(Convenience Translation into English from the Original Previously Issued in Portuguese)

ArcelorMittal Brasil S.A.

Individual and Consolidated Financial Statements for the Year Ended December 31, 2019 and Independent Auditor's Report

Deloitte Touche Tohmatsu Auditores Independentes

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Directors and Management of
ArcelorMittal Brasil S.A.

Opinion

We have audited the accompanying individual and consolidated financial statements of ArcelorMittal Brasil S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as at December 31, 2019, and the statements of profit and loss, of comprehensive income (loss), of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of ArcelorMittal Brasil S.A. as at December 31, 2019, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB.

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the individual and consolidated financial statements" section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council - CFC, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

Statements of value added

The individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2019, prepared under the responsibility of the Company's Management and disclosed as supplemental information for IFRS, were subject to audit procedures performed together with the audit of the Company's financial statements. In forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether their form and content are in accordance with the criteria set out in technical pronouncement CPC 09 - Statement of Value Added. In our opinion, these statements of value added were fairly prepared, in all material respects, in accordance with the criteria set out in such technical pronouncement and are consistent in relation to the individual and consolidated financial statements taken as a whole.

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Other information accompanying the individual and consolidated financial statements and the independent auditor's report

Management is responsible for the other information. The other information comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with our audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and those charged with governance for the individual and consolidated financial statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with the accounting practices adopted in Brazil and the IFRS, issued by the IASB, 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.

In preparing the individual and consolidated 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements taken 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 Brazilian and International Standards on Auditing 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.

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

- Identify and assess the risks of material misstatement of the individual and 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 of one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- 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 and its subsidiaries' 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 and its subsidiaries' ability to continue as going concerns. If we conclude that a relevant uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the individual and 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 Company and its subsidiaries to cease from continuing as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, for the supervision and for the performance of the Group audit. We remain solely responsible for our audit opinion.

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.

The accompanying individual and consolidated financial statements have been translated into English for the convenience of readers outside Brazil.

Belo Horizonte, March 23, 2020

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Marcelo Salvador
Engagement Partner

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Message from the Top Management - 2019

2019 was a very challenging year for the steel industry in view of the domestic and international economic scenarios. The recovery of the country's economy did not occur at the expected pace and the year ended with a GDP increase of only 1.1% – a level close to that of the previous year, 1.3%, despite a more noticeable improvement in the second half. The weak demand in the domestic market, especially in the first half, and the turbulence in the international market, in addition to the high prices of raw materials and the fall in steel prices, impacted the Brazilian steel industry, which also presented results below expectations. However, the third consecutive year of GDP growth, albeit in a modest way, renews the expectation for a more sustained reaction from the economy and steel consumption in 2020.

In 2019, the Brazilian industry grew by only 0.5%, the same level as 2018. Among other macro-segments, the GDP of services increased by 1.3%, after four consecutive years of decline, and the GDP of agribusiness increased by 1.3%. Household consumption, which weighs 65% in the economy, grew 1.8% last year, showing growth for the third year in a row. Despite the weak performance of the industry, as of the second half of last year, some of the main steel buying sectors showed signs of recovery and results above the industrial average. In the automotive sector, even with domestic car sales showing an 8.6% increase, annual production grew by only 2.3% year-on-year due to the drop in exports caused by the crisis in Argentina. The construction GDP, in turn, increased by 1.6%, halting a series of five years of decline, and the production of household appliances increased by 10.7%. On the other hand, the production of capital goods decreased by 0.4%.

Pressured by meat prices, the Extended National Consumer Price Index (IPCA) closed 2019 at 4.3%, as compared to 3.7% in 2018. The basic interest rate (Selic) ended 2019 at 4.5% – the lowest level since 1999, thus encouraging credit and consumption. The increase in business confidence reflected in the increase of the Gross Fixed Capital Formation (GFCF) index, but at a level lower than necessary to accelerate a virtuous circle in economic activity. GFCF, which measures the level of investments in construction and investments made by companies in machinery, equipment and innovation, had a 2.2% increase year-on-year. Investments in construction, in turn, ended last year with a 0.5% increase, the first positive result on this basis of comparison since 2013.

In the international scenario, last year was marked by a trade dispute between the United States and China, by the economic crisis in Argentina – an important buyer market for Brazilian industrialized products – and by the adoption of protectionist measures by several countries, affecting trade and the global economy. The American protectionist backlash triggered restrictive reactions from other countries and economic blocs, including the European Union (EU). Moreover, the so-called Section 232, approved in March 2018 by the President of the United States, Donald Trump, continues to restrict Brazilian steel exports. With lower private demand and investments hampered by uncertainties in the international market, the global economy grew only by 2.9% last year, according to the Organization for Economic Cooperation and Development (OECD), – the lowest level since the 2008 global financial crisis.

In this context of lower growth in the economy and global trade, the Brazilian trade balance had a US$ 48 billion trade surplus in 2019, 19.6% lower than 2018, and the lowest performance since 2015, when balance was US$ 19.5 billion. Both imports and exports fell. Exports totalled US$ 225.4 billion in 2019, a 7.5% decrease year-on-year. Imports reached US$ 177.3 billion, a decrease of 3.3%.

Market problems, in addition to a reduced iron ore supply due to the Brumadinho tragedy, led the Brazilian steel industry to show results below expectations. Crude steel production reached 32.2 million tonnes in 2019, a 9% reduction year-on-year; the production of rolled products registered 22.1 million tonnes, down 6.3%; apparent steel consumption in Brazil closed at 20.6 million tonnes, down 2.7%; and domestic sales totalled 18.5 million tonnes, down 2.2%. Steel imports reached 2.4 million tonnes, down 1.9%. In amounts, imports reached US$ 2.5 billion, a 5.9% decrease. Steel exports, on the other hand, reached 12.8 million tonnes, down 8.1%, and reached US$ 7.3 billion, a sharp reduction of 17.5% in the same comparison.

Steel sector still has excess global production capacity (500 million tonnes in 2019), which triggers predatory practices and unfair competition. China alone produced around 996 million tonnes in 2019, up 8.3% year-on-year, with China's share of global crude steel production rising from 50.9% in 2018 to 53.3% last year, according to the World Steel Association and Instituto Aço Brasil. Despite the growth of anti-dumping actions, Chinese steel exports to Latin America grew by 6% last year and reached 6.6 million tonnes in 2019, making the region the second destination for Chinese rolled steel exports. Latin America saw its crude steel production fall 9% in 2019 as compared to the previous year, reducing from 65.6 million tonnes in 2018 to 60.1 million tonnes last year.

Structural problems continue to affect the business environment in the country. Production is affected by the so-called Brazil cost. Its main components, such as the high financial costs and excessive tax burden, the cumulative nature of taxes, the cost of electricity and the deficient logistics and infrastructure, have not yet been addressed. Another important issue for industrial production is the expectation to have an increase in the rate of the Special Regime for Reintegrating Tax Values for Exporting Companies (Reintegra) – currently set at 0.1% –, in order to reimburse the tax residues embedded in the exports of Brazilian products.

In an increasingly competitive and volatile market, ArcelorMittal Brazil has been investing in innovation, automation and optimization of its processes, aiming at increasing productivity and competitiveness of its operations. In 2019, ArcelorMittal Brazil's consolidated investment was BRL 1.3 billion. The funds were allocated to develop high added value projects, products and solutions, further qualifying the portfolio offered by the company.

In the flat carbon segment, Tubarão Unit concluded the revamp of #2 Blast Furnace and the technological update of #2 Continuous Casting Machine, which will increase productivity and also enable the production of more complex steel grades. The construction of a fourth coke battery has started so as to provide greater environmental efficiency and guarantee operational stability to the process. Another highlight of the unit was the launch of the sea water desalination project, a BRL 50 million investment. The new plant will produce up to 500 m^3/h (12,000 m^3/day) of industrial water and works are expected to be completed in 2021. In the area of sustainability, the Environmental Commitment Term (TCA), signed in September 2018 by ArcelorMittal Tubarão, the Government of the State of Espírito Santo, and the Federal and State Public Prosecutor’s Office, involves relevant investments for the company, which are directed to the improvement of processes and new technologies in environmental control, prioritizing compliance with environmental guidelines and goals established for the next five years. ArcelorMittal Vega, in the state of Santa Catarina, has confirmed the BRL 1,5 billion investment to implant a new galvanization line, with works starting in 2020 and operations expected to start in December 2022.

The Long Carbon segment invested in the construction of a new BRL 115 million processing plant at Andrade Mine, which will increase the quality of the ore supplied to João Monlevade plant, ensuring the required standard to produce high-quality steels. Aiming to get closer to the end consumer, the segment intensified its performance in retail, in order to guarantee fast delivery and competitive prices for the more than 200 products and solutions included

in its portfolio. In 2019, the company opened nine concept stores and another 23 with strategic regional partners, consolidating the network of stores with the ArcelorMittal brand as the largest in the country. Both the ArcelorMittal brand physical network of stores and the online sales portal are pioneering initiatives in the steel retail segment, in line with the company's strategy to develop customized solutions for customers, always adding technology and innovation to products.

In July, the company concluded the merger of ArcelorMittal Sul Fluminense (former Votorantim Siderurgia) with ArcelorMittal Brazil. The acquisition of Barra Mansa and Resend units, which took place in April 2018, allowed the company to achieve leadership in the Brazilian long carbon market. In 2019, ArcelorMittal Sul Fluminense received an investment of about BRL 98 million.

In the mining segment, one of the big challenges for the company last year was the evacuation of Pinheiros community, in Itatiaiuçu, Minas Gerais state, on February 8. After the emergency status of Serra Azul Mine tailings dam was raised to level 2, the company precautionarily relocated 185 people from the community, so that no resident would be exposed to any kind of risks. All those affected were promptly relocated to hotels, and later, to houses rented by the company and they receive emergency assistance, as provided for in the Preliminary Agreement Term (PAT) signed by ArcelorMittal, Federal Public Prosecutor's Office, State Prosecutor's Office and Residents' Commission. The company intensified the monitoring of the dam, which has been idled since 2012, and is carrying out engineering studies for future reinforcement and decommissioning, i.e., the removal of all tailings. Until a definitive solution is found and satisfactorily serves all parties, ArcelorMittal is dedicated to providing assistance and care to the families.

Despite the country's slow economic recovery and the instability of foreign markets, ArcelorMittal Brazil had positive results for its financial indicators in 2019. The implementation of a cash flow optimization program and a series of initiatives to reduce costs and improve the company's working capital, generated an EBITDA in line with expectations in 2019, BRL 4 billion – a 30% drop year-on-year – even in an adverse business environment. Net revenue reached BRL 32.4 billion, up 4% year-on-year. Total production of long and flat carbon was around 10.4 million tonnes, down 11% year-on-year. And shipments remained stable at 10 million tonnes. Of the total sold, 35% went to the foreign market and 65% to the domestic market. The company exported BRL 11 billion, down 14% year-on-year. EBITDA margin on consolidated net revenue reached 12%, down 6% year-on-year. Net income reached BRL 1.068 billion as compared to BRL 2.32 billion in 2018. The company remains with its commitment to generate a US$ 500 million additional EBITDA in the period from 2016 to 2020, as part of the global strategic plan of the ArcelorMittal group, the 'Action 2020', which foresees to increase the group's EBITDA with additional US$ 3 billion in the mentioned period.

The performance of mining assets in Brazil (Serra Azul and Andrade Mines) was positive. The segment had a BRL 24 million EBITDA as consequence of extracting 2.3 million tonnes of iron ore. Due to the deep crisis in Venezuela and the lack of inputs in the country, the subsidiary Unicon, the largest pipe producer in Venezuela, is operating well below its production capacity and recorded zero EBITDA in 2019.

Innovation remained as the company's strategic investment field in 2019. ArcelorMittal Flat Carbon launched the iNO.VC Program, as part of its digital expansion strategy already addressed in the last 4 years, in addition to inaugurating a laboratory space with the same name, to work on digital innovation together with other Flat Carbon partner laboratories in the states of Espírito Santo, Santa Catarina and Minas Gerais. In the Long Carbon segment, the company expanded the performance of Açolab, the first steel innovation hub in the world. The lab has already connected

with more than 500 start-ups to find innovative solutions for the steel industry and has become a benchmark for the steel industry and the ArcelorMittal Group itself. For the construction segment, the company presented the Steligence® methodology to the Latin American market. Steligence® enables an accurate assessment of a building in all its construction stages and identifies intelligent construction models in terms of cost, architectural flexibility, less waste generation and user comfort.

Another important advance in 2019 was the launch of the ArcelorMittal's Diversity and Inclusion Program, which reaffirms the company's commitment to building a fairer and more harmonious society. Action plans and indicators were defined for four dimensions of diversity – gender equity, racial diversity, people with disabilities (PwDs) and LGBTI+. In the area of sustainability, ArcelorMittal Brazil bases its environmental management on the 10 Sustainable Development Outcomes. Aware of the challenges and environmental demands of society, ArcelorMittal Brazil invests in research and technology to improve the efficient use of natural resources in its production chain and to mitigate the impacts inherent to its operations. In 2019, the company became the first steel producer to receive the Environmental Product Declaration (EPD), granted by the German institute IBU (Institut Bauenund Umwelt), for Meshes, Trusses, ribbed A60, Annealed Wires and Nails. These certifications are added to the EPD for CA25 and CA50 rebars, obtained in 2018.

The consolidation of a safe, healthy and quality work environment is a core value for the entire ArcelorMittal Group. Every year new tools, processes and procedures are implemented, and they contribute to the continuous improvement of working and safety conditions. In Brazil, as well as worldwide, ArcelorMittal's goal is Zero Accidents; continuous improvement of work environments and processes; monitoring, elimination and control of risks; prevention of occupational diseases; monitoring worker's health; encouraging the pursuit of quality of life, and achieving increasing Health and Safety indicators among own employees and contractors. In 2019, ArcelorMittal Brazil's annual lost time injury frequency rate (LTIFR)) was 0.36, becoming a global benchmark for the Group in terms of safety. Andrade Mine (MG), also a global benchmark, holds the 27-year mark of no LTIs. And in the 73 years of mine operation, no fatal accident has ever occurred there.

Institutional co-responsibility, a methodology that assumes that organizations will only grow and prosper in a healthy social fabric, underpins ArcelorMittal's connection with society. Being the company's social representative, ArcelorMittal Foundation promotes projects in the areas of education, culture, social promotion and sports, in partnership with the government and third sector institutions. In 2019, the projects and actions carried out by the Foundation benefited 635.6 thousand people in 56 municipalities. Adapting to the new trends in education, technology and innovation, the Foundation started to adopt the 'Fundação 4.0' brand, playing a social role even closer to ArcelorMittal's business model and to the needs of the communities in which the company operates. The Foundation's new projects, focused on science and technology, enable a differentiated and innovative teaching experience, encouraging entrepreneurial behaviour and giving prominence to young people.

In line with the efforts for a better governance and attractiveness to its employees, the Company, through FUNSSEST – ArcelorMittal Brazil's Social Security Foundation, concluded a long and extensive project to modernize and make flexible its retirement benefit plans, allowing employees and assisted retirees to choose models of plans that allow a better management of their respective individual assets, in addition to the creation of benefit plans further aligned with more updated practices.

The combination of all these efforts resulted in ArcelorMittal Brazil being recognized with relevant national and international awards related to its management, innovation practices, integrity and compliance policies, safety,

sustainability and financial performance. Main awards include: Best and Largest, Exame Sustainability Guide and Exame Compliance Guide (all three granted by Exame Magazine), Época Negócios 360º (Época Negócios magazine) and Empresas Mais (O Estado de São Paulo newspaper). In a context in which society increasingly demands transparency and ethics, winning the Exame Compliance award shows the maturity of the company's integrity program, created in 2007, based on the best international practices and applicable to all Group companies. Moreover, the bold seawater desalination project also allowed ArcelorMittal to receive the international award "Innovative Project", promoted by IDA – International Desalination Association, in Dubai, United Arab Emirates. Açolab, in the Long Carbon segment, was recognized with the best “Open Corp” (Open Innovation Corporation) award and was highlighted in the 2019 Ranking 100 Open Start-ups.

For 2020, the company is optimistic about the possibility of a more vigorous growth in the Brazilian economy. In March, the Focus Market Report, of the Central Bank (BC), estimated a 1.68% GDP growth for this year. The Steel Industry Confidence Indicator (ICIA), in turn, points out strong optimism of the sector's entrepreneurs about the future. Between November and December, the ICIA had a 6.1 increase and reached 68.3, the highest level since April last year, when the indicator started to be calculated. The approval of the Pension Reform in 2019 was an important step to recover investor confidence. This year, the tax reform is expected to be approved, in order to simplify tax regulation in the country, an extremely relevant issue for reducing the Brazil cost.

The economic scenario, however, remains challenging. The coronavirus outbreak shook global markets, prompting the Organization for Economic Cooperation and Development (OECD) to reduce to 2.4% the forecast for growth in the world economy in 2020, the lowest expansion since 2009 and considering the previous expectation of 2.9%. In addition to the epidemic of the virus that causes the covid-19 disease, there are also other uncertainties to be considered as outstanding topics, including the tensions in the Middle East and the final decision of how the UK will leave the European Union. And also, the presidential elections in the United States and the result of the non-fiscal initiatives to accelerate the European economy, as well as the project for expansion of infrastructure investments planned by China.

Albeit working with annual goals, ArcelorMittal Brazil looks beyond 2020, ensuring to make the right decisions to guarantee a new virtuous cycle and continue to generate value for shareholders and other stakeholders. In the face of a remaining challenging scenario in the national and international markets, the company will keep focusing on operational stability and sustainable cost reduction actions. ArcelorMittal Brazil appreciates the trust placed by the shareholders and, mainly, the commitment and dedication of its more than 17 thousand employees across the country, directly responsible for the results achieved throughout 2019.

The Executive Management

Belo Horizonte, March 23, 2020.

ARCELORMITTAL BRASIL S.A.

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BALANCE SHEET

For the year ended December 31, 2019
In thousands of Brazilian reais

	Parent		Consolidated	
	2019	2018	2019	2018
Assets				
Current assets				
Cash and cash equivalents (note 7)	201,094	339,319	1,306,195	656,306
Short-Term Investment (note 8)	3,261	2,573	9,525	26,761
Trade receivables (note 9)	2,844,248	3,661,721	3,452,469	4,399,937
Inventories (note 10)	6,581,896	6,820,690	8,095,775	9,012,963
Recoverable taxes (note 11)	1,010,634	681,861	1,173,173	871,442
Dividends and interest on capital receivable	26,309	9,950	10,472	7,115
Derivative financial instruments (note 26)	10,575	1,340	10,575	1,340
Other receivables	153,693	274,426	237,563	476,183
Total current assets	**10,831,710**	**11,791,880**	**14,295,747**	**15,452,047**
Noncurrent assets				
Long-Term Investment (note 8)	-	-	13,801	8,232
Recoverable taxes (note 11)	1,038,919	1,036,889	1,133,811	1,249,712
Deferred income tax and social contribution (note 27b)	-	-	31,547	34,716
Compulsory and escrow deposits (note 29a)	559,460	561,154	652,075	697,632
Derivative financial instruments (note 26)	-	-	5,884	12,734
Due from related parties (note 28)	356,425	356,403	356,209	356,403
Advances to forest producers (note 12)	27,771	-	84,921	112,480
Other receivables	316,413	194,073	347,029	482,567
Investments				
In subsidiaries and associates (note 13)	2,665,978	3,140,341	428,587	448,173
Other permanent investments	356	356	356	356
Leases - Right-of-use assets (note 4a)	312,250	-	337,205	-
Property, plant and equipment (note 14)	14,734,041	12,608,521	17,039,355	16,535,508
Biological assets (note 15)	74,087	-	237,040	189,938
Intangible assets (note 16)	6,044,975	5,938,028	6,080,299	6,078,330
Total noncurrent assets	**26,130,675**	**23,835,765**	**26,748,119**	**26,206,781**
Total assets	**36,962,385**	**35,627,645**	**41,043,866**	**41,658,828**

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

BALANCE SHEET
For the year ended December 31, 2019
In thousands of Brazilian reais

(Continued)

	Parent		Consolidated	
	2019	2018	2019	2018
Liabilities and equity				
Current liabilities				
Trade payables (note 17)	2,493,842	2,967,380	3,443,116	4,268,557
Payroll and related taxes	484,643	408,457	668,195	650,592
Borrowings (note 18)	20,228	870,406	1,012,339	1,858,558
Lease liability (note 4a)	77,765	-	90,342	-
Debentures (note 19)	357	326	357	326
Taxes payable	96,964	76,549	159,462	158,524
Income tax and social contribution	-	24,457	77,788	45,296
Dividends and interest on capital	363	363	11,790	3,354
Provision for tax, civil and labor risks (note 29)	98,942	139,100	150,714	197,082
Derivative financial instruments (note 26)	-	5,010	-	5,010
Due to related parties	154,452	153,325	514,005	501,646
Unfavorable agreements (note 13c)	92,626	-	92,626	-
Other payables (note 20)	927,185	332,386	763,341	435,031
Total current liabilities	**4,447,367**	**4,977,759**	**6,984,075**	**8,123,976**
Noncurrent liabilities				
Borrowings (note 18)	16,365,120	14,886,819	16,527,326	15,102,989
Lease liability (note 4a)	246,608	-	254,382	-
Debentures (note 19)	2,143	2,368	2,143	2,368
Taxes payable	107,527	-	110,026	-
Deferred income tax and social contribution (note 27b)	2,161,816	2,084,287	2,396,209	2,397,821
Provision for tax, civil and labor risks (note 29)	711,381	414,216	808,460	775,861
Due to related parties	-	-	75,509	80,512
Post-employment benefits (note 32)	360,772	278,210	361,001	278,582
Payable for the acquisition of company (note 13c)	1,068,002	890,471	1,068,002	890,471
Unfavorable agreements (note 13c)	792,944	-	792,944	943,072
Other payables (note 20)	101,550	76,476	228,816	261,783
Total noncurrent liabilities	**21,917,863**	**18,632,847**	**22,624,818**	**20,733,459**
Equity (note 21)				
Capital	11,671,885	11,671,885	11,671,885	11,671,885
Capital reserves	426,849	426,849	426,849	426,849
Earnings reserves	1,165,408	1,833,093	1,165,408	1,833,093
Valuation adjustments to equity	(2,666,987)	(1,914,788)	(2,666,987)	(1,914,788)
Equity attributable to owners of the Company	**10,597,155**	**12,017,039**	**10,597,155**	**12,017,039**
Noncontrolling interests	-	-	**837,818**	**784,354**
Total equity	**10,597,155**	**12,017,039**	**11,434,973**	**12,801,393**
Total liabilities and equity	**36,962,385**	**35,627,645**	**41,043,866**	**41,658,828**

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

STATEMENT OF PROFIT AND LOSS

For the year ended December 31, 2019
In thousands of Brazilian reais

	Parent		Consolidated	
	2019	2018 Restated	2019	2018 Restated
Net sales (note 22)	25,850,517	25,414,631	32,455,094	31,259,007
Cost of sales (note 23)	(23,054,454)	(20,390,329)	(28,728,261)	(25,498,952)
Gross profit	**2,796,063**	**5,024,302**	**3,726,833**	**5,760,055**
Operating income (expenses)				
Selling (note 23)	(562,434)	(495,927)	(662,820)	(684,151)
General and administrative (note 23)	(373,441)	(354,521)	(545,923)	(560,075)
Income (loss) from investments in associates, joint ventures and other investments (note 13b)	536,593	(488,201)	67,277	50,904
Goodwill impairment (note 14f)	4,467	(100,654)	4,467	(100,654)
Other operating income (expenses), net (note 24)	722,033	690,114	525,756	418,030
Operating profit	**3,123,281**	**4,275,113**	**3,115,590**	**4,884,109**
Finance income (note 25)	661,498	500,114	784,005	525,255
Finance costs (note 25)	(2,598,698)	(1,830,264)	(2,879,953)	(1,999,632)
Foreign exchange result (note 25)	(27,958)	181,008	381,248	95,012
Gains (losses) financial instruments, net (note 25)	6,386	(23,476)	(440)	6,039
Income before income tax, social contribution and profit sharing	**1,164,509**	**3,102,495**	**1,400,450**	**3,510,783**
Income tax and social contribution (note 27a)	(88,125)	(773,456)	(161,748)	(1,062,752)
Profit sharing	(8,127)	(6,461)	(8,948)	(7,017)
Profit	**1,068,257**	**2,322,578**	**1,229,754**	**2,441,014**
Attributable to:				
Controlling shareholders			1,068,257	2,322,578
Noncontrolling shareholders			161,497	118,436
			1,229,754	**2,441,014**
Average number of shares	2,694,485	2,694,485		
Basic earnings per share - R$	**396.46**	**861.97**		

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

STATEMENT OF COMPREHENSIVE INCOME (LOSS)

For the year ended December 31, 2019
In thousands of Brazilian reais

	Parent		Consolidated	
	2019	2018	2019	2018
Profit for the year	**1,068,257**	**2,322,578**	**1,229,754**	**2,441,014**
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Translation adjustments for the period arising from investments (note 13b)	(627,690)	(33,677)	(642,179)	(33,677)
	(627,690)	**(33,677)**	**(642,179)**	**(33,677)**
Items that will not be reclassified subsequently to profit or loss:				
Net changes in the fair value of financial assets in comprehensive income	244	100	244	100
Remeasurement of defined benefit obligation (note 32b)	(113,540)	(77,389)	(113,490)	(77,480)
	(113,296)	**(77,289)**	**(113,246)**	**(77,380)**
Total comprehensive income	**327,271**	**2,211,612**	**474,329**	**2,329,957**
Comprehensive income attributable to:				
Controlling shareholders			327,271	2,211,612
Noncontrolling shareholders			147,058	118,345
Total comprehensive income			**474,329**	**2,329,957**

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

ARCELORMITTAL BRASIL S.A.

STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

In thousands of Brazilian reais

			Capital reserves			Earning reserves								
	Capital	Capital rectification	Investment grants and other	Goodwill on issuance of shares	Stock options granted	Legal	Tax incentives	Statutory	Retained earnings (loss)	Valuation adjustments to equity	Currency translation adjustment	Equity (Parent)	Noncontrolling interests	Equity (Consolidated)
Balance as at December 31, 2017	**11,671,885**	**-**	**301**	**292,741**	**125,427**	**262,355**	**40,100**	**-**	**-**	**114,487**	**735,464**	**13,242,760**	**652,319**	**13,895,079**
Acquisition of Iberoamerica	-	-	-	-	-	-	-	-	-	-	-	-	82,475	82,475
Options granted and others	-	-	-	-	8,380	-	-	-	-	100	-	8,480	-	8,480
Realization of deemed cost	-	-	-	-	-	-	-	-	42,576	(42,576)	-	-	-	-
Remeasurement of defined benefit obligation (note 32b)	-	-	-	-	-	-	-	-	-	(77,389)	-	(77,389)	(91)	(77,480)
Capital subscription Votorantim	1,349,949	(1,349,949)	-	-	-	-	-	-	-	-	-	-	-	-
Profit	-	-	-	-	-	-	-	-	2,322,578	-	-	2,322,578	118,436	2,441,014
Assets goodwill, net	-	-	-	-	-	-	-	-	-	-	-	-	(12,014)	(12,014)
Tax incentives *(i)*	-	-	-	-	-	-	292,186	-	(292,186)	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(33,677)	(33,677)	37,723	4,046
Difference between amount paid in company acquisition under common control and net assets transferred	-	-	-	-	-	-	-	-	-	(3,100,088)	-	(3,100,088)	-	(3,100,088)
Hyperinflationary economy adjustment in investment acquisition in the current year *(ii)*	-	-	-	-	-	-	-	-	-	488,891	-	488,891	-	488,891
Reversion of liabilities with former shareholders	-	-	-	-	-	-	-	(6)	-	-		(6)	-	(6)
Profit allocation														
. Contitution of reserves	-	-	-	-	-	103,648	-	1,134,810	(1,238,458)	-	-	-	-	-
. Dividends and interest on capital (note 21f)	-	-	-	-	-	-	-	-	(834,500)	-	-	(834,500)	(94,494)	(928,994)
. Dividends of preferred shares (note 21f)	-	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Balance as at December 31, 2018	**13,021,834**	**(1,349,949)**	**301**	**292,741**	**133,807**	**366,003**	**332,286**	**1,134,804**	**-**	**(2,616,575)**	**701,787**	**12,017,039**	**784,354**	**12,801,393**
Financial Instruments	-	-	-	-	-	-	-	-	-	244	-	244	-	244
Realization of deemed cost	-	-	-	-	-	-	-	-	11,213	(11,213)	-	-	-	-
Remeasurement of defined benefit obligation (note 32b)	-	-	-	-	-	-	-	-	-	(113,540)	-	(113,540)	50	(113,490)
Profit	-	-	-	-	-	-	-	-	1,068,257	-	-	1,068,257	161,497	1,229,754
Assets goodwill, net	-	-	-	-	-	-	-	-	-	-	-	-	(7,588)	(7,588)
Tax incentives *(i)*	-	-	-	-	-	-	287,369	-	(287,369)	-	-	-	-	-
Currency translation adjustment	-	-	-	-	-	-	-	-	-	-	(627,690)	(627,690)	(14,489)	(642,179)
Reversion of liabilities with former shareholders	-	-	-	-	-	-	-	(345)	-	-	-	(345)	-	(345)
Profit allocation														
. Contitution of reserves	-	-	-	-	-	39,605	-	140,486	(180,091)	-	-	-	-	-
. Dividends and interest on capital (note 21f)	-	-	-	-	-	-	-	(1,134,800)	(612,000)	-	-	(1,746,800)	(86,006)	(1,832,806)
. Dividends of preferred shares (note 21f)	-	-	-	-	-	-	-	-	(10)	-	-	(10)	-	(10)
Balance as at December 31, 2019	**13,021,834**	**(1,349,949)**	**301**	**292,741**	**133,807**	**405,608**	**619,655**	**140,145**	**-**	**(2,741,084)**	**74,097**	**10,597,155**	**837,818**	**11,434,973**

(i) Law 160/2017 - VAT, tax incentive

(ii) Recognition of hyperinflation in Acindar Argentina

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019
In thousands of Brazilian reais

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Profit	**1,068,257**	**2,322,578**	**1,229,754**	**2,441,014**
Expenses (income) not affecting cash:				
Inflation adjustment and interest	2,042,429	1,605,380	2,237,510	1,771,410
Provision for losses/risks	(56,565)	149,330	(2,698)	153,858
Derivatives loss/(gain), net	(6,714)	3,972	136	9,415
Income (loss) from investments in associates, joint ventures and other investments (note 13b)	(536,593)	488,201	(67,277)	(50,904)
Decrease in accounts payable regarding acquisitions of company	177,531	(196,660)	177,531	(163,729)
Amortization of unfavorable agreements	(27,828)	-	(27,828)	-
Depreciation, amortization and depletion (note 4, 14, 15 and 16)	679,579	549,596	966,843	973,810
Impairment (note 14f)	(4,467)	100,654	(4,467)	100,654
Stock options granted (note 27)	-	8,380	-	8,380
Post-employment benefits	(87,995)	12,551	(88,137)	12,565
Gain (loss) on sale of permanent assets, net	(105,690)	38,338	(105,422)	38,088
Adjustment to fair value of biological assets (note 15)	(6,467)	-	(37,530)	26,686
Present value adjustments of trade payables	1,540	578	1,540	578
Deferred income tax and social contribution (note 27)	7,972	298,028	(36,455)	470,276
	3,144,989	5,380,926	4,243,500	5,792,101
(Increase) decrease in assets:				
Trade receivables	1,007,202	(891,283)	998,004	(574,233)
Inventories	912,293	(1,888,151)	944,654	(2,402,213)
Dividends and interest on capital	199,261	148,683	66,544	1,376
Other assets	299,615	(285,940)	737,132	(401,227)
Tax assets	(1,083,060)	(1,212,289)	(1,124,295)	(1,318,681)
Increase (decrease) in liabilities:				
Trade payables	(857,934)	369,746	(1,033,133)	628,744
Other liabilities	(263,885)	(151,731)	(929,315)	(97,209)
Repayments of interest on borrowings and financing	(2,346,864)	(1,222,676)	(2,356,876)	(1,235,127)
Repayments of interest on intragroup loans	-	(316,457)	(5,787)	(322,848)
Income tax and social contribution paid	(103,947)	-	(176,873)	(2,175)
Tax liabilities	1,080,237	742,308	1,229,444	743,896
Cash flow from operating activities	**1,987,907**	**673,136**	**2,592,999**	**812,404**
Purchase of investments (notes 13b and 30)	-	(3,957,249)	-	(2,962,674)
Purchase of property, plant and equipment (notes 14,15,16 and 30)	(721,430)	-	(299)	-
Sale of assets	(818,301)	(582,876)	(1,208,673)	(914,095)
Cash flow from investing activities	**(1,403,243)**	**(4,247,574)**	**(1,048,291)**	**(3,539,734)**
Proceeds from borrowings	2,802,129	6,193,361	3,408,124	7,079,712
Repayments of principal of borrowings and financing	(1,820,436)	(554,796)	(2,511,607)	(1,965,983)
Settlement of financing derivatives instrument of financing	(7,531)	(21,254)	(7,531)	(21,254)
Repayments of principal of intragroup loans	-	(1,084,333)	(8,067)	(1,091,697)
Redemption of debentures	(93)	(695)	(93)	(695)
Payment of dividend/interest on capital	(1,700,310)	(830,465)	(1,777,215)	(944,100)
Settlement of liabilities with former shareholders	(345)	(6)	(345)	(6)
Cash flow from financing activities	**(726,586)**	**3,701,812**	**(896,734)**	**3,055,977**
Increase (decrease) in cash and cash equivalents	**(141,922)**	**127,374**	**647,974**	**328,647**
Cash and cash equivalents at beginning of year	**339,319**	**211,945**	**656,306**	**343,820**
Effect of currency inflation (Unki and Acindar)	-	-	1,050	(16,161)
AM Sul Fluminense Merger (note 6a)	3,697	-	-	-
Commercial unit opened AM BOL (note 6)	-	-	865	-
Total cash and cash equivalents at beginning of year	**343,016**	**211,945**	**658,221**	**327,659**
Cash and cash equivalents at end of year	**201,094**	**339,319**	**1,306,195**	**656,306**

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

ARCELORMITTAL BRASIL S.A.

STATEMENT OF VALUE ADDED

For the year ended December 31, 2019
In thousands of Brazilian reais

	Parent		Consolidated	
	2019	2018	2019	2018
Revenues				
Sale of products	30,864,805	29,807,127	38,113,933	36,386,072
Discounts, losses and recovery of provisions	32,528	(6,247)	42,590	7,073
Revenues from the construction of own assets	1,224,398	658,405	1,224,398	658,405
Other operating revenues	1,286,027	1,581,586	1,393,379	1,644,350
	33,407,758	**32,040,871**	**40,774,300**	**38,695,900**
Inputs purchased from third parties				
Raw materials consumed	(18,655,579)	(18,183,954)	(23,288,508)	(23,215,872)
Electric power, services and other operating expenses	(7,918,798)	(5,474,323)	(8,482,797)	(5,221,736)
Recovery (loss) in the realization of assets	49,804	(23,708)	(17,684)	(36,436)
	(26,524,573)	**(23,681,985)**	**(31,788,989)**	**(28,474,044)**
Depreciation, amortization and depletion	(679,579)	(549,596)	(966,843)	(973,810)
Goodwill impairment	4,467	(100,654)	4,467	(100,654)
Net added value created by the Company	**6,208,073**	**7,708,636**	**8,022,935**	**9,147,392**
Added value received in transfer				
Income (loss) from investments in associates, joint ventures and other investments	536,593	(488,201)	67,277	50,904
Other finance income and rentals	14,987	13,316	17,074	14,402
Finance income and exchange gains	616,455	532,095	672,519	624,935
	1,168,035	**57,210**	**756,870**	**690,241**
Total added value	**7,376,108**	**7,765,846**	**8,779,805**	**9,837,633**
Added value distributed				
Employees				
Payroll and related taxes	1,551,445	1,374,715	2,220,543	2,135,906
Management compensation (note 28a)	32,958	31,060	39,751	31,855
Profit sharing	214,128	286,312	308,291	391,023
Retirement and pension plan	46,435	41,052	53,895	49,433
	1,844,966	**1,733,139**	**2,622,480**	**2,608,217**
Taxes				
Federal	**977,496**	**1,272,027**	**1,493,472**	**1,944,510**
Income taxes	88,125	773,456	161,748	1,062,752
Other taxes	889,371	498,571	1,331,724	881,758
State	671,247	466,590	768,035	503,409
Municipal	27,378	26,464	36,689	36,360
	1,676,121	**1,765,081**	**2,298,196**	**2,484,279**
Lenders and lessors				
Interest and exchange losses	2,532,012	1,675,198	2,343,671	1,965,977
Capitalized finance charges	77,591	40,673	77,591	40,673
Lease and rentals	177,161	229,177	208,113	297,473
	2,786,764	**1,945,048**	**2,629,375**	**2,304,123**
Shareholders				
Interest on capital and dividends	612,010	834,510	718,188	904,825
Retained earnings (accumulated loss)	456,247	1,488,068	511,566	1,536,189
	1,068,257	**2,322,578**	**1,229,754**	**2,441,014**
	7,376,108	**7,765,846**	**8,779,805**	**9,837,633**

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

1. GENERAL INFORMATION AND CORPORATE ISSUES

ArcelorMittal Brasil S.A. ("Company" or "ArcelorMittal Brasil"), controlled by ArcelorMittal S.A. (headquartered in Luxembourg) is a private corporation headquartered in Belo Horizonte, State of Minas Gerais. The Company and its subsidiaries in Brazil and abroad ("Consolidated", "Group" or the "ArcelorMittal Brasil Group") are engaged in the implementation and operation of industries and businesses in the steel and metallurgy sectors, holding ownership interest in other companies engaged in the same or supplementary activities, the production and sale of energy and renewable energy, or other inputs from the steel and/or metallurgy industries and agroindustry and farming activities, as well as the performance of related technical services.

The ArcelorMittal Brasil Group are segregated into the following: long steel, flat steel, mining and tubes.

LONG STEEL

ArcelorMittal Brazil - Long Steel

ArcelorMittal Long Steel, through the branches of ArcelorMittal Brasil and its subsidiaries produces and sells long steel and wire draw. Its units have installed capacity to produce 5.2 million tonnes of rolled steel per year in the industrial plants in João Monlevade, Juiz de Fora, Piracicaba, Resende and Barra Mansa, the two latter being acquired in April 2018 (note 13c). The Cariacica and Itaúna units operated up to April 2018 under the Company's control – see note 14f).

The wire drawn sector has production capacity of three million tonnes/year, with plants located in the states of São Paulo (Guarulhos, Osasco and Sumaré), Minas Gerais (Juiz de Fora, Sabará, Itaúna, Contagem and Vespasiano), Rio de Janeiro (Barra Mansa e Resende) and Bahia (Feira de Santana).

The industrial activities in Brazil are concentrated in Minas Gerais, São Paulo, Espírito Santo, Rio de Janeiro, Mato Grosso do Sul and Bahia states. Its distribution and sales framework, operating throughout Brazil, is prepared to serve the significantly growing market demands.

The segment offers to the market products for the industry and civil construction sector and steel solutions for numerous applications.

ArcelorMittal Costa Rica

Located in Central America, ArcelorMittal Costa Rica has one long steel production unit in the provinces of Limón.

The company was founded in 1963 by Pujol Group and, since 2008, 100% of its shares are held by ArcelorMittal Group, of which 50% is held by ArcelorMittal Brasil S.A and 50% is held by ArcelorMittal Spain Holdings S.L.. Its production capacity is 320 thousand tonnes/year of long steel for civil construction, industry and cattle raising activities, including busbars, structural shapes and wires.

Acindar Argentina

On May 15, 2018, ArcelorMittal Brasil has acquired stake in ArcelorMittal Iberoamerica Holding BV, which holds 90% of the capital of Acindar Indústria Argentina de Aceros S.A. ("Acindar").

Acindar started to operate in 1942 and its industrial, commercial and administrative facilities are located in the provinces of Buenos Aires, Santa Fé and San Luis.

Acindar has installed capacity for 1.7 million tonnes/year of long steel, and is engaged in the production and distribution of high-quality steel-made products, such as bars, wire rods, wire meshes, trusses, wires, wire nails, shapes, frames and accessories.

ArcelorMittal BioFlorestas Ltda.

ArcelorMittal BioFlorestas Ltda. is a company controlled by ArcelorMittal Brasil S.A., headquartered in Belo Horizonte, State of Minas Gerais. The Company was established on January 3, 2011. It is engaged mainly in supplying the units in the long steel segment by providing renewable solid waste (charcoal) for use in their production processes.

FLAT STEEL

ArcelorMittal Brasil - Flat

ArcelorMittal Flat Steel comprised of two business units, of which one an integrated production unit in the metropolitan region of the Greater Vitória – ES ("ArcelorMittal Tubarão's plant") and one unit located in São Francisco do Sul – SC ("ArcelorMittal Vega's plant").

Inaugurated in 1983, ArcelorMittal Brasil, Tubarão's plant, has installed capacity of 7.5 million tonnes/year of steel slab, of which approximately 4 million are internally transformed in hot-rolled coils. It produces and sells semi-finished rolled, the two main product lines of which are: steel slabs and hot-rolled coils.

The Vega unit, located in São Francisco do Sul - SC, is a transformation unit that operates with modern pickling, rolling, and chrome plating processes, processing hot-rolled coils supplied by the Tubarão unit. The unit has production capacity of approximately 1.56 million tonnes/year, which production is used to meet the demand from the automotive, civil construction, household appliances, pipe, and shape industries.

MINING

ArcelorMittal Brasil - Mina do Andrade

Mina do Andrade, one of the oldest in Brazil, has started to produce iron ore in 1944. It is located in Vale do Aço and supplies mainly ArcelorMittal Brasil Monlevade's plant. It currently has an installed production capacity of 3.5 million tonnes/year.

ArcelorMittal Brasil - Mina Serra Azul

Mina de Serra Azul, owned by ArcelorMittal Spain Holding S.L., was merged into ArcelorMittal Brasil on April 1, 2016. It is located in the municipality of Itatiaiuçu, State of Minas Gerais, and is engaged in directly

or indirectly exploring mineral deposits, mainly iron ore deposits, and selling such products and their waste and scrap. It currently has an installed production capacity of 1.3 million tonnes/year.

TUBES

Unki de Venezuela S.A.

Acquired in 2009, Unki de Venezuela S.A. ("Unki") holds the total capital of Industrias Unicon C.A. ("Unicon"), the largest pipe producer in Venezuela and the main supplier to the oil and gas, manufacturing and construction industries in the country and abroad.

Headquartered in Caracas, the company is a large consumer of hot-rolled coils, used in the transformation of steel into tubular shapes. It has an installed production capacity of 647 thousand tonnes/year.

In view of the economic and political problems in Venezuela, Unicon has reduced its structure to the minimum necessary and continues to strengthen its efforts to obtain raw materials to maintain your production, as well the preservation of your assets.

2. BASIS OF PREPARATION

The financial statements have been prepared based on the historical cost, except for certain financial instruments and biological assets, measured at their fair values, as described in the following accounting practices.

a. Statement of compliance

The financial statements comprise the individual and consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board (IASB), and the accounting practices adopted in Brazil, identified as Parent and Consolidated (IFRS and BR GAAP).

The accounting practices adopted in Brazil include those established in the Brazilian Corporate Law, as well as the pronouncements, guidelines, and interpretations issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC).

All the relevant information used in the management of the Company are included in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies adopted by ArcelorMittal Brasil Group:

a. Consolidation basis

The consolidated financial statements include the Company's and its subsidiaries' financial statements. Control is obtained when the Company:

- has power over the investee;
- is exposed, or entitled, to variable returns from its involvement with the investee;

- has the ability to use its power to affect its returns.

In the Company's individual financial statements, the financial information on subsidiaries are recognized under the equity method.

When necessary, the subsidiaries' financial statements are adjusted to conform their accounting policies to those set by the Group. All intercompany transactions and balances were fully eliminated in the consolidated financial statements.

The entities comprising the consolidated financial statements are presented in Note 6.

b. Acquisition of companies under common control.

In order to account for the acquisition of companies under common control, the Company adopts the "Predecessor Cost Basis" acquisition method and alternatively adopts the hybrid acquisition methodology set forth in the UK GAAP, due to the lack of a specific standard in the IFRS/CPCs. Under these conditions, according to the guidelines in IAS 8, we seek a GAAP that can fulfill the lack of specific standards in the IFRS/CPC.

The assets acquired and liabilities assumed are recognized at their par value in accordance with the accounting records existing on the investment acquisition date. Profit or loss is recorded in the consolidated statement of profit or loss for the year as from the acquisition date, without the restatement of comparative information, both in the balance sheet and profit or loss for the year.

Any differences between the amount paid for the investment and the net assets transferred are recorded in equity in line item "Valuation adjustments to equity".

c. Investments in associates

An associate is an entity over which the Group has significant influence and that does not qualify as a subsidiary or joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee without exercising individual or joint control over those policies.

Profit or loss, assets, and liabilities of associates are included in the financial statements under the equity method of accounting. Under the equity method of accounting, investments in associates are initially recognized at cost and subsequently adjusted for purposes of recognition of the Company's share in profit or loss and other comprehensive income of the associate. When ArcelorMittal Brasil Group's share in the loss of an associate exceeds its interest in the associate (including any long-term interest that, in substance, is included in ArcelorMittal Brasil Group's net investment in the associate), ArcelorMittal Brasil Group no longer recognizes its share in additional losses. Additional losses are recognized only if ArcelorMittal Brasil Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

Any amount in excess of the acquisition cost on the Group's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate on acquisition date is recognized as goodwill. Goodwill is added to the investment's carrying amount. Any amount of ArcelorMittal Brasil Group's share in the net fair value of identifiable assets, liabilities and contingent liabilities in excess of the acquisition cost, after revaluation, is immediately recognized in profit or loss.

d. Functional, foreign and reporting currency

ArcelorMittal Brasil S.A. functional currency is the Brazilian real ("R$").

Foreign subsidiaries ArcelorMittal Costa Rica and Unki de Venezuela ArcelorMittal Iberoamerica and Acindar of Argentina used the US dollar, Venezuelan bolivar, Euro, and the Argentinian peso as their functional currency, respectively.

Foreign currency-denominated transactions, i.e., all those that are not conducted in the functional currency (basically the Venezuelan bolivar ("Bs.S"), the Colon ("CRC"), o Argentine peso ("ARS"), the US dollar ("USD"), and the euro ("EUR"), are translated into the functional currency at the exchange rate prevailing on the date of each transaction. Foreign currency-denominated monetary assets and monetary liabilities are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange gains and losses arising on translating monetary assets and monetary liabilities are recognized in the statement of profit and loss. Non-monetary assets and liabilities purchased or contracted in foreign currency are translated based on exchange rates prevailing on the transition dates or the fair value measurement dates, when used. Gains and losses arising on translating investments in foreign subsidiaries are recognized directly in equity, as "Currency translation adjustments", and in the statement of profit and loss when these investments are fully or partially disposed of. The financial statements of foreign subsidiaries are adjusted to the accounting practices adopted in Brazil and IFRSs and subsequently translated into the reporting currency, as described below.

ArcelorMittal Brasil Group comprises individual entities that adopt different functional currencies; therefore, the consolidated financial statements are presented using the same currency for all entities, in accordance with accounting practices adopted in Brazil and the International Financial Reporting Standards, and the Group determined the Brazilian real ("R$") as the reporting currency.

The reporting currency of the individual and consolidated financial statements is the Brazilian real ("R$"). The balances presented therein are, therefore, when applicable, the result of the translation of the respective functional currencies into the Brazilian real, in compliance with the following criterion: (i) assets and liabilities are translated using the closing exchange rate at the balance sheet date; and (ii) revenue and expenses and changes in equity are translated using the prevailing exchange rate on the transaction dates or average exchange rates for the period. The changes in foreign exchange rates resulting from the translation criterion above are recorded in a specific equity line, called "Cumulative Translation Adjustments".

For subsidiary Unki de Venezuela S.A., located in Venezuela and Acindar Argentina, located in Argentina, which is a hyperinflationary economy, the results of operations and financial conditions have been adjusted for local inflation and were then translated into the reporting currency using the exchange rate prevailing at the end of the reporting period, pursuant to IAS 29.

e. Financial instruments

Financial instruments include short-term investments, investments in debt and equity instruments, trade receivables, other receivables, cash and cash equivalents, financing, as well as trade payables, other payables and other debts.

Financial assets and financial liabilities are initially measured at their fair values. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, if applicable, after initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities measured at fair value through profit or loss are immediately recognized in profit or loss.

Financial assets

Financial assets are classified into the following categories: assets at fair value with gains and losses recognized in profit or loss, assets at fair value with gains and losses recognized in other comprehensive income and financial assets at amortized cost.

The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition, according to the Company's business model. All regular-way purchases or sales of financial assets are recognized or derecognized on the trade date. Regular-way purchases or sales of financial assets correspond to those requiring the delivery of assets within a period established by standard or market practices.

(i) Financial assets at amortized cost

The amortized cost of a financial asset corresponds to the amount at which the financial asset is measured on initial recognition, less any principal repayments, plus accumulated amortization of any difference between the original amount and the amount repayable at maturity determined using the effective interest method, adjusted for any loss allowance. The gross carrying amount of a financial asset corresponds to its amortized cost before adjustment for any loss allowance.

The effective interest method is used to calculate the amortized cost of a debt instrument and allocate its interest income over the related period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that are an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial instruments other than those financial assets classified at fair value through profit or loss or other comprehensive income.

(ii) Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or designated as such when initially recognized. Financial instruments are designated at fair value through profit or loss if the Group manages these investments and makes purchase and sale decisions based on their fair value according to the investment and risk management strategy documented by ArcelorMittal Brasil Group. After initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at their fair value and their fluctuations are recognized in profit or loss.

(iii) Financial asset at fair value through other comprehensive income

An instrument is classified at fair value through other comprehensive income if it is held within a business model, the purpose of which is achieved both through the receipt of contractual cash flows and the sale of financial assets and if the contractual terms of such financial asset originate, on specific dates, cash flows that mainly represent payments of principal and interest on the outstanding principal. Financial instruments at fair value through other comprehensive income are measured at fair value, and their fluctuations are recognized in equity.

(iv) Impairment of financial assets

The Company measures the recoverable value of its financial assets, considering the expected credit loss.

The methodology includes quantitative and qualitative information and analyses, based on the Company's historical credit analysis experience, as well as any increase in the risk of impairment of its assets since the initial recognition.

(v) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset, and substantially all the risks and rewards of ownership of the asset to another entity.

Upon the derecognition of a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognized in profit or loss. Additionally, upon the derecognition of an investment in debt instrument classified at fair value through other comprehensive income, the gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

(vi) Exchange gains or losses

The carrying amount of financial assets denominated in foreign currency is determined in that foreign currency and translated based on the spot rate at the end of the reporting period.

f. Inventories

They are measured at average acquisition or production cost, which is lower than the net realizable value, corresponding to the estimated selling price of inventories, less all estimated costs of completion and costs necessary to sale. Imports in transit are measured at the accumulated cost of each import.

Cost of inventories comprises acquisition and transportation costs. Cost of finished products and work-in-process inventories comprises general manufacturing expenses based on the normal operating capacity.

g. Available-for-sale assets

The group of noncurrent assets classified as held for sale are measured based on the lower of their carrying amounts and fair values, less cost to sell, and is classified as held for sale if their carrying amount is recovered principally through a sales transaction rather than through continuing use. Such condition is met only when the sale is highly probable and the asset or disposal group is available for immediate sale "as is".

h. Property, plant and equipment

They are measured at acquisition or construction cost. Depreciation is recognized based on the estimated useful life of each asset under the straight-line method so that cost less its residual value after its useful life is fully written off (except for land and construction in progress). The estimated useful live, residual values and depreciation methods are reviewed on an annual basis. Property, plant and equipment depreciation is recorded mainly as production costs.

Expenses related to property, plant, and equipment replacement are separately recorded, including those arising from large renovations, in property, plant, and equipment. Other expenses are capitalized only when there is an increase in the economic benefits and/or increase in the useful life of this item. Any other type of expense is recognized in the statement of profit and loss as cost or expense.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to be ready for the intended use or sale are added to the cost of such assets through the date in which they are ready for the intended use or sale.

If the recoverable value of an asset (or cash-generating unit) is lower than its carrying amount, then the carrying amount of the asset (or cash-generating unit) is written down to its recoverable amount. The impairment loss is immediately recognized in profit or loss.

The Group determined as cash-generating unit ("CGU") of property, plant and equipment: flat steel CGU, long steel CGU in operation, long steel CGU under construction, tube CGU (Unki), mining CGU (Mina Serra Azul), long steel CGU (Acindar) and CGU long wire.

i. Biological assets

Biological assets are measured at its fair value less cost to sell, except for bearer plants, which are measured at the historical cost, less accumulated depreciation and accumulated impairment losses, when necessary.

Biological assets are assessed on a quarterly basis by the Company, and the corresponding gains or losses on the changes in fair value of biological assets are recognized in the statement of profit and loss for the period in which they occur. The fair value of the biological asset in the current place and conditions is measured using the present value of the expected cash flow of the asset, discounted at current market rate.

The forest reserves depletion is calculated based on the volume of lumber compared to the existing potential volume.

j. Intangible assets

Intangible assets include assets acquired from third parties, including through business combinations, and those generated internally by the Company. The following criteria are used:

- Intangible assets acquired from third parties: measured at their total cost of acquisition, less impairment losses.

- Internally generated intangible assets: recognized as assets only in their development phase provided that the following aspects can be evidenced:

  - Technical feasibility to complete the intangible asset in such a way that it is available for use or sale;
  - Intention to complete the intangible asset and to use or sell it;
  - Capacity to use or sell the intangible asset;
  - Evidence the existence of a market or other ways of obtaining economic benefits;
  - Availability of technical financial resources and other adequate resources to complete the development of the intangible asset;
  - Capacity to measure the expenses attributable to the intangible asset accurately during its development;
  - Amortization.

The amount originally recorded of internally generated intangible assets corresponds to the sum of the costs incurred since the asset started to meet the recognition criteria previously mentioned. When no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss for the period, when incurred.

Intangible assets with finite useful lives are amortized considering the useful lives shown in note 16.

Intangible assets with indefinite useful life are not amortized and are annually tested for impairment under the discounted cash flow method. Goodwill based on expected future earnings was amortized through December 31, 2008. Due to the adoption of International Financial Reporting Standards and accounting practices adopted in Brazil, beginning January 1, 2009, goodwill started to be tested for impairment.

k. Financial liabilities

Financial liabilities are classified as follows: (i) financial liabilities at fair value through profit or loss; and (ii) financial liabilities subsequently measured at amortized cost.

Financial liabilities comprise: borrowings and financing, debentures, and trade and other payables.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is: (i) a contingent consideration from a buyer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, and any gains or losses arising from changes in the fair value are recognized in profit or loss to the extent they are not part of a designated hedge relationship.

(ii) Financial liabilities subsequently measured at amortized cost

Financial liabilities that are neither (i) a contingent consideration from a buyer in a business combination, (ii) held for trading, or (iii) designated at fair value through profit or loss, are subsequently measured at amortized cost under the effective interest method.

The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or, when appropriate, over a shorter period, to the amortized cost of the financial liability.

(iii) Exchange gains or losses

The fair value of financial liabilities denominated in foreign currency is determined in that foreign currency and translated based on the spot rate at the end of the reporting period.

(iv) Derecognition of financial liabilities

The Group derecognizes a financial liability if, and only if, its obligations are discharged, canceled, or when they expire. The difference between the carrying amount of the derecognized financial liability and the consideration paid and payable is recognized in profit or loss.

l. Favorable and unfavorable agreements

When measuring the assets transferred and liabilities assumed at their fair value, in business combinations, the Company assesses the prevailing terms and conditions of non-cancellable agreements on the acquisition date.

The fair value measurement of agreements in business combinations results in the recognition of an intangible asset or non-financial liability, arising from the comparison between the original conditions of the agreements and the market conditions on the acquisition date. The assets of favorable agreements and/or liabilities of unfavorable agreements are proportionally amortized, considering the term and conditions of the original agreements.

m. Income tax and social contribution

Current and deferred income tax and social contribution for the year is calculated at the rate of 15%, plus a 10% surtax on taxable income exceeding R$240 for income tax and 9% for social contribution, and take into consideration the offset of tax loss carryforwards, limited to 30% of taxable income.

