078	(88,022)	148,056	51,631				(51,418)	1,144	288,853	(139,440)	149,413
Concessions, licenses, trademarks and similar rights	2,533,106	(2,304,244)	228,862	101,976	(2,645)	2,601	(40,000)	(84,690)	13,400	2,645,837	(2,426,333)	219,504
Start-up and expansion costs	23,656	(22,217)	1,439								(23,656)	
Multi-year costs	3,849,177	(3,277,831)	571,346								(3,277,831)	620,346
Other assets	702,079	(488,049)	214,030	187,999				(291,799)	16,880	906,958	(779,848)	127,110
Fixed assets under construction	32,383		32,383						(1,144)	31,239		31,239
Total	53,487,902	(18,753,876)	34,734,026	341,606	(2,645)	2,601	(40,000)	(5,051,033)	30,279	53,857,142	(23,842,308)	30,014,834

Goodwill at 31 December 2018, equal to € 28,867,222, relates to net value of the goodwill recorded in previous years with reference primarily to the transfer of the business units by CLN, AMDSI, the merger of Prorena-Canessa and Pro-Can, and to the consolidation differences determined as the difference between the value of the holding and the pro-quota net equity of the subsidiaries on the date of the first consolidation not allocated to the assets and liabilities of the acquired company.

The details of the goodwill recorded at 31 December 2018 are shown below:

€	31/12/2017	Increases	Amortizations	31/12/2018
Goodwill	27,080,588	-	(3,737,781)	23,342,807
Consolidation differences	6,408,322	-	(883,907)	5,524,415
Total Goodwill	33,488,910	-	(4,621,688)	28,867,222

Amortization is carried out in 10-year periods from the date of first consolidation, depending on the residual possibility of use. The residual value of the "Goodwill" recorded in the financial statements is deemed to be recoverable on the basis of the Group's profitability forecasts and of the actions and programs planned for the near future.

In particular, goodwill is subjected annually to an Impairment test to verify its recoverability. In particular, the valuation carried out by the Directors of the parent company ArcelorMittal CLN srl took into consideration a time horizon of five years for the estimate of future cash flows based on the most recent approved multi-year plans, and used a growth rate of 1.7% determined on the basis of the expected long-term inflation rate in Italy, a 8.6% cash flow discounting rate determined on the basis of an unlevered approach in line with the method for calculating cash flows, using specific parameters of the Company/reference country (Italy). These analyzes gave rise to no write-downs of the goodwill recorded in the financial statements.

II) Tangible fixed assets

As of 31 December 2018 the Tangible fixed assets item amounts to € 99,150,922 and is broken down as follows:

€	31/12/2018	31/12/2017
Land and buildings	46,362,164	53,880,133
Plant and machinery	43,727,889	40,289,398
Industrial and commercial equipment	1,242,928	888,187
Other tangible assets	1,645,521	1,584,976
Fixed assets under construction and advances	6,172,420	6,059,989
Total Tangible fixed assets	99,150,922	102,702,683

Details of the single items are given below:

- Land and buildings: include the properties in which the Group performs its activities.
- Plant and machinery: this item includes the production lines used in the working process.
- Industrial and commercial equipment: includes the apparatuses supporting the production process.
- Other assets: the item in questions includes electric and electronic machinery and furnishings.

During the course of 2018 the changes in Tangible fixed assets were as follows:

€	Initial situation			Movements of the financial year				Final situation			
Description costs	Historical cost (HC)	Amort. Fund	Net value	Purchases	Disinvest. HC	Disinv. Amort. Fund	Amort.	Other variations	Historical cost	Amort. Fund	Net value
Land and buildings	94,489,511	(40,609,378)	53,880,133	1,772,398	(9,890,675)	2,718,840	(2,456,033)	337,500	86,708,734	(40,346,571)	46,362,163
Plant and machinery	240,784,436	(200,495,037)	40,289,398	10,877,466	(9,312,535)	9,163,909	(10,439,972)	3,149,623	245,498,990	(201,771,100)	43,727,889
Industrial and commercial equipment	6,318,984	(5,430,796)	888,187	696,125	(639,168)	621,925	(324,141)		6,375,941	(5,133,012)	1,242,928
Other fixed assets	10,634,994	(9,050,019)	1,584,975	820,587	(2,093,144)	2,019,003	(685,900)		9,362,437	(7,716,916)	1,645,521
Fixed assets under construction and prepayments	6,689,310	(629,321)	6,059,989	3,685,551	(26,417)			(3,546,703)	6,801,741	(629,321)	6,172,420
Total	358,917,235	(256,214,552)	102,702,683	17,852,127	(21,961,939)	14,523,677	(13,906,046)	(59,580)	354,747,843	(255,596,921)	99,150,922

The acquisitions for the year, amounting to € 17,852,127, are mainly attributable to the parent company ArcelorMittal CLN srl:

- € 2,288,451 for the purchase of the Fimi tilting cutting line at the Atella plant and € 342,200 for the 1250 Press, of which € 146,300 were for the robotic island and € 120,700 for the line scrap evacuation system;
- € 854,380 for the new molding business at the Rieti site, in particular € 172,480 for the Zani press revamping, € 321,950 for the purchase of the Balconi press from MA, plus its revamping and safety updating, € 189,500 for the purchase and foundation of the Emanuel press from MA and € 170,450 for the purchase of the Invernizzi press from MA;
- € 299,520 for the revamping of the Fimi Slitter 1050 x 3 line at the Caselette plant, € 145,927 used for the revamping of the 2203 leveling machine and € 126,522 for the revamping and overhaul of the 2500 leveling machine, lines that are located at the Alpinano plant;
- € 249,540 for the revamping of the 1100 x 5 leveling machine, of which € 152,000 for the rotary shear and € 35,000 for new protections aimed at guaranteeing the safety of the line located at the Marcon plant;
- € 135,000 for the revamping and safety updating of the Slitter 500 located in Arcore;

- € 134,100 for the purchase of a coil winding line and € 120,000 for the electrical revamping carried out on the Slitter 800 x 0.5 - 4, assets located at the Monza plant;
- € 123,950 for the electrical revamping of the Slitter 2001 and € 3,950 for the safety improvement of its line located in Fontanellato.

Delna invested € 2,020,272 for the revamping of plants and machinery.

As for Tamagnone, the major purchase relates to Other fixed assets, and is equal to € 488,123 for the purchase of the business unit focused around the freight transport service on behalf of third parties with the use of the Lecco-Maggianico railway yard for the loading and unloading of trucks.

The reclassification, amounting to € 3,546,703, mainly concerns the testing and installation, during 2018, of the SP 1250 flattening machine at Atella of ArcelorMittal CLN srl, totaling € 2,763,898, previously recorded under fixed assets under construction.

III) Long-term investments

Equity investments

€		31/12/2018	31/12/2017
In associated companies		13,889,167	-
In other companies		3,609,602	104,960
Total holdings		17,498,769	104,960

The item "holdings in associated companies" includes the investments made during 2018 by the parent company in the associated company Centro Servizi Metalli S.p.A., of which it holds 42.39% of the share capital, and in the new joint-venture Centro Servizi Navali S.p.A., of which it holds 44.54% of the share capital.

The value of the holdings is adjusted to the pro-quota net equity of the companies at 31 December 2018:

€	Valuation	31/12/2018	31/12/2017
Centro Servizi Metalli S.p.A.	Equity	9,565,304	-
Centro Servizi Navali S.p.A.	Equity	4,323,863	-
Total holdings of associated companies		13,889,167	-

The item "holdings in other companies" goes from € 104,960 to € 3,609,602 at 31 December 2018, and its details are shown below:

€	Valuation	31/12/2018	31/12/2017
San Polo Lamiere S.p.A.	Cost	3,504,642	-
Kyneprox S.r.l.	Cost	100,000	100,000
Credito Coop. Carate Brianza	Cost	1,000	1,000
Credito Coop. Castenaso	Cost	1,651	1,651
Banca di Bologna	Cost	516	516
Consorzio Alpignano Industrial	Cost	516	516
Consorzio API Formazione	Cost	52	52
C.O.N.A.I.	Cost	1,224	1,224
Centro Assistenza API	Cost	1	1,224
Total holdings in other companies		3,609,602	104,960

During the year, the parent company made investments "in other companies" by purchasing 16.67% of the share capital of San Polo Lamiere S.p.A. from the member C.L.N. S.p.A. for a value of € 3,504,642 defined on the basis of an appraisal prepared by an independent third-party expert.

