

THE GLOBAL STEEL CHAMPION



26th May 2006

 arcelor

SeverStal

This presentation includes "forward-looking statements" with respect to Arcelor and Severstal, including their businesses, operations, strategy, financial performance and condition and expectations as to synergies and operations on a combined basis after the transaction, assuming it is completed as announced. Although Arcelor believes that the assumptions upon which the financial information and the forward-looking statements contained in this document are based are reasonable, it can give no assurance that these assumptions will prove to be correct as such statements by their nature involve risks and uncertainties. Important factors that could cause actual results to differ materially from Arcelor's and Severstal's projections and expectations are disclosed in the "Report on Risk Management" contained in Arcelor's Annual Report for the fiscal year ended December 31, 2005 and other public filings of Arcelor and Severstal. All forward-looking statements in this presentation are expressly qualified by such cautionary statements and by reference to the underlying assumptions. Neither Arcelor nor any other person undertakes to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Neither Arcelor nor its advisors shall have any liability whatsoever for any loss arising from any use of this document or its contents or otherwise arising in connection with this document.

Arcelor and Severstal to merge in a cash and share transaction



- **Creating an unrivalled global champion**
 - Undisputed global leader in high quality steels
 - A perfect fit with financial flexibility for growth and consolidation
 - Global scale, focused on value over volume
 - Improved cost base, profitability and resilience through the cycle
- **The leading value proposition in the steel industry**
 - Enhanced value plan with pro forma targeted normalised EBITDA of €10bn+
 - €590m p.a. of synergies with no restructuring costs or incremental capex
 - Continuation of progressive dividend policy
 - Accretive transaction that also exceeds ROCE hurdle rate
- **A friendly deal built on trust with low execution risk**
 - A 10-year partnership
 - Result of 3 years of strategic discussions
 - Shared values and high standards of corporate governance



- **Transaction highlights**
- An unrivalled global leader
- A value-focused consolidation
- A compelling transaction for shareholders
- Transaction mechanics
- Conclusion

Attractive terms to all shareholders



- Arcelor issues 295m shares representing 32.2% of the enlarged Arcelor at a value of €44 per share excluding dividend of €1.85



- Alexey Mordashov contributes all of his 89.6% stake in Severstal⁽¹⁾ including mining assets and foreign subsidiaries⁽²⁾, and €1.25bn in cash



- Merger agreed on a 2005 EBITDA pro forma multiple basis of 6.0x for Arcelor and 5.6x for Severstal
- Up to €7.6bn cash to be returned to shareholders, including dividends and OPRA



(1) Final ownership percentage will depend on minorities exercise of pre-emption rights in mining merger

(2) Including North America & Lucchini

High standards of corporate governance



- Friendly transaction expected to close in July 2006, subject to antitrust approvals
- Ultimate decision on Severstal merger going ahead will rest with Arcelor shareholders
- Board to include at least half of independent members
- Alexey Mordashov committed to maintain corporate governance framework
- Alexey Mordashov has agreed to vote his shares in accordance with the recommendation of the Board of Directors
- Alexey Mordashov committed to be a long term and stable shareholder
- Merger recommended by the Board of Directors of Arcelor

Transaction overview



Existing Arcelor
shareholders

67.8%

Alexey
Mordashov

32.2%



Existing Arcelor
assets including
Arcelor Brasil,
Dofasco and
European Assets

89.6%⁽¹⁾

Severstal

Severstal Russia
Severstal North America

Severstal mining assets

70.8%⁽²⁾

Lucchini



(1) Final ownership percentage will depend on minorities exercise of pre-emption rights in mining merger

(2) Ownership post contribution of Alexey Mordashov's 50.8% direct stake in Lucchini to Severstal

Severstal steel assets



SNA

- 5th largest integrated flat carbon steel producer in the U.S.
- 3 million tonnes of flat steel capacity p.a.
- 4 million tonnes of rolling capacity p.a.



OA O Severstal

- 2nd largest producer of flat steel products in Russia
- 11 million tonnes of steel making capacity p.a.



Lucchini

- 2nd largest steel group in Italy
- Significant presence in France
- 4 million tonnes of long carbon steel making capacity p.a.

Severstal mining assets



Olkon

- Produces iron ore concentrate: 4m tonnes in 2005
- Estimated reserves of 630m tonnes⁽¹⁾
- Located in Murmansk region



Karelsky Okatysh

- Produces iron ore pellets: 8.8m tonnes in 2005
- Estimated reserves of 1,221m tonnes
- Located in Karelia Republic



Vorkutaugol/Vorgashorskaya Mine

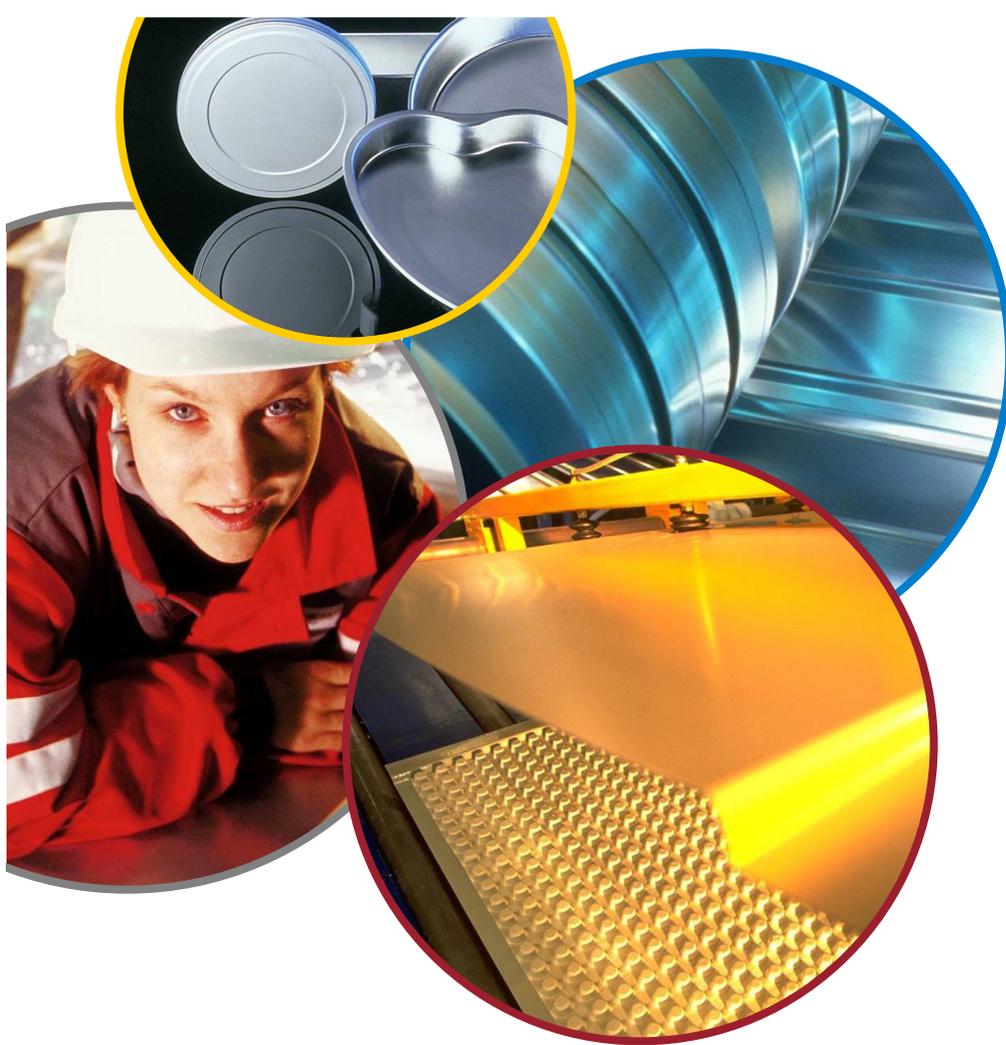
- Produces coking and thermal coal concentrate: 5.5m / 1.5m tonnes respectively in 2005
- Estimated reserves of 439m / 130m tonnes
- Located in Komi Republic

Kuzbassugol

- Produces coking coal and concentrate: 2.4m tonnes in 2005
- Estimated reserves of 373m tonnes
- Located in Kemerovo region
- Includes two main mines: Pervomayskaya and Berezovskaya

