

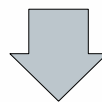


**Arcelor :
Strategies and experience with Russia**



ACERALIA

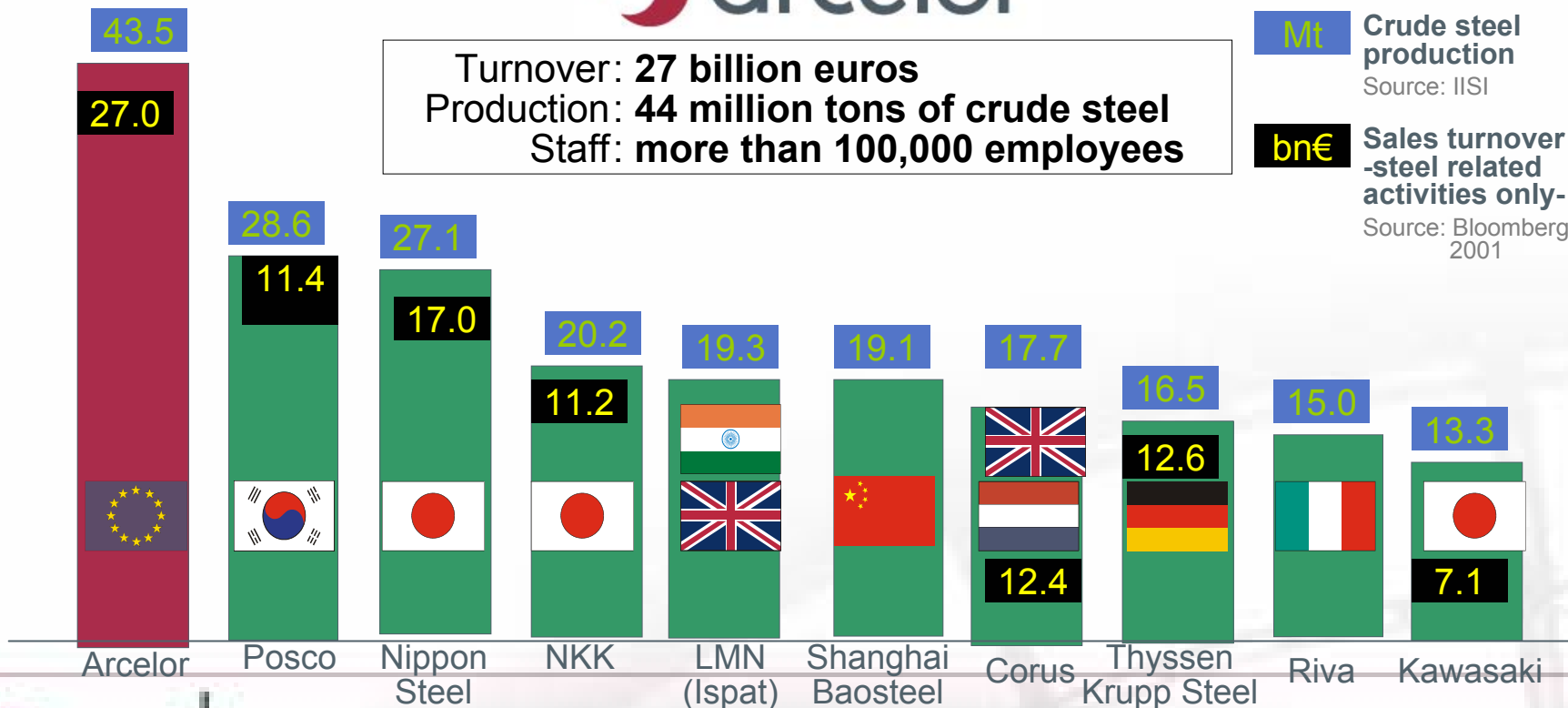
A ARBED



Turnover: **27 billion euros**
 Production: **44 million tons of crude steel**
 Staff: **more than 100,000 employees**

Mt Crude steel production
 Source: IISI

bn€ Sales turnover -steel related activities only-
 Source: Bloomberg 2001



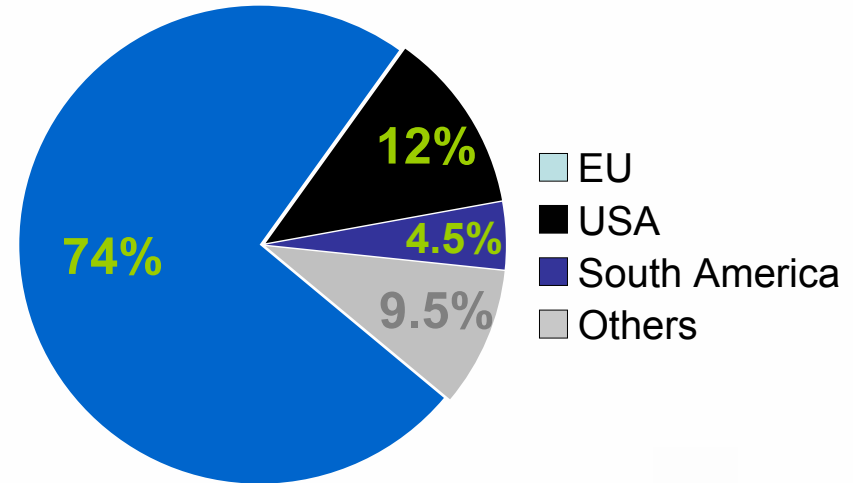
Arcelor in Russia

- Investment project (SeverGal)
- Sales of mill products
- Sourcing of semis and raw materials
- Trading
- Consulting
- Monitoring restructuring, privatization and consolidation
- Equipment and R&D

