Offering Circular dated 14 July 2004

ARCELOR FINANCE

(a société en commandite par actions incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, and registered with the Trade and Companies Register in Luxembourg (Registre de Commerce et des Sociétés) under number B 13.244)

Euro 100,000,000
5.50 per cent. Notes due 2014

The issue price of the Euro 100,000,000 5.50 per cent. Notes due 2014 (the "**Notes**") of ARCELOR FINANCE (the **"Issuer"** or **"ARCELOR FINANCE"**) is 101.97 per cent. of their principal amount.

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 15 July 2014.

The Notes will bear interest from 15 July 2004 at the rate of 5.50 per cent. per annum payable annually in arrear on 15 July in each year commencing on 15 July 2005. The Notes may be redeemed at any time in whole (but not in part) at their principal amount together with accrued interest at the option of the Issuer in the event of certain changes affecting taxation in the Grand Duchy of Luxembourg, as more fully described in "Terms and Conditions of the Notes – Redemption, Exchange and Purchase – Redemption for Taxation Reasons". Payments on the Notes will be made in Euro without deduction of or withholding for or on account of any present or future taxes imposed or levied by the Grand Duchy of Luxembourg, unless such deduction or withholding is required by law, to the extent described under "Terms and Conditions of the Notes – Taxation".

Application has been made to list the Notes on the Luxembourg Stock Exchange.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the **"Securities Act"**) and are subject to United States tax law requirements. The Notes are being offered outside the United States by the Managers (as defined in "Subscription and Sale") in accordance with Regulation S under the Securities Act (**"Regulation S"**), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will be in bearer form and in the denominations of Euro 1,000, Euro 10,000 and Euro 100,000. The Notes will initially be represented by a temporary global note (the **"Temporary Global Note"**), without interest coupons attached, which will be deposited on or around 15 July 2004 (the **"Closing Date"**) with a common depositary for Euroclear Bank, S.A./N.V. as operator of the Euroclear System (**"Euroclear"**) and Clearstream Banking, société anonyme, Luxembourg (**"Clearstream, Luxembourg"**). The Temporary Global Note will be exchangeable, in whole but not in part, for Notes in definitive form in the denominations of Euro 1,000, Euro 10,000 and Euro 100,000, with interest coupons attached, on or after 24 August 2004, being a date falling not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership.

Fortis Bank

Dexia Capital Markets **ING Belgium S.A./N.V.** **KBC International Group**

Banque et Caisse d'Epargne de l'Etat, Luxembourg **F. van Lanschot Bankiers N.V.**

*The Issuer has confirmed to the Managers named in "Subscription and Sale" (the **"Managers"**) that this Offering Circular contains all information regarding the Issuer, ARCELOR and its Subsidiaries (as defined below in Terms and Conditions of the Notes) taken as a whole (the **"Group"** or the **"ARCELOR Group"**), and the Notes which is (in the context of the issue and offering of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed in this Offering Circular are honestly held; and that there are no other facts in relation to the Issuer or the Group the omission of which would, in the context of the issue and offering of the Notes make such information, opinions, predictions or intentions misleading in any material respect; and all reasonable enquiries have been made by the Issuer to ascertain and to verify the accuracy of all such information and statements. The Issuer accepts responsibility for the information contained in this Offering Circular accordingly.*

The Issuer has not authorised the making of any representation or the provision of information regarding the Issuer, ARCELOR, the Group or the Notes other than as contained in this Offering Circular and, if made or given such representation or information should not be relied upon as having been authorised by the Issuer or the Managers.

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts included in this Offering Circular, including, without limitation, those regarding the Issuer's or the Group's financial position, business strategy, plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Issuer, the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Issuer's and/or the Group's present and future business strategies and the environment in which the Issuer and/or the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained herein to reflect any change in the Issuer's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, ARCELOR or the Group since the date of this Offering Circular.

This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes. This Offering Circular may not be used for any purpose other than that for which it has been published.

The distribution of this Offering Circular and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Offering Circular and other offering material relating to the Notes, see "Subscription and Sale".

In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered in the United States or to, or for the account or benefit of, U.S. persons.

*In this Offering Circular, unless otherwise specified, references to **"EUR"**, **"€"** or **"Euro"** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.*

Certain figures included in this Offering Circular have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In connection with the issue of the Notes, Fortis Bank S.A./N.V. (the "Stabilising Manager") (or any person acting for the Stabilising Manager) may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period. However, there may be no obligation on the Stabilising Manager (or any agent of the Stabilising Manager) to do this. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilising shall be in compliance with all applicable laws, regulations and rules.

