

Presentation of the Group

« From Integration to Transformation »

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SCH Roadshow

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Content

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 - Very good set of numbers for 1H 2004
 - A major step out of Europe: the expansion to Brazil
- **Roadmap for Arcelor**
 - Financial targets
 - Growth
 - Update on Arcelor's business sectors strategies

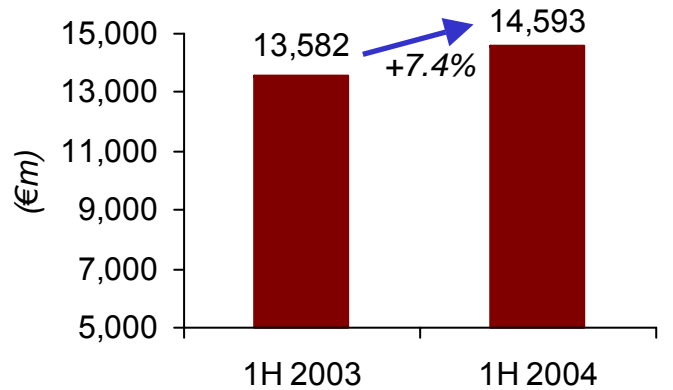
Conclusion – Leading « Transformation », priorities for 2005



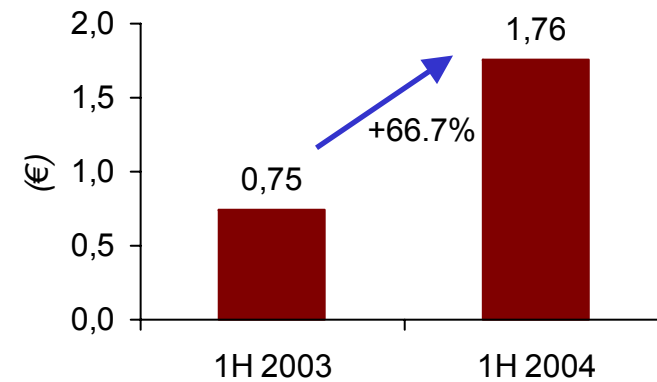
Summer time... and the living is busy

Very good set of numbers for 1H 2004

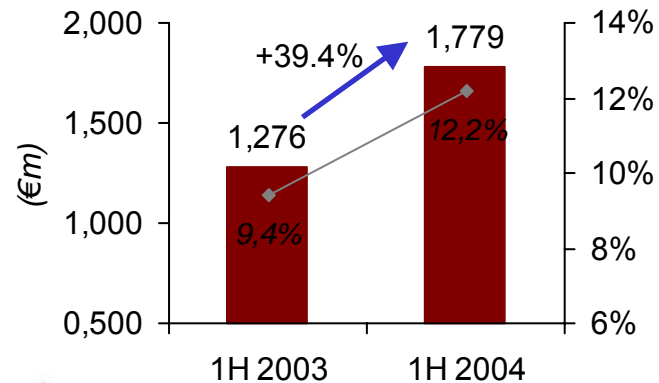
Revenue



EPS



Gross Operating Result & Margin



Key take aways

- ✓ Strong contribution from Long Carbon Steel and DTT sectors
- ✓ Selling prices offset cost of inputs
- ✓ Higher margins due to synergies, focus on core business and industrial efficiency
- ✓ Positive outlook for 2H 2004

A major step out of Europe: the expansion to Brazil

- Arcelor has been present in Brazil for a long time with Belgo Mineira (Long Carbon steels, fully consolidated), and since 1998 with a minority stake in CST (Flat Carbon steels), and Acesita (Stainless steels). New galvanising line in Vega do Sul also inaugurated in Q2 2004.
- Arcelor is working on reducing its exposure to mature markets by capturing growth in emerging countries and on lowering its cost base by acquiring high-quality assets.
- Brazil is one of the most attractive regions in the world to make steel.
- **July 2004: Arcelor raised €1.2 bn (warrant issue) to finance the development of its Brazilian interests**