Long-term receivables due from others

The item "Long-term receivables due from others", equal to € 7,147,290 includes € 7,061,000 related to a term deposit account as a guarantee for a credit line granted by Cariparma to the parent company; € 65,000 related to a security deposit provided by Tamagnone S.r.l. to the Italian State Railways for the lease of the Orbassano rail yard. In the financial statements at 31 December 2017 it was classified under the item B.III.3) - "Other securities". For comparability purposes, the balance related to the previous year was reclassified.

The residual part of the item, amounting to € 21,290, refers to the subsidiary Delna S.p.A. and is made up of € 4,200 for two loans granted to employees of the company, maturing in the year 2019. As far as the portion due in more than 12 months is concerned, this item includes € 4,290 for to a security deposit paid to the Province of Lecco for obtaining the license for taking water for industrial use from the river Adda through two outlets in the Municipality of Brivio and a security deposit paid in relation to an existing leasing contract; and € 12,800 relating to the long-term quotas of the loans issued to employees of the Delna company.

CURRENT ASSETS

I) STOCK

€		31/12/2018	31/12/2017
Raw materials, ancillary materials and consumables		128,912,206	116,050,748
Work in progress and semi-finished goods		3,689,181	5,538,052
Goods being made to order		-	-
Finished products and goods		16,591,600	17,430,886
Advances paid		-	-
Total Stock		149,192,987	139,019,686

Inventories included in the financial statements include those at the Group companies' plants and warehouses (other than those received by third parties for trial and testing purposes, goods in process and on consignment), the Group's inventories held by third parties and the goods in transit for which the Group has already acquired ownership.

The final inventory valuation has been carried out, as already indicated in the accounting principles, with the LIFO method. If the Group had valued inventories according to the current cost criterion (FIFO method), the inventories as at 31 December 2018 would have been higher by € 30,678,937. With the application of the FIFO method, the increase in the inventories in the profit and loss statement would be of € 2,993,991 gross of taxes (in the financial statements at 31 December 2017 the increase in the profit and loss statement would have been of € 24,610,534 and in the previous year it would have been of € 10,398,220).

II) RECEIVABLES

The changes in the item compared to the financial statements for the year that ended on 31 December 2017 are summarized below:

€	31/12/2018	31/12/2017
Trade debtors	87,867,784	117,464,686
Due from associated companies	1,470,616	-
Tax credits	19,443,211	37,845,935
Prepaid taxes	1,535,886	1,115,994
Other debtors	1,086,249	2,093,403
Total Receivables	111,403,746	158,520,018

The data relating to the breakdown of receivables by maturity are shown below:

€	Within 12 months	Over 12 months	Total
Due from third party trade debtors	87,688,174	179,610	87,867,784
Due from associated companies	1,470,616	-	1,470,616
Tax credits	19,347,725	95,486	19,443,211
Deferred tax assets	1,535,886	-	1,535,886
Other debtors	759,292	326,957	1,086,249
Total receivables by maturity	110,801,693	602,053	111,403,746

There are no receivables with a residual duration of more than five years and with a right of repurchase.

Below are the figures relating to the breakdown of receivables, net of the bad debts provision, by geographical area:

€	Italy	EU area	Extra-EU area	Total
Trade debtors	70,639,393	14,689,741	2,538,650	87,867,784
Due from associated companies	1,470,616	-	-	1,470,616
Tax credits	18,305,974	1,137,237	-	19,443,211
Deferred tax assets	1,046,644	489,242	-	1,535,886
Other debtors	575,816	510,433	-	1,086,249
Total receivables by geographic area	92,038,443	16,826,653	2,538,650	111,403,746

Trade debtors

Receivables from customers, amounting to € 87,867,784 at 31 December 2018, including correlated receivables due amounting to € 23,373,662, are shown net of the bad debt provision amounting to € 2,655,161 at 31 December 2018.

The receivables due from related companies as at 31 December 2018 amount to € 23,373,662. The table on the following page summarizes existing relations at the end of the financial year.

€	Within 12 months	Over 12 months	Total
Due from third party trade debtors	64,314,512	179,610	64,494,122
Due from other related companies	23,373,662	-	23,373,662
Total receivables from clients	87,688,174	179,610	87,867,784

The bad debts provision underwent the following movement during the financial year and its amount at the end of the year is to be deemed as consistent in relation to existing risks:

Bad debts provision as of 31 December 2017	2,010,101
Appropriations	730,937
Provision restatement	52,881
Uses/other net variations	(138,758)
Bad debts provision as of 31 December 2018	2,655,161

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€	31/12/2018	31/12/2017	Variation
ArcelorMittal Atlantique & Lorraine	3,510	7,131	(3,621)
ArcelorMittal Bremen GmbH	14,711	36,912	(22,201)
ArcelorMittal Centres De Services	2,741	117,754	(115,013)
ArcelorMittal Commercial Italy S.r.l.	10,833	4,773	6,060
ArcelorMittal Construction France S.A.	32,159	-	32,159
ArcelorMittal Distribution Solution	(48,588)	4,763	(53,351)
ArcelorMittal España S.A.	7,278	3,714	3,564
ArcelorMittal Flat Carbon Europe S.A.	6,436	-	6,436
ArcelorMittal Logistics Italia S.r.l.	602,173	539,273	62,900
ArcelorMittal Italia S.p.A.	501	-	501
ArcelorMittal Méditerranée SASU	18,520	32,653	(14,133)
ArcelorMittal Piombino S.p.A.	5,815	-	5,815
ArcelorMittal Tb Gent	4,750	-	4,750
C.L.N. Coils Lamiere Nastri S.p.A.	1,261,499	228	1,261,271
C.L.N. Serbia D.O.O.	370,665	370,665	-
C.L.N. Slovakia S.R.O.	18,267	572,711	(554,444)
C.T.L. S.r.l. Centro Taglio Laser	414,540	621,179	(206,639)
Cellino S.r.l.	673,584	1,537,300	(863,716)
Celmac S.r.l.	848,690	(10,049)	858,739
Delfo Polska S.A.	-	50,000	(50,000)
Dp Metal Processing Polska Z.O.O.	82,701	236,764	(154,063)
Emarc S.p.A.	-	25,941	(25,941)
Eurostamp S.A.S.	16,215	38,850	(22,635)
FamMA Automotive S.A.	(1,572)	(1,572)	-
Gianetti Ruote S.r.l.	0*	5,848,977	(5,848,977)
ITLA BONAITI S.r.l.	9,426,986	11,157,750	(1,730,764)
Jbm MA Automotive Pvt Ltd	0*	32,249	(32,249)
L.I.M.A. S.r.l.	0*	45,088	(45,088)
MA Automotive Deutschland GmbH	7,253	36,833	(29,580)
MA Automotive South Africa (Pty) Ltd	6,203	6,203	-
MA France	85,252	5,098	80,154
MA Polska S.A.	14,570	-	14,570
MA S.r.l.	8,081,335	11,858,239	(3,776,904)
MW Aftermarket S.r.l.	162,866	143,635	19,231
MW Italia S.r.l.	35,637	869,319	(833,682)
MW Wheels Sa (Pty) Ltd	2,000	2,000	-
Nichelino immobiliare S.r.l.	36,024	140,944	(104,920)
O.M.V. S.p.A.	543,319	10,949	532,370
P.M.C. Automotive Italia S.r.l.	0*	59,024	(59,024)
P.M.C. Automotive Melfi S.r.l.	4,390	220,516	(216,126)
Proma Poland Sp Z.O.O.	-	1,857	(1,857)
Rizzato Nastri Acciaio S.p.A.	0*	8,118	(8,118)
Solustil La Boisse	481,027	898,367	(417,340)
Um Corporation S.A.S.	141,372	34,631	106,741
Total due from associated companies	23,373,662	35,568,787	(12,195,124)

The companies that show a balance of "0*" in the 2018 table no longer fall within the scope of associated companies and so the balances are recorded under the item "Credits due from third parties".

Tax credits

The tax credits at 31 December 2018 amount to € 19,443,211. This item mainly consists of € 17,893,104 of VAT reimbursements attributable to the parent company which has requested the reimbursement of the VAT credit generated by the increasing number of customers who operate with a VAT exemption. Receivables decreased by € 18,402,724 compared to 31 December 2017, as the parent company obtained VAT refunds of € 60,772,343 during the year, partly pertaining to the previous year.

Deferred tax assets

The item Deferred Tax Assets, equal to € 1,535,886, is determined from the appropriations against certain liabilities charged to the Group according to realistic estimates of their definition and of some items for which the fiscal normative imposes a division over several financial years.

