

ARCELORMITTAL HUNEDOARA S.A

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Prepared in accordance with Romania's Ministry of Public Finance Order
no. 1802/2014, as revised**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Administration and the Shareholders,
ArcelorMittal Hunedoara S.A.

Opinion

1. We have audited the financial statements of S.C. ArcelorMittal Hunedoara S.A. (the Company), with registered office in DJ 687- no 4 Hunedoara, code 331111, Hunedoara county, Romania, identified by the unique tax registration code RO2126855, which comprise the balance sheet as at December 31, 2018, and the income statement, statement of changes in equity and cash flow statement for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The financial statements as at December 31, 2018 are identified as follows:
 - Net assets / Equity RON 127,103,029
 - Net loss for the financial year RON (46,117,269)
3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Order 1802/2014 with subsequent amendments.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law 162/2017 ("the Law"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<p>Property plant and equipment</p> <p>Property plant and equipment have a net accounting value of RON 312,648,555 as at December 31, 2018 according to the financial statements of the Company, representing a significant part of the Balance Sheet presented in note 3 of the financial statements.</p> <p>The business is part of the wider European operations of the ArcelorMittal Group and the Company depends upon revenue streams, which are under the control of other group entities. Additionally, management has considered the results of a Group valuation model (based on discounted future cash flows).</p> <p>Based upon market conditions at the year-end, management did not identify any impairment indicators in accordance with Order 1802/2014.</p> <p>Since the inputs above are subject to significant judgements and estimates and considering the significant amount of the property, plant and equipment within the Balance Sheet of the Company, the carrying value of the fixed assets was considered a key audit matter.</p>	<p>Our procedures in relation to carrying value of property, plant and equipment were as follows:</p> <ul style="list-style-type: none"> • An analysis of management's assessment of impairment indicators and conclusions; • Analysis of the cash flow projections, which are primarily driven by the group sales, prices increase and comparison of operational margins with the historic performances, to determine that the arguments and assumptions used are reasonable in the economic context.
<p>Inventories Provision</p> <p>As at December 31, 2018, the Company holds inventories with a net accounting value of RON 141,730,557, which is a significant value within the Balance Sheet of the Company. Inventory is presented in note 4 of the financial statements.</p> <p>The Company operates in an industry where prices fluctuate and therefore net realizable value adjustments to inventories can have a significant impact on results. Computation of such net realizable value adjustments require judgements and predictive assessments.</p> <p>In addition, value adjustments are recorded for slow moving items according to the accounting policies described in note 4. The computation of the value adjustments for inventories also implies determining the salable or non-salable status of each inventory item, based on a technical analysis. Non-salable items are valued at net realizable value of related scrap according to market scrap price as at the date of the analysis.</p>	<p>The audit procedures performed are as follows:</p> <ul style="list-style-type: none"> • We reviewed the computation method for the value adjustments recorded by the Company; • We reviewed the analysis of the main elements used in the computation and testing of these variable elements, including: subsequent sale database, subsequent sale prices, the ageing of the inventory items; • Considering all the above information, we built an independent computation of the value adjustments and compared this computation to the values recorded by the Company.

Other information – Administrator's Report

6. The Administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators' report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 1802/2014 with subsequent amendments, articles no. 489-492.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the Administrators' report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with the financial statements;
- b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 1802/2014 with subsequent amendments, articles no. 489-492.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of the Administrators' report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Ministry of Public Finance Order no. 1802/2014 with subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

10. Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the 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 Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - 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 Company'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 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 Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance 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.
13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Steve Openshaw.

Steve Openshaw, Audit Partner

*Registered with the Authority for the Public Oversight
of the Statutory Audit Activity under number 5469*

On behalf of:

DELOITTE AUDIT S.R.L.

*Registered with the Authority for the Public Oversight
of the Statutory Audit Activity under number 25*

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 22, 2019

ARCELORMITTAL HUNEDOARA S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at January 1, 2018	Balance as at December 31, 2018
A NON – CURRENT ASSETS			
I INTANGIBLE ASSETS			
1	1	-	-
2	2	-	-
3	3	26,990	112,701
4	4	2,471,818	1,373,230
5	5	-	-
6	6	-	-
TOTAL (rows 01 to 06)	7	2,498,808	1,485,931
II TANGIBLE ASSETS			
1	8	54,721,356	53,302,557
2	9	227,448,546	233,897,102
3	10	278,656	231,393
4	11	6,466,176	7,021,438
5	12	16,838,882	15,194,872
6	13	-	-
7	14	-	-
8	15	-	-
9	16	1,219,332	3,001,194
TOTAL (rows 08 to 16)	17	306,972,947	312,648,555
III FINANCIAL ASSETS			
1	18	-	-
2	19	-	-
3	20	-	-
4	21	-	-
5	22	-	-
6	23	39,328	42,928
TOTAL (rows 18 to 23)	24	39,328	42,928
NON-CURRENT ASSETS – TOTAL (rows 07+17+24)	25	309,511,082	314,177,414

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at January 1, 2018	Balance as at December 31, 2018
B CURRENT ASSETS			
I INVENTORIES			
1			
Raw materials and consumables (acc. 301 + 302 + 303 +/- 308 + 321 + 322 + 323 + 328 + 351 + 358 + 381 +/- 388 - 391 - 392 - 3951 - 3958 - 398)			
	26	53,258,090	83,056,639
2			
Work in progress (acc. 331 + 332 + 341 +/- 348* - 393 - 3941 - 3952)			
	27	7,855,596	25,789,162
3			
Finished goods and merchandise (acc. 327 + 345 + 346 + 347 +/- 348* + 354 + 356 + 357 + 361 + 326 +/- 368 + 371 +/- 378 - 3945 - 3946 - 3947 - 3953 - 3954 - 3955 - 3956 - 3957 - 396 - 397 - din acc. 4428)			
	28	35,375,849	32,724,684
4			
Advances (acc. 4091)			
	29	315,947	160,071
	30	96,805,482	141,730,557
II RECEIVABLES (amounts receivables in more than one year shall be presented separately for each caption)			
1			
Trade receivables (acc. 2675* + 2676* + 2678* + 2679* - 2966* - 2968 + 4092 + 411 + 413 + 418 - 491)			
	31	15,039,601	11,353,762
2			
Amounts receivable from affiliates (acc. 451** - 495*)			
	32	96,759,604	124,146,144
3			
Amounts receivable from associates and jointly controlled entities (acc. 453 - 495*)			
	33		
4			
Other receivables (acc. 425 + 4282 + 431** + 437** + 4382 + 441** + 4424 + din acc. 4428** + 444** + 445 + 446 ** + 447** + 4482 + 4582 + 4662 + 461 + 473** - 496 + 5187)			
	34	33,559,109	27,660,327
5			
Capital subscribed and not paid in (acc. 456 - 495*)			
	35	1,733	1,733
	36	145,360,047	163,161,966
III SHORT-TERM INVESTMENTS			
1			
Shares held in affiliates (acc. 501 - 591)			
	37	-	-
2			
Other short-term investments (acc. 505 + 506 + 507 + din acc. 508 - 595 - 596 - 598 + 5113 + 5114)			
	38	-	-
	39	-	-
IV PETTY CASH AND BANK ACCOUNTS (acc. 508 + acc. 5112 + 512 + 531 + 532 + 541 + 542)			
	40	10,532,445	11,141,191
CURRENT ASSETS - TOTAL (rows 30+36+39+40)			
	41	252,697,974	316,033,714

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ARCELORMITTAL HUNEDOARA S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at January 1, 2018	Balance as at December 31, 2018
C PREPAID EXPENSES (acc. 471)			
(rows 43 + 44)			
	42	398,958	413,374
- Amounts reversible within one year (acc. 471)	43	398,958	413,374
- Amounts reversible in more than one year (acc. 471)	44	-	-
D PAYABLES WITHIN ONE YEAR			
1 Debenture loans, presenting separately the loans from convertible bonds (acc. 161 + 1681 - 169)	45	-	-
2 Amounts due to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	46	-	-
3 Advances received on account of orders (acc. 419)	47	550,595	99,555
4 Trade payables (acc. 401 + 404 + 408)	48	96,561,747	117,504,967
5 Bills of exchange payable (acc. 403 + 405)	49		
6 Amounts due to group companies (acc. 1661 + 1685 + 2691 + 451***)	50	94,667,454	191,602,974
7 Amounts due to associates and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	51	-	-
8 Other payables, including tax and social security (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 457 + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	52	8,604,770	5,001,105
TOTAL (rows 45 to 52)	53	200,384,566	314,208,601
E NET CURRENT ASSETS/ NET CURRENT LIABILITIES (rows 41 + 43 - 53 - 70 - 73 - 76)			
	54	52,712,366	2,238,486
F TOTAL ASSETS LESS CURRENT LIABILITIES (rows 25 + 44 + 54)			
	55	362,223,449	316,415,901
G LONG-TERM PAYABLES			
1 Debenture loans, presenting separately the loans from convertible bonds (acc. 161 + 1681 - 169)	56	-	-
2 Amounts due to credit institutions (acc. 1621 + 1622 + 1624 + 1625 + 1627 + 1682 + 5191 + 5192 + 5198)	57	-	-
3 Advances received on account of orders (acc. 419)	58	-	-
4 Trade payables (acc. 401+404+408)	59	-	-
5 Bills of exchange payable (acc. 403 + 405)	60	-	-
6 Amounts due to group companies (acc. 1661 + 1685 + 2961 + 451***)	61	186,388,000	186,240,000
7 Amounts due to associates and jointly controlled entities (acc. 1663 + 1686 + 2692 + 2693 + 453***)	62	-	-

The accompanying notes form an integral part of these financial statements.