Arcelor's investments in Brazil *(pre-transaction)*

Arcelor has an extensive and a long established presence in Brazil



Vega do Sul (75%)
CRC & Galvanised steel
US\$456m total investment

Products
Arcelor present shareholding

Accounting

Key financials

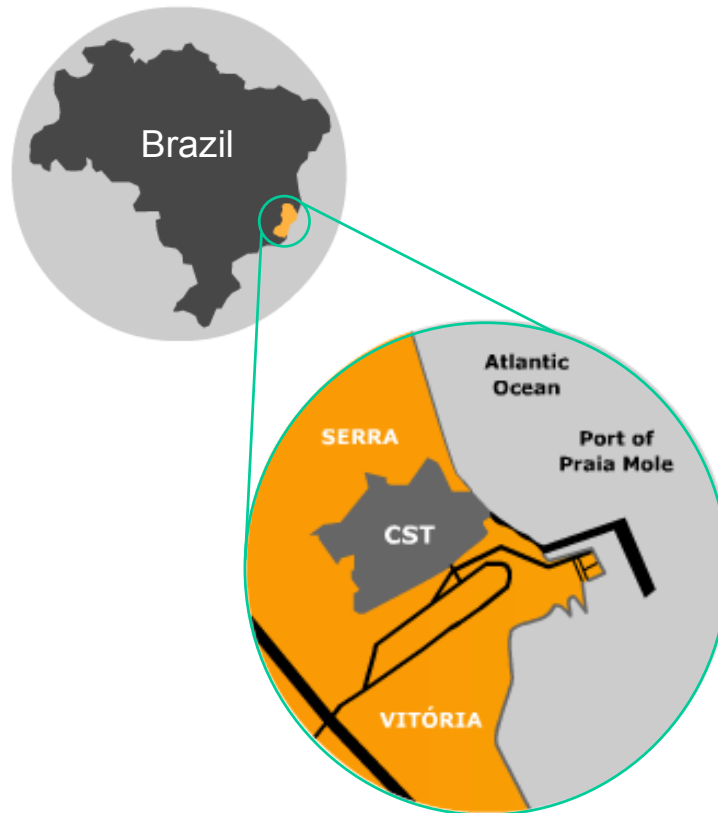
Belgo Mineira			CST			Acesita		
Long Carbon Steel			Flat Carbon Steel			Stainless Steel		
Ord	Pref	Total	Ord	Pref	Total	Ord	Pref	Total
60.60%	45.97%	54.03%	24.93%	29.96%	28.02%	38.94%	22.04%	27.68%
Consolidated			Equity			Equity		
<i>(US\$m¹)</i> 2002 2003			<i>(US\$m²)</i> 2002 2003			<i>(US\$m³)</i> 2002 2003		
Sales	1,073	1,222	Sales	976	1,284	Sales	581	741
EBITDA	322	377	EBITDA	297	448	EBITDA	147	162
Margin	30%	31%	Margin	30%	35%	Margin	25%	22%
Net debt	209	132	Net debt	756	631	Net debt	634	526
Equity	802	1,255	Equity	2,409	2,407	Equity	237	335
Gearing	26%	11%	Gearing	31%	26%	Gearing	267%	157%

Source: Company data
 (1) IFRS translated into US\$ as consolidated by Arcelor
 (2) US GAAP
 (3) Brazilian GAAP, translated into US\$

