

# Shaping the Steel Future

February 19, 2001



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## Joining forces to add value

- u ACERALIA, ARBED and USINOR have signed on February 19th, 2001 a memorandum of understanding establishing the guiding principles for building a new company
- u The three groups intend to create by merger the leader of the global steel industry

**MORE THAN 110 000 EMPLOYEES IN FOUR CONTINENTS**

**APPROX. EUR 30 BN SALES**

**46 MT OF CRUDE STEEL (2000)**



## Joining forces to add value

- u **ACERALIA, ARBED and USINOR made the decision to move ahead the globalisation of the steel industry**
  - è **To meet the requirements of globalized customers**
  - è **To optimise industrial capacities**
  - è **To deliver a positive response to shareholders' expectations**
  - è **To contribute as corporate citizens to strengthen European industrial capability**
  - è **To boost innovation and create new steel solutions**
  - è **To offer unique career opportunities, tailored to the ambitions of employees**



# Joining forces to add value

- u **Generating significant synergies**

- è Annual costs savings estimated at EUR 300 mio in 2003
- è Will gradually increase to reach EUR 700 mio in 2006
- è Capital expenditure savings close to EUR 350 mio over four years (2002-2005)

- u **Building on the unique industrial and commercial fit of ACERALIA, ARBED and USINOR to meet global customer needs**

- u **Boosting consolidation of steel industry: Newco grows in Europe to get capacity of growing outside Europe in close link with their key customers**



## Joining forces to add value

- u NewCo is based upon a strong basis of guidelines
  - è Entrepreneurship, innovation and profitability
  - è Dedication to steel solutions
  - è Men first: safety, welfare, skills improvement, respect of social and cultural diversities
  - è Care for future: acting as a corporate citizen to preserve environment



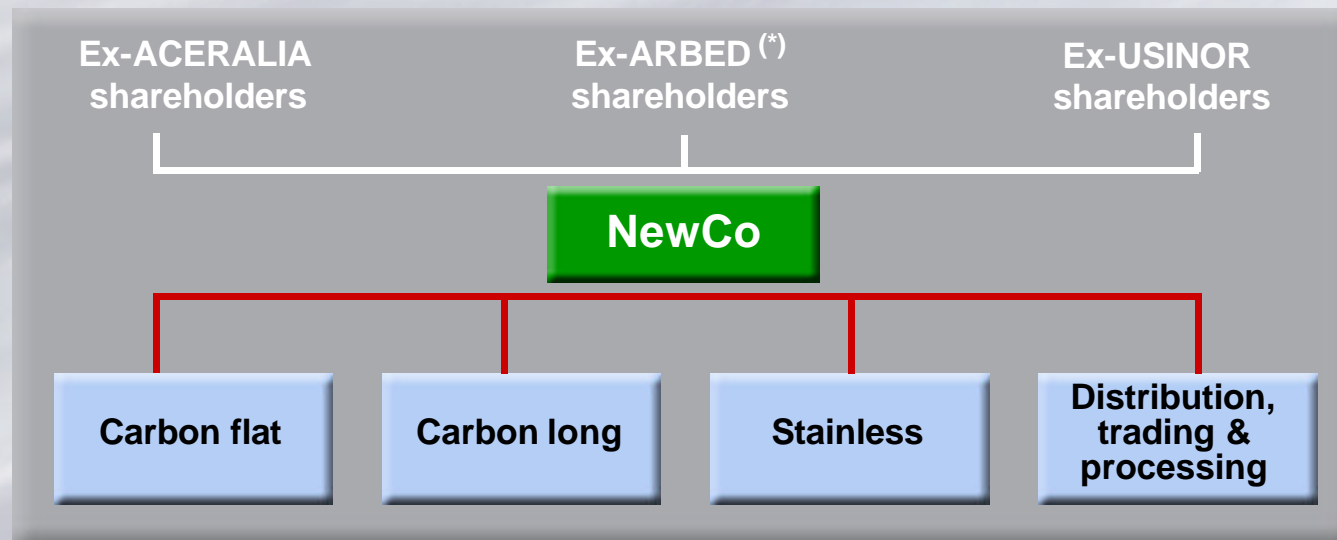


# I. Proposed Transaction



# Building an integrated company

- u Optimized corporate structure to achieve joint industrial and commercial plan



