

Financial Statements for years
ended on december 31,
2008 and 2007

Corporate Legislation (BR GAAP)
in thousand of Reais



ArcelorMittal

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of ArcelorMittal Brasil S.A.
Belo Horizonte - MG

1. We have audited the accompanying individual (Company) and consolidated balance sheets of ArcelorMittal Brasil S.A. and subsidiaries as of December 31, 2008, and the related statements of income, changes in shareholders' equity (Company), cash flows, and value added for the year then ended, all expressed in Brazilian reais and prepared under the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. Our audit was conducted in accordance with auditing standards in Brazil and comprised: (a) planning of the work, taking into consideration the significance of the balances, volume of transactions, and the accounting and internal control systems of the Company and its subsidiaries; (b) checking, on a test basis, the evidence and records that support the amounts and accounting information disclosed; and (c) evaluating the significant accounting practices and estimates adopted by Management, as well as the presentation of the financial statements taken as a whole.

3. In our opinion, the financial statements referred to in paragraph 1 present fairly, in all material respects, the individual and consolidated financial positions of ArcelorMittal Brasil S.A. and subsidiaries as of December 31, 2008, and the results of their operations, the changes in their shareholders' equity (Company), their cash flows, and the values added in operations for the year then ended, in conformity with Brazilian accounting practices.

4. The individual (Company) and consolidated financial statements, comprising the balance sheets and the statements of income, changes in shareholders' equity (Company), and changes in financial position, in addition to the supplemental information comprising the statements of cash flows and value added, were previously audited by other independent auditors who issued an unqualified report thereon, dated February 16, 2008. As mentioned in notes 2 and 3, changes in Brazilian accounting practices have been introduced effective January 1, 2008. The financial statements for the year ended December 31, 2007, presented with the 2008 financial statements, have been prepared in conformity with Brazilian accounting practices in effect until December 31, 2007, and, as permitted by Technical Pronouncement CPC 13 - First-Time Adoption of Law 11638/07 and Provisional Act 449/08, are not being restated with adjustments for purposes of comparability between years.

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

Belo Horizonte, February 16, 2009

Deloitte Touch Tohmatsu

Auditors Independents - CRC-2SP 011.609/O-8 F/MG

Paulo R. Marques Garrucho

Engagement Partner - CRC-RJ 052.813/O-1 T/MG

BALANCE SHEETS

As of December 31, 2008 and 2007 (In thousands of Brazilian reais – R\$)

	Company		Consolidated	
	2008	2007	2008	2007
Assets				
Current assets				
Cash and cash equivalents (note 5)	397,224	368,409	817,655	1,429,871
Held-to-maturity investments (note 5)	103,969	-	103,969	-
Trade accounts receivable (note 6)	880,969	620,181	1,256,486	1,574,578
Inventories (note 7)	3,970,964	785,931	5,054,768	2,535,011
Recoverable taxes (note 8)	964,035	247,535	1,118,088	758,931
Deferred income tax and social contribution (note 18)	128,441	124,954	154,849	133,529
Dividends and interest on capital receivable (note 10)	171,557	60,965	27	-
Other receivables	110,514	31,684	489,941	133,131
Total current assets	6,727,673	2,239,659	8,995,783	6,565,051
Noncurrent assets				
Long-term assets				
Held-to-maturity investments (note 5)	-	101,060	60,285	138,763
Recoverable taxes (note 8)	227,476	44,934	478,038	517,965
Deferred income tax and social contribution (note 18)	2,102,799	333,570	2,147,482	564,145
Compulsory and escrow deposits (note 17a)	311,329	164,880	368,146	289,337
Temporary investments	154,671	103,266	154,671	103,266
Receivables from Group companies	394,775	606,842	258,419	11,367
Other receivables	118,013	53,726	152,741	116,315
Total long-term assets	3,309,063	1,408,278	3,619,782	1,741,158
Investments				
In subsidiaries (note 9)	5,602,213	10,559,127	34,080	24,626
Other permanent investments	7,330	8,361	8,449	9,420
Property, plant and equipment (note 11)	10,447,288	1,788,786	13,727,033	11,848,041
Intangible assets (note 12)	7,452,789	6,464,219	7,490,104	6,604,331
Deferred charges (note 13)	96,901	37,318	98,575	171,871
Total noncurrent assets	26,915,584	20,266,089	24,978,023	20,399,447
Total assets	33,643,257	22,505,748	33,973,806	26,964,498

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

BALANCE SHEETS

As of December 31, 2008 and 2007 (In thousands of Brazilian reais – R\$) (continued)

	<u>Company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Liabilities and Shareholders' Equity				
Current liabilities				
Trade accounts payable	2,465,653	422,080	2,709,916	1,488,122
Payroll and related charges	248,851	67,590	363,014	279,234
Financing (note 14)	2,517,500	71,119	1,068,381	422,801
Debentures (note 15)	18,150	17,265	18,179	37,389
Taxes payable	48,646	40,314	163,916	199,514
Income tax and social contribution	-	-	62,184	106,533
Dividends and interest on capital	16,456	914,583	94,005	931,679
Provision for tax, civil and labor risks (note 17)	27,591	29,184	43,481	63,101
Accounts payable to subsidiaries (note 10)	261,091	1,440,880	-	-
Other payables (note 16)	287,686	83,390	459,744	246,290
Total current liabilities	<u>5,891,624</u>	<u>3,086,405</u>	<u>4,982,820</u>	<u>3,774,663</u>
Noncurrent liabilities				
Financing (note 14)	9,651,190	5,729,970	9,657,150	7,145,349
Debentures (note 15)	15,904	16,292	16,748	46,221
Deferred income tax and social contribution (note 18)	1,733,545	110,086	1,916,484	271,564
Provision for tax, civil and labor risks (note 17)	505,691	412,333	618,871	542,360
Other payables (note 16)	114,442	21,630	136,319	42,775
Total noncurrent liabilities	<u>12,020,772</u>	<u>6,290,311</u>	<u>12,345,572</u>	<u>8,048,269</u>
Minority interest in subsidiaries	-	-	953,623	943,203
Shareholders' equity (note 19)				
Capital	11,597,897	11,465,618	11,597,897	11,465,618
Capital reserves	361,665	532,540	361,665	532,540
Profit reserves	832,811	1,130,874	793,741	2,200,205
Currency translation adjustment	2,938,488	-	2,938,488	-
Total shareholders' equity	<u>15,730,861</u>	<u>13,129,032</u>	<u>15,691,791</u>	<u>14,198,363</u>
Total liabilities and shareholders' equity	<u>33,643,257</u>	<u>22,505,748</u>	<u>33,973,806</u>	<u>26,964,498</u>

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

INCOME STATEMENTS

For the Years Ended December 31, 2008 and 2007

(In thousands of Brazilian reais – R\$, except earnings per share)

	Company		Consolidated	
	2008	2007	2008	2007
Gross revenue from sales and services				
Domestic market	10,810,854	6,282,564	18,742,587	14,483,652
Foreign market	2,598,191	1,276,634	5,990,444	4,851,502
	13,409,045	7,559,198	24,733,031	19,335,154
Sales deductions, mainly taxes and freight	(2,943,288)	(1,840,108)	(4,892,250)	(3,961,456)
Net operating revenue	10,465,757	5,719,090	19,840,781	15,373,698
Cost of sales and services	(7,705,887)	(4,019,542)	(14,187,634)	(10,099,129)
Gross profit	2,759,870	1,699,548	5,653,147	5,274,569
Operating income (expenses)				
Selling	(136,145)	(91,521)	(335,519)	(335,326)
General and administrative	(206,622)	(113,949)	(394,724)	(425,651)
Equity in subsidiaries (note 9)	1,613,902	1,096,382	7,047	(388,997)
Goodwill amortization (note 12)	(1,437,288)	(584,994)	(1,410,566)	(766,958)
Other operating income (expenses), net (note 21)	(277,529)	(67,402)	(400,369)	(217,492)
Income before financial income (expenses) and taxes	2,316,188	1,938,064	3,119,016	3,140,145
Financial income (expenses), net (note 20)	532,748	447,813	(552,725)	923,507
Income before income tax and social contribution and profit sharing	2,848,936	2,385,877	2,566,291	4,063,652
Income tax and social contribution (note 18.b)	(270,809)	(179,875)	(928,509)	(816,050)
Profit sharing	(6,886)	-	(7,335)	(704)
Income before minority interest	2,571,241	2,206,002	1,630,447	3,246,898
Minority interest in subsidiaries	-	-	(205,062)	(214,515)
Net income	2,571,241	2,206,002	1,425,385	3,032,383
Number of shares at year end	2,693,247	2,716,904		
Earnings per share at year end – R\$	954.70	811.95		

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

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY
For the Years Ended December 31, 2008 and 2007 (In thousands of Brazilian reais – R\$)

Company

	Capital reserves				Profit reserves		Retained earnings	Currency translation adjustment	Total
	Capital	Investment grants and other	Goodwill on merger - CVM Inst. 349	Share premium	Legal	Statutory			
As of December 31, 2006	3,203,488	29	137,249	394,990	92,832	911,067	-	-	4,739,655
Tax incentive	-	272	-	-	-	-	-	-	272
Merger of Arcelor Brasil S.A. (note 9 j)	8,262,130	-	-	-	-	-	187,716	-	8,449,846
Net income	-	-	-	-	-	-	2,206,002	-	2,206,002
Allocation of income:									
· Recognition of reserves	-	-	-	-	110,300	426,408	(536,708)	-	-
· Proposed interest on capital and dividends (note 19)	-	-	-	-	-	(409,733)	(1,857,010)	-	(2,266,743)
As of December 31, 2007	11,465,618	301	137,249	394,990	203,132	927,742	-	-	13,129,032
Prior year adjustments - Law 11638	-	-	-	-	-	-	547,149	1,566,235	2,113,384
Capital increase	68,624	-	(68,624)	-	-	-	-	-	-
Merger of Belgo-Mineira Participação (note 9g)	63,655	-	-	(102,251)	-	-	-	-	(38,596)
Net income	-	-	-	-	-	-	2,571,241	-	2,571,241
Currency translation adjustment	-	-	-	-	-	-	-	1,372,253	1,372,253
Allocation of income:									
· Recognition of reserves	-	-	-	-	128,562	466,785	(595,347)	-	-
· Proposed interest on capital and dividends (note 19)	-	-	-	-	-	(893,410)	(2,523,043)	-	(3,416,453)
As of December 31, 2008	11,597,897	301	68,625	292,739	331,694	501,117	-	2,938,488	15,730,861

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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008 and 2007 (In thousands of Brazilian reais – R\$)

	Company		Consolidated	
	2008	2007	2008	2007
Net income	2,571,241	2,206,002	1,425,385	3,032,383
Items not requiring outlay of cash:				
Monetary restatement and interest	844,791	(345,907)	938,040	(783,103)
Allowance for losses/ reserve for contingencies	(228,005)	(880)	(374,043)	(14,174)
Gain (loss) on derivatives, net	217,020	(86,282)	217,020	(86,282)
Provision for Voluntary Termination Program	(30,000)	-	(36,656)	-
Investments in subsidiaries				
. Equity in subsidiaries	(1,613,902)	(1,096,382)	(7,047)	388,997
. Goodwill amortization	1,437,288	584,994	1,410,566	766,958
Discount on intercompany debt	(1,237,374)	-	-	-
Depreciation, amortization and depletion	888,816	249,813	1,823,383	977,472
Decrease in ownership interest	3,884	9,012	4,591	15,306
Gain (loss) on sale of permanent assets, net	6,685	(95)	(16,101)	7,626
Minority interest	-	-	205,062	214,515
Deferred income tax and social contribution	266,399	(1,104)	503,242	253,757
	<u>3,126,843</u>	<u>1,519,171</u>	<u>6,093,442</u>	<u>4,773,455</u>
(Increase) decrease in assets:				
Trade accounts receivable	325,738	(40,642)	(267,066)	(76,780)
Inventories	(1,448,111)	(90,377)	(2,142,757)	(184,799)
Dividends and interest on capital of subsidiaries	1,849,974	913,293	2,109	5,396
Other assets	(95,142)	(53,168)	(133,546)	(81,828)
Tax assets	(199,730)	(58,945)	(582,242)	201,925
Increase (decrease) in liabilities:				
Trade accounts payable	1,158,284	91,748	1,734,211	605,074
Other liabilities	301,826	(36,851)	1,048,303	291,744
Tax liabilities	(283,250)	(197,375)	(809,586)	(963,591)
Cash flow from operating activities	<u>4,736,432</u>	<u>2,046,854</u>	<u>4,942,868</u>	<u>4,570,596</u>
Acquisition of investments	(742,857)	(31,639)	(501)	692
Additions to property, plant and equipment	(524,843)	(119,205)	(1,003,906)	(1,307,101)
Disposal of assets	9,488	3,457	211,150	11,874
Cash flow from investing activities	<u>(1,258,212)</u>	<u>(147,387)</u>	<u>(793,257)</u>	<u>(1,294,535)</u>
Financing	10,803,549	3,100	11,032,093	373,822
Repayment of principal on financing	(9,490,975)	(28,516)	(10,276,024)	(1,073,366)
Payment of interest on financing	(765,043)	(279,633)	(875,893)	(534,063)
Intercompany financing, net	179,352	106,452	(187,025)	(9,749)
Redemption of debentures	(2,749)	(2,519)	(52,140)	(37,761)
Payment of dividends/interest of capital	(4,176,255)	(1,552,045)	(4,297,624)	(2,016,735)
Capital reimbursement	-	-	-	(265,912)
Cash flow from financing activities	<u>(3,452,121)</u>	<u>(1,753,161)</u>	<u>(4,656,613)</u>	<u>(3,563,764)</u>
Cash flows for the year	<u>26,099</u>	<u>146,306</u>	<u>(507,002)</u>	<u>(287,703)</u>
Cash and cash equivalents at beginning of year	368,409	221,967	1,429,871	1,679,972
Cash and cash equivalents of companies consolidated in the year	2,716	136	853	37,602
Cash and cash equivalents of companies excluded from consolidation	-	-	(106,067)	-
Total cash and cash equivalents at beginning of year	371,125	222,103	1,324,657	1,717,574
Cash and cash equivalents at end of year	<u>397,224</u>	<u>368,409</u>	<u>817,655</u>	<u>1,429,871</u>
Cash flows for the year	<u>26,099</u>	<u>146,306</u>	<u>(507,002)</u>	<u>(287,703)</u>