Overview of CST

CST is one of the lowest cost producers of slab products worldwide

CST – Location

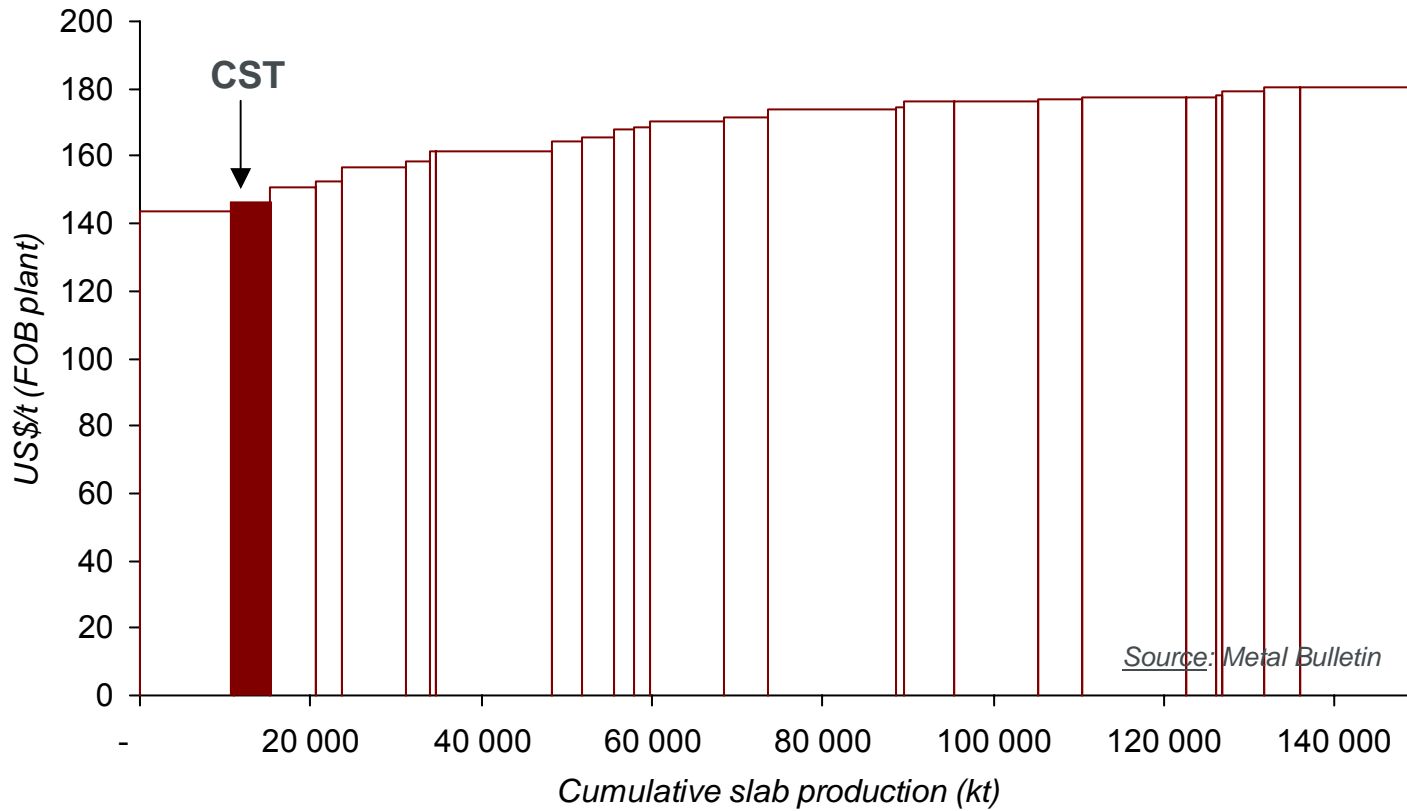


CST – Overview

- Leader in carbon steel slab market – approximately 20% global market share
- One of lowest cost producers of slab in the world (average production cost of approximately US\$146/t)
- Located in South Eastern Brazil adjacent to port facilities and an extensive logistics network. Exports over 90% of produce
- Customer base: auto, appliances, shipbuilding, and engineering sectors globally
- Publicly listed in Brazil with a market capitalisation of approximately US\$1.4bn. In 2003, under USGAAP, CST reported revenues of US\$1,284m and EBITDA of US\$448m (EBITDA margin 35%)
- Enjoys significant growth potential through the commissioning of a third blast furnace increasing crude steel capacity from 5.0mtpa to 7.5mtpa

CST – a true cost leader in steel

Top 25 flat carbon slab producers



Source: Metal Bulletin

CST is a world leader in low cost steel production

CST average cost per tonne US\$146/t

World weighted average US\$212/t

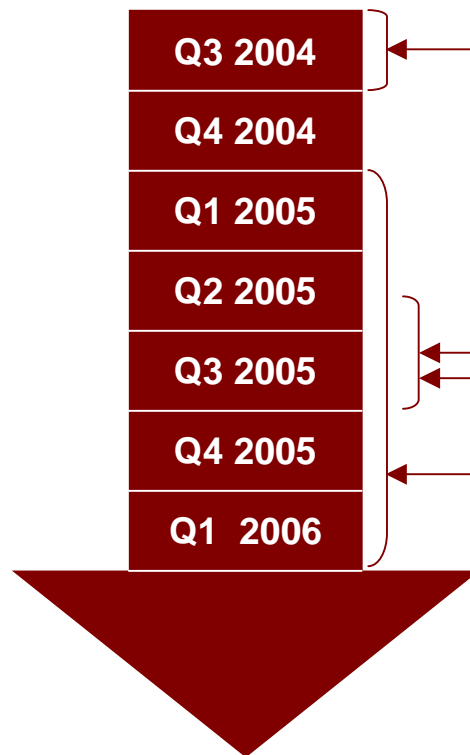
Further consolidation of Arcelor's global leadership position

Mechanisms in place to secure control of CST

Further follow on acquisitions expected

Funds to be released once shares become available

Acquisition timetable



Sources of funds

€bn

Equity issuance 1.2

Uses of funds

US\$bn

- Acquisition of non affected CST shares 0.4
- Acquisition of affected CST shares from CVRD 0.2
- Acquisition of CST affected shares from Acesita } 0.1-0.2
- Further initiatives (eg acquisition of Acesita affected shares) }
- Further initiatives – Brazil } 0.6
- Further initiatives – International }