Income tax and social contribution expenses comprise current and deferred income taxes. Current and deferred taxes are recognized in profit or loss unless they are related to a business combination or items recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the year at tax rates that have been enacted or substantially enacted at the end of the reporting period and any adjustment to taxes payable in relation to prior years.

Deferred tax on temporary differences is recognized between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax calculation purposes. Deferred taxes are not accounted for on the following temporary differences:

- the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income or loss.
- differences relating to investments in subsidiaries, branches and associates when it is probable that they will not be reversed in the future; and
- a deferred tax liability is not recognized for taxable temporary differences resulting in the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

In determining current and deferred income tax, the Company takes into consideration the impact of uncertainties relating to tax positions assumed and whether the additional payment of income tax and interest has to be made. The Company believes that the provision for income tax in liabilities is adequate with respect to all outstanding tax periods based on the assessment of various factors, including interpretations of tax laws and past experience. This assessment is made based on estimates and assumptions that may require a series of judgments about future events. New information can be disclosed which would require the Company to change its judgment about the adequacy of the existing provision. These changes will impact income tax expenses in the year they are realized.

Deferred tax assets and liabilities are offset when it is legally enforceable to set off current tax assets against current tax liabilities and when they relate to income taxes imposed by the same tax authority on the same entity subject to taxation.

A deferred income tax and social contribution asset is recognized for all unutilized deductible tax losses, tax credits, and temporary differences to the extent that it is probable that taxable income will be available against which those tax losses, tax credits, and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed annually and reduced to the extent that their realization is no longer probable.

Deferred tax realization criteria are described in Note 27.

The subsidiary Belgo Bekaert Arames Ltda. has tax benefits related to the operating profit, granted by the Northeast Development Agency (ADENE) (note 21b).

n. Derivatives

ArcelorMittal Brasil Group holds derivatives to manage its exposure to interest rate risks, including forwards foreign exchange contracts and interest rate and raw material acquisition, including currency swaps. Moreover, there is a derivative in investment acquisition option accounts (Tuper S.A.).

Derivatives are initially recognized at their fair value; attributable transaction costs are recognized in profit or loss when incurred. After initial recognition, derivatives are measured at fair value and changes are recorded in profit or loss.

o. Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of past events, when a reliable estimate can be made of the amount of the obligation, and its settlement is probable. Provisions are recorded based on the best estimates of Management and its legal counsel with respect to the risks involved.

p. Provision for mine restoration

The Company has obligations related to the removal of assets originating from regulatory requirements for the recognition of certain write-offs upon the expiration of exploration rights. The obligation was initially measured at fair value based on the technical report and subsequently adjusted to present value, as prescribed in IAS 37/ CPC 25.

The Company adopts the acquisition cost model and estimated cost and discount rate reviews are simultaneously recorded as intangible assets and liabilities. The effect of time lapse, that is, on the liability recognized is recorded as finance costs by the Company. The procedure adopted is in line with IFRIC 1 - Changes in Existing Decommissioning, Restoration and Similar Liabilities.

q. Employee benefits

ArcelorMittal Brasil Group is the sponsor of pension plans for its employees. The costs on plan sponsorship and possible deficits (surpluses) are recorded in accordance with IAS 19 (R1) and CPC 33 (R1) - Employee Benefits.

Actuarial calculations are periodically made for defined benefit plans where the Group is held liable for or assumes any type of risk based on the Projected Unit Credit Method, in order to estimate its responsibility for the payment of contributions.

Remeasurement, which includes actuarial gains and losses, the effect of changes in the asset ceiling (if applicable) and the return on plan assets (less interest), is immediately reflected in the balance sheet as a charge or credit recognized in other comprehensive income in the period they occur. Remeasurement recognized in other comprehensive income is immediately reflected in retained earnings and will not be reclassified to profit or loss.

The net interest is calculated by applying the discount rate at the beginning of the period at the net amount of the defined benefit liabilities or assets. Benefit costs are classified as follows:

- service cost (including the cost of current services, cost of past services, and gains and losses on reductions and settlements).
- finance cost or income, net.
- remeasurement.

In relation to the contribution defined, the Group has no additional obligation after the contribution is made.

r. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, less any expected returns, trade discounts and/or bonuses granted to the buyer, and other similar deductions, and stated at their net amount.

Sales revenue is recognized in accordance with IFRS 15/CPC 47, based on the following steps:

- Identification of contract with the customer;
- Identification of the performance obligations;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations;
- Revenue recognition when (or to the extent that) the entity fulfills a performance obligation.

s. Leases

Accounting policies until December 31, 2018

Leases are classified as finance leases whenever the terms and conditions in the lease contract substantially transfer all risks and rewards of ownership of the asset to the lessee. All other leases are classified as operating leases.

(i) Finance leases

Certain lease agreements transfer risks and rewards related to the ownership of an asset to the lessee. These contracts are characterized as finance lease agreements and assets are recognized at their fair value or the present value of minimum contractual payments.

Goods recognized as assets are depreciated over the periods established in the respective lease agreements. Finance charges related to finance lease agreements are allocated to profit or loss over the term of the agreement based on the amortized cost method and the effective interest rate.

(ii) Operating leases

Payments made under an operating lease are recognized as expenses in the statement of profit and loss on a straight-line basis over the term of the agreement.

Accounting policies from January 1, 2019

As a lessee, the Company assesses whether a contract is or contains a lease at the commencement of the contract. The Company recognizes a right-of-use asset and corresponding lease liability at the commencement date, except for short-term leases with terms of twelve months or less and leases for which the underlying asset has low value, which are recognized as expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments, which are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate can be readily determined, the incremental borrowing rate. Lease payments may include fixed or variable payments that depend on a known index or rate at the commencement date, as well as any extension or purchase option, if the Company has reasonable certainty that it will exercise these options. The lease liability is subsequently measured at amortized cost, using the effective interest method and remeasured with a corresponding adjustment to the related right-of-use asset, in case of any change in future lease payments due to renegotiation, change in index or rate or option reassessment.

The right-of-use asset comprises, since the beginning, the initial lease liability, net of PIS and COFINS any initial direct costs and, when applicable, the obligations to recover the asset, less the incentives granted by lessors. The right-of-use asset is subsequently depreciated on a straight-line basis, over the lease term or the estimated useful life of the underlying asset, if the lease transfers ownership of this asset to the Company at the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option. These assets are also subject to impairment tests if there is any indicator of impairment.

Variable lease payments not included in the measurement of lease liabilities are recognized as expenses in the period in which the events or conditions triggering these payments occur.

Right-of-use assets and lease liabilities are disclosed in a separate line in the balance sheet.

t. Share-based payment arrangements

The fair value of the options granted, which is determined on the grant date, is recorded under the straight-line method as expense in the statement of profit and loss for the year during the term in which the right is obtained, based on estimates of ArcelorMittal S.A. over which options granted will be potentially acquired, with a corresponding increase in equity.

u. Statement of value added

The purpose of this statement is to highlight the wealth created by the Company and its distribution during the period and is presented by the Company, as part of its financial statements, but it is not an expected or mandatory statement under IFRSs.

The DVA was prepared based on information obtained from the accounting records that is the basis of preparation of the financial statements and following the requirements of the CPC 09 –Statement of Added Value. The first section presents the wealth generated by the Company, represented by revenues (gross revenue from sales, including taxes levied on it, other revenues and the effects of the loss allowance for expected credit losses), inputs purchased from third parties (cost of sales and purchases of materials, energy and services from third parties, including taxes, the effects of losses and recovery of assets and depreciation and amortization) and the added value received from third parties (profit sharing of affiliates, subsidiaries, jointly-controlled subsidiaries and joint ventures, financial revenues and other revenues). The second section of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, remuneration of third-party capital and remuneration of shareholders' equity.

4. ADOPTION OF THE NEW AND REVISED IFRSs

a. New and revised standards

In the current year, the Group applied several amendments and new interpretations to the IFRSs and the CPCs issued by the IASB and CPC, which become effective for annual periods beginning January 1, 2019.

- *Amendments to IFRS 9 / CPC 48 - Prepayment Features with Negative Compensation* – the application of this standard had no impact on the Company's financial statements.

- *Amendments to IAS 28 / CPC 18 - Long-term Interests in Associates and Joint Ventures* - the application of this standard had no impact on the Company's financial statements.

- *Amendments to IFRS 11 / CPC 19 - Joint Arrangements* - the application of this standard had no impact on the Company's financial statements.

- *Amendments to IAS 12 / CPC 32 – Income Taxes* - the application of this standard had no impact on the Company's financial statements.

- *Amendments to IAS 19 / CPC 33 – Plan Amendment, Curtailment or Settlement - Defined Benefit Plan - the amendments to this standard do no impact the Company's financial statements.*

- *Amendments to IAS 23 / CPC 20 – Borrowing Costs – the amendments to this standard do no impact the Company's financial statements.*

- *Amendments to IFRS 3 / CPC 15 – Business Combinations – the amendments clarify that when the Group achieves control of a business that is a joint venture, the Group applies the phased business combination requirements, including the remeasurement of the ownership interest previously held in the joint venture at fair value. The application of such standard did not impact the Company's financial statements.*

- *IFRIC 23 / ICPC 22 - Uncertainty over Income Tax Treatments*- clarifies how to apply the recognition and measurement requirements of the standard when there is uncertainty over income tax treatments, pursuant to IAS 12 – Income Taxes. The Company assessed the requirements of this new interpretation and concluded that there is no significant impact on the financial statements. An asset was recorded in the amount of R$21,241, relating to tax discussion to which the Administration believes that the Inflationary Effects arising from IPC/90, in particular with respect to the refund of IRPJ from 1987 to 1990 will be accepted by the Tax Authority.

- *IFRS 16 / CPC 06 (R2) - Leases* – establishes one single lease accounting model for lessees and requires the recognition in the financial statements of an asset (right of use) and a financial liability corresponding to the net present value of contractual payments for all non-cancelable leases, except for short-term leases, below 12 months, and low-value assets.

  The Company applied IFRS 16/CPC 06 (R2) beginning January 1, 2019. Due to the transition option adopted – modified retrospective approach – the prior period data was not restated.

  As a result of the first-time adoption of IFRS 16 / CPC 06 (R2), on January 1, 2019, the Company recognized right-of-use rights at an amount corresponding to the lease liability in the amount of R$182,522 (Consolidated – R$234,332) measured based on the net present value of the remaining lease payments. The incremental rate used ranged from 5.77% to 10.24% based on the remaining lease term and nature of the asset.

  The lease expense recognized in operating income (loss) for leases previously recorded as operating leases is replaced by a depreciation expense related to the right-of-use assets and an interest expense that reflects the amortization of the lease liability. Moreover, the principal of the lease liabilities paid is disclosed in the statement of cash flows under financing activities, whereas operating leases paid were previously recognized as operating activities.

Variations in the right of use during 2019 are as follows:

	Parent	Consolidated
. Initial Adoption	182,522	234,332
. Additions	79,316	81,814
. Write-offs	(9,577)	(9,577)
. Merger	28,309	-
. Transferred from PP&E (*i*)	122,688	135,932
Total cost as at 12/31/2019	**403,258**	**442,501**
. Additions	(84,369)	(100,665)
. Write-offs	3,529	3,529
. Merger	(2,831)	-
. Transferred from PP&E (*i*)	(7,337)	(8,160)
Total depreciation as at 12/31/2019	**(91,008)**	**(105,296)**
Balance as at 12/31/2019	**312,250**	**337,205**

(i) Amount related to financial leasing transferred from PP&E - others

Variations in lease liabilities during 2019 are as follows:

	Parent	Consolidated
. Initial Adoption	182,522	234,332
. Additions	79,316	81,814
. Interest	26,718	30,860
. Interest Payment	(26,718)	(30,860)
. Principal Payment	(75,514)	(93,233)
. Write-offs	(6,152)	(6,152)
. Merger	26,048	-
. Transfer from Borrowings *(ii)*	118,153	127,963
Balance as at 12/31/2019	**324,373**	**344,724**
. Current	77,765	90,342
. Non Current	246,608	254,382
	324,373	**344,724**

(i) Amount related to financial leasing transferred from Borrowings

b. New pronouncements issued and amendments to standards not yet effective on December 31, 2019, and not yet adopted:

Effective beginning January 1, 2020:

- *IFRS 17 – Insurance Contracts* – the application of this standard will have no impact on the Company's financial statements.

- *Amendments to IFRS 3 – Business Combinations.* Clarifies aspects for business definition. The Company will assess the effects of this standard on possible future business combinations or asset acquisitions.

- *Amendments to IAS 1 and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* – definition of materiality – the application of this standard will have no impact on the Company's financial statements.

- *Amendments to IFRS 10 (CPC 36 (R3)) and IAS 28 (CPC 18 (R2)) - Consolidated Financial Statements and Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – address situations involving the sale or contribution of assets between an investor and its associate or joint venture – the application of this standard will have no impact on the Company's financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In applying the accounting policies, Management is required to make judgments and estimates about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and related assumptions are based on past experience and other factors that are considered to be relevant. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed at least annually. The effects of changing the accounting estimates are recognized in the period they are reviewed. The main balance sheet items subject to such estimates are the recoverable amount of property, plant and equipment, biological assets, intangible assets, and deferred changes, the loss allowance for expected credit losses, the fair value of inventories, and the recoverable amount of deferred income tax assets, the provision for tax, civil and labor risks, financial instruments and, actuarial assets and liabilities. The settlement of transactions involving these estimates may differ from these estimated amounts.

The information on critical judgments related to the accounting policies adopted that affect the amounts recognized in the consolidated financial statements is disclosed in the following notes:

- Note 13 – Investment
- Note 13(c) – Payable for the acquisition of company.
- Note 13 (d) –AM Iberoamerica Acquisition - Predecessor accounting
- Note 14 - Property, plant and equipment
- Note 15 - Biological assets
- Note 16 - Intangible assets
- Note 22 - Sales
- Note 26 - Financial instruments
- Note 27 - Income tax and social contribution
- Note 29 - Provisions for tax, civil and labor risks, compulsory and escrow deposits
- Note 32 - Post-employment benefits

6. CONSOLIDATED FINANCIAL STATEMENTS

The following direct and indirect subsidiaries and associates are included in the annual consolidated financial statements:

			% interest	
	Nature Country	Operation Country	2019	2018
ArcelorMittal Brasil S.A. and subsidiaries:				
Acindar do Brasil Ltda.	Brazil	Brazil	100.00	100.00
Armar Com. Imp. Export. Ltda	Brazil	Brazil	100.00	100.00
Tuper S.A. (note 13c)	Brazil	Brazil	40.00	40.00
Belgo Bekaert Arames Ltda. *(i)*	Brazil	Brazil	55.00	55.00
ArcelorMittal Artefatos de Arames Ltda.	Brazil	Brazil	100.00	100.00
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda. *(i)*	Brazil	Brazil	35.73	35.73
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda *(i)*	Brazil	Brazil	19.77	19.77
ArcelorMittal Sistemas S.A.	Brazil	Brazil	100.00	100.00
Belgo - Mineira Comercial Exportadora S.A.	Brazil	Brazil	100.00	100.00
PBM - Picchioni Belgo Mineira DTVM S.A.	Brazil	Brazil	74.50	74.50
ArcelorMittal BioFlorestas Ltda	Brazil	Brazil	100.00	100.00
ArcelorMittal Sul Fuminense S.A. *(ii)*	Brazil	Brazil	-	100.00
Sitrel Siderúrgica Três Lagos Ltda *(iii)*	Brazil	Brazil	-	50.00
Sitrel Siderúrgica Três Lagos Ltda *(iii)*	Brazil	Brazil	50.00	-
ArcelorMittal Comércio Exterior S.A.	Brazil	Brazil	100.00	100.00
ArcelorMittal Iberoamerica Holdings B.V. *(iv)*	Netherlands	Netherlands	100.00	100.00
Acindar Industria Argentina de Aceros S.A. *(iv)*	Argentina	Argentina	90.00	90.00
Acindar Pymes S.G.R. *(iv)*	Argentina	Argentina	49.83	49.83
Acindar Uruguay Indústria Argentina de Aceros S.A. *(iv)*	Uruguay	Uruguay	100.00	100.00
ACMET S.A. *(iv)*	Argentina	Argentina	95.00	95.00
ArcelorMittal Cordoba S.A. *(iv)*	Argentina	Argentina	51.00	51.00
CDSA S.A.U. *(iv)*	Argentina	Argentina	100.00	100.00
I.P.H. S.A.I.C.F. *(iv)*	Argentina	Argentina	33.00	33.00
ArcelorMittal Bol S.L.R. *(v)*	Bolívia	Bolívia	100.00	-
ArcelorMittal Costa Rica S.A.	Costa Rica	Costa Rica	50.00	50.00
Unki de Venezuela S.A	Venezuela	Venezuela	100.00	100.00
Industrias Unicon C.A.	Venezuela	Venezuela	100.00	100.00
Industria Improcon C.A.	Venezuela	Venezuela	100.00	100.00

(i) The Bekaert Group has the participation of a non-controlling shareholder.
(ii) Company acquired on 4/1/2018 and merged on 7/1/2019.
(iii) Investment arising from the merger of AM Sul Fluminense.
(iv) Company acquired on 05/15/2018.
(v) Commercial unit opened in 2/28/2019.

a) Merger of ArcelorMittal Sul Fluminense

On July 1, 2019, ArcelorMittal Sul Fluminense was merged into ArcelorMittal Brasil S.A. The impacts arising from the merger on the Company's assets and liabilities are shown below:

Balance sheet as at 6/30/2019

	Balance	PPA	Total		Balance	PPA	Total
Assets				**Liabilities**			
Current	872,874	15,208	888,082	Current	827,250	-	827,250
Non Current	2,246,288	582,674	2,828,962	Non Current	206,543	1,265,667	1,472,210
				Equity	2,085,369	(667,785)	1,417,584
Total Assets	**3,119,162**	**597,882**	**3,717,044**	**Total Liabilities and Equity**	**3,119,162**	**597,882**	**3,717,044**

(i) The investment balance eliminated against equity includes the realization of PPA items in the Parent since the acquisition of AM Sul Fluminense up to the merger date on July 1, 2019, in the amount of R$26,661.

STATEMENT OF PROFIT AND LOSS	6/30/2019
Net sales	929,114
Gross profit	(58,449)
Operating profit	(115,465)
Profit	(133,441)

7. CASH AND CASH EQUIVALENTS

	Parent		Consolidated	
	2019	2018	2019	2018
Cash and cash equivalents				
. Cash and demand deposits				
.. Brazilian reais	87,531	201,521	87,610	201,789
.. US dollar	-	-	1,662	9,145
.. Euro	-	-	787,192	70,771
..Argentine peso	-	-	48,024	63,491
.. Colon	-	-	2,199	652
.. Bolivian peso	-	-	70	-
.. Venezuelan bolivar	-	-	1,252	497
	87,531	**201,521**	**928,009**	**346,345**
. Short-term investments				
.. Brazilian reais	113,563	137,798	248,414	285,867
..Argentine peso	-	-	129,772	24,094
	113,563	**137,798**	**378,186**	**309,961**
Total current	**201,094**	**339,319**	**1,306,195**	**656,306**

Short-term investments included in cash and cash equivalents refer to Bank Certificates of Deposit (CDB) and time deposits, highly liquid, subject to an insignificant risk of change in value.

During 2019 deposits yielded interest at the weighted average rate of 80,57% of the CDI (79,11% of the CDI in 2018).

In the foreign market, the Company uses current account investment yield, which is likely to be subject to the fluctuations in the US interest rate. The average maturity date in 2019 is “immediate” liquidity.

8. SHORT-TERM INVESTMENTS

	Parent		Consolidated	
	2019	2018	2019	2018
Current				
.. Brazilian reais	3,261	2,573	3,261	4,530
..Argentine peso	-	-	6,264	22,231
Total current	**3,261**	**2,573**	**9,525**	**26,761**
Noncurrent				
..Argentine peso	-	-	13,801	8,232
Total noncurrent	-	-	**13,801**	**8,232**
Total short-Term Investment	**3,261**	**2,573**	**23,326**	**34,993**

Short-term investments denominated in Brazilian reais refer to Bank Certificates of Deposit (CDB) and savings account, subject to an insignificant risk of change in value. Deposits yield interest at rates ranging between 94% and 97% of the Interbank Deposit (CDI) rate, savings account yields interest based on the Benchmark Rate (TR) of 1.5% p.a. (Interest at rates ranging between 94% and 95% of the CDI rate in 2018).

Short-term investments denominated in Argentine pesos yield interest at the average rate of 27% p.a. (30% p.a. in 2018).

9. TRADE RECEIVABLES

	Parent		Consolidated	
	2019	2018	2019	2018
. Domestic market				
.. Group companies	797,904	955,161	668,695	762,875
.. Third parties	1,288,262	1,494,638	1,661,654	2,016,431
Subtotal domestic market	2,086,166	2,449,799	2,330,349	2,779,306
. Foreign market				
.. Group companies	405,281	952,250	367,546	909,350
.. Third parties	422,324	362,808	796,959	804,202
Subtotal foreign market	827,605	1,315,058	1,164,505	1,713,552
. Loss allowance for expected credit losses	(69,523)	(103,136)	(42,385)	(92,921)
Total	**2,844,248**	**3,661,721**	**3,452,469**	**4,399,937**

Of the total amount of the loss allowance for expected credit losses in 2019, R$39,981 (R$84,768 in 2018) refer to securities from Indústrias Unicon C.A. The variations in the year refer to exchange rate changes.

The balance of trade receivables from third parties and intragroup receivables is as follows:

	Parent		Consolidated	
	2019	2018	2019	2018
Current	2,656,886	3,328,994	3,199,521	4,115,959
Overdue				
01 to 30 days	154,614	204,018	200,335	223,157
31 to 90 days	35,297	76,077	45,400	86,749
91 to 180 days	11,482	24,495	18,802	34,341
Over 181 days	55,492	131,273	30,796	32,652
Total Portfolio	**2,913,771**	**3,764,857**	**3,494,854**	**4,492,858**

Variation in the allowance for doubtful debts:

	Parent		Consolidated	
	2019	2018	2019	2018
Balance at beginning of year	**(103,136)**	**(87,864)**	**(92,921)**	**(21,343)**
. Additions	(6,532)	(3,790)	(14,517)	(19,505)
. Reversal of provision	58,592	918	45,574	3,454
. Losses reversed	-	-	-	(90)
. Foreign exchange	44,787	(12,400)	19,479	(178)
. Acquisition *(i)*	(63,234)	-	-	(55,259)
Balance at end of year	**(69,523)**	**(103,136)**	**(42,385)**	**(92,921)**

(i) Refers to merger of AM Sul Fluminense in 2019, and aquisition of AM Sul Fluminense and Acindar Argentina in 2018.

The loss allowance for expected credit losses includes trade receivables that are individually unlikely to be recovered and under court-ordered collection process. The impairment recognized corresponds to the difference between the carrying amount of these trade receivables and the present value of the expected revenue arising from settlement.

ArcelorMittal Brasil Group recognizes a loss allowance for expected credit losses in accordance with the risk rating of its portfolio, based on historical credit risk analyses, adjusted by qualitative analyses and current observable inputs, mainly related to negotiations in progress and, instruments pledged as collateral by defaulting customers. The allowance for doubtful debts is recognized for receivables past due for more than 180 days relating to third-party customers identified in the domestic and foreign market, or before that, in situations where a significant change in the customer credit risk assessment is identified.

On January 1, 2018, there was no significant impact arising from the adoption of IFRS 9 – Financial Instruments.

The breakdown of trade receivables by currency is disclosed in note 26c.

10. INVENTORIES

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
. Finished products	2,778,198	3,463,045	3,469,115	4,455,774
. Work in process	408,909	228,655	661,456	622,143
. Raw materials and consumables	1,672,483	1,334,923	2,066,995	2,196,965
. Spare parts and sundry materials	714,151	605,863	965,939	892,068
. Imports in transit	314,613	824,224	386,845	940,162
. Advances to suppliers	790,356	468,469	677,642	63,096
. (-) Allowance for losses	(96,814)	(104,489)	(132,218)	(157,245)
Total	**6,581,896**	**6,820,690**	**8,095,774**	**9,012,963**

In 2019 ArcelorMittal Brasil Group recorded in the statement of profit and loss directly, in cost of sales, an idle production capacity cost of R$229,097 (R$42,213 in 2018) in the Parent , and R$257,612 (R$104,882 in 2018), in the Consolidated.

The cost of inventories recognized as expense includes a reduction of the allowance for inventory losses, in the Parent, of R$94,392 as at December 31, 2019 (R$103,898 in 2018) and R$129,795 (R$120,730 in 2018) in the Consolidated.

There are no inventories pledged as collateral.

11. RECOVERABLE TAXES

	Parent		Consolidated	
	2019	2018	2019	2018
. State VAT (ICMS)	838,095	699,155	878,313	936,535
. Tax on Revenue (COFINS) *(i)*	854,987	761,526	871,463	790,297
. Income Tax and Social Contribution	67,467	19,832	212,298	59,533
. Tax on Revenue (PIS) *(i)*	198,739	171,293	202,169	177,523
. Federal VAT (IPI)	57,135	36,685	57,187	51,889
. Withholding Income Tax (IRRF)	-	-	212	-
. Recoverable VAT of foreign investees	-	-	51,809	72,646
. Tax Credit - Reintegra	7,338	5,362	13,122	8,819
. Other	34,479	34,057	32,714	36,277
. Allowance for losses	(8,687)	(9,160)	(12,303)	(12,365)
Total	**2,049,553**	**1,718,750**	**2,306,984**	**2,121,154**
. Current	1,010,634	681,861	1,173,173	871,442
. Noncurrent	1,038,919	1,036,889	1,133,811	1,249,712
Total	**2,049,553**	**1,718,750**	**2,306,984**	**2,121,154**

(i) Refers to the recovery of the PIS/COFINS credit on final and unappealable decisions rendered in the case records of lawsuits 000661080.2010.4.01.3811 and 0072510-43.2010.4.01.3800, which are the subject of interest of ArcelorMittal Brasil S.A., and which ensured the right to deduct the ICMS from the PIS/COFINS tax base. The matter was widely recognized by the STF and, on March 15, 2017, its Plenary Body has handed down a final decision on RE No. 574.706 which decision was favorable to taxpayers, to confirm that the ICMS does not comprise the gross revenue, the PIS and COFINS tax base.

ICMS tax credits recorded in the consolidated arising from property, plant and equipment acquisition, in the total amount of R$78,189 in 2019 (R$32,999 in 2018) in the Parent, and R$78,486 (R$41,399 in 2018) in the Consolidated, are offset over 48 months from recognition date.

The Company has been adopting all measures necessary to recover the credits, which belong to the Vega unit. Since 2013 ArcelorMittal Brasil has signed a Letter of Intent for the Company's new investments with the Santa Catarina State Government, which will allow the gradual use of the ICMS credit balance. The recoverable ICMS credit balance arising on deemed credit tax benefits claimed on freight amounts to R$575,664 as at December 31, 2018 (R$600,424 in 2017), of which R$40,500 is classified in current assets and R$535,164 is classified in noncurrent assets, based on the expected recovery.

The Company's management assesses legal measures to realize these credits in accordance with its business model permanently, in order to reduce the generation and accumulation of credit balances in its production units, mainly ICMS credits.

12. ADVANCES TO FOREST PRODUCERS

	Parent		Consolidated	
	2019	2018	2019	2018
Sundry debtors - PPF	24,072	-	63,727	81,532
Build stocks - PPF	3,699	-	31,068	35,309
Allowance for losses	-	-	(9,874)	(4,361)
Total	**27,771**	-	**84,921**	**112,480**
Noncurrent	27,771	-	84,921	112,480
Total	**27,771**	-	**84,921**	**112,480**

The Forest Producer Program ("PPF") is a forest producer development incentive program aimed at producing wood for charcoal production. In this program, the Company and financial institutions, including the Bank for Social and Economic Development ("BNDES"), lend money for investment in the plantation and cultivation of forests owned by forest producers. Moreover, the Company supervises the forest cultivation process, supporting producers during all stages, from plantation to harvest, which normally takes place between 6 and 7 years.

The Company controls the volume of the funds lent, as well as the costs incurred with the oversight of the forest producers joining the program, until the sale of the wood by the producer to the Company. At this occasion, the Company matches the accounts between the funds it lends, those recorded as advances to the forest producer and the amount of the wood acquired.

