# Maximum priority : shareholders return

**February 27, 2006**

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# Maximising return for Arcelor shareholders (1)

- Successful business model reflected in excellent 2005 results
- Delivery of management gains, merger synergies and evolution vs 2004 beyond promises
- Target normalised EBITDA of €7.0bn, with further upside in favourable market environment
- Sustainable and resilient free cashflow* generation of €4.4bn p.a.

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**Free cash flow after maintenance capex and before development capex and dividend*

# Maximising return for Arcelor shareholders (2)

- Continuation of progressive dividend policy
  - 30% normalised payout ratio
- Consideration of only highly value accretive acquisitions that exceed our target 15% ROCE (pre-tax) over the cycle
- Commitment to returning excess cash to shareholders, including all proceeds from disposals of non-core assets
- Alignment of management compensation with total shareholder return

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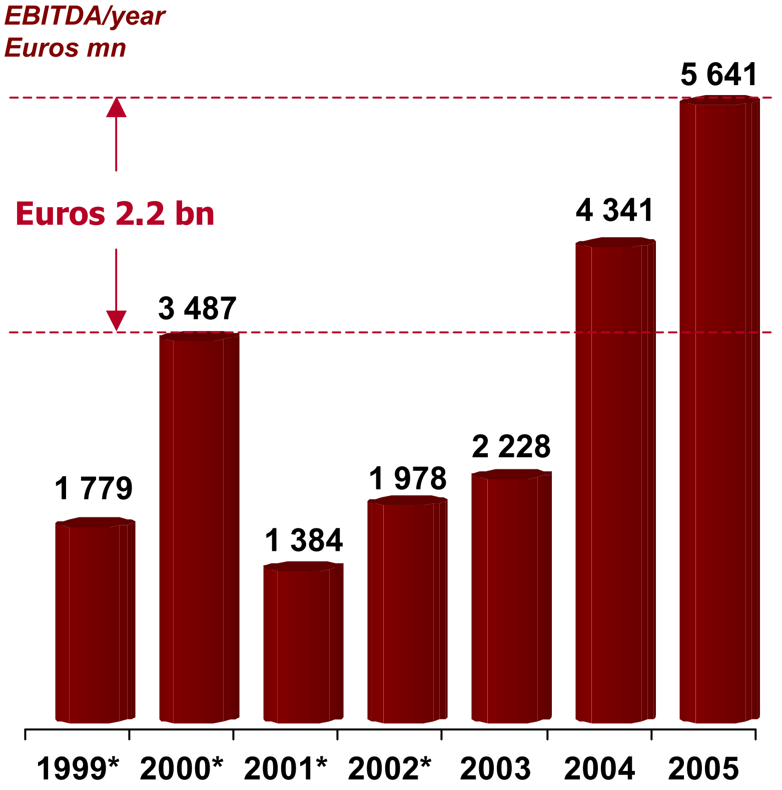
***A success story based on a proven business model***