In particular, we stress that we have considered items representing events which shall be realized in the short term and which we therefore consider as covered by the taxable income that shall be realized. We invite you to consult the table of deferred taxes in the final pages of this Explanatory note in order to obtain details related to the movement which took place during the period.

Other debtors

Receivables due from other debtors amount to € 1,086,249 as of 31 December 2018 compared to the € 2,093,403 of the previous year. There are no receivables with a residual duration of more than five years and with a right of repurchase.

Financial assets that do not constitute fixed assets

At 31 December 2017, this item amounted to € 17,322 and included the assets for derivative financial instruments with a positive fair value at the closing of the Financial statements. At 31 December 2018 there was no positive fair value.

Liquid assets

Liquid assets amount to € 21,569,255 and consist mainly of bank deposits of ArcelorMittal CLN srl for € 19,259,429 and of the subsidiary Delna S.p.A. for € 1,427,047. The item is composed as follows:

€	31/12/2018	31/12/2017
Bank and postal deposits	21,496,294	12,833,455
Cash and cash equivalents in hand	72,961	24,459
Total Liquid assets	21,569,255	12,857,914

III) ACCRUALS AND DEFERRALS

Accrued income and prepaid expenses are entered in the financial statements upon conclusion of assessments and valuations performed pursuant to law, in response to the purpose of merging the competent components into the financial year. This item includes prepaid expenses for insurance, administrative consultancy and lease fees.

€	31/12/2018	31/12/2017
Accrued income	359	43,169
Prepaid expenses	3,125,144	3,730,405
Total	3,125,503	3,773,574

The item mainly consists of the implicit interests to be paid for the purchase of Prorena Canessa for an amount equal to € 3,035,270. Refer to the description of item "Other creditors" for further details on the matter.

LIABILITIES

SHAREHOLDER'S EQUITY

€	31/12/2017	Destination of the previous year's result	Other movements	Financial year result	31/12/2018
Share capital	60,010,000				60,010,000
Revaluation reserves					-
Shareholding capital gains reserve			1,532,790		1,532,790
Legal reserve					-
Extraordinary reserve					-
Other reserves	3,992,705		(935,350)		3,057,355
Profits/(losses) carried forward	382,562	(5,488,551)			(5,105,989)
Profit/(loss) for the period	(5,488,551)	5,488,551		(12,886,114)	(12,886,114)
Total shareholder's equity for the Group	58,896,716	-	597,440	(12,886,114)	46,608,042

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The share capital is fully subscribed and paid up at 31 December 2018 and amounts to € 60,010,000, divided among the shareholders according to the following quotas:

- C.L.N. Coils Lamiere Nastri S.p.A. holding a share of 51% of the share capital, for a value of € 30,605,100;
- ArcelorMittal Distribution Solutions Italia S.r.l. holding a share of 49% of the share capital, for a value of € 29,404,900.

During 2018 the item "Shareholding capital gains reserve" represents the great deal that was obtained with the purchase of the shares of the company Centro Servizi Metalli S.p.A. for the amount of € 6,890,103 against a pro-quota net equity with a value of € 8,422,893.

The following table shows the reconciliation between the net profit and the shareholders' equity of the parent company and the corresponding data resulting from the consolidated financial statements (values in € thousands).

€/000	Net Profit	Shareholder's equity
Financial statements of ArcelorMittal CLN srl for the year	(7,687)	47,798
Elimination of value consolidated holdings	-	(30,640)
Profit for the period and Shareholder's equity achieved by the consolidated subsidiaries	(1,707)	27,391
Consolidation adjustments	(3,394)	1,192
Alignment to the equity of associated companies	(97)	1,307
Consolidated financial statements	(12,885)	47,048
Minority Interests	1	439
Consolidated financial statements pertaining to the Group	(12,886)	46,608

PROVISIONS FOR RISKS AND CHARGES

€	31/12/2018	31/12/2017
Provision for pensions and similar obligations	322,091	281,164
For taxes, also deferred	4,084,520	4,662,291
Provisions for passive derivative financial instruments	21,422	101,093
Other provisions	3,960,524	4,931,146
Total Provisions for risks and charges	8,388,557	9,975,694

Provision for pensions and similar obligations

The provision for pensions and similar obligations equal to € 322,091 includes indemnities accrued in favor of sales agents in compliance with contractual agreements or legal provisions.

Provision for taxes

The "Deferred tax provision" was allocated for temporary differences between the result for the year and the taxable base that have emerged for the individual companies and is equal to € 4,084,520 as at 31 December 2018.

We invite you to consult the table of deferred taxes in the final pages of this Explanatory note in order to obtain details related to the movement which took place during the period.

Provision for passive financial derivative instruments

At 31 December 2018, the item amounted to € 21,422 and includes the negative fair value of the derivative financial instruments outstanding at the closing date of the Financial statements, issued solely by the parent company ArcelorMittal CLN srl.

Other provisions

The item "Other provisions" amounts to € 3,960,524 as at 31 December 2018 and mainly consists of the provision for future risks and charges entered in the consolidated report as part of the negative goodwill relating to the AcierPlus S.a.s. transaction in consideration of the charges connected with the restructuring of the French sites scheduled for the upcoming financial years for a total of € 3,906,000. This provision for risks was set aside in the 2016 consolidated financial statements on a prudential basis in order to provide for a partial recovery of the net working capital (or NWC) in the event that the company's sites are decommissioned. € 1,400,000 from said provision were used in 2017 (Biars dissolution) while during 2018 € 1,360,000 were used (Chateaubriant closure).

STAFF SEVERANCE INDEMNITY RESERVE

The provision of € 5,206,220 reflects the indemnity accrued by the employees of the Group companies.

€

Severance indemnity as at 31/12/2017	5,764,272
Changes in scope	288,582
Usage and other changes	(3,011,983)
Appropriations	2,165,349
Severance indemnity as at 31/12/2018	5,206,220

The changes of this provision can be analyzed as follows:

- The item "Changes in scope" refers mainly to the entry into the Group of ArcelorMittal Piombino for the lease by ArcelorMittal CLN srl of the balances of its Avellino Branch with effect from 1 January 2018;
- Item "Usage and other changes" refers to liquidations of TFR upon termination of working relationships, liquidation of any advance payments, as well as portions transferred to the Treasury reserve established at the INPS or paid to other forms of supplementary pension indicated by the individual employee.

PAYABLES

As of 31 December 2018, payables amount to € 375,889,448. The following are the changes compared to the previous year:

€	31/12/2018	31/12/2017	Variation
Due to banks	149,793,929	150,050,418	(256,489)
Due to other lenders	10,405,209	8,166,627	2,238,582
Advances paid	-	-	-
Trade creditors	190,964,642	186,829,033	4,135,609
Due to associated companies	441,115	-	441,115
Due to parent companies	-	-	-
Fiscal liabilities	2,379,524	3,939,110	(1,559,586)
Payables due to welfare agencies and social security	3,363,348	3,243,099	120,249
Other creditors	18,541,681	23,732,621	(5,190,940)
Total Payables	375,889,448	379,875,661	(3,986,213)

Payables are valued according to the amortized cost criterion and, where not significant, at their nominal value. Their expiration is divided as follows:

€	Within 12 months	Over 12 months	Total
Due to banks	139,569,446	10,224,483	149,793,929
Due to other lenders	10,405,209	-	10,405,209
Trade creditors	190,964,642	-	190,964,642
Due to associated companies	441,115	-	441,115
Fiscal liabilities	2,379,524	-	2,379,524
Payables due to welfare agencies	3,363,348	757	3,363,348
Other creditors	11,049,336	7,492,745	18,541,681
Total payables by expiration	358,172,620	17,717,985	375,889,448

The breakdown by geographical area of the payables is:

€	Italy	EU area	Extra-EU area	Total
Due to banks	149,793,929	-	-	149,793,929
Due to other lenders	10,404,111	1,098	-	10,405,209
Trade creditors	155,363,411	35,371,951	229,280	190,964,642
Due to associated companies	197,240	243,875	-	441,115
Fiscal liabilities	2,379,524	-	-	2,379,524
Payables due to welfare agencies and social security	3,363,348	-	-	3,363,348
Other creditors	17,189,125	1,352,556	-	18,541,681
Total Payables by geographic area	338,690,688	36,969,480	229,280	375,889,448

Payables due to banks and other lenders

The following table gives details of the payables due to banks and other lenders as of 31 December 2018, with an indication of the short-term portion (expected repayment within the following year) and the medium/long-term portion (repayment scheduled for more than one year).