Source: Severstal Resource's geological department

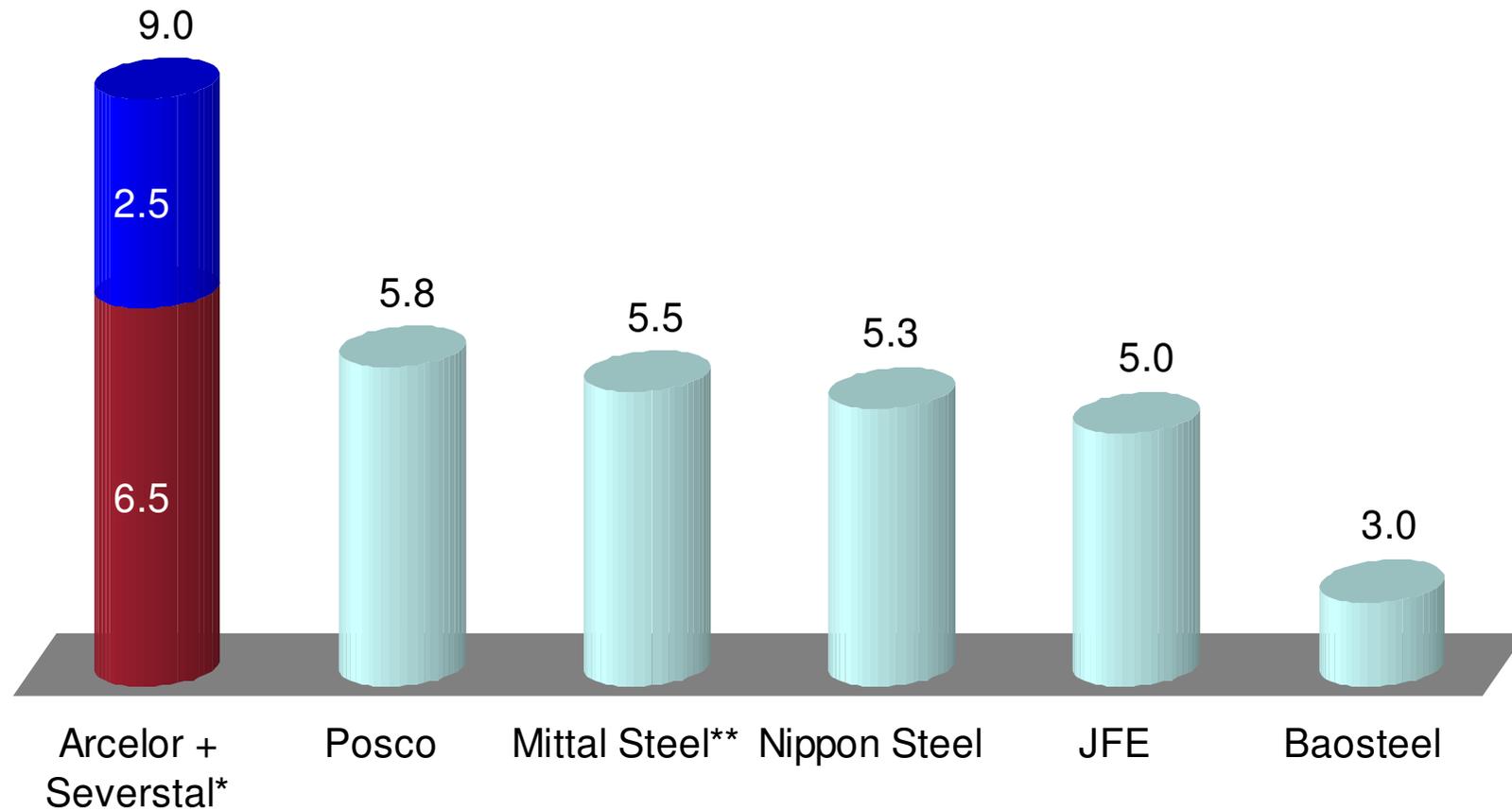
(1) Includes A, B, C1 reserves



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Global leader by EBITDA

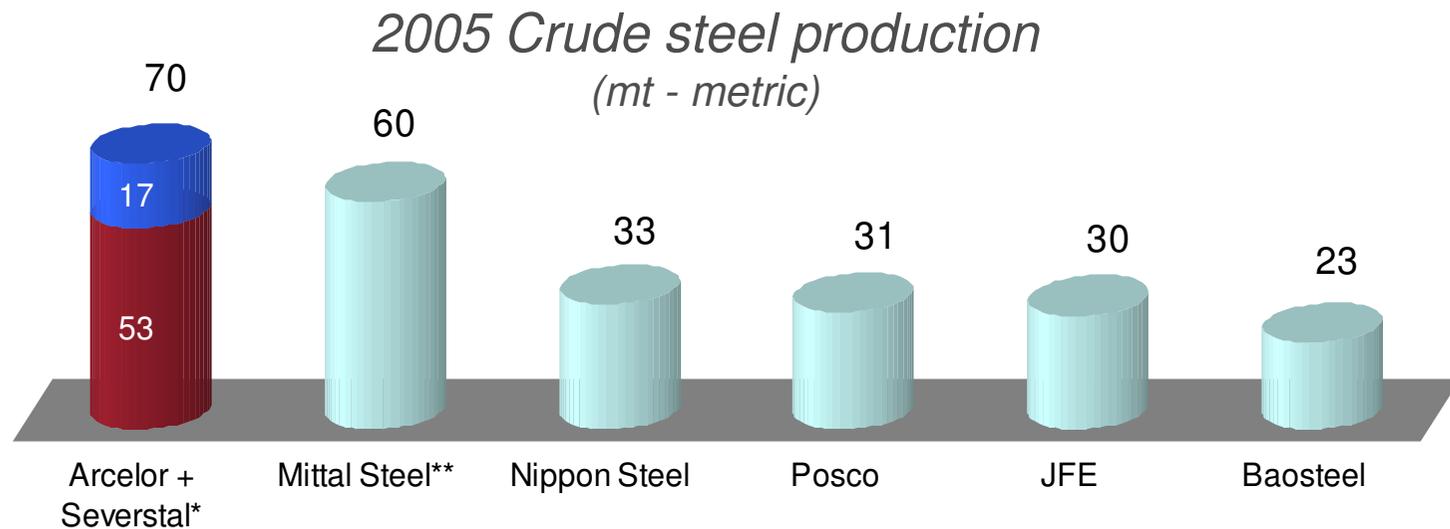
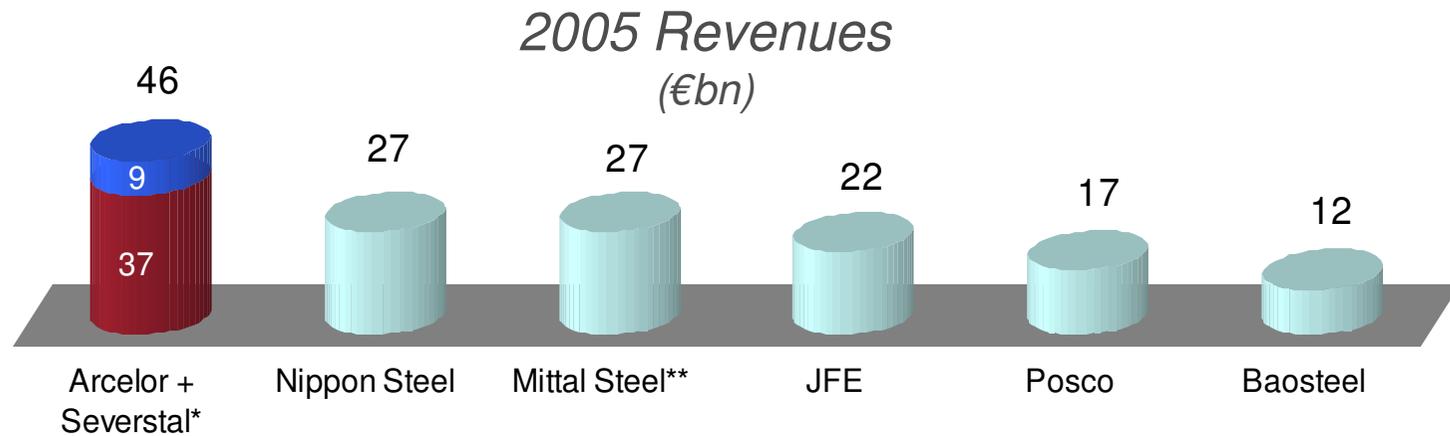
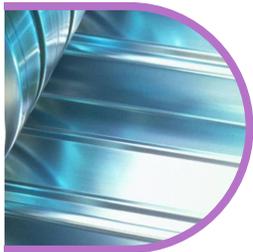
2005 EBITDA (€bn)



* Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer

** Pro forma for the acquisitions of KMK and ISG

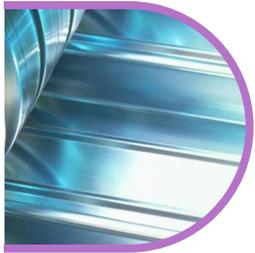
Global leader by revenue and production



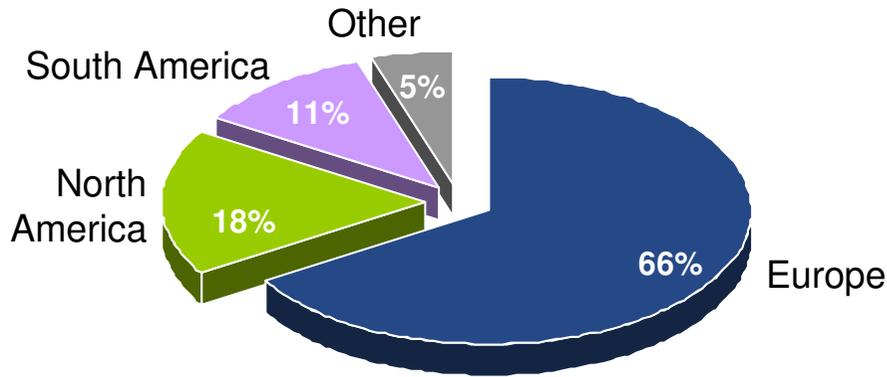
* Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer
 ** Pro forma for the acquisitions of KMK and ISG

Source: Company information, Metal Bulletin, Bloomberg

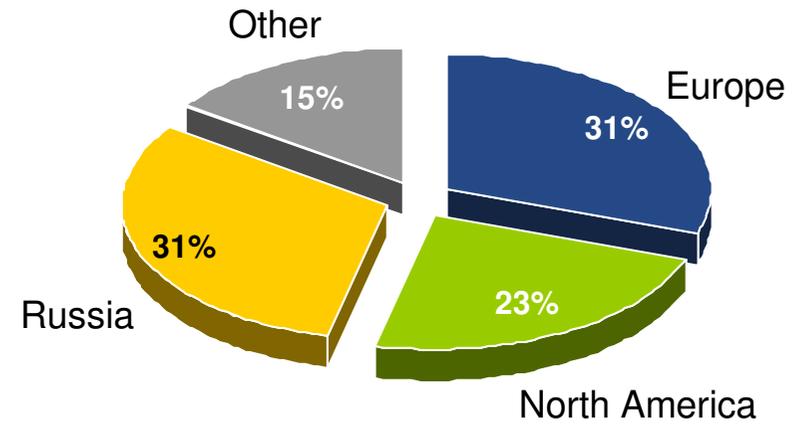
Geographical diversification by revenues



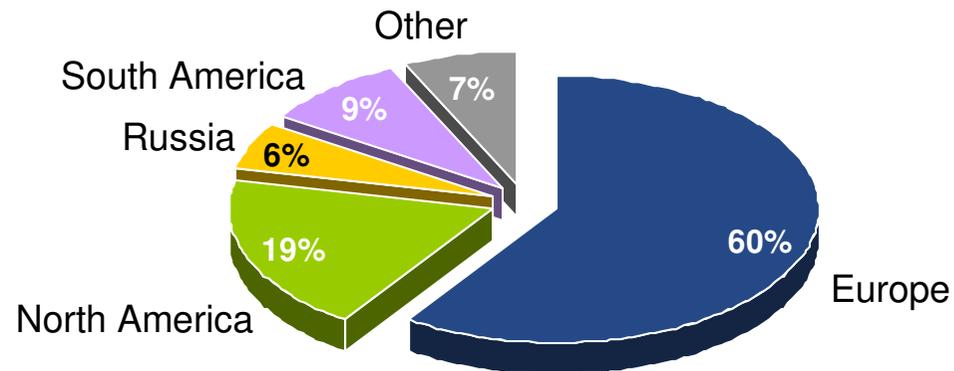
Arcelor



Severstal



Arcelor + Severstal



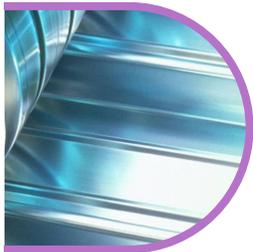
Note: 2005 pro forma estimated figures for Arcelor and Severstal

The global champion across the steel product suite



Flat

- The global leader in flat steel in terms of product range, quality, global markets and innovation
- Strong position in CIS and Brazil, the two lowest cost producing regions in the world



Long

- Leading position on high value-added products (sheet pile, specialty long products, engineering steels and wire drawing) in attractive regional markets



A3S

- Leveraging Severstal production through A3S' unique distribution network

Stainless

- Reshaping of business well advanced (industrial reconfiguration in Europe, strong profitability at Acesita)
- Ongoing strategic review