Consolidation of Brazilian interests

Total US\$1.3-1.4bn
Total €1.2bn

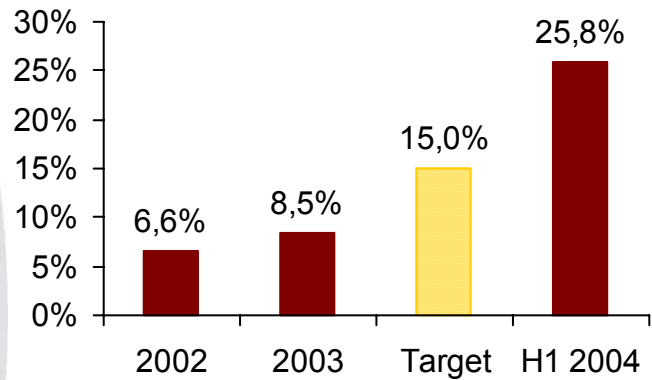
Roadmap for Arcelor

Financial targets

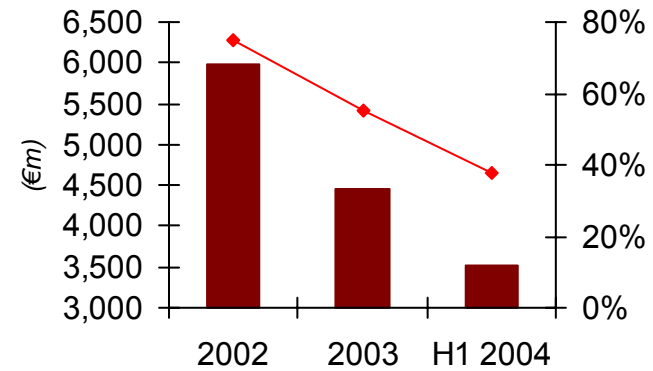
- **Value creation**
 - Pre-tax ROCE of 15% on average over a cycle
 - ✓ increase structural profitability of business
 - ✓ manage capital expenditure
 - ✓ reduce working capital requirements
- **Reduction of indebtedness**
 - Gearing between 30 and 50% over cycle
- **Second dividend of Arcelor = €0.40 per share (gross) in a difficult business climate, or +5.3% compared to last (and first dividend of the newly created Arcelor)**

Deliveries beyond promises

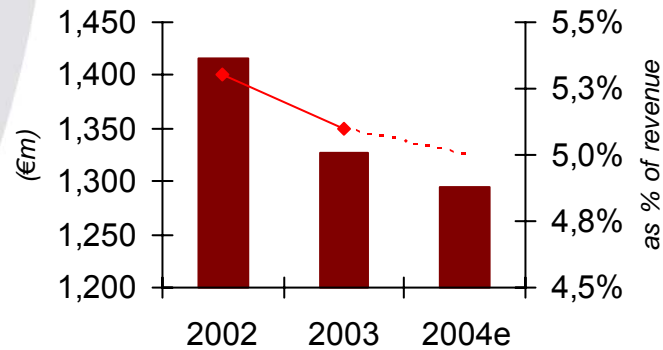
Return on Capital Employed



Net Financial Debt & Gearing



Capex



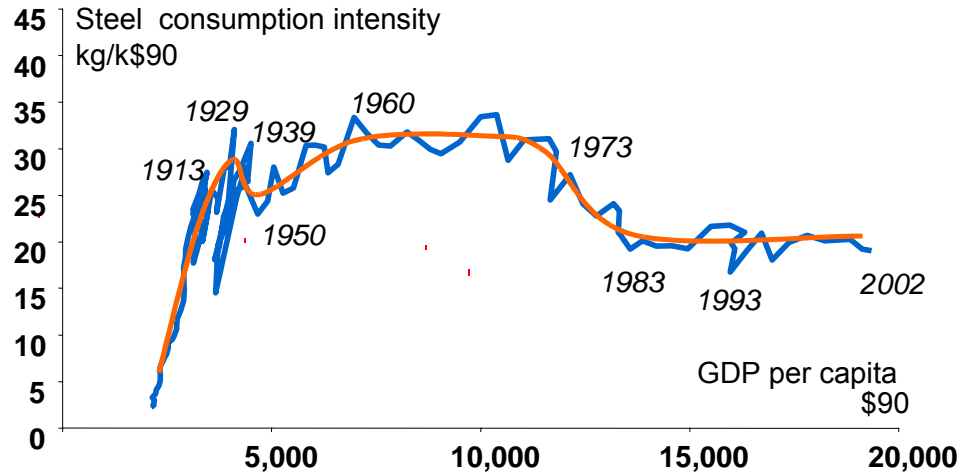
Ratings

	Long-term	Short-term
S&P's	BBB <i>Outlook stable</i>	A2
Moodys	Baa2 <i>Outlook stable</i>	P2

What's next?