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

STATEMENTS OF VALUE ADDED

For the Years Ended December 31, 2008 and 2007 (In thousands of Brazilian reais – R\$)

	Company		Consolidated	
	2008	2007	2008	2007
Revenues				
Sales of products and services	13,409,045	7,559,198	24,733,031	19,335,154
Discounts, losses and recovery of contingencies	(24,801)	(31,402)	(55,472)	(44,131)
Revenues related to construction of own assets	592,569	142,133	1,122,188	1,443,517
Other operating revenues	125,993	29,280	272,404	93,010
	14,102,806	7,699,209	26,072,151	20,827,550
Inputs purchased from third parties				
Raw materials consumed	(6,675,260)	(3,745,051)	(8,447,033)	(7,869,205)
Cost of sales and services	(2,869,383)	(1,225,176)	(5,977,262)	(4,079,971)
Power, services and other operating expenses	(351,904)	(301,808)	(2,504,808)	(1,023,026)
Recovery (loss) on realization of assets	-	-	150	(14,830)
	(9,896,547)	(5,272,035)	(16,928,954)	(12,987,032)
Depreciation, amortization and depletion	(2,326,104)	(844,709)	(3,233,949)	(1,738,605)
Net value added produced by the entity	1,880,155	1,582,465	5,909,249	6,101,913
Value added received in transfer				
Equity in subsidiaries	1,613,902	1,096,382	7,047	(388,997)
Dividends and interest on capital on investments stated at cost	24,770	17,048	24,770	17,048
Other financial income and rentals	8,798	7,934	8,900	8,048
Financial income and foreign exchange gains	1,600,072	65,335	908,397	205,662
	3,247,542	1,186,699	949,114	(158,239)
Total value added	5,127,697	2,769,164	6,858,363	5,943,674
Wealth distributed				
Employees				
Payroll and related charges	529,855	267,357	1,232,475	1,021,631
Management compensation (note 24)	9,318	9,557	17,464	22,484
Employee profit sharing	106,128	48,018	234,053	195,814
Pension plan	19,396	7,466	35,840	29,239
	664,697	332,398	1,519,832	1,269,168
Taxes				
Federal	627,932	447,948	1,881,991	2,046,132
State	138,034	145,666	388,720	356,124
Municipal	8,524	3,961	23,186	6,994
(-) Tax incentives	-	(272)	(70,375)	(183,198)
	774,490	597,303	2,223,522	2,226,052
Lenders				
Interest and foreign exchange losses	973,227	(434,030)	1,318,620	(870,878)
Capitalized financial charges	10,716	-	10,716	-
Leases and rentals	133,326	67,491	155,226	72,434
	1,117,269	(366,539)	1,484,562	(798,444)
Shareholders				
Interest on capital and dividends	2,523,043	2,266,743	2,737,603	1,958,480
Retained earnings	48,198	(60,741)	(1,107,156)	1,288,418
	2,571,241	2,206,002	1,630,447	3,246,898
	5,127,697	2,769,164	6,858,363	5,943,674

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

NOTES TO THE FINANCIAL STATEMENTS

In thousands of Brazilian Reals - R\$, except where otherwise stated

1. OPERATIONS AND CORPORATE ISSUES

ArcelorMittal Brasil S.A. (controlled by ArcelorMittal S.A. headquartered in Luxemburg) is a private corporation headquartered in Belo Horizonte, MG. The activities of the Company and its subsidiaries in Brazil and abroad ("Consolidated" or the "ArcelorMittal Brasil Group") include the implementation and operation of industries and businesses in the steel and metallurgy sectors as well as holding ownership interest in other companies with the same or complementary purposes, including the production and sale of power and other inputs of the steel and/or metallurgy industries.

On August 31, 2007 Belgo Siderurgia S.A. merged Arcelor Brasil S.A., then its parent company, and its name was changed to ArcelorMittal Brasil S.A.

The Company carried out a corporate restructuring on September 1, 2008, which involved a spin-off and subsequent merger of the subsidiary Companhia Siderúrgica de Tubarão ("CST"). After the spin-off, CST changed its name to ArcelorMittal Tubarão Comercial S.A. ("AMTC") and it became an exclusively commercial business. This corporate restructuring allowed streamlining operating, administrative, and financial activities (see note 9 f).

A brief Company profile by business segment is presented below:

ArcelorMittal Brasil S.A. (long carbon steel)

The Company, together with its subsidiaries, produces and sells long and wire-drawn steel. Its products are primarily used in civil construction, industrial production, and agriculture and cattle raising, and include rebars, sections, wire rods and wires. With integrated and semi-integrated mills, as well as drawing plants in Brazil and Argentina, it has the capacity to produce approximately 5.7 million tonnes of raw steel annually. Additionally, in the context of its operations, the subsidiary ArcelorMittal Florestas Ltda. produces charcoal from reforestation trees.

ArcelorMittal Brasil S.A. (flat carbon steel)

The Tubarão plant, located in the city of Serra in the state of Espírito Santo, produces and sells flat semi-finished rolled steel; its two main product lines are slabs and hot rolled coils. The Company also has access to a deep water port, of which it is the co-owner, and a railhead terminal next to its plant through which it receives iron ore supplies. Its integrated mill has an annual production capacity of 7.5 million tonnes of raw steel. The project to expand its capacity of 7.5 million tonnes of steel was concluded in July 2007 and maximum capacity was reached in December 2007. Additionally, in the context of its operations, the subsidiary Sol Coqueria Tubarão S.A. ("SOL") supplies coke to mills of ArcelorMittal Brasil S.A.

The Vega do Sul plant located in the city of São Francisco do Sul in the northern part of the state of Santa Catarina transforms raw steel using the most modern, pickling, cold rolling, and galvanizing processes. This plant supplies steel coils to the automotive, home appliance, civil construction, pipes and tubing, and other industries. Its primary raw material, hot rolled coils, is transferred to Santa Catarina from the Tubarão plant located in Espírito Santo. Its annual production capacity is 800,000 tonnes of cold rolled and galvanized steel.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The Company's individual and consolidated financial statements as of December 31, 2008 and 2007 have been prepared in conformity with Brazilian accounting practices, which comprise the Brazilian corporate law, pronouncements, guidances, and interpretations issued by the Accounting Pronouncements Committee (CPC), and are presented in Brazilian reais.

In 2008 Law 11638/07 and the changes introduced by Provisional Act 449, dated December 3, 2008, went into effect, altering, revoking and adding new provisions to the Brazilian Corporate Law, especially with respect to chapter XV, Fiscal Year and Financial Statements. This new law was designed primarily to update accounting practices as contemplated in Brazilian Corporate Law so as to enable the convergence of Brazilian accounting practices with international financial reporting standards (IFRS) and allow the CPC to issue new accounting standards and procedures in conformity with such international accounting standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

3.1 First-Time Adoption of Law 11638/07

The financial statements for the year ended December 31, 2008 are the first presented with the changes introduced by this new law.

The Company elected to prepare its transition balance sheet as of January 1, 2008, which is the starting point for accounting in accordance with corporate law as amended by Law 11638/07 and Provisional Act 449/08. The changes introduced by this legislation are characterized as a change in accounting practice; however, as permitted by Technical Pronouncement CPC 13 - First-Time Adoption of Law 11638/07 and Provisional Act 449/08, all adjustments with an impact on net income were made against retained earnings as of the transition date, as established by article 186 of Law 6404/76, without retrospective effects on the financial statements.

We present below the adjustments resulting from the first-time adoption of Law 11638/07 and Provisional Act 449/08, a summary of accounting practices changed by this legislation, and a summary of impacts on net income for 2008 and shareholders' equity as of December 31, 2008 resulting from the adoption of this legislation.

Foreign currency

Upon the adoption of CPC 02 - Effects of Exchange Rates Changes and Translation of Financial Statements on January 1, 2008, the Company defined its functional currency based on the primary economic environment where it fundamentally generates and disburses cash.

The Brazilian real was then defined as the Company's functional currency, considering the assumptions and the primary and secondary factors established by said pronouncement.

The subsidiary Companhia Siderúrgica de Tubarão (CST), in turn, defined the U.S. dollar as its functional currency taking into consideration the same assumptions above. The U.S. dollar was in fact already used by CST for consolidation reporting purposes under international accounting standards (IFRS) by the parent ArcelorMittal S.A. in Luxemburg.

As described in Note "9f", on August 31, 2008 the Company merged the spun-off portion of the subsidiary CST, currently ArcelorMittal Tubarão Comercial S.A. (AMTC). The portion merged into the Company corresponds mostly to the industrial plant in Serra, ES, which produces steel coils and slabs ("flat steel segment"). As a result of this merger, considering that CST already used the U.S. dollar as its functional currency, the Company's management reassessed the assumptions and primary and secondary factors related to functional currency definition in accordance with CPC 02, regarding the new business structure of the Company that combined long and flat steel segments in a single entity and concluded that its functional currency was the U.S. dollar from September 1, 2008 onwards. Accordingly, the Company translated all items into the new functional currency using the exchange rate as of the date of change. Resulting translated amounts for non-monetary items began to be treated as if this were their historical cost. Exchange rate changes resulting from the translation of foreign subsidiaries, previously classified under "currency translation adjustments", will not be recognized as income or expense in the statement of income until the disposal of the related investment.

Transactions in foreign currency, i.e., all those not entered into in the functional currency (primarily the real and Argentine peso as of December 31, 2008 and the U.S. dollar and Argentine peso as of December 31, 2007 and up to August 31, 2008), are translated using the exchange rate prevailing on the date of each transaction. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency using the exchange rate prevailing at the balance sheet date. Exchange gains and losses on monetary assets and liabilities are recognized in the statement of income. Non-monetary assets and liabilities acquired or contracted in foreign currency are translated based on the exchange rates on the transaction date or the date of measurement at fair value, when this is used. Exchange gains and losses on foreign investments are recognized directly in shareholders' equity in the "currency translation adjustment" account and recognized in the statement of income when these investments are completely or partially disposed of. The financial statements of foreign subsidiaries are adjusted to Brazilian accounting practices and subsequently translated into the local functional currency using the exchange rate at the balance sheet date. In addition to ArcelorMittal Brasil S.A., the following subsidiaries use the U.S. dollar as their functional currency:

- ArcelorMittal Tubarão Comercial S.A.
- CST Comércio Exterior S.A.
- CST Corporation BV
- Sol Coqueria Tubarão S.A.
- BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.

All other subsidiaries use the currency of their countries as their functional currency.

The reporting currency of the individual and consolidated financial statements is the Brazilian real ("R\$"). Therefore, the balances presented herein are, when applicable, the result of translation from the respective functional currency to the Brazilian real in conformity with the following criteria: (i) assets and liabilities are translated using the exchange rate at the balance sheet date; and (ii) income and expenses and changes in shareholders' equity are translated using the exchange rate at the transaction dates. Exchange rate changes resulting from the translation criteria above are recognized in a specific shareholders' equity account called "currency translation adjustment".

The translation rates used as of December 31, 2008 were as follows - R\$ 2.337 = US\$ 1.00 and \$ 1.00 = R\$ 0.677195 and for the year ended 2007 - R\$ 1.7713 = US\$ 1.00 and \$ 1.00 = R\$ 0.562496.