# Arcelor has progressed to a higher level of operating performance

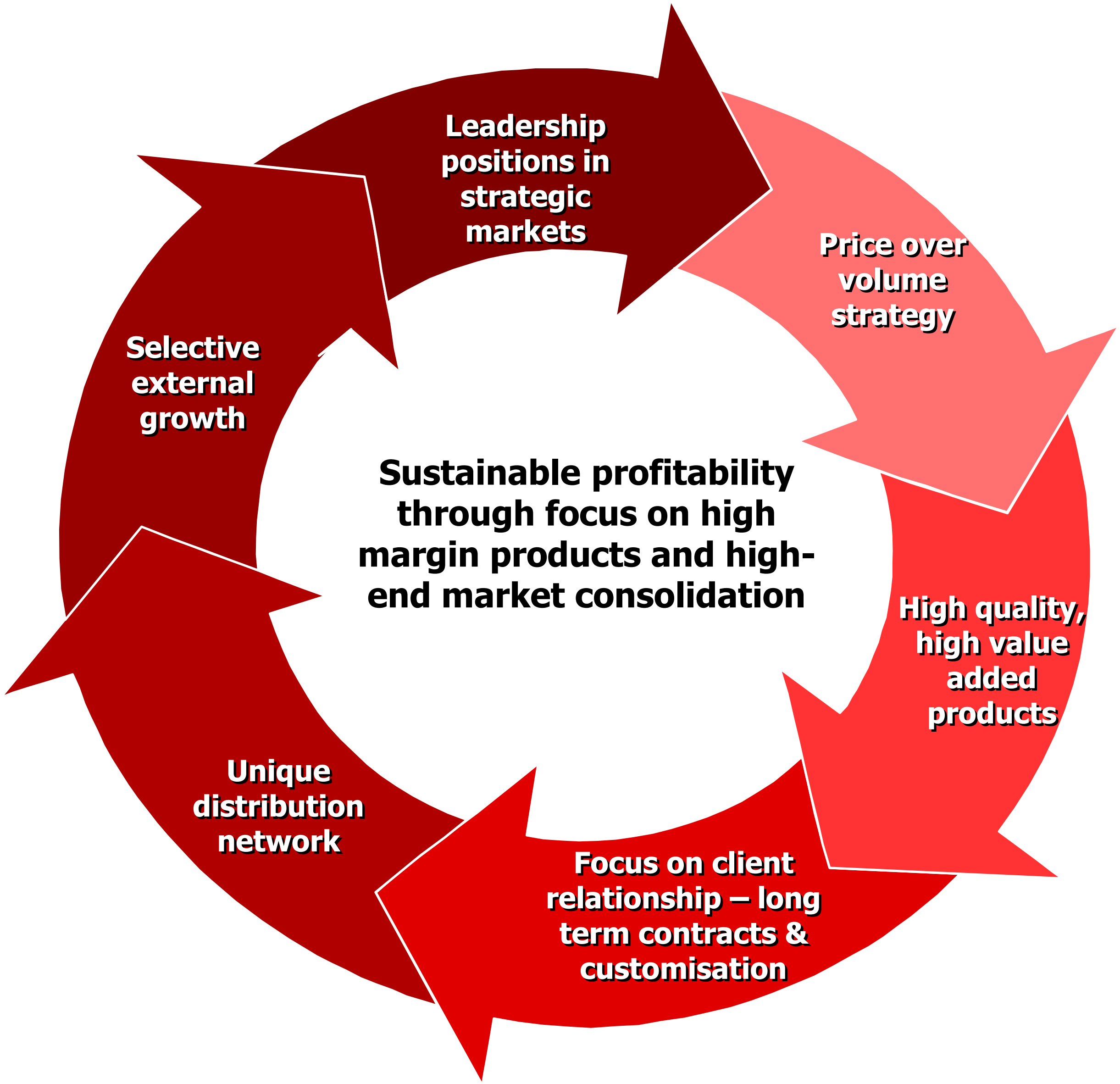
## Arcelor performance across last cycles




- **Synergies and management gains achieved beyond promises**
- **European restructuring to be completed on time and without undue social unrest**
- **Selective external growth initiatives paying off**

*Note: Does not include Acesita, Dofasco and Brazil consolidation*
** Proforma Usinor, Arbed, Aceralia*

# An innovative business model designed to maximise cashflow generation through the cycle

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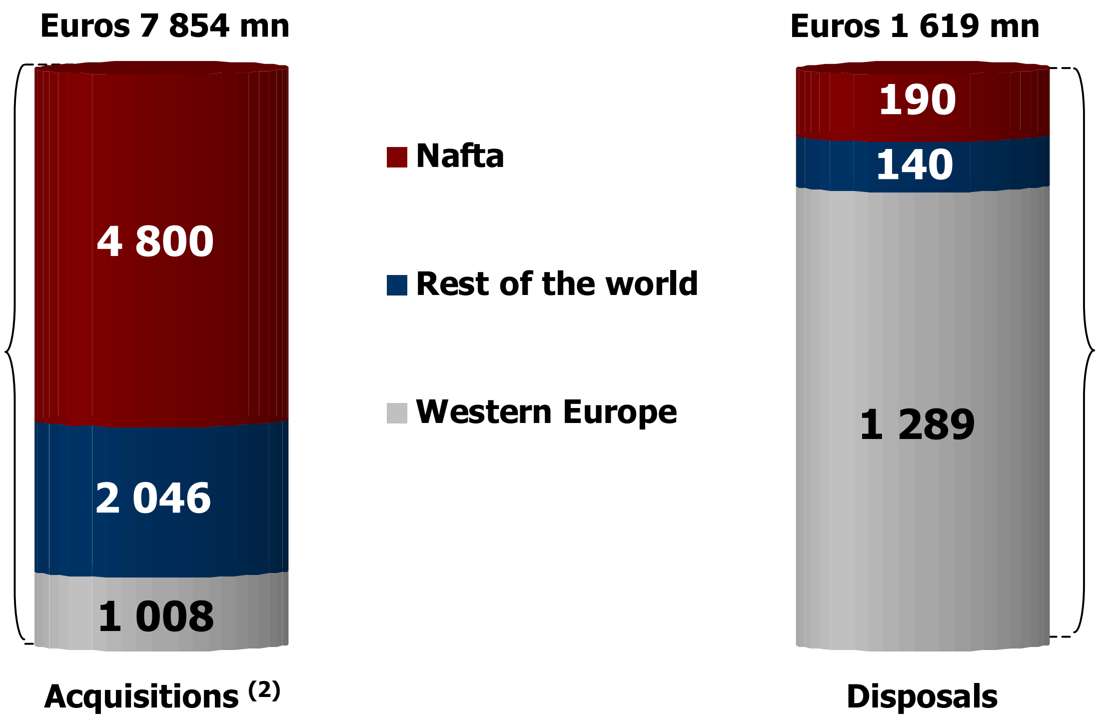
# Value focused portfolio management