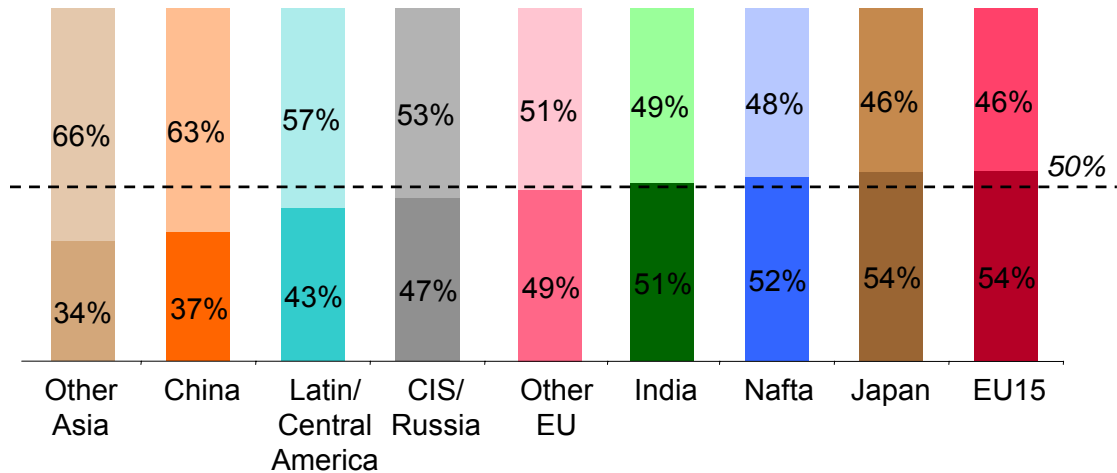
Economic development as main driver of steel consumption

Steel intensity (Western Europe)



