

## **Arcelor Mittal Media Day**

**Brussels, 28 March 2007**

Good morning everyone and thank you for taking the time to join us today here in Belgium. I know many of you have travelled a long way to be here, so I hope you find the day informative and interesting.

The reason for today's meeting is to update you on the merger and integration progress. I know that many of you followed us closely during the merger process and continue to show a great deal of interest in the fortunes of the combined company. We may have been quiet, but I can assure you we have been very busy during this period and the aim of today is to share with you the fruits of our labour.

I am pleased to say that we have a very strong panel of speakers for you today, from across the company. They will each talk about their area of the business and discuss the opportunities and challenges they have faced during the integration process. But before I hand over to them I would also like to take a few moments to share with you my own experiences and thoughts of the merger process.

First of all I am really pleased by the way in which the new company has quickly aligned itself, starting right at the very top. The Group Management Board, which discusses and agrees strategic aim and direction, is very well aligned. We all see the opportunities ahead of us and have developed excellent relations, trust and confidence in each other. This alignment seems to be permeating well down through the organisation, both at the corporate and the unit levels. I have had the opportunity over the past nine months to visit a large number of the business units and I really have been pleased and impressed by what I have seen.

I believe this success is best explained by returning to two words which I used frequently during the first half of 2006: Industrial Logic. I am sure many of you are fed up by now with this expression, but it is important because it best defines the reasons why the integration is proving so successful. It was industrial logic that underpinned our merger, and it is industrial logic which is the foundation for the excellent results to date and – I hope – its future success.

Indeed I would happily say that the progress and experiences of the past nine months has surpassed even my own expectations. And as my colleagues can tell you I have pretty high expectations! I am confident that everything you see today will demonstrate how effectively the two companies have come together to create the best steel company in the world.

The basis for this success is that the two companies are entirely complementary and that by bringing them together, we have created something instantly which each of us was striving to create on our own but would have taken many years.

Last year at the World Steel Dynamics Annual Steel Success Strategies Conference, I laid out what I believed the optimum model of the future for steel companies would be in terms of ensuring maximum sustainability for stakeholders. It was clear to me that whilst value and sustainability are the ultimate aims – scale and diversification are the means by which to achieve them. I set out a number of reasons why this would be the case and it is interesting to re-cap on these now as we are in a position today to give positive examples on all of them.

First of all, I said that consolidation reduces volatility and improves stability as larger producers have better visibility into end demand and can balance supply according to demand. This has the benefit of creating a more sustainable operating environment which helps create a more stable earnings base which should help drive a re-rating for the sector. Arcelor Mittal is the only truly global diversified steel business and its creation has had considerable and immediate results from a financial perspective. Aditya will be talking about this in more detail during his presentation but I would just like to highlight the fact that on a pro forma basis EBITDA for the combined company has now been approximately US\$15 billion for the past three years, despite the two companies reporting more cyclical earnings through the period on account of market softness in particular areas. Only five years ago stakeholders would not have believed this possible.

Secondly, I spoke of the need for industrial leaders to have a presence in both the higher value developed markets and the fast growing emerging markets. ArcelorMittal enjoys such a profile and Michel will talk in some detail about our business in the enlarged Europe and how the expertise of the Western European operations is being leveraged to accelerate the progress of the Eastern European plants, enabling them to more quickly take advantage of the growing economies in which they are located.

I also spoke of the fact that our major customers are globalizing and consolidating and they increasingly require suppliers to follow them into the new regions to optimise production and performance. The obvious example is the automotive sector and Bernard Fontana will be presenting our new global automotive business and discussing the benefits this creates.