ARCELORMITTAL HUNEDOARA S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at January 1, 2018	Balance as at December 31, 2018
8			
Other payables, including tax and social security (acc. 1623 + 1626 + 167 + 1687 + 2695 + 421 + 423 + 424 + 426 + 427 + 4281 + 431*** + 437*** + 4381 + 441*** + 4423 + 4428*** + 444*** + 446*** + 447*** + 4481 + 455 + 456*** + 4581 + 462 + 4661 + 473*** + 509 + 5186 + 5193 + 5194 + 5195 + 5196 + 5197)	63	-	-
TOTAL (rows 56 to 63)	64	186,388,000	186,240,000
H PROVISIONS			
1 Provisions for pensions and similar obligations (acc. 1515 + 1517)	65	1,976,444	1,701,498
2 Provisions for taxes (acc. 1516)	66	-	-
3 Other provisions (acc. 1511 + 1512 + 1513 + 1514 + 1518)	67	862,273	1,371,374
TOTAL (rows 65 to 67)	68	2,838,717	3,072,872
I DEFERRED INCOME			
1 Subsidies for investments (acc. 475) (rows 70 + 71)	69	-	-
- Amounts reversible within one year (acc. 475*)	70	-	-
- Amounts reversible in more than one year (acc. 475*)	71	-	-
2 Deferred income (acc. 472) - total (rows 73 + 74), of which:	72	-	-
- Amounts reversible within one year (acc. 472*)	73	-	-
- Amounts reversible in more than one year (acc. 472*)	74	-	-
3 Deferred income pertaining to the assets received by transfer from clients (acc. 478) (row 76 + 77)	75	-	-
- Amounts reversible within one year (acc. 478*)	76	-	-
- Amounts reversible in more than one year (acc. 478*)	77	-	-
Negative goodwill (acc. 2075)	78	-	-
TOTAL (rows 69 + 72 + 75 + 78)	79	-	-

ARCELORMITTAL HUNEDOARA S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at January 1, 2018	Balance as at December 31, 2018
J CAPITAL AND RESERVES			
I CAPITAL			
1	80	397,132,456	397,132,456
2	81	-	-
3	82	-	-
4	83	-	-
5	84	-	-
TOTAL (rows 80 +81 + 82 + 83 + 84)	85	397,132,456	397,132,456
II SHARE PREMIUMS (acc. 104)	86	-	-
III REVALUATION RESERVES (acc. 105)	87	44,490,576	41,719,550
IV RESERVES			
1	88	2,357,116	2,357,116
2	89	-	-
3	90	1,282,176	1,282,176
TOTAL (rows 88 to 90)	91	3,639,292	3,639,292
Own shares (acc. 109)	92	-	-
Gains on equity instruments (acc. 141)	93	-	-
Losses on equity instruments (acc. 149)	94	-	-
V PROFIT OR LOSS CARRIED FORWARD (acc. 117)			
- Cr balance	95	-	-
- Dr balance	96	231,399,472	269,271,000
VI PROFIT OR LOSS FOR THE YEAR (acc. 121)			
- Cr balance	97	-	-
- Dr balance	98	40,866,122	46,117,269
Allocation of profit (acc. 129)	99	-	-
EQUITY - TOTAL (rows 85+86+87+91-92+93-94+95-96+97-98-99)	100	172,996,731	127,103,029
Public patrimony (acc. 1016)	101	-	-
Private patrimony (acc. 1017)	102	-	-
CAPITAL - TOTAL (rows 100+101+102)	103	172,996,731	127,103,029

These financial statements were signed on March 22, 2019, by:


Petrescu Doru Ioan,
CEO


Dasgupta Amit,
CFO

Prepared by,


Vint Adriana

The accompanying notes form an integral part of these financial statements.



ARCELORMITTAL HUNEDOARA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at December 31, 2017	Balance as at December 31, 2018
1 Net turnover (rows 02 + 03 - 04 + 05 + 06)	1	609,959,447	633,651,633
Production sold (acc. 701 + 702 + 703 + 704 + 705 + 706 + 708)	2	609,240,464	634,531,467
Income from sale of goods (acc. 707)	3	2,336,213	562,063
Commercial discounts granted (acc. 709)	4	(1,617,229)	(1,441,897)
2 Variation in stock of FG & SF (acc. 711 + 712)			
- Cr balance	7	12,794,207	41,795,681
- Dr balance	8	-	-
3 Income from production to tangible and intangible assets (acc. 721 + 722)	9	220,354	1,035,905
4 Income from the revaluation of tangible assets (acc. 755)	10	-	-
5 Income from investment property (acc. 725)	11	-	-
6 Income from operating subsidiaries (acc. 7412 + 7413 + 7414 + 7415 + 7416 + 7417 + 7419)	12	-	-
7 Other operating income (acc. 751 + 758 + 7815)	13	1,341,369	3,197,546
- of which. income from negative goodwill (acc. 7815)	14	-	-
- of which. income from investment subsidies (acc. 7584)	15	-	-
OPERATING INCOME - TOTAL (rows 01+07-08+09+10+11+12+13)	16	624,315,377	679,680,765
8 a) Raw materials and consumables (acc. 601 + 602)	17	425,557,071	482,272,698
Other material expenses (acc. 603 + 604 + 606 + 608)	18	2,361,781	1,817,176
b) Other external expenses (power and water supply) (acc. 605)	19	96,592,048	93,751,880
c) Merchandise (acc. 607)	20	2,072,494	449,653
Commercial discounts received (acc. 609)	21	-	(12,202)
9 Personnel expenses (rows 23+24)	22	35,303,470	38,246,808
a) Salaries and incentives (acc. 641 + 642 + 643 + 644)	23	26,620,352	34,376,777
b) Social security (acc. 645)	24	8,683,118	3,870,031
10 a) Depreciation regarding tangible and intangible assets (rows 26-27)	25	16,428,280	20,848,719
a. 1) Expenses (acc. 6811 + 6813 + 6817)	26	16,428,280	20,848,719
a. 2) Income (acc. 7813)	27	-	-
b) Provision regarding current assets (rows 29-30)	28	920,583	6,850,621
b. 1) Expenses (acc. 654 + 6814)	29	1,780,259	6,935,840
b. 2) Income (acc. 754 + 7814)	30	859,676	85,219

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at December 31, 2017	Balance as at December 31, 2018
11 Other operating expenses (rows 32 to 38)	31	75,936,177	66,632,133
11.1. External provisions (acc. 611 + 612 + 613 + 614 + 615 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628)	32	73,457,471	62,278,575
11.2. Other taxes, levies and similar payments; transfers and contributions due based on special acts of legislation (acc. 635 + 6586*)	33	1,905,205	2,593,643
11.3. Environmental expenses (acc. 652)	34	-	-
11.5. Natural disasters and other similar events (acc. 6587)	36	-	-
11.6. Other expenses (acc. 651 + 6581 + 6582 + 6583 + 6588)	37	573,501	1,759,916
Expenses with refinancing interest registered by entities written off the General Registry and that still have leases under way (acc. 666*)	38	-	-
Adjustments regarding the provisions (rows 40-41)	39	543,969	234,155
- Expenses (acc. 6812)	40	2,912,893	8,137,070
- Income (acc. 7812)	41	2,368,924	7,902,915
OPERATING EXPENSES – TOTAL (rows 17 to 20-21+22+25+28+31+39)	42	655,715,874	711,091,642
OPERATING PROFIT OR LOSS			
- Profit (rows 16 - 42)	43	-	-
- Loss (rows 42 - 16)	44	31,400,496	31,410,877
12 Income from participating interests (acc. 7611 + 7612 + 7613)	45	-	-
- of which, income from affiliates	46	-	-
13 Interest income (acc. 766)	47	51,842	58,083
- of which, income from affiliates	48	-	-
14 Income from operating subsidies for interest payable (acc. 7418)	49	-	-
15 Other financial income (acc. 7615 + 762 + 764 + 765 + 767 + 768)	50	6,483,656	5,286,948
- of which, income from financial assets (acc. 7615)	51	-	-
FINANCIAL INCOME – TOTAL (rows 45+47+49 + 50)	52	6,535,498	5,345,031
16 Value adjustments regarding the financial assets and financial investments held as current assets (rows 54-55)	53	-	-
- Expenses (acc. 686)	54	-	-
- Income (acc. 786)	55	-	-

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

No.	Row no.	Balance as at December 31, 2017	Balance as at December 31, 2018
17	Interest expenses (acc. 666*)	5,182,571	6,643,326
	- of which. expenses incurred with affiliates	5,182,571	6,643,326
	Other financial expenses (acc. 663 + 664 + 665 + 667 + 668)	<u>10,818,552</u>	<u>13,408,098</u>
	FINANCIAL EXPENSES – TOTAL (rows 53+56+58)	<u>16,001,123</u>	<u>20,051,423</u>
	FINANCIAL ACCOUNT PROFIT OR LOSS		
	- Profit (rows 52-59)	-	-
	- Loss (rows 59-52)	<u>9,465,625</u>	<u>14,706,393</u>
	TOTAL INCOME (rows 16 + 52)	<u>630,850,875</u>	<u>685,025,796</u>
	TOTAL EXPENSES (rows 42 + 59)	<u>671,716,997</u>	<u>731,143,065</u>
	18 GROSS PROFIT OR LOSS		
	- Profit (rows 62 - 63)	-	-
	- Loss (rows 63 - 62)	<u>40,866,122</u>	<u>46,117,269</u>
	19 INCOME TAX (acc. 691)	-	-
	20 Other taxes not included in the captions above (acc. 698)	-	-
	21 NET PROFIT OR LOSS FOR THE YEAR		
	- Profit (rows 64 - 66 - 67)	-	-
	- Loss (rows 65 + 66 + 67 (rows 66 + 67 - 64))	<u>40,866,122</u>	<u>46,117,269</u>