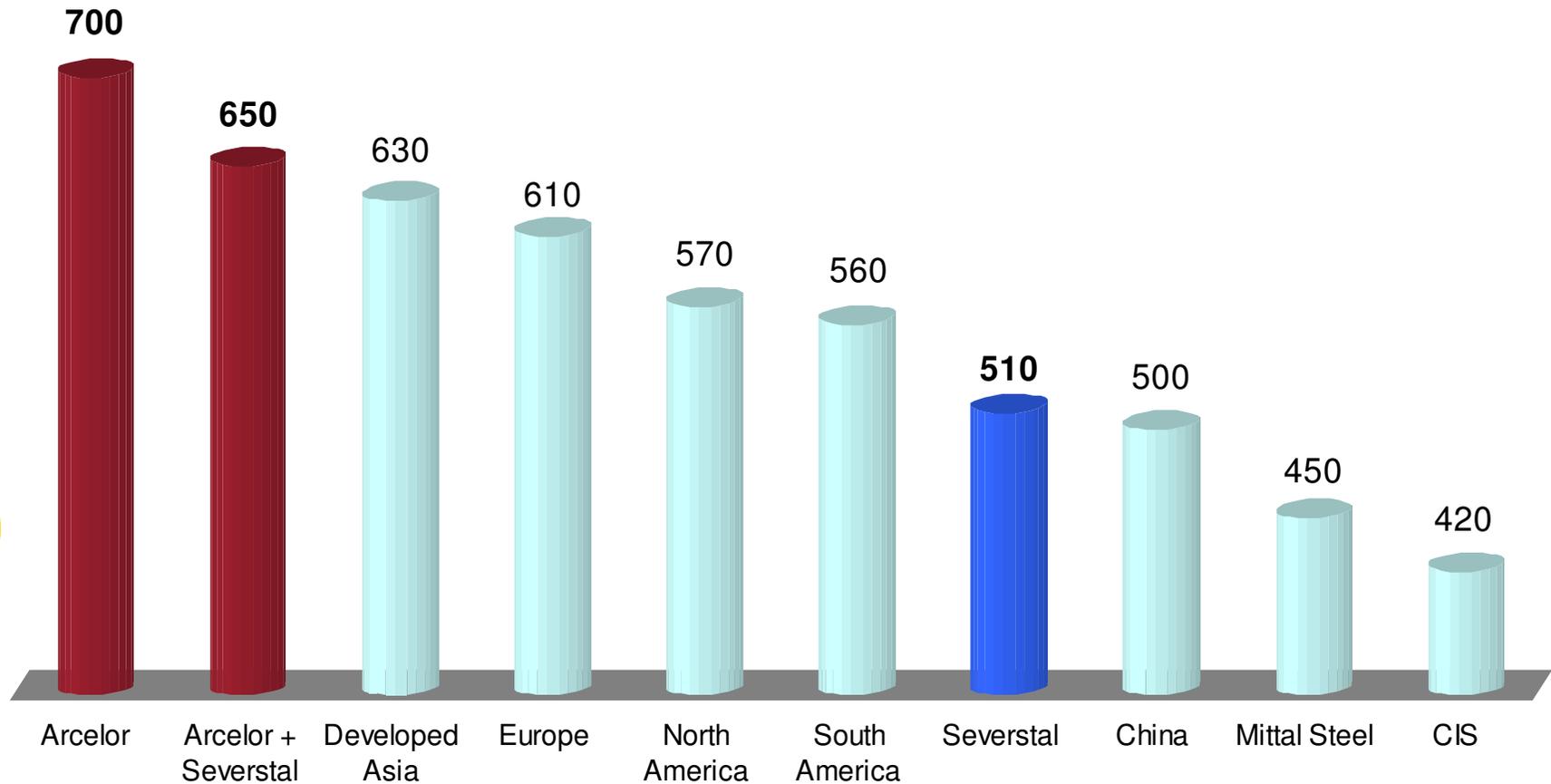


Plates
and pipes

- Metallurgical excellence to service industrial projects and infrastructure in a region where consumption is substantial and growing (eg. energy sector in the CIS)

Undisputed champion in value-added steels

Steel revenue per metric tonne (€, 2005)



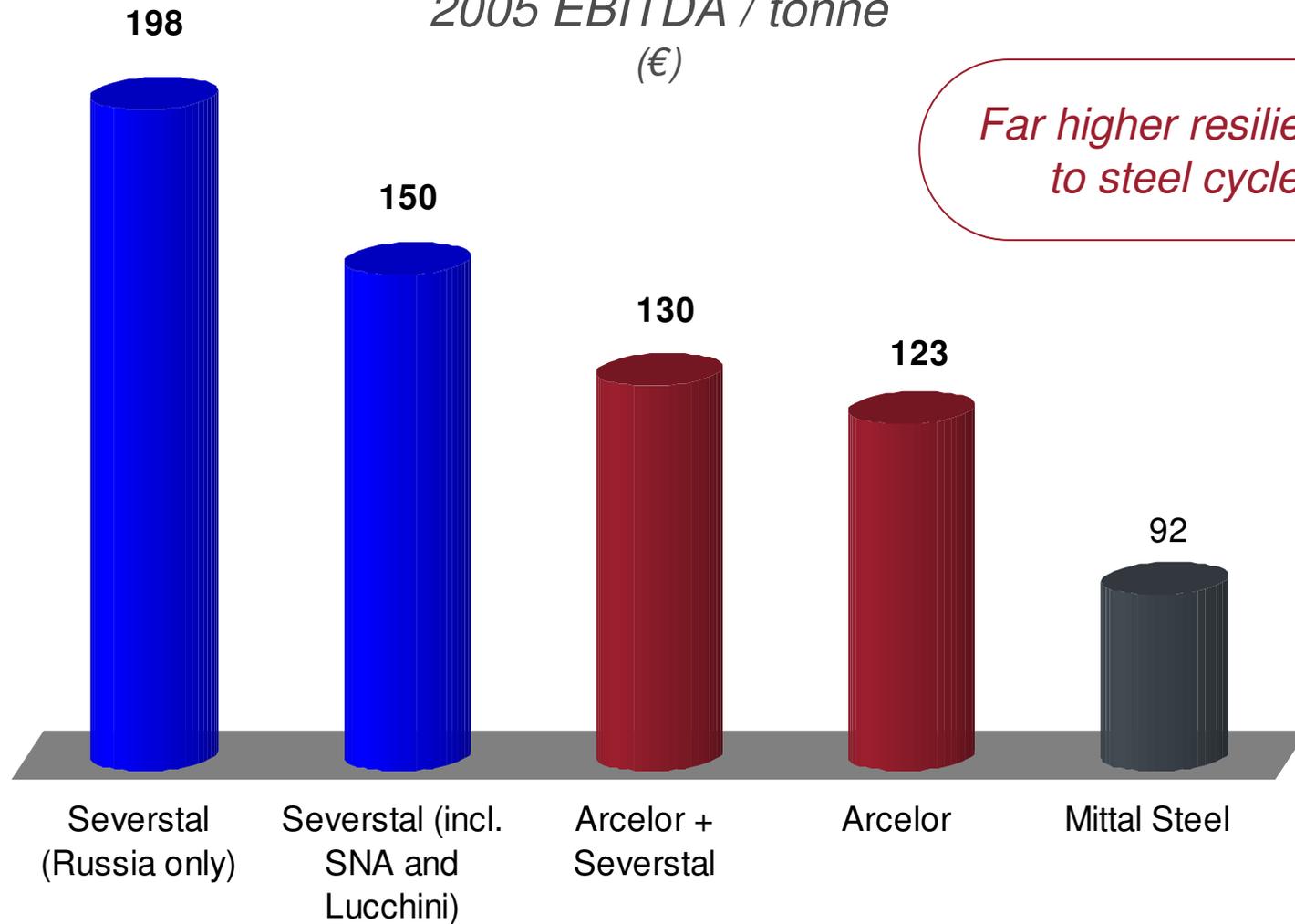
Source: Company information. Developed Asia: Nippon Steel, Posco, JFE, China Steel. Europe: Corus, Thyssen. North America: US Steel, Nucor. South America (2004): Gerdau, CSN. China: BaoSteel. CIS: MMK, NLMK, EvrazHolding

Note: Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer

EBITDA per tonne enhancement

2005 EBITDA / tonne
(€)

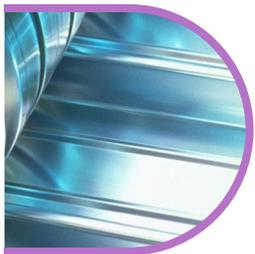
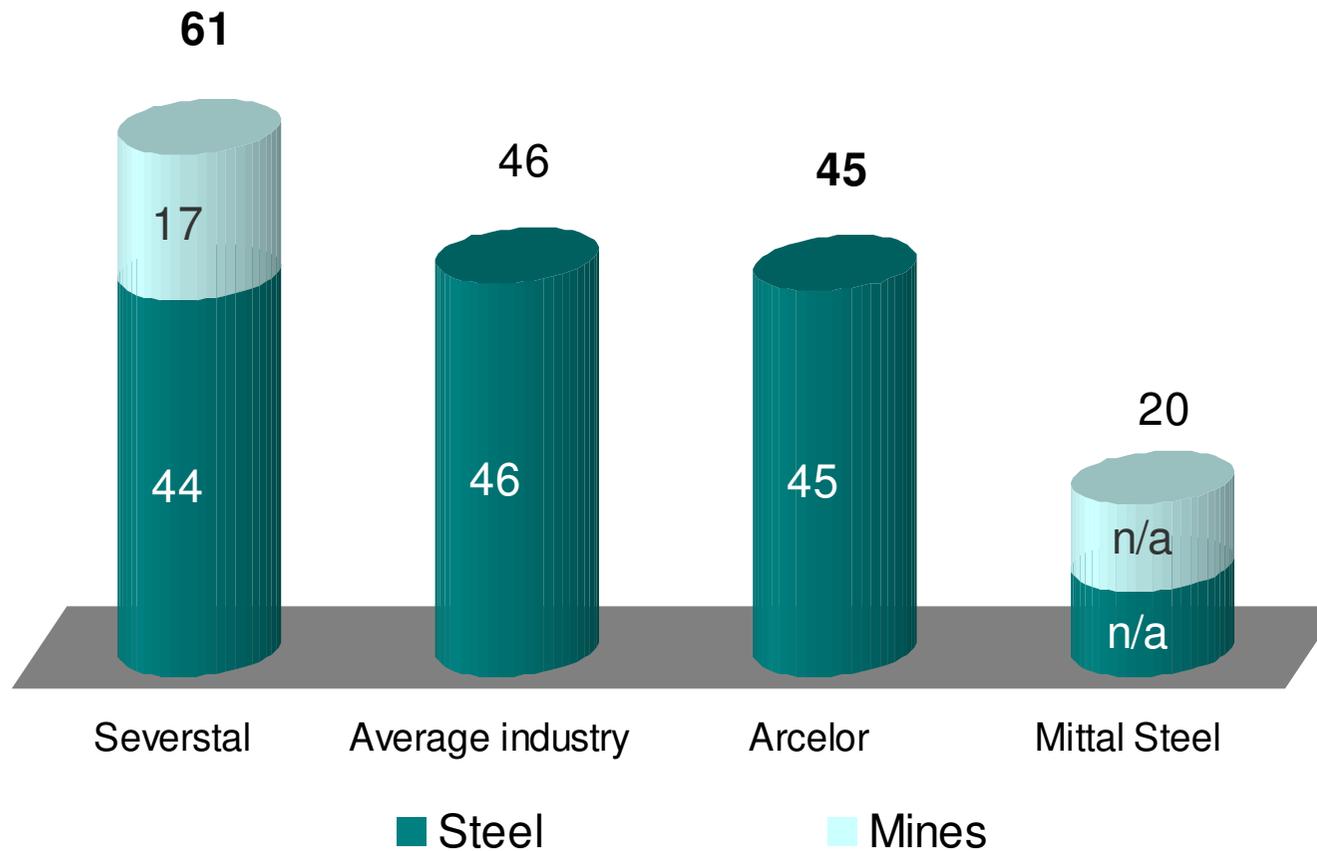
*Far higher resilience
to steel cycle*



Note: Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer

Capital expenditures

2005, € / tonne of steel production





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A value-focused consolidation



Undisputed champion in high quality steels

Access to attractive markets

Outstanding geographical fit



Strategically located low cost production

Self-sufficiency in iron ore and coking coal in Russia

Strong synergies



Strengthened platform for further consolidation

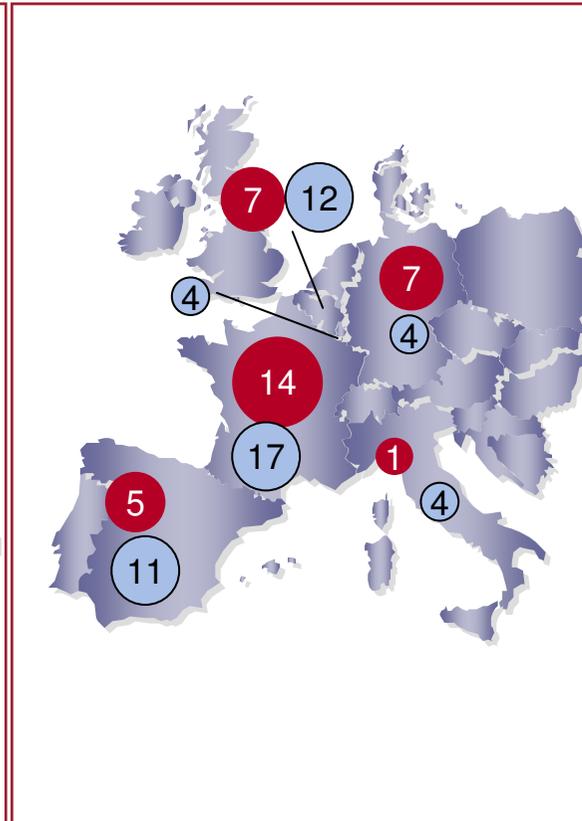
Flat: a global leading position with a focus on high quality markets