**Acquisitions (Enterprise Value[1])**

**Disposals (Enterprise Value[1])**

*Acesita*
*Acindar*
*CST*
*Dofasco*
*Huta Warszawa*
*Others*




*Non core Stainless*
*Rebars Spain*
*Ada*
*Tube business*
*PUM Plastiques*
*Others*

**Approximately €6 billion net acquisitions since the 2002 merger enabling successful optimisation of business portfolio**

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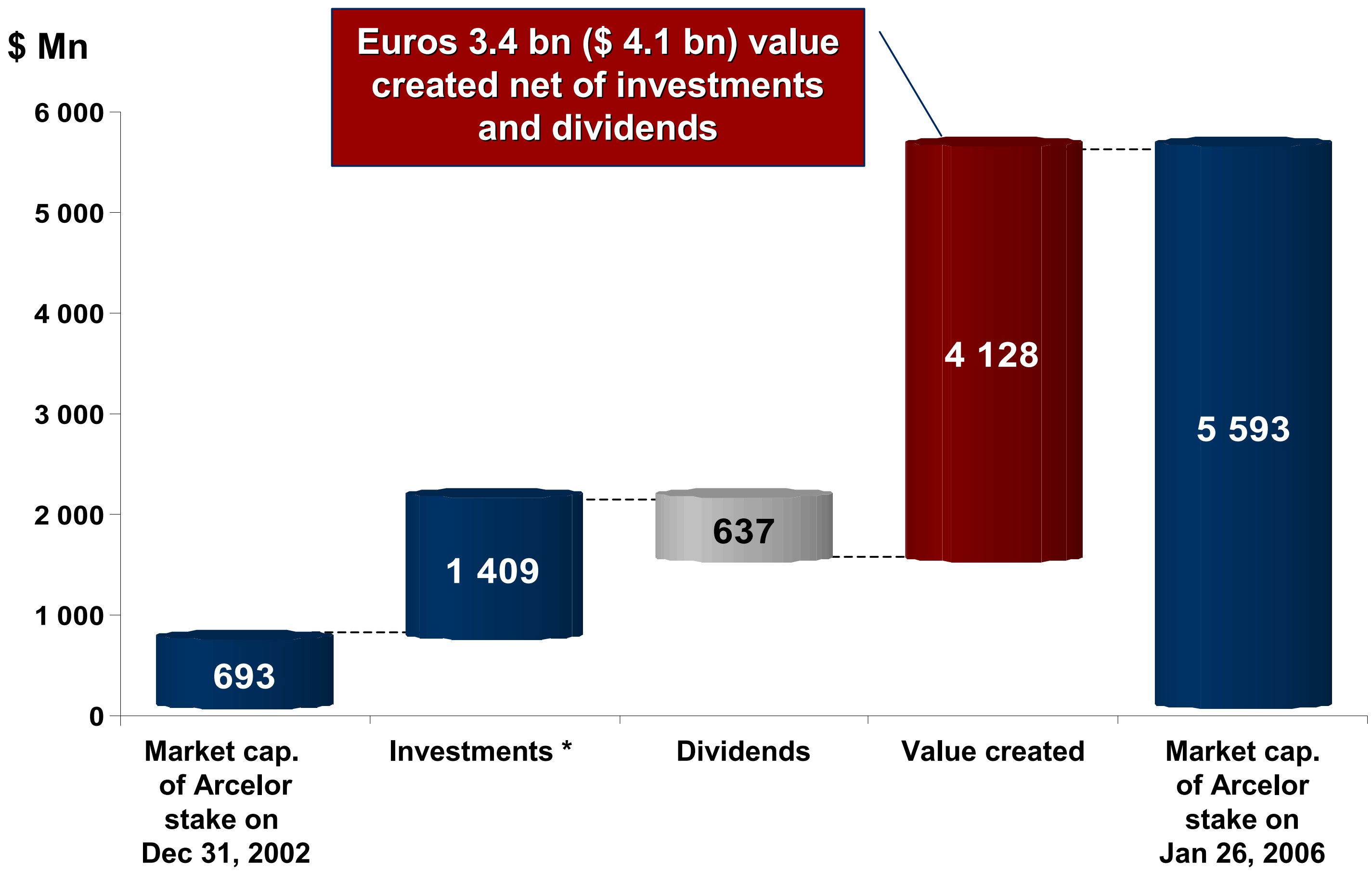
*(1) Enterprise value defined as equity value + net financial debt*
*(2) Including Dofasco*