€	31/12/2018	31/12/2017	Variation
Payables due to banks for advances on invoices/overdrawn c/c	60,677,701	56,964,287	3,713,414
Payables due to banks for short-term credit lines	59,952,886	63,480,833	(3,527,947)
Payable to factor for the non-recourse transfer of VAT credit	9,279,027	-	9,279,027
Payables due to banks for ML loans - short-term portion	18,938,858	10,378,121	8,560,737
Payables due to banks for medium/long loans	10,224,483	19,227,177	(9,002,694)
Payables due to factor	447,198	7,116,513	(6,669,315)
Payables due to short-term leasing	678,985	371,129	307,856
Payables due to medium/long term leasing	-	678,985	(678,985)
Total payables due to banks and other lenders	160,199,138	158,217,045	1,982,093

The increase in the Group's financial indebtedness is closely correlated with the increase in the net working capital during the year and mainly due to the trend in steel prices in 2018.

The main per item changes during the period are as follows:

- "Payables due to banks for advances on invoices/overdrawn c/c" increased by € 3,713,414 due to the higher cash needs of the Company and greater portfolio disposals. For more details, refer to the Cash flow statement;
- "Payables due to banks for short-term credit lines": the item decreased by € 3,527,947 due to the increased use of import lines;
- "Payable to factor for the non-recourse transfer of VAT credit": this item grows by € 9,279,027 due to the non-recourse advance obtained from Medio Credito, repaid at the beginning of 2019;
- "Payables due to banks for ML loans - short-term portion": the item includes the portions to be paid during the 2019 financial year and increased by € 8,560,737 compared to 31 December 2018;
- "Payables due to banks for medium/long loans": the item, amounting to € 10,224,483, decreased by € 9,002,694 due to the portion of long-term loans to be paid during 2019.

As will be seen below, the Group has continued the activity begun in the previous years of lengthening the deadlines with a growth in medium/long-term financial debt.

Loans for advances on invoices consist of credit lines against the presentation of bank receipts.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

The "Payables due to banks for medium/long loans" are composed of:

	Counterpart	Original payable	Date of Stipulation	Type	Duration	Rate applied	Residual value at 31/12/2018	Short term	of which: Long term
ArcelorMittal CLN	CARISBO	9,000,000	22/ JUL/2008	Mortgage loan (**)	12 years	1.1% + EUR360 3M	1,428,685	807,109	621,577
ArcelorMittal CLN	Banco Popolare di Vicenza	6,000,000	21/ MAR/2011	Mortgage loan (**)	10 years	3.8% + EUR360 3M	1,663,764	644,079	1,019,686
ArcelorMittal CLN	Crédit Agricole Cariparma	3,000,000	03/ OCT/2016	Unsecured Loan	3 years	2%+ EUR360 3M	847,263	847,263	-
ArcelorMittal CLN	BPER	5,000,000	16/ DEC/2016	Unsecured Loan	3 years	1.75%+ EUR360 3M	1,694,339	1,694,339	-
ArcelorMittal CLN	Credito Coop. Carate e Brianza	2,000,000	19/ JUL/2017	Unsecured Loan	3 years	2%+EUR360 6M	1,069,046	670,913	398,133
ArcelorMittal CLN	Banca Popolare di Milano	5,000,000	15/ SEP/2017	Unsecured Loan	4 years	1.75%+ EUR360 3M	3,473,955	1,242,206	2,231,748
ArcelorMittal CLN	Banca Carige	5,000,000	01/ DEC/2017	Unsecured Loan	4 years	1.8%+EUR360 6M (*)	4,362,843	1,213,120	3,149,723
ArcelorMittal CLN	Crédit Agricole Cariparma	3,000,000	22/ DEC/2017	Unsecured Loan	3 years	1.9%+ EUR360 3M	2,001,621	989,884	1,011,737
ArcelorMittal CLN	Banca IFIS	10,000,000	20/ JUL/2018	Unsecured Loan	5 years	3.5%+ EUR360 3M	9,958,422	9,958,422	-
DELNA	Mediocredito	2,000,000	24/ JUN/2010	Mortgage loan (**)	10 years	1.65%+ EUR360 3M	315,789	210,526	105,263
DELNA	Banca Popolare di Sondrio	3,000,000	05/ APR/2017	Mortgage loan (**)	6 years	Fixed rate 1.5%	2,347,242	660,626	1,686,616

(*) an IRS was also stipulated on this loan, please refer to the paragraph "Information on the fair value of derivative financial instruments" for more details.

(**) for the guarantees provided, please refer to the description in the note "Commitments, guarantees and potential liabilities".

In particular, the following is a description of the loans that are outstanding as at 31 December 2018:

- Mortgage loan (€ 6,000,000) granted to C.L.N. S.p.A. in March 2011 by Banca Popolare di Vicenza and transferred with effect from 1 April 2015 to ArcelorMittal CLN srl. The mortgage was granted for a period of ten years and is governed by a three-month Euribor rate increased by 380 basis points. On 31 December 2018, the residual amount was € 1,019,686 for the portion due in more than 12 months and € 644,079 for the portion due within 12 months. The registered mortgage weighs on the Atella building for a value of € 12,000,000.
- Mortgage loan (9,000,000 Euros) granted to Canessa SpA., now CLN S.p.A., in July 2008 and transferred to ArcelorMittal CLN srl on 1 April 2015 granted by Carisbo in a pool with other banks with the following quotas: 3/6 Carisbo, 1/6 Banca di Imola, 1/6 Banca Popolare di Milano and 1/6 Cassa di risparmio di Pistoia e Pescia. The mortgage was granted for a period of twelve years and it is repayable in quarterly installments, the last falling on 22 July 2020. On 31 December 2017, the residual amount was € 1,440,840 for the portion due in more than 12 months and € 808,529 for the portion due in 2018. The loan was transferred to the company ArcelorMittal CLN srl at the end of December 2016 while the previous year it was placed under payables to C.L.N. S.p.A. within the item "Other payables" which will be commented upon later. The registered mortgage weighs on the

building of Quarto Inferiore (BO) for a value of € 18,000,000.

- Unsecured Loan (€ 5,000,000) granted to ArcelorMittal CLN srl on 16 December 2016 by Banca Popolare dell'Emilia Romagna. The loan was granted with a duration of 36 months, with a 1.75% spread. This loan is repayable in monthly installments starting on 16 January 2017. At 31 December 2018, the residual amount is € 1,694,339 and it will be concluded in 2019. The application fees are € 22,500. As requested by the new Official Italian Accounting Standards, the loan was accounted for at the amortized cost.
- Unsecured Loan (€ 3,000,000) granted to ArcelorMittal CLN srl on 3 October 2016 by Crédit Agricole Cariparma. The loan was granted with a duration of 36 months, with a three months Euribor + 2% spread. This loan is repayable in monthly installments starting 3 November 2016. At 31 December 2018, the residual amount is € 847,263 and it will be concluded in 2019. The application fees are € 15,000. As requested by the new Official Italian Accounting Standards, the loan was accounted for at the amortized cost.
- Unsecured Loan (€ 2,000,000) granted to ArcelorMittal CLN srl on 19 July 2017 by Banca di Credito Cooperativo Carate Brianza. The loan was granted with a duration of 36 months, with a six months Euribor + 2% spread. This loan is repayable in monthly installments starting on 19 August 2017. On

31 December 2016, the residual amount is € 398,133 for the portion due in more than 12 months and 670,913 Euros for the portion due in 2019. The application fees are € 5,200. Following the new accounting standards the loan was accounted for at amortized cost.