Focus on servicing steel consumers worldwide

- Long term commitment to customer-supplier partnerships
- Product and service differentiation
 - ▲ "Time-to-market"
 - ▲ Closeness to customer
 - ▲ Service quality
 - ▲ Customer retention
 - ▲ Technological breakthroughs
- 2 Strategic approaches
 - ▲ Commodities: cost-leadership, continuous improvement, service quality
 - ▲ Specialties: offer differentiation (product and service), partnership with the customer

Geographic profile (as % of turnover)



- Main steel consumer groups
 - ▲ Automotive and transportation
 - ▲ Construction and machinery
 - ▲ Packaging
 - ▲ Mechanical engineering
 - ▲ Household appliances

Automotive Sector

Severgal JV (25% Arcelor + 75% Severstal)

- Proximity to customer
- \$180 million, 400tpy HDG line
- Extragal Technology
- 100% dedicated to local automotive industry
- Construction under way. Start up – second half 2004
- The project is aimed at maturing Russian automotive industry with shifting consumption pattern towards HDG.

General industry

Construction

- Arcelor Construction covers 30% of EU market of corrugated profiles. Intends to establish roll-forming facilities in Russia.
- Sales of prepainted sheet ex Eko-Stahl will double this year

Niche products

- Sheet piling. Strong increase of orders for off-shore drilling and harbor projects
- Sales of HR plate of high steel grades to pipe industry
- Stainless steel. Maintaining status of market leader among the imported products.

Positioning of Arcelor's purchasing

Global expenditure: 19 bn€

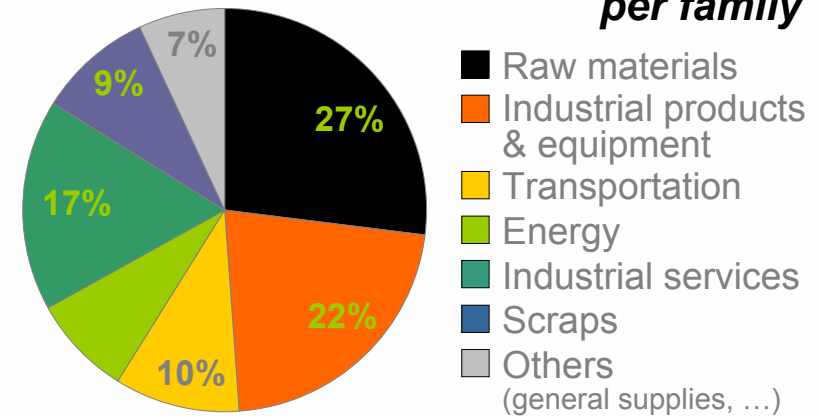
■ Operational impact

"Purchase spending accounts for **2/3** of sales revenues"

■ Organisation adapted to marketplace

- ▲ Global buyer/head buyer
 - Global suppliers: coal, iron ore...
 - Concentrated suppliers: electricity...
- ▲ Local buyers
 - Local suppliers: maintenance...

Arcelor's purchasing spending *per family*



Purchasing and Trading

Sourcing

- Due to sustainable cost advantage and increased export capacity outsourcing of raw materials and semis from Russia is important.
- Downside – high transportation cost
- Products - Iron ore, HRC.
- In future – slabs, billets, blooms, etc.

Trading

TradeARBED + Maison Mathieu = Arcelor International

- Clear separation between “mill” sales and trading
- Emphasis on margin, not volume
- Intentional global decrease in trading volume, increase in profitability. Target – 1 million tpy.

Strategic motivation of the merger

- Create value for customers, shareholders and employees
- Diversify markets: geographically and product range
- Take part in the global reorganization of the sector
- Deliver economies of scale
- Speed up the renewal of worldwide offer
- Focus research and development of new products

Global Leader in Steel



As global industry leader Arcelor:

- Leads global discussion on restructuring of steel industry.
- Monitors consolidation and latest industry trends in Russia.
- Provides advice to Russian steel companies. Arcelor Consultants.
- Promotes steel. “Made of Steel” campaign.

Equipment sales and cooperation in R&D

- Paul Wurth sharply increased supplies of equipment to Russia
- Cooperation between Eko-Stahl and Moscow Institute of Steel and Alloys
- Know-How transfer under SeverGal