# Euros 3.4 bn of value created for Arcelor through Brazilian success story




*Source: Market data from Datastream*

** Investment in shares and investment in Vega do Sul net to Arcelor' stake*

*Note: US$/BRL FX rate as of Dec 31, 2002 of 3.54 and US$/BRL FX rate as of Feb 26, 2006 of 2.23, assumes 66.6% ownership of Arcelor Brazil*

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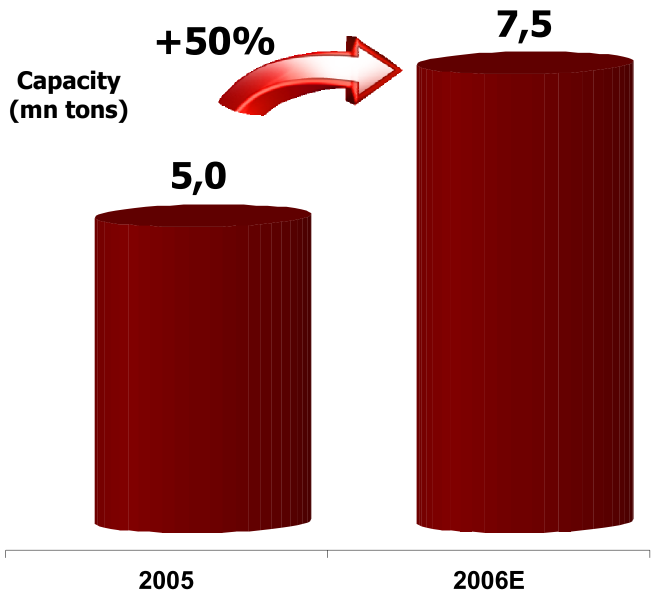
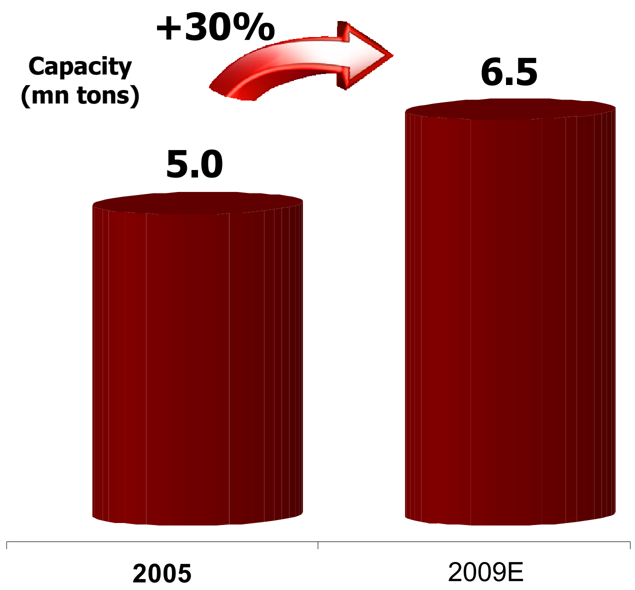
# Expansion projects in South America

**Arcelor Brasil (Flat Carbon) – expansion of liquid phase**




**Arcelor Brasil (Long Carbon) – expansion of hot phase**




**Reviewing options to double the capacity of Arcelor Brasil galvanizing line**

**Arcelor Brasil will significantly expand its low cost production capacity, which will increase the group's cash flow generation capacity**