(\*) Minorities of Sidmar and ALZ to be part of the transaction



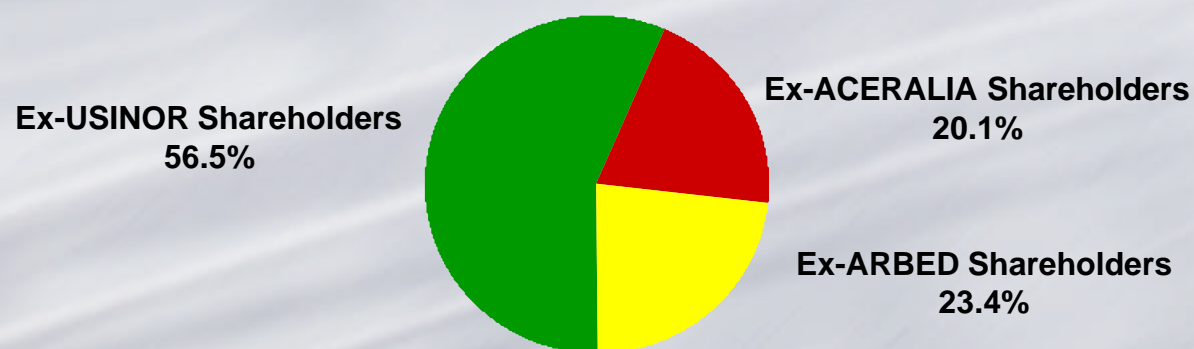


# Transaction overview

- Transaction form Three share-for-share exchange offers by a NewCo on ACERALIA, ARBED and USINOR
- Exchange ratios
  - 7 ACERALIA shares = 8 NewCo shares
  - 1 ARBED share = 10 NewCo shares
  - 1 USINOR share = 1 NewCo share

- Approximate pro-forma ownership <sup>(1)</sup>

Assuming conversion of in the money instruments and  
excluding cross-shareholdings and treasury stocks



(1) Assuming 100% acceptance, buyout of Sidmar & ALZ minorities



## Transaction overview (cont'd)

- |   |   |
|---|---|
| u Domicile  | Headquarters in Luxembourg                                  |
| u Initial listings                                | Euronext (Brussels and Paris),<br>Luxembourg, Madrid        |
| u Closing conditions                              | Antitrust approval<br>Other customary closing<br>conditions |
| u Minimum acceptance rate<br>(waivable condition) | 75% for the three offers                                    |
| u Expected closing                                | Fall 2001   |



## Attractive deal for all shareholders

- u Fundamental value of the three companies fully recognized
- u Net present value over EUR 2 bn will be unlocked and shared according to respective contributions
- u EPS impact for USINOR shareholders
  - è Neutral on a 2000 basis
  - è Accretive from the first full year of operations before synergies
- u Applied adjustment to market prices<sup>(1)</sup>:
  - è ACERALIA : 56%
  - è ARBED : 57%

(1) On the basis of the average share prices over the last three months



## II. Merger Benefits



## A Unique opportunity



Ongoing consolidation of a fragmented industry



## Transaction rationale

- u Cost and capex reduction
- u Optimization of the industrial configuration
- u Global product & service offering
- u Homogenous industrial & commercial presence in Europe
- u Improved opportunity to expand in other regions
- u Leveraged combined R&D forces
- u High visibility in the financial markets:  
increased liquidity and large free float (>75%)