Americas



Western Europe



Russia + Asia

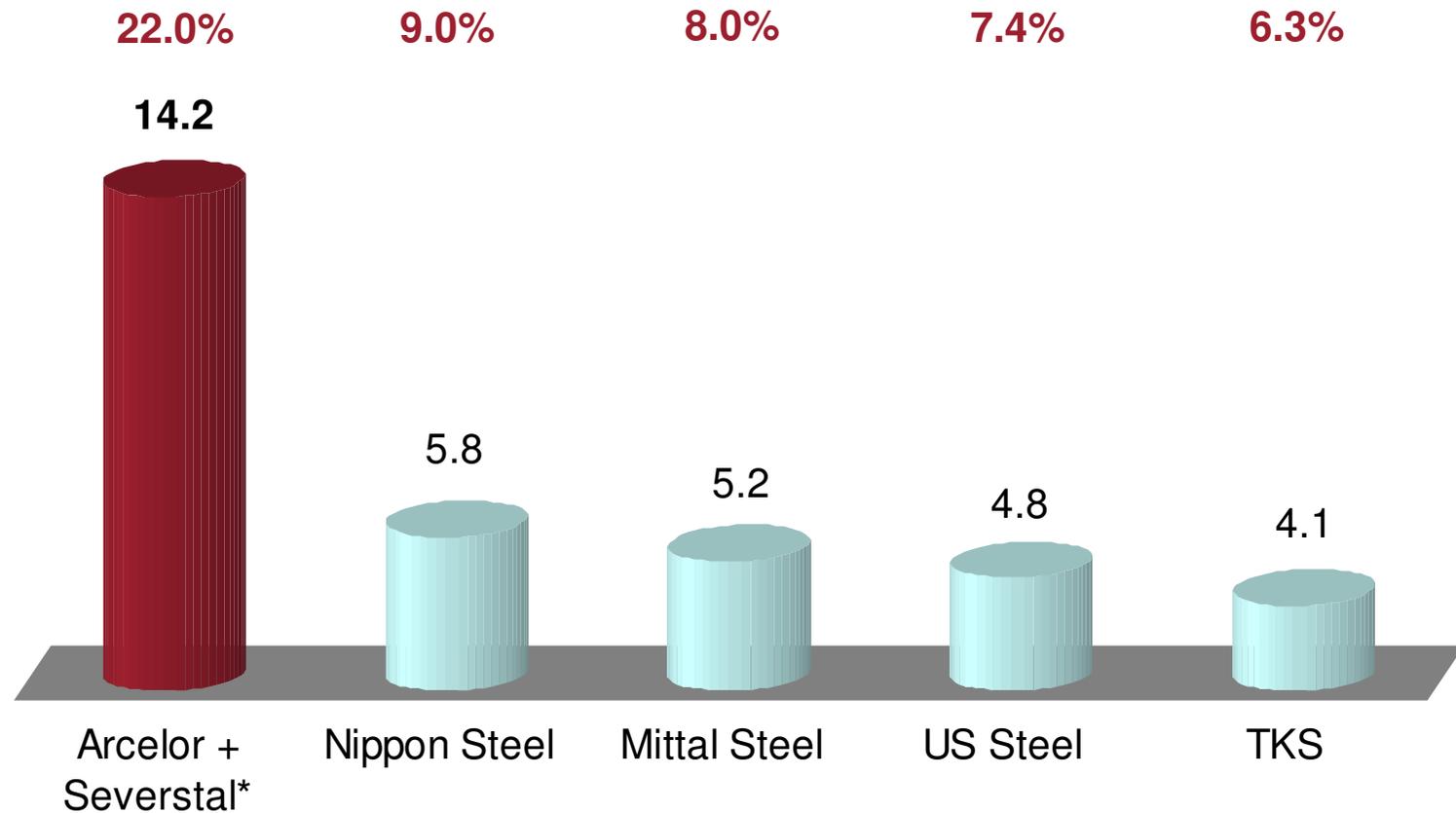


of metallic coating lines

X X Mt of upstream flat production

The leader in flat automotive

*Estimated worldwide flat automotive deliveries (mt - metrics)
and market shares (%)*



Note: Estimates data for 2004

** Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer*

Strengthening of high value-added long products



- Highly profitable and stable business in attractive markets



- Global leadership in high value-added products (eg, special bars, sheet piles, wire drawing)



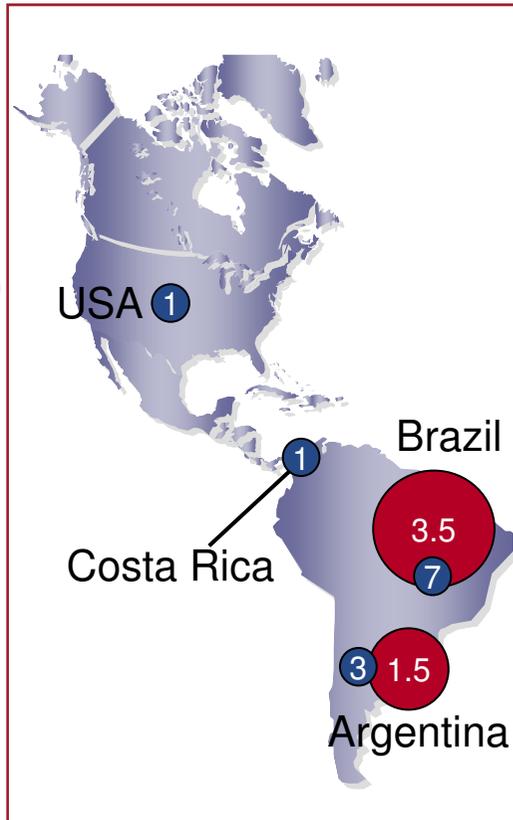
- New entry in specialty long products
- Reinforced leadership in wire drawing



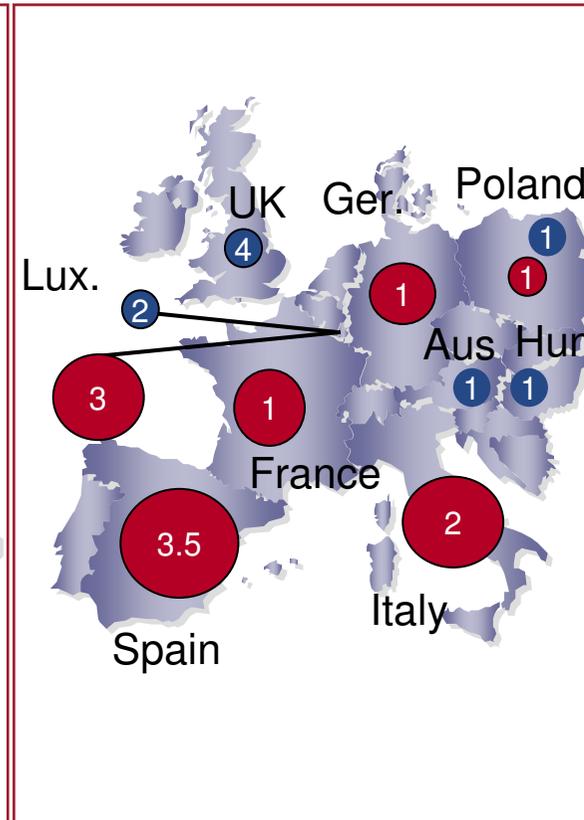
Long: a leading position in attractive regional markets and on technical products