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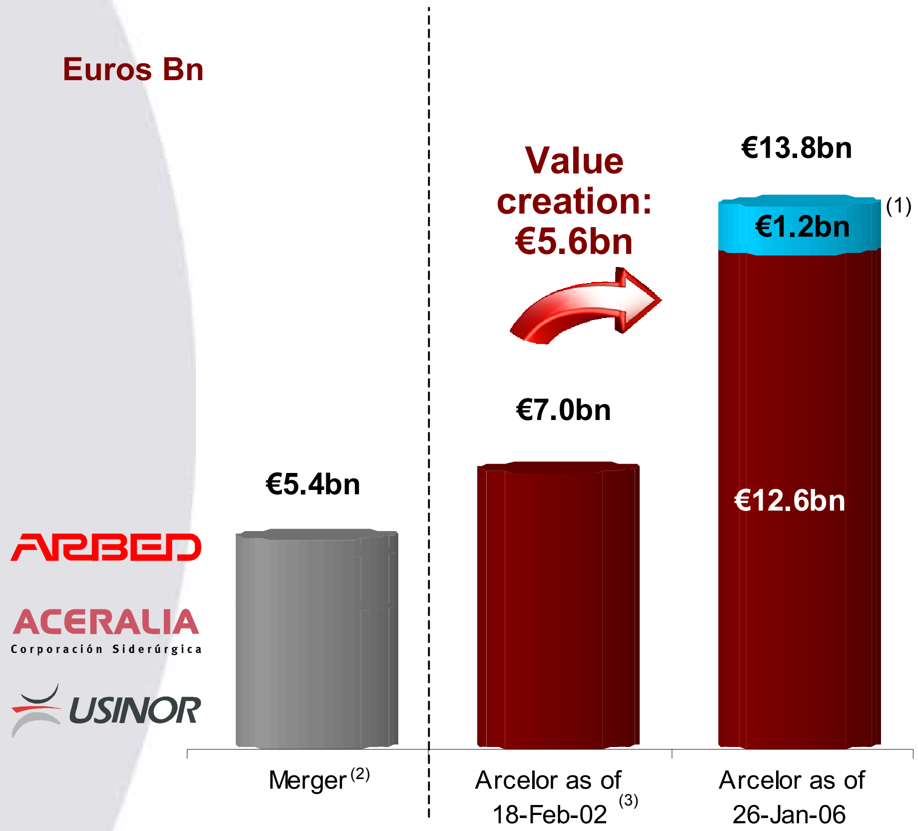
# Dofasco: strategic integration within Arcelor portfolio

- More than Euros 1 bn of value created through the investment (1)
- Entering into NAFTA, the world largest automotive market with a reduced risk profile
- Reinforcing global leadership in Automotive industry
- Increasing slabs supply from Arcelor Brasil to Dofasco
- 25% natural hedging on iron ore
- Euros 230 mn yearly management gains and synergies expected by 2008