13. INVESTMENT

ArcelorMittal Brasil Group recognized share of profit of subsidiaries of R$536,593 in 2019 (share of loss of subsidiaries of R$488,201 in 2018), and recognized dividends in the amount of R$215,620 in 2019 (R$146,214 in 2018) from companies under the equity method of accounting.

The table below shows the summarized financial information on subsidiaries and the variations in investments in subsidiaries.

a. Information on direct subsidiaries

	Number of shares held	% - interest		Total assets	Total liabilities	Equity	Profit (loss) for the year	Income (loss) from investments
		Voting capital	Total capital					
Unki de Venezuela S.A								
31/12/2019	963,000	100.00	100.00	69,502	244,793	(175,291)	446,034	446,034
31/12/2018	963,000	100.00	100.00	33,580	781	32,799	(64,531)	(64,531)
Belgo Bekaert Arames Ltda.								
31/12/2019	1,355,596	55.00	55.00	1,499,404	479,974	1,019,431	257,373	167,479
31/12/2018	1,355,596	55.00	55.00	1,488,869	523,809	965,060	225,088	105,288
ArcelorMittal BioFlorestas Ltda								
31/12/2019	564,605,867	100.00	100.00	659,868	242,077	417,790	(28,267)	(28,267)
31/12/2018	564,605,867	100.00	100.00	590,729	144,671	446,058	(38,681)	(38,681)
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.								
31/12/2019	1,249,086	19.77	19.77	657,652	236,147	421,505	88,489	32,322
31/12/2018	1,249,086	19.77	19.77	593,339	225,523	367,816	85,441	31,024
ArcelorMittal Costa Rica S.A.								
31/12/2019	11,497,455	50.00	50.00	284,982	244,632	40,351	12,117	6,059
31/12/2018	11,497,455	50.00	50.00	373,055	348,231	24,824	(27,896)	(13,948)
ArcelorMittal Sistemas S.A.								
31/12/2019	1,879,952	100.00	100.00	59,949	33,715	26,234	(590)	(590)
31/12/2018	1,879,952	100.00	100.00	58,246	31,422	26,824	1,199	1,199
ArcelorMittal Comércio Exterior S.A.								
31/12/2019	553,000	100.00	100.00	15,740	6,865	8,875	2,818	2,818
31/12/2018	553,000	100.00	100.00	15,976	8,489	7,487	968	968
Belgo - Mineira Comercial Exportadora S.A.								
31/12/2019	1,717,353	100.00	100.00	2,084	2,451	(367)	(339)	(339)
31/12/2018	1,717,353	100.00	100.00	1,690	2,362	(672)	(299)	(299)
Armar Com. Imp. Export. Ltda.								
31/12/2019	158,459,999	100.00	100.00	146,004	109,161	36,843	29,165	29,165
31/12/2018	155,659,999	100.00	100.00	115,951	111,073	4,878	(35,148)	(35,148)
Acindar do Brasil Ltda								
31/12/2019	10,711,784	100.00	100.00	4,525	12,646	(8,121)	(7,680)	(7,680)
31/12/2018	10,711,784	100.00	100.00	4,949	5,389	(440)	1,253	1,253
ArcelorMittal Artefatos de Arames Ltda.								
31/12/2019	192,656,311	100.00	100.00	268,226	55,072	213,154	14,983	14,983
31/12/2018	192,656,311	100.00	100.00	272,840	55,787	217,053	11,527	11,527
ArcelorMittal Sul Fluminense *(i)*								
31/12/2019	-					-	(140,954)	(156,590)
31/12/2018	3,492,211,976	100	100	3,305,634	1,079,311	2,226,323	-317,079	-414,805
ArcelorMittal Iberoamérica								
31/12/2019	20,000	100.00	100.00	1,848,397	784,029	1,064,368	17,972	19,782
31/12/2018	20,000	100.00	100.00	1,073,825	770,114	303,711	(69,847)	(72,048)
ArcelorMittalBolivia *(ii)*								
31/12/2019	99	100.00	100.00	880	626	255	141	141

(i) Company was merged into ArcelorMittal Brasil S.A. in 1/7/2019
(ii) Commercial unit opened in 2/28/2019

b. *Variations in investments in direct subsidiaries and associates*

Parent

	2017	Income (loss) Equity Method	Currency translation adjustment	Dividends and Interest on capital (*)	Additions/ Arcquisition	Sales	Valuation adjustments to equity	Uncovered Liability	2018
Unki de Venezuela S.A.	49,739	(64,531)	47,624	-	-	-	(33)	-	32,799
ArcelorMittal Bio Florestas Ltda	484,739	(38,681)	-	-	-	-	-	-	446,058
Belgo Bekaert Arames Ltda.	479,042	105,288	-	(115,731)	-	-	111	-	468,710
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.	61,036	31,024	-	(28,326)	-	-	-	-	63,734
ArcelorMittal Costa Rica S.A.	23,541	(13,948)	2,819	-	-	-	-	-	12,412
ArcelorMittal Sistemas S.A.	25,910	1,199	-	(285)	-	-	-	-	26,824
ArcelorMittal Comércio Exterior S.A.	8,391	968	-	(1,872)	-	-	-	-	7,487
Belgo - Mineira Comercial Exportadora S.A. *(i)*	-	(299)	-	-	-	-	-	299	-
Armar Com. Imp. Export. Ltda	40,027	(35,148)	-	-	-	-	-	-	4,879
Acindar do Brasil Ltda (i)	-	1,253	-	-	-	-	-	(1,253)	-
ArcelorMittal Artefatos de Arames Ltda.	205,526	11,527	-	-	-	-	-	-	217,053
ArcelorMittal Trefilados e Laminados Ltda *(ii)*	-	-	-	-	292,690	(292,690)	-	-	-
ArcelorMittal Sul Fluminense SA *(iii)*	-	(414,805)	-	-	1,891,490	-	-	-	1,476,685
ArcelorMittal Iberoamérica *(iv)*	-	(72,048)	(84,120)	-	3,068,876	-	(2,611,197)	-	301,511
Subtotal	**1,377,951**	**(488,201)**	**(33,677)**	**(146,214)**	**5,253,056**	**(292,690)**	**(2,611,119)**	**(954)**	**3,058,152**
Goodwill/(Negative Goodwill)									
Belgo Bekaert Arames Ltda.	(9,380)	-	-	-	-	-	-	-	(9,380)
ArcelorMittal Costa Rica S.A.	10,276	-	-	-	-	-	-	-	10,276
ArcelorMittal Sul Fluminense SA *(iii)*	-	-	-	-	81,148	-	-	-	81,148
Others	145	-	-	-	-	-	-	-	145
Total	**1,378,992**	**(488,201)**	**(33,677)**	**(146,214)**	**5,334,204**	**(292,690)**	**(2,611,119)**	**(954)**	**3,140,341**

	2018	Income (loss) Equity Method	Currency translation adjustment	Dividends and Interest on capital (*)	Additions/ Acquisition	Merger	Valuation adjustments to equity	Uncovered Liability	2019
Unki de Venezuela S.A. *(i)*	32,799	446,034	(654,103)	-	-	-	(21)	175,291	-
ArcelorMittal Bio Florestas Ltda	446,058	(28,267)	-	-	-	-	-	-	417,791
Belgo Bekaert Arames Ltda.	468,710	167,479	-	(124,483)	-	-	61	-	511,767
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.	63,734	32,322	-	(21,502)	-	-	-	-	74,554
ArcelorMittal Costa Rica S.A.	12,412	6,059	1,705	-	-	-	-	-	20,176
ArcelorMittal Sistemas S.A.	26,824	(590)	-	-	-	-	-	-	26,234
ArcelorMittal Comércio Exterior S.A.	7,487	2,818	-	(1,430)	-	-	-	-	8,875
Belgo - Mineira Comercial Exportadora S.A. *(i)*	-	(339)	-	-	644	-	-	(305)	-
Armar Com. Imp. Export. Ltda	4,879	29,165	-	-	2,800	-	-	-	36,844
Acindar do Brasil Ltda *(i)*	-	(7,680)	-	-	-	-	-	7,680	-
ArcelorMittal Artefatos de Arames Ltda.	217,053	14,983	-	(18,882)	-	-	-	-	213,154
ArcelorMittal Sul Fluminense SA *(iii)*	1,476,685	(156,590)	-	-	-	(1,320,095)	-	-	-
ArcelorMittal Iberoamérica *(iv)*	301,511	19,782	24,704	-	717,980	-	-	-	1,063,977
ArcelorMittal BOL *(v)*	-	141	4	-	5	-	-	-	150
Sitrel - Siderúgica Três Lagoas Ltda	-	11,276	-	(49,323)	-	182,886	-	-	144,839
Subtotal	**3,058,152**	**536,593**	**(627,690)**	**(215,620)**	**721,429**	**(1,137,209)**	**40**	**182,666**	**2,518,361**
Added Value of Assets									
ArcelorMittal Sul Fluminense SA *(iii)*	-	-	-	-	-	-	146,471	-	**146,471**
Goodwill/(Negative Goodwill)									
Belgo Bekaert Arames Ltda.	(9,380)	-	-	-	-	-	-	-	(9,380)
ArcelorMittal Costa Rica S.A.	10,276	-	-	-	-	-	-	-	10,276
ArcelorMittal Sul Fluminense SA *(iii)*	81,148	-	-	-	-	(107,243)	26,095	-	-
Others	145	-	-	-	105	-	-	-	250
Total	**3,140,341**	**536,593**	**(627,690)**	**(215,620)**	**721,534**	**(1,244,452)**	**172,606**	**182,666**	**2,665,978**

(*) Interest on capital;
(i) Companies with uncovered liability;
(ii) Capital contribution was made with transfers of assets and was sold in 1/4/2018;
(iii) Company acquired in 4/1/2018 and was merged into ArcelorMittal Brasil S.A. in 7/1/2019;
(iv) Company acquired in 5/15/2018;
(v) Commercial unit opened in 2/28/2019.

								Consolidated
	2017	Income (loss) Equity Method	Write-offs	Dividends and Interest on capital (*)	Additions/ Acquisition	Added Value of Assets	Goodwill	2018
PBM - Picchioni Belgo Mineira DTVM S.A. (i)	465	(151)	-	-	-	-	-	314
Tuper S.A.	46,000	(30,584)	-	-	-	-	-	15,416
I.P.H. S.A.I.C.F. (ii)	-	16,366	(1,280)	-	15,118	-	-	30,204
Sitrel - Siderúgica Três Lagoas Ltda (iii)	-	70,812	-	(8,150)	126,457	-	-	189,119
Subtotal	**46,465**	**56,443**	**(1,280)**	**(8,150)**	**141,575**	**-**	**-**	**235,053**
Surplus of assets								
Tuper S.A.	72,144	(5,539)	-	-	-	-	-	66,605
Goodwill								
Sitrel - Siderúgica Três Lagoas Ltda	-	-	-	-	-	-	146,515	146,515
Total	**118,609**	**50,904**	**(1,280)**	**(8,150)**	**141,575**	**-**	**146,515**	**448,173**

	2018	Income (loss) Equity Method	Currency translation adjustment	Dividends and Interest on capital (*)	Additions/ Acquisition	Added Value of Assets	Goodwill	2019
PBM - Picchioni Belgo Mineira DTVM S.A. *(i)*	314	(135)	-	-	299	-	-	478
Tuper S.A.	15,416	30,800	-	-	-	-	-	46,216
I.P.H. S.A.I.C.F. *(ii)*	30,204	20,023	(8,989)	(11,838)	-	-	-	29,400
Sitrel - Siderúgica Três Lagoas Ltda *(iii)*	189,119	22,011	-	(66,291)	-	-	-	144,839
Subtotal	**235,053**	**72,699**	**(8,989)**	**(78,129)**	**299**	**-**	**-**	**220,933**
Added value of assets								
Tuper S.A.	66,605	(5,422)	-	-	-	-	-	61,183
Goodwill								
Sitrel - Siderúgica Três Lagoas Ltda	146,515	-	-	-	-	(44)	-	146,471
Total	**448,173**	**67,277**	**(8,989)**	**(78,129)**	**299**	**(44)**	**-**	**428,587**

(*) Interest on capital.
(i) Company deconsolidated
(ii) Indirect investment through a company acquired on 5/15/2018 - Acindar Argentina
(iii) Company acquired on 4/1/2018

c. Acquisition of ArcelorMittal Sul Fluminense (former Votorantim Siderurgia SA)

On February 23, 2017, ArcelorMittal and Votorantim S.A. announced the execution of an agreement, whereby the long steel segment business of Votorantim in Brazil, through Votorantim Siderurgia, would become a subsidiary of ArcelorMittal Brasil and Votorantim S.A. would hold noncontrolling interest of 2.99% in ArcelorMittal Brasil. This transaction was subject to the approval of the Administrative Council for Economic Defense (CADE), which approval was given on February 7, 2018, contingent on the performance of divestiture commitments of ArcelorMittal Brasil (see note 14f). On April 1, 2018, after fulfillment of all conditions imposed by the CADE, the transaction was closed through the execution of the Closing Memorandum by the relevant parties.

The acquisition was completed upon the issuance of preferred shares to Votorantim S.A. corresponding to a 2.99% stake in ArcelorMittal Brasil. These shares are entitled to restricted rights and compensation based on annual fixed dividends of R$10 thousand. Pursuant to the shareholders' agreement, the shares will be subject to put and call options, exercisable on any time by Votorantim S.A. and ArcelorMittal Brasil S.A., between July 1, 2019 and December 31, 2022 and, between January 1, 2023 and December 31, 2024, respectively.

The Company has assessed the nature of the noncontrolling interest of Votorantim S.A. in ArcelorMittal Brasil S.A. and concluded that the put and call options do not represent derivative instruments. Accordingly, it has recognized on the acquisition date an accounts payable measured at amortized cost against Votorantim S.A., which was measured on the acquisition date at the redemption present value at R$1,088,641. As of December 31, 2019, the amount totaled R$1,068,002 (R$890,471 in 2018).

The Company assessed the business combination on the acquisition date to measure and recognize the allocation of the purchase price, based on the fair value of the assets acquired and liabilities assumed, as follows:

	Book value	Purchase Price Allocation	Fair Value
Estimated consideration to be paid			**1,088,641**
Assets acquired:			
Cash and cash equivalents	1,617	-	1,617
Other current assets	848,983	15,208	864,191
Investments	126,457	146,473	272,930
Property, plant and equipment	1,863,369	43,827	1,907,196
Biological assets	128,504	(41,951)	86,553
Intangible assets	7,337	-	7,337
Others noncurrent assets	126,815	434,325	561,140
Liabilities assumed:			
Current liabilities	(631,129)	-	(631,129)
Provision for tax, civil and labor risks	(46,444)	(309,637)	(356,081)
Contractual Obligations	-	(916,716)	(916,716)
Others noncurrent payables	(776,326)	(39,314)	(815,640)
Assets acquired and liabilities assumed:	**1,649,183**	**(667,785)**	**981,398**
Goodwill			**107,243**

Other noncurrent assets include R$276,637 related to indemnifiable assets against Votorantim S.A., mainly related to contingent liabilities measured in the amount of R$309,637, which were accrued on the acquisition date in line item "Provisions for tax, civil and labor risks". Moreover, the Company recognized an appreciation of the investment in the joint venture Sitrel – Siderúrgica Três Lagoas Ltda. ("Sitrel") of R$146,473 and, contractual obligations related to unfavorable agreements in the amount of R$916,716. These unfavorable agreements refer to the acquisition of electric energy, payables for the supply of raw materials to Sitrel and leases, and the amounts adjusted as at December 31, 2019 total R$885,570 (R$943,072 in 2018).

The Company completed the fair value measurement process of identifiable assets and liabilities of AM Sul Fluminense on March 31, 2019, without significant changes in relation to 2018.

As at December 31, 2018, profit or loss for the year included the recognition of share of loss of subsidiaries of R$311,562.

Had the acquisition occurred on January 1, 2018, the net sales revenue and loss for 2018, attributable to the controlling shareholder, would be overstated by R$613,472 and R$95,492 respectively.

The Company did not recognize deferred income tax on the appreciation of assets, in view of the expected merger that occurred on July 1, 2019.

d. Acquisition of AM Iberoamerica Holding BV

On May 15, 2018, ArcelorMittal Brasil acquired a 100% stake in AM Iberoamerica Holding BV which holds a 90% stake in Acindar Indústria Argentina de Aceros ("Acindar") at the amount of R$3,068,876. The transaction corresponds to a business combination between entities under common control, where the "Predecessor Cost Basis" acquisition method is applied, as set forth in CVM/SNC/SEP/Circular Letter 01/2019.

The assets and liabilities of acquiree AM Iberoamerica Holding BV and its subsidiary Acindar were recognized on the acquisition date at their nominal amount, and the excess amount between the amount paid and the amount of the net assets and liabilities transferred, in the amount of R$3,100,088 was recorded in equity in line item "Valuation adjustments to equity". On May 15, 2018, line item "Cash and cash equivalents" of AM Iberoamerica and Acindar amounts to R$108,948.

Had the acquisition occurred on January 1, 2018, the net sales revenue and profit for 2018, attributable to the controlling shareholder, would be overstated by R$1,591,289 and R$72,368, respectively.

The variations in the acquisition of the investment in AM Iberoamerica Holding BV by ArcelorMittal Brasil S.A. are broken down below:

	Consideration Paid	Investment on Iberoamerica	Profit and Loss	Equity
Company acquisition under common control	**(3,068,875)**	**(31,213)**	**-**	**3,100,088**
Retroactive hyperinflationary adjustments in subsidiary in Argentina	-	488,879	-	(488,879)
Equity	-	(72,046)	72,046	72,046
CTA	-	(84,109)	-	84,109
Total	**(3,068,875)**	**301,511**	**72,046**	**2,767,364**

The information on Iberoamerica and its subsidiary for 2018 and 2017 is as follows:

Assets	2018
Current	
Cash and cash equivalents	158,356
Trade receivables	335,583
Inventories	1,186,793
Others	447,170
	2,127,902
Noncurrent	
Others	17,736
Investments	30,203
Property, plant and equipment	890,778
	938,717
Total assets	**3,066,619**

Liabilities	2018
Current	
Trade payables	1,063,035
Borrowings	807,236
Income tax	65,770
Others	313,933
	2,249,974
Noncurrent	
Deferred income tax and social contribution	168,127
Others	225,590
	393,717
Noncontrolling interests	**119,217**
Equity	**303,711**
Total liabilities	**3,066,619**

Statement of profit and loss	2018
Net sales	2,752,606
Cost of sales	(2,463,199)
Gross profit	**289,407**
Operating income (expenses), net	(115,040)
Financial income (expenses), net	(81,946)
Operating profit	**92,421**
Income tax and social contribution	(161,999)
Profit (loss)	**(69,578)**
Attributable to:	
Controlling shareholders	(69,848)
Noncontrolling shareholders	270
	(69,578)

e. Impairment test - goodwill

ArcelorMittal Brasil annually tests the carrying amount of investment goodwill for impairment or whenever changes in circumstances indicate that the carrying amount might be impaired. The main assumptions used to calculate the recoverable value of goodwill are described in note 16 – Intangible assets. No goodwill impairment losses were identified in 2019.

14. PROPERTY, PLANT AND EQUIPMENT

Parent:	Administrative and industrial buildings	Industrial facilities and equipment	Other (furniture, vehicles, etc.) *(i)*	Land	Construction in progress	Advances to suppliers	Impairment	Total
Total cost as at 12/31/2017	**3,101,130**	**21,454,704**	**518,794**	**236,774**	**1,669,829**	**37,842**	**(188,621)**	**26,830,452**
. Additions	-	-	123,363	-	654,305	86,368	-	**864,036**
. Write-offs	(9,796)	(151,468)	(130,566)	(206)	-	-	-	**(292,036)**
. Acquisition (ii)	7,425	763	198	-	-	-	-	**8,386**
. Translation adjustment and currency flutation	-	-	-	-	-	2,404		**2,404**
. Transfers to available for sales	(40,624)	(428,723)	(16,090)	(35,674)	-	-	-	**(521,111)**
. Transfers to intangible assets	-	-	-	-	(19,308)	-	-	**(19,308)**
. Transfers	19,879	533,126	20,042	216	(573,263)	-	-	**-**
Total cost as at 12/31/2018	**3,078,014**	**21,408,402**	**515,741**	**201,110**	**1,731,563**	**126,614**	**(188,621)**	**26,872,823**
. Additions	-	897	-	-	1,111,092	(29,405)	-	**1,082,584**
. Write-offs	(43,374)	(844,285)	(66,757)	(2,612)	-	-	-	**(957,028)**
. Merger of ArcelorMittal Sul Fluminense	671,690	1,978,352	83,459	65,656	24,556	6,594	-	**2,830,307**
. Translation adjustment and currency flutation	-	-	-	-	-	(4,024)	-	**(4,024)**
. Reversion	-	-	(2,516)	-	-	(33)	-	**(2,549)**
. Transfer to leasing	-	-	(122,688)	-	-	-	-	**(122,688)**
. Transfers to intangible assets	-	-	-	-	(34,217)	-	-	**(34,217)**
. Transfer to biological assets	-	-	-	-	(479)	-	-	**(479)**
. Transfers	53,235	404,644	55,852	-	(513,731)	-	-	**-**
Total cost as at 12/31/2019	**3,759,565**	**22,948,010**	**463,091**	**264,154**	**2,318,784**	**99,746**	**(188,621)**	**29,664,729**
Total depreciation as at 12/31/2017	**(1,597,642)**	**(12,257,873)**	**(398,813)**	**-**	**-**	**-**	**-**	**(14,254,328)**
. Additions	(41,144)	(461,034)	(28,740)	-	-	-	-	**(530,918)**
. Write-offs	9,129	118,432	127,069	-	-	-	-	**254,630**
. Transfers to available for sales	17,197	246,279	4,732	-	-	-	-	**268,208**
. Transfers to intangible assets	-	(1,418)	(476)	-	-	-	-	**(1,894)**
Total depreciation as at 12/31/2018	**(1,612,460)**	**(12,355,614)**	**(296,228)**	**-**	**-**	**-**	**-**	**(14,264,302)**
. Additions	(48,418)	(494,568)	(27,191)	-	-	-	-	**(570,177)**
. Write-offs	35,366	842,043	65,975	-	-	-	-	**943,384**
. Merger of ArcelorMittal Sul Fluminense	(167,150)	(832,266)	(47,514)	-	-	-	-	**(1,046,930)**
. Transfer to leasing	-	-	7,337	-	-	-	-	**7,337**
Total depreciation as at 12/31/2019	**(1,792,662)**	**(12,840,405)**	**(297,621)**	**-**	**-**	**-**	**-**	**(14,930,688)**
Net as at 12/31/2018	1,465,554	9,052,788	219,513	201,110	1,731,563	126,614	(188,621)	12,608,521
Net as at 12/31/2019	1,966,903	10,107,605	165,470	264,154	2,318,784	99,746	(188,621)	14,734,041
Useful life as at 12/31/2018	50 years	32 years	10 years					
Useful life as at 12/31/2019	50 years	32 years	10 years					

(i) Includes financial leasing in the amount of U$ 115,351 (U$ 1,972 in 2017);
(ii) Refers to incorporation of AM Sul Fluminense assets related to Divinópolis plant (Pig Iron);

Consolidated	Administrative and industrial buildings	Industrial facilities and equipment	Other (furniture, vehicles, etc.)*(i)*	Land	Construction in progress	Advances to suppliers	Impairment	Total
Total cost as at 12/31/2017	**3,581,586**	**23,509,271**	**787,081**	**365,486**	**1,819,510**	**59,221**	**(183,316)**	**29,938,839**
. Additions	1,371	5,736	121,747	-	912,265	100,998	-	**1,142,117**
. Write-offs	(48,041)	(283,178)	(105,152)	(206)	(160)	(103)	-	**(436,840)**
. Acquisition of AM Sul Fluminense	749,645	2,024,815	34,131	23,822	742	1,243	-	**2,834,398**
. Merger *(ii)*	7,425	763	198	-	-	-		**8,386**
. Acquisition of Acindar	168,839	339,994	-	728	40,229	7,617	(1,571)	**555,836**
. Surplus of Sul Fluminense's assets	(76,117)	62,530	15,581	41,833	-	-	-	**43,827**
. Translation adjustment and currency flutuation	272,967	1,053,944	(2,771)	9,412	64,335	(403)	-	**1,397,484**
. Transfers to available for sales	(40,624)	(428,723)	(16,090)	(35,674)	-	-	-	**(521,111)**
. Transfers to other accounts receivable	-	-	-	-	-	103	-	**103**
. Transfers to intangible assets	-	-	-	-	(23,049)	-	-	**(23,049)**
. Transfers	73,079	579,544	50,887	215	(703,725)		-	-
Total cost as at 12/31/2018	**4,690,130**	**26,864,696**	**885,612**	**405,616**	**2,110,147**	**168,676**	**(184,887)**	**34,939,990**
. Additions	-	897	12,720	-	1,453,585	(20,442)	-	**1,446,760**
. Write-offs	(60,808)	(883,707)	(70,023)	(9,651)	(128)	-	-	**(1,024,317)**
. Translation adjustment and currency flutuation	75,071	103,828	34,865	7,582	(28,168)	(8,243)	-	**184,935**
. Transfer to biological assets	-	-	-	-	(1,049)	-	-	**(1,049)**
. Transfer to leasing	-	-	(135,932)	-	-	-	-	**(135,932)**
. Transfers to intangible assets	-	-	-	-	(24,688)	(20,313)	-	**(45,001)**
. Transfers	(22,038)	615,896	22,174	41,833	(657,865)	-	-	-
Total cost as at 12/31/2019	**4,682,355**	**26,701,610**	**749,416**	**445,380**	**2,851,834**	**119,678**	**(184,887)**	**35,365,386**
Total depreciation as at 12/31/2017	**(1,837,824)**	**(13,829,047)**	**(521,592)**	-	-	-	**(5,307)**	**(16,193,770)**
. Additions	(92,343)	(691,845)	(50,825)	-	-	-	-	**(835,013)**
. Write-offs	20,990	190,916	131,097	-	-	-	-	**343,003**
. Acquisition of AM Sul Fluminense	(164,923)	(785,409)	(39,362)	-	-	-	-	**(989,694)**
. Acquisition of Acindar	(10,842)	(269,228)	(3,873)	-	-	-	-	**(283,943)**
. Translation adjustment and currency flutuation	(148,918)	(565,377)	2,916	-	-	-	-	**(711,379)**
. Transfers to available for sales	17,197	246,279	4,732	-	-	-	-	**268,208**
. Transfers to intangible assets	-	(1,418)	(476)	-	-	-	-	**(1,894)**
Total depreciation as at 12/31/2018	**(2,216,663)**	**(15,705,129)**	**(477,383)**	-	-	-	**(5,307)**	**(18,404,482)**
. Additions	(84,936)	(663,400)	(53,066)	-	-	-	-	**(801,402)**
. Write-offs	45,368	876,306	68,250	-	-	-	-	**989,924**
. Translation adjustment and currency flutuation	(50,011)	(58,618)	(6,980)	-	-	-	-	**(115,609)**
. Transfers to intangible assets	234	2,297	(5,153)	-	-	-	-	**(2,622)**
. Transfer to leasing	-	-	8,160	-	-	-	-	**8,160**
Total depreciation as at 12/31/2019	**(2,306,008)**	**(15,548,544)**	**(466,172)**	-	-	-	**(5,307)**	**(18,326,031)**
Net as at 12/31/2018	**2,473,467**	**11,159,567**	**408,229**	**405,616**	**2,110,147**	**168,676**	**(190,194)**	**16,535,508**
Net as at 12/31/2019	**2,376,347**	**11,153,066**	**283,244**	**445,380**	**2,851,834**	**119,678**	**(190,194)**	**17,039,355**
Useful life as at 12/31/2018	50 years	32 years	10 years					
Useful life as at 12/31/2019	50 years	32 years	10 years					

(i) Includes financial leasing in the amount of U$ 115,351 (U$ 1,972 in 2017);
(ii) Refers to incorporation of AM Sul Fluminense assets related to Divinópolis plant (Pig Iron);

a. Collaterals

As at December 31, 2019, the Company offered R$211,332 (R$224,530 in 2018) as properties pledged as collateral for lawsuits and contractual agreements.

b. Asset under Construction

Of the total balance of constructions in progress, R$ 1,047,585 (R$1.040.475 in 2018) refers mainly to investments in projects focused on increasing productivity, modernization and quality, cost reductions, and installation of new environmental protection systems and the project of the expansion of the plant in João Monlevade.