These financial statements were signed on March 22, 2019, by:

Petrescu Doru Ioan,
CEO

Dasgupta Amit,
CFO

Prepared by,

Vint Adriana



The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

	December 31, 2017	December 31, 2018
<i>Cash flows from operating activities:</i>		
Profit before tax	(40,866,122)	(46,117,269)
<i>Adjustments for:</i>		
Amortization of intangible assets	77,470	1,105,813
Depreciation of tangible assets	15,252,222	15,397,162
Expenses/(Income) related to value adjustments of fixed assets		4,345,744
Expenses/(Income) related to inventory provisions	920,583	6,167,390
Expenses/(Income) related to receivables and similar accounts	-	683,231
Expenses/(Income) related to provisions for risks and charges	543,969	234,155
(Net gains)/Net loss on the disposal of tangible assets	-	(1,395,221)
FX loss/(gain)	1,098,588	(10,187,523)
Interest expenses	5,182,571	6,643,326
interest income	(51,842)	(958,083)
Cash flows from operations before changes to working capital	(17,842,560)	(23,181,275)
(Increase) / Decrease in assets	(27,852,051)	(4,394,418)
(Increase) / Decrease in prepaid expenses	(63,931)	(14,416)
(Increase) / Decrease in inventories	(11,873,191)	(51,092,465)
Increase / Decrease in liabilities*	20,946,768	110,126,377
Increase / (Decrease) in deferred income	-	
Interest paid	(5,182,571)	(6,625,310)
Interest received	51,842	58,083
Income tax paid	-	-
Net cash from operating activities	(41,815,694)	24,876,576
<i>Cash flows from investing activities:</i>		
Purchase of tangible assets	(13,512,618)	(27,011,041)
Purchase of intangible assets	-	
Loans (granted)/repaid and financial assets	-	
Proceeds from sale of non-current assets	220,354	2,891,211
(Purchase)/Sale of own shares	-	-
Net cash flows from investing activities	(13,292,265)	(24,119,830)

The accompanying notes form an integral part of these financial statements.


ARCELORMITTAL HUNEDOARA S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)


	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Cash flows from financing activities:		
Redemption of own shares	-	-
Receipt/(Repayment) of long-term loan	50,155,000	(148,000)
Receipt/(Repayment) of loan from shareholders	-	-
Finance lease payments	-	-
Dividends paid	-	-
Changes in share capital increase/(decrease)	-	-
Net cash flows from financing activities	<u>50,155,000</u>	<u>(148,000)</u>
Net (decrease)/increase of cash and cash equivalents	<u>(4,952,958)</u>	<u>608,746</u>
Cash and cash equivalents at beginning of the year	<u>15,485,404</u>	<u>10,532,445</u>
Cash and cash equivalents at the end of the year	<u>10,532,445</u>	<u>11,141,191</u>

* The Liabilities are higher mainly because of higher prices of electrodes, refractories and ferro alloys which jumped up by 40% to 200% during the year and also the Company increased stock of the said items as the expected future prices will be higher in the future. That is why the stock value has also increased significantly.

** Semi finished blooms stock also increased because of higher value and also quantity due to December being a shorter month of business and the Company needs to start Rolling Mill from the beginning of the month to meet the production target.

These financial statements were signed on March 22, 2019, by:


Petrescu Doru Ioan,
CEO


Dasgupta Amit,
CFO

Prepared by,


Vint Adriana



The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2017	Increases		Decreases		Balance as at December 31, 2017
		Total, of which	by transfer	Total, of which	by transfer	
Capital subscribed	397,132,456	-	-	-	-	397,132,456
Company patrimony	-	-	-	-	-	-
Public patrimony	-	-	-	-	-	-
Other elements of equity	-	-	-	-	-	-
Benefits granted to employees in the form of equity instruments	-	-	-	-	-	-
Share premiums	-	-	-	-	-	-
Revaluation reserves	46,369,116	87,369	87,369	1,962,436	1,962,436	44,490,576
Legal reserves	2,357,116	-	-	-	-	2,357,116
Statutory or contractual reserves	-	-	-	-	-	-
Reserves representing surplus from revaluation reserves	-	-	-	-	-	-
Other reserves	1,282,176	-	-	-	-	1,282,176
Own shares	-	-	-	-	-	-
Gains on equity instruments	-	-	-	-	-	-
Losses on equity instruments	-	-	-	-	-	-
Retained earnings representing profit not distributed or loss not covered	-	-	-	-	-	-
Retained earnings from the first-time adoption of IAS, less IAS 29	(15,924,832)	50,632	50,632	26,769,454	26,764,454	(42,623,654)
Retained earnings from changes in accounting policies	(319,454,189)	-	-	-	-	(319,454,189)
Retained earnings from the adjustment of accounting errors	68,803,418	-	-	-	-	68,803,418
Retained earnings representing surplus from revaluation reserves	59,996,432	1,875,067	1,875,067	-	-	61,874,954
Retained earnings from the application of the Accounting Regulations compliant with Directive IV of the European Economic Communities	-	-	-	-	-	-
Profit or loss for the year	(26,718,822)	(40,866,122)	(40,866,122)	(26,718,822)	(26,718,822)	(40,866,122)
Allocation of profit	-	-	-	-	-	-
TOTAL	213,862,853	(38,853,054)	(38,853,054)	2,013,068	2,013,068	172,996,731

These financial statements were signed on March 22, 2019, by:


Dasgupta Amit,
CFO


Prepared by,

Vint Adriana



The accompanying notes form an integral part of these financial statements.


ARCELORMITTAL HUNEDOARA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018

(all amounts are expressed in RON, unless specified otherwise)

Element of equity	Balance as at January 1, 2018		Increases		Decreases		Balance as at December 31, 2018	
			Total, of which	by transfer	Total, of which	by transfer		
Capital subscribed	397.132.456	-	-	-	-	-	-	397.132.456
Company patrimony	-	-	-	-	-	-	-	-
Public patrimony	-	-	-	-	-	-	-	-
Other elements of equity	-	-	-	-	-	-	-	-
Benefits granted to employees in the form of equity instruments	-	-	-	-	-	-	-	-
Share premiums	44.490.576	-	215.152	215.152	2.986.179	2.986.179	41.719.549	2.357.116
Revaluation reserves	2.357.116	-	-	-	-	-	-	-
Legal reserves	-	-	-	-	-	-	-	-
Statutory or contractual reserves	-	-	-	-	-	-	-	-
Reserves representing surplus from revaluation reserves	1.282.176	-	-	-	-	-	-	1.282.176
Other reserves	-	-	-	-	-	-	-	-
Own shares	-	-	-	-	-	-	-	-
Gains on equity instruments	-	-	-	-	-	-	-	-
Losses on equity instruments	-	-	-	-	-	-	-	-
Retained earnings representing profit not distributed or loss not covered	-	-	-	-	-	-	-	-
Retained earnings from the first-time adoption of IAS, less IAS 29	(42.623.654)	-	(40.866.122)	(40.866.122)	(223.567)	(223.567)	(83.266.209)	(319.454.189)
Retained earnings from changes in accounting policies	(319.454.189)	-	-	-	-	-	-	68.803.418
Retained earnings from the adjustment of accounting errors	68.803.418	-	-	-	-	-	-	61.874.954
Retained earnings representing surplus from revaluation reserves	61.874.954	-	2.771.027	2.771.027	-	-	-	-
Retained earnings from the application of the Accounting Regulations compliant with Directive IV of the European Economic Communities	-	-	-	-	-	-	-	-
Profit or loss for the year	(40.866.122)	-	(46.117.269)	(46.117.269)	(40.866.122)	(40.866.122)	(46.117.269)	-
Allocation of profit	-	-	-	-	-	-	-	-
TOTAL	172.996.731	(83.997.212)	(37.879.943)	(37.879.943)	(38.103.510)	(37.879.943)	127.103.029	

These financial statements were signed on March 22, 2019, by:


Dasgupta Amit,
CFO


Prepared by,
Vint Adriana


Petrescu Doru Ioan,
CEO



The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

1. PRESENTATION OF THE COMPANY

SC Mittal Steel Hunedoara SA ("the Company") was called Ispat Siderurgica SA Hunedoara until January 19, 2005. It is a joint-stock company incorporated in 1991 and has its registered office at DJ-687 nr. 4, Hunedoara- Romania. As of March 20, 1997, the Company is listed on the capital market RASDAQ.

The Company is registered with the Trade Registry under no. J20/41/1991.

Due to the closure of RASDAQ stock exchange in 2015 and as required by Law no. 151/2014, the Company's shareholders decided by the resolution of the Extraordinary General Meeting of Shareholders dated 20/02/2015, that the Company would be listed on the alternative trading system AeRo operated by the Bucharest Stock Exchange. On May 26, 2015, ArcelorMittal Hunedoara was granted the approval, in principle, to trade on the Alternative Trading System operated by the Bucharest Stock Exchange, according to decision no. 550/26.05.2015 of BSE's General Director.