Financial instruments

The Company entered into financial instrument agreements, the balances of which on the transition date were reclassified to: (i) financial assets or liabilities measured at fair value through profit or loss; (ii) held-to-maturity; (iii) loans and receivables; or (iv) available-for-sale. With few exceptions, financial liabilities are initially recognized at their fair value plus any possible transition costs and their subsequent measurement is made at amortized cost.

Finance leases

Certain assets obtained through capital leases were recognized in property, plant and equipment at their fair value, or if lower at the present value of minimum payment balances estimated for the capital lease agreements, and were depreciated at the depreciation rates used by the Company, according to the nature of the assets. The carrying amounts of assets obtained through capital leases, disposed of or written off as losses are recognized as cost or loss, respectively, in the statement of income.

The respective balances payable of capital lease agreements were recognized in current and noncurrent liabilities based on the present value of remaining unpaid installments as of the transition date. The difference between the present value and the total amount of payments coming due will be allocated to the statement of income as financial expenses over the remaining life of the agreement, under the amortized cost method and based on the effective interest rate.

Differences between asset values net of depreciation and liabilities recognized as of the transition date for the first-time adoption of Law 11638/07 were recognized in retained earnings account.

In 2007, capital lease agreements were accounted for as operating leases.

Intangible assets

Certain intangible assets already recognized before the first-time adoption of Law 11638/07 and Provisional Act 449/08, and which meet the specific requirements of the Technical Pronouncement CPC 04 - Intangible Assets, were reclassified from the property, plant and equipment account group to the specific account group for intangible assets.

Other intangible assets that meet the specific requirements of the Pronouncement, but which had not been recorded previously, were not recognized.

Equity in subsidiaries in foreign currency

The exchange rate changes on investments in subsidiaries and associates held in foreign currency started to be recorded directly in shareholders' equity, under "currency translation adjustment" and no longer as part of equity in subsidiaries.

Effects of first-time adoption of Law 11638/07 and Provisional Act 449/08

The table below shows a reconciliation of net income and shareholders' equity as of December 31, 2008, considering the effects of the first-time adoption of Law 11638/07 with the income that would have been obtained if the changes in accounting practices related to this Law had not been adopted.

	Company	Consolidated
Net income for the year ended December 31, 2008	2,571,241	1,425,385
Adjustments of effects arising from the first-time adoption of Law 11638/07 and Provisional Act 449/08		
U.S. dollar functional currency adjustments (note 3.1)	(2,635,260)	(2,422,537)
Depreciation expenses of assets obtained under capital lease agreements	12,850	13,160
Financial expenses arising from capital lease agreements	38,880	38,934
Reversal of lease expense	(16,939)	(17,356)
Equity in subsidiaries with effects of Law 11638/07	461,730	-
Exchange rate changes on foreign investments	522,221	-
Adjustment of pension plan	-	2,232
Donations and grants received	-	(70,375)
Income tax and social contribution on temporary differences	1,933,576	2,181,825
Subtotal	317,058	(274,117)
Net income without the effects of Law 11638/07 (adjusted net income)	2,888,299	1,151,268
	Company	Consolidated
Shareholders' equity as of December 31, 2008	15,730,861	15,691,791
Adjustments of effects arising from the first-time adoption of Law 11638/07 and Provisional Act 449/08		
Currency translation adjustment - prior year	(1,566,235)	(1,566,235)
Currency translation adjustment - current year	(1,372,263)	(1,372,263)
Prior year adjustment related to leases	(36,312)	(36,312)
Prior year adjustment related to deferred income tax	(510,837)	(510,837)
Difference between 2008 net income and adjusted net income	317,058	(274,117)
Shareholders' equity as of December 31, 2008, without the effects of Law 11638/07 and Provisional Act 449/08	12,562,272	11,932,027

The comparability of these financial statements with prior years has been impacted by the effects introduced by Law 11638/07 and the adoption of the U.S. dollar as the functional currency in 2008, and should consider the impacts of the corporate restructuring mentioned in Note 9 f, i.e., the individual balance sheet of the Company as of December 31, 2008 includes assets and liabilities of the portion spun off from CST, and the individual statements of income, cash flows, and value added of the Company for the year 2008 include only 4 months (September 1, 2008 to December 31, 2008) of income and expenses of the portion spun off from CST (except net income which includes the entire income and expenses of subsidiaries and associates under the equity method).

Amounts presented are expressed in thousands, except when otherwise defined as "millions".

3.2 SIGNIFICANT ACCOUNTING PRACTICES

a. Revenue recognition

Income and expenses are recorded on an accrual basis.

Revenue from sale of products is recognized when all significant risks and rewards connected with ownership of products are transferred to the buyer. Revenue from services is recognized when services are rendered. A revenue is not recognized when there is significant uncertainty as to its realization.

Sales deductions include taxes on revenues (i.e. ICMS, PIS, COFINS, and ISS) and freight.

b. Use of accounting estimates

The preparation of financial statements in conformity with Brazilian accounting practices requires that Management use judgment to determine and record accounting estimates. The main balance sheet items subject to such estimates include the recoverable amount of property, plant, and equipment; allowance

for doubtful accounts; fair value of inventories; recoverable amounts of deferred income tax assets; reserve for contingencies; derivative instruments; and actuarial assets and liabilities. Actual results of the settlement of transactions involving these estimates could differ from estimates due to the lack of precision inherent to the process of ascertainment.

c. Current and noncurrent assets

Cash and cash equivalents

- Cash equivalents

Cash equivalents include cash and short-term investments with maturities not exceeding 90 days from the balance sheet date. They are stated at cost, plus income earned through the balance sheet date.

Held-to-maturity investments

Investments are classified as held-to-maturity and are stated at cost, plus income earned (recognized in the statement of income) through the balance sheet date.

Trade accounts receivable and allowance for doubtful accounts

Trade accounts receivable are stated at their realizable values.

The allowance for doubtful accounts is recorded in an amount considered sufficient by Management to cover possible losses on the collection of receivables, which consider the portfolio risk status and the received guarantees.

Inventories

Stated at average acquisition or production cost, lower than replacement costs or fair values. Imports in transit are stated 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.

Other current and noncurrent assets

Stated at realizable value, including when applicable, interest and monetary restatement earned.

Investments

- In subsidiaries

Investments in subsidiaries are accounted for under the equity method. Goodwill or negative goodwill computed by the Company or its subsidiaries on the acquisition of these investments were amortized up to 2008 considering the period defined in accordance with the fundamentals that gave rise to them, as permitted by CPC 13.

For purposes of consolidation and calculation of equity in subsidiaries, the financial statements of foreign subsidiaries were adjusted to eliminate the effects of differences between accounting practices adopted in Brazil and the practices adopted in their countries of origin.

- Other Permanent Investments

Other investments are stated at cost, less an allowance for losses, when applicable.

Property, plant, and equipment

Stated at acquisition or construction cost. Depreciation is calculated using the methods and rates described in Note 11. Depreciation of property, plant, and equipment is mainly recorded as production cost.

Expenses on the replacement of property, plant, and equipment items which are separately recorded, including those arising from large renovations, are accounted for in property, plant, and equipment. Other expenses are capitalized only when there is an increase in the economic benefits of this item. Any other type of expense is recognized in the statement of income as cost or expense.

Depletion of forest reserves of the subsidiary ArcelorMittal Florestas Ltda. is calculated based on the volume of wood cut in relation to the potential existing volume.

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:

- Acquired from third parties through business combinations: goodwill calculated on acquisitions that involve business combinations.
- Intangible assets acquired from third parties: are measured at their total cost of acquisition, less amortization expenses.
- Intangible assets generated internally: are recognized as assets only in their development phase so long as the following aspects can be evidenced:
 - Technical feasibility to conclude the intangible asset in such a way that it is available for use or sale;
 - Intention to conclude 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;
 - Capacity to accurately measure expenses attributable to the intangible asset during its development;
 - Amortization.

Intangible assets with finite useful lives are amortized considering the useful lives shown in note 12.

Intangible assets with indefinite useful lives are not amortized and are annually tested for impairment.

Goodwill attributable to expected future earnings was amortized up to December 31, 2008 in conformity with the useful lives shown in note 12. Beginning January 1, 2009, this amortization will be discontinued and impairment tests will be carried out on an annual basis.

Deferred charges

Stated at cost, less amortization, which is calculated under the straight-line method at rates that take into consideration the projects' return period. Deferred charges are recorded only when it is expected that they will generate future economic benefits. Law 11638/07 eliminated the deferred charges account; accordingly, the balance existing as of December 31, 2008, which due to its nature could not be allocated to another account group, remained in assets under this classification until it is fully amortized, and is tested for impairment, as permitted by CPC 13.

d. Current and noncurrent liabilities

- Financing and debentures

Recorded at the amounts raised and adjusted, as applicable, by the related financial charges, monetary restatements and exchange rate changes, and amortization through the balance sheet date, as established in agreements.

- Provisions

A provision is recognized in the balance sheet when the Company has a legal or established obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. Provisions are recorded based on the best estimates of management and its legal counsel with respect to the risks involved.

- Other current and noncurrent liabilities

Stated at known or estimated amounts plus, as applicable, related charges - interest, monetary restatements and exchange rate changes incurred through the balance sheet date.

e. Employee pension plan and post-employment benefits

The Company together with its subsidiaries is the sponsor of pension plans for its employees. The sponsorship costs of plans and possible deficits (surpluses) are recorded in accordance with IBRACON Pronouncement 26.

f. Income tax and social contribution

Current and deferred income tax and social contribution are calculated at rates of 15% plus a 10% surtax on taxable income exceeding R\$ 240 for income tax and 9% on taxable income for social contribution. In addition, income tax and social contribution consider the utilization of tax loss carryforwards, limited to 30% of taxable income.

Deferred tax assets arising from tax loss carryforwards and temporary differences were recognized in conformity with CVM Instruction 371, dated June 27, 2002, and take into consideration the history of earnings and expected generation of future taxable income based on technical feasibility studies.

The subsidiary Belgo Bekaert Nordeste S.A. (BBN) is entitled to tax incentives related to Business Income granted by the Northeast Development Agency (ADENE). The subsidiary Companhia Siderúrgica de Tubarão (CST) was entitled to the same benefit until September 30, 2007.

g. Financial instruments

Non-derivative financial instruments include short-term and held-to-maturity investments, investments in debt and equity securities, trade accounts receivable and other receivables, cash and cash equivalents, loans and financing, as well as accounts payable and other debts.

Non-derivative financial instruments are initially recognized at fair value plus, for instruments not recognized at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Held-to-maturity securities

If the Company has the intent and capacity to hold its debt securities to maturity, they are classified as held-to-maturity. Investments held to maturity are measured at amortized cost using the effective interest rate method, less possible impairments.

Available-for-sale securities

Company's investments in equity securities are classified as available-for-sale. Subsequent to initial recognition, they are measured at their fair value to the extent applicable and fluctuations, except for impairments, are recognized directly in shareholders' equity net of taxes. When an investment is written off/ disposed of, the gain or loss accumulated in shareholders' equity is transferred to profit or loss.

Financial instruments at fair value through profit or loss

An instrument is classified at fair value through profit or loss if held for trading and designated as such when initially recognized. Financial instruments are designated at fair value through profit or loss if the Company manages these investments and makes purchase and sale decisions based on their fair value according to the investment strategy and risk management documented by the Company. 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 fair value and fluctuations are recognized in profit or loss.

Other

Other non-derivative financial instruments are measured at their amortized cost using the effective interest rate method less possible impairments.

Derivatives

The Company holds derivatives to protect against foreign currency and interest rate risks.

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

h. Leases

Capital leases

Certain lease agreements transfer risks and rewards connected with ownership of an asset to the lessee. These contracts characterize as capital lease agreements and assets are recognized at their fair value or the present value of contractual minimum payments. Goods recognized as assets are depreciated over the periods established in the respective lease agreements. Financial charges related to capital lease agreements are allocated to income over the life of the agreement based on the amortized cost method and the effective interest rate.

Operating leases

Payments made under an operating lease are recognized as expenses in the statement of income on a straight line basis over the life of the agreement.

4. CONSOLIDATED FINANCIAL STATEMENTS

In order to allow a better understanding of business performance taking into consideration the fact that a significant portion of assets and income are attributable to its subsidiaries, the Company has voluntarily decided to present the consolidated financial statements of the ArcelorMittal Brasil Group.

These consolidated financial statements reflect the operations of the group as a whole regardless of the corporate restructuring occurred on August 31, 2007 (see note 9j).

Accordingly, the consolidated statements of income, cash flows, and value added for the year ended December 31, 2007 comprise the consolidated statements for an eight-month period (January to August 2007) of the entity Arcelor Brasil S.A. and its subsidiaries, plus the financial statements for the four-month period (September to December 2007) of the entity ArcelorMittal Brasil S.A. and its subsidiaries.