- Unsecured Loan (€ 5,000,000) granted to ArcelorMittal CLN srl on 15 September 2017 by Banca Popolare di Milano. The loan was granted with a duration of 48 months, with a three months Euribor + 1.75% spread. This loan is repayable in quarterly installments starting from 31 December 2017. On 31 December 2018, the residual amount is € 2,231,748 for the portion due in more than 12 months and € 1,242,206 for the portion due in 2019. The application fees are € 5,000. The loan was accounted for at amortized cost.
- Unsecured loan (€ 5,000,000) granted to ArcelorMittal CLN srl on 1 December 2017 by Banca Carige. The loan was granted with a duration of 48 months, with a six months Euribor + 1.8% spread. This loan is repayable in monthly installments starting from 31 December 2018, with two pre-amortizations on 31 December 2017 and 30 June 2018. On 31 December 2019 [n.t. sic.], the residual amount is € 3,149,723 for the portion due in more than 12 months and € 1,213,120 for the portion due in 2018 [n.t. sic.]. The application fees are € 50,150. The loan was accounted for at amortized cost.
- Unsecured Loan (€ 3,000,000) granted to ArcelorMittal CLN srl on 22 December 2017 by Crédit Agricole Cariparma. The loan was granted with a duration of 48 months, with a three months Euribor + 1.9% spread. This loan is repayable in quarterly installments starting from 22 March 2018. On 31 December 2018, the residual amount is € 1,011,737 for the portion due in more than 12 months and € 989,884 for the portion due in 2019. The application fees are € 30,000. The loan was accounted for at amortized cost.
- Unsecured loan (€ 10,000,000) granted to ArcelorMittal CLN srl on 20 July 2018 by Banca IFIS. The loan was granted with a duration of 60 months, with a three months Euribor + 3.5% spread. This loan is repayable in quarterly installments starting from 30 September 2019, but during 2018 € 159,444 of advance interest were paid. On 31 December 2018, the residual amount is € 8,715,785 for the portion due in more than 12 months and € 1,242,637 for the portion due in 2019. The application fees are € 50,000. The loan was accounted for at amortized cost. The covenant Net Debt/EBITDA was not met in 2018 and thus a Waiver was requested from Banca IFIS which should be obtained by the date of approval of the financial statements. Due to prudence and while waiting for the Waiver to be obtained from Banca IFIS, it was fully reclassified under the item Payables due to banks for ML loans - short-term portion.
- Loan undertaken on 24 June 2010 by Mediocredito S.p.A. and granted to Delna S.p.A. for an original € 3,000,000, at a variable rate, with a maturity date set at 31 March 2020. The loan is secured by a mortgage registered on the corporate properties of € 3,500,000, of which € 2,000,000 for the capital and € 1,500,000 for the interest, late payment interest, commissions, expenses and any other credit. On 31 December 2018, the residual amount is € 105,263 for the portion due in more than 12 months and € 210,526 for the portion due in 2019.
- Loan undertaken on 05 April 2017 by Banca Popolare di Sondrio and granted to Delna S.p.A. for an original € 3,000,000, at a fixed rate, with a duration of 60 months. The repayment of the

principal, due on a quarterly basis, started on 31 January 2018. On 31 December 2018, the residual amount is € 1,686,616 for the portion due in more than 12 months and € 660,626 for the portion due in 2019.

"Payables due to factor companies": increased by € 6,809,464 which is attributable to the increase in factoring contracts with recourse stipulated during 2018 due to the contraction of sales in the automotive sector;

"Payables due to leasing": the payables due to leasing, amounting to € 678,985, are composed exclusively of the residual debt of ArcelorMittal CLN toward UBI Leasing for the Property in Osimo (Ancona) which ends on 31 December 2019, thus only the short term portion is included in this item.

Trade creditors

Payables to suppliers amounted to € 66,735,053 as of 31 December 2018, up from € 70,649,806 as of 31 December 2017 due to the effects already described above.

€	Within 12 months	Over 12 months	Total
Trade creditors	66,735,053	-	66,735,053
Payables due to other related companies	124,229,589	-	124,229,589
Total Payables	190,964,642	-	190,964,642

The "Payables due to other related companies", consisting entirely of trade payables related to transactions carried out at normal market conditions, rose from € 120,093,980 to € 124,229,589 (of which € 123,473,286 pertaining to ArcelorMittal CLN srl).

The table on the following page summarizes the most significant relations as of 31 December 2018 compared with the situation as at 31 December 2017:

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

€	31/12/2018	31/12/2017	Variation
Aperam Stainless Italy S.r.l.	50,186	5,676	44,510
Aperam Stainless Services	32,710	84,495	(51,785)
ArcelorMittal Logistics Italia S.r.l.	595,411	792,098	(196,687)
ArcelorMittal Europe S.A.	-	11,978	(11,978)
ArcelorMittal Centres De Services	39,204	46,304	(7,100)
ArcelorMittal Commercial Italy S.r.l.	83,113,606	88,810,175	(5,696,569)
ArcelorMittal Flat Carbon Europe S.A.	25,602,311	29,566,536	(3,964,225)
ArcelorMittal Rzk Celik Servis Merk	1,031	-	1,031
ArcelorMittal Distribuzione Sol. IT	42,874	-	42,874
ArcelorMittal Italia S.p.A.	12,317,029	-	12,317,029
ArcelorMittal Piombino S.p.A.	173,645	6,989	166,656
C.L.N. Coils Lamiere Nastri S.p.A.	288,444	219	288,225
C.T.L. S.r.l. Centro Taglio Laser	49,295	109,022	(59,727)
C.L.N. Serbia D.O.O.	44,267	-	44,267
DPMP TYCHY	-	53,605	(53,605)
Eurostamp S.A.S.	17,196	-	17,196
ITLA S.r.l.	-	386,508	(386,508)
ITLA BONAITI S.r.l.	91,111	-	91,111
I.D.E.S.T. S.A.R.L.	698,001	-	698,001
Industeel Belgium	17,170	-	17,170
Lima S.p.A.	-	10,744	(10,744)
MA S.r.l.	747,374	89,888	657,486
MFB S.r.l.	-	-	-
MA France	48,103	-	48,103
MW France S.A.	69,025	69,025	0
MW Italia S.r.l.	145,830	33,638	112,192
MW Aftermarket S.r.l.	73	-	73
Nichelino immobiliare S.r.l.	3,044	17,080	(14,036)
Um Corporation S.A.S.	42,650	-	42,650
Total Payables due to other related companies	124,229,589	120,093,980	4,135,609

Fiscal liabilities

The fiscal liabilities amount to € 2,379,524 as of 31 December 2018 and are divided as follows:

€	31/12/2018	31/12/2017	Variation
Inland Revenue for employee Personal Income Tax withholdings	2,255,905	2,315,848	(59,943)
Inland Revenue for Self-employment Tax withholdings	27,199	29,618	(2,419)
Substitute tax on redemption ex. art. 176 CTL	-	1,006,483	(1,006,483)
Payables to Inland Revenue for Regional Income Tax	-	42,647	(42,647)
Payables to Inland Revenue for Corporate Income Tax	-	318,980	(318,980)
Self-employment Tax on Severance Indemnity revaluation	6,274	17,697	(11,423)
Other provisions	2,917	67,119	(64,202)
VAT payable	87,229	140,718	(53,489)
Total fiscal liabilities	2,379,524	3,939,110	(1,559,586)

CONSOLIDATED FINANCIAL STATEMENTS

The change in the item compared to the previous year is mainly due to the payment of the last installment of the substitute tax on the redemption, pursuant to art. 176 CTL, of the revaluations of the assets of the parent company.

Payables due to welfare agencies and social security

The "Payables due to welfare agencies and social security" is equal to € 3,363,348 and include the following items:

€	31/12/2018	31/12/2017	Variation
INPS	2,169,980	2,107,572	62,408
Cometa Reserve	202,643	230,570	(27,927)
Previndapi	47,257	62,761	(15,504)
INAIL	64,394	8,005	56,389
Payables due to INPS for mobility installments	663	28,681	(28,018)
Deferred retributions for contributions	823,936	731,480	92,456
Senior management pension fund	29,514	30,488	(974)
Other provisions	24,962	43,542	(18,581)
Total payables due to welfare agencies	3,363,348	3,243,099	120,249

Other creditors

The item "Other creditors", equal to € 23,732,681 as of 31 December 2018, is formed thus:

€	31/12/2018	31/12/2017	Variation
Employees for retributions	3,726,093	4,302,367	(576,274)
Other creditors	12,186,657	16,516,442	(4,329,785)
Employees for deferred retributions	2,519,102	2,186,361	332,741
Various	109,829	727,451	(617,622)
Total other payables	18,541,681	23,732,621	(5,190,940)

The item "Other payables" is mainly composed of € 8,955,180 for the payment of the purchase price of Pro.re.na which on the basis of the contract will be repaid in annual installments until 2022; € 737,657 to Metalmanzoni S.r.l. for the purchase of Delna S.p.A. shares; € 537,165 to Steel Trade S.r.l. and € 579,375 to the former shareholders of Metallurgica Graffignana S.r.l. It also includes the Group's payables to personnel for salaries and remunerations.