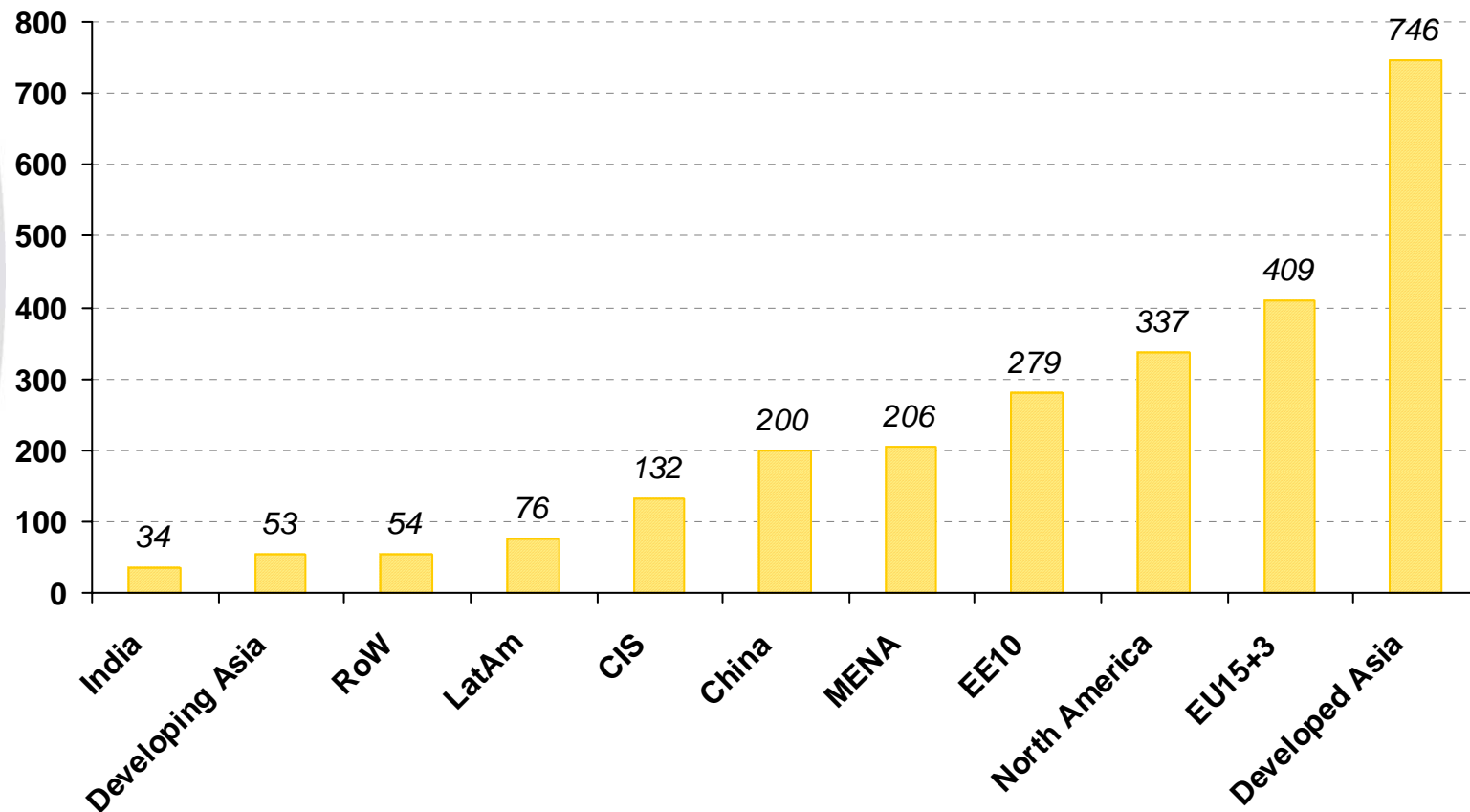
Product mix by geographic area

Proportion of **Long products** vs **Flat products**



Economic development as main driver of steel consumption

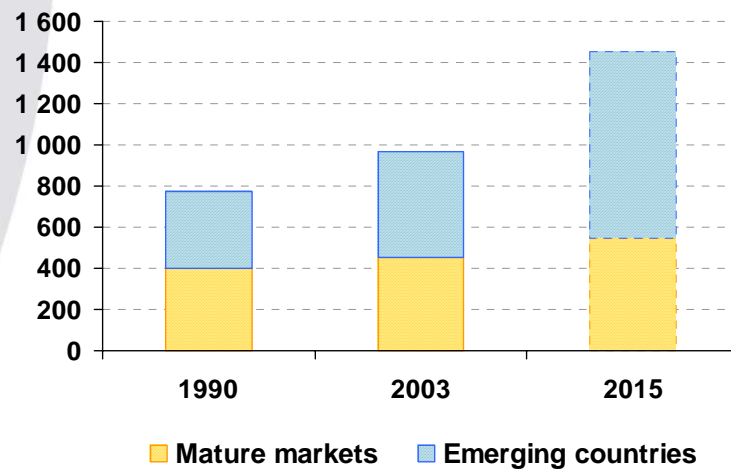
Steel consumption per capita
(kg per capita – 2003)



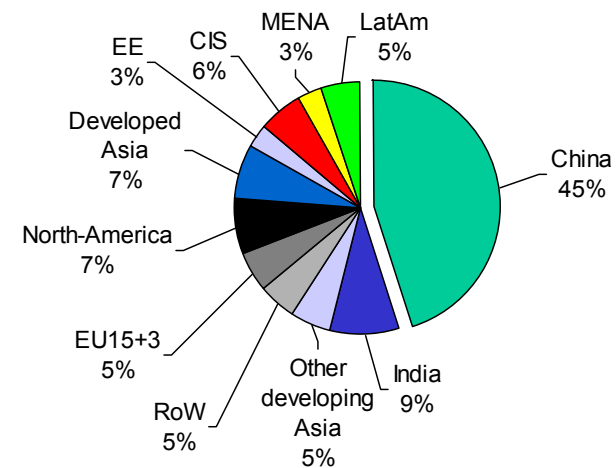
Growth stories in emerging countries

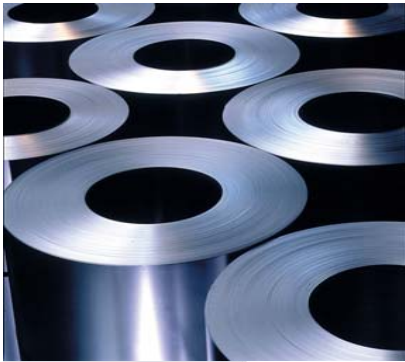
- Growth in steel demand will essentially be located in China, India, CIS/Eastern Europe and Brazil
- CAGR for demand in steel 2003-2015
 - 3% < x < 7% for emerging countries
 - 1% < x < 2% for mature economies

Crude steel demand
(in millions of tonnes)