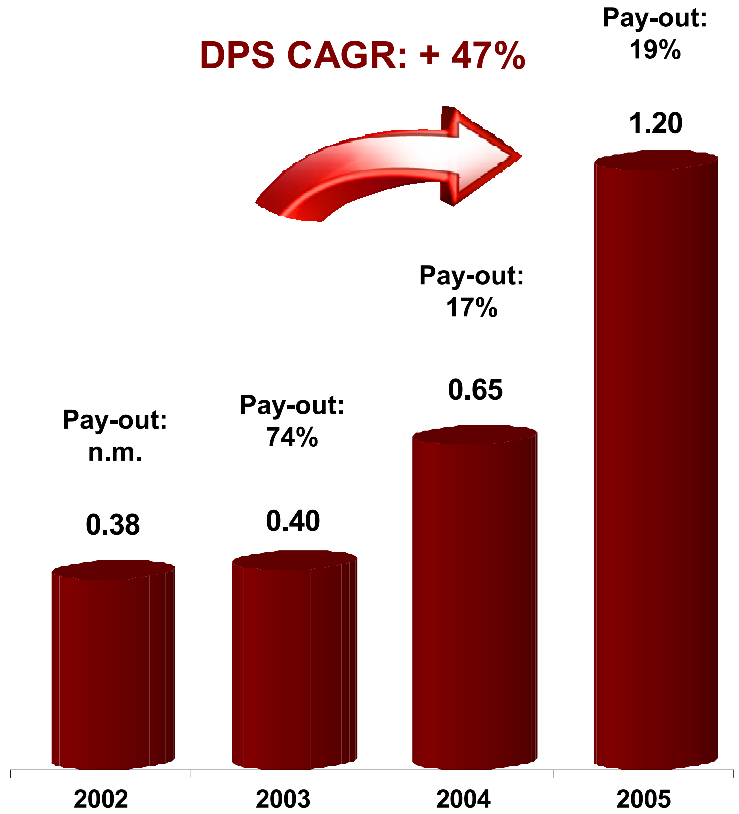

*(1) Net present value of investment*

# Total shareholders return since the merger

## Market Capitalizations




## Dividend payment




*Source: Factset*

*(1) June 04 rights issue of Euros 1.2 bn*

*(2) As of February 15, 2001, prior to the announcement of preliminary talks. Market capitalisations restated for cross holdings, excluding Usinor OCEANE. Number of shares pro forma for the buyout of Sogepa stake in Cockerill Sambre (December 2001)*

*(3) As of February 18, 2002 (1st trading day of Arcelor), excluding OCEANE*

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**Total commitment to maximising shareholder return**

# Maximum priority: shareholders return

Accelerate cash flow generation

Active portfolio management

Euros 13.2 bn(1) available 2006-2008

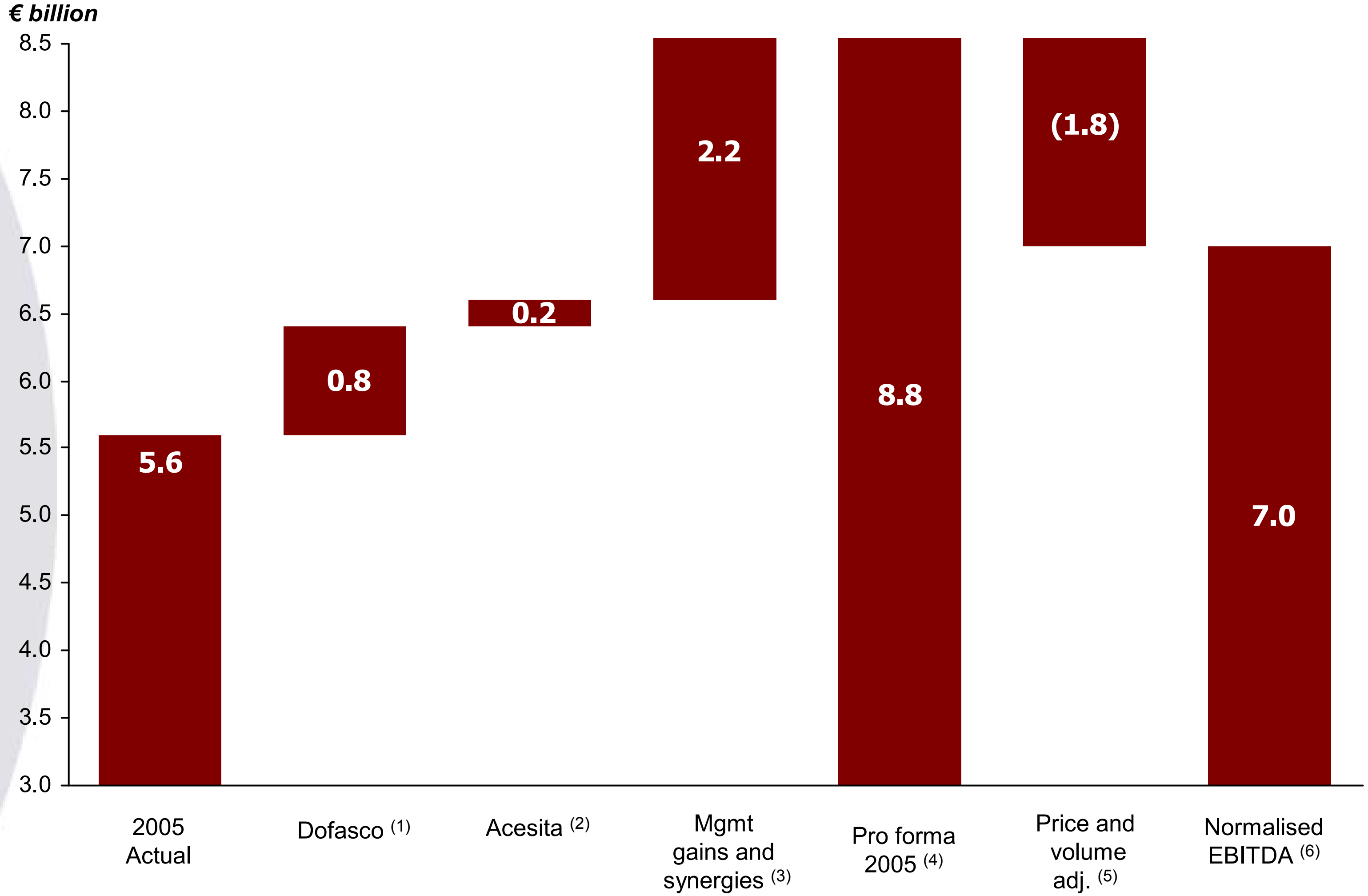
Enhance return through dividends and buy-backs