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

	Ownership interest %	
	2008	2007
ArcelorMittal Brasil S.A. and subsidiaries:		
Acindar Industria Argentina de Aceros S.A.	64.59	65.21
Acindar Uruguay I.A.A.S.A.	100.00	100.00
Agrinsa Agroindustrial S.A.	100.00	100.00
Acindar Pymes S.G.R.	50.00	50.00
CDSA S.A.	100.00	100.00
Acindar do Brasil Ltda. (iv)	100.00	100.00
Itaúna Siderúrgica Ltda.	100.00	100.00
Belgopar Ltda. (i)	-	100.00
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.	55.50	55.50
Belgo Bekaert Arames Ltda.	55.00	55.00
Belgo Bekaert Nordeste S.A.	54.79	54.47
ArcelorMittal Sistemas S.A.	100.00	100.00
BMF - Belgo-Mineira Fomento Mercantil Ltda. (i)	100.00	100.00
PBM - Picchioni Belgo-Mineira DTVM S.A.	74.50	74.50
Belgo - Mineira Comercial Exportadora S.A.	100.00	100.00
BEMEX International Ltd.	100.00	100.00
ArcelorMittal Florestas Ltda.	100.00	100.00
Trefilaria Colima S.A. (i)	-	50.00
ArcelorMittal Costa Rica S.A.	50.00	50.00
Belgo-Mineira Participação Indústria e Comércio S.A. (BMP) (i)	-	100.00
Belgo-Mineira Engenharia Ltda. (i)	-	100.00
ArcelorMittal Tubarão Comercial Ltda. (iii) (ex-CST)	100.00	100.00
CST Comércio Exterior S.A.	100.00	100.00
CST Corporation B.V.	100.00	100.00
Skadden Consultoria e Serviços Ltda. (ii)	-	100.00
CST Overseas Ltd. (ii)	-	100.00
Sol Coqueria Tubarão S.A.	100.00	83.19
Vega do Sul S.A. (i)	-	100.00

(i) Companies merged in 2008. (ii) Companies sold in 2008. (iii) Company spun off in 2008. (iv) Subsidiary of Acindar Industria Argentina de Aceros S.A. in 2007.

a. Reconciliation of shareholders' equity and net income

Reconciliation of shareholders' equity and net income of the Company with consolidated shareholders' equity and net income, is as follows:

	December 31, 2008			
	Net income		Shareholders' equity	
	2008	2007	2008	2007
Company balances	2,571,241	2,206,002	15,730,861	13,129,032
Adjustment of consolidation scope	-	794,267	-	(38,609)
Unrealized profits arising from:				
. Intercompany transactions, net of taxes	29,336	32,114	(39,070)	(67,252)
. Corporate restructuring	(1,175,192)	-	-	1,175,192
Consolidated balances	1,425,385	3,032,383	15,691,791	14,198,363

Adjustment of consolidation scope refers to the difference in income of Arcelor Brasil S.A. (merged on August 31, 2008) and ArcelorMittal Brasil S.A. (formerly Belgo Siderurgia S.A.), see note 9. In shareholders' equity, refers to cross ownership in Belgo Participação Indústria e Comércio S.A (BMP) and ArcelorMittal Brasil S.A.

Corporate restructuring - The Company acquired from third parties, through its subsidiary Belgo-Mineira Participação, Indústria e Comércio S.A. (BMP), receivables from Mendes Júnior Siderurgia S/A ("MJS") in the total amount of R\$ 434 million to ensure the financial recovery of this company for its future acquisition. These receivables were recorded in BMP at their acquisition cost, while in MJS they were recorded at their respective face value, plus interest and monetary restatements. After acquiring control of MJS, the Company capitalized part of these receivables, which were fully absorbed by accumulated losses of MJS. As of December 31, 2007, BMP still had a single outstanding note in the amount of R\$ 128,954 that held the mortgages for the plant in Juiz de Fora and for which settlement awaited the conclusion of legal proceedings. Accordingly, in the consolidation process the difference between the cost of the receivable and its corresponding face value (R\$ 1,237,374), net of income tax (R\$ 62,182), in the total amount of R\$ 1,175,192 was treated as unrealized profits as of December 31, 2007.

BMP increased its capital in ArcelorMittal Brasil S.A. using these receivables in the amount of R\$ 128,954 on December 22, 2008. It thus settled the debt and generated a gain for ArcelorMittal Brasil, in the amount of R\$ 1,175,192, net of income tax and social contribution, thus realizing unrealized profits from 2007. BMP was merged into ArcelorMittal Brasil S.A. on December 31, 2008.

5. CASH AND CASH EQUIVALENTS AND HELD-TO-MATURITY INVESTMENTS

	Company		Consolidated	
	2008	2007	2008	2007
Cash and cash equivalents				
. Cash and demand deposits				
.. Brazilian real	37,258	249,957	57,334	440,616
.. US dollar	-	-	170,528	63,121
.. Argentinean peso	-	-	74,760	11,538
	<u>37,258</u>	<u>249,957</u>	<u>302,622</u>	<u>515,275</u>
. Investments (i)				
.. Brazilian real	161,586	117,537	258,869	353,994
.. US dollar	198,380	915	198,380	273,485
.. Argentinean peso	-	-	57,784	287,117
	<u>359,966</u>	<u>118,452</u>	<u>515,033</u>	<u>914,596</u>
Total cash and cash equivalents	<u>397,224</u>	<u>368,409</u>	<u>817,655</u>	<u>1,429,871</u>
Other held-to-maturity investments				
Short term				
.. US dollar	103,969	-	103,969	-
Long term				
.. US dollar	-	101,060	-	101,060
.. Argentinean peso	-	-	60,285	37,703
	<u>103,969</u>	<u>101,060</u>	<u>164,254</u>	<u>138,763</u>
Total cash and cash equivalents and held-to-maturity investments	<u>501,193</u>	<u>469,469</u>	<u>981,909</u>	<u>1,568,634</u>

(i) Basically investment funds, government securities and time deposits, all highly liquid and with low risk of loss upon realization.

	Company		% per year Consolidated	
	2008	2007	2008	2007
Average yield rate of investments				
.. Brazilian real	12.53	11.38	12.53	11.58
.. US dollar	0.30	5.90	0.30	5.90
.. Argentinean peso	-	-	8.66	5.80

6. TRADE ACCOUNTS RECEIVABLE

	Company		Consolidated	
	2008	2007	2008	2007
. Domestic market				
.. Group companies	138,399	130,928	94,428	1,361
.. Third parties	432,984	338,084	678,203	1,055,396
Subtotal domestic market	<u>571,383</u>	<u>469,012</u>	<u>772,631</u>	<u>1,056,757</u>
. Foreign market				
.. Group companies	136,396	20,855	144,060	28,464
.. Third parties	182,142	139,453	363,422	509,445
Subtotal foreign market	<u>318,538</u>	<u>160,308</u>	<u>507,482</u>	<u>537,909</u>
. Discounted trade notes and export receivables	-	-	(1,316)	-
. Allowance for doubtful accounts	(8,952)	(9,139)	(22,311)	(20,088)
Total	<u>880,969</u>	<u>620,181</u>	<u>1,256,486</u>	<u>1,574,578</u>

7. INVENTORIES

	Company		Consolidated	
	2008	2007	2008	2007
. Finished products	1,675,259	456,201	2,268,010	1,012,410
. Work in process	112,776	63,370	275,471	284,207
. Raw materials and consumptions materials	1,249,786	212,452	2,010,624	682,763
. Maintenance parts and supplies	343,490	27,858	491,059	317,212
. Imports in transit	222,159	42,896	433,189	250,768
. Advances to suppliers	702,622	2,024	45,368	27,174
. (-) Allowance for losses	(335,128)	(18,870)	(468,953)	(39,523)
Total	3,970,964	785,931	5,054,768	2,535,011

The Company and its subsidiaries increased the allowance for inventory losses, mainly for raw materials, due to the drop in prices for finished products.

In the last quarter of 2008, the Company and its subsidiaries recognized directly in income for the year, under the caption "cost of sales", the cost of unused production capacity in the amount of R\$ 142,615 in the Company and R\$ 169,641 in the consolidated.

8. RECOVERABLE TAXES

	Company		Consolidated	
	2008	2007	2008	2007
. Income tax and social contribution	222,001	156,207	249,276	209,527
. State VAT (ICMS)	613,893	86,265	748,687	512,924
. Excise (IPI)	20,227	7,766	30,939	15,410
. Withholding income tax (IRRF)	368	-	2,816	11,059
. Tax on revenue (PIS)	57,452	7,587	96,369	129,287
. Tax on revenue (COFINS)	276,043	34,644	429,306	372,644
. Other	1,527	-	38,733	26,045
Total	1,191,511	292,469	1,596,126	1,276,896
. Current	964,035	247,535	1,118,088	758,931
. Noncurrent	227,476	44,934	478,038	517,965
Total	1,191,511	292,469	1,596,126	1,276,896

ICMS, PIS and Cofins credits recorded in long-term in the consolidated, resulting from the purchases of property, plant and equipment, in the total amount of R\$ 305,056 (R\$ 432,931 as of December 31, 2007), are offset over 48 months beginning on their purchase dates.

9. INVESTMENTS IN SUBSIDIARIES

a. Information on direct subsidiaries

	Number of shares held	Ownership interest - %		Shareholders' equity	Net income (loss)
		Voting capital	Total capital		
Acindar Industria Argentina de Aceros S.A.					
12/31/2008	560,338,355	64.59	64.59	1,576,585	375,987
12/31/2007	560,338,355	65.21	65.21	1,325,909	318,428
Itaúna Siderúrgica Ltda.					
12/31/2008	1,000	100.00	100.00	19,787	(4,006)
12/31/2007	1,000	100.00	100.00	19,200	4,443
Belgopar Ltda. (ii)					
12/31/2008	-	-	-	-	-
12/31/2007	500,000	100.00	100.00	(54)	(90)
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.					
12/31/2008	366,433	55.50	55.50	115,002	(20,081)
12/31/2007	366,433	55.50	55.50	112,642	18,014
Belgo Bekaert Arames Ltda.					
12/31/2008	6,963	55.00	55.00	684,329	271,833
12/31/2007	6,963	55.00	55.00	636,605	180,704
ArcelorMittal Sistemas S.A.					
12/31/2008	1,879,952	100.00	100.00	27,181	2,592
12/31/2007	1,879,338	100.00	100.00	35,272	7,849
BMF - Belgo-Mineira Fomento Mercantil Ltda. (ii)					
12/31/2008	-	-	-	-	(3,625)
12/31/2007	5,600	100.00	100.00	11,254	1,174
PBM - Picchioni Belgo-Mineira DTVM S.A.					
12/31/2008	10,377,231	74.50	74.50	3,048	(533)
12/31/2007	10,377,231	74.50	74.50	3,424	8,324
Belgo-Mineira Comercial Exportadora S.A. (i)					
12/31/2008	418,649	100.00	100.00	5,056	87
12/31/2007	418,649	100.00	100.00	5,420	7,106
BEMEX International Ltd.					
12/31/2008	151,000	100.00	100.00	54,015	(147)
12/31/2007	51,000	100.00	100.00	41,051	83
ArcelorMittal Florestas Ltda.					
12/31/2008	40,750,363	100.00	100.00	364,876	31,190
12/31/2007	40,750,363	100.00	100.00	293,304	8,099
ArcelorMittal Costa Rica S.A.					
12/31/2008	1,994,910	50.00	50.00	68,949	(89,343)
12/31/2007	8,331,755	50.00	50.00	91,740	24,016
Trefilaria Colima S.A. (ii)					
12/31/2008	-	-	-	-	8,006
12/31/2007	158,285	50.00	50.00	26,434	1,592
Belgo-Mineira Participação Indústria e Comércio S.A. (BMP) (ii)					
12/31/2008	-	-	-	-	51,308
12/31/2007	12,984,046	99.98	99.98	12,913	(23,581)
Belgo-Mineira Engenharia Ltda. (ii)					
12/31/2008	-	-	-	-	(311)
12/31/2007	72,920	100.00	100.00	530	5
ArcelorMittal Tubarão Comercial Ltda. - AMTC					
12/31/2008	2,430,118,755	100.00	100.00	263,355	1,159,861
12/31/2007	54,980,062,335	100.00	100.00	8,644,126	1,601,717
Sol Coqueria Tubarão S.A.					
12/31/2008	672,756,349	100.00	94.84	1,803,381	(92,579)
12/31/2007	64,185	31.09	31.09	503,263	(19,105)
CST - Comércio Exterior S.A. (iii)					
12/31/2008	553,000	100.00	100.00	6,962	50,434
12/31/2007	-	-	-	-	-
CST - Corporation B.V. (iii)					
12/31/2008	300,000	100.00	100.00	1,535,934	74,064
12/31/2007	-	-	-	-	-
Acindar do Brasil Ltda.					
12/31/2008	6,961,785	100.00	100.00	26,130	(906)
12/31/2007	-	-	-	-	-