The Company dates back from 1882 and currently its main business according to the NACE code is the production of ferrous metals under primary form and in the form of ferrous alloys. The Company specializes in long products of square and round billets, and europrofiles.

The Company's basic raw materials - scrap - are sourced inside Romania, whereas consumables and spare parts are mainly sourced from various European countries and the Romanian market also.

Information regarding the Company's relations with its subsidiaries or related parties

By the Resolution of the Extraordinary General Meeting of Shareholders dated December 15, 2014, the merger project and the merger itself between ArcelorMittal Hunedoara S.A. and Mecanica Sider S.A., the absorbed company, were approved. By decision no. 56/CA/CC/2015 dated 12.02.2015, issued by the Hunedoara Tribunal, the request of the Company for the registration of the merger with the Trade Registry was approved. The merger was registered with the Hunedoara Trade Registry on February 27, 2015, when SC Mecanica Sider S.A. was erased from the Trade Registry.

Further to the merger, the absorbing company should issue new shares for the shareholders of the absorbed company at the nominal value of RON 2.5. Given that the absorbing company – Arcelor Mittal Hunedoara – holds 99.9834% of the share capital of the absorbed company – Mecanica Sider – the issuance of shares in favor of the absorbing company would create redundancy, and such shares issued would need to be cancelled. Therefore, further to the merger, the Company will issue shares only for the other shareholders of the absorbing company – ArcelorMittal Hunedoara S.A., namely 692 shares at a nominal value of RON 2.5/share, meaning RON 1,732, which will be the increase value of the share capital of ArcelormMittal Hunedoara further to the merger.

As per AGA decision, on 28th April 2016, the nominal value of shares reduced from RON 2,5 to 2,00 and cancellation of 233.266 own shares after merger.

End of 2017, ArcelorMittal Hunedoara SA don't have any subsidiary.

Method of translating the assets, liabilities, income and expenses from foreign currencies to local currencies

Description in Note 2, paragraph b) "FX translations".

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

These financial statements are the responsibility of the Company's management and are prepared in accordance with Romanian accounting regulations, namely Accounting Law no. 82/1991, republished, and Ministry of Public Finance Order ("MoPFO") no. 1802/2014, with amendments.

Order no. 1802/2014 became effective as of January 1, 2015 and replaces Order 3055/2009. Therefore, the financial statements related to 2015 have been prepared in accordance therewith. For the purpose of ensuring comparability of the disclosures in the annual financial statements, the information reported in the column corresponding to the previous reporting year have been determined based on the chart of accounts included in MoPFO 1802/2014, with subsequent amendments, and the need to report captions comparable in meaning with the captions reported in the column corresponding to the reporting year.

These regulations transpose in part the provisions of Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC, published in the Official Journal of the European Union no. L 182 dated June 29, 2013.

MoPFO no. 1802/2014, with subsequent amendments, is harmonized with European Directives IV and VII and are different from the International Financial Reporting Standards. Therefore, these financial statements are not in accordance with International Financial Reporting Standards.

These financial statements, prepared in accordance with MOF No. 1802/2014, are not to be used by third parties or by users of the financial statements that are not familiar with MoPFO no. 1802/2014 applicable in Romania.

The financial statements are the Company's own financial statements and do not belong to any group.

These financial statements have been prepared at historical cost, in lei ("RON"), except for the cases where fair value was used, according to the Company's accounting policies and in accordance with MoPFO1802/2014, with subsequent amendments.

- 1) The going concern principle.** The Company carries out its business on the going concern basis. This principle assumes that the Company will continue its operations, without intending to terminate its business and/or without significantly reducing it.
- 2) The principle of permanence of methods.** The accounting policies and the measurement methods have been applied consistently from one financial year to another.
- 3) The principle of prudence.** In the preparation of annual financial statements, the recognition and measurement have been performed prudently, in particular:
 - a) only profit obtained at the balance sheet date may be included in the income statement;
 - b) all debts incurred during the current financial year or a previous year must be taken into account, even if they become apparent only between the balance sheet date and the date of preparation thereof;
 - c) all impairments must be taken into account, regardless whether the result of the financial year is a loss or profit. Impairment allowances or losses of value are registered in expense accounts, regardless of their impact on profit or loss.

All foreseeable liabilities and potential losses arising in the current financial year or a previous financial year must be taken into account, even if they become apparent only between the balance sheet date and the date of preparation thereof.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

- 4) **Accrual principle.** The effects of transactions and other events are recognized as such transactions and events occur (not as cash and cash equivalents are received or paid) and are accounted for and reported in the financial statements of the related periods.
- 5) **The principle of intangibility**
- (1) The opening balance sheet for each financial year has to correspond to the closing balance sheet of the previous financial year.
 - (2) In the event of changes in the accounting policies and corrections of errors in previous years, the balance sheet of the year preceding the reporting year is not modified.
 - (3) The registration in retained earnings of the correction of material errors related to previous financial years, and the change in accounting errors is not deemed breach of the principle of intangibility.
- 6) **The principle of separate measurement of assets and liabilities.** The components of the elements of asset or liability have to be separately measured.
- 7) **Non-offsetting principle.** Any offset between the elements of asset and liability or between the elements of income and expenses is prohibited. Any offset between assets and liabilities performed in accordance with the legal provisions may only be registered after registering assets and income, and liabilities and expenses.

In the case above, the explanatory notes present the gross value of assets and liabilities subject to offsetting.

In the case of exchange of assets, the selling/deregistration operation is registered separately from the purchase/registration operation, based on supporting documents, registering all income and expenses corresponding to such operations. The accounting treatment is similar in the case of mutual provision of services.

- 8) **Accounting for and presentation of balance sheet elements and elements in the income statement based on the economic substance of the transaction or engagement.** This principle aims at accounting for and presenting fairly the economic-financial operations, in accordance with the economic reality, specifying the rights and obligations, as well as the risks related to such operations.

The economic and financial events and operations must be registered in accounting as they occur, based on supporting documents. The supporting documents for the registration of the economic and financial operations must be a true reflection of the manner in which they occur, namely to be true to reality. Also, contracts concluded between parties must provide how the operations will take place and to observe the existing legal framework. Entities must, when preparing supporting documents and accounting for economic and financial operations, consider all information available, so that the cases where the economic substance of the operations is different from the legal form of the underlying documents are very rare.

- 9) **Principle of measurement at acquisition cost or production cost.** The elements presented in the financial statements are regularly measured based on the acquisition or production cost principle. The cases where the acquisition or production cost is not used are presented separately.
- 10) **The principle of materiality threshold.** The entity may depart from the requirements included herein on disclosure of information and publication, when the effects of observing them are insignificant.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

a) Bases for preparation

The financial statements have been prepared at historical cost, adjusted through the restatement of monetary assets such as assets and liabilities expressed in foreign currency, registered according to the Romanian accounting standards.

The accounting records based on which these financial statements have been prepared are made in lei ("RON"), both at historical cost and at fair value, according to the mentions in the accounting policies of the Company and according to MoPFO no. 1802/2014, as revised.

Consolidation

In accordance with the requirements of Law 82/1991, art. 31, as revised, a parent company should prepare an annual report regarding its own business and a consolidated annual report.

On February 28, 2015, the merger between ArcelorMittal Hunedoara SA, as absorbing company, and Mecanica Sider S.A., as absorbed company, was completed.

As of such date, Mecanica Sider S.A. was deregistered from the Trade Registry according to Sentence no. 56/CA/CC/2015 issued by the Hunedoara Tribunal, Civil Section II Administrative and Tax-related Disputes.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations, considering the market conditions, for the foreseeable future, without intending to terminate its business and/or without significantly reducing it. In making its assessment, the management has considered the level of future operating cash flows which includes the impact of a cost improvement plan. Furthermore, management expect that the company's shareholders and other entities under its control will continue to provide necessary financial support for the foreseeable future as and if required.

Net Assets

For the year ended 31st December, 2018, the Company recorded a net loss of 46,117,269 ron and as a result the Net Assets as at the end of 31st December 2018 stood at 127,103,029 ron which is below half of the share capital by 71,463,199 ron. The management intends to take the necessary corrective measures as per the provisions of Art. 153²⁴ of the Companies Law 31/1990 (modified by law 441/2006) in due course.

As per AGA decision on October 29th 2018 the share capital was decreased by an amount of 148,924,671 ron through reduction of face value of share from 2 ron to 1.25 ron. The decrease in share capital was effective from the date February 13th 2019. Consequent to this reduction the Net Assets issue was resolved.

b) Forex translation

The transactions made in foreign currencies (mainly USD and EURO) are translated in RON at the exchange rate ruling at the date of the transaction. The assets and liabilities expressed in foreign currency as at the date of preparation of the balance sheet are translated in RON using the exchange rate in effect at the end of the period. The gains and losses from these foreign currency translations are charged to profit or loss, as part of the financial income and expenses.

The exchange rate used for the translation of the balances expressed as at December 31, 2017 was USD 1 = RON 3.8915, and EUR 1 = RON 4.6597 and as at December 31, 2017 was USD 1 = RON 4.0736 and EUR 1 = RON 4.6639.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

c) Fixed assets and depreciation

Tangible assets are valued initially at acquisition cost. Buildings, land and equipment are subsequently registered at revalued amount as required by MoPFO 1802/2014, which states that the revaluation of property, plant and equipment is carried at fair value based on valuations made by professional valuers. Increase of the carrying amount resulting from such revaluation has been credited to the revaluation reserve.