Value creating growth opportunities

**Cash generated will be returned to our shareholders if no profitable growth opportunities exist**

*(1) Free cash flow after maintenance capex and before development capex and dividends*

# Achieving target normalized EBITDA of €7.0bn




*(1) FY normalised EBITDA estimate for Dofasco including synergies*
*(2) Incremental Acesita EBITDA*
*(3) Total forecasted management gains 2006-2008*
*(4) Assuming 2005 price level*
*(5) Adjustment for normalised, through the cycle prices and volumes effect*
*(6) Normalised, through the cycle EBITDA*

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# Normalized 2006-2008 free cash flow target

| | Eur bn |
|---|---|
| Target EBITDA | 7.0 |
| Disposal of minor non core assets | 0.2 |
| Maintenance capex | (1.3) |
| Income tax | (1.1) |
| Minority interests | (0.3) |
| Pensions and social costs | (0.2) |
| Interests | (0.2) |
| Op. Working capital reduction (per year 2006-2008) | 0.3 |
| FCF target | 4.4 |

**Return to shareholders**

**Fund profitable growth**

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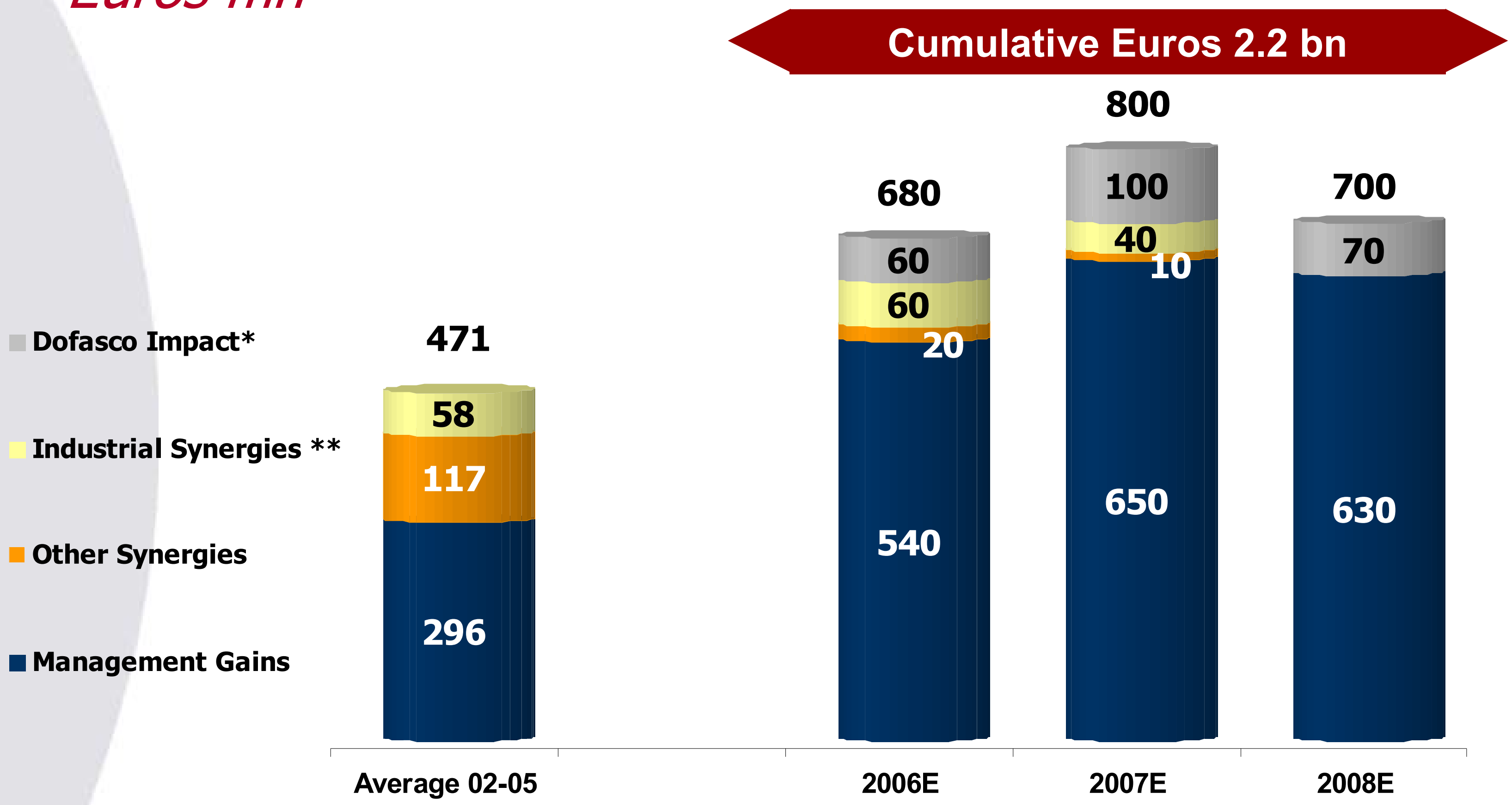
# Arcelor management gains and synergies commitments