(i) ArcelorMittal Brasil S.A. directly and indirectly holds 100% of these subsidiaries (see note 4). (ii) Companies merged in 2008. (iii) Interests acquired through the merger of CST (see note 1).

b. Changes in investments in direct subsidiaries:

	12/31/2007	Additions	Disposal/ capital reduction	Currency translation adjustment	Prior year adjustments	Capital gain/(loss)	Equity in subsidiaries	Dividends and interest on capital	12/31/2008
Acindar Industria Argentina de Aceros S.A.	863,206	-	-	212,319	-	(3,849)	239,458	(296,756)	1,014,378
Itaúna Siderúrgica Ltda.	19,098	-	-	9,777	-	-	(3,916)	(5,196)	19,763
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.	62,516	-	-	22,696	1,421	-	(9,576)	(13,232)	63,825
Belgo Bekaert Arames Ltda.	350,134	-	-	-	-	-	156,719	(130,471)	376,382
ArcelorMittal Sistemas S.A.	35,272	-	-	-	-	-	2,529	(10,620)	27,181
BMF - Belgo-Mineira Fomento Mercantil Ltda.	11,198	40	(7,629)	-	-	-	(3,609)	-	-
Belgo-Mineira Comercial Exportadora S.A.	5,421	-	-	-	-	-	87	(452)	5,056
BEMEX International Ltda.	41,051	-	-	13,111	-	-	(147)	-	54,015
ArcelorMittal Florestas Ltda.	293,304	40,382	-	-	-	-	31,190	-	364,876
ArcelorMittal Costa Rica S.A.	45,870	21,224	-	18,853	-	-	(49,050)	(2,422)	34,475
Trefilaria Colima S.A.	13,218	-	(21,224)	-	-	-	8,006	-	-
Acindar do Brasil Ltda.	-	61,136	-	-	-	-	(906)	(34,100)	26,130
Belgo-Mineira Participação, Indústria e Comércio S.A. (BMP)	12,910	113,758	(177,958)	-	-	-	51,290	-	-
Belgo-Mineira Engenharia Ltda.	525	-	(214)	-	-	-	(311)	-	-
ArcelorMittal Tubarão Comercial - AMTC (ex CST)	8,644,117	-	(8,272,100)	144,872	73,135	-	1,159,861	(1,486,531)	263,354
Sol Coqueria Tubarão S.A.	156,464	1,500,590	(11,382)	189,880	88,123	(35)	(98,102)	(22,157)	1,803,381
CST Comercial Exterior S.A.	-	13,830	-	6,298	-	-	21,867	(35,032)	6,963
CST Corporation B.V	-	1,058,914	-	371,033	-	-	105,987	-	1,535,934
Other	4,823	-	54	-	-	-	2,525	(902)	6,500
	10,559,127	2,809,874	(8,490,453)	988,839	162,679	(3,884)	1,613,902	(2,037,871)	5,602,213

c. Merger of BMF - Belgo-Mineira Fomento Mercantil Ltda.

BMF - Belgo-Mineira Fomento Mercantil Ltda. was merged into ArcelorMittal Brasil S.A. on February 28, 2008. Merged shareholders' equity totaled R\$ 7,629.

d. Merger of Belgopar Ltda.

Belgopar Ltda. was merged into ArcelorMittal Brasil S.A. on February 28, 2008. Merged shareholders' deficit totaled R\$ 54.

e. Merger of Belgo-Mineira Engenharia Ltda.

Belgo-Mineira Engenharia Ltda. was merged into ArcelorMittal Brasil S.A. on February 28, 2008. Merged shareholders' equity totaled R\$ 214.

f. Spin-off and merger of CST - Companhia Siderúrgica de Tubarão

Companhia Siderúrgica de Tubarão ("CST") was spun off on September 1, 2008 and its manufacturing portion was merged into ArcelorMittal Brasil S.A., while CST remained only with its commercial branches. CST's name was changed to ArcelorMittal Tubarão Comercial Brasil S.A. ("AMTC") and began to sell flat steel for the automotive industry. The goodwill recorded on acquisition of CST shares in this transaction was reclassified to Intangible Assets of ArcelorMittal Brasil S.A. proportionally to the portion merged and the negative goodwill was fully recognized in income (See note 12).

ArcelorMittal Brasil S.A. continued to directly hold a 100% interest in ArcelorMittal Tubarão Comercial Brasil S.A.

Summarized balances of CST's balance sheet at the time of its merger into ArcelorMittal Brasil S.A. are shown below:

	<u>CST balance sheet</u>	<u>Spun-off and merged portion</u>	<u>AMTC remaining balance</u>
Assets			
Current assets	3,262,670	2,603,449	659,221
Noncurrent assets			-
Long-term assets	593,131	591,931	1,200
Investments/Property, plant and equipment (i)	8,854,202	8,827,368	26,834
Total assets	12,710,003	12,022,748	687,255
Liabilities and shareholders' equity			
Current liabilities	2,906,632	2,601,733	304,899
Noncurrent liabilities	1,148,915	1,148,915	-
Shareholders' equity	8,654,456	8,272,100	382,356
Total liabilities and shareholders' equity	12,710,003	12,022,748	687,255

(i) Includes interest in SOL, BV and COMEX.

g. Merger of BMP

Belgo-Mineira Participação Indústria e Comercio S.A. was merged into ArcelorMittal Brasil S.A. on December 31, 2008, as described in note 4.

Summarized balances of BMP's balance sheet and statement of income at the time of its merger into ArcelorMittal Brasil S.A. are shown below:

	<u>Balance sheet</u> <u>12/31/2008</u>
Assets	
Current assets	14,064
Noncurrent assets	
Long-term assets	2,793
Investments (i)	167,550
Total assets	<u><u>184,407</u></u>
Liabilities and shareholders' equity	
Current liabilities	6,442
Noncurrent liabilities	7
Shareholders' equity	177,958
Total liabilities and shareholders' equity	<u><u>184,407</u></u>
	<u>Income Statement</u> <u>12/31/2008</u>
Income from operations	41,940
Net income	37,577

(i) Interest of 0.87% in ArcelorMittal Brasil, which was canceled on the merger date.

h. Decrease in ownership interest in the subsidiary Acindar

In 2008 and 2007, part of the *Obligaciones Negociables Subordinadas Convertibles* (ONCs) (Argentine securities issued by the subsidiary, Acindar – see note 15 Debentures) was converted into common shares. These conversions generated a dilution in the Company's interest of 0.62% (0.63% as of December 31, 2007). As a result of this dilution, the Company had a decrease in ownership interest of R\$ 3,849 (R\$ 5,110 as of December 31, 2007) recorded in operating income (expenses).

i. Merger of Trefilaria Colima S.A.

Trefilaria Colima S.A. was merged into ArcelorMittal Costa Rica S/A (formerly Laminadora Costaricense S.A.) on December 1, 2008. Merged shareholders' equity totaled R\$ 42,447.

j. Merger of Arcelor Brasil S.A.

Mittal Steel Participações S.A. was merged into Arcelor Brasil S.A. on August 20, 2007. Goodwill on the acquisition of shares of Arcelor Brasil S.A. recorded for this transaction by Mittal Steel Participações S.A. was classified in Intangible Assets by ArcelorMittal Brasil S.A.

Arcelor Brasil S.A. was merged into Belgo Siderurgia S.A. on August 31, 2007, and the name of the latter was changed to ArcelorMittal Brasil S.A.

k. Spin-off of Usina Hidrelétrica Guilman Amorim S.A.

Usina Hidrelétrica Guilman Amorim S.A. was spun off on December 19, 2007 and the 51% interest was merged into ArcelorMittal Brasil S.A.

10. RELATED-PARTY TRANSACTIONS

The most significant balances and transactions with related companies included in the financial statements as of December 31, 2008 and 2007 are summarized as follows:

Company:	Balances				Transactions		
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Sales	Purchases	Other revn. (expenses)
Acerália Construcciones S.L. (i)	-	-	2,093	7,534,253	-	-	(606,412)
Acindar do Brasil	34,100	-	279	-	2,029	14,796	-
Acindar Industria Argentina de Aceros S.A.	98,503	8,608	109,949	-	32,365	79,886	148
AM Sociedad Brasil S.L.	-	-	44,351	-	-	-	(45,848)
Arcelor Finance	-	-	829	317,914	-	-	(13,158)
Arcelor International America Inc.	-	-	26	-	17,948	-	(339)
Arcelor International Canada Inc.	-	-	-	-	7,528	82,943	(102)
Arcelor International Luxembourggo	193	-	266	-	31,073	-	(4,418)
Arcelor Logistics Italia	-	-	-	-	-	-	(5,872)
Arcelor Pine Bluff	12,570	-	212	-	24,389	-	(505)
Arcelor Spain Holdings S.L.	-	-	-	-	-	-	(69,740)
ArcelorMittal Costa Rica	53	124,415	-	-	-	-	2,860
ArcelorMittal Flat Carbon Europe	-	-	39,539	-	-	77,805	-
ArcelorMittal Florestas Ltda.	68	-	334	-	604	141,692	-
ArcelorMittal France	103	-	2,428	-	-	-	(29,209)
ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S.A.	31,420	-	704	-	182,607	-	466
ArcelorMittal Inox Brasil S.A.	6,266	-	2,160	-	502	45,606	4,936
ArcelorMittal Investigación y Desarrollo. S.L.	-	-	38,680	-	-	-	(37,849)
ArcelorMittal Logistics Belgium	-	-	141	-	-	-	(3,335)
ArcelorMittal Mineração Serra Azul S.A.	7	20,694	-	-	-	-	165
ArcelorMittal Rentec	-	-	5,023	-	-	-	(413)
ArcelorMittal S.A.	3,989	-	73,287	-	-	-	(29,094)
ArcelorMittal Sistemas S.A.	2,271	-	6,118	-	-	38,879	-
ArcelorMittal Sourcing	631	-	1,541,247	-	-	695,909	-
ArcelorMittal Treasury	-	237,725	-	-	-	-	4,013
ArcelorMittal Tubarão Comercial	26,884	-	90,438	-	226,284	258,349	1,028,785
ArcelorMittal USA - Point Lisas	4,352	-	-	-	-	60,803	-
Belgo Bekaert Arames Ltda.	5,975	-	31,787	-	812,561	99,377	26,075
Belgo Bekaert Nordeste S.A.	4,825	-	685	-	263,946	7,658	-
Belgo-Mineira Participação Indústria e Comércio S.A. (BMP)	-	-	-	-	-	-	(1,170)
BEMEX International Ltd.	-	3,333	51,122	-	-	-	-
BMB - Belgo-Mineira Bekaert Artefatos de Arame Ltda.	1,509	-	22	-	99,671	114	5,828
CST Comércio Exterior S.A.	38,510	-	59,527	-	-	-	(888)
CST Corporation BV	-	-	1,532,818	-	-	-	(20,641)
CST Overseas Ltda.	122,733	-	-	-	1,411,185	-	-
Itaúna Siderúrgica Ltda.	11,904	-	13,159	-	444	40,209	1,231
Manchester Tubos e Perfilados	59,363	-	567	-	80,353	-	-
Mittal Steel International Holdings B.V.	-	-	-	-	-	41,673	-
Sidarfin NV	-	-	6,011	-	-	-	(792)
Sol Coqueria Tubarão S.A.	697,402	-	238,563	-	4,100	748,554	(115)
Others	1,655	-	1,249	-	1,634	2,072	(1,302)
TOTAL 12/31/2008	1,165,286	394,775	3,893,614	7,852,167	3,199,223	2,436,325	203,305
TOTAL 12/31/2007	227,765	606,842	2,568,071	5,710,492	1,402,094	791,775	(159,068)

(i) See note 14 on financing.