ACCRUED LIABILITIES AND DEFERRED INCOM

As of 31 December 2018, this item amounts to € 2,661,556 and is formed as follows:

€	31/12/2018	31/12/2017	Variation
Donations	82,880	78,100	4,780
Trash collection tax	100,716	127,294	(26,578)
Insurance costs	131,777	111,815	19,962
Energy deduction bonus	41,127	46,268	(5,141)
Prepayments for AcierPlus contributions	2,243,865	1,724,808	519,057
Other minor	61,191	91,267	(30,076)
Total accrued expenses and deferred income	2,661,556	2,179,552	482,004

The item "Accrued expenses and deferred income" mainly consists of the payments received during the year by AcierPlus S.a.s. from the ArcelorMittal Group to cover the investments made for the restructuring of production sites. The amount of the contribution received up to 31 December 2018 is € 2,311,231: this deferral is net of the amortizations of the assets already in operation.

OBLIGATIONS, GUARANTEES AND POTENTIAL LIABILITIES

In relation to the provisions of art. 2427, paragraph 1, number 9 of the Italian Civil Code, the following prospectus shows obligations, guarantees and potential liabilities not resulting from the Balance sheet:

€	31/12/2018
Obligations	2,370,660
Mortgage guarantees on loans	44,000,000
Total	46,370,660

The guarantees include:

- The obligations refer to the company Delna S.p.A. and to its obligation to pay the balance of the purchase price of the building awarded by the Airoldi Arduino S.a.s. Di Dozio Maria Rosa & C. bankruptcy procedure, paid on 21/01/2019;
- mortgage guarantees for loans granted by Mediocredito S.p.A. to the subsidiary Delna S.p.A. for a total of € 14,000,000;
- mortgage guarantees for loans granted by Cassa di Risparmio di Bologna and Banca Popolare di Vicenza for a total of € 30,000,000, with reference to the parent company.

PROFIT AND LOSS STATEMENT

Before proceeding with an analysis of the single items, we remind you that the comments on operating performance have already been made in the Management Report, pursuant to paragraph 1 of art. 2428 of the civil code.

Given the preceding comments on the items of the Balance sheet, the following analyses are limited solely to the main entries.

VALUE OF PRODUCTION

Revenues from sales and services

The "Revenues from sales and services" changed from € 769,102,505 at 31 December 2017 to € 744,101,121 at 31 December 2018, with a reduction of € 25,001,384.

This change is mainly due to the parent company ArcelorMittal CLN which in 2018 saw its sales volumes go from 1,043,631 to 969,422 tons, with a loss of 58.394 tons attributable to the sale of the Civate branch and a further loss of 32.079 tons for the sale of the San Giorgio di Nogaro, Udine branch, reallocating part of the volumes to

the Monza site; on the other hand, sale prices had a positive effect, contributing approximately € 33 million to the revenues.

A further impact on the revenues of the ArcelorMittal CLN Group was caused by the productive restructuring implemented by the company AcierPlus S.a.s. which sold the Biars site with effect from 31/7/2018, causing its turnover to fall for a total of € 8,501,282.

The division by area of destination thereof is as follows:

Area	2018	2017	Variation
Overseas	77,225,490	101,721,689	(24,496,199)
Italy	666,875,631	667,380,816	(505,185)
Total by geographic area	744,101,121	769,102,505	(25,001,384)

Below is the breakdown of sales revenue by business category:

Area	Cutting and selling owned goods	Subcontracted performances	Transport	Other activities	Total
Overseas	48,240,050	486,426	698,387	27,800,627	77,225,490
Italy	636,977,699	22,435,192	7,462,740	-	666,875,631
Total per business category	685,217,749	22,921,618	8,161,127	27,800,627	744,101,121

Other revenues and income

The item "Other revenues and income" as of 31 December 2018 amounts to € 16,098,760 and is formed as follows:

€	2018	2017	Variation
Sale of scrap, wastage and rejects	8,897,211	8,537,247	359,964
Sale of equipment	331,836	382,605	(50,769)
Contribution to repayment of excise duties	225,083	225,497	(414)
Compensation for damages	5,548	10,953	(5,405)
Issues of risks provisions	-	200,364	(200,364)
ArcelorMittal contribution (AcierPlus)	4,932,789	4,898,192	34,597
Capital gains for the sale of business units	1,564,195	3,929,031	(2,364,836)
Write-downs - Gains from business unit	(696,614)	-	(696,614)
Miscellaneous income	838,712	1,353,986	(515,274)
Total Other revenues and income	16,098,760	19,537,875	(3,439,115)

It should be noted that in 2018 the French subsidiary AcierPlus S.a.s. accounted for € 4,932,789 among its other revenues from the contribution received from the ArcelorMittal Group on the basis of the operating losses recorded by the Company during the year as required by the Agreements underlying the sale of the business unit from the ArcelorMittal Group to AcierPlus S.a.s. carried out at the end of 2016. These agreements provide that the ArcelorMittal Group

is to bear the losses incurred by AcierPlus S.a.s. during the restructuring of the factories transferred in the transaction up to a maximum pre-established amount until the end of the 2019 financial year.

Revenues of exceptional size or incidence

In relation to the provisions of art. 2427, paragraph 1, number 13 of the Italian Civil Code, the following prospectus shows the revenues of exceptional size or incidence:

€		
Revenue item	Amount	Nature
A.5) - Other revenues and income	331,836	Gains on sale of assets
A.5) - Other revenues and income	1,564,195	Capital gains for the transfer of business units
A.5) - Other revenues and income	(696,614)	Consolidated write-down of the capital gains for the transfer
Total	1,199,417	

This item includes the capital gains from the sale of assets generated in 2018 which amount to € 331,836. Furthermore, following the sale of the San Giorgio di Nogaro business unit, transferred to the new company Centro Servizi Navali S.p.A. with a deed dated 2 May 2018, a capital gains of € 867,581 can be noted. This capital gain is eliminated from the consolidation entries because of the possession percentage of ArcelorMittal CLN srl of said Centro Servizi Navali S.p.A, a percentage which is 44.53%.

PRODUCTION COSTS

€	2018	2017	Variation
Costs for raw materials and ancillary consumables	639,858,305	639,442,657	415,648
Costs for services	51,520,621	53,991,811	(2,471,190)
Costs for the use of third party assets	5,741,857	4,938,105	803,752
Personnel costs	61,435,150	60,804,126	631,024
Depreciations, amortizations and write-downs	19,660,650	19,861,953	(201,303)
Changes in stock of raw materials, ancillary materials and consumables	(13,209,108)	7,589,286	(20,798,394)
Other Provisions	390,304	697,815	(307,511)
Other management expenses	1,076,532	1,274,073	(197,541)
Total Production costs	766,474,311	788,599,826	(22,125,515)

The "Production Costs" change from € 787,902,011 at 31 December 2017 to € 766,474,311 at 31 December 2018, with a reduction of € 22,125,515.

This variation is aligned with the reduction of the turnover, for the lower sales volumes when compared to the previous year

Costs for raw materials and ancillary consumables

The item "Costs for raw materials and ancillary consumables" is in line with the year 2017 with an increase of only € 415,648.

Costs for services

The "Costs for services" changed from € 53,991,811 at 31 December 2017 to € 51,520,621 at 31 December 2018, with a reduction of € 2,471,190.

This item is mainly composed of the costs for processing on behalf of third parties of € 8,853,407, transport of € 22,633,548, maintenance of € 6,729,247 and power supply of € 3,064,130.

Costs for the use of third party assets

The item, equal to € 5,741,857 (€ 4,938,105 in the previous year), is made up of various rentals of € 2,316,684 and of the rents paid for existing contracts of € 3,425,173. It should be noted that, starting from April 2018, the rent of the Caselette plant began to be paid, which had been granted free of charge for the first three years (from 31 March 2015 to 31 March 2018). The yearly rent is of € 1 million and during 2018 the first three quarterly installments were paid for a total of € 750,000.

Personnel costs

The item "personnel costs" equal to € 61,435,150 (€ 60,804,126 during the previous year) includes the whole expense for all employees, including merit salary increases, enhancements, promotions, automatic cost-of-living increases, unused vacation costs, statutory provisions and collective bargaining agreements, also connected to severance.

The most relevant impact on the increase was given by the increased use of temporary personnel by the parent company ArcelorMittal CLN during 2018, amounting to € 703,937. The other personnel items are then substantially in line with the 2017 costs.