On November 30, 2007, ArcelorMittal announced its plans to expand the capacity of the João Monlevade plant, thus increasing its current capacity from 1.1 to 2.2 million tonnes. On that date, a memorandum of understanding was signed by the Company and the Minas Gerais State Government with a commitment between the parties.

In light of the uncertainties in the world economy, in December 2011 ArcelorMittal decided to postpone the Monlevade Expansion Project.

In the second half of 2013, ArcelorMittal Brasil has resumed the project, completing its first stage in 2015 upon the installation of the third wire rod plant in Monlevade. The second stage of the expansion project comprising the construction of new sintering facilities and a new blast furnace remains temporarily suspended, waiting for better market and global competiveness conditions.

The letter of intent entered into with the Minas Gerais State Government is being amended, due to postponement for completion of investments.

c. Review of useful lives

Management believes that the useful lives applied in 2019 and 2018 represent adequately the economic useful lives of its assets and are in conformity with the accounting policies adopted.

d. Interest capitalization

The borrowing costs capitalized, in the Parent and in the Consolidated, in the period amount to R$77,591 in 2019 (R$ 40,673 in 2018). The Company used the weighted average rate on the borrowings outstanding as at December 31, 2019, which was 12,49% p.a. (12% p.a. in 2018).

e. Impairment test

The main assumptions used by Management for the impairment test are included in Note 16a.

f. Sale of assets

Within the context of acquisition of Votorantim Siderurgia S.A., subsequently named ArcelorMittal Sul Fluminense SA (note 13c), divestment actions were determined by the CADE on February 7, 2018. As determined by the CADE, the Company sold the industrial units in Cariacica and Itaúna and a few pieces of drawn wiring equipment to SIMEC Group and a few pieces of drawn wiring equipment to Aço Verde do Brasil (MA).

The divestment transaction was classified as sale of noncurrent assets in conformity with the requirements set out in IFRS 5 (CPC 31) – Noncurrent Assets Held for Sale and Discontinued Operations. As at December 31, 2018, all assets had been transferred to the buyers, and an impairment loss in the amount of R$100,654 was recognized in profit or loss for the year.

15. BIOLOGICAL ASSETS

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Balance at beginning of year	**-**	**-**	**189,938**	**120,347**
. Additions	1,996	-	30,954	50,526
. Write-offs	-	-	-	(1,320)
. Acquisition of AM Sul Fluminense	-	-	-	86,553
. Merger of AM Sul Fluminense	70,630		-	-
. Depletion	(5,485)	-	(22,431)	(39,482)
. Fair value	6,467	-	37,530	(26,686)
. Transfer from PP&E	479	-	1,049	-
Balance at year end	**74,087**	**-**	**237,040**	**189,938**

The Company's biological assets comprise the cultivation and planting of eucalyptus forests in order to supply raw materials for the production of charcoal and are located in the States of Minas Gerais and Rio de Janeiro.

As at December 31, 2019, the Company had 64,806 hectare, of which 51,908 hectare (51.069 hectare in 2018) belong to ArcelorMittal BioFlorestas and 12,898 to ArcelorMittal Brasil (15,016 hectare in 2018) of planted forests that are not pledged as collaterals.

a. Assumptions for recognition of the fair value of biological assets

The Company recognizes its biological assets at fair value, determined based on the discounted cash flow, considering productivity and cultivation area for a harvest cycle from six to seven years.

Projected cash flows are consistent with the planted area growth cycle. The eucalyptus production volume to be harvested was estimated based on the average production in cubic meters ("m³") of planted timber by hectare on harvest date. Average production varies according to the genetic material, weather and soil conditions and forest management programs. This projected volume is based on average annual growth (IMA), which is equivalent to 27.86 m³/ha/year by the end of 2019 (27.91 m³/ha/year in 2018) for ArcelorMittal BioFlorestas and 30.84 m³/hectare/year for ArcelorMittal Brasil (31.10 m³/hectare/year 2018 in ArcelorMittal Sul Fluminense).

The average net sales price of eucalyptus was projected based on the domestic market, through a market study and real transaction survey, adjusted to reflect the price of trees by region. As at December 31, 2019, the average net sales price was equivalent to R$40,75 by m³ (R$ 32.96 m³ in 2018) for ArcelorMittal BioFlorestas and R$40,75 by m³ for ArcelorMittal Brasil (R$ 37.48 m³ in 2018 for ArcelorMittal Sul Fluminense). The average estimated cost includes harvest costs, chemical growth control, pest control, composting, road maintenance, inputs and labor. Tax effects based on current rates, as well as the contribution of other assets, e.g., property, plant and equipment, were considered in the estimate based on the average rates of return on assets. The Group reviews the fair value of these assets on a quarterly basis.

The valuation model considers cash flows less income tax. The discount rate used was 10.75% to Parent and 6.54% to the subsidiary (8.50% in 2018).

The table below shows the sensitivity to a 10% change in each one of the unobservable significant assumptions used to measure the fair values of the biological assets:

Consolidated:	AM Brasil		AM BioFlorestas	
	Increase of 10%	Decrease of 10%	Increase of 10%	Decrease of 10%
Annual average growth	9,661	(9,661)	27,020	(27,020)
Average net sales price	9,661	(9,661)	27,020	(27,020)
Discount rate	(916)	937	(120)	5,153

b. Exposure to plantation-related risks

(i) Regulatory and environmental risks

The Group is subject to Brazilian environmental laws and regulations. The Group sets environmental policies and procedures aimed at the compliance with environmental and other laws. Management conducts regular analyses to identify environmental risks and ensure that systems in operation are appropriate to manage such risks.

(ii) Supply and demand risks

The Group is exposed to risks arising from price fluctuation and sales volume of its forests. When possible, the Group manages this risk by aligning the harvested volume with market supply and steel demand. Management conducts analysis on a regular basis on the industry trends in order to ensure that the Group's prices are in line with market prices and ensure that projected harvest volumes are consistent with expected demand.

(iii) Climate and other risks

The Group's plantations are exposed to the risk of damages caused by climate changes, diseases, forest fires, and other forces of nature. The Group has an extensive process in place aimed at monitoring and mitigating these risks, including regular inspections of forest health and plant disease and pest analyses.

16. INTANGIBLE ASSETS

	Parent				*Consolidated*			
	Goodwill on investments	**Software**	**Other**	**Total**	**Goodwill on investments**	**Software**	**Other**	**Total**
Total cost as at 12/31/2017	**9,842,509**	**321,610**	**104,999**	**10,269,118**	**9,850,090**	**362,087**	**170,166**	**10,382,343**
. Additions	-	-	10,572	**10,572**	-	-	10,572	**10,572**
. Write-offs	-	(451)	-	**(451)**	-	(451)	-	**(451)**
. Goodwill	-	-	-	-	81,148	-	-	**81,148**
. Acquisition of AM Sul Fluminense	-	-	-	-	-	24,141	-	**24,141**
. Acquisition of Acindar	-	-	-	-	-	1,481	-	**1,481**
. Translation adjustment and currency fluctuation	-	-	-	-	1,136	20	-	**1,156**
. Transfers to available for sales	-	(973)	-	**(973)**	-	(973)	-	**(973)**
. Transfers from fixed asset	-	19,308		**19,308**	-	23,049	-	**23,049**
Total cost as at 12/31/2018	**9,842,509**	**339,494**	**115,571**	**10,297,574**	**9,932,374**	**409,354**	**180,738**	**10,522,466**
. Write-offs	-	(73,934)	(31,429)	**(105,363)**	-	(98,089)	(31,429)	**(129,518)**
. Incorporation of AM Sul Fluminense	-	11,087	-	**11,087**	-	-	-	-
. Translation adjustment and currency fluctuation	-	-	-	-	(393)	(838)	-	**(1,231)**
. Transfers from investiment	107,243	-	-	**107,243**	26,095	-	-	**26,095**
. Transfers from fixed asset	-	33,868	349	**34,217**	-	44,651	350	**45,001**
Total cost as at 12/31/2019	**9,949,752**	**310,515**	**84,491**	**10,344,758**	**9,958,076**	**355,078**	**149,659**	**10,462,813**
Total amortization as at 12/31/2017	**(4,019,901)**	**(282,091)**	**(41,487)**	**(4,343,479)**	**(4,018,151)**	**(316,039)**	**(51,557)**	**(4,385,747)**
. Additions	-	(16,117)	(2,561)	**(18,678)**	-	(21,104)	(20,870)	**(41,974)**
. Write-offs	-	217	-	**217**	-	217	-	**217**
. Acquisition of AM Sul Fluminense	-	-	-	-	-	(16,798)	-	**(16,798)**
. Acquisition of Acindar	-	-	-	-	(757)	(2,486)	-	**(3,243)**
. Translation adjustment and currency flutuation	-	-	-	-	-	1,015	-	**1,015**
. Transfers to available for sales	-	500	-	**500**	-	500		**500**
. Transfers to fixed asset	-	-	1,894	**1,894**	-	-	1,894	**1,894**
Total amortization as at 12/31/2018	**(4,019,901)**	**(297,491)**	**(42,154)**	**(4,359,546)**	**(4,018,908)**	**(354,695)**	**(70,533)**	**(4,444,136)**
. Additions	-	(18,247)	(1,301)	**(19,548)**	-	(22,735)	(19,610)	**(42,345)**
. Write-offs	-	73,935	5,855	**79,790**	-	94,378	5,855	**100,233**
. Incorporation of AM Sul Fluminense	-	(479)	-	**(479)**	-	-	-	-
. Translation adjustment and currency flutuation	-	-	-	-	262	850	-	**1,112**
. Transfers to fixed asset	-	-	-	-	-	2,622	-	**2,622**
Total amortization as at 12/31/2019	**(4,019,901)**	**(242,282)**	**(37,600)**	**(4,299,783)**	**(4,018,646)**	**(279,580)**	**(84,288)**	**(4,382,514)**
Net as at 12/31/2018	**5,822,608**	**42,003**	**73,417**	**5,938,028**	**5,913,466**	**54,659**	**110,205**	**6,078,330**
Net as at 12/31/2019	**5,929,851**	**68,233**	**46,891**	**6,044,975**	**5,939,430**	**75,498**	**65,371**	**6,080,299**
Useful life as at 12/31/2018		05 years	05 years			05 years	05 years	
Useful life as at 12/31/2019		05 years	05 years			05 years	05 years	

a. Goodwill impairment test

ArcelorMittal Brasil annually reviews the carrying amount of its tangible and intangible assets, including goodwill, through its operating segments (Long, Flat, Mining) representing the lowest level in which goodwill is monitored for internal management purposes, to determine whether there is any indication that their carrying amounts might not be recoverable through their continuing use. If there is such indication, the recoverable amount of the asset (or cash-generating unit) is reviewed to determine the recoverable amount, if any. The recoverable amount is the higher of net sales price, corresponding to the fair value, less costs of sale and value in use.

Goodwill on investments derives from:

- merger of Mittal Steel Participações S.A. upon acquisition of stake in Arcelor Brasil S.A. in August 2007; and
- merger of Belgo Bekaert Nordeste S.A. into Belgo Bekaert Arames Ltda., in February 2012;
- acquisition of Votorantim Siderurgia by ArcelorMittal Brasil in April 2018.

Goodwill was originally allocated, at the Company level, to the Long Steel and Flat Steel operating segments that represent the lowest level in which goodwill is monitored for internal management purposes. The Long Steel segment is comprised of the cash-generating units ("CGUs"): long steel CGU in operation, long steel CGU under construction, long steel CGU (wires) and long steel CGU (Acindar). The flat steel segment is comprised of Brazil flat steel CGU. The balance of goodwill in 2019 allocated to the Long Steel segment is R$2,830,539 and to the Flat Steel segment is R$3,099,312.

The key assumptions used to calculate the value in use are: discount rate, growth rate, sales prices, and direct costs for the period and measured at the CGU (cash-generating unit) level.

The growth rates are based on the steel industry trends. The changes in the sales prices and direct costs are based on past experience and expected future changes in the market.

Cash flow projections derive from most recent financial plans approved by Management. To cover a period greater than the expected five-year period, ArcelorMittal Brasil projects cash flows for the following years based on a real growth equal to 0 (zero).

Management estimates the pretax discount rate after by reflecting the market conditions for similar risk investments, taking into account the weighted average cost of capital. The average discount rate for the Long and Flat Steel segments in 2019 was 10.68% (11.36% in 2018).

Based on its analysis of discounted cash flows prepared in accordance with the budget projection approved by Management, as at December 31, 2019, the Company did not identify indicators of impairment for its assets or goodwill.

Management believes that no type of reasonably possible change in other key assumptions in which the recoverable amount is based would cause the carrying amount of assets to exceed their recoverable amount.

17. TRADE PAYABLES

	Parent		Consolidated	
	2019	2018	2019	2018
. Domestic market				
.. Group companies	45,051	61,285	3,513	20,279
.. Third parties *(i)*	2,122,022	2,317,111	2,295,374	2,671,202
.Total domestic market	2,167,073	2,378,396	2,298,887	2,691,481
. Foreign market				
.. Group companies	216,464	464,384	459,354	799,939
.. Third parties	110,305	124,600	684,875	777,137
. Total foreign market	326,769	588,984	1,144,229	1,577,076
Total	**2,493,842**	**2,967,380**	**3,443,116**	**4,268,557**

(i) Includes balances of trade payables maturing from 05 to 180 days.

ArcelorMittal Brasil Group's currency and interest rate risk exposure and the breakdown by currency relating to trade and other payables are disclosed in Note 26c.

The payment extension, considering an average negative goodwill rate of 5.87% in 2019 (8.08% in 2018) had as a contra entry a charge against line item "Prepaid interest" in other receivables, in current assets.

18. BORROWINGS

	Final maturity	Average annual finance charge - 2018	Parent		Consolidated	
			2019	2018	2019	2018
In Brazilian reais						
. Working capital						
.. Bradesco S.A.	2020	5.57%	359	603	359	603
.. Banco do Estado do Espirito Santo	2020	1.00%	-	-	1,810	912
			359	**603**	**2,169**	**1,515**
. Investments						
.. Leasing *(ii)*			-	118,153	-	121,419
.. BNDES System	2023	3.50%	-	-	1,266	1,596
.. Prepayments and advance of export contracts *(i)*	2028	11.88%	16,372,618	15,630,628	16,372,614	15,630,628
.. Others investments	2024	6.75%	12,371	7,841	12,373	39,658
			16,384,989	**15,756,622**	**16,386,253**	**15,793,301**
Subtotal in Brazilian reais			**16,385,348**	**15,757,225**	**16,388,422**	**15,794,816**
In US dollars						
. Working capital:						
.. Banco Itaú S.A.	2020	3.77%	-	-	24,454	-
.. Banco do Brasil S.A.	2020	3.35%	-	-	4,074	43,172
.. Banco Santander S.A.	2020	3.33%	-	-	52,976	29,437
.. Other - working capital *(i)*	2023	Libor 3M	-	-	1,069,739	1,087,578
			-	**-**	**1,151,243**	**1,160,187**
. Investments:						
.. Leasing *(ii)*			-	-	-	6,544
			-	**-**	**-**	**6,544**
Subtotal in US dollars			**-**	**-**	**1,151,243**	**1,166,731**
Total			**16,385,348**	**15,757,225**	**17,539,665**	**16,961,547**

(i) Refers to the debt with ArcelorMittal Group Companies
(ii) Amount transferred to leasing note

. Current	20,228	870,406	1,012,339	1,858,558
. Noncurrent	16,365,120	14,886,819	16,527,326	15,102,989
Total	**16,385,348**	**15,757,225**	**17,539,665**	**16,961,547**

LONG-TERM PORTIONS MATURE AS FOLLOWS:	**Parent**	**Consolidated**
2021	979,471	1,028,470
2022	358,354	358,684
2023	698,618	811,496
2024	2,627,806	2,627,806
2025 thereafter	11,700,871	11,700,870
	16,365,120	**16,527,326**

Changes	Parent		Consolidated	
	2019	2018	2019	2018
Balance at the beginning of the year	**15,757,225**	**9,687,278**	**16,961,547**	**9,749,326**
Funding	2,802,129	6,314,077	3,408,124	7,200,429
Foreign exchange	-	338	44,547	83,176
Interest	1,984,165	1,531,492	1,997,560	1,545,842
Interest payment	(2,319,906)	(1,221,164)	(2,325,776)	(1,233,615)
Principal payment	(1,744,922)	(554,796)	(2,418,374)	(1,965,983)
Acquisition *(i)*	-	-	-	1,582,372
Merger of AM Sul Fluminense	24,810			
Transfer to leasing	(118,153)	-	(127,963)	-
Balance at the end of the year	**16,385,348**	**15,757,225**	**17,539,665**	**16,961,547**

(i) Acquisition of AM Sul Fluminense and Acindar AR

Debt indexes

- Libor - London Interbank Offered Rate - the weighted average Libor rate on the Company's financing agreements was 2.3267% p.a. in December, 31 2018 (2.89375% p.a. in 2018).

- UMBNDES – Monetary Unit of the National Bank for Economic and Social Development (currency basket) – Reflects the weighted average of currency fluctuations relating to the basket currencies – 6.4577% in 2018.

- INPC – National Consumer Price Index – Reflects the adjustment of the purchasing power of families with income between 1 and 5 minimum wages, calculated by the National Institute of Geography and Statistics (IBGE).

- TJLP - Long-term interest rate, fixed on a quarterly basis - 5.57% p.a. as at December 31, 2019 (6.98% p.a. as at December 31, 2018).

a. *Collaterals*

Investment debts are collateralized by the financed asset, as well as bank guarantees and/or guarantees from the Group's controlling shareholders.

19. DEBENTURES

Simple, non-convertible debentures

Debentures are issued by Belgo Mineira Participação S.A. in 1999 and subsequently transferred to ArcelorMittal Brasil S.A., with a face value of R$14,365 and semiannual repayments over 18 years, subject to the IGP-M rate, and by ArcelorMittal Brasil in 2001, with a face value of R$1,869, repaid annually with final maturities from December 31, 2006 to 2025, subject to the IGP-M rate.

As at December 31, 2019, the remaining balance of debentures issued is R$2,500 (R$2,694 in 2018).

20. OTHER ACCOUNTS PAYABLE

	Controladora		Consolidado	
	2019	2018	2019	2018
Energy Development Account	216,324	138,225	216,324	199,942
Uncoverable liabilities from investments	183,778	1,113	-	-
Advances from customers	174,011	88,558	251,224	220,600
Receivables anticipation program *(i)*	169,919	-	169,919	-
Provision for onerous lease agreement	49,590	1,126	49,590	47,913
Provision for mine decommissioning	46,716	49,745	46,716	49,745
Provision for royalties	24,651	24,088	24,651	24,088
Contingent liability of subsidiary	-	-	70,989	70,989
Aquisition of Bekaert Sumaré	-	-	20,840	20,419
Third party inventory	28,958	20,276	1,685	9,360
Emergency payment from mining *(ii)*	11,326	-	11,326	-
Other payable	123,462	85,731	128,893	53,758
Total	**1,028,735**	**408,862**	**992,157**	**696,814**
. Current	927,185	332,386	763,341	435,031
. Non Current	101,550	76,476	228,816	261,783
Total	**1,028,735**	**408,862**	**992,157**	**696,814**

(i) *Receivables anticipation program pursuant to the global policy (ING);*
(ii) *Amount payable relating to compensations to residents at the region of Itatiauçu and engineering services due to the risk prevention program of the dam of Mineração Serra Azul*

21. EQUITY

a. Capital

The Company's fully subscribed and paid-in capital is R$13,021,834 , represented by 2,777,534 common shares, of which 2,694,485 are common and 83,049 are preferred shares. The Company´s bylaws limit authorized capital to 5,000,000 common shares.

As a result of this negotiation process with Votorantim S.A., 83,049 preferred shares were issued accordingly, Votorantim S.A. started to hold a 2.99% stake in the Company (note 13c).

Capital is recognized at the net amount of R$11,671,885, due to the reclassification of R$1,349,949, as shown in the statement of changes in equity.

b. Earnings reserves

- Legal reserve: Calculated at 5% of profit for the year, as set forth in Article 193 of Law 6404/76, up to a limit corresponding to 20% of capital.

- Statutory reserve: Recognized between 5% and 75% of profit for the year and used to finance the Company's expansion, either directly or through subsidiaries, up to the limit of 80% of the subscribed capital.

- Tax incentive reserve: introduced by Law 11638/07, it was established based on the income tax incentive, ADENE, on taxable income arising from the investment used to completely modernize the establishment located in the Municipality of Cariacica until 2016. Includes the ICMS tax incentives and benefits, granted by the States, which are considered as investment grants in accordance with article 9 of Supplementary Law 160/2017.

c. Capital reserve

Consists of amounts received by the Company and that are not recorded in profit or loss because it refers to amounts allocated to strengthening capital, which does not require any effort from the Company in terms of delivering goods or providing services.

- Special merger goodwill reserve: recognized upon the downstream merger of Belgo Mineira Participação (Parent Company) into its subsidiary ArcelorMittal Brasil S.A.

- Investment grant reserve: established based on the income tax incentives, FINAM/ FINOR, prior to Law 11.638/07.

- Adjustment to financial instruments: refers basically to the mark-to-market of short-term investment securities.

- Granted stock options recognized refer to the fair value of the share-based compensation offered to Management on the financial statements publication date.

d. Other comprehensive income

Valuation adjustments to equity refer basically to:

- deemed cost recognized on January 1, 2009 relating to the difference in the useful lives of facilities, machinery and equipment, as prescribed in ICPC 10.

- difference between the amount paid on the acquisition of stake in AM Iberoamerica Holding BV and the net assets transferred and hyperinflation until the acquisition date.

- pension fund, which refers to the remeasurement of the defined benefit plan, pursuant to guidance in IAS 19 (R1)/ CPC 33 (R1).

e. Foreign Cumulative Translation Adjustments

The currency translation adjustments refer to:

- changes in foreign exchange rates and functional currency translation adjustments from the US dollar into the reporting currency (Brazilian real) of the Parent's balances until December 31, 2012.

- changes in foreign exchange rates and functional currency translation adjustments from the colon, the Venezuelan bolivar and Argentine peso into the reporting currency of foreign investments.

f. Dividends

The Company's bylaws provide for the allocation of at least 25% of profit for the year, adjusted in conformity with the Brazilian Corporate Law, to pay mandatory dividends to shareholders.

The Brazilian Corporate Law allowed (Art. 204, heading) the distribution of dividends on a semiannual basis, provided that authorized by the Bylaws and upon determination of the six-month period balance sheet. The distribution of dividends in smaller periods is also possible, but in this case the distributable amount in each six-month period is limited to the total capital reserves, as set forth in art. 182, §1 of said Law.

Dividends are calculated as follows:

	2019	2018
Profit for the year	**1,068,257**	**2,322,578**
(-) Exclusion Adene	(287,369)	(292,186)
(+) Realization of deemed cost	11,213	42,576
Recognition of legal reserve	(39,605)	(103,648)
Dividend calculation base	**752,496**	**1,969,320**
Minimum mandatory dividends - 25%	**188,124**	**492,330**
Dividends of preferred shares	10	10
Interest on capital and dividends*	612,000	834,500
Total of dividends and interest on capital	**612,010**	**834,510**

** The anticipated dividends were calculated based on the balance sheet as of October 31, 2019.*

On December 2, 2019, dividends were distributed in the amount of R $ 1,134,800, based on the earning reserve.

g. Earnings per share

The Company's basic and diluted earnings for 2019 and 2018 are shown below:

	2019	2018	
Earnings per share	Basic	Basic	Diluted
Net profit	1,068,257	2,322,578	2,322,578
Reduction of accounts payable related to company acquisition	-	-	(196,660)
Fixed dividends of noncontrolling shareholders	-	-	10
Adjusted net profit	**1,068,257**	**2,322,578**	**2,125,928**
Average number of shares	2,694,485	2,694,485	2,694,485
Number of preferred shares (fixed dividends)	-	-	83,049
Adjusted number of shares	2,694,485	2,694,485	2,777,534
Earnings per share - R$	**396.46**	**861.97**	**765.40**

The above instruments have anti-dilutive effect in 2019.

22. SALES

The reconciliation of gross sales revenue with net operating income is as follows:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Gross sales of products and services				
Domestic market	22,761,604	19,894,404	25,173,059	22,920,318
Foreign market	8,103,201	9,912,723	12,939,553	13,465,754
	30,864,805	**29,807,127**	**38,112,612**	**36,386,072**
Taxes on sales	(4,893,531)	(4,314,685)	(5,506,867)	(5,029,768)
Other deductions	(120,757)	(77,811)	(150,651)	(97,297)
Net operating revenue	**25,850,517**	**25,414,631**	**32,455,094**	**31,259,007**

23. EXPENSES BY NATURE

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Raw materials and consumables	17,765,744	15,386,812	22,384,068	19,355,990
Freight	1,259,313	1,219,603	1,575,159	1,514,133
Outside services	2,170,753	1,927,350	2,422,821	2,122,111
Depreciation, amortization and depletion (note 4, 14, 15 and 16)	679,579	549,596	966,843	973,810
Payroll and related taxes	1,812,439	1,617,954	2,220,543	2,135,906
Management compensation (note 28a)	32,958	31,060	39,751	31,855
Profit sharing	214,128	286,312	308,291	391,023
Retirement and pension plan	46,435	41,052	53,895	49,433
Leases and rentals	177,161	229,177	208,113	297,473
Impairment (note 14 f)	-	100,654	-	100,654
Cost of disposal of investments	30,902	427,043	55,363	513,227
Cost of other sales	244,578	298,679	235,920	277,659
Amnesty Law	8,033	28,765	8,033	30,257
Taxes on other sales	65,773	69,819	63,595	60,754
Provision for tax, civil and labor risks	68,628	146,535	99,336	146,990
Fair value biological assets	-	-	-	26,686
Other	87,236	16,508	291,033	240,039
	24,663,660	**22,376,919**	**30,932,764**	**28,268,000**
Allocation of expenses in the statement of profit and loss				
Cost of sales	23,054,454	20,390,329	28,728,261	25,498,952
Selling	562,434	495,927	662,820	684,151
General and administrative	373,441	354,521	545,923	560,075
Other operating expenses	673,331	1,035,488	995,760	1,424,168
Impairment	-	100,654	-	100,654
	24,663,660	**22,376,919**	**30,932,764**	**28,268,000**

24. OTHER OPERATING INCOME (EXPENSES)

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Other operating income				
Recomposition of PIS / COFINS credit *(i)*	503,354	812,804	503,354	812,804
Sundry sales *(ii)*	346,179	385,933	319,271	324,034
Income from the sale of assets *(iii)*	136,488	288,051	160,681	337,035
Income from rentals	14,987	13,316	17,074	14,402
Fair value biological assets (note 15)	6,467	-	37,530	-
Reversion of provision for tax risks and contingencies	37,908	34,309	46,310	74,193
Revenue from financial settlement of power	27,304	35,683	36,477	42,760
Accrued pension plan (note 32a)	104,712	-	105,800	-
Insurance compensation - fixed asset	88,476	21,978	88,476	21,978
Amortization of unfavorable agreements *(v)*	27,828	-	27,828	-
Reversal of onerous agreement	7,135	-	7,135	17,350
Research & development	20,218	17,093	20,218	17,093
Other operating income	74,308	116,435	151,362	180,549
	1,395,364	**1,725,602**	**1,521,516**	**1,842,198**
Other operating expenses				
Cost on sundry sales	(244,578)	(298,679)	(235,920)	(277,659)
Taxes on other income	(65,773)	(69,819)	(63,595)	(60,754)
Provision for tax risks and contingencies	(68,628)	(146,535)	(99,336)	(146,990)
Restructuring expenses	(22,620)	-	(61,321)	(15,321)
Cost on the sale of assets *(iii)*	(30,902)	(427,043)	(55,363)	(513,227)
Write off related to PPF agreement rescission	(436)	-	(28,275)	(35,472)
Fair value biological assets (Note 15)	-	-	-	(26,686)
Share-based payment	-	(8,380)	-	(8,380)
Costs from financial settlement of power	(24,716)	(21,321)	(26,723)	(22,848)
Accrued pension plan	-	(294)	-	(698)
Compensation for arbitration billet price	-	-	(3,209)	(17,018)
Emergency payment from mining *(iv)*	(36,106)	-	(36,106)	-
Amnesty Law	(8,033)	(28,765)	(8,033)	(30,257)
Allowance for doubtful debts - Others account receivable	(2,834)	(14,478)	(2,834)	(14,478)
Contractual termination and penalties	(50,582)	(3,666)	(53,125)	(14,341)
Tax Obligation	(30,887)	-	(30,887)	-
Other operating expenses	(87,236)	(16,508)	(291,033)	(240,039)
	(673,331)	**(1,035,488)**	**(995,760)**	**(1,424,168)**
Total	**722,033**	**690,114**	**525,756**	**418,030**

(i) Refers to the recovery of the PIS/COFINS credit on final and unappealable decisions rendered in the case records of lawsuits 000661080.2010.4.01.3811 and 0072510-43.2010.4.01.3800, which are the subject of interest of ArcelorMittal Brasil S.A., and which ensured the right to deduct the ICMS from the PIS/COFINS tax base. The matter was widely recognized by the STF and, on March 15, 2017, the court has handed down a final decision on RE No. 574.706 which decision was favorable to taxpayers, to confirm that the ICMS does not comprise the gross revenue, the PIS and COFINS tax base;

(ii) Mainly sale of slag and scrap;

(iii) Includes the sale of assets of the industrial units in Cariacica and Itaúna to SIMEC and drawn wiring equipment to Aço Verde (note 14f) in 2018;

(iv) Decommissioning costs, compensations payable to residents at the region of Itatiauçu and engineering services due to the risk prevention program of the dam of Mineração Serra Azul;

(v) Amortization of power, billet purchase and lease contracts arising upon the acquisition of AM Sul Fluminense.