Consolidated:

	Balances				Transactions		
	Current assets	Noncurrent assets	Current liabilities	Noncurrent liabilities	Sales	Purchases	Other revn. (expenses)
Acerália Construcciones S.L. (i)	-	-	2,093	7,534,253	-	-	(606,412)
AM Sociedad Brasil S.L.	-	-	44,351	-	-	-	(45,848)
Arcelor Finance	-	-	829	317,914	-	-	(34,261)
Arcelor International America Inc.	2,236	-	26	-	28,069	-	(339)
Arcelor International Canada Inc.	-	-	-	-	7,528	82,943	(102)
Arcelor International Luxembourg	423	-	266	-	31,073	162,938	(7,100)
Arcelor Logistics Italia	-	-	-	-	-	-	(5,872)
Arcelor Pine Bluff	12,570	-	212	-	24,389	-	(505)
Arcelor Spain Holdings S.L.	-	-	53,400	853	-	-	(69,740)
ArcelorMittal Commercial RPS Sàrl	129	-	69	-	-	1,836	-
ArcelorMittal Flat Carbon Europe	-	-	51,325	-	-	114,960	-
ArcelorMittal France	103	-	2,428	-	-	730	(29,209)
ArcelorMittal Gonvarri Brasil Produtos Siderúrgicos S.A.	36,521	-	704	-	598,817	12,249	466
ArcelorMittal Inox Brasil S.A.	8,249	-	2,166	-	20,042	51,313	5,973
ArcelorMittal Investigación y Desarrollo. S.L.	-	-	41,275	-	-	-	(40,528)
ArcelorMittal Logistics Belgium	-	-	141	-	-	-	(3,335)
ArcelorMittal México	5,318	-	44,429	-	-	157,238	-
ArcelorMittal Mineração Serra Azul S.A.	7	20,694	-	-	386	-	165
ArcelorMittal Montreal Inc.	1,091	-	-	-	3,618	176	-
ArcelorMittal Poland S.A.	-	-	12,343	-	-	13,463	-
ArcelorMittal Rentec	-	-	5,023	-	-	-	(708)
ArcelorMittal S.A.	3,989	-	114,091	-	-	-	(79,401)
ArcelorMittal Sourcing	15,446	-	1,576,413	-	-	1,860,553	-
ArcelorMittal Treasury	245,543	237,725	-	99,831	-	-	9,826
ArcelorMittal USA - Point Lisas	4,454	-	10,749	-	51	171,803	-
Cross Atlantic Limited	-	-	-	-	-	50,660	-
CST Overseas Ltda.	122,733	-	-	-	1,411,185	-	-
Manchester Tubos e Perfilados	59,363	-	567	-	95,293	-	-
Mittal Steel International Holdings B.V.	-	-	570	-	-	131,486	-
MT Majdalani y Cia. S.A.	37,465	-	-	-	-	-	2,386
Paul Wurth do Brasil Ltda.	-	-	616	-	-	2,404	-
Sidarfin NV	-	-	6,011	-	-	-	(792)
Others	946	-	1,151	-	2,866	1,022	(2,081)
TOTAL 12/31/2008	556,586	258,419	1,971,248	7,952,851	2,223,317	2,815,774	(907,417)
TOTAL 12/31/2007	71,600	11,367	1,114,779	6,022,486	952,320	121,235	(223,710)

*(i) See note 14 on financing.***a. Guarantees**

The Company did not provide any guarantees for its subsidiaries in the year ended December 31, 2008. Guarantees provided by companies of the ArcelorMittal Brasil Group to third parties (primarily banks) totaled R\$ 915 as of December 31, 2008 (R\$ 92,102 in December 2007).

11. PROPERTY, PLANT, AND EQUIPMENT

Company:

	2008		2007		Depreciation (i)
	Adjusted cost	Accumulated depreciation and depletion	Net	Net	
. Industrial and administrative buildings	2,436,603	(1,111,882)	1,324,721	301,300	3.58%
. Industrial equipment and facilities	15,443,754	(8,018,092)	7,425,662	1,147,878	7.59%
. Other (furniture, vehicles, etc.)	1,267,758	(59,048)	1,208,710	105,443	4.13%
	<u>19,148,115</u>	<u>(9,189,022)</u>	<u>9,959,093</u>	<u>1,554,621</u>	
Land	292,764	-	292,764	153,858	
Expansion and modernization:					
. Property, plant and equipment in progress	28,737	-	28,737	71,836	
. Advances to suppliers	166,694	-	166,694	8,471	
Total (ii)	<u>19,636,310</u>	<u>(9,189,022)</u>	<u>10,447,288</u>	<u>1,788,786</u>	

Consolidated:

. Industrial and administrative buildings	3,180,899	(1,336,794)	1,844,105	1,285,123	3.73%
. Industrial equipment and facilities	19,456,326	(9,694,851)	9,761,475	9,091,134	9.86%
. Forest reserves	269,187	(40,115)	229,072	210,257	5.49%
. Other (furniture, vehicles, etc.)	1,417,543	(102,274)	1,315,269	142,480	7.79%
	<u>24,323,955</u>	<u>(11,174,034)</u>	<u>13,149,921</u>	<u>10,728,994</u>	
Land	353,688	-	353,688	269,370	
Expansion and modernization:					
. Property, plant and equipment in progress	36,839	-	36,839	826,931	
. Advances to suppliers	186,585	-	186,585	22,746	
Total	<u>24,901,067</u>	<u>(11,174,034)</u>	<u>13,727,033</u>	<u>11,848,041</u>	

(i) Annual average rate of depreciation, depletion or amortization. (ii) In 2008 includes CST's merged balance of CST in the net amount of R\$ 6,765,892.

In 2008, subsidiary ArcelorMittal Tubarão Comercial S.A. aligned, on a prospective basis, depreciation rates of its property, plant and equipment to those applied by the parent company ArcelorMittal Brasil S.A. The effects of this change amounted to approximately R\$ 490 million.

a. Guarantees

Some property, plant and equipment items guarantee Company loans and financing (note 14).

b. Forests - Consolidated

Eucalyptus forests, comprising 95,000 hectares (unaudited), are managed by the wholly-owned subsidiary ArcelorMittal Florestas Ltda., which provides planting and harvesting services and produces charcoal.

c. Property, plant and equipment in progress - Consolidated

The consolidated balance relates mainly to investments in projects focused on increasing productivity, modernization and quality, cost reductions, and installation of new environmental protection systems.

12. INTANGIBLE ASSETS

	Company		Consolidated	
	2008	2007	2008	2007
Cost				
. Goodwill on investments	12,116,801	7,115,163	12,136,737	7,284,896
. Software	342,313	53,099	421,987	336,373
. Mining rights	25,925	18,131	25,925	18,131
	12,485,039	7,186,393	12,584,649	7,639,400
Accumulated amortization/depreciation				
. Goodwill on investments	(4,814,010)	(689,049)	(4,814,010)	(838,796)
. Software	(215,899)	(30,971)	(278,194)	(194,119)
. Mining rights	(2,341)	(2,154)	(2,341)	(2,154)
Total accumulated amortization	(5,032,250)	(722,174)	(5,094,545)	(1,035,069)
Net	7,452,789	6,464,219	7,490,104	6,604,331

Goodwill on acquisition of subsidiaries includes mainly the goodwill originating from the merger of Mittal Steel Participações S.A. attributable to the acquisition of ownership interest in Arcelor Brasil S.A. in August 2007.

This goodwill is amortized over six years, according to a study of future earnings performed by independent experts, with carrying amount of R\$ 7,183,097 as of December 31, 2008 (see note 9j).

13. DEFERRED CHARGES

	Company		Consolidated	
	2008	2007	2008	2007
Cost				
Preoperating expenses	174,172	-	174,172	214,588
Expansion projects	70,940	52,387	70,940	52,387
Market creation project	41,659	-	41,659	49,378
Other expenses	35,822	22,533	38,721	25,485
	322,593	74,920	325,492	341,838
Accumulated amortization				
Preoperating expenses	(125,539)	-	(125,539)	(109,825)
Expansion projects	(54,153)	(30,009)	(54,153)	(30,009)
Market creation project	(26,623)	-	(26,623)	(21,805)
Other expenses	(19,377)	(7,593)	(20,602)	(8,328)
Total accumulated amortization	(225,692)	(37,602)	(226,917)	(169,967)
Net	96,901	37,318	98,575	171,871

Preoperating expenses relate to start-up costs for the Vega do Sul plant, in 2003 and 2004, which are related to costs of materials consumed, consulting costs, salaries paid to production personnel, indirect manufacturing costs, and others incurred during the preparation for the start-up phase and production line tests. These expenses are amortized over five years.

Expenses on the Market Creation Project relate to costs for approval of its products by customers. These expenses are amortized over five years.

Other expenses refer basically to expenditures on implementation of systems and reorganization to create the holding company Arcelor Brasil (current Corporate segment of ArcelorMittal Brasil).

14. FINANCING (Consolidated)

	Final maturity	Average annual 2008 financial charges	2008			2007
			Current	Noncurrent	Total	
In Brazilian real						
. Working capital						
.. Banco Bradesco S.A.	2009	TJLP + 4.00%	1,484	433	1,917	-
.. Banco do Brasil S.A.	2009	6.75%	10,000	-	10,000	-
.. Banco do Estado do Espírito Santo	2009	1.00%	24,009	-	24,009	7,509
			35,493	433	35,926	7,509
. Investments						
.. BDMG System	2014	IGPM + 4.00%	431	1,947	2,378	-
.. BNDES System	2018	UMBND + ECM + 4.25%	7,232	62,976	70,208	966,251
.. BNDES System	2018	TJLP + 1.8%	132,918	577,647	710,565	-
.. DESENBAHIA	2013	10.00%	609	4,013	4,622	-
.. Banco do Brasil S.A.	2010	CDI	7,825	645,348	653,173	-
.. Other investments			356	751	1,107	-
.. Swap	2010		-	249,920	249,920	(86,282)
.. Leases	2009	15.00%	192	-	192	-
			149,563	1,542,602	1,692,165	879,969
Subtotal in reais			185,056	1,543,035	1,728,091	887,478
In US dollar						
. Investments:						
Leases	2017	15.00%	21,575	87,324	108,899	-
Prepayments and advances on export contracts (i)	2017	USD + 10%	2,093	7,534,253	7,536,346	5,760,229
Prepayments and advances on export contracts	2013	Libor + 0.91%	-	-	-	387,163
Securitization of receivables	2017	Libor + 0.635%	-	-	-	240,828
Import financing	2014	Libor + 1.90%	-	-	-	62,652
Equipment financing	2016	Libor + 0.40%	37,588	174,624	212,212	126,251
Construction financing	2018	ECM + 1.80%	-	-	-	47,477
Other investments			23,784	-	23,784	46,479
			85,040	7,796,201	7,881,241	6,671,079
. Working capital:						
.. Prepayments and advances on export contracts	2016	Libor + 1.35%	829	317,914	318,743	9,593
.. Banco Bradesco S.A.	2009	7.57%	331,994	-	331,994	-
.. Banco do Brasil S.A.	2009	8.98%	321,398	-	321,398	-
.. Other working capital	2009	6.00%	144,064	-	144,064	-
			798,285	317,914	1,116,199	9,593
Subtotal in US dollars			883,325	8,114,115	8,997,440	6,680,672
Total			1,068,381	9,657,150	10,725,531	7,568,150

(i) Refers mainly to debt to Acerlia Construcciones S.L. (ArcelorMittal Group)

Financing indexes

Long-term interest rate (TJLP) set quarterly - 6.25% p.a. as of December 31, 2008 (6.25% p.a. as of December 31, 2007).

London Interbank Offered Rate (LIBOR) - 1.811% p.a. as of December 31, 2008 (4.72% p.a. as of December 31, 2007).

BNDES Monetary Unit (UMBNDDES basket of currencies) - positive fluctuation of 33.86% for the year 2008.

The long-term portion matures as follows:

Long-term portion maturities

2010	1,136,784
2011	217,382
2012	974,671
2013	1,664,061
2014 onwards	5,664,252
	9,657,150

a. Covenants

The Company and its subsidiaries complied with all covenant requirements related to loan and financing agreements as of December 31, 2008.

b. Guarantees

Investment financing is normally guaranteed by the financed asset. Working capital and advances on export contracts are mainly guaranteed by promissory notes.

15. DEBENTURES

	Company		Consolidated	
	2008	2007	2008	2007
Simple, nonconvertible debentures	34,054	33,557	26,103	78,491
Acindar (ONCs.)	-	-	8,824	5,119
Total	34,054	33,557	34,927	83,610
Current	18,150	17,265	18,179	37,389
Noncurrent	15,904	16,292	16,748	46,221
Total	34,054	33,557	34,927	83,610

a. Simple, non-convertible debentures

Issued by BMP in 1998 and subsequently transferred to ArcelorMittal Brasil, with a face value of R\$ 98,000 and monthly repayments over 12 years, which pay TJLP plus 3% per year, and by ArcelorMittal Brasil from 1999 to 2002, with a face value of R\$ 108,270, repaid annually and with final maturities on December 31, 2011 and 2027 (83% and 17% of the total issued, respectively), which pay the IGP-M price index plus 6% per year.

b. Obligaciones Negociables Subordinadas Convertibles (ONCs)

Argentine securities issued by the subsidiary Acindar, similar to convertible debentures in Brazil. These securities pay semiannual interest of 6% p.a. and are indexed to the U.S. dollar. From January 1, 2006 to their maturity on February 4, 2013 their holders have the right to convert these securities into class B common shares of Acindar at the price of \$ 1.00 (one Argentine peso) per share.