€	2018	2017	Variation
Salaries and wages	44,153,846	41,849,030	2,304,816
Social charges	11,776,527	14,574,631	(2,798,104)
Severance indemnity	2,165,349	2,151,502	13,847
Pensions and post-retirement benefits	40,928	34,916	6,012
Other costs	3,298,500	2,194,047	1,104,453
Total personnel costs	61,435,150	60,804,126	631,024

Depreciations, amortizations and write-downs

As far as amortizations are concerned, we specify that these were calculated according to the useful life of the asset and its use in the production phase.

The item, equal to € 19,660,650, includes depreciation of tangible assets for € 13,838,680 and of intangible assets for € 5,051,033. Furthermore, the item includes € 730,937 in bad debt write-downs included in the current assets plus write-downs for intangible fixed assets of € 40,000.

Other management expenses

These amount to € 1,076,532 and are detailed as follows:

€	2018	2017	Variation
Indirect taxes	817,801	892,205	(74,404)
Membership fees and scholarships	18,000	21,928	(3,928)
Other charges	240,731	359,940	(119,209)
Total Other management expenses	1,076,532	1,274,073	(197,541)

Costs of exceptional size or incidence

In relation to the provisions of art. 2427, paragraph 1, number 13 of the Italian Civil Code, the following prospectus shows the costs of exceptional size or incidence:

€		
Cost item	Amount	Nature
B.14) – Other management expenses	24,226	Loss on sale of assets
Total	24,226	

FINANCIAL INCOME AND CHARGES

Other financial income:

€	2018	2017	Variation
Bank interest receivable	2,601	3,603	(1,002)
Other financial income:	384,578	50,306	334,272
Total	387,179	53,909	333,270

During 2018 there was an increase in the item "Other financial income", this increase was brought to the Group's consolidated financial statements by the company ArcelorMittal CLN srl, in fact during the year, earned interest for the amount of € 366,863 was collected from the Revenue Agency against VAT credits of the previous year.

Other financial charges

The item "Other financial charges", amounting to € 5,546,750 (€ 5,027,025 in the previous year) has increased compared to the previous year not because of changes in the economic conditions, but because of an increased use of financing lines by the parent company which, in 2018, had to finance not only the current activities, but also some important investments for the acquisition of holdings.

€	2018	2017	Variation
Bank interest payable	5,072,276	4,644,883	427,393
Other interest and commissions	474,474	382,142	92,332
Total Other financial charges	5,546,750	5,027,025	519,725

VALUE ADJUSTMENTS TO INVESTMENTS

Holdings re-valuation

At 31 December 2018 the item totals € 1,272,124 and includes the positive variation recorded on the year's profit of the company Centro Servizi Metalli S.p.A. which amounts to € 3,001,000; the re-valuation was based on the ownership percentage of 42.39%.

Write-down of holdings

At 31 December 2018 the item totals € 672,023 and includes the negative variation recorded on the year's loss of the company Centro Servizi Navali S.p.A. which amounts to € 1,508,896; the write-down was based on the ownership percentage of 44.54% amounting to € 672,062.

Write-down of Derivative financial instruments

The item amounts to € 38,744 at 31 December 2018 (€ 101,093 in the previous year) and includes the negative changes of fair value of derivative financial instruments.

INCOME TAXES

Taxes have been calculated on the basis of the current tax law and represent the amount of taxes that fall within the scope of the financial year to which the financial statements refer.

They amount to a total of € 373,548 (€ 1,557,252 as of 31 December 2017) and relate to:

- current taxes on income attributable to taxable income for the year;
- deferred and prepaid taxes.

Below is the detail of the composition of this item:

€	2018	2017	Variation
IRES and other corporate taxes	1,324,213	1,531,819	(207,606)
IRAP	303,581	442,216	(138,635)
Total current taxes	1,627,794	1,974,035	(346,241)
Taxes previous years	(664,590)	(310,760)	(353,830)
Prepaid and deferred taxes	(589,656)	(106,023)	(483,633)
Total income taxes	373,548	1,557,252	(1,183,704)

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

The main temporary differences that led to the recognition of deferred taxation are shown in the following table together with the related effects:

€	Tax prev. year %	Tax base prev. year	Tax prev. year	Tax this year %	Changes Tax base	Changes Tax	This year tax base	This year tax
Bad debts provision	24-27.50%	619,091	138,220	24.00%	435,786	104,588	1,054,877	242,808
Misalignment revalued fixed assets (Leg.D. 185/2008)	31.40%	751,552	209,683	27.90%	(751,552)	(209,683)	-	-
Taxed bad debts provision	27.50%	1,161,872	278,849	24.00%	-	-	1,161,872	278,849
Revaluation amortization Leg.D. 185/2008	31.40%	1,467,551	409,447	27.90%	-	-	1,467,551	409,447
CIOCCA goodwill	24.00%	33,679	9,397	27.90%	23,429	6,537	57,108	15,934
Environmental reserve	-	-	-	27.90%	250,000	69,750	250,000	69,750
Reserve to cover losses (a+)	33.33%	1,400,000	466,666	33.33%	(1,400,000)	(466,666)	-	-
Rev. A+ 2016	28.00%	620,880	173,846	28.00%	504,608	141,290	1,125,488	315,136
Losses 2017 (A+)	28.00%	-	-	28.00%	621,808	174,106	621,808	174,106
Others (e.g. previous)	31.40%	177,109	43,517	24.00%	(122,256)	(29,081)	54,853	14,436
Others 2017	-	110,482	26,881	24-27.9%	(55,204)	(11,460)	55,278	15,421
Total Prepaid Taxes	-	6,342,216	1,756,506	-	(493,381)	(220,619)	5,848,835	1,535,887
Deferred tax liabilities on building conferral	31.40%	4,783,410	1,334,571	27.90%	(973,450)	(271,592)	3,809,960	1,062,979
FY18 division of gains into installments	-	-	-	24.00%	240,262	57,663	240,262	57,663
FY16 division of gains into installments	24.00%	140,622	33,749	24.00%	(46,874)	(11,250)	93,748	22,499
FY15 division of gains into installments	27.50%	182,441	43,786	24.00%	(91,220)	(21,893)	91,221	21,893
Revaluation of AMDSI conferral	31.40%	1,363,915	380,533	24.00%	(858,639)	(239,561)	505,276	140,972
Sitek merger AMDSI	31.40%	3,250	907	24.00%	(750)	(209)	2,500	698
Assets ex MG	27.50%	1,056,450	294,749	27.90%	(199,628)	(55,696)	856,822	239,053
Leasing	31.40%	3,401,734	1,068,144	31.40%	(169,410)	(53,195)	3,232,324	1,014,949
Rev. fixed asset L. 2/2009	27.90%	2,927,244	816,699	27.90%	(120,298)	(33,564)	2,806,946	783,135
Rev. AcierPlus	33.33%	3,099,344	867,816	33.33%	(454,060)	(127,137)	2,645,284	740,679
Other minor	24-28%	49,377	13,132	24-28%	(49,377)	(13,132)	-	-
Total deferred taxes	-	16,464,093	4,786,094	-	(448,752)	(123,803)	14,284,343	4,084,520
Net Deferred (Anticipated) taxes	-	10,121,877	3,029,588	-	44,629	96,816	8,435,508	2,548,633

OTHER INFORMATION

COMPENSATIONS TO DIRECTORS AND STATUTORY AUDITORS

The compensations payable to the Board of Directors amount to € 1,170,000.

The compensations payable to the Board of Auditors amount to € 40,000.

COMPENSATION FOR STATUTORY AUDITORS OR AUDITING FIRM

Below is the remuneration for the year recognized to Deloitte & Touche S.p.A. (auditor of the parent company ArcelorMittal CLN srl) for services performed for the audit service of the 2018 financial statements of the parent company ArcelorMittal CLN srl and its subsidiaries and included in the scope of the audit:

€

Type of services	Parent company	Subsidiaries
Audit 2018	105,000	45,000

EMPLOYMENT DATA

The average number of employees is shown below, broken down by companies consolidated using the line-by-line method:

n.

Staff 2018	ArcelorMittal CLN	ACIERPLUS	DELNA	TAMAGNONE	ArcelorMittal CLN Group
Senior management	18	14	1	-	33
Office workers	216	37	34	9	296
Laborers	406	92	88	29	615
Temporary staff	58	36	-	-	94
TOTAL STAFF	698	179	123	38	1,038

The changes in the average number of personnel, divided by category, are shown below:

n.