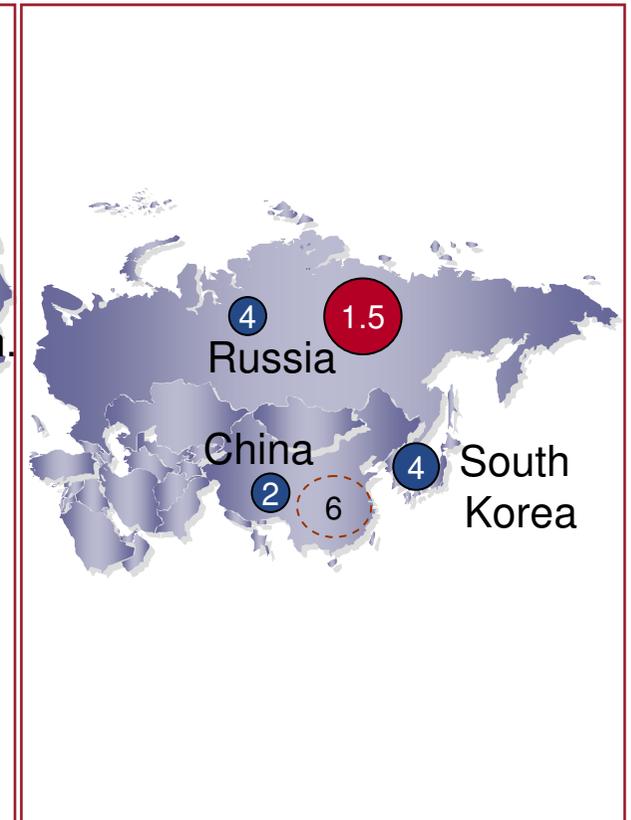
Americas



Western Europe



Russia + Asia

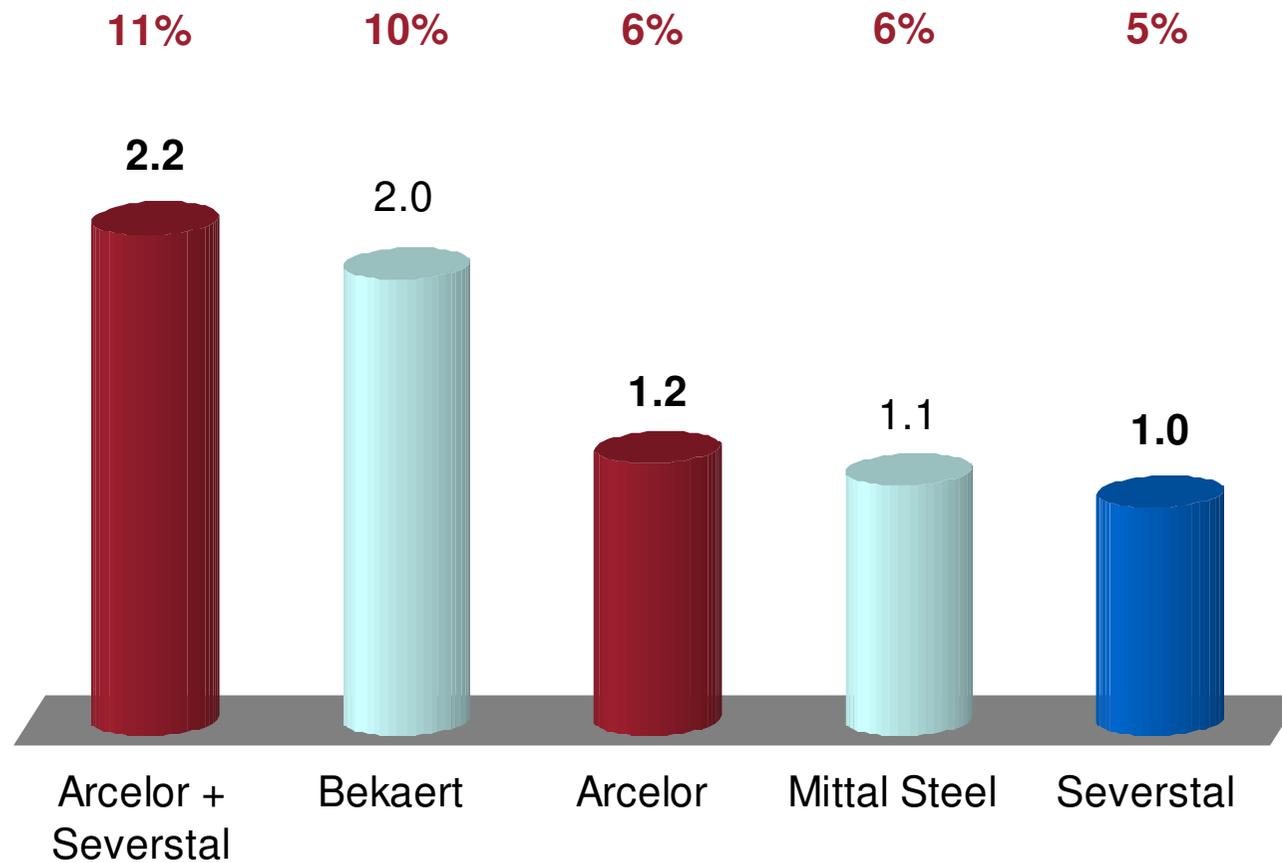


of plants of Wiredrawing

X 1 Mt long steel production

The worldwide leader in Wiredrawing

*Estimated Wiredrawing deliveries (mt-metrics, 2005)
and market shares (%)*



The most global distribution network for our customers



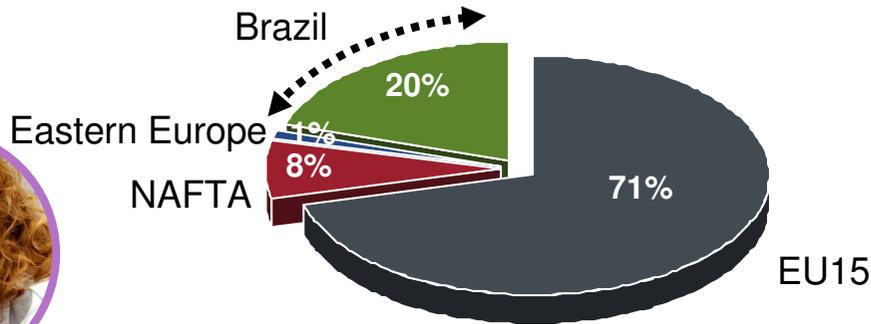
- Leveraging Severstal production through Arcelor's unique distribution network
 - 14mt shipped in 2005
 - Presence in 50 countries
 - 2005 revenues of €8bn
 - 14,000 employees
- Preferred supplier of price-differentiated innovative steel applications
- Improved platform to provide solutions and services to growth markets

Strengthening of BRIC positioning by production



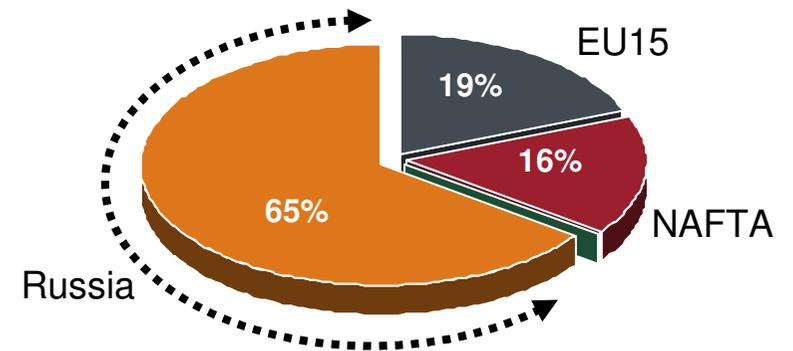
Arcelor

100% = 53 mt, 2005



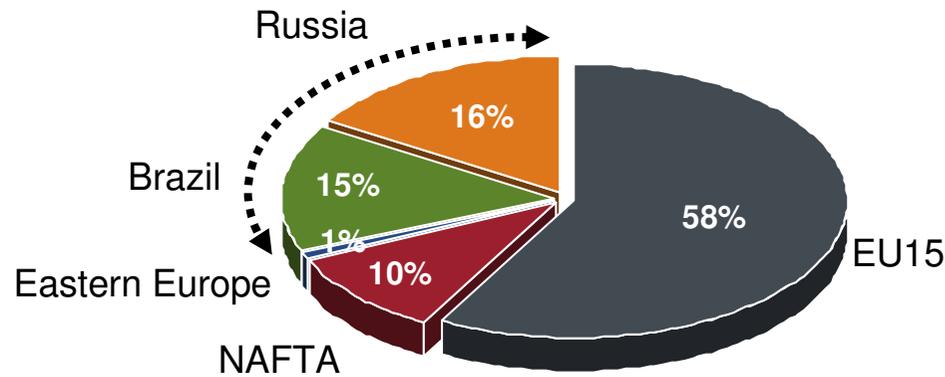
Severstal

100% = 17 mt, 2005



Arcelor + Severstal

100% = 70 mt, 2005



Note: Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer

Russia: a new high-growth engine for the group



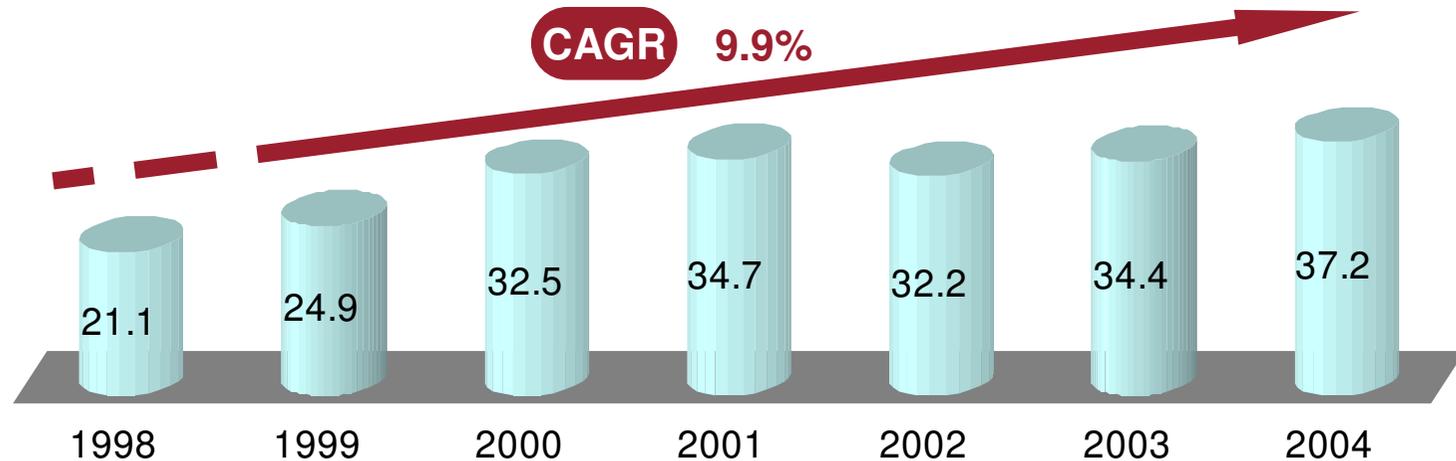
- Strong growth of domestic demand based on:

- General economy growth
- Development of the energy sector

- Strong growth of export market based on:

- Undisputed cost leadership
- Investment on downstream capacity

Apparent crude steel consumption in Russia
(Million metric tonnes)