If the ONCs held by the Company and other holders of similar ONCs are converted into shares in the period above, the ownership interest of ArcelorMittal Brasil could be diluted down to 65.07% of Acindar's total capital, depending on the exchange rate in effect on the conversion date.

16. OTHER PAYABLES

	Company		Consolidated	
	2008	2007	2008	2007
Intercompany loans (i)	50,362	45,586	150,193	45,586
Advances from customers	17,756	15,358	81,497	68,840
Payables to third parties (ii)	96,012	-	96,012	-
Sundry creditors, intercompany	99,759	-	99,759	-
Other	138,239	44,076	168,602	174,639
Total	402,128	105,020	596,063	289,065
Current	287,686	83,390	459,744	246,290
Noncurrent	114,442	21,630	136,319	42,775
Total	402,128	105,020	596,063	289,065

(i) Subject to interbank deposit rate (CDI).

(ii) Refers to minority interest held by Sun Coke in subsidiary Sol Coqueria S.A., reclassified to liabilities, pursuant to CPC 14 - Financial Instruments.

17. PROVISION FOR TAX, CIVIL AND LABOR RISKS

The Company's management reviews known risks that originate over the normal course of business and supported, by an opinion from its legal counsel, assesses the likelihood of losses adjusting the reserve for risks as applicable.

Consolidated changes in this reserve in the year are as follows:

Company:

	12/31/2007	Additions (i)	Write-offs	Transfers	Interests	12/31/2008
Current						
Tax	5,427	-	(5,427)	-	-	-
Civil	1,814	8,824	(9,768)	-	-	870
Labor	21,943	35,948	(24,019)	(23,738)	6,961	17,095
Environmental	-	9,626	-	-	-	9,626
	<u>29,184</u>	<u>54,398</u>	<u>(39,214)</u>	<u>(23,738)</u>	<u>6,961</u>	<u>27,591</u>
Long-term						
Tax	392,482	27,365	(11,614)	-	20,262	428,496
Civil	19,851	24,056	(8,863)	-	6,017	41,061
Labor	-	9,895	-	23,738	-	33,633
Environmental	-	2,501	-	-	-	2,501
	<u>412,333</u>	<u>63,817</u>	<u>(20,477)</u>	<u>23,738</u>	<u>26,279</u>	<u>505,691</u>
Total	441,517	118,215	(59,691)	-	33,240	533,282

Consolidated:

	12/31/2007	Additions (i)	Write-offs	Transfers	Interests	12/31/2008
Current						
Tax	14,989	87	(7,656)	-	181	7,601
Civil	1,818	8,824	(9,767)	(5)	-	870
Labor	36,668	35,267	(28,842)	(25,851)	8,142	25,384
Environmental	9,626	-	-	-	-	9,626
	<u>63,101</u>	<u>44,178</u>	<u>(46,265)</u>	<u>(25,856)</u>	<u>8,323</u>	<u>43,481</u>
Long-term						
Tax	482,376	67,789	(51,531)	2,118	23,684	524,436
Civil	37,884	26,120	(27,379)	-	6,017	42,642
Labor	22,057	5,959	(4,420)	23,738	1,915	49,249
Environmental	43	2,501	-	-	-	2,544
	<u>542,360</u>	<u>102,369</u>	<u>(83,330)</u>	<u>25,856</u>	<u>31,616</u>	<u>618,871</u>
Total	605,461	146,547	(129,595)	-	39,939	662,352

(i) The mergers of subsidiaries during the year (see note 9) were classified as additions in the individual rollforward of the Company.

a. Probable risks

The most important tax and civil lawsuits for which the Company recorded a reserve are as follows:

- Federal Vat (IPI) – Amount of R\$ 233,119 as of December 31, 2008 (R\$ 213,442 as of December 31, 2007). Challenges involve primarily: (i) use of tax credits on purchase of nontaxable, exempt, or zero-tax rate inputs, and (ii) disallowance of past tax period credits for IPI recorded from five to ten years after the respective purchase. The group consolidated amount is R\$ 265,813 as of December 31, 2008;
- Taxes on revenue (PIS/COFINS) – Amount of R\$ 94,546 as of December 31, 2008 (R\$ 101,644 as of December 31, 2007). Challenges involve primarily the inclusion of ICMS in these taxes' tax bases. The group consolidated amount is R\$ 110,794 as of December 31, 2008;
- State VAT (ICMS) – Amount of R\$ 20,194 as of December 31, 2008. Challenges involve primarily the interstate rate difference and the use of credits of consumption materials not accepted by tax authorities;
- Social Contribution (CSLL) – Amount of R\$ 26,002 as of December 31, 2008. Challenges involve primarily the utilization of tax loss carryforwards.
- Social Security Contributions – Amount of R\$ 4,758 as of December 31, 2008. Challenges involve primarily the levy of social security contributions on payments to self-employed workers;
- Civil Lawsuits – These basically comprise litigation seeking compensation for occupational diseases and occupational accidents, as well as terminated commercial and service agreements;

The escrow deposits recorded in the Company's long-term assets in the amount of R\$ 311,329 as of December 31, 2008 and R\$ 164,880 as of December 31, 2007 (R\$ 368,146 and R\$ 289,337, respectively, in the consolidated) are related to civil, labor, and tax lawsuits recognized as a reserve in the balance sheet.

b. Possible risks

The Company and its subsidiaries are also parties to various lawsuits (civil, labor, and tax) in progress that due to the current assessment of likelihood of favorable outcome and legal aspects do not require recognition of a reserve. These lawsuits amount to approximately R\$ 2,915,289 as of December 31, 2008 (R\$ 2,120,000 as of December 2007).

The main lawsuits assessed as such are as follows:

- Northeast Development Agency (ADENE) – See comments in note 18c; and
- CADE/SDE Proceeding – On September 1, 2000, two industry associations, the São Paulo State Large Structures Civil Construction (SINDUSCON/SP) and the São Paulo Residential and Office Building Purchase, Sale, Lease and Management Companies Association (SECOVI/SP), filed a complaint with the Economic Law Department (SDE) against three long steel producers, including ArcelorMittal Brasil S.A., in which they accused them of alleged anticompetitive, market sharing practices, through discriminatory pricing of rebars sold to building companies in the State of São Paulo. Based on this complaint, the SDE instituted an administrative proceeding in order to investigate this allegation. After the investigations, the SDE issued its opinion recommending that the Economic Defense Council (CADE) of the Justice Ministry condemn the companies allegedly involved in the mentioned anticompetitive practice. The proceeding was decided unfavorably by CADE on September 23, 2005 and ArcelorMittal Brasil was sentenced to pay a fine equivalent to 7% of its gross revenue less taxes in 1999. The Company denies that it practiced any act that could be considered to be anticompetitive. On July 4, 2006 an ordinary lawsuit seeking an injunction against the CADE decision was filed with the 13th Region Federal Court in Brasilia and on August 30, 2006 the Judge of the 13th Federal District decided for suspending the effects of the decision until the merit

of the case had been judged. Based on the evidence and arguments in the court records, the legal counsel understands that it will be possible to reverse the decision issued by CADE. As part of court proceedings, the Company issued guarantees in the form of a letter of guarantee in the total amount of R\$ 76,500.

- Social Security Lawsuits - Challenges involve primarily the levy of INSS on non-compensatory amounts, as well as challenges with respect to employee relationships with service providers and contributions to the Occupational Accident Insurance (SAT) in the estimated amount of R\$ 277,955 as of December 31, 2008 (R\$ 173,708 as of December 31, 2007).
- Taxes on revenue (PIS and COFINS) - Relate mainly to differences involving the levy of these taxes on exchange rate changes in the estimated amount of R\$ 125,795 (R\$ 141,949 as of December 31, 2007).

18. INCOME TAX AND SOCIAL CONTRIBUTION

a. Deferred income tax and social contribution

	<u>Company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets				
Deferred tax credits				
Recoverable on temporary additions	387,280	69,411	447,538	123,369
Tax loss carryforwards	1,703,603	280,565	1,713,522	281,456
Tax credit on goodwill - CVM Inst, 349	-	108,548	-	108,548
Verão and other economic plans	140,357	-	141,271	184,301
Total	<u>2,231,240</u>	<u>458,524</u>	<u>2,302,331</u>	<u>697,674</u>
Deferred tax credits - current	128,441	124,954	154,849	133,529
Deferred tax credits - noncurrent	<u>2,102,799</u>	<u>333,570</u>	<u>2,147,482</u>	<u>564,145</u>
Liabilities				
Deferred tax debits - noncurrent				
On accelerated depreciation	-	-	-	5,116
On goodwill/negative goodwill amortization	110,086	110,086	110,625	110,086
On temporary deductions	-	-	60,521	128,855
Impacts of Law 11638	13,399	-	13,399	-
On swap gains	34,497	-	34,497	-
On functional currency impact	1,575,563	-	1,665,065	-
Unrealized profits	-	-	32,356	26,796
Other	-	-	21	711
Total	<u>1,733,545</u>	<u>110,086</u>	<u>1,916,484</u>	<u>271,564</u>

Based on expectations of future taxable profits determined by a technical study approved by Management, the Company and its subsidiaries fully recognized in 2008 tax credits on tax losses from prior years, which may be carried forward indefinitely and for which offset is limited to 30% of annual taxable profits.

Under Provisional Act 449 of December 4, 2008, the Company opted for the Transitional Tax Regime. Under this regime, the Company eliminated the impacts of the first-time adoption of Law 11638/07 that differ from prevailing tax legislation for purposes of calculating income tax and social contribution.

Income tax and social contribution credits on tax loss carryforwards, recorded in noncurrent assets, are expected to be realized as follows:

	<u>Company</u>	<u>Consolidated</u>
. In 2010	322,502	322,982
. In 2011	337,652	337,652
. In 2012	375,224	375,224
. In 2013	413,787	413,787
. From 2014 to 2016	254,438	254,438
Total	<u>1,703,603</u>	<u>1,704,083</u>

Income tax and social contribution credits on temporary differences, recorded in noncurrent assets, will be realized according to the realization of the liabilities that gave rise to them. Estimated periods for realization are two to ten years.

b. Income tax and social contribution

	<u>Company</u>		<u>Consolidated</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Income before income tax and social contribution, profit sharing, and minority interest	2,848,936	2,385,877	2,566,291	4,063,652
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution at the statutory rate	968,638	811,198	872,539	1,381,642
Adjustments to income				
Effects of additions (deductions) that do not give rise to tax credits				
Tax, civil and labor contingencies	-	(1,208)	(8,431)	4,350
Goodwill (negative goodwill)	(677)	(52,258)	(677)	(2,971)
Provision for interest	7,533	-	7,533	-
Equity in subsidiaries	(548,727)	(372,770)	2,396	132,259
Interest on capital received	351,249	107,054	-	-
Proposed interest on capital	(292,012)	(155,384)	(303,249)	(159,776)
Contributions and donations	3,714	3,145	7,050	6,518
Income portion not subject to income tax and social contribution	-	1,070	27,697	(112,523)
Tax incentives	-	(4,489)	(33,250)	(208,586)
Income tax and social contribution on tax loss carryforwards	(915,042)	(93,162)	(1,002,059)	(105,498)
Profits earned abroad	-	4,125	-	4,108
Exchange rate change - ArcelorMittal	-	(37,821)	-	(122,230)
Functional currency adjustment	1,051,137	-	1,349,133	-
Charges on liabilities under litigation	(336,144)	-	-	-
Other	(18,860)	(29,625)	9,827	(1,243)
Income tax and social contribution	<u>270,809</u>	<u>179,875</u>	<u>928,509</u>	<u>816,050</u>
Effective rate	10%	8%	36%	20%
Current income tax and social contribution	4,410	180,979	425,267	562,293
Deferred income tax and social contribution	266,399	(1,104)	503,242	253,757

c. Government Grant - ADENE

In 2003, the subsidiary CST requested and obtained the right to reduce non-refundable income tax and surtax calculated on exploration profits because it was located in an area under the jurisdiction of the Northeast Development Agency (ADENE) and because projects in the steel and energy areas are a priority for the development of the region as set forth by Decree 4213/2002.

The benefit was granted by the Federal Revenue Service on July 31, 2003. CST was entitled to the following tax benefits: (i) reduction of 75% for non-refundable income tax and surtax on income generated from the production

of slabs, up to a limit of 5,000,000 tonnes/year, from 2002 to 2011; (ii) reduction of 75% for non-refundable income tax and surtax on income generated on the production of steel coils, up to a limit of 2,000,000 tonnes/year from 2004 to 2013; and (iii) reduction of 75% for non-refundable income tax and surtax on income generated on the production of electric power, up to a limit of 300 MW/year from 2002 to 2011.

On December 27, 2007, the Brazilian Federal Revenue Service issued a notification in the amount of R\$ 984,877, for the use of the tax benefit during the period from 2003 to 2006. This tax notification was defended in a timely manner on January 25, 2008 and the Company is presently awaiting a decision at the lower court.