Staff	2018	2017	Variation
Senior management	33	36	(3)
Office workers	296	302	(6)
Laborers	615	678	(63)
Temporary staff	94	94	-
TOTAL STAFF	1,038	1,110	(72)

The average staff of the ArcelorMittal CLN Group went from 1,110 people in 2017 to 1,038 people in 2018, with a decrease of 72 people; this reduction in employees is due essentially to the personnel restructuring of the subsidiary AciersPlus that went from 254 FTE in 2017 to 179 FTE in 2018. Other minor changes are attributable to the other companies of the Group.

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

Relations between Group companies and related parties are governed by ordinary market conditions, taking into account the quality of the goods and services provided. For details on commercial and financial relationships, reference should be made to the Management report.

INFORMATION ON ASSETS AND FINANCING DESTINED FOR A SPECIFIC DEAL

Pursuant to art. 2447 bis of the Italian Civil Code it is noted that the Group has not assigned any assets, or financing to any specific deal.

AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

Pursuant to art. 2427, item 22-ter of the Italian Civil Code, it is noted that no third-party agreements have been entered into which do not appear in the Balance sheet and which involve significant risks and/or benefits to the Group's structure.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE CLOSE OF THE FINANCIAL YEAR

ArcelorMittal CLN srl - Transfer of four sites (remedies)

On 12 October 2018 the company ArcelorMittal CLN srl received and accepted a proposal for a non-binding transfer of four sites (Arcore, Rieti, Graffignana and Quarto), as requested by the Antitrust Authority. This transaction should be completed by 1 July 2019 with the signing of the contracts for the sale of the fixed assets and of the stock of raw materials being stocked on that date. In terms of cash flow, the transaction entails an initial income equal to € 13 million for the sale of the assets. The goods, whose value is between € 13 and 15 million, will be paid 60 days from the closing date.

ArcelorMittal CLN srl - Co-management of the Paderno Dugnano and Legnaro sites with ArcelorMittal Italia S.p.A.

On 29 March 2019 the Commission authorized the joint management of the two (former Ilva) sites, with a subcontracting business in 2019 for ArcelorMittal Italia S.p.A. and with a subsequent direct management by ArcelorMittal CLN srl starting from January 2020.

ArcelorMittal CLN srl - Centro Servizi Metalli S.p.A.

The Centro Servizi Metalli S.p.A. shareholders' meeting to approve the 2018 financial statements approved the payment of € 1,045,200 of dividends, of which € 443,060 pertaining to ArcelorMittal CLN srl.

Delna S.p.A. - Property

On 21/1/2019 the company Delna S.p.A. paid the balance of the purchase price of the building they won at auction in the Airoldi Arduino S.a.s. Di Dozio Maria Rosa & C. bankruptcy procedure, and on 27/2/2019 it obtained the transfer decree of the property.

NAME AND REGISTERED OFFICE OF THE COMPANIES THAT DRAFT THE CONSOLIDATED FINANCIAL STATEMENTS OF THE LARGEST/SMALLEST BODY OF COMPANIES TO WHICH THEY BELONG

The following prospectus contains the information required by Article 2427, paragraph 1, number 22 quinquies and 22 sexies of the Italian Civil Code:

	Smaller unit
Company name	ArcelorMittal CLN Distribuzione Italia srl
Town	Caselette
Tax code	11233970018
Place where the Consolidated financial statements were filed	Turin

PLACE WHERE A COPY OF THE CONSOLIDATED FINANCIAL STATEMENTS IS AVAILABLE

Pursuant to art. 2427, paragraph 1 number 22-sexies of the Italian Civil Code it is stated that a copy of the consolidated financial statements is available at the Registered Office at Corso Susa 13/15 Caselette, Turin, Italy.

INFORMATION RELATING TO THE FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS

Pursuant to art. 2427 bis, paragraph 1, point 1 of the Civil Code, it should be noted that the Company has derivative financial instruments in place.

During the year, derivative financial instrument contracts were stipulated for exchange rate and interest rate risks for normal commercial transactions. As envisaged by the reference accounting standards, in the absence of a formalized procedure for the verification of certain formal requirements, these contracts do not qualify for hedging. The fair value variations have been fully recorded in the Profit and loss statement.

The fair value, pursuant to article 2426, paragraph 4 of the Italian Civil Code, is determined with reference to the value resulting from generally accepted valuation models and techniques that ensure a reasonable approximation to market value.

The table on the following page shows the information required for contracts still in existence as at 31 December 2018.

Contract type	No. Contracts	Type of transaction	Obligation	Negative Fair Value	Positive Fair Value
Currency Swap	2	Currency EUR/USD	USD 2,684,000	(3,819)	-
IRS	1	Cap Option on Euribor 6m	€ 5,000,000	(17,603)	-
Total	3			(21,422)	-

Pursuant to art. 2427, point 19 of the Italian Civil Code, it is noted that the Group did not issue financial instruments.

INFORMATION ON ASSETS AND FINANCING DESTINED FOR A SPECIFIC DEAL

Pursuant to art. 2447 bis of the Italian Civil Code it is noted that ArcelorMittal CLN srl has not assigned any assets, or financing to any specific deal.

INFORMATION PURSUANT TO ART. 1, PARAGRAPH 125, OF LAW NO. 124 OF 4 AUGUST 2017

In relation to the provisions of art. 1, paragraph 125, of law 124/2017, regarding the obligation to give evidence in the Explanatory note of any amounts of money eventually received in the year by way of subsidies, contributions, paid jobs and any economic advantage of any kind from the public administrations and by the parties referred to in paragraph 125 of the same article, the parent company declares that it has not received any sum of money from the public administration.

The information concerning the subsidiary Delna is shown below:

- Customs Agency: on 31/5/2018 the reimbursement of the excise duty on energy product used for the production of motive power relative to the period 1/1/2017 - 30/6/2017 (equal to € 29.236) was collected;
- the financial statements as at 31/12/2018 include the amount of the credit requested as reimbursement during the year for the excise duty on energy product used for the production of motive power for the period 1/7/2017-31/12/2017 and amounting to € 20,759. This amount was credited during this financial year 2019.
- CSEA – Cassa per i servizi energetici e ambientali: the Financial statements at 31/12/2018 include the amount for the energivore bonus (€ 61,330) granted for the year 2016 with an injunction on 25/9/2018. The bonus has not yet been credited as of today's date.
- Fondimpresa: on 16/1/2018 a contribution of € 2,100 toward training was collected.

AGREEMENTS NOT RESULTING FROM THE BALANCE SHEET

Pursuant to art. 2427, item 22-ter of the Italian Civil Code, it is noted that no third-party agreements have been entered into which do not appear in the Balance sheet and which involve significant risks and/or benefits to the Company's structure.

These Financial statements, which consists of a Balance Sheet, Profit and Loss Statement, Financial Statement and Explanatory note, is a true and correct representation of the assets and liabilities, of the financial position and of the profit for the year and corresponds to the accounting records.

There are no other considerations to be made on the content of the Financial statements and on the accounting principles that were followed.

The considerations and the values contained in these financial statements are consistent with the accounting records and correctly reflect the administrative facts as they occurred.

Casale, 9 May 2019

For the Board of Directors

The Chairman

Gabriele Perris Magnetto



AUDITORS' REPORT



INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

**To the Shareholders of
ArcelorMittal C.L.N. Distribuzione Italia S.r.l.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of ArcelorMittal C.L.N. Distribuzione Italia S.r.l. and its subsidiaries (the "AMCLN Group"), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated statement of income and statement of cash flows for the year then ended and the explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the AMCLN Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Italian law governing financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of ArcelorMittal C.L.N. Distribuzione Italia S.r.l. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance the Italian law governing financial statements and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the AMCLN Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the AMCLN Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AMCLN Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AMCLN Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the AMCLN Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the AMCLN Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion pursuant to art. 14, paragraph 2 (e), of Legislative Decree 39/10**

The Directors of ArcelorMittal C.L.N. Distribuzione Italia S.r.l. are responsible for the preparation of the report on operations of AMCLN Group as at December 31, 2018, including its consistency with the related consolidated financial statements and its compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to express an opinion on the consistency of the report on operations with the consolidated financial statements of AMCLN Group as at December 31, 2018 and on its compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the report on operations is consistent with the consolidated financial statements of AMCLN Group as at December 31, 2018 and is prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the AMCLN Group and of the related context acquired during the audit, we have nothing to report.

DELOITTE & TOUCHE S.p.A.

Signed by
Santo Rizzo
Partner

Turin, Italy
May 23, 2019

This report has been translated into the English language solely for the convenience of international readers.





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