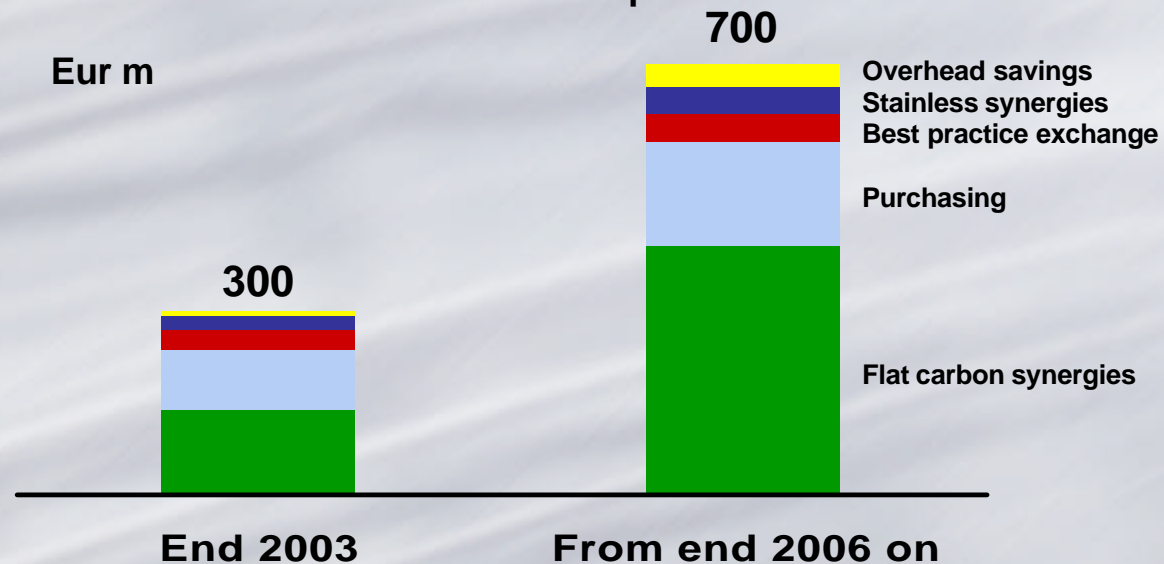
**Enhanced value for shareholders**





# Synergies

- u First Synergies achieved in 2002
- u Incremental synergies in addition to ongoing cost improvement programs already in place in each company
- u From 2006 onwards: > EUR 700 mio p.a <sup>(1)</sup>



(1) Cost savings, excluding capex savings. End of year synergies



# Transaction synergies

## Flat carbon synergies

- u Plant rationalization program:
  - è Allocation of the production to the most efficient upstream facilities (in this context, liquid steel capacity no longer needed in Charleroi)
  - è Restructuring and consolidation of the downstream facilities in line with key customers location
- u Best practices and technical know-how exchange



# Transaction synergies

## Stainless synergies

- u Hot phase optimization in Europe (e.g. upstream capacity increase in Genk)
- u Concentration of stainless production in Carlam, specialization of the Bremen mill
- u Dedication of cold rolling mills to customer needs and optimization of downstream investments
- u Best practices exchange (operations, R&D)
- u In the medium term, concentration of future steelmaking developments close to Carlam



# Transaction synergies

## Capex and purchasing synergies

- u Total capex savings will be close to EUR 350 mio over four years (2002-2005)
- u Purchasing synergies potential estimated at 2% of purchasing expenses after detailed review of all purchasing items



### III. NewCo Strengths



## Global footprint

- u Prime world-wide positions in carbon and stainless steel products
- u Strong industrial presence in Europe and South America and dense commercial network in North America
- u Increased potential through partnerships in Asia
- u Unmatched ability to assist clients in their global development