Non-current assets are generating future economic benefits and held for more than one year. They are valued at original cost reduced by value adjustments calculated to amortize the value of such assets systematically over the duration of the useful life.

The fair values of tangible assets revalued as per MoPFO 1802/2014 are revised with sufficient regularity so that the carrying amount does not differ materially from that which would be determined using fair value as at the balance sheet date.

If a fully depreciated tangible asset can still be used, at its revaluation a new value and a new economic useful life are assigned to it, corresponding to the period estimated for its use.

The initial cost of tangible assets consists of purchase price, including import duties or non-refundable purchase taxes and any directly attributable costs of bringing the asset to the location and operating conditions. Expenses incurred after the asset has been put into operation, such as repairs and maintenance and administrative costs, are normally charged to profit or loss in the period in which they occurred. In case it can be proven that these expenses resulted in an increase in future economic benefits expected to be obtained from the use of an item of fixed assets above the originally assessed standards of performance, the expense is capitalized as additional cost.

Over the past few years, the Company has incurred maintenance expenses for the assets owned by it, and also a total revamping of the rolling mill, further to which the useful life of the assets has improved. The last revision of assets useful life was back in 2014, when the Company commissioned an authorized valuer to conduct their evaluation.

Depreciation is calculated using the straight line method throughout the entire useful life of the assets, as follows:

Category	Years
Buildings	30-40
Installations and machinery	20-35
Other fixed assets	15-28

d) Intangible assets

Intangible assets comprise computer software. The costs related to the purchase of software are capitalized and amortized on a straight line basis on a 3 years of use.

Further to the merger process, the Company registered a goodwill in net amount of RON 5,492,935, which is to be amortized in a period of 5 years.

e) Cash and cash equivalents

Cash and cash equivalents comprise short-term bank deposits with an initial maturity shorter than 3 months.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

f) Trade receivables

Trade receivables are registered at nominal value. For the impairment of trade receivables, value adjustments are made, the criteria taken into account being an age older than 180 days and uncertainty in recovering the receivables due to litigation.

g) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories includes all costs incurred with bringing the inventories to their current form and place, namely:

- i) Raw materials and consumables: average weighted price.
- ii) Work in progress: cost of direct materials and labor plus the attributable administration expenses at the actual cost pertaining to the production phase the product is in.
- iii) Finished products: cost of direct materials and labor plus the attributable administration expenses at actual cost.

Where applicable, value adjustments are made for slow moving inventories or inventories with quality flaws.

h) Trade payables

Trade payables are recorded at cost, which represents the fair value of the obligation to be paid in the future for the goods and services received, irrespective of whether they have been invoiced or not to the Company.

i) Provisions

Provisions are recognized when the Company has a current (legal or implicit) obligation generated by a prior event and it is likely that an outflow of resources or a decrease of receivable affecting the economic benefits be necessary to settle the respective obligation or to recover the receivable and a reliable estimate can be made of the value of the obligations.

j) Financial instruments

The financial instruments used by the Company comprise cash, term deposits, receivables and payables. This type of instruments is stated at fair value.

k) Pensions and indemnifications in case of death

During its normal course of business, the Company makes payments to the Romanian State to the benefit of its employees for social insurance. All company employees are included in the pension plan of the Romanian State.

In accordance with the collective labor agreement, each employee receives upon retirement two tariff salaries, and in case of death of the employee, his family receives five minimum salaries and in case of death of a family member, the employee receives three minimum salaries.

For the estimated value of these future payments, the Company established as at December 31, 2018 a provision for pensions in amount of RON 1,701,498.

l) Income

Income is recorded upon the delivery of the products by the Company and at the time when the significant risks and benefits of ownership over the item are transferred to the client. The amounts representing turnover do not include selling levies (VAT).

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)

2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (continued)

m) Taxes

Income tax is calculated based on the result of the year adjusted for various elements that are not deductible. It is calculated using the income tax rate in effect as at the balance sheet date.

The income tax for the years 2017 and 2018 was 10%.

n) Financial investments

Investments comprise investments in shareholders and other investments (minority investments).

The investments in subsidiaries are accounted for at historical cost less the necessary value adjustments to effect the negative valuation of the net assets of the company for which the investment has been made.

o) Use of estimates

The preparation of the financial statements in accordance with MoPFO no. 1802/2014, as revised, requires that the management makes certain estimates and evaluate the elements that affect the amounts reported in the financial statements and notes. These estimates are based on the information available as at the date of the financial statements. As a result, actual results might differ from these estimates.

p) Reserves

Reserves include legal reserves, revaluation reserves and other reserves:

- Legal reserves are set by the Company at 5% of the gross profit for the year up to the limit of 20% of the share capital.
- Revaluation reserves comprise the revaluation of the fixed assets made in accordance with the laws in force (GD 945/199; GD 26/1992; GD 500/1994; GD 403/2000), as well as revaluations of the fixed assets performed by authorized valuation companies.
- Other reserves comprise the net result of the current year and the facilities obtained by the Company from the tax authorities or as a result of the Sale-Purchase Agreement dated 23/10/2003 regarding the privatization of the Company.

In case a fixed asset for which a revaluation reserve has been recorded subsequently records a decrease in the book value as a result of a revaluation, this decrease is deducted from any corresponding revaluation surplus previously recorded as revaluation surplus for the same assets.

The revaluation reserve corresponding to a fixed asset is transferred to reserves representing surplus from revaluation reserves in case of decommissioning/assignment of such fixed asset. The monthly depreciation related to the revaluation reserve is transferred to Reserves.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
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3. NON-CURRENT ASSETS

a) Intangible assets

COST	Balance as at January 1, 2018	Increases	Decreases	Balance as at December 31, 2018
Set-up expenses	-	-	-	-
Development expenses	-	-	-	-
Concessions, patents, licenses, trademarks and similar rights and other intangible assets	1,441,402	93,135	198	1,534,339
Intangible for the exploration for, and evaluation of, mineral resources	-	-	-	-
Goodwill	5,492,934	-	-	5,492,934
Advances	-	-	-	-
Total	6,934,336	93,135	198	7,027,273
AMORTIZATION	Balance as at January 1, 2018	Amortization for the year	Decreases	Balance as at December 31, 2018
Set-up expenses	-	-	-	-
Development expenses	-	-	-	-
Concessions, patents, licenses, trademarks and similar rights and other intangible assets	1,414,412	7,225	-	1,421,638
Intangible for the exploration for, and evaluation of, mineral resources	-	-	-	-
Goodwill	3,021,116	1,098,588	-	4,119,704
Advances	-	-	-	-
Total	4,435,528	1,105,813	-	5,541,342
VALUE ADJUSTMENTS	Balance as at January 1, 2018	Increases	Restatements	Balance as at December 31, 2018
Set-up expenses	-	-	-	-
Development expenses	-	-	-	-
Concessions, patents, licenses, trademarks and similar rights and other intangible assets	-	-	-	-
Intangible assets for the exploration for, and evaluation of, mineral resources	-	-	-	-
Goodwill	-	-	-	-
Advances	-	-	-	-
Total	-	-	-	-
Net value	2,498,808			1,485,931

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
 NOTES TO THE FINANCIAL STATEMENTS
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3. NON-CURRENT ASSETS (continued)

b) Property, plant and equipment

COST	Balance as at January 1, 2018	Increases			Decreases			Balance as at December 31, 2018
		Purchases	Transfer	Merger	Disposals	Transfer		
Land and land improvements	12,541,449	-	-	-	855,820	-	-	11,685,630
Buildings	48,898,928	2,686,042	1,873,995	-	780,336	-	-	50,804,634
Technical installations	330,828,413	21,315,264	21,315,264	-	3,821,903	-	-	348,321,775
and machinery	1,019,979	83,740	10,208	-	7,133	-	-	1,096,586
Other fixtures, plant and furniture	8,240,820	-	-	-	-	-	-	8,240,820
Property investment	-	-	-	-	-	-	-	-
Tangible assets for the exploration for, and evaluation of, mineral resources	-	-	-	-	-	-	-	-
Bearer biological products	17,141,292	24,241,072	-	-	23,199,467	-	-	18,182,897
Tangible assets in progress	2,215,720	1,781,862	-	-	-	-	-	3,997,582
Advances granted for tangible assets	-	-	-	-	-	-	-	-
Total	420,886,602	50,107,979	23,199,467	-	28,664,658	23,199,467	-	442,329,923

The accompanying notes form an integral part of these financial statements.

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3. NON-CURRENT ASSETS (continued)

b) Property, plant and equipment (continued)

DEPRECIATION	Balance as at January 1, 2018	Depreciation for the year	Merger	Reductions	Balance as at December 31, 2018
Land improvements	-	-	-	-	-
Buildings	7,516,687	1,822,918	-	151,900	9,187,705
Technical installations and machinery	103,379,868	13,202,175	-	3,817,499	112,764,544
Other fixtures, plant and furniture	741,324	129,663	-	5,793	865,194
Property investment	976,977	242,406	-	-	1,219,383
Tangible assets for the exploration for, and evaluation of, mineral resources	-	-	-	-	-
Bearer biological products	-	-	-	-	-
Total	112,614,855	15,397,162	-	3,975,192	124,036,825

VALUE ADJUSTMENTS

	Balance as at January 1, 2018	Increases	Reductions	Balance as at December 31, 2018
Land and land improvements	-	-	-	-
Buildings	-	-	-	-
Technical installations and machinery	-	1,660,129	-	1,660,129
Other fixtures, plant and furniture	-	-	-	-
Property investment	-	-	-	-
Tangible assets for the exploration for, and evaluation of, mineral resources	-	-	-	-
Bearer biological products	302,628	2,685,615	-	2,988,243
Tangible assets in progress	996,171	-	-	996,171
Advances granted for tangible assets	-	-	-	-
Total	1,298,799	4,345,744	-	5,644,543
Net value	306,972,947	-	-	312,648,555

The accompanying notes form an integral part of these financial statements.