25. FINANCE INCOME (COSTS), NET

	Parent		Consolidated	
	2019	2018	2019	2018
Finance income				
Interest received	60,334	50,374	139,209	91,569
Plano Verão inflation adjustment by the Selic rate *(i)*	54,443	171,263	54,443	171,263
Monetary adjustment of tax credit - PIS/COFINS *(ii)*	352,853	-	352,853	-
Remeasurement of liabilities at amortized cost *(iii)*	-	196,660	-	163,729
Monetary adjustment - UP's Eletrobrás *(v)*	36,266	-	36,266	
Reversal of interest and financial adjustment of contingency	46,385	34,101	55,013	40,364
Return on short-term investments	9,567	4,741	13,547	9,785
Extension of collection period	4,297	3,790	4,297	3,790
Other finance income	76,141	39,185	107,165	44,755
Amnesty Law *(iv)*	21,212	-	21,212	-
	661,498	**500,114**	**784,005**	**525,255**
Finance costs				
Interest on financing	(1,909,910)	(1,550,466)	(1,969,854)	(1,592,820)
Leasing interest	(26,718)	-	(30,861)	-
Interest on payment extension	(17,179)	(19,934)	(17,179)	(19,934)
Charges and inflation adjustment of contigencies	(217,894)	(88,384)	(245,690)	(129,235)
Discounts granted to customers	(43,662)	(49,138)	(55,410)	(54,294)
Late payment interest and inflation adjustments	(143,682)	(26,698)	(182,075)	(1,655)
Warranty expense	(12,097)	(10,779)	(14,826)	(12,063)
Remensurement of liabilities at amortizated cost *(iii)*	(177,531)	-	(177,531)	-
Financial loss on pension fund	(16,718)	(18,900)	(17,579)	(19,937)
Inflation adjustment of onerous agreement	(3,121)	-	(3,121)	(8,866)
Assignment of credits	(8,821)	(4,783)	(40,773)	(30,208)
Other finance cost	(21,365)	(61,182)	(125,054)	(130,620)
	(2,598,698)	**(1,830,264)**	**(2,879,953)**	**(1,999,632)**
Net exchange rate variation	(27,958)	181,008	381,248	95,012
Derivatives	6,386	(23,476)	(440)	6,039
Total	**(1,958,772)**	**(1,172,618)**	**(1,715,140)**	**(1,373,326)**

(i) Refer to interest, Selic rate on the Summer Plan ("Plano Verão") credit, due to the final and unappealable decision on Lawsuit 94.0013186-0 which was filed by Companhia Siderúrgica Belo Mineira, merged into ArcelorMittal Brasil S.A. in 2007, claiming the right to deduct from the income tax (IRPJ) and social contribution (CSLL) tax base the difference relating to the inflation adjustment of depreciation and amortization expenses and write-off of property, plant and equipment with the effect of the understated inflation of the Summer Plan.

(ii) Refer interest, the Selic rate on the credit recorded arising from the ICMS deduction from the PIS/COFINS tax basis, in view of the final and unappealable decision on ongoing lawsuits on the matter;

(iii) Refers to the amount payable to Votorantim S.A. arising from the acquisition of AM Sul Fluminense, pursuant to note 13(c).

(iv) Refer to interest on the ISS QN of Sun Coke;

(v) Refers to inflation adjustment of UPs from Eletrobrás.

26. FINANCIAL INSTRUMENTS

ArcelorMittal Brasil Group operates several financial instruments, e.g., short-term investments, trade payables, trade receivables, borrowings and financing and derivatives.

These instruments are managed by means of strategies aimed at obtaining liquidity, profitability and security.

The amount of the main financial instruments is broken down as follows:

				Parent	
December 31, 2019	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized Cost**	**TOTAL**	**Fair value**
Cash and cash equivalents	-	-	201,094	201,094	201,094
Short-Term Investment	-	-	3,261	3,261	3,261
Trade receivables	-	-	2,844,248	2,844,248	2,844,248
Derivative financial instruments	10,575	-	-	10,575	10,575
Due from related parties	-	-	356,425	356,425	356,425
Other financial assets	-	1,432	468,674	470,106	470,106
	10,575	**1,432**	**3,873,702**	**3,885,709**	**3,885,709**
Trade payables	-	-	2,493,842	2,493,842	2,493,842
Financing	-	-	16,385,348	16,385,348	16,061,057
Leasing			324,373	324,373	324,373
Debentures	-	-	2,500	2,500	1,905
Account payable related to company acquisition	-	-	1,068,002	1,068,002	1,068,002
Due to related parties	-	-	154,452	154,452	154,452
Other financial liabilities	-	-	1,028,735	1,028,735	1,028,735
	-	-	**21,457,252**	**21,457,252**	**21,132,366**

December 31, 2018	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized Cost**	**TOTAL**	**Fair value**
Cash and cash equivalents	-	-	339,319	339,319	339,319
Short-Term Investment	-	-	2,573	2,573	2,573
Trade receivables	-	-	3,661,721	3,661,721	3,661,721
Derivative financial instruments	1,340	-	-	1,340	1,340
Due from related parties	-	-	356,403	356,403	356,403
Other financial assets	-	1,061	467,438	468,499	468,499
	1,340	**1,061**	**4,827,454**	**4,829,855**	**4,829,855**
Trade payables	-	-	2,967,380	2,967,380	2,967,380
Financing	-	-	15,757,225	15,757,225	15,269,274
Debentures	-	-	2,694	2,694	2,121
Derivative financial instruments	5,010	-	-	5,010	5,010
Account payable related to company acquisition	-	-	890,471	890,471	890,471
Due to related parties	-	-	153,325	153,325	153,325
Other financial liabilities	-	-	408,862	408,862	408,862
	5,010	-	**20,179,957**	**20,184,967**	**19,696,443**

	Consolidated				
December 31, 2019	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized Cost**	**TOTAL**	**Fair value**
Cash and cash equivalents	-	-	1,306,195	1,306,195	1,306,195
Short-Term Investment	-	-	23,326	23,326	23,326
Trade receivables	-	-	3,452,469	3,452,469	3,452,469
Derivative financial instruments	16,459	-	-	16,459	16,459
Due from related parties	-	-	356,209	356,209	356,209
Other financial assets	-	1,432	583,160	584,592	584,592
	16,459	**1,432**	**5,721,359**	**5,739,250**	**5,739,250**
Trade payables	-	-	3,443,116	3,443,116	3,443,116
Financing	-	-	17,539,665	17,539,665	17,240,931
Debentures	-	-	344,724	344,724	344,724
Derivative financial instruments	-	-	2,500	2,500	1,905
Account payable related to company acquisition	-	-	1,068,002	1,068,002	1,068,002
Due to related parties	-	-	589,514	589,514	589,514
Other financial liabilities	-	-	992,157	992,157	992,157
	-	-	**23,979,678**	**23,979,678**	**23,680,349**

	Consolidated				
December 31, 2018	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Amortized Cost**	**TOTAL**	**Fair value**
Cash and cash equivalents	-	-	656,306	656,306	656,306
Short-Term Investment	-	-	34,993	34,993	34,993
Trade receivables	-	-	4,399,937	4,399,937	4,399,937
Derivative financial instruments	14,074	-	-	14,074	14,074
Due from related parties	-	-	356,403	356,403	356,403
Other financial assets	-	1,061	1,070,169	1,071,230	1,071,230
	14,074	**1,061**	**6,517,808**	**6,532,943**	**6,532,943**
Trade payables	-	-	4,268,557	4,268,557	4,268,557
Financing	-	-	16,961,547	16,961,547	16,470,309
Debentures	-	-	2,694	2,694	2,121
Derivative financial instruments	5,010	-	-	5,010	5,010
Account payable related to company acquisition	-	-	890,471	890,471	890,471
Due to related parties	-	-	582,158	582,158	582,158
Other financial liabilities	-	-	696,814	696,814	696,814
	5,010	-	**23,402,241**	**23,407,251**	**22,915,440**

Financial risk management

The financial risk can be defined as a level of uncertainty with respect to future results, with a possibility of financial loss.

ArcelorMittal Brasil Group manages its capital so as to ensure the preservation of its growth strategies and maximize return to all stakeholders. Risk management is critical for an entity's efficient management, aiming at mitigating the possible impacts on the Group's consolidated profit or loss.

Financial transactions are analyzed and approved by proper levels of authority so as to ensure that the rules established by Management are fulfilled.

a. Credit risk

Credit risk is defined as the possibility of loss resulting from the uncertainty as to the collection of amounts agreed with customers and financial institutions.

The maximum exposure to credit risk as at December 31, 2019 and 2018 by category of financial instrument is shown below:

	Parent		Consolidated	
	2019	2018	2019	2018
Derivative financial assets				
Derivative financial instruments	10,575	1,340	16,459	14,074
Non-derivative financial assets				
Cash and cash equivalents	201,094	339,319	1,306,195	656,306
Short-Term Investment	3,261	2,573	23,326	34,993
Trade receivables	2,844,248	3,661,721	3,452,469	4,399,937
Due from related parties	356,425	356,403	356,209	356,403
Other financial assets	470,106	468,499	584,592	1,071,230

(i) Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and other highly liquid short-term investments with an insignificant risk of change in value. Cash equivalents are held to meet short-term cash commitments and not for investment or any other purposes.

The risk of cash and cash equivalents corresponds to the impossibility of a financial institution fulfilling its commitments when due, or only doing so by incurring significant losses.

In order to mitigate such risk, ArcelorMittal Brasil follows ArcelorMittal Group's Treasury Policy, approved by the Global Treasury Committee, which consists of managing exposures globally, thus reducing the probability of liquidity problems in the market affecting the company's payment capacity.

This policy represents the documentation of the principles, concepts, roles, and responsibilities related to the matter, and should, therefore, ensure that the cash and cash equivalents risks are identified, measured, managed, and handled in accordance with the goals and standards established by ArcelorMittal Group.

(ii) Trade receivables

In order to mitigate the credit risk relating to trade receivables, the sales policy of the ArcelorMittal Group is subject to credit policies established by its Management that are intended to minimize potential losses arising from the default of its customers.

ArcelorMittal Brasil adopts criteria to determine credit risk and analyze in details the financial condition of its customers, the financial information publicly disclosed and its own internal records. Based on this information and in accordance with the internal credit policy, the Group establishes the credit limits based on the proper levels of authority and reviews and monitors these limits on an ongoing basis. Trade receivables consist of a large number of customers in different industries and geographical areas (risk diversification) and are monitored on a daily basis.

The Company analyzes the payment capacity of corporate customers by analyzing the financial statements, operating segment, payment history and business relationship with customers. Individual customers purchase only by means of prepayment, cash or through credit and debit cards.

In order to mitigate the risk of losses, ArcelorMittal Brasil guarantees collection through credit insurance, commercial surety, mortgage, guarantee letter (for export transactions) and bank guarantee that account for a major portion of the balance of trade receivables.

Considering the current diversification of portfolio customers, there is no individual customer that accounts for an exposure above 4.3% in relation to the balance of trade receivables. In terms of revenue, such percentage rate is no more than 2.4% of the total volume billed.

The breakdown by maturity and variations in the allowance for impairment losses with respect to trade receivables in 2019 and 2018 are shown in Note 9.

b. Cash flow liquidity risk

This risk is associated to the possibility of a lack of fund to discharge assumed obligations due to a mismatch between assets and liabilities.

ArcelorMittal Brasil Group's liquidity risk is managed daily by treasury, using economic and financial analyses that show, through the generation of different scenarios, the possible financial impacts during atypical situations. Reports are issued daily, weekly and monthly so as to allow the constant monitoring of the liquidity risk of the Group companies in Brazil.

The liquidity risk linked to trade payables and financing is broken down by class of financial instrument as follows:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Derivative financial liabilities				
Derivative financial instruments	-	5,010	-	5,010
Non-derivative financial liabilities				
Trade payables	2,493,842	2,967,380	3,443,116	4,268,557
Financing	16,385,348	15,757,225	17,539,665	16,961,547
Leasing	324,373	-	344,724	-
Debentures	2,500	2,694	2,500	2,694
Payable for the acquisition of company	1,068,002	890,471	1,068,002	890,471
Due to related parties	154,452	153,325	589,514	582,158
Other financial liabilities	1,028,735	408,862	992,157	696,814

Most of the non-derivative financial liabilities were assumed intercompany.

The table below shows the remaining contractual maturities of derivative and non-derivative financial liabilities, including the payment of estimated interest at the contractual maturities.

As at December 31, 2019	Carrying amount	Contractual cash flow	1-12 months	1-2 years	2-5 years	Parent More than 5 years
Non-derivative financial liabilities						
Trade payables	2,493,842	2,493,842	2,493,842	-	-	-
Financing	16,385,348	28,219,607	1,824,009	5,116,468	19,299,075	1,980,055
Leasing	324,373	443,475	102,694	77,551	135,275	127,955
Debentures	2,500	2,500	357	357	1,071	715
Payable for the acquisition of company	1,068,002	1,068,002	-	-	1,068,002	-
Due to related parties	154,452	154,452	154,452	-	-	-
Other financial liabilities	1,028,735	1,028,735	927,185	17,493	41,626	42,431
	21,457,252	**33,410,613**	**5,502,539**	**5,211,869**	**20,545,049**	**2,151,156**

As at December 31, 2019	Carrying amount	Contractual cash flow	1-12 months	1-2 years	2-5 years	Consolidated More than 5 years
Non-derivative financial liabilities						
Trade payables	3,443,116	3,443,116	3,443,116	-	-	-
Financing	17,539,665	29,325,417	2,744,406	5,117,171	19,483,785	1,980,055
Leasing	344,724	470,221	117,939	89,052	135,275	127,955
Debentures	2,500	2,501	357	714	1,430	-
Payable for the acquisition of company	1,068,002	1,068,002	-	-	1,068,002	-
Due to related parties	589,514	589,514	514,005	75,509	-	-
Other financial liabilities	992,157	992,157	763,341	144,759	41,626	42,431
	23,979,678	**35,890,928**	**7,583,164**	**5,427,205**	**20,730,118**	**2,150,441**

c. Market risk

Market risk measures the possibility of losses that can be caused by changes in the behavior of interest and exchange rates.

The Company, together with its parent company, analyzes and eventually contracts financial instruments to mitigate the market risks to which it is exposed, as part of the ArcelorMittal Group's global risk management policy.

(i) Currency risk

The currency risk is tied to possible changes in the notional value of the Brazilian real in relation to other currencies, directly affecting finance costs (income) and liability (asset) balance of contracts indexed to a currency different from the Company' functional currency (Brazilian reais).

The foreign currency exposure of ArcelorMittal Brasil Group is linked to financial assets and financial liabilities shown in the table below, which indicates the maximum currency risk exposure as at December 31, 2019.

	R$	US$	Euro	Pounds Sterling	Japonese Yen	Argentine peso	Venezuelan bolivar	Canadian Dollar	Colombian peso	Swiss franc	Colon	Parent Total
Assets												
Cash and cash equivalents	113,738	87,166	190	-	-	-	-	-	-	-	-	201,094
Short-Term Investment	3,261	-	-	-	-	-	-	-	-	-	-	3,261
Trade receivables	2,038,930	803,369	911	-	-	-	1,038	-	-	-	-	2,844,248
Derivative financial instruments	-	10,575	-	-	-	-	-	-	-	-	-	10,575
Due from related parties	356,209	-	-	-	-	-	216	-	-	-	-	356,425
Other receivables	380,426	89,303	377	-	-	-	-	-	-	-	-	470,106
Total assets exposure	**2,892,564**	**990,413**	**1,478**	-	-	-	**1,254**	-	-	-	-	**3,885,709**
Liabilities												
Trade payables	2,167,258	243,923	81,861	329	409	-	-	29	-	33	-	2,493,842
Financing	16,385,348	-	-	-	-	-	-	-	-	-	-	16,385,348
Leasing	324,373	-	-	-	-	-	-	-	-	-	-	324,373
Debentures	2,500	-	-	-	-	-	-	-	-	-	-	2,500
Payable for the acquisition of company	1,068,002	-	-	-	-	-	-	-	-	-	-	1,068,002
Due to related parties	5,372	115,704	32,338				1,038	-	-	-	-	154,452
Other payables	995,399	32,486	253	-	-	526	-	-	71	-	-	1,028,735
Total liabilities exposure	**20,948,252**	**392,113**	**114,452**	**329**	**409**	**526**	**1,038**	**29**	**71**	**33**	-	**21,457,252**

	Consolidated											
	R$	US$	Euro	Pounds Sterling	Japonese Yen	Argentine peso	Venezuelan bolivar	Canadian Dollar	Colombian peso	Swiss franc	Bolivian peso	Colon	Total
Assets													
Cash and cash equivalents	248,668	91,085	787,382	-	-	177,797	1,193	-	-	-	70	-	1,306,195
Short-Term Investment	3,261	-	-	-	-	20,065	-	-	-	-	-	-	23,326
Trade receivables	2,279,750	1,070,209	1,195	376	-	39,606	1,414	896	-	-	491	58,532	3,452,469
Derivative financial instruments	5,884	10,575	-	-	-	-	-	-	-	-	-	-	16,459
Due from related parties	345,081	11,128	-	-	-	-	-	-	-	-	-	-	356,209
Other receivables	426,864	89,303	412	-	-	66,686	59	-	-	-	288	980	584,592
Total assets exposure	**3,309,508**	**1,272,300**	**788,989**	**376**	**-**	**304,154**	**2,666**	**896**	**-**	**-**	**849**	**59,512**	**5,739,250**
Liabilities													
Trade payables	2,303,351	577,561	98,378	329	409	291,204	48,696	29	-	33	-	123,126	3,443,116
Financing	16,388,425	367,221	784,019	-	-	-	-	-	-	-	-	-	17,539,665
Leasing	344,724	-	-	-	-	-	-	-	-	-	-	-	344,724
Debentures	2,500	-	-	-	-	-	-	-	-	-	-	-	2,500
Payable for the acquisition of company	1,068,002	-	-	-	-	-	-	-	-	-	-	-	1,068,002
Due to related parties	24,772	192,971	36,172	-	-	250,527	1,038	-	-	-	-	84,034	589,514
Other payables	856,068	32,486	21,104	-	-	61,193	20,174	-	71	-	276	785	992,157
Total liabilities exposure	**20,987,842**	**1,170,239**	**939,673**	**329**	**409**	**602,924**	**69,908**	**29**	**71**	**33**	**276**	**207,945**	**23,979,678**

Sensitivity analysis for currency risk

The sensitivity analysis to foreign exchange rate as at December 31, 2019 takes into consideration the fluctuations of the functional currency of ArcelorMittal Brasil (Brazilian real) against the exchange rates of the foreign currency-denominated transactions (US$, EUR, GBP, JPY and CRC $). For purposes of this analysis, it is considered that all other variables, especially the interest rate, remained constant, and that the analysis parameters are similar to those used in 2019.

The scenarios presented in the sensitivity analysis for the currency risk were determined by a 25% and 50% depreciation compared to the probable scenario ("Probable Scenario"), considered as "Scenario 1" and "Scenario 2", respectively, in 2019.

The Company considered the baseline scenario as at December 31, 2019 as the probable scenario:

	Parent					
	Asset			Liability		
	Probable scenario	Scenario 1 (+25%)	Scenario 2 (+50%)	Probable scenario	Scenario 1 (+25%)	Scenario 2 (+50%)
R$	2,892,564	2,892,564	2,892,564	20,948,252	20,948,252	20,948,252
Profir or loss		-	-		-	-
Equity		-	-		-	-
US$	990,413	1,238,016	1,485,620	392,113	490,141	588,170
Profir or loss		247,603	495,207		98,028	196,057
Equity		-	-		-	-
Euro	1,478	1,848	2,217	114,452	143,065	171,678
Profir or loss		370	739		28,613	57,226
Equity		-	-		-	-
Pounds sterling	-	-	-	329	411	494
Profir or loss		-	-		82	165
Equity		-	-		-	-
Japonese yen	-	-	-	409	511	614
Profir or loss		-	-		102	205
Equity		-	-		-	-
Argentine peso	-	-	-	526	658	789
Profir or loss		-	-		132	263
Equity		-	-		-	-
Venezuelan bolivar	1,254	1,568	1,881	1,038	1,298	1,557
Profir or loss		314	627		260	519
Equity		-	-		-	-
Canadian Dollar	-	-	-	29	36	44
Profir or loss		-	-		7	15
Equity		-	-		-	-
Colombian peso	-	-	-	71	89	107
Profir or loss		-	-		18	36
Equity		-	-		-	-
Swiss franc	-	-	-	33	41	50
Profir or loss		-	-		8	17
Equity		-	-		-	-
Colon of Costa Rica	-	-	-	-	-	-
Profir or loss		-	-		-	-
Equity		-	-		-	-

	Consolidated					
	Asset			Liability		
	Probable scenario	Scenario 1 (+25%)	Scenario 2 (+50%)	Probable scenario	Scenario 1 (+25%)	Scenario 2 (+50%)
R$	3,309,508	3,309,508	3,309,508	20,987,842	20,987,842	20,987,842
Profir or loss	-	-	-	-	-	-
Equity	-	-	-	-	-	-
US$	1,272,300	1,590,375	1,908,450	1,170,239	1,462,799	1,755,359
Profir or loss	-	318,075	636,150	-	292,560	585,120
Equity	-	-	-	-	-	-
Euro	788,989	986,236	1,183,484	939,673	1,174,591	1,409,510
Profir or loss	-	197,247	394,495	-	234,918	469,837
Equity	-	-	-	-	-	-
Pounds sterling	376	470	564	329	411	494
Profir or loss	-	94	188	-	82	165
Equity	-	-	-	-	-	-
Japonese yen	-	-	-	409	511	614
Profir or loss	-	-	-	-	102	205
Equity	-	-	-	-	-	-
Argentinian peso	304,154	380,193	456,231	602,924	753,655	904,386
Profir or loss	-	-	-	-	-	-
Equity	-	76,039	152,077	-	150,731	301,462
Venezuelan bolivar	2,666	3,333	3,999	69,908	87,385	104,862
Profir or loss	-	-	-	-	-	-
Equity	-	667	1,333	-	17,477	34,954
Canadian Dollar	896	1,120	1,344	29	36	44
Profir or loss	-	224	448	-	7	15
Equity	-	-	-	-	-	-
Colombian peso	-	-	-	71	89	107
Profir or loss	-	-	-	-	18	36
Equity	-	-	-	-	-	-
Swiss franc	-	-	-	33	41	50
Profir or loss	-	-	-	-	8	17
Equity	-	-	-	-	-	-
Bolivian peso	849	1,061	1,274	276	345	414
Profir or loss	-	-	-	-	-	-
Equity	-	212	425	-	69	138
Colon	59,512	74,390	89,268	207,945	259,931	311,918
Profir or loss	-	-	-	-	-	-
Equity	-	14,878	29,756	-	51,986	103,973

(ii) Interest rate risk

The interest rate risk derives from the impact of interest rate fluctuations on financial assets and financial liabilities.

ArcelorMittal Brasil has the policy of investing its cash and cash equivalents in the financial market at floating rates in order to reflect the local interest curve adjustments, thus mitigating any mismatches between an asset's return and the SELIC rate.

Most of the liabilities subject to fixed or floating rates of ArcelorMittal Brasil Group has been raised with ArcelorMittal Group.

As at December 31, 2019 and 2018, the profile of the interest-yielding financial instruments was as follows:

	Parent	
	2019	**2018**
Fixed-rate instruments		
Financial assets	-	-
Financial liabilities	16,706,095	15,756,622
Variable-rate instruments		
Financial assets	116,825	140,371
Financial liabilities	6,126	3,297

	Consolidated	
	2019	**2018**
Fixed-rate instruments		
Financial assets	-	-
Financial liabilities	16,811,026	16,192,753
Variable-rate instruments		
Financial assets	591,320	626,888
Financial liabilities	1,075,863	771,488

Sensitivity analysis of cash flow for the fixed interest rate risk

A change in the scenarios of interest rates as at December 31, 2019 would not affect equity and profit or loss for the year for agreements entered into using fixed interest rates.

Sensitivity analysis of cash flow for the variable interest rate risk

The scenarios presented in the sensitivity analysis of cash flows for the interest rate risk were determined by a 25% and 50% appreciation compared to the probable scenario ("Probable scenario"), considered as "Scenario 1" and "Scenario 2", respectively, in 2019. The ArcelorMittal Brasil Group considered the levels as at December 31, 2019 as the probable scenario.

	Income statement parent		
	Probable scenario	**Scenario 1**	**Scenario 2**
As at December 31, 2018			
Variable-rate instruments	504	630	756

	Income statement		
	Probable scenario	**Scenario 1**	**Scenario 2**
As at December 31, 2019			
Variable-rate instruments	1,476	1,846	2,215

(iii) Stock price risk

The stock price risk derives from fluctuations that stock prices may cause to the companies' financial assets and financial liabilities.

ArcelorMittal Brasil Group's operational investment strategy does not provide for the acquisition of shares issued by publicly-held companies. Other assets recorded under "Other investments" refer basically to gains (losses) on nationalization programs implemented by the Brazilian government in telephone companies in the amount of R$1,535 as at December 31, 2019 (R$1,061 in 2018), stated at fair value through other comprehensive income.

d. Capital structure risk

Management, by keeping a solid capital structure to support investor's, lender's and market's trust and the performance of future business of ArcelorMittal Brasil Group, has developed policies that allow to monitor returns on capital.

ArcelorMittal Brasil Group's debt-to-capital ratio is as follows:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Loans	16,385,348	15,757,225	17,539,665	16,961,547
Leasing	324,373	-	344,724	-
Debentures	2,500	2,694	2,500	2,694
Total debts	**16,712,221**	**15,759,919**	**17,886,889**	**16,964,241**
less: cash and cash equivalents	201,094	339,319	1,306,195	656,306
Net debt	**16,511,127**	**15,420,600**	**16,580,694**	**16,307,935**
Equity	**10,597,155**	**12,017,039**	**11,434,973**	**12,801,393**
Debt-to–capital ratio	**156%**	**128%**	**145%**	**127%**

The increase in the debt-to-capital ratio is mainly due to new borrowings taken as a result of the investments made in 2019.

e. Derivative assets and liabilities risk

Based on the internal policy governing such transactions, the use of derivatives is restricted to hedge against potential exposures to which ArcelorMittal Brasil Group is subject given the nature of its business. Derivative instruments must seek to reduce the volatility of cash flows and hedge financial liabilities so that finance income/costs derive from the generation of cash from the business rather than from gains in the financial market.

Derivative transactions currency, commodity and investment acquisition options.