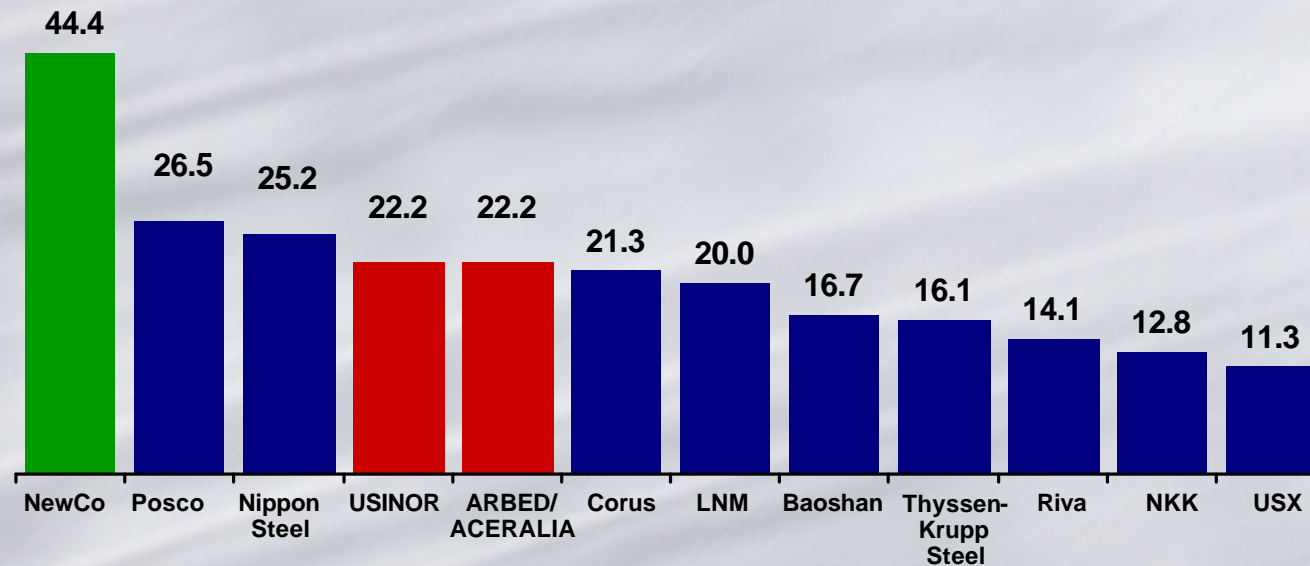




# Undisputable world leader

## Largest steel companies in 1999

(Million metric tons of crude steel output)



Source: IISI



# Strengthened world-wide presence

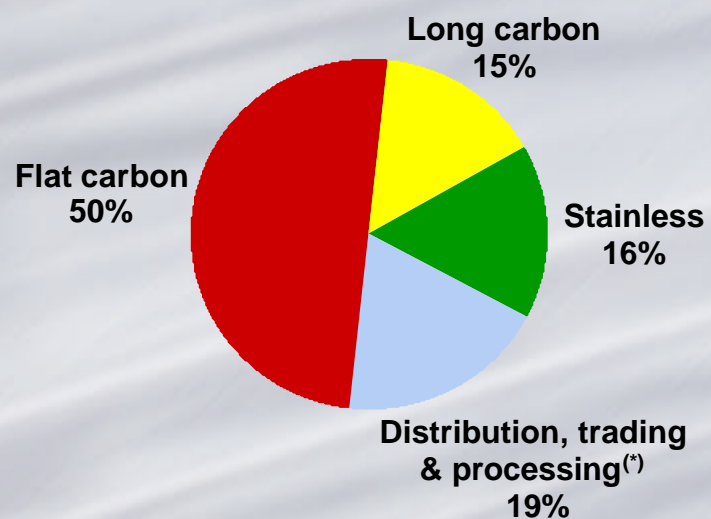
- u Dense North American network mainly for processing and distribution
- u Strong European footprint
  - è Most efficient flat carbon sites
  - è Modern mini-mills for long carbon products
- u State-of-the-art assets for production in South America
- u Growing activity in Asia through alliances and joint ventures
- u Global strategic alliance with Nippon Steel