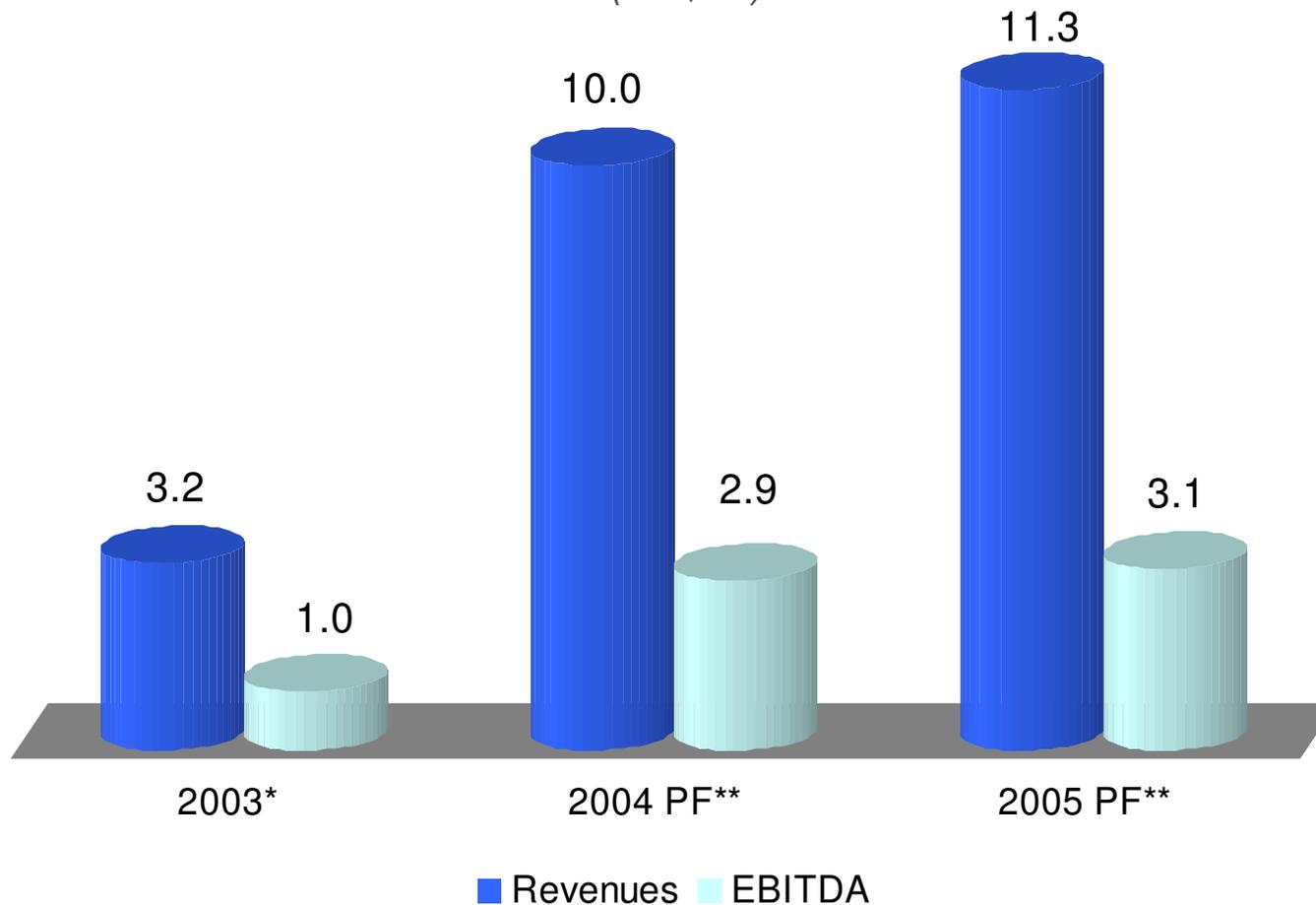


Source: IISI, Steel statistical yearbook 2005

Severstal: a profitable growth success story



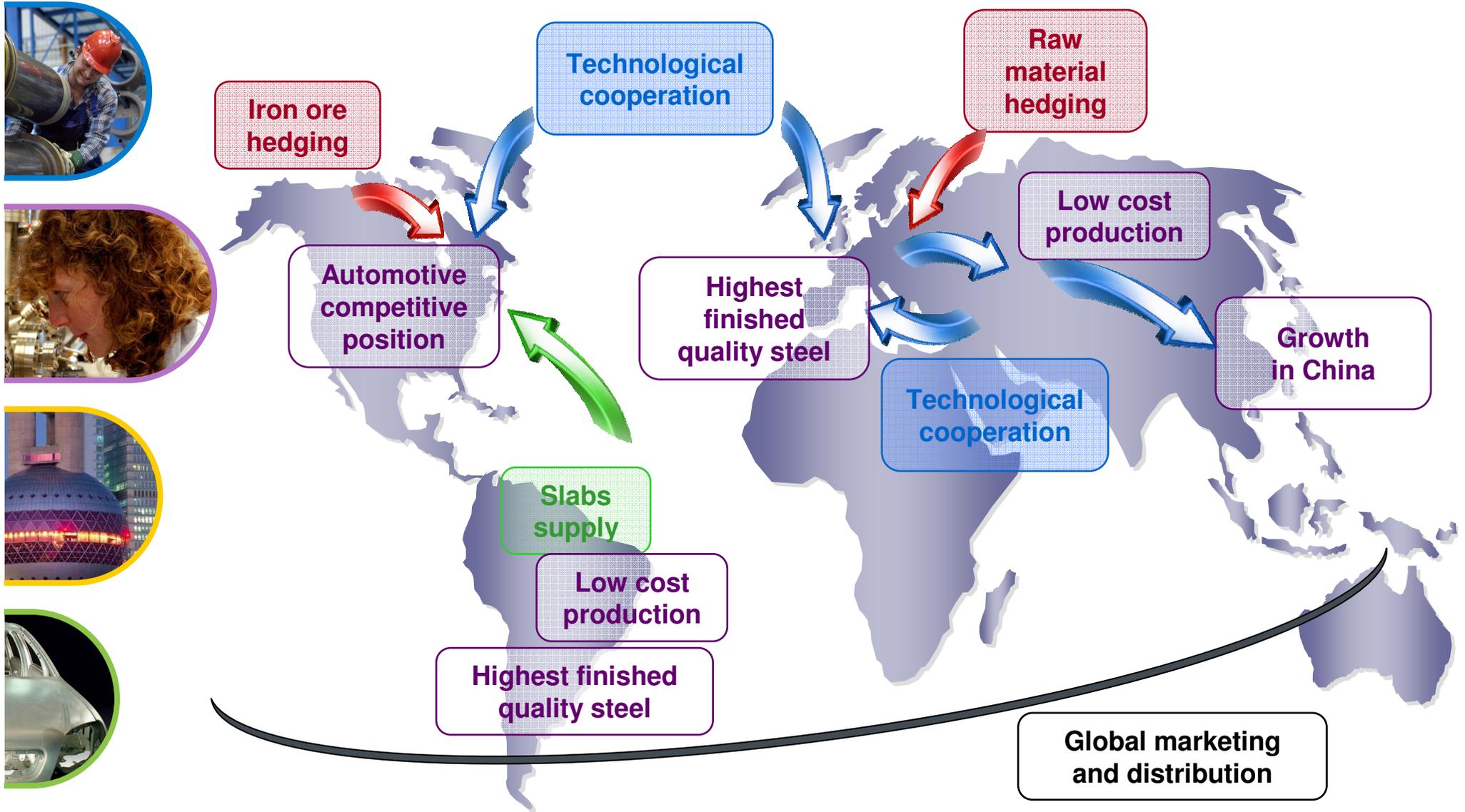
Severstal revenues and EBITDA evolution
(US\$bn)



* OAO Severstal (excluding Lucchini and mining)

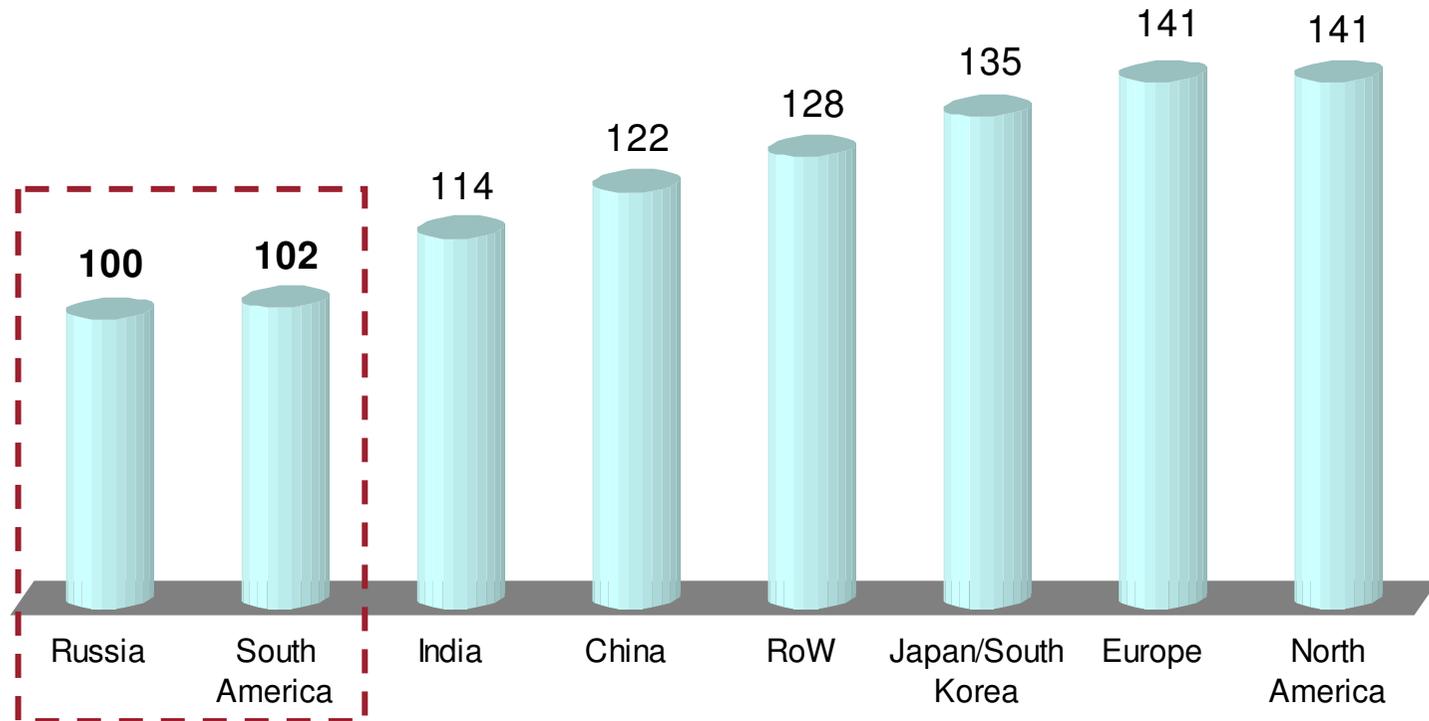
**Severstal pro forma aggregate for the mining merger and Lucchini transfer

Outstanding geographical fit based on integration



Strategically located low cost production

Slab cost (US\$ / Tonne - index)

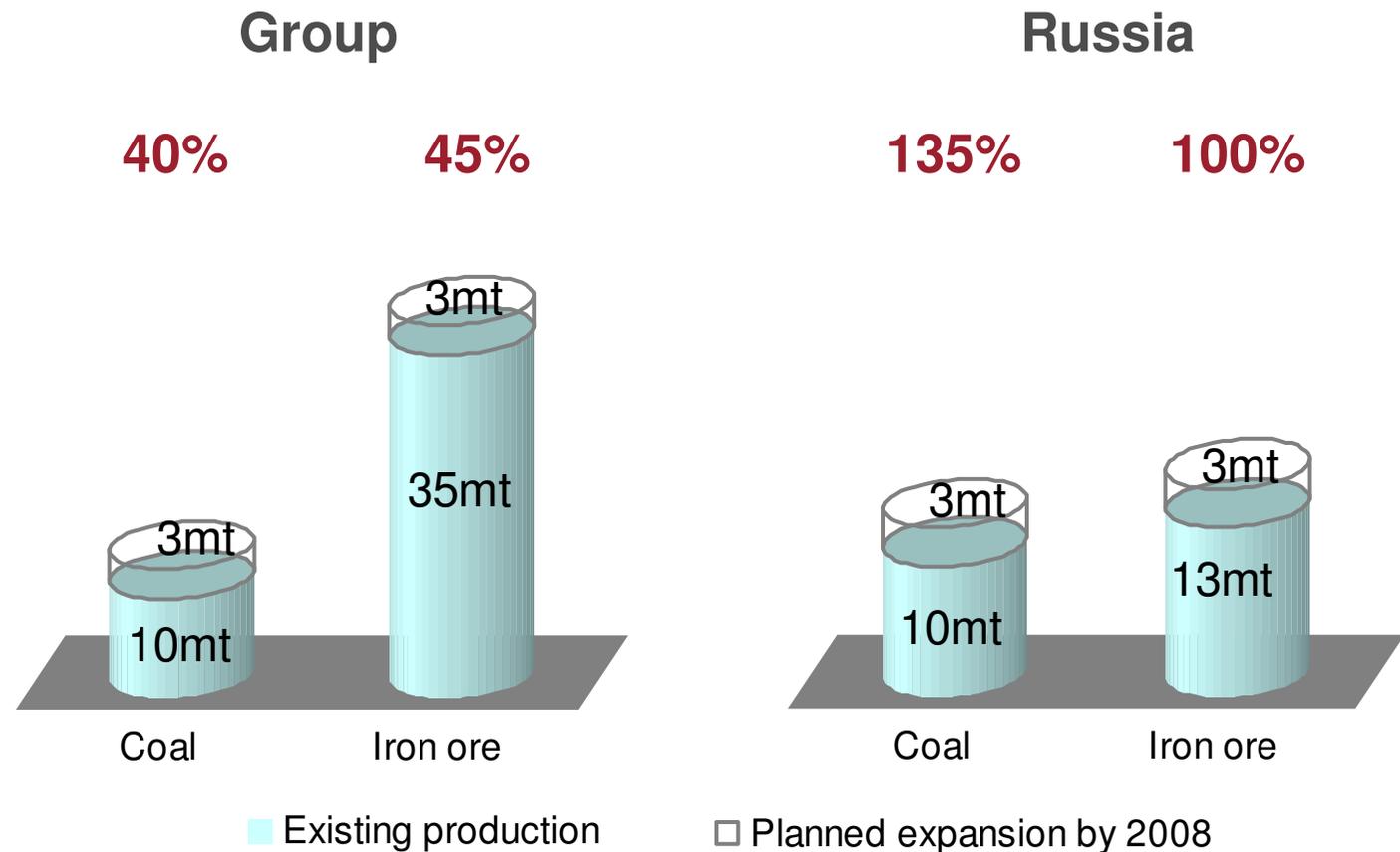


Production cash cost. Russia = base 100
Source: World Steel Dynamics, 2005

- More than 40% of EBITDA to come from production in Russia and South America
- 30% of the combined group's integrated route production will come from the two lowest cost steel producing regions in the world
- The only steel company with production presence in both Russia and South America