I spoke of a desire to create low-cost, high-quality integrated models in each major region. Lou Schorsch will give the example of our American business, where our enhanced profile across the South and North has enabled facility specialisation in slab sales; commercial co-ordination of trade flows and the supply of low-cost slabs to round out North American processing capability

I spoke of how consolidation fosters economies of scale, better returns and a greater ability to sustain R&D investments. Bill Scotting and Jerome Granboulan, who have co-headed the integration process, will be talking about how we are able to leverage from the vast knowledge and expertise within the enlarged company, from product quality to productivity, from R&D to markets. In fact I can confidently say that there is no part of the business which is not benefiting from performance enhancement.

And finally I spoke of the benefits of an integrated business model encompassing both downstream and upstream. Today we will share some more details with you about our ambitions plans for expanding our iron-ore capabilities and also how we are utilising the presence of AM3S service centres to sell directly to customers in more markets, cutting out traders. Both play an important role in creating a stronger, more robust business.

It is these factors that enable me to be able to stand in front of you today and say with confidence that integration is progressing well and that our merger is a success. Arcelor Mittal today has achieved what I believe is the optimum model for steel companies to deliver sustainable value. The results I hope, speak for themselves with the share price rising some 40% since the merger was announced.

Of course integration is just the opening chapter in the story of Arcelor Mittal. And even in this opening chapter whilst it is the main focus, it has not been to the detriment of growth opportunities. Successful integration allows us to move into the next stage of value creation and more importantly, delivering value through the cycle. So where do we go from here?

The opportunities are considerable and we have developed a growth strategy based on three components: Geography, Product and Value Chain.

Growth immediately conjures up the idea of mergers and acquisitions. We certainly expect M&A to play a role in our future growth and Aditya will elaborate on this in more detail. But we are equally excited about the opportunities for organic growth, which are considerable in a company of this size and scale.

We have particular opportunity in the developing countries, where there is considerable potential both in terms of increasing production and moving up the value chain. We have identified potential for low-cost brownfield expansion in four main countries - South America, Ukraine, South Africa and Kazakhstan, in line with demand growth in these regions. In Brazil, we are looking to increase slab capacity from 5mt to 7.5mt. In Argentina we will increase steel making capacity by 300,000 tons. In the Ukraine we intend to increase slab capacity from 7 million tons to 10 million tons. And in Kazakhstan and South Africa we are looking to effect capacity increase through upstream de-bottlenecking. Combined these will add a steel-making capacity of 9.5 million tons by 2010.

These developing markets are not only experiencing a growth in basic demand. As their economies continue to grow there is a growing requirement for higher quality grades of steel. Accordingly our investment program is designed to ensure we can meet these demands. In Poland for example we are upgrading the quality of hot rolled coil by construction of a new hot strip mill. In Kazakhstan we are constructing a new continuous caster and investing in downstream products. And in South Africa we are also investing in downstream value added products.

Aditya will focus in more detail about our M&A strategy, but I would just like to say that undoubtedly, as for many sectors, the BRICET countries, represent the most exciting opportunities, particularly India and China which are the powerhouses of industrial growth and steel demand.

It is these factors combined which lead me to have considerable confidence in the future of Arcelor Mittal. The enlarged and enhanced business profile of the new company has created not only the largest and most global steel company in the world, but also the most stable. This is an important point as stability is not a word historically associated with the steel industry. Indeed its lack of stability has been at the core of most of its problems.

Finally the whole steel industry is making steps towards becoming a more sustainable industry, through consolidation leading to better management of supply and demand. But the sector needs to be further consolidated, particularly in China where there are currently around several hundred steel companies in the country, which is far from efficient. Reassuringly the Chinese Government has recently announced ambitious plans to consolidate its industry, with the target being to create national champions, each with a 20-30 million ton capacity. It is important that a step in this direction is achieved.

I predict over the next few years, a handful of 200mt steel companies will emerge and I hope that Arcelor Mittal will certainly be at the forefront of that trend.

We are certainly well positioned to do so. Looking back over the past nine months, I realize how much has been achieved. The success and progress we have made is very much a team effort and I am delighted we have been able to build that team spirit and alignment so quickly and successfully. It bodes very well for the future.

Thank you very much.