

Rating Action: ArcelorMittal

Moody's downgrades ArcelorMittal's Baa2 rating to Baa3, outlook stable

Approximately USD 7.7 billion of debt instruments affected

Frankfurt, May 20, 2009 -- Moody's Investors Service has today downgraded ArcelorMittal's Baa2 rating to Baa3 and assigned a stable outlook. This rating action concludes the review which was initiated on 07 April 2009.

The rating action was prompted by the continued weakness in the steel markets and the effects this is expected to have on ArcelorMittal's ("AM") leverage ratios in the intermediate term.

Moody's recognized the significant initiatives taken by AM in the last few months to lengthen its debt maturity profile and reduce its debt including through a capital increase in a particularly difficult economic environment. Measures which AM has taken over the past few months amount in total to USD 13 billion (issuance of shares, bonds and use of free cash flow and cash to reduce debt). The agency also notes the improvement recorded so far in reducing working capital.

At the same time the company - like its peers - has been facing an unprecedented fall in demand and prices in the last couple of quarters and the pressure on operating profitability and cash flow generation is not expected to abate soon with the result that credit metrics are now expected to remain depressed for longer than previously expected.

"If prices for steel products remain at the current levels, or even if they improve somewhat in 2009 from these levels, Moody's expects a high double digit contraction in turnover in 2009 which will have a corresponding effect on the ArcelorMittal's ability to generate cash flows and profits." said Matthias Hellstern, Moody's lead analyst for ArcelorMittal. We acknowledge AM's measures taken to adjust its cost base and production capacity, but Moody's believes that this may not be sufficient for the observed reduction in demand. This leads to leverage ratios such as debt/EBITDA and CFO-dividends/debt, to be outside the range which would be required for the Baa2 rating category with expectations of only a slow recovery in these measures during the next few quarters.

The Baa3 rating assumes that ArcelorMittal will be able to achieve its debt reduction target by year-end of additional USD 4.2 billion. This would also help to offset the reduction in EBITDA and CFO in the current year, and, together with the implemented cost cutting measures, should provide a trajectory in the development of the company's ratios towards a level which is more commensurate with a stable investment grade rating in 2009.

The stable outlook assumes that AM will continue to proactively manage its cost base and adjust capacity to the changed market demand, hence leading to progressively improving profitability and cash flow generation. Therefore the debt/EBITDA and CFO-dividends/debt ratios (as adjusted by Moody's) are expected to improve to levels materially below 3.5x and above the low twenties respectively again within the intermediate term. It also assumes that AM would take promptly all measures necessary to have sufficient headroom under its financial covenant test per year-end 2009 even if the weak environment persists in the next few quarters and that AM is able to continue with its successful reduction in net working capital in the current year.

Negative pressure would develop if ArcelorMittal in the short to medium term would fail to generate sufficient EBITDA so as to protect a reasonable headroom under its covenant test, notably at the end of 2009. Pressure on the rating could also come from the inability of AM to generate at least USD 4.2 billion positive free cash flow either due to the release of net working capital or the improvement of funds from operations which could be used to pay down debt further.

ArcelorMittal, based in Luxemburg, is the world's largest steel producer. The activities of the group are divided in six segments, Flat Carbon Americas; Flat Carbon Europe; Long Carbon Americas and Europe; Asia, Africa and CIS ("AACIS"); Stainless Steel and AM3S, the steel distribution division. In financial year 2008 the group generated turnover of USD 125 billion and EBITDA of USD 24.5 billion.

For the assignment of this rating, Moody's has used its methodology for the Global Steel Industry, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this

issuer can also be found in the Credit Policy & Methodologies directory.

Moody's last rating action on ArcelorMittal was to put its rating on review for possible downgrade on 07 April 2009.

Downgrades:

..Issuer: ArcelorMittal

....Issuer Rating, Downgraded to a range of Baa3 to P-3 from a range of Baa2 to P-2

....Senior Unsecured Conv./Exch. Bond/Debenture, Downgraded to Baa3 from Baa2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

....Senior Unsecured Shelf, Downgraded to (P)Baa3 from (P)Baa2

..Issuer: ArcelorMittal Finance

....Multiple Seniority Commercial Paper, Downgraded to P-3 from P-2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

..Issuer: ArcelorMittal USA

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

..Issuer: East Chicago (City of) IN

....Senior Unsecured Revenue Bonds, Downgraded to Baa3 from Baa2

..Issuer: Ispat Inland ULC

....Senior Secured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

Outlook Actions:

..Issuer: ArcelorMittal

....Outlook, Changed To Stable From Rating Under Review

..Issuer: ArcelorMittal Finance

....Outlook, Changed To Stable From Rating Under Review

..Issuer: ArcelorMittal USA

....Outlook, Changed To Stable From Rating Under Review

..Issuer: Ispat Inland ULC

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