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3. NON-CURRENT ASSETS (continued)

b) Property, plant and equipment (continued)

As at December 31, 2018, most of the investments made are revamping of Dedusting plant, investments made in rolls, Static Var Compensator project, revamping of rolling line and furnace modernization in rolling mill, transfer car modernization, scrapyard extension and others.

As at December 31, 2018, SC ArcelorMittal Hunedoara S.A. did not register pledged or mortgaged fixed assets for its own loans or for third parties.

c) Financial assets

COST	Balance as at January 1, 2018	Increases	Reductions	Balance as at December 31, 2018
Shares held in affiliates	-	-	-	-
Loans granted to affiliates	-	-	-	-
Ownership interests	-	-	-	-
Loans granted to related parties	-	-	-	-
Securities held as non-current assets	-	-	-	-
Other non-current assets	39,328	3,600	-	42,928
Total	39,328	3,600	-	42,928

VALUE ADJUSTMENTS	Balance as at January 1, 2018	Increases	Restatements	Balance as at December 31, 2018
Shares held in affiliates	-	-	-	-
Loans granted to affiliates	-	-	-	-
Ownership interests	-	-	-	-
Loans granted to related parties	-	-	-	-
Securities held as non-current assets	-	-	-	-
Other non-current assets	-	-	-	-
Total	-	-	-	-
Net value	39,329			42,928

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
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4. INVENTORIES

	Balance as at January 1, 2018	Balance as at December 31, 2018
Raw materials and consumables	72,701,578	101,516,690
Raw materials and consumables held with third parties	972,393	2,475,547
Production in progress	7,244,993	26,698,619
Production in progress held with third parties	610,604	103,966
Finished products	35,312,907	37,589,314
Finished products held with third parties	-	-
Merchandise	815,204	448,633
Merchandise held with third parties	-	-
Animals and poultry	-	-
Other inventories	-	-
Advances for inventories	1,167,585	1,011,709
Price differences at products	(73,248)	-
Provisions for impairment of inventories	(21,946,532)	(28,113,922)
Total	96,805,482	141,730,557

For inventories, value adjustments have been calculated based on the inventory's age as follows:

Category of inventory	Inventory duration for which provisions were made
Raw materials	50% ageing 1-2 years 100% ageing > 2 years
Consumables	50% ageing 1-2 years 100% ageing > 2 years
Items of inventory	50% ageing 1-2 years 100% ageing > 2 years
Spare parts	25% ageing 1-2 years 50% ageing 2-3 years 75% ageing 3-4 years 100% ageing > 4 years
Work in progress	Over 1 year
Finished products	Over 6 months. For the quantity older than 6 months, the value adjustment is calculated by reduction up to the scrap value or based on the net realizable value of products on balance.

ARCELORMITTAL HUNEDOARA S.A.
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5. RECEIVABLES

	Balance as at December 31, 2017	Payable	
		within 1 year	in more than 1 year
Advances to services suppliers	342	342	-
Trade receivables and similar accounts	15,829,474	15,829,474	-
Value adjustments of receivables - clients	(790,215)	(790,215)	-
TVA non-chargeable	2,197,089	2,197,089	-
VAT recoverable	19,078,938	19,078,938	-
Other amounts receivable from State budget	185,582	185,582	-
Amounts receivable from group companies	96,759,604	96,759,604	-
Sundry debtors and other receivables	12,475,436	12,475,436	-
Value adjustments of receivables – sundry debtors	(377,935)	(377,935)	-
Receivables with capital subscribed and not paid in	1,733	1,733	-
Investment subsidies	-	-	-
Total	145,360,047	145,360,047	-

	Balance as at December 31, 2018	Payable	
		within 1 year	in more than 1 year
Advances to services suppliers	-	-	-
Trade receivables and similar accounts	12,827,208	12,827,208	-
Value adjustments of receivables - clients	(1,473,446)	(1,473,446)	-
TVA non-chargeable	2,726,199	2,726,199	-
VAT recoverable	10,345,903	10,345,903	-
Other amounts receivable from State budget	84,756	84,756	-
Amounts receivable from group companies	124,146,144	124,146,144	-
Sundry debtors and other receivables *	14,881,403	14,881,403	-
Value adjustments of receivables – sundry debtors	(377,935)	(377,935)	-
Receivables with capital subscribed and not paid in	1,733	1,733	-
Investment subsidies	-	-	-
Total	163,161,966	163,161,966	-

* Includes amount recoverable from tax authorities as mentioned in section 15.6 below.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in RON, unless specified otherwise)

5. RECEIVABLES (continued)

Amounts receivable from group companies:

	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Group companies		
ArcelorMittal Roman	59,098,381	97,253,017
ArcelorMittal Galati	558,764	558,764
ArcelorMittal Sestao - Spain	2,750	2,750
ArcelorMittal Belval & Differdange	19,006	19,006
ArcelorMittal Comercial CZ	-	166,322
ArcelorMittal Poland	-	12,202
ArcelorMittal Comercial Italia,	6,489,580	7,851,812
ArcelorMittal Distribution Romania	209,727	962,936
ArcelorMittal Distribution Italy	56,129	-
Recom Sid	17,602	8,252
Arcelor Comercial Section	21,270,835	16,014,353
ArcelorMittal Zenica Doo	9,036,604	1,296,730
Total receivables	<u>96,759,604</u>	<u>124,146,144</u>

6. CASH AND CASH EQUIVALENTS

	<u>Balance as at January 1, 2017</u>	<u>Balance as at December 31, 2018</u>
Checks receivable	-	-
Bank accounts in lei	7,292,915	8,657,687
Bank accounts in foreign currencies	3,215,849	2,447,167
Petty cash	4,607	1,134
Cash flow advances	19,074	35,204
Other cash equivalents	-	-
Total	<u>10,532,445</u>	<u>11,141,191</u>

7. PREPAID EXPENSES

	<u>Balance as at January 1, 2018</u>	<u>To be restated</u>	
		<u>within 1 year</u>	<u>in more than 1 year</u>
All Asset insurance - Marsh	398,958	398,958	-
Total	<u>398,958</u>	<u>398,958</u>	<u>-</u>

	<u>Balance as at December 31, 2018</u>	<u>To be restated</u>	
		<u>within 1 year</u>	<u>in more than 1 year</u>
All Asset insurance - Marsh	413,374	413,374	-
Total	<u>413,374</u>	<u>413,374</u>	<u>-</u>

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
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8. PAYABLES

	Balance as at January 1, 2017	Payable	
		within 1 year	in more than 1 year
Debts towards related parties	186,388,000	-	186,388,000
Interest on the debts to related parties	186,290	186,290	-
Amounts owed to group companies	94,667,454	94,667,454	-
Advances from customers	550,595	550,595	-
Suppliers	72,709,592	72,709,592	-
Suppliers - invoices to be received	23,852,155	23,852,155	-
Employee-related debts	933,408	993,408	-
Salary-related taxes and charges	7,144,533	7,144,533	-
Other amounts owed to the State budget	5,598	5,598	-
Sundry creditors	6,734	6,734	-
Other payables	268,208	268,208	-
Total	386,772,566	200,384,566	186,388,000

	Balance as at December 31, 2018	Payable	
		within 1 year	in more than 1 year
Debenture loans TS - overdraft	5,960,830	5,960,830	-
Debts towards related parties	186,240,000	-	186,240,000
Interest on the debts to related parties	204,305	204,305	-
Amounts owed to group companies	185,437,839	185,437,839	-
Advances from customers	99,555	99,555	-
Suppliers	99,592,340	99,592,340	-
Suppliers - invoices to be received	17,912,627	17,912,627	-
Employee-related debts	935,796	935,796	-
Salary-related taxes and charges	1,177,910	1,177,910	-
Other amounts owed to the State budget	2,538,075	2,538,075	-
Sundry creditors	23,937	23,937	-
Other payables	325,387	325,387	-
Total	500,448,601	314,208,601	186,240,000

The accompanying notes form an integral part of these financial statements.