ArcelorMittal Brasil contracts some payment extension transactions for trade payables and uses currency derivatives to translate Brazilian reais into US dollars. The Company also hedges its firm commitments, by fixing the commodities future acquisition price using derivative instruments.

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(i) Effect of exchange rate changes

To analyze the potential impacts of exchange rate changes on the Company's parent, as well as the consolidated profit or loss, the Company applied a 10% fluctuation on the closing exchange rate of the contractual currency, considering appreciation and depreciation, as follows:

						Consolidated
		Rates				
Counterparty	Maturities	Asset	Liability	Recorded Fair value (market)	Appreciation (10%) Fair value (market)	Depreciation (10%) Fair value (market)
BNP / Citibank / J.P. Morgan / Credit Agricole	11/2019 to 04/2020	BRL	USD	10,229	(20,507)	40,965

(ii) Currency Hedge

In 2019, ArcelorMittal Brasil has contracted derivative transactions relating to the extended maturity dates for payment of trade payables, also translating Brazilian reais into US dollars, using the NDF (Non Deliverable Forwards), as shown below:

				Parent / Consolidated							
		Rates		Notional amount				Fair value (market)			
				2019		2018		2019		2018	
Counterparty	Maturity	Asset	Liability	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position	Asset position	Liability position
J.P Morgan	04/2020	BRL	USD	37,598	36,474	267,382	266,149	38,080	36,773	270,251	268,832
BNP Paribas	04/2020	BRL	USD	88,066	84,985	155,223	159,541	89,142	85,904	157,690	161,594
Citibank	04/2020	BRL	USD	125,328	122,196	171,865	173,204	126,933	123,212	173,792	174,982
Credit Agricole	04/2020	BRL	USD	62,664	61,006	-	-	63,436	61,474	-	-
Total				**313,656**	**304,661**	**594,470**	**598,894**	**317,591**	**307,363**	**601,733**	**605,408**

As at December 31, 2019, loss on these transactions totaled R$6,753 (R$22,924 in 2018).

f. Derivative instruments in agreements

Within the context of acquisition of 40% stake in Tuper S.A., carried out by subsidiary Armar Com. Imp. Export Ltda. on October 6, 2016, derivatives characterized by put and call options involving shareholders Tuper Participações S. A and Armar Com. Imp. Exp. Ltda. and, a call option with Gonvarri Group were identified.

Under the call option, Tuper Participações S.A. has granted to Armar Com. Imp. Exp. Ltda. an irrevocable, irreversible call option for all shares of Tuper S.A., which will be exercised at any time five years from the signature of the Shareholders' Agreement.

On the contrary, Armar Com. Imp e Export. Ltda. has granted to Tuper Participações S.A. irrevocable, irreversible put options for all shares of Tuper S.A., three years after the signature of the Shareholders' Agreement and, thereafter, five years after the signature of said agreement.

Finally, a call option was agreed among ArcelorMittal Group, represented by subsidiaries ArcelorMittal Basque Holding, SL and ArcelorMittal Spain Holding, SL. and Gonvarri Group, represented by Gonvarri Corporacion Financiera S.L., in which ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S.A. holds the irrevocable, irreversible right to acquire all shares of Armar Com. Imp. Exp. Ltda. within a period of six months from the signature of the shareholders' agreement for acquisition of Tuper S. A. The option to sell to Gonvarri Group has expired on April 6, 2017.

The fair value of options was calculated based on the Monte Carlo method to project the future price of the underlying asset, identified by the 40% stake in Tuper SA.

As at December 31, 2019, the fair value of the put option granted by Tuper Participações S.A. to Armar Com. Imp. Exp. Ltda. was R$7,007 (R$12,897 in 2018) and of the call option was R$1,123 (R$163 in 2018), already deducted from the credit valuation adjustment of Tuper Participações S. A, and are recorded in line item "Derivative instruments" in noncurrent assets. The net effect of the variation of these financial instruments recorded in profit or loss for the year was an expense of R$6,850 (an expense of R$892 in 2018).

g. Accounting classification and fair values

The criteria for measurement of the fair value of financial instruments are based on the adoption of market curves of each derivative adjusted to present value on the measurement date. The methods and assumptions take into account the interpolation of curves according to the market.

As for the criteria used to measure the fair value of financial instruments (Financing and Debentures), it is based on the calculation of the amount to be paid through the maturity date under contracted terms and conditions, and discounted to present value at market conditions, at the calculation date.

The amounts are determined based on market models and quotations that take into account present market conditions. As a result, the estimates are not necessarily indicative of the amounts that could be realized in the current market.

h. Fair value hierarchy

ArcelorMittal Brasil sets a three-level fair value hierarchy, which prioritizes inputs for fair value measurement by an entity in order to maximize the use of observable inputs and minimize the use of unobservable inputs.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Other inputs available, other than those included in Level 1, where prices are quoted (unadjusted) for similar assets and liabilities in non-active markets, or other input that is available or may be corroborated by market inputs for substantially the full term of the asset or liability.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs) because market activity is insignificant or does not exist to measure the fair value of assets and liabilities.

The financial assets and financial liabilities of ArcelorMittal Brasil measured at fair value on a recurring basis, including private bonds and derivatives or subject to disclosure, are as follows:

					Parent	
	Level 1		**Level 2**		**Level 3**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Asset						
Other financial assets	1,432	1,061	-	-	-	-
Swap contracts and other	-	-	10,575	1,340	-	-
	1,432	**1,061**	**10,575**	**1,340**	**-**	**-**
Liability						
Swap contracts and other	-	-	-	5,010	-	-
	-	**-**	**-**	**5,010**	**-**	**-**

					Consolidated	
	Level 1		**Level 2**		**Level 3**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Asset						
Other financial assets	1,432	1,061	-	-	-	-
Swap contracts and other	-	-	10,575	1,340	-	-
Option agreements	-	-	-	-	5,884	12,734
	1,432	**1,061**	**10,575**	**1,340**	**5,884**	**12,734**
Liability						
Swap contracts and other	-	-	-	5,010	-	-
	-	**-**	**-**	**5,010**	**-**	**-**

There was no transfer between levels 1, 2 and 3 in 2019 and 2018.

27. INCOME TAX AND SOCIAL CONTRIBUTION

a. Income tax and social contribution

	Parent		*Consolidated*	
	2019	**2018**	**2019**	**2018**
Income (loss) before income tax, social contribution, legal reserves and noncontrolling interest	1,164,509	3,102,495	1,400,450	3,510,783
Combined tax rate	34%	34%	34%	34%
Benefit post employment				
Income tax and social contribution at tax rate	**(395,933)**	**(1,054,848)**	**(476,153)**	**(1,193,666)**
Adjustments to profit (loss)				
Effects on profit (loss) of additions (deductions) that do not generate tax credits				
Recognition of tax loss carryforwards	200	15,078	(70,064)	(203,626)
Swap*	2,296	(7,982)	2,296	(7,982)
Income (loss) from investments in associates, joint ventures and other investments (note 13b)	207,578	(143,729)	26,240	17,307
Taxation of foreign profits	(125)	22,320	(125)	182,778
Interest on capital received	(25,136)	(22,259)	(11,842)	(2,771)
Interest on capital paid	105,400	283,730	117,777	284,925
Tax Amnesty	7,212	-	7,212	-
Transfer Pricing	(63,272)	(49,987)	(66,718)	(51,625)
Nondeductible expenses	(16,590)	(11,071)	(20,116)	(61,976)
Tax incentive (note 20 b)	97,706	181,614	134,718	211,538
Inflationary items	-	-	-	(128,422)
IFRIC 23	21,241	-	21,241	-
Others	(28,702)	13,678	173,786	(109,232)
Income tax and social contribution computed	**(88,125)**	**(773,456)**	**(161,748)**	**(1,062,752)**
Effective rate	-8%	-25%	-12%	-30%
Current income tax and social contribution	**(80,153)**	**(475,428)**	**(198,203)**	**(592,476)**
Deferred income tax and social contribution	**(7,972)**	**(298,028)**	**36,455**	**(470,276)**

** Refers to the exclusion of gain in swap, whose losses were not deducted in previous periods considering the format of variable income taxation. The Company does not recognize the deferred assets on variable income in view of the low expectation of realization.*

b. Deferred income tax and social contribution

	Parent					Consolidated			
	Balances as at 12/31/2018	Recognition in profit or loss	Merger	Additions / write-offs	Balances as at 12/31/2019	Balances as at 12/31/2018	Recognition in profit or loss	Additions / write-offs	Balances as at 12/31/2019
Noncurrent assets									
Tax loss carryforwards	1,474,935	(67,191)	-	(12,572)	1,395,172	1,464,300	(53,699)	(13,269)	1,397,332
Temporary differences	240,982	74,620	63,919	(3,514)	376,007	286,461	78,933	(3,514)	361,880
Effects of Law 11638 - functional currency	-	-	-	-	-	10,276	-	-	10,276
Benefit post employment	(1)	4,145	157,687	(27,488)	134,343	159,448	4,145	(32,553)	131,040
Plano Verão ("Summer Plan") and others	22,400	(751)	-	-	21,649	22,397	(751)	-	21,646
Others Effects of Law 11638	173,812	(7,723)	-	58,517	224,606	176,980	(17,015)	64,820	224,785
Total noncurrent assets	**1,912,128**	**3,100**	**221,606**	**14,943**	**2,151,777**	**2,119,862**	**11,613**	**15,484**	**2,146,959**
Noncurrent liabilities									
Temporary differences	32,253	-	-	-	32,253	272,710	(38,344)	(234,366)	-
Added value of assets	-	-		-	-	84,136	-	-	84,136
Unrealized profits on inventories	-	-	-	-	-	1,584	4,224	-	5,808
Effects of Law 11638 - functional currency	497,502	(12,149)	-	1	485,354	506,615	(10,932)	1	495,684
Effects of Law 11638 - goodwill amortization	1,677,972	3,646	-	1	1,681,619	1,677,228	3,646	1	1,680,875
Effects of Law 11638 - others *(*)*	1,788,688	19,575	305,977	127	2,114,367	1,940,694	16,564	287,860	2,245,118
Total noncurrent liabilities	**3,996,415**	**11,072**	**305,977**	**129**	**4,313,593**	**4,482,967**	**(24,842)**	**53,496**	**4,511,621**
Effect on profit or loss		**(7,972)**					**36,455**		
Total noncurrent asset	**-**				**-**	**34,716**			**31,547**
Total noncurrent liability	**2,084,287**				**2,161,816**	**2,397,821**			**2,396,209**

The Company, based on the expected generation of future taxable income, determined in a technical study approved by Management, recognized as at December 31, 2019, as reversal of tax credits on tax loss carryforwards of R$1,395,172 (Parent) and R$1,397,332 (Consolidated). This tax credit can be carried forward indefinitely and its offset is limited to 30% of annual taxable income.

Income tax and social contribution credits on the temporary differences recorded in noncurrent assets will be realized at the same time frame of the liabilities that originated them.

28. RELATED-PARTY TRANSACTIONS

The balances and most significant transactions with related parties, included in the individual and consolidated financial statements as at December 31, 2019 and 2018, are summarized as follows:

?	Balances								Transactions					
	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities		Sales		Purchases		Other income (expenses)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Acindar Industria Argentina	2,362	2,118	-	-	8,015	9,278	-	-	8,561	8,545	52,294	55,153	-	-
Arcelor International Singapore Private	-	4,390	-	-	-	-	-	-	579,005	294,590	-	-	-	(59)
ArcelorMittal Basque Holding S.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,189)
ArcelorMittal Belgium - Gent	-	194,943	-	-	20	19	-	-	90,239	438,595	-	-	-	-
ArcelorMittal Bioflorestas	170,934	80,653	-	-	7,650	7,360	-	-	155	447	150,367	126,223	5,462	2,151
ArcelorMittal Bremen GmbH	-	-	-	-	-	524	-	-	192,506	279,825	-	522	(567)	(614)
ArcelorMittal Calvert LLC	201,967	124,475	-	-	-	-	-	-	2,150,252	2,617,240	-	-	-	-
ArcelorMittal Commercial RPS SàrL	-	-	-	-	9,796	758	-	-	-	-	35,189	11,694	-	-
ArcelorMittal Contagem S.A	452,151	515,054	63,910	63,910	1,476	617	-	-	1,534,828	1,447,447	146,085	139,994	(4,826)	(11,260)
ArcelorMittal Distribution Solutions SA	6,620	6,364	-	-	-	-	-	-	-	-	-	-	-	-
ArcelorMittal Dofasco	134,581	172,073	-	-	-	-	-	-	294,545	950,702	-	-	23	-
ArcelorMittal Espana	-	105,521	-	-	-	-	-	-	203,213	154,319	-	-	-	-
ArcelorMittal Europe SA	-	-	-	-	26,598	21,094	-	-	-	-	26,671	21,257	-	-
ArcelorMittal Flat Carbon Europe	12	11	-	-	5,248	931	-	-	-	-	30,903	47,338	-	-
ArcelorMittal France	178	171	-	-	3,719	3,644	-	-	-	-	-	-	-	-
ArcelorMittal Gonvarri Brasil Produtos Siderurgic	32,882	45,144	-	-	1,761	3,447	-	-	614,084	471,795	34,904	42,808	-	-
ArcelorMittal International America, LLC	67	15,476	-	-	-	-	-	-	28,151	35,436	-	-	-	(123)
ArcelorMittal International Fze	-	50,171	-	-	-	-	-	-	112,129	173,373	-	-	-	-
ArcelorMittal International Luxembourg S.A	68,143	126,641	-	-	1,669	2,598	-	-	896,346	1,050,364	-	-	(4,683)	(4,314)
ArcelorMittal Logistics Belgium	293	-	-	-	-	5,399	-	-	-	-	39,387	39,509	1,395	2,327
ArcelorMittal Mediterranee	-	-	-	-	-	-	-	-	-	35,225	-	-	-	-
ArcelorMittal Mining	-	-	-	-	-	-	-	-	-	26,993	-	-	26	-
ArcelorMittal Poland	293	-	-	-	-	-	-	-	-	46,286	-	59,610	-	-
ArcelorMittal SA	11,964	8,391	-	-	114,039	967,193 (i)	16,360,015	14,768,724 (i)	-	-	-	-	(2,062,007)	(1,598,377)
ArcelorMittal Sistemas S.A	777	1,463	-	-	10,295	7,860	-	-	-	-	64,124	52,741	(37)	(48)
ArcelorMittal Sourcing	604,605	-	-	-	192,753	444,030	-	-	-	-	3,534,241	4,324,702	-	-
ArcelorMittal Spain Holding SA	-	2,665	292,299	292,299 (ii)	1	1	-	-	-	-	-	-	-	-
ArcelorMittal Sul Fluminense S.A.	-	416,135	-	-	-	10,194	-	-	161,826	134,066	497,385	690,227	6,283	3,041
Belgo Bekaert Arames Ltda.	96,883	134,943	-	-	16,919	18,355	-	-	1,567,014	1,518,397	172,712	150,875	(137)	(618)
BIA Alambres Costa Rica S.A.	-	7,087	-	-	-	-	-	-	13,207	11,268	-	-	-	-
BMB Belgo Mineira Bekaert	41,745	36,932	-	-	165	151	-	-	297,173	274,807	1,305	1,088	(195)	(452)
Borcelik Celik Sanayii Ticaret A.S.	-	50,365	-	-	-	-	-	-	321,826	829,728	-	-	-	-
CST Comercio Exterior SA	3,255	2,055	-	-	1,805	4,793	-	-	-	-	756	686	35,920	11,415
Grupo Aperam	2,492	8,238	-	-	3,178	2,596	-	-	19,894	33,259	11,464	26,648	-	-
Gonvarri Argentina S.A.	-	-	-	-	30	-	-	-	80,267	-	-	-	-	-
Ideal Alambrec S.A.	-	9,356	-	-	-	-	-	-	72,334	44,055	-	-	-	-
Industrias Unicon CA	1,269	86,956	216	194	1,047	2,187	-	-	-	-	-	-	21	-
Mittal Steel International Holdings B.V.	-	-	-	-	12,583	12,097	-	-	-	-	-	-	-	-
Perfilor S.A. Construções Industria e Comércio	16,654	19,648	-	-	297	746	-	-	41,787	33,689	3,749	1,970	-	-
SITREL - Siderúrgica Três Lagoas Ltda	2,356	6,782	-	-	3,132	10,007	-	-	165,884	130,246	185,966	154,110	(780)	(81)
Tuper S.A.	173,982	174,310	-	-	-	660	-	-	577,346	562,885	26,211	22,430	14	332
Usina Hidrelétrica Guilman Amorim S.A.	3,684	-	-	-	2,823	1,080	-	-	-	-	-	-	(8,576)	(7,798)
Valin ArcelorMittal Automotive Steel Co Ltd	-	14,850	-	-	-	-	-	-	-	-	-	-	-	-
Others	7,430	9,575	-	-	3,549	3,289	-	-	-	21,552	5,810	1,810	(4,590)	(20,528)
Total	**2,037,579**	**2,432,956**	**356,425**	**356,403**	**428,568**	**1,540,908**	**16,360,015**	**14,768,724**	**10,022,572**	**11,625,134**	**5,019,523**	**5,971,395**	**(2,037,254)**	**(1,684,195)**

(i) Refers mainly to financing.

(ii) Refers to receivables related to the tax amnesty under Law 12865/2013 (see note 26c)

ARCELORMITTAL BRASIL S.A.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2019
Amounts in thousands of Brazilian reais, unless otherwise indicated.

Consolidated	Balances								Transactions					
	Current assets		Noncurrent assets		Current liabilities		Noncurrent liabilities		Sales		Purchases		Other income (expenses)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
AM Exports DMCC	-	-	-	-	72,443	-	-	-	-	-	70,220	-	-	-
Benefit post employment	4,880	2,073	-	-	-	133	-	-	7,131	4,288	-	-	370	63
Arcelor International Singapore Private	-	4,390	-	-	-	-	-	-	579,005	294,590	-	-	-	(59)
ArcelorMittal Basque Holding S.L.	-	-	-	-	-	-	-	-	-	-	-	-	-	(59,189)
ArcelorMittal Belgium - Gent	-	194,943	-	-	20	19	-	-	90,239	438,595	-	-	-	-
ArcelorMittal Bremen GmbH	-	-	-	-	-	524	-	-	192,506	279,825	-	522	(567)	(614)
ArcelorMittal Calvert LLC	201,967	124,475	-	-	-	-	-	-	2,150,252	2,617,240	-	-	-	-
ArcelorMittal Commercial RPS SárL	-	-	-	-	9,796	758	-	-	-	-	35,189	14,729	-	-
ArcelorMittal Commercial Sections SA	-	-	-	-	4,470	6,585	-	-	-	-	7,606	48,737	-	-
ArcelorMittal Contagem S.A	452,276	515,235	63,910	63,910	2,757	617	-	-	1,536,260	1,448,935	150,127	139,994	(4,826)	(11,260)
ArcelorMittal Distribution Solutions SA	6,620	6,364	-	-	-	-	-	-	-	-	-	-	-	-
ArcelorMittal Dofasco	134,734	175,291	-	-	-	-	-	-	298,727	955,259	-	-	23	-
ArcelorMittal Duisburg	-	-	-	-	6,730	10,023	-	-	-	-	47,118	41,159	-	-
ArcelorMittal Espana	-	105,521	-	-	-	-	-	-	203,213	154,319	-	37	-	-
ArcelorMittal Europe SA	-	-	-	-	28,482	22,230	-	-	-	-	26,671	21,257	(2,098)	(1,123)
ArcelorMittal Flat Carbon Europe	12	11	-	-	5,248	931	-	-	-	-	30,903	47,338	-	-
ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S	32,882	45,144	-	-	1,761	3,447	-	-	614,084	471,795	34,904	42,808	-	-
ArcelorMittal International America, LLC	67	15,476	-	-	-	-	-	-	28,151	35,436	-	-	-	(123)
ArcelorMittal International Fze	-	50,171	-	-	34,360	153,884	-	-	112,129	173,373	116,649	174,437	-	-
ArcelorMittal International Luxembourg S.A	69,963	152,340	-	-	37,040	2,870	-	-	986,481	1,140,793	10,706	11,724	(4,683)	(4,314)
ArcelorMittal Investigación y Desarrollo, SL	-	-	-	-	23,125	29,581	-	-	-	-	-	-	(39,515)	(38,340)
ArcelorMittal Logistics Belgium	293	-	-	-	-	5,399	-	-	-	-	39,387	39,509	1,395	2,327
ArcelorMittal Mediterranee	-	-	-	-	-	-	-	-	-	35,225	-	-	-	-
ArcelorMittal Mining	-	-	-	-	-	-	-	-	-	26,993	-	-	26	-
ArcelorMittal Netherlands Bv	-	-	-	-	829,527	768,191	-	-	-	-	-	-	-	-
ArcelorMittal Poland	293	-	-	-	-	-	-	-	-	46,286	-	59,610	-	-
ArcelorMittal SA	11,964	8,391	-	-	166,473	993,205 (i)	16,360,015	14,768,724 (i)	-	-	-	-	(2,103,595)	(1,630,206)
ArcelorMittal Sourcing	604,605	-	-	-	432,830	769,614	-	-	-	-	3,534,241	4,951,118	-	-
ArcelorMittal Spain Holding SA	-	2,665	292,299	292,299 (ii)	98,187	47,113	236,781	280,298	-	-	-	-	(39,892)	(11,461)
ArcelorMittal Treasury	66,963	20	-	-	35,460	80,503	-	-	-	-	-	-	(3,955)	(1,650)
ArcelorMittal Treasury Financial Services S.à r.l.	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,168)
ArcelorMittal Tubular Products Canada Inc.	-	-	-	-	19,799	-	-	-	-	-	-	-	-	-
ArcelorMittal Tubular Products Iasi SA	-	-	-	-	19,477	-	-	-	-	-	-	-	-	-
ArcelorMittal Tubular Products Roman SA	-	-	-	-	25,234	-	-	-	-	-	-	-	-	-
BIA Alambres Costa Rica S.A.	-	7,087	-	-	-	-	-	-	13,207	11,268	-	-	-	-
Borcelik Celik Sanayii Ticaret A.S.	-	50,365	-	-	-	-	-	-	321,826	829,728	-	-	-	-
Gonvarri Argentina S.A.	-	-	-	-	36	-	-	-	80,267	-	1,466	-	-	-
Grupo Aperam	4,670	13,111	-	-	3,534	3,358	-	-	32,648	55,582	11,498	28,567	(1,800)	-
Ideal Alambrec S.A.	-	9,356	-	-	-	-	-	-	72,334	44,055	-	-	-	-
I.P.H.S.A.I.C.F.	5,261	-	-	-	187	-	-	-	25,946	-	-	-	-	-
Perfilor S.A. Construções Industria e Comércio	16,654	19,648	-	-	297	2,126	-	-	41,787	33,689	3,749	4,302	-	-
SITREL - Siderúrgica Três Lagoas Ltda	2,433	14,148	-	-	3,132	149,871	-	-	166,390	179,391	199,611	195,175	(780)	(132,172)
Tuper S.A.	173,982	174,310	-	-	-	660	-	-	577,346	562,885	26,211	22,430	14	332
Valin ArcelorMittal Automotive Steel Co Ltd	314	15,152	-	-	-	-	-	-	-	-	-	-	-	-
Others	11,679	10,518	-	-	30,508	19,938	-	-	15,308	16,082	1,675	12,957	(13,153)	(14,684)
Total	**1,802,512**	**1,716,205**	**356,209**	**356,209**	**1,890,913**	**3,071,580**	**16,596,796**	**15,049,022**	**8,145,237**	**9,855,632**	**4,347,931**	**5,856,410**	**(2,213,036)**	**(1,915,641)**

(i) Refers mainly to financing.
(ii) Refers to receivables related to the tax amnesty under Law 12865/2013 (see note 26c)

Due to related parties arise mainly from sales transactions and mature within no more than 30 days. Trade receivables are not collateralized and are subject to interest. Sales of products to related parties are made according to terms and conditions agreed between the parties, in accordance with the transfer pricing rules adopted in Brazil.

Due to related parties classified as trade payables arise mainly from purchase of inputs and mature within no more than 45 days after the purchase date. Due to related parties are subject to interest. Purchases of products from related parties are made according to terms and conditions agreed between the parties, subject to transfer pricing rules adopted in Brazil.

Due to associates classified as financing arise from borrowings under the export prepayment and export contract advances category, with different maturities until 2028 and annual average finance charges of 11.88% in 2019 (11.96% in 2018). (note 18)

Other amounts classified as other due to/related parties refer mainly to interest expenses incurred upon default in purchase and sale transactions and interest arising from intragroup loan agreements.

ArcelorMittal Brasil Group did not provide collaterals to its subsidiaries in the year ended December 31, 2019 and 2018.

a. Key management personnel compensation

Compensation paid or payable to key management personnel is as follows:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Short-term benefits to management	22,610	20,599	28,122	21,315
Post employment benefit	1,825	-	2,402	-
Benefits arising from termination of employment contract	-	2,081	189	2,160
Share-based compensation	8,523	8,380	9,038	8,380
	32,958	**31,060**	**39,751**	**31,855**

The amounts above are disclosed in the statement of profit and loss under “General and administrative expenses”.

ArcelorMittal Group maintains a share-based payment plan whose benefits are extended to some of its executives in Brazil. The fair value of the benefit recognized in the statement of profit and loss in 2019 was R$9,038 (R$8,380 in 2018).

The fair value of options granted calculated on the grant date is recognized on a straight-line basis as expense in the statement of profit and loss for the year over the vesting period, based on ArcelorMittal Brasil Group’s estimates on which options granted will become eventually vested, with a corresponding increase in equity. The fair value of each grant of common stock options in ArcelorMittal S.A. is measured by using the Black-Scholes-Merton pricing model (based on the grant year).

The option exercise expectation is estimated based on the observation of the behavior of the holder relatively to the term of ArcelorMittal’s stock option plans. Additionally, the annual expected volatility was calculated based on the volatility implied in the options available on ArcelorMittal’s shares in the money market of the Company’s Parent, as well as on historical volatility standards.

29. PROVISION FOR TAX, CIVIL AND LABOR RISKS AND ESCROW DEPOSITS

Known risks, originated over the normal course of business, are reviewed by the Company's management. They are supported by an opinion from its legal counsel, and the Company assesses the likelihood of losses adjusting the provision for risks as applicable.

The variation in the provision for the year is as follows:

Parent	**Tax**		**Civil**	**Labor**	**Environmental**	**TOTAL**
	Income tax and social contribution	**Other taxes**				
Balance as at 12/31/2017	**73,171**	**120,657**	**97,922**	**141,298**	**266**	**433,314**
Addition	15	25,002	5,907	123,001	-	153,925
Payments	-	(24)	(781)	(45,216)	-	(46,021)
Reversion	-	(24,209)	(19,524)	(24,412)	(266)	(68,411)
Monetary adjustment	1,927	11,611	6,903	60,068	-	80,509
Balance as at 12/31/2018	**75,113**	**133,037**	**90,427**	**254,739**	**(266)**	**553,316**
Addition *(i)*	-	48,217	136,324	83,807	-	268,348
Payments	-	(69,624)	(598)	(108,299)	-	(178,521)
Reversion	-	(18,396)	(10,335)	(70,610)	-	(99,341)
Monetary adjustment	-	10,504	11,599	58,036	-	80,139
AM Sul Fluminense Merger	-	6,306	237,166	18,023	-	261,495
Transfer to tax payable (ii)	(75,113)	-	-	-	-	(75,113)
Balance as at 12/31/2019	-	**110,044**	**464,583**	**235,696**	**(266)**	**810,323**
Current	-	-	-	98,942	-	98,942
Noncurrent	-	110,044	464,583	136,754	-	711,381
Balance as at 12/31/2019	-	**110,044**	**464,583**	**235,696**	-	**810,323**

(i) AM Sul Fluminense merger into in 7/1/2019
(ii) Reclassification arising form the implementation of IFRIC 23.