Self-sufficiency in iron ore and coal in Russia

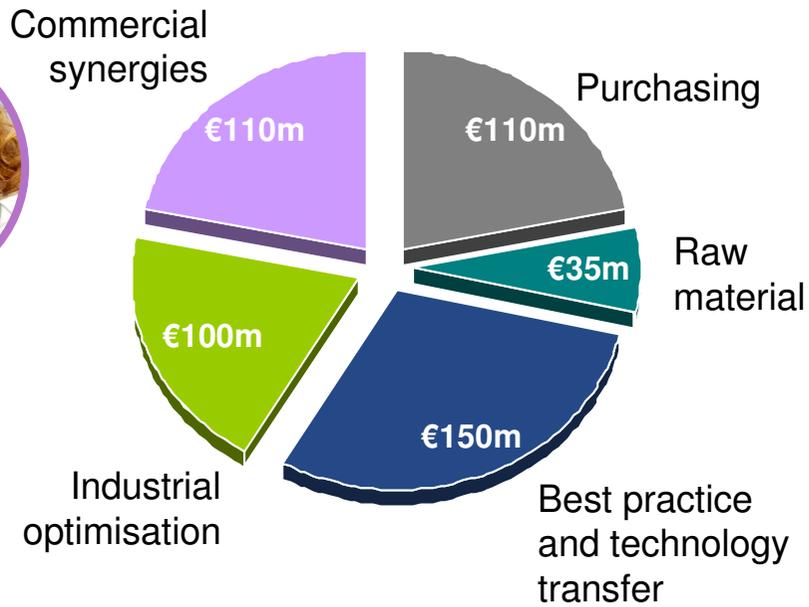
Pro forma capacity and current self-sufficiency (2005)



Strong synergies

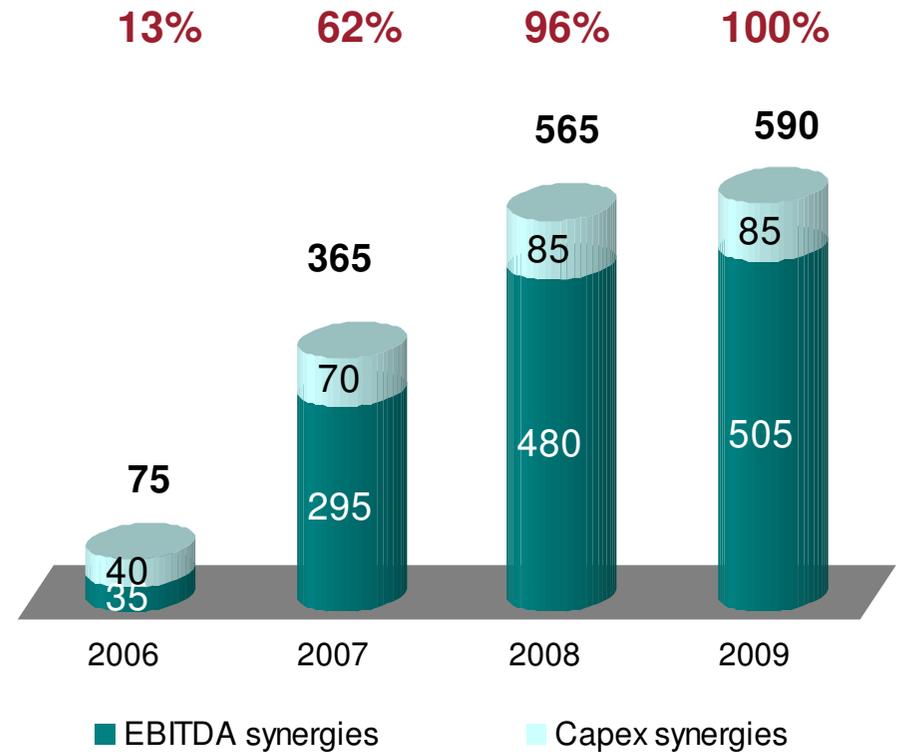


- Identified EBITDA synergies of €505m p.a., with no restructuring or capex costs



- Capex synergies of €85m p.a. to be realised as soon as 2008

Phasing of synergies (€m)



Strengthened platform for further consolidation



Arcelor + Severstal

	Without additional cash return ⁽¹⁾	With additional cash return ⁽²⁾
Gearing (net debt / equity)	21%	55%
Net debt / EBITDA	0.7x	1.4x

Arcelor + Severstal has the financial flexibility to continue the consolidation of the steel industry

Note: Based on 2005 EBITDA. Arcelor pro forma for the acquisitions of Dofasco and Acesita. Q1 2006 balance sheet for Arcelor. Severstal pro forma aggregate for the mining merger and Lucchini transfer

(1) Assuming dividend payment of €1.1bn

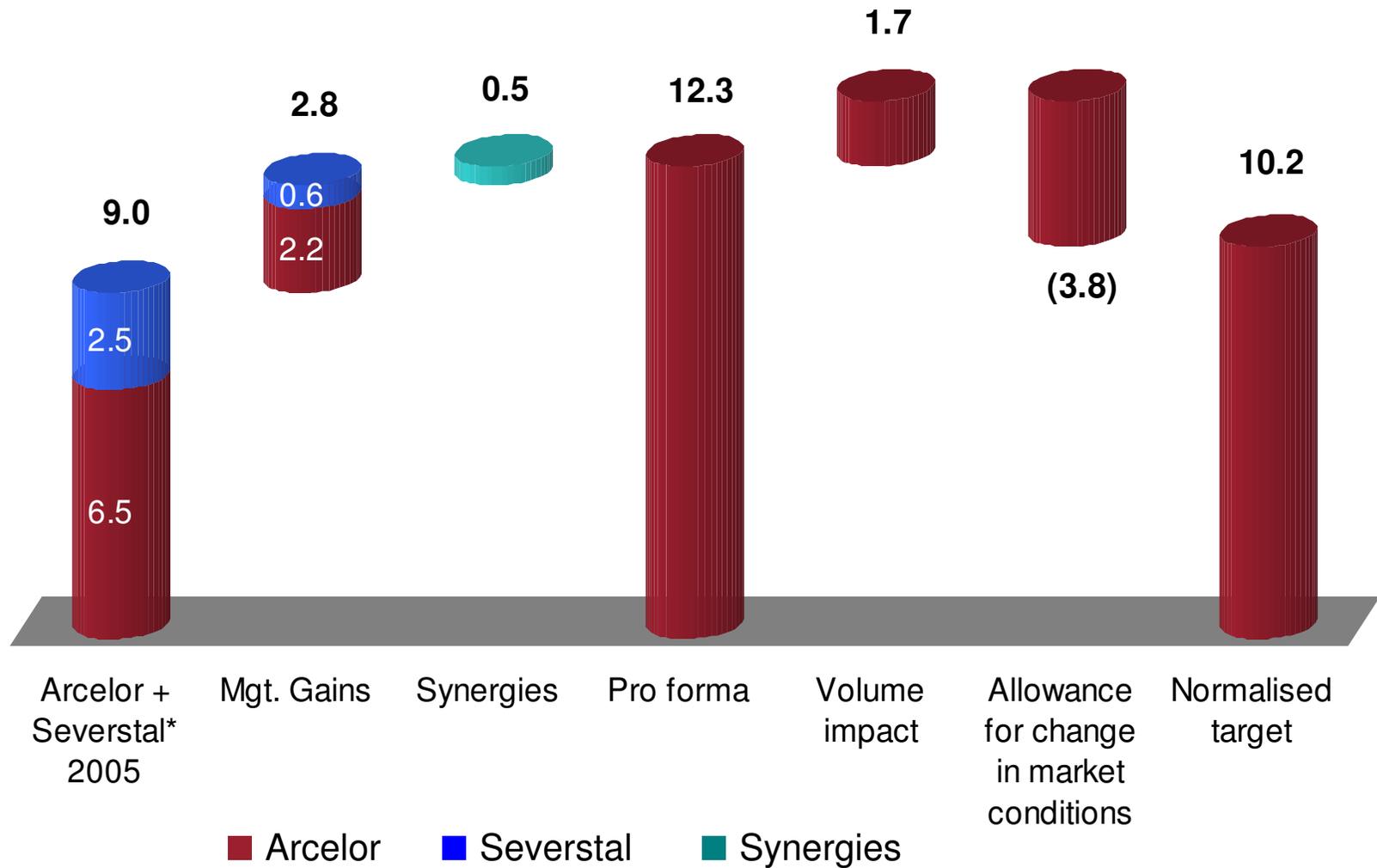
(2) With additional cash return of €6.5bn



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Enhancing the value plan

Target normalised EBITDA of over €10bn



* Arcelor pro forma for the acquisitions of Dofasco and Acesita. Severstal pro forma aggregate for the mining merger and Lucchini transfer

Capital management with financial flexibility



Cash generation and dividend

- Over €6bn of targeted operating free cash flow per annum
- Progressive dividend policy with 30% payout ratio across the cycle

Sustainable leverage

- Gearing of app. 21% / 55% ⁽¹⁾
- Net debt / EBITDA of 0.7x / 1.4x ⁽¹⁾

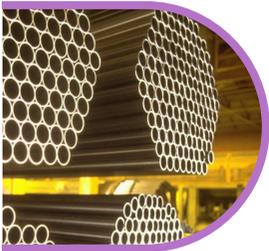
Improved credit profile

- Geographical and product diversification
- Vertical integration and physical hedge
- Increased resilience to cycle

Flexibility for:

- *Growth*
- *Further cash return to shareholders*

(1) Without and with additional cash return of €6.5bn



- Severstal transaction multiple of 5.6x 2005 EBITDA PF vs Arcelor valued at 6.0x 2005 EBITDA PF
- Synergies of €590m (€3.6 of value per share for existing Arcelor shareholders when valuing at 6x)
 - EBITDA synergies of €505m
 - Capex synergies of €85m
- Earnings accretive in the first year
- ROCE above 15% target
- Strong balance sheet allowing financial flexibility for growth and consolidation
- Up to €7.6bn cash to be returned to shareholders, including dividends and OPRA



- Long lasting partnership
- Strategic alliance discussion commenced in October 2002
- Efficient cooperation through training and joint ventures on high value-added products in Russia
 - JV Severgal for automotive products in Russia (April 2002)
 - JV Trefilarbed Rus for wire drawing activities (Mid 2005)
- Both companies have a successful track record of integrating acquisitions
- No restructuring cost to realise synergies
- No antitrust issues expected

High standards of corporate governance



- Continuation of Arcelor's best corporate governance model
- 1 share 1 vote
- All board members are non-executive
- 18 board members, at least 9 will be independent
- 3 Board Committees: Audit, Nomination & Remuneration, Strategic
 - All Audit Committee members independent
 - Independent Chairman of Nomination Committee
- Alexey Mordashov has agreed to vote his shares in accordance with the recommendation of the Board of Directors
- Key strategic decisions to be approved by simple majority at new Strategic Committee (2 independent members + 2 Severstal members)
- Alexey Mordashov to hold 25.01% of the OAO Severstal voting rights (but no economic rights) providing him with standard minority rights in Russia

High standards of corporate governance



- Joseph Kinsch: Chairman of the Board of Directors



- Alexey Mordashov: President of the Board of Directors and Chairman of the Strategic Committee



- Guy Dollé: Chief Executive Officer of the Company



- Arcelor executive management will remain in place supplemented by Severstal executives