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8. PAYABLES (continued)

Payables to group companies:

	December 31, 2017	December 31, 2018
ArcelorMittal Roman	42,677,729	55,328,752
ArcelorMittal Galati	367,485	367,569
ArcelorMittal Steel Zenica D.O.O.	347,225	-
ArcelorMittal Sourcing	35,726,357	100,811,101
Mittal Shipping Limited	213,835	79,548
ArcelorMittal Piombino SPA	11,183	11,179
ArcelorMittal Luxembourg	-	-
ArcelorMittal Engineering Product	59,647	194,973
ArcelorMittal Purchasing	359,080	359,080
Arcelor Mittal Refractories Spolka - Polonia	1,886,225	4,572,005
ArcelorMittal Logistic Italia	238,313	171,552
ArcelorMittal SA	10,772,865	21,659,264
AecelorMittal Insurance Consultant	-	-
ArcelorMittal Ostrava	2,954	-
ArcelorMittal Mines Canada	271,404	271,404
Lindsay International PVT.LTD.	-	-
SC Recom SID SA Hunedoara	500,739	400,049
ARCELORMITTAL POLAND SA	1,191,775	1,191,775
ARCELORMITTAL DISTRIBUTION ROMANIA SRL	21,029	-
ARCELORMITTAL BELVAL&DIFFERDANGE SA	13,797	13,797
ARCELORMITTAL INVESTIGACION Y DESARROLLO SL	-	-
ARCELOR MITTAL SHARED SERVICE CENTR	5,810	5,791
	94,667,454	185,437,839
Loans from group companies		
Mittal Holdings AG- capital datorat (investitii 2005 conf SPC)	-	-
AM Treasury - capital datorat overdraft	-	5,960,830
AM Netherland - capital datorat	186,388,000	186,240,000
AM Treasury - dobanda datorata	186,290	204,305
	186,574,290	192,405,135
Total datorii curente	281,241,744	377,842,974

On December 2016 the Company signed a loan contract of Euro 30 million with ArcelorMittal Nederlands BV as per Board Approval dated 21st December, 2016 with maturity date of 18th December 2019. On November 2017 an additional loan of Euro 10 million as also taken from ArcelorMittal Nederlands BV. End of 2017 total amount of loan was Euro 40 million. The interest for the loan, as per contract is 3M Euribor plus 3.6%

The interest paid for this loan as at December 31, 2018 was RON 6.643.326 and as at December 31, 2017 - RON 5.182.571, calculated as 3M Euribor plus 3.6%.

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8. PAYABLES (continued)

The loan from the group companies is detailed as follows:

<u>Company</u>	<u>Granted on</u>	<u>Currency</u>	<u>Value of loan granted</u>	<u>Value in RON equivalent</u>	<u>Repayment term</u>	<u>Interest percentage</u>
AM Netherland	21.12.2016	EUR	40,000,000	<u>186,240,000</u>	18.12.2019	3M Euribor + 3,6%
TOTAL				<u>186,240,000</u>		

9. PROVISIONS FOR RISKS AND CHARGES

	<u>Balance as at January 1, 2018</u>	<u>Transfers</u>		<u>Balance as at December 31, 2018</u>
		<u>into account</u>	<u>from account</u>	
Litigation provisions	-	-	-	-
Provisions for guarantees granted to clients	-	-	-	-
Provisions for the decommissioning of tangible assets and other similar related actions	-	-	-	-
Restructuring provisions	-	-	-	-
Provisions for pensions and similar liabilities	1,976,444	-	274,946	1,701,498
Provisions for taxes	-	-	-	-
Provisions for termination of labor contract	-	-	-	-
Other provisions	<u>862,274</u>	<u>8,137,070</u>	<u>7,627,969</u>	<u>1,371,375</u>
Total	<u>2,838,718</u>	<u>8,137,070</u>	<u>7,902,915</u>	<u>3,072,873</u>

The actuarial report has been updated according to the requirements of Ministry of Finance Order 1802/2014, with subsequent amendments, in relation to the retirement benefits, by authorized expert, in compliance with accounting standards.

As at December 31, 2018, other provisions include Product Quality Complaints and days of employee leave not consumed.

10 DEFERRED INCOME

As at 31 December 2018, the Company did not register any deferred income.

ARCELORMITTAL HUNEDOARA S.A.
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11. CAPITAL AND RESERVES

Share capital

End of 2018, ArcelorMittal Hunedoara SA share capital is as follow:

Share capital structure	December 31, 2017	%	December 31, 2018	%
Share capital subscribed and paid in	397,132,456	100	397,132,456	100
ArcelorMittal Holdings AG	383,308,848	96.45	383,308,848	96.45
SIF Banat Crisana	11,875,524	2.99	11,842,648	2.94
Alti actionari	1,948,084	0.49	1,980,960	0.61

Redeemable shares

The Company does not have any redeemable shares as at December 31, 2018.

Shares issued during the financial year

No shares were issued by the company during the financial year ended December 31, 2018.

12. TURNOVER

	December 31, 2017	December 31, 2018
Sale of finished products	601,751,579	631,465,291
Sale of agricultural products	-	-
Sale of biological assets in the form of inventory	-	-
Sale of semi-finished products	6,157,209	1,196,739
Sale of residual products	908,048	1,425,564
Services supplied	122,223	114,472
Studies and research	-	-
Royalties and rental	186,191	227,030
Sale of merchandise	2,336,213	562,063
Sundry activities	115,215	102,372
Commercial discounts granted	1,617,229	1,441,897
Total	609,959,447	633,651,633

Sales to group companies:

	December 31, 2017	December 31, 2018
ArcelorMittal Distribution SOL Italia	1,808,760	148,232
ArcelorMittal Poland	-	12,202
ArcelorMittal Roman	133,341,222	194,988,329
ArcelorMittal Galati	279,480	-
ArcelorMittal Belval&Diferdange	47,503	-
Arcelor Mittal Comercial Section	304,909,139	258,445,272
ArcelorMittal Comercial CZ	-	5,475,725
ArcelorMittal Distribution SA Romania	4,017,284	8,894,302
ArcelorMittal Comercial Italia	99,109,117	90,111,000
ArcelorMittal Zenica Doo	12,549,214	1,269,038
SC Recom SID SA Hunedoara	65,576	69,485
	556,127,295	559,413,585

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
NOTES TO THE FINANCIAL STATEMENTS
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13. INFORMATION ON EMPLOYEES AND MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND SUPERVISORY BODIES

Administrators and directors

The Company does not have obligations related to the pensions of the former administrators and directors as at December 31, 2017 and December 31, 2018. The Company did not grant any loans or advances to the directors or administrators during 2017 and 2018. The Company did not secure and does not have future obligations regarding the directors or administrators at the end of 2017 or 2018. The average number of employees in the years ended December 31, 2017 and December 31, 2018 was as follows:

	<u>December 31, 2017</u>	<u>December 31, 2018</u>
Management staff	7	7
Administrative staff	58	61
Sales staff	5	6
Direct labor	393	394
Indirect labor	114	111
Finance staff	11	12
Logistics staff	49	52
Total staff	<u>637</u>	<u>643</u>
Management staff	278,169	360,442
Administrative staff	3,020,123	3,140,991
Sales staff	198,692	308,950
Direct labor	10,928,076	20,287,712
Indirect labor	8,504,030	5,715,574
Finance staff	437,123	617,900
Logistics staff	1,947,184	2,677,566
Total salary-related expenses	<u>25,313,398</u>	<u>33,109,134</u>
Management staff	95,419	42,131
Administrative staff	1,035,976	367,141
Sales staff	68,156	36,112
Direct labor	3,748,599	2,371,372
Indirect labor	2,917,091	668,077
Finance staff	149,944	72,225
Logistics staff	667,932	312,973
Total social security	<u>8,683,118</u>	<u>3,870,031</u>
Management staff	-	-
Administrative staff	157,645	120,259
Sales staff	10,529	11,829
Direct labor	570,427	776,752
Indirect labor	443,896	232,631
Finance staff	22,817	23,657
Logistics staff	101,640	102,515
Total other staff-related expenses	<u>1,306,954</u>	<u>1,267,643</u>
Total	<u>35,303,470</u>	<u>38,246,808</u>
Voluntary Resignation	-	-
Total	<u>35,303,470</u>	<u>38,246,808</u>

The accompanying notes form an integral part of these financial statements.

ARCELORMITTAL HUNEDOARA S.A.
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14. OPERATING EXPENSES

Third party provisions	December 31, 2017	December 31, 2018
Maintenance and repair expenses	4,092,977	3,820,765
Royalties and rental expenses	539,887	505,353
Insurance premiums	1,269,246	1,082,497
Research expenses	-	-
Staff training	133,535	52,253
Externally contracted manpower	-	-
Commissions and fees	23,375	608,114
Entertainment, promotion and advertising	2,734	138,029
Transport of goods and personnel	45,747,431	32,323,526
Travels	360,102	371,655
Post and telecommunications	154,978	87,241
Bank commissions and similar charges	25,041	22,175
Other third party services	21,108,167	23,266,966
Total	73,457,471	62,278,575

15. OTHER INFORMATION

15.1. Allocation of profit

Not applicable, the Company is in a loss position for both 2017 and 2018.