*Euros mn*




** Management gains and synergies*
*** Driven by Arcelor creation*

# Reduce yearly maintenance capex by Euros 400 mn

*Starting in 2006*

- **Best in class assets**
  - Over the last 5 years, performed investments of over 30 Euros/ton annually in order to reach world class asset base
  - Best in class productivity
  - Full environmental compliance
  - High level of process control enabling production of technically advanced steels and customer tailored solutions
- **Industrial restructuring committed**

- **Target Euros 1.3 bn of maintenance capex by 2008 (24 Euros/ton)**
  - Vs. Euros 1.7 bn in 2005 for the same perimeter

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# Reduce working capital by Euros 800 mn by 2008

- **Successful track record of reducing working capital through the cycle**
  - 12 days of sales WCR reduction achieved over the last three years
- **Reduced finished products in WIP inventories through increased reliability and integrated supply chain with clients**
- **Reduced raw materials stock through logistics improvement and plant network optimisation**
- **Strict monitoring of receivables and payables**

# A highly disciplined growth strategy

## Financial rationale

- **Only highly value accretive acquisitions**
  - Target of at least 15% ROCE (before tax) over the cycle

## Strategic rationale

- **Global leadership in key strategic segments, esp. automotive industry**
  - Differentiation through technological leadership
  - Strong footprint in critical markets (Europe, North America)
  - Growth to support our clients in Brazil, China, Russia, Turkey, etc.
- **Regional leadership in profitable and high growth markets**
  - Consolidation and integration of Brazilian activities
  - Target low cost operations in high growth markets, with access to raw materials
- **Leverage unique distribution network**
  - Conquering new markets (Central and Eastern Europe, Latin America)
  - Reduce earnings volatility

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# Stainless under strategic review

An important player in all of its markets

Already completed investments yielding attractive returns (Carinox)

Acquisition of Acesita: one of the most profitable stainless companies in the world

Technological leadership in premium assets and diverse product portfolio

**Options are being explored to unlock value for shareholders**

# Commitment to shareholders return

| Structural dividends | Exceptional shareholder remuneration |
|---|---|
| • **Increased dividend from 2005 basis** | • **Return cash proceeds from disposals directly to shareholders as soon as possible** |
| • **Target dividend pay-out ratio of 30% throughout the cycle** | • **Under-leverage to lead to return to shareholders**<br>• Target gearing ratio around 50%(1) consistent with investment grade rating (BBB) |

**Constant revision of shareholder remuneration according to improvements in the company profitability**

*(1) - Provisions and true sale of receivables not taken into account*

# Alignment of management remuneration with total shareholder return[1]

- **The Board will propose the aligning of the Management existing compensation package with the value created directly for shareholders**

*(1) Subject to no change of control*

# Unparalleled search for excellence…

- Customer-minded
- Quality of assets
- Innovator
- Active portfolio management
- Continuous management gains

… for our shareholders

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