Breakdown of global growth in steel demand

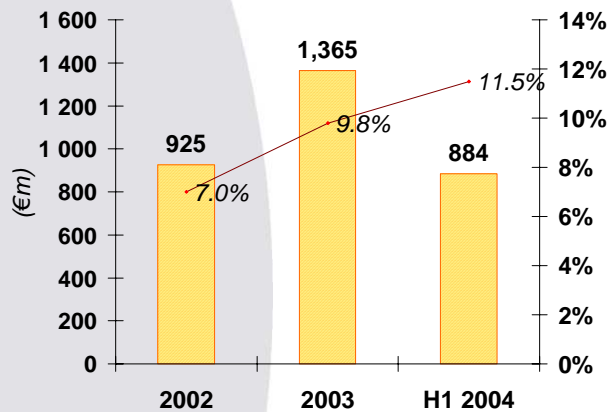




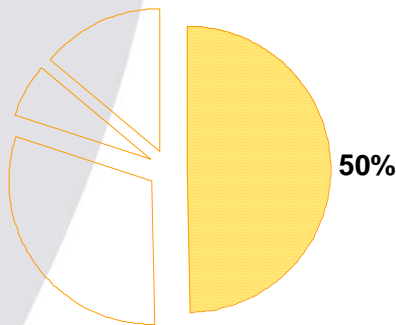
Update on business sectors strategy

Flat Carbon Steels

Gross Operating Result and Gross Margin



Contribution to 1H04 Gross Operating Result of Arcelor



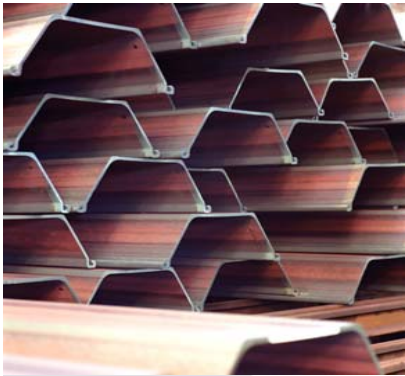
- Based principally upon integrated industrial system in Europe (producing steel products from iron ore), Arcelor is the leading supplier of flat carbon steels to the automotive, domestic electrical appliance, packaging, general and construction industries.

- Strategy: restructuring in Europe and international expansion

- **Concentration of the sector's future investments in European blast furnace upgrades** (upstream manufacturing process facilities) **on the best-performing sites**, i.e. the coastal sites, while reaffirming the need to have efficient "downstream" facilities in proximity to customers.

- Assist customers with their international growth plans, supply them with identical products meeting the same standards of quality irrespective of the country => **industrial partnerships** have been developed with Tata Steel in **India**, Bao Steel and Nippon Steel in **China**, Severstal in **Russia**, Borcelik in **Turkey**, Dofasco in **Canada** as well as Gestamp and Magnetto in Europe and **South America**.

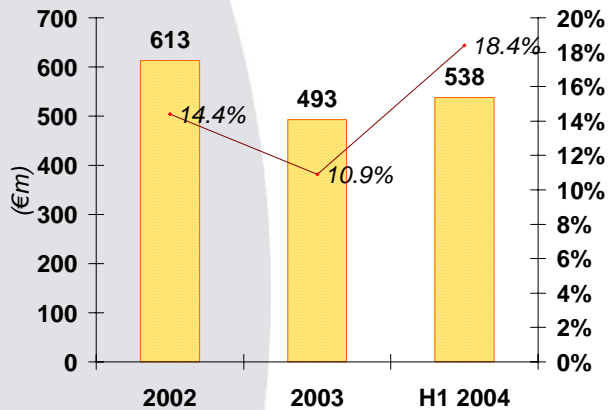
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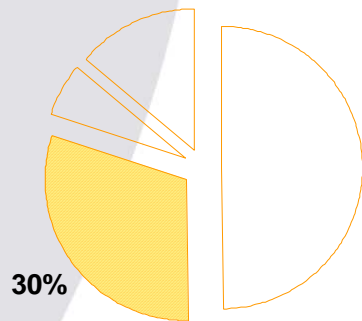
Update on business sectors strategy

Long Carbon Steels

Gross Operating Result and Gross Margin



Contribution to 1H04 Gross Operating Result of Arcelor



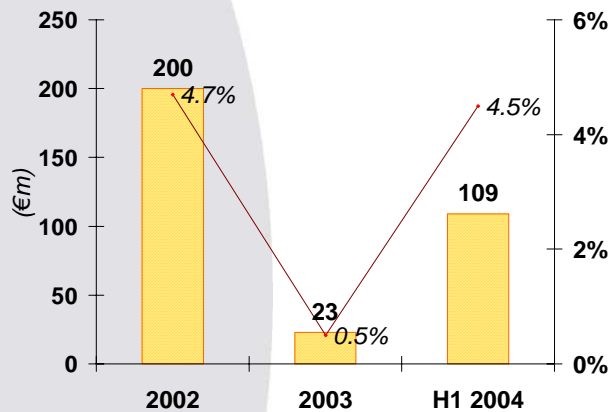
- Arcelor ranks first worldwide in the production of beams, sections and sheet piling, and is among the leading players in concrete reinforcing bars, wire rod and special sections.
- Long products are used principally in the construction, infrastructure and capital equipment markets.
- Strategy: enhance existing strong commercial positions and grow
 - **Reorganisation** of the sector into three dedicated business units (Europe) to accelerate the transfer of best practices among comparable plants.
 - **Acquisition** of Pallanzeno rolling mill in Italy; full consolidation of Acindar in Argentina.