15.2. Earnings per share

Earnings per share	Balance as at January 1, 2018	Balance as at December 31, 2018
Net result for the year	(40,866,122)	(46,117,269)
Number of share parts	198,566,229	198,566,229
Basic earnings per share	(0.21)	(0.23)

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15. OTHER INFORMATION (continued)

15.3. Income tax

	Balance as at December 31, 2017	Balance as at December 31, 2018
Computation of income tax		
Operating income	624,315,377	679,680,765
Operating expenses	655,715,874	711,091,642
Operating profit / (loss)	(31,400,496)	(31,410,877)
Financial income	6,535,498	5,345,031
Financial expenses	16,001,123	20,051,423
Financial profit / (loss)	(9,465,625)	(14,706,393)
Profit / (Loss)	(40,866,122)	(46,117,269)
Non-taxable income	(3,228,600)	(7,101,648)
Legal reserve	-	-
Non-deductible expenses	5,986,098	20,894,308
Current year's taxable income	(38,108,624)	(32,324,610)
Tax loss from previous years	(83,639,873)	(82,815,770)
Taxable income	(121,748,496)	(115,140,380)
Income tax (%)	10%	10%
Income tax	-	-
Deductible sponsorship from income tax	-	-
Minimum income tax	-	-
Income tax owed	-	-

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15. OTHER INFORMATION (continued)

15.4. Main financial ratios

	January 1, 2018	December 31, 2018
1. Liquidity ratios		
a) Current liquidity	1.26	1.01
b) Immediate liquidity (acid test)	0.78	0.55
2. Risk ratios		
a) Gearing ratio	108	147
or		
a) Gearing ratio		
b) Interest coverage ratio		
3. Activity ratios		
a) Inventories turnover (no. of times)	7.22	5.96
or		
a) Inventories turnover (days)	84.30	102.00
b) Turnover of trade receivables (days)	63.40	60.20
c) Turnover of trade payables (days)	87.10	91.60
d) Turnover of fixed assets	1.97	2.02
e) Turnover of total assets	1.08	1.00
4. Profitability ratios		
a) Profitability of capital employed	(0.18)	(0.25)
b) Gross margin from sales	(0.05)	(0.05)

15.5. Other information regarding purchases from group companies

Purchases from group companies:

Purchases of raw materials

	December 31, 2017	December 31, 2018
Group companies		
ArcelorMittal Iasi	1,607,071	-
ArcelorMittal Roman	14,420,620	13,042,308
ArcelorMittal Galati	6,964,666	83
Arcelor Mittal Polonia - Polska	-	-
Arcelor Mittal Zenica	1,241,610	1,989,335
ArcelorMittal Distribution SA	206,182	21,227
Lindsay International PVT.LTD.	67,677	-
ArcelorMittal Refractories Spolska Z Organiczona OD	4,967,971	11,690,147
Arcelor Mittal Sourcing	41,357,121	94,297,408
Arcelor Mittal Ostrava	-	-
	70,832,918	121,040,509

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15. OTHER INFORMATION (continued)

15.5. Other information regarding purchases from group companies (continued)

Other services

	December 31, 2017	December 31, 2018
ArcelorMittal SA	10,917,937	13,913,434
ArcelorMittal Polonia	2,188,394	33,740
ARCELORMITTAL LOGISTIC BELGIUM NV	-	43,962
ArcelorMittal Logistic Italia	821,201	457,510
ArcelorMittal Belval & Differdange	-	-
Mittal Shipping Limited	245,394	73,504
ArcelorMittal Insurance Consultants SA	356,641	262,512
ArcelorMittal Service Group	-	35,741
Recom SID	1,847,499	1,765,360
ArcelorMittal Piombino	32,940	11,730
ArcelorMittal Shared Center	18,720	12,265
	16,428,724	16,609,758

Purchases of fixed assets

	December 31, 2016	December 31, 2017
Group companies		
Recom SID	-	-
ArcelorMittal Engineering Ostrava	270,844	251,969
ArcelorMittal Rodange Schiffange	-	-
	270,844	251,969

15.6. Other information

Audit fees

The contractual costs for the external audit of the Company for the year ended December 31, 2018 are as per the contract signed and agreed by the parties.

Contract commitments, including from operating lease contracts

As at December 31, 2018, the Company was not part in an operating or finance lease contract.

Guarantees granted and received

The Company does not have as of December 31, 2018 any guarantees granted and received.

Contingent liabilities and disputes

The Company does not have as of December 31, 2018 any contingent liabilities and disputes, except for the ones mentioned below.

Uncertainties associated with the legal and fiscal system in Romania

The Romanian tax and legal provisions and regulations, forex transactions and approval of the borrowings in foreign currencies can be subject to changes. However, these provisions and regulations are not always clearly formulated, which leaves room for various interpretations. Cases where opinions diverge are not rare at all.

The Company has paid on time and in full all the taxes and the related interests.

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15. OTHER INFORMATION (continued)

15.6. Other information (continued)

Commitments

- a) According to the privatization agreement, the following commitments have been assumed by the shareholders with regard to the investments:
- Technological investments – 12 million USD, over a period of 10 years starting with 2004,
 - Investments for environment – 4.1 million USD, over a period of 5 years starting with 2004.

Up to 2018, the Company complied with all the conditions and the level of investments provided in the Sale-Purchase Contract. ArcelorMittal Hunedoara S.A. requested the AAAS (Authority for the Administration of State Assets) to finalize the monitoring, since all the terms in the sale-purchase contract had been fulfilled. According to the information available to us, the Board of Directors of AAAS will issue a favorable decision.

Disputes:

- a) On January 19, 2015, the Company received an inspection report from ANAF, by letter no. 1337119/23.12.2014 regarding the full inspection conducted for the period 2006 – S1 2010.

A payment decision was issued for the taxes not paid in amount of RON 1,508,854 and related interest in amount of RON 2,170,347, which were presented in the 2014 financial statements in retained earnings.

The Company challenged such payment decisions, further challenging amounts of RON 23 million representing taxes paid for salary compensations granted to employees who left the company under the voluntary redundancy scheme during 2006 - 2009 and another RON 9 million representing VAT paid for the scraps received back from ArcelorMittal Tubular Roman S.A. The case is subjudice.

- b) In 2015, the Environmental Fund Administration conducted a tax inspection for the period 01.01.2010 - 31.12.2014 regarding the manner in which the amounts owed to the Environmental Fund were computed, created, declared and paid.

Further to the inspection, payment decision no. 109/08.10.2015 was issued for levies not paid in amount of RON 966,441 and penalties and interest in amount of RON 480,226.

ArcelorMittal Hunedoara has not filed an appeal and has paid RON 792,895 comprising levies in amount of RON 556,457 and penalties and related interest in amount of RON 236,438.

The Company challenges the difference of RON 653,737 representing taxes in amount of RON 409,966 and penalties and related interest in amount of RON 243,771. The management has not registered provisions for such amounts because, based on the legal stand point, it considers that necessary compliances were duly made by the Company not recognized by authorities.

The Company received two audit reports from ANAF vide address nr.1596AIF/ 08.08.2016 and 1600AIF/08.08.2016 related to the period covering second half of 2010 upto end of march,2016. The total reimbursement claimed by the Company was 16,429,613 Ron against which ANAF disallowed 11,757,182 Ron in their audits. Both the Inspection Reports were challenged in the court of law by the Company in September,2016 and the case is sub judice. In addition ANAF charged penalty of 3,819,005 Ron, out of which the Company paid 1,023,683 Ron and the difference was waived by the authority as per Ordinance 44/2015. The management has not registered provisions for such amounts because, based on the legal stand point, it considers that necessary compliances were duly made by the Company not recognized by authorities.

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15 OTHER INFORMATION (continued)

15.6. Other information

Taxation

The taxation system in Romania is still developing, trying to consolidate and harmonize with the European legislation. In this respect, there are still various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interest and penalties.

According to the legislation in force, in 2016, interest and delay penalties were levied for tax payers' failure to pay their tax obligations on time.

As of March 2015, the interest level decreased to 0.03% per day of delay; the penalties remained the same, i.e., 0.02% per each day of delay. In 2016, the level of interests and penalties did not change.

In addition, the Romanian Government holds agencies authorized to conduct the audit (control) on the companies operating in Romania. Such controls are similar to the tax audits conducted in other countries, and may cover not only tax aspects, but also other legal and regulatory aspects that are of interest for such agencies. In Romania, the tax year remains open for verification for 5 years. The Company's management considers that the tax liabilities included in these financial statements are adequate.

The environment

Romania is currently developing its environment legislation in accordance with the relevant European Economic Community laws in force. As at December 31, 2018, the Company did not register any liability regarding anticipated costs, including legal and consulting fees, studies, design and implementation of environmental recovery plans. The Company considers that costs associated with environmental aspects are not material.

Transfer pricing

The tax laws in Romania have included rules regarding the transfer pricing between affiliates since 2000. The current legislative framework defines the "market value" principle for the transactions between affiliates, as well as methods of setting transfer pricing. In accordance with the relevant tax laws, the tax assessment of a transaction conducted between affiliates is based on the concept of the market price pertaining to the respective transaction. Based on this concept, transfer pricing need to be adjusted such as to reflect the market rates set between arm's length entities. As a result, it is expected that the tax authorities should initiate thorough verifications of the transfer pricing, in order to make sure that the fiscal result and/or customs value of the imported goods are not distorted by the effect of the rates used for the transactions with affiliates. It is likely that the tax authorities should conduct verifications of the transfer pricing to determine whether the respective prices are arm's length and the taxable base of the Romanian tax payer is not distorted. The Company cannot quantify the result of such verification. The Company considers that the related party transactions were conducted at market rates. The Company has a transfer pricing file prepared until December 31, 2017.

16. SUBSEQUENT EVENTS

As a part of remedy for the Net Assets falling short of half of share Capital during the year, the Shareholders have agreed to reduce the nominal price per share from 2 Ron to 1.25 RON vide Annual General Meeting held on October 29, 2018. After all the formalities, the effective date of the Share Capital reduction was on 13/02/2019. The total value of Share Capital reduction was 148,924,671 RON.

These financial statements were signed on March 22, 2019, by:

Petrescu Doru Ioan,
CEO

Dasgupta Amit,
CFO

Prepared by,

Vint Adriana



The accompanying notes form an integral part of these financial statements.