The incentive calculated for the period from January 1, 2007 to September 30, 2007 amounted to R\$ 182,666, which resulted in a total amount accumulated since 2003 of R\$ 867,643. This incentive was recognized under "Capital reserves" account as a contra entry to income tax payable without impact on income for the year.

This reserve can only be used to absorb losses or increase capital for investment in activities directly related to production. However, the amount of these reserves recognized at ArcelorMittal Brasil beginning June 1, 2006 is included in the equity in subsidiaries balance. The Company stopped taking this incentive beginning October 2007 because of the benefit definitive cancellation by the Federal Revenue Service.

Based on the opinion of its legal counsel, the Company's management understands that the tax incentive granted to CST by the Federal Revenue Service was effective for amounts determined from 2003 to 2007.

Accordingly, no reserve was set up to cover possible losses related to tax incentive amounts recognized in the above mentioned periods.

19. SHAREHOLDERS' EQUITY (COMPANY)

a. Capital

The Company's fully subscribed and paid up capital is R\$ 11,597,897 (R\$ 11,465,618 in 2007), represented by 2,693,247 common shares (2,716,904 in 2007). The Company's bylaws limit authorized capital to 5,000,000 common shares.

b. Profit reserves

Legal reserve - Calculated at 5% of net income for the year as foreseen in Article 193 of Law 6404/76 up to a limit equal to 20% of capital.

Bylaws reserve - Calculated at from 5% to 75% of net income for the year, destined to finance expansion of the Company's activities, directly or through its subsidiaries, where deduction is discontinued when this reserve reaches 80% of subscribed capital.

c. Currency translation adjustments

Relate mainly to exchange rate changes on foreign investments and adjustments for translation from functional currency U.S. dollar into presentation currency Brazilian reais.

d. Prior year adjustments

Relate mainly to income tax and social contribution on the initial effects of the U.S. dollar functional currency.

e. Dividends

The Company's bylaws provide for the allocation of at least 25% of the annual net income adjusted as established by Brazilian Corporate Law for payment of mandatory dividends to shareholders. The interim dividends and interest on capital in 2008, in the amount of R\$ 80,364, were fully absorbed by prior year adjustments, see note 19 d, recorded in 2008 in retained earnings.

	Company	
	2008	2007
Net income for the year	2,571,241	2,206,002
Less recognition of legal reserve	(128,562)	(110,300)
Basis for calculation of dividends	2,442,679	2,095,702
Compulsory minimum dividends - 25%	610,670	523,926
Dividends	1,664,183	1,400,000
Interim interest on capital	858,860	457,010
Total dividends/interest on capital	2,523,043	1,857,010
% on calculation basis	103%	89%
Withholding income tax on interest on capital	(128,829)	(68,552)
Dividends/interest on capital - net	2,394,214	1,788,458
Gross amount per common share - R\$	936.80	683.50

20. FINANCIAL INCOME (EXPENSES), NET

	Company		Consolidated	
	2008	2007	2008	2007
Financial income				
Interest received	30,392	82,372	33,928	14,491
Investment yield	32,191	59,401	75,108	128,665
Foreign exchange gains	296,832	(80,898)	632,366	(105,731)
Discount on intercompany debt (note 4)	1,237,374	-	-	-
Other financial income	31,939	21,508	166,850	185,285
	1,628,728	82,383	908,252	222,710
Financial expenses				
Interest on financing	(718,852)	(200,413)	(790,127)	(329,541)
Interest on debentures	(3,393)	(2,655)	7,560	(40,090)
Late payment interest and financial adjustments (mainly on contingencies)	(31,643)	(29,789)	(52,255)	(45,765)
Foreign exchange losses	141,678	670,856	(127,607)	1,328,523
Other financial expenses (i)	(483,770)	(72,569)	(498,547)	(212,330)
	(1,095,980)	365,430	(1,460,976)	700,797
Total	532,748	447,813	(552,724)	923,507

(i) Includes Pis and Cofins on interest on capital, tax on banking transactions (CPMF) and gains/losses from derivative transactions.

21. OTHER OPERATING INCOME (EXPENSES)

	Company		Consolidated	
	2008	2007	2008	2007
Other operating income				
Sundry sales	116,086	37,431	245,041	50,614
Revenue from sale of assets	9,488	3,457	211,150	11,874
Other operating revenues	17,811	11,697	51,550	78,911
	143,385	52,585	507,741	141,399
Other operating expenses				
Reserve for tax risks	6,857	(1,254)	(10,259)	(19,942)
Taxes on other revenues	(33,514)	(14,013)	(63,597)	(30,243)
Cost of sale of assets	(16,173)	3,362	(195,049)	19,501
Cost of sundry sales	(71,751)	(52,120)	(144,925)	(41,082)
Amortization of deferred charges	(176,052)	(5,956)	(200,170)	(59,010)
Voluntary Termination Program	(30,000)	-	(36,656)	-
Decrease in ownership interest (see note 9b)	(3,884)	(9,012)	(4,591)	(15,306)
Other operating expenses	(96,397)	(40,994)	(252,863)	(212,809)
	(420,914)	(119,987)	(908,110)	(358,891)
Total	(277,529)	(67,402)	(400,369)	(217,492)

22. FINANCIAL INSTRUMENTS

As of December 31, 2008 and 2007, the carrying amounts of the Company's and its subsidiaries' financial instruments recorded in balance sheet accounts approximate their fair values as of these dates. These financial instruments are managed using operating strategies aimed at liquidity, profitability, and security. The control policy comprises ongoing monitoring of rates contracted vis-a-vis market rates and as a consequence, whether its short-term investments are being correctly marked to market by the institutions that manage their funds.

The Company and its subsidiaries do not enter into transactions involving derivatives or any other risk assets of a speculative nature.

The estimated fair values of the Company's financial instruments have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required to interpret market data and to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market information and/or valuation methodologies may have a material effect on the estimated fair values.

a. Breakdown of balances

Financial instruments with carrying amounts materially different from their fair values as of December 31, 2007 were swap transactions, with carrying amount of R\$ 86,282 and fair value of R\$ 52,795, as mentioned in note 14.

In 2008, financial instruments are stated at fair value as described in note 3.2.g.

b. Criteria, assumptions, and limitations used to calculate fair values

Cash and cash equivalents and short-term investments

The fair values of balances in checking accounts and investments in banks approximate their carrying amounts. The fair value of investments was determined based on market quotations.

Derivatives

The Company enters into derivative transactions (swaps) for the purpose of protection from effects of exposure to foreign currency fluctuations. Fair value was determined using valuation methodologies commonly employed by participants of derivative markets and compared with quotations supplied by the financial institutions issuing the instruments.

c. Credit risk

ArcelorMittal Group's sale policy is subordinated to credit rules established by Management and which are intended to minimize possible losses resulting from customer default. This objective is achieved by assigning credit limits to customers in accordance with their payment capacity (credit analysis) and through diversification of receivables (dispersion of credit risk).

d. Foreign exchange and interest rate risk

Since the Company and its subsidiaries have significant liabilities denominated in Brazilian reais, income can be materially affected by exchange rate changes. Nevertheless, Management understands that part of this risk is naturally mitigated by the Company's domestic sales.

Outstanding derivatives as of December 31, 2008 are as follows:

Swap transactions	Maturity	Rates		Consolidated			
		Assets	Liabilities	Notional amount		Fair value (assets /liabilities)	
				2008	2007	2008	2007
US dollar for real	05.2018	average interest rate of 8.5% p.a.	US dollar fluctuation + LIBOR - 1.20% p.a.	506,058	503,835	32,900	52,795
US dollar for real	04.2010	91% of CDI fluctuation p.a.	US dollar fluctuation + 3.75% p.a.	606,314	-	(249,920)	-
Total				1,112,372	503,835	(217,020)	52,795

As domestic sales are a significant portion of consolidated revenue, possible volatility in the exchange rate does in fact represent a price risk that could affect expected results. This risk is in part offset by the significant volume of purchases made in the domestic market.

The Company has debts with variable interest denominated in U.S. dollars and which basically involve export pre-payment transactions.

23. POST-EMPLOYMENT BENEFITS

a. Plan description

(i) Defined benefit plan - former Companhia Siderúrgica Belgo-Mineira and subsidiaries

In 1982, Companhia Siderúrgica Belgo-Mineira, currently ArcelorMittal, 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 at the time was 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 264 employees still participate in this plan.

(ii) Defined contribution plan - ArcelorMittal and other subsidiaries

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 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

In 1988, the former CST established the Fundação de Seguridade Social dos Empregados da Companhia Siderúrgica de Tubarão - FUNSSEST, which is a private not-for-profit pension entity with managerial, financial, and asset independence. As established by current legislation, the objective of this entity is to supplement benefits provided by Brazilian social security, as well as to provide welfare assistance to employees of CST and their dependents.

FUNSSEST manages four supplementary retirement plans, that is, defined benefits plans I, II, and III, which will be discontinued over time since no new entrants have been accepted since 1998. Plan IV, a defined contribution plan, covers employees hired beginning 1998, for the Flat Steel segments.

b. Net actuarial assets (liabilities)

	Company		Consolidated	
	2008	2007	2008	2007
Present value of actuarial obligations	(1,272,436)	(34,577)	(1,283,872)	(1,142,313)
Fair value of plan assets	1,266,472	32,702	1,277,701	1,198,609
Net present value of assets (obligations)	(5,964)	(1,875)	(6,171)	56,296
Unrecognized actuarial losses (gains)	127,951	889	134,004	51,861
Total actuarial assets (liabilities), net	121,987	(986)	127,833	108,157

Based on an independent actuarial appraisal, as of December 31, 2008 the Company has a consolidated asset balance (surplus) of R\$ 127,833. This technical surplus is not recognized as it is not under the Company's control; however, this surplus can be offset against possible future actuarial liabilities.

c. Actuarial assumptions

The actuarial assumptions used for the year ended December 31, 2008 are shown below:

. Actuarial method	Projected Credit Units
. Nominal discount rate for actuarial obligation	10.77% p.a
. Expected rate of return on plan assets	(i)
. Estimated salary increase rate	6.59% p.a. of actual gain
. Estimated rate of nominal benefit increase	4.5% p.a. of actual gain

(i) The expected rates for FUNSSEST plans in 2008 are: plan I - 11.04%, plan II - 11.11%, plan III - 12.28%, plan IV - 12.75%, and for the former ArcelorMittal Brasil long segment range from 11.40% to 11.44%.

The cost of these contributions to the Company in 2008 was equivalent to R\$ 19,396 (R\$ 7,466 in 2007), consolidated R\$ 35,840 (R\$ 29,239 in 2007).

24. OTHER INFORMATION

a. Management compensation

The Company's Executive Committee and Board of Directors received compensation of R\$ 9,318 in 2008 (R\$ 9,557 in 2007), consolidated R\$ 17,464 (R\$ 22,484 in 2007). In this same period, the Company paid/accrued employee bonuses in the amount of R\$ 106,128 (R\$ 88,764 in 2007), consolidated R\$ 234,053 (R\$ 147,254 in 2007).

b. Insurance

It is the Company's policy to acquire insurance coverage for an amount that based on analyses of insurance advisors is considered sufficient to cover the risks involved.

The risk assumptions adopted are not, in view of their nature, part of the scope of an audit of the financial statements and, therefore, were not audited by our independent auditors.

The Company carries insurance against operating risks that guarantees compensation against property damage and loss of gross revenue for periods of up to twelve months of production downtime. The current policy remains in effect until June 30, 2009.

Board of Directors

SÉRGIO DA SILVA FREITAS
Chairman
JOSÉ ARMANDO DE FIGUEIREDO CAMPOS
Vice Chairman
ANDRÉS ROZENTAL GUTMAN
Counsel
BHIKAM CHAND AGARWAL
Counsel
CARLO PANUNZI
Counsel
LOUIS LAURENCE SCHORSCH
Counsel
PAULO GERALDO DE SOUSA
Counsel
PAUL SEBASTIAN ZUCKERMAN
Counsel

Executive Board

JOSÉ ARMANDO DE FIGUEIREDO CAMPOS
CEO and Executive Director of Flat Steel
Business Area
CARLO PANUNZI
Senior Executive Vice-President
PAULO GERALDO DE SOUSA
Vice-President Director and Executive Director
of the Long Steel Business Area and Distribution
ADILSON MARTINELLI
Vice-President Director for Controlling
VANDERLEI RAFFI SCHILLER
Vice-President Director for Human Resources and
Institutional Relations
MARCOS AFONSO MAIA
Vice-President Director for Finance

Responsible Accountants

JOSÉ HENRIQUE DE PAIVA
CRC-MG 036748/O-1

ALEXANDRE AUGUSTO SILVA BARCELOS
CRC-MG 064404/O-2