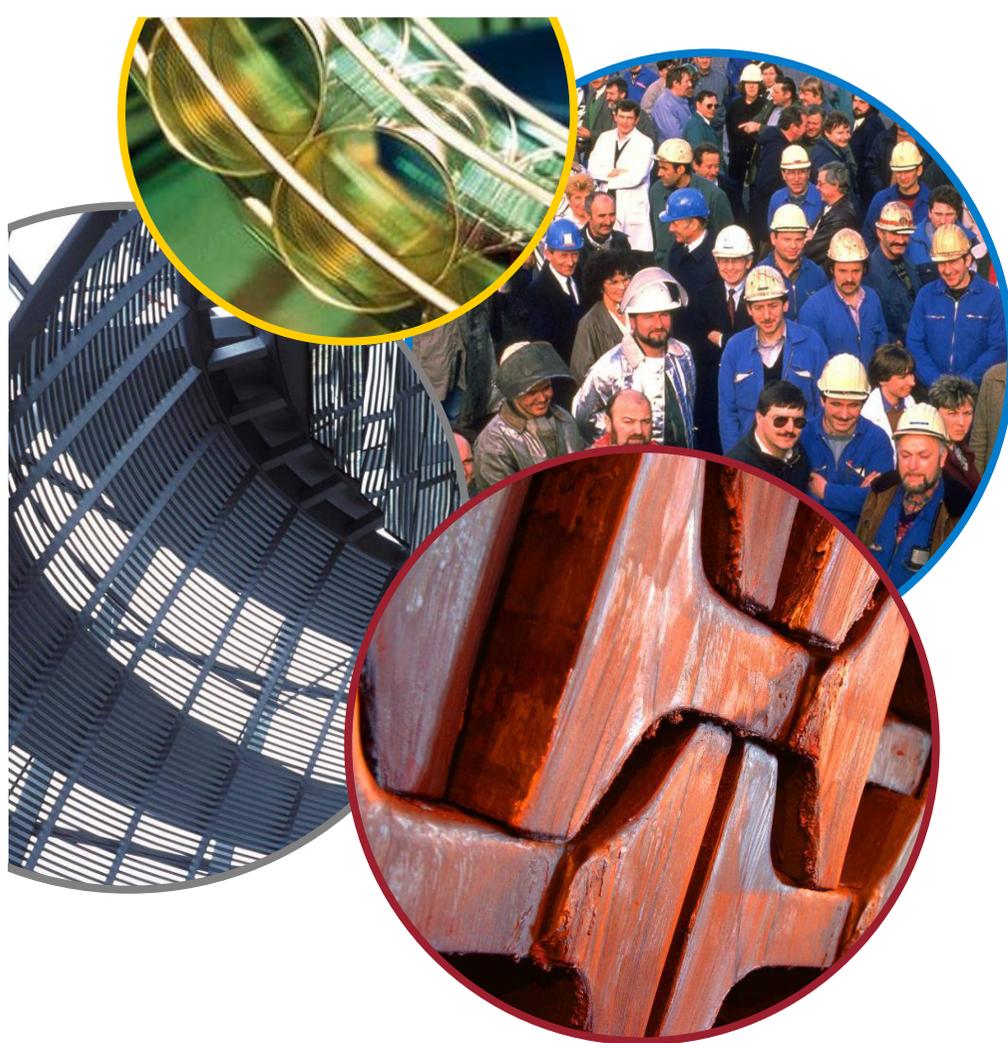
- Provides Arcelor's shareholders with an opportunity to review
 - Mittal Steel's offer
 - The Severstal merger



- Ultimate decision on Severstal merger going ahead will rest with Arcelor shareholders:

- Shareholders meeting
- Arcelor board decision will stand unless 50% of the issued share capital opposes the merger
- Automatic unwinding mechanism in case of success of Mittal Steel offer





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- Alexey Mordashov to transfer his mining assets and Lucchini to OAO Severstal



- Arcelor to receive:
 - 89.6%⁽¹⁾ of enlarged OAO Severstal (including foreign subsidiaries and mining assets)
 - €1.25bn in cash



- Alexey Mordashov to receive in exchange 295m of newly issued Arcelor shares at a value of €44 per share excluding dividend



- OAO Severstal remains listed in Moscow

(1) Final ownership percentage will depend on minorities exercise of pre-emption rights in mining merger

Key contractual arrangements



Conditions to closing

- Antitrust approvals: EU, Russia and North America
- Satisfactory completion of confirmatory due diligence



Lockup / Standstill

- Alexey Mordashov cannot acquire any additional shares of Arcelor for a period of 4 years
- Alexey Mordashov cannot sell any Arcelor share for 5 years except partial sell-down allowed of up to 5% after 2 years



Other

- Contract terminated if shareholders representing more than 50% of issued share capital oppose
- Automatic unwinding mechanism if Mittal Steel acquires more than 50% of Arcelor diluted share capital
- Optional unwinding for Alexey Mordashov within 3 months if Mittal Steel acquires less than 50% of Arcelor in the offer
- €140m reciprocal break up fee



Mandatory tender offer

- In addition to applicable regulatory requirements, Alexey Mordashov has agreed to launch a cash offer at fair value if he goes over 45% of Arcelor share capital



Week of May 30

Antitrust filing for Arcelor - Severstal merger

Mid-June

Arcelor and Severstal investor day
in Cherepovets



June 21

OPRA shareholder meeting



June 28

Meeting of shareholders to review the Arcelor
- Severstal merger and Mittal Steel offer*

Mid-July

Regulatory clearance



Mid-July

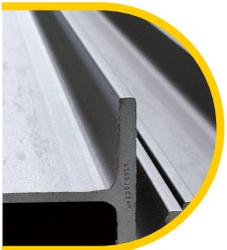
Closing of Arcelor - Severstal merger

** Date to be set after approval of Mittal Steel revised offer*



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THE GLOBAL STEEL CHAMPION



 arcelor

SeverStal

APPENDIX

SeverStal Group Overview





- Severstal-Group, CEO
- 40 years old
- Graduated from Leningrad Engineering-Economical Institute; holds MBA degree from Northumbria University Business School (UK)
- In years 1988-92 worked as senior economist at the Cherepovetskiy Metallurgical Plant
- In 1992 appointed as Chief Financial Officer of OAO Severstal
- In 1996 appointed as Chief Executive Officer of OAO Severstal
- In 2002 appointed as CEO of Severstal-Group. He is also the Chairman of the Board of Directors of OAO Severstal, OAO Severstal-Auto, and OAO Severstal-Resource
- Member of the international advisory boards of Lafarge and Deutsche Bank

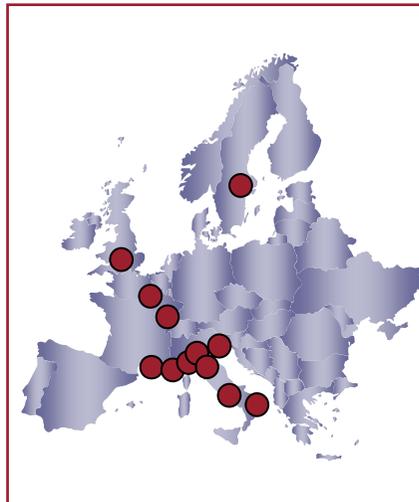
Site location



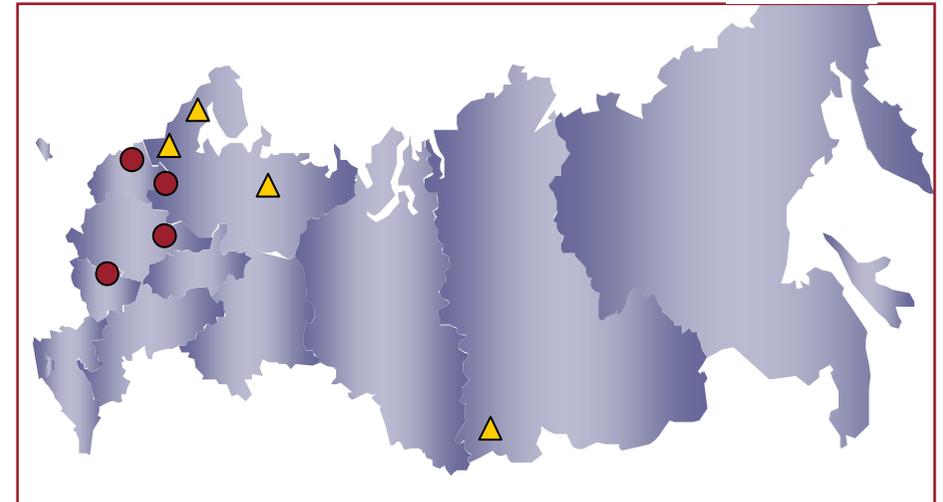
North America



Europe



Russia



● Steel & Rolling ▲ Mining

Severstal mining assets overview



Vorkutaugol

- Product range includes the production of coking and thermal coal
- The enterprise's structure is formed by 7 coal producers, concentrating factory, mechanical factory, coal sales management, supply management and some other subdivisions
- Annual output: 9 million tons of coal

Kuzbassugol

- Product range includes the production of coking coal
- Structure includes mines Fizkulturnik, Sibirskoe, Berezovskaya, Pervomaiskaya, Novaya and a range of auxiliary enterprises
- Annual output: 4 million tons of coal

Karelsky Okatysh

- The company specializes in mining and processing of ferruginous quartzites into high-quality iron-ore pellets
- In 2004 8 million tons of pellets were produced, with expected expansion to 11.5 mta by 2008

Olenegorskiy plant

- Company manufactures iron ore concentrate
- Annual concentrate production is 3.7 million tons

Severstal mining assets overview



Severstal: Key financials

Pro forma, 12 months ended 31 December (\$m)



Revenues

Russian Steel and Severstal North America ⁽¹⁾	7,973
Resources ⁽²⁾⁽⁴⁾	674
Lucchini ⁽³⁾	2,623
Total	\$11,270

2005



EBITDA

Russian Steel and Severstal North America ⁽¹⁾	2,129
Resources ⁽²⁾	632
Lucchini ⁽³⁾	367
Total	\$3,129



Net Income

Russian Steel and Severstal North America ⁽¹⁾	1,292
Resources ⁽²⁾	358
Lucchini ⁽³⁾	86
Total	\$1,736



Net Debt

Russian Steel and Severstal North America ⁽¹⁾	127
Resources ⁽²⁾	245
Lucchini ⁽³⁾⁽⁵⁾	689
Total	\$1,061

(1) As per audited consolidated IFRS financial statements

(2) Based on financial statements prepared in accordance to Russian GAAP. Underlying financial statements are audited by local auditors according to Russian Auditing Standards. The underlying financial statements were in Roubles and converted to US\$ for the convenience of the reader only

(3) Based on audited consolidated financial statements prepared in accordance to Italian GAAP, pro forma Sidermeccanica carve-out. Sidermeccanica carve-out adjustments are made over the consolidated results by using the management accounts on Sidermeccanica. The underlying financial statements were in Euros and converted to US\$ for the convenience of the reader only

(4) External sales only (as provided by the company), internal sales are eliminated for aggregation purposes

(5) Net debt figure is adjusted to include certain IFRS items

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Daniel Jamme Millau pour CEVM, Sir Norman Foster

New Milan Fair, Italy - Massimiliano FUKSAS architect - © Andrea RAFFIN

Le mur pour la paix, œuvre de l'artiste Clara Halter mise en architecture par Jean-Michel Wilmotte

Samyn and Partners, Marie-Françoise Plissard, Vercruysse & Dujardin

ARIAS Architectes; M. Monteaux, Photographe ; Sir Norman Foster, Architecte

Bäurle Peter, Designer ; DESIGN ATELIER CONCEPT

Lundström Magnus, Designer ; Photographe : M. Monteaux

Architectes: CHEMETOV Paul, HUIDOBRO Borja

Designer: TRAZZI Luca, VIRAGES

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