Consolidated	Tax		Civil	Labor	Environmental	TOTAL
	Income tax and social contribution	Other taxes				
Balance as at 12/31/2017	**75,758**	**182,069**	**101,572**	**182,580**	**266**	**542,245**
Addition (i)	9,925	28,887	7,488	153,045	-	199,345
Payments	-	(5,067)	(892)	(58,050)	-	(64,009)
Reversion/payments	-	(35,167)	(21,974)	(44,591)	(266)	(101,998)
Monetary adjustment	17,166	16,800	11,571	68,673	-	114,210
Acquisition (ii)	4,688	19,366	234,048	25,048	-	283,150
Balance as at 12/31/2018	**107,537**	**206,888**	**331,813**	**326,705**	**-**	**972,943**
Addition	-	61,682	138,949	108,628	-	309,259
Payments	-	(70,786)	(1,546)	(116,892)	-	(189,224)
Reversion/payments	-	(19,812)	(10,592)	(92,337)	-	(122,741)
Monetary adjustment	-	13,129	14,591	68,754	-	96,474
Transfer to tax payable (iii)	(107,537)	-	-	-	-	(107,537)
Balance as at 12/31/2019	**107,537**	**191,101**	**473,215**	**294,858**	**-**	**1,066,711**
Current	-	-	9	150,705	-	150,714
Noncurrent	-	191,101	473,206	144,153	-	808,460
Balance as at 12/31/2019	**-**	**191,101**	**473,215**	**294,858**	**-**	**959,174**

(i) There is positive financial component from previous years of R$54.316 in 2019 (R$25.339 negative in 2018)
(ii) Acquisition of ArcelorMittal Sul Fluminense and Acindar Argentina.
(iii) Reclassification arising form the implementation of IFRIC 23.

a. Provisioned risks

The main tax, labor civil lawsuits for which the Company recorded provisions for risk are:

- PIS/COFINS – Amount of R$2,688 as at December 31, 2019 (R$2,614 as at December 31, 2018). The Group's consolidated amount is R$28,044 as at December 31, 2019 (R$28,333 as at December 31, 2018) and the main challenges refer to the discussion of the concept of revenues, as set forth in Law 9718/98, and offset of 1/3 of the COFINS against the CSLL;

- ICMS (State VAT) – Amount of R$20,185 as at December 31, 2019 (R$8,959 as at December 31, 2018). Challenges involve mainly discussions on the ICMS credit on inputs used in the Company's production process and utilization of deemed ICMS credit. The Group's consolidated amount is R$24,580 as at December 31, 2019 (R$14,934 as at December 31, 2018);

- ISSQN (Service Tax) – Amount of R$1 as at December 31, 2019 (R$14,976 as at December 31, 2018). The challenges arise mainly from differences about the nature of the services engaged, as well as about application of the agreement entered into among the municipalities of Serra and Vitória and ArcelorMittal Tubarão' plant at several levels, so as to define the competent taxing municipality, since the Company is geographically located in both municipalities. The Group consolidated amount is R$1 as at December 31, 2019 (R$15,288 as at December 31, 2018);

- SOCIAL SECURITY LAWSUITS – Amount of R$5,945 as at December 31, 2019 (R$7,440 as at December 31, 2018). The challenges are diversified and address mainly SAT-related discussions. The Group's consolidated amount is R$7,315 as at December 31, 2019 (R$8,798 as at December 31, 2018);

- FEE FARM CHARGE – CHARCOAL YARD AND OCCUPANCY OF THE PRAIA MOLE TERMINAL – Amount of R$16,842 as at December 31, 2019 (R$ 16,279 as at December 31, 2018). The undue increase of the fee farm charge and of the Navy land occupancy rate is discussed;

- ELETROBRÁS - R$27,875 as at December 31, 2019 (R$34,845 as at December 31, 2018). Challenges involve mainly the collection of compulsory loan on power consumption.

- FEES ON SUCCESS AND BURDEN OF DEFEAT – Amount of R$29,972 as at December 31, 2019 (R$38,896 as at December 31, 2018). Refers to the fees on success and burden of defeat, applicable on tax lawsuits which likelihood of loss is assessed as remote and probable, respectively. The Group's consolidated amount is R$34,041 as at December 31, 2019 (R$43,306 as at December 31, 2018);

- CIVIL LAWSUITS – Refer basically to indemnity actions, contractual litigations, civil and environmental tax assessment notices and discussions related to ANTT fines.

- CADE: In September 2000, two companies, one engaged in civil construction and another engaged in the purchase, sale and management of real estate, filed a complaint with the Administrative Council for Economic Defense (CADE) against three long steel producers, including Siderúrgica Barra Mansa S.A., current ArcelorMittal Brasil. The complaint alleged that these producers formed a cartel to charge rebar prices higher than the price that would be charged in a competitive market, thus breaching the relevant antitrust laws. In September 2005, CADE handed down its final decision against the Company and other defendants, imposing a 7% fine on the gross revenue of each of the parties, considering 1999. As it is absolutely certain of the lack of adoption of any antitrust practice, the Company has filed in 2006 an ordinary action with the 13th Federal Court of Brasília - DF, to annul the decision handed down by the CADE. A decision was rendered and the judgment of the Appeal filed by the company with the appellate court is pending judgment. The Company's Management and its legal counsel believe that their allegations can be fully accepted by the Judiciary Branch. The lawsuit is secured by a bank guarantee, with indeterminate validity period. The lawsuit amount as at December 31, 2019 is R$52,559 (R$51,265 in December 2018).

  ARBITRATION - ArcelorMittal Brasil, current name of Votorantim Siderurgia S.A., is a party to one arbitration proceeding in progress, the subject matter of which is related to the interpretation of clauses of the Joint Venture Agreement entered into for the establishment of Siderúrgica Três Lagoas – SITREL, which is strictly related to the pricing formula of the billets sold to SITREL.

- LABOR LAWSUITS – The Company and its subsidiaries are defendants to various labor claims, both individually and collectively, including, without limitation, pain and suffering and property damages, overtime, additional sums, severance pay of third-party employees and public civil claims. The provision is recognized considering the likelihood of loss, based on the Company's outside legal counsel.

  Escrow deposits recorded in the Company's long-term assets total R$559,460 as at December 31, 2019 and R$561,154 as at December 31, 2018 (R$652,075 and R$697,632 in the consolidated, respectively) are related to civil, labor and tax lawsuits

b. Contingent liabilities

The Company and its subsidiaries are also parties to various ongoing civil, labor and tax lawsuits which, based on the current likelihood of favorable outcome and legal aspects, do not require a provision for risks.

As at December 31, 2019, these lawsuits amounted to approximately R$10,905,163 (R$9,595,217 as at December 31, 2018).

The main lawsuits with possible likelihood of loss are:

- CADE: In September 2000, two companies, one engaged in civil construction and another engaged in the purchase, sale and management of real estate, filed a complaint with the Administrative Council for Economic Defense (CADE) against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers formed a cartel to charge rebar prices higher than the price that would be charged in a competitive market, thus breaching the relevant antitrust laws. In September 2005, CADE issued a final decision against ArcelorMittal Brasil and the other defendants and imposed a penalty equivalent to 7% of the gross revenue of each defendant for the year ended 1999. ArcelorMittal Brasil filed a lawsuit to annul this decision with federal courts. In September 2006 ArcelorMittal Brasil has offered a letter of guarantee amounting to R$76,544 and was granted an injunction that suspends the enforcement of the administrative decision until a court decision is handed down. On October 17, 2017, the annulment action was considered groundless and ArcelorMittal Brasil has filed an appeal with the Federal Regional Court. The lawsuit amount as at December 31, 2019 is R$245,627 (R$223,055 in 2018).

  In March 2005, the Federal Public Prosecution Office filed a lawsuit against ArcelorMittal Brasil and other two steel mills due to the damages caused by the violations investigated by the CADE, which requested, but not limited to, that the defendants be sentenced to paying a penalty equivalent to 10% of their gross revenues, less taxes, taking into account the revenues for the year ended 2001. Lawsuit amount as at December 31, 2019: R$261,406 (R$242,862 in 2018).

  In October 2008, four units of the Union of the Civil Construction Industry Workers ("SINDUSCON") and civil construction industry organizations filed a lawsuit against ArcelorMittal Brasil and two other steel mills with the federal courts in Brasília, alleging losses based on an alleged rebar market cartel, as investigated by the CADE, and requesting the courts to assert the defendants' obligation to compensate the construction companies affected by the cartel's economic violations and overpricing, at amounts to be determined in a future award calculation.

- SOCIAL SECURITY LAWSUITS - Challenges mainly related to the levy of INSS on non-compensatory amounts and contributions to the Worker Support Service (SAT) in the estimated amount of R$517,374 as at December 31, 2019 (R$317,581 as at December 31, 2018).

- PIS and COFINS – Refer mainly to discussions on PIS and COFINS credits used upon the acquisition of inputs and compensations not approved, in the estimated amount of R$457,102 as at December 31, 2019 (R$437,937 as at December 31, 2018).

- II/IPI/PIS/COFINS - Amount of R$94,595 as at December 31, 2019 (R$102,210 as at December 31, 2018). The challenges refer mainly to the disregard of the Drawback Regime by the tax authorities and subsequent tax collection.
- IPI – Amount of R$408,828 as at December 31, 2019 (R$299,647 as at December 31, 2018). The challenges refer mainly to the discussion about the concept of intermediary product for purposes of credit and alleged shipment of products with inappropriate tax suspension and compensations not approved.

- IRPJ and CSLL – Amount of R$4,191,111 as at December 31, 2019 (R$3,549,260 as at December 31, 2018). Contingency related mainly to the tax assessment notices that challenge the amortization of goodwill generated on the acquisition of business, in particular the going private transaction of Arcelor Brasil, in the estimated amount of R$3,715,979.

- ISS - R$109,527 as at December 31, 2019 (R$105,976 as at December 31, 2018). The challenges arise mainly from differences about the nature of the services engaged by the Company, as well as about application of the agreement entered into among the municipalities of Serra and Vitória and the Company in 2004, so as to define the competent taxing municipality, since the Company is geographically located in both municipalities.

- ICMS – Amount of R$3,327,472 in December 2019 (R$3,013,047 in December 2018). Discussions refer mainly to the disallowance of deemed ICMS credits allegedly used in an amount above the limit established, alleged noncompliance with the ICMS prepayment obligation and ICMS payment on transactions involving the purchase and sale of electric power and utilization of ICMS credit arising from permanent asset material and intermediary products.

- AFRMM –Addition Freight Amount for Renewal of Merchant Marine – Amount of R$363,060 in December 2019 (R$303,278 in December 2018). Discussion on the breakdown of the AFRMM tax base.

- CDE – Energy Development Account - Amount of R$152,508 in December 2019 (R$145,297 in December 2018). Refers to lawsuits discussing the apportionment criterion established by ANEEL for collection of the energy charge.

- CIVIL LAWSUITS - Not accrued, whose likelihood of loss is assessed as possible, in the amount of R$309,212 as at December 31, 2019 (R$329,053 as at December 31, 2018). Recognized, in addition to the abovementioned CADE-related case, mainly lawsuits relating to commercial, financial and service agreements, real estate disputes and indemnity actions for property damages, civil class actions and pain and suffering.

- LABOR LAWSUITS – not accrued, whose likelihood of loss is assessed as possible, in the amount of R$382,346 as at December 31, 2019 (R$132,459 as at December 31, 2018), concerning various labor claims, i.e., labor tax claims, property damages and pain and suffering, overtime, additional sums, and severance pay and third-party employees.

c. Contingent Assets

- PIS and COFINS: The Company is a party to ongoing lawsuits claiming the recognition of its right of not being required to pay PIS/COFINS on ICMS amounts. In case of favorable decision, the Company will be entitled to the refund or offset of the amounts overpaid as PIS and COFINS in the amount of R$506,317 as at December 31, 2019.

- ELETROBRÁS: The Company is a party to ongoing lawsuits claiming the full inflation adjustment to the compulsory loan amounts of Eletrobrás - Centrais Elétricas Brasileiras. In case of favorable decision, the Company will be entitled to receive the amounts claimed, estimated at R$187.806 as at December 31, 2019.

d. State Amnesty

On May 30, 2019, the Company joined the REFIS program established by the Bahia State Government, which establishes tax-incentive payment procedures. The total debt of the administrative proceedings subject to the program amounted to R$12,693, of which the amount of R$8,594 was effectively settled, representing a decrease of R$4,098.

On October 28, 2019, the Company joined the installment payment established by the Minas Gerais State Government. The total debt of the administrative proceedings subject to the installment payment program was R$ 7,706, representing a gain on the payment in cash, a decrease of fines if the company was notified.

On November 11, 2019 and December 12, 2019, the Company joined the REFIS program established by the São Paulo State Government, which establishes tax-incentive payment procedures. The total debt of the administrative proceedings subject to the program amounted to R$12,352, of which the amount of R$5,144 was effectively settled, representing a decrease of R$7,208.

e. Municipal Amnesty

On October 21, 2019, the Company joined the REFIS program established by the Municipality of Palmas/TO, which establishes tax-incentive payment procedures. The total debt of the administrative proceedings subject to the program amounted to R$74, of which the amount of R$63 was effectively settled, representing a decrease of R$11.

On December 12, 2019, the Company joined the REFIS program established by the Espírito Santo State Government, which establishes tax-incentive payment procedures. The total debt of the administrative proceedings subject to the program amounted to R$38,069, of which the amount of R$12,753 was effectively settled, representing a decrease of R$25,316.

30. NON-CASH TRANSACTIONS

During 2019 and 2018, the Company carried out the following investing and financing activities not involving cash; therefore, these transactions are not reflected in the statement of cash flows:

- Reversal of the decommissioning provision of Mina do Andrade and Serra Azul in the amount of R$8,316 in 2019 pursuant to the Technical Appraisal Report issued by the Technical area (provision of R$10,573 in 2018).

- Capital increase of ArcelorMittal Brasil with investment of AM Sul Fluminense of R$1,088,641 in April 2018.

- The balance of property, plant and equipment payable as at December 31, 2019 was R$188,723 (R$119,170 in 2018).

- The borrowing costs capitalized in the period amount to R$77,591 in 2019 (R$40,673 in 2018).

- Leases in the amount of R$261,837 at Parent and R$316,146 at Consolidated in 2019 and financing lease in the amount of R$120,716 at Parent and at Consolidated in 2018.

31. COMMITMENTS

ArcelorMittal Brasil assumed several commitments with suppliers related to the purchase of materials, supplies, property, plant and equipment items, etc., deriving from the normal course of the Company's activities in the amount of R$14,181,251 at Parent and R$15,883,599 at Consolidated. These commitments, directly impacting ArcelorMittal Brasil Group's liquidity and funds available, are expected to be met beginning 2020, as shown below:

					Parent
	TOTAL	< 1 YEAR	1 - 3 YEARS	3 - 5 YEARS	> 5 YEARS
Commitments to suppliers	10,093,563	2,200,056	3,362,645	1,870,929	2,659,933
Bank guarantees, promissory notes and others	3,481,030	832,211	1,091,262	1,188,985	368,572
Commitments to aquire property, plant and equipment items	495,688	495,688	-	-	-
Enviroment commitment	110,970	-	-	110,970	-
Total	**14,181,251**	**3,527,955**	**4,453,907**	**3,170,884**	**3,028,505**

					Consolidated
	TOTAL	< 1 YEAR	1 - 3 YEARS	3 - 5 YEARS	> 5 YEARS
Commitments to suppliers	11,036,275	2,561,067	3,642,116	1,946,207	2,912,340
Bank guarantees, promissory notes and others	4,170,228	1,212,284	1,257,565	1,307,707	392,672
Commitments to aquire property, plant and equipment items	540,671	540,671	-	-	-
Enviroment commitment	136,425	-	-	110,970	-
Total	**15,883,599**	**4,314,022**	**4,899,681**	**3,364,884**	**3,305,012**

a. Commitments with suppliers

These commitments arise mainly from commitments to purchase power and utility services, raw material, industrial gases and others, in addition to those relating to transportation, material handling, among others.

b. Performance bond, bank guarantees and other

The Group maintains performance bond policies, letters of bank guarantee and mortgages, which are mainly related to lawsuits, specially of tax nature. Refers to renewable commitments depending on the Group's need.

c. Commitments to acquire property, plant and equipment items

As at December 31, 2019, the Group had commitments to acquire property, plant and equipment in the amount of R$540,671, which was used to expand and optimize plants and acquire or overhaul equipment necessary in such process.

d. Environmental commitments

On September 21, 2018, the Environmental Commitment Instrument ("TCA2") was signed by ArcelorMittal Brasil and the Federal and State environmental authorities, the General Attorneys' Office and the Attorneys' Office of the State of Espírito Santo to make environmental investments that will reduce the emission of particles ("black dust") in the operations of the Tubarão unit with a term until 2024. The noncompliance with the requirements in the environmental commitment instrument involves a maximum penalty of R$100,000. The Management of ArcelorMittal Brasil is periodically estimating the commitment involved in the environmental investments necessary to comply with the agreement.

On February 21, 2019, the Preliminary Settlement Instrument ("TAP") was entered into among ArcelorMittal Brasil, the General Attorneys' Office of the Minas Gerais State, and the committee of Residents in the Pinheiros Region in Itatiaucú-MG, the latter being affected by the evacuation due to the rise of the state of emergency of the dam of Serra Azul Mine to level 2, on February 8, 2019. The dam's state of emergency was raised due to a careful inspection and audit, using a more conservative methodology based on new factors to analyze the security of dams of such nature.

The Preliminary Settlement Instrument encompasses economic, environmental and technical humanitarian aspects that focus on, in addition to serving the affected families, a solution that reestablishes the dam's ideal security conditions and, that are in conformity with the new standards and a more conservative evaluation methodology. The document is valid for twelve months that can be extended until a Supplementary Settlement Instrument is executed.

During 2019, the Company incurred expenses in the approximate amount of R$36,106, including costs on decommissioning and emergency services to those residing in the Itatiauçu region and, numerous engineering services due to the dam risk prevention program. As at December 31, 2019, the estimated commitments assumed as a result of the TAP totaled R$24,780, and the provision was recorded in line item "Other payables" in the amount of R$11,326 (note 20).

On February 5, 2020, the Instrument was extended for another 12 months.

32. POST-EMPLOYMENT BENEFITS

a. Plan description

(i) Defined benefit plan – (Long Steel)

In 1982, the currently ArcelorMittal Brasil, entered into a defined retirement benefit plan agreement with Bradesco Previdência e Seguros S.A. in order to supplement: (i) the retirement income of participants; and (ii) guarantee pensions for spouses of participants. This plan offered to some employees of the Company and its subsidiaries was at the time closed to new entrants in 2000. As set forth in the paragraph below, with the implementation of the new defined contribution plan, participants were offered the option of changing plan. Currently, slightly more than 32 employees still participate in this plan.

(ii) Defined contribution plan – ArcelorMittal Brasil and other subsidiaries (Long Steel, mainly Corporate)

At the beginning of 2005, the Company began to offer a defined contribution plan through a PGBL plan (defined contribution pension plan) contracted with the same insurance company.

Under this new pension plan, participating companies (Long Steel and Corporate segments) commit to make monthly contributions on behalf of its employees that match those made by the respective employee. Under this new model, these companies do not assume any commitment with respect to a specific retirement benefit level or guarantee in relation to the return obtained by the PGBL plan investment funds.

(iii) FUNSSEST benefit plan - CST (mainly Flat Steel)

Established in 1988, the Fundação de Seguridade Social da ArcelorMittal Brasil - FUNSSEST, a nonprofit supplementary closed-end pension entity, administratively and financially independent. As established by prevailing legislation, the objective of this entity is to supplement benefits provided by the Brazilian social security, as well as to provide welfare assistance to employees of ArcelorMittal Brasil Tubarão and their dependents.

In June 2018 PREVIC authorized the transfer of management of the Benefit Plan from Multipensions Bradesco - Fundo Multipatrocinado de Previdência Privada to FUNSSEST and in October 2018 the Foundation started to effectively manage this Plan. On December 28, 2018, the approval of the settlement rules for the Benefit Plan and the creation of Plan VI was published in the Federal Official Gazette, a process that started in January 2019.

Currently, the FUNSSEST manages five supplementary pension plan, one of which is a defined benefit plan (DB) called Benefit Plan, three are defined contribution plans (DC), called Benefit Plan IV, Benefit Plan V and Benefit Plan VI and one is a variable contribution plan (VC) called Benefit Plan of the BMP. The Benefit Plan, Benefit Plan IV and BMP Benefit Plan are closed for new adhesions and must be extinguished over time. Benefit Plan VI was exclusively created to accept the participants of the Benefit Plan who elected to migrate to this plan during the settlement process, and after the migrations, the Plan will be closed. Benefit Plan V is the sole plan open for new adhesions.

On December 28, 2018, the approval by PREVIC of the contribution reduction rules of the Benefit Plan and the creation of the Benefit Plan VI was published in the Federal Official Gazette, through Ordinance 1.202 of December 21, 2018.

The participant migration to the benefit plan VI started in April 2019, and was completed on September 1; 1,024 participants migrated to Defined Contribution Plan VI.

(iv) Other

ArcelorMittal Brasil Group offers to the employees of companies headquartered in Brazil a supplementary pension plan. Foreign companies offer specific supplementary pension plans, all consolidated in the presentation of this note.

b. Net actuarial assets (liabilities)

The table below shows the actuarial position of the Group's plans:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Present value of actuarial obligations	(2,673,934)	(2,804,360)	(2,674,162)	(2,804,732)
Fair value of plan assets	2,321,529	2,538,903	2,321,529	2,538,903
Net present value of assets (liabilities)	(352,405)	(265,457)	(352,633)	(265,829)
Asset ceiling	(8,367)	(12,753)	(8,368)	(12,753)
Total net actuarial asset (liability)	**(360,772)**	**(278,210)**	**(361,001)**	**(278,582)**

The variation in the net actuarial liability is impacted by the review of actuarial assumptions such as discount rate and demographics assumptions in the amount of R$113,540 (77,389 in 2018) in the parent and R$ 113,490 (R$77,480 in 2018) in the consolidated.

	Parent		Consolidated	
Change in plan liabilities	**2019**	**2018**	**2019**	**2018**
Obligation at beginning of year	(2,804,360)	(2,532,107)	(2,804,732)	(2,532,738)
Service cost	(413)	(12,551)	(423)	(12,565)
Actuarial interest	(229,158)	(247,594)	(229,181)	(247,627)
Participant contributions	-	(353)	-	(353)
Actuarial (gains)/losses	(501,100)	(188,227)	(500,923)	(187,921)
Benefits paid	165,308	176,472	165,308	176,472
Past service cost (change of plan)	(8,015)	-	(8,015)	-
Reduction of obligation by settlement	703,804	-	703,804	-
Obligation at end of year	**(2,673,934)**	**(2,804,360)**	**(2,674,162)**	**(2,804,732)**

	Parent		Consolidated	
Change in plan assets	**2019**	**2018**	**2019**	**2018**
Fair value opening	2,538,903	2,388,070	2,538,903	2,388,070
Actual return on plan assets	528,636	298,549	528,636	298,549
Actuarial gains/(losses)	8,421	5,634	8,421	5,634
Employer contributions	6,426	22,769	6,426	22,769
Participant contributions	-	353	-	353
Benefits paid	(165,308)	(176,472)	(165,308)	(176,472)
Reduction of assets by settlement	(595,549)	-	(595,549)	-
Fair value of plan assets (closing)	**2,321,529**	**2,538,903**	**2,321,529**	**2,538,903**

c. Amounts recognized in profit or loss

Below is a summary of pension plan costs:

	Parent		Consolidated	
	2019	**2018**	**2019**	**2018**
Current service cost	(413)	(12,551)	(423)	(12,565)
Interest over obligation	(16,718)	(18,900)	(16,741)	(18,933)
Gain/(Loss) by settlement	108,255	-	108,255	-
Past service cost (change of plan)	(8,015)	-	(8,015)	-
	83,109	**(31,451)**	**83,076**	**(31,498)**

Expected contributions for 2020 relating to the defined contribution plans amount to R$34,713 and relating to defined benefit plans amount to R$22,344.

d. Actuarial risks

The plans normally expose the Group to actuarial risks, such as the investment risk, the interest rate risk, the longevity risk, and the salary risk.

(v) Investment risk

The present value of the defined benefit plan liabilities is calculated using a discount rate determined as a result of the interest earned on prime private securities; if the return on plan assets is below this rate, the plan generates a deficit. Currently, the plan has a relatively balanced investment in equity, debt instruments, and properties. Due to the long-term nature of the plan liabilities, the pension fund board considers appropriate that a reasonable portion of the plan assets is invested in equity and properties to leverage the return generated by the fund.

(vi) Interest rate risk

A decrease in the securities' interest rate would increase plan liabilities. This is, however, partially offset by an increase in the return on the plan's debt securities.

(vii) Longevity risk

The present value of the defined benefit plan liabilities is benchmarked to the best mortality estimate for plan participants while they work for the Company. An increase in plan participants' life expectancy would increase plan liabilities.

(viii) Salary risk

The present value of the defined benefit plan liabilities is benchmarked to the future salaries of plan participants. Therefore, an increase in plan participants' salaries would increase plan liabilities.

Actuarial assumptions

The actuarial assumptions used for the year ended December 31, 2019 and 2018 are as follows:

ACTUARIAL ASSUMPTIONS:	2019	2018
. Actuarial method	Projected Unit Credit	Projected Unit Credit
. Nominal discount rate of actuarial liability	7,18% a.a.	9,10% a.a.
. Inflation rate	3,80% a.a.	4,00% a.a.
. Estimated salary increase rate	5,88% a.a.	6,08% a.a.
. Nominal increase rate of estimated benefits	3,80% a.a.	4,00% a.a.

For the years ended December 31, 2019 and 2018, the AT 2000 basic actuarial mortality table was used, segregated by gender, for all the plans sponsored by the Company.

e. Sensitivity analysis

The significant actuarial assumptions for determining the obligation defined are discount rate, expected salary increase and mortality. The following sensitivity analyses were determined based on changes reliably possible in the respective assumptions occurred at the end of the reporting period, with all of the other assumptions remaining constant.

- If the discount rate was 100 basis points higher (lower), the defined benefit obligation would be decreased by R$997 (increased by R$1,606).
- If the salary increase was 100 basis points higher (lower), the defined benefit obligation would be increased by R$4,000 (decreased by R$3,623).
- If beneficiaries' life expectancy was increased by one year, the defined benefit obligation would be increased by R$4,251.

The sensitivity analysis above may not be representative of the actual change in the defined benefit contribution, since it is not likely that the change will occur in certain assumptions, considering that some of the assumptions may be correlated.

Additionally, in the sensitivity analysis, the present value of the defined benefit obligation was calculated based on the projected credit unit method at the end of the reporting period, which is equal to the calculation of the liability relating to the defined benefit obligation recognized in the balance sheet.

There were no changes in relation to prior years in the methods and assumptions used in preparing the sensitivity analysis.

33. INSURANCE

The main insurance policies refer to operational risks and general civil liability and are effective until January 1, 2021 and June 30, 2020, respectively.

34. SUBSEQUENT EVENT

On March 19, 2020, the Company's Board of Directors approved the payment of interim dividends based on the balance of the earnings/bylaws reserve, in accordance with the trial balance as at February 2020, in the approximate gross amount of R$52.00 per common share, totaling the gross amount of R$140,143,912.40

35. APPROVAL OF FINANCIAL STATEMENTS

The disclosure of the consolidated financial statements was approved and authorized by Company's Management on March 23, 2020.

BOARD OF DIRECTORS

JOSÉ ARMANDO DE FIGUEIREDO CAMPOS
Chairman

CARLO PANUNZI
Vice Chairman

GENUÍNO JOSÉ MAGALHÃES CHRISTINO
Board Member

OFFICERS

BENJAMIN MÁRIO BAPTISTA FILHO
CEO and Executive Officer of Flat steel

JEFFERSON DE PAULA
Senior Executive Officer of Long Steel

ALEXANDRE AUGUSTO SILVA BARCELOS
Executive Officer of Corporate Finance and Corporate Information Technology

EDUARDO FARES ZANOTTI
Chief Commercial Officer of Flat steel

HENRIQUE MORAIS DE ALMEIDA
Chief Commercial Officer of Long steel

ERICK TORRES BISPO DOS SANTOS
Chief Operating Officer of Flat steel

WALDENIR LUCIANO DE SOUZA LIMA
Chief Operating Officer of Long steel (beginning 01. 02.2018)

SEBASTIÃO COSTA FILHO
Chief Mining Officer

CHIEF ACCOUNTANT

DELANIR CRISTINA GOMES
Accounting and Real Estate Manager - CRC-MG 078705/O-8 - Accountant

REINALDO HENRIQUE LEAL SCHLOSSER
General Accounting and Asset Manager - CRC-ES 009045/O-3 - Accountant