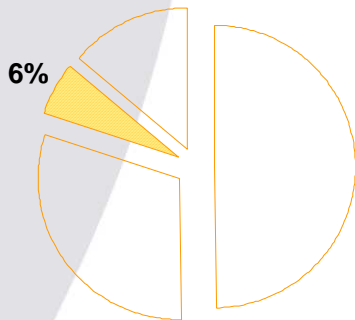
Update on business sectors strategy

Stainless Steels, Alloys & Specialty Plates

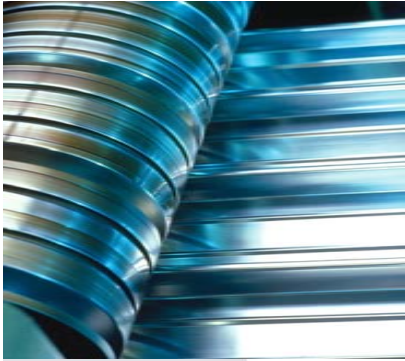
Gross Operating Result and Gross Margin



Contribution to 1H04 Gross Operating Result of Arcelor



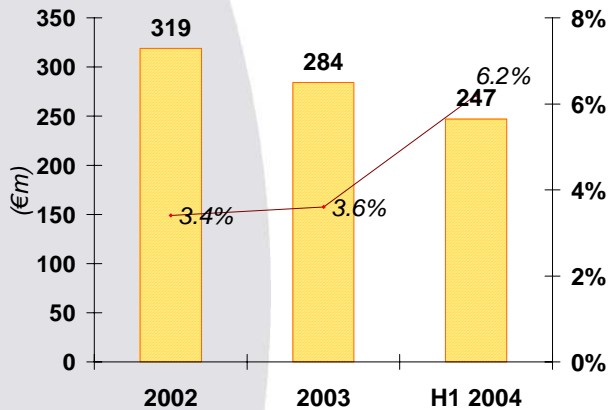
- Arcelor manufactures and sales stainless steel and nickel alloy products. The sector is a supplier to the automotive, domestic electrical appliance, general and construction industries.
- Strategy: refocus on core business
 - The Stainless Steels sector comprises today five major activities: Stainless flat products; Long stainless and alloy products; Stainless steel tubes; Precision stainless metal strips and nickel alloy flat products; Special plates in stainless steels and specialty steels.
 - Core business = Europe and Brazil for Flat Stainless Steels.
 - Management portfolio has started: divestment of flat stainless in the USA (J&L) and Thailand (Thainox) in 2003.



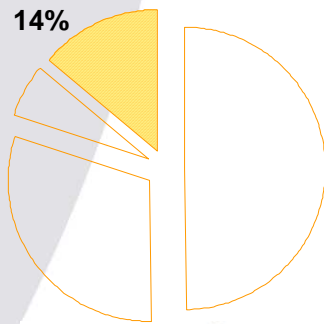
Update on business sectors strategy

Distribution-Transformation-Trading

Gross Operating Result and Gross Margin



Contribution to 1H04 Gross Operating Result of Arcelor



- The DTT sector represents a major activity for Arcelor and is an essential link between the worlds of industrial steel users and of steel production. The DTT sector meets the complex needs of multinationals as well as the needs of the local artisan.
- Strategy: find growth stories in Eastern Europe
 - The sector's core business is in Western Europe, with a strong presence in Germany, the Benelux countries, Spain, France and Great Britain; Markets are essentially regional.
 - Rationalisation in Western Europe in order to generate synergies (reduction and ranking of the number of warehouses based on customer proximity and type, optimisation of logistics, and reduction in SG&A).
 - Formation and acquisitions of companies in Rumania, Slovakia, Slovenia...

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Conclusion

Leading Arcelor Transformation

Priorities for 2005

- **Customer loyalty**
 - Consolidate confidence to become the desired partner for steel solutions
- **Cost leadership**
 - Systematic benchmark
 - Portfolio management
- **Entrepreneurship**
 - Encourage initiative and risk taking through decentralized, team based structures and projects
 - Deploy *Management by Objective* and *Pay for Performance* system through the Group

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