# NewCo business profile

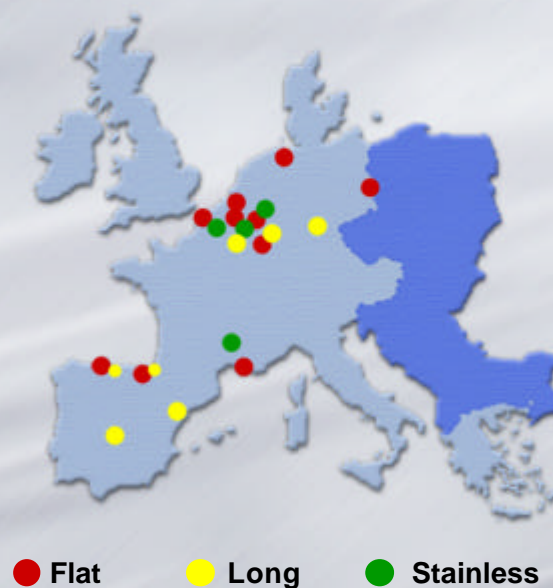
## NewCo product profile

Based on 2000 sales estimate



(\*) Including Others

## NewCo plants



## Largest flat carbon producer

- u Global leadership with 10% world-wide market share
- u Widest range of high value-added product mix (e.g. coated products, laser-welded blanks)
- u Focus on market segments with the highest profitability and growth
- u Combined Blast Furnace - mini-mills technology for flat products
- u Global leadership in the automotive market and largest supplier to the construction, packaging and home appliances industries
- u Investment in R&D projects to address core customers needs (e.g in surface quality or high resistance steels)



## **Largest long products producer**

- u **Undisputed leader in Europe**
- u **First producer for high-quality wire rod in South America**
- u **World's key supplier in most attractive segments (sheet piles and heavy sections)**
- u **High-performing state-of-the-art mini-mills**
- u **Strong wire drawing activities with leadership in South America**
- u **R&D leadership**



## Co-leader in stainless steel

- u One of the fastest growing metal industries (+6% p.a.)
- u World market share of 14%
- u Complementary & comprehensive product offering (e.g. cold-rolled, hot-rolled and mass market plates, specialties...)
- u Complementary distribution networks





## Distribution, trading & processing

- u Homogeneous industrial and commercial presence in Europe
- u Presence in over 65 countries will support global integration strategy:
  - è Leading position in distribution and customer service centers in the core markets
  - è Complementary activities (profiles, panels, welded tubes and other long products) to provide solutions to the construction market
- u Development of e-commerce solutions for clients



## IV. Business Organization and Management



## Board structure

- u 2 co-Chairmen: Joseph Kinsch & Francis Mer
- u Board composed of 15 members including the 2 co-chairmen
- u Its composition will reflect the global footprint of the NewCo
- u 6 meetings per year
- u 2 corporate governance committees
  - è Compensation and top management nomination
  - è Audit committee



# Executive management

**CEO: Fernand Wagner (63)**

**Senior Executive VPs:**

Corporate	Sectors
<ul style="list-style-type: none"><li>u <b>Jean-Yves Gilet (45)</b> Industrial Plan &amp; Synergies</li><li>u <b>Jean-Louis Ricaud (49)</b> Alliance with Nippon Steel</li><li>u <b>Guillermo Ulacia (47)</b> Sector Coordinator on Purchasing, R&amp;D and IT</li><li>u <b>Michel Wurth (47)</b> CFO</li></ul>	<ul style="list-style-type: none"><li>u <b>Guy Dollé (59)</b> Flat carbon products</li><li>u <b>Robert Hudry (55)</b> Distribution, Trading &amp; Processing</li><li>u <b>Roland Junck (46)</b> Long carbon products</li><li>u <b>Paul Matthys (52)</b> Stainless products</li></ul>



## V. Financials



## Financials: pro-forma 2000

- u Pro-forma 2000 sales of EUR 29 bn
- u Estimated pro-forma 2000 EBITDA margin of 12%
- u Estimated pro-forma 2000 EBIT margin of 8%
- u Estimated pro-forma Gearing <sup>(1)</sup> of approx. 55%

(1) Net financial debt / (Shareholders' equity including minority interests)