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DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

– the Issuer's annual report for the 2002 and 2003 financial years (available in the French language only), containing amongst other the audited non-consolidated annual financial statements of ARCELOR FINANCE as at, and for the years ended 31 December 2002 and 31 December 2003;

– the annual report for the 2002 and 2003 financial years of ARCELOR, containing amongst other the audited consolidated annual financial statements of ARCELOR as at, and for the years ended 31 December 2002 and 31 December 2003;

– the first quarter 2004 report of ARCELOR, containing amongst other the unaudited consolidated financial statements of ARCELOR as at, and for the three month period ended, 31 March 2004.

The Issuer will, at the specified office of any Paying Agent for the time being during normal business hours, provide, free of charge, upon oral or written request, a copy of this Offering Circular (or any document incorporated by reference in this Offering Circular). Written or oral requests for such documents should be directed to the specified offices of any Paying Agent or the specified office of the Listing Agent in Luxembourg.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive form:

The issue of the Euro 100,000,000 5.50 per cent. notes due 2014 (the **"Notes"**) of ARCELOR FINANCE (the **"Issuer"**) was authorised pursuant to the decision of the meeting of the Board of Directors of ARCELOR on 21 June 2002, the decision of the meeting of the Board of Directors of ARCELOR held on 27 June 2003 and a decision of the meeting of the Board of Management of ARCELOR held on 15 June 2004, in each case in its capacity as *Gérant* of ARCELOR FINANCE. The Notes are issued with the benefit of a fiscal and paying agency agreement (the **"Agency Agreement"**) dated as of 14 July 2004 between the Issuer and Banque Générale du Luxembourg, S.A. as fiscal agent and principal paying agent (the **"Fiscal Agent"**, which expression shall, where the context so admits, include any successor for the time being as Fiscal Agent) (together with any additional paying agents appointed thereunder from time to time, the **"Paying Agents"**, which expression shall, where the context so admits, include the Fiscal Agent and any successors for the time being of any Paying Agent).

Holders of the Notes (the **"Noteholders"**) and holders of interest coupons (the **"Couponholders"**) appertaining to the Notes (the **"Coupons"**) are deemed to have notice of the provisions of the Agency Agreement applicable to them. Certain statements in these Terms and Conditions are summaries of, and are subject to, the detailed provisions of the Agency Agreement, copies of which are available for inspection at the specified office of any Paying Agent. References below to "Conditions" are, unless the context otherwise requires, to the numbered paragraphs below.

1. Form, Denomination and Title

The Notes are serially numbered and are issued in bearer form in denominations of Euro 1,000, Euro 10,000 and Euro 100,000, each with Coupons for interest attached. Notes of one denomination may not be exchanged for Notes of any other denomination.

Title to the Notes and Coupons passes by delivery. The Issuer and any Paying Agent may, to the fullest extent then permitted by applicable law, treat the holder of any Note or Coupon as the absolute owner thereof (whether or not such Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing thereon or any notice or previous loss or theft or other interest therein) for the purpose of making payments and for all other purposes hereunder.

2. Status of the Notes and Coupons

The Notes and Coupons constitute direct, unconditional, unsecured (subject to the provisions of Condition 4 below) and unsubordinated obligations of the Issuer and rank and will rank at all times *pari passu* without any preference or priority among themselves and (subject to such exceptions as are from time to time mandatory under Luxembourg law) equally and rateably with all other present or future unsecured and unsubordinated obligations (including indebtedness and guarantees) of the Issuer.

3. Definitions for the purposes of these Conditions

"ACERALIA" means ACERALIA CORPORACIÓN SIDERÚRGICA, SA, a *sociedad anónima* incorporated under Spanish law which has its registered office at Residencia la Granda, Gozón (Asturias), Spain, registered with the *Registro Mercantil de Asturias*, Tomo 2279, folio 115, no. AS-17946, *inscripción* 2.

"ARBED" means ARBED, a *société anonyme* incorporated under Luxembourg law which has its registered office at 19 avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg and registered with the Trade and Companies Register in Luxembourg *(Registre de Commerce et des Sociétés)* under the number B 6.990.

"ARCELOR" means ARCELOR, a *société anonyme* incorporated under Luxembourg law, which has its registered office at 19 avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg and registered with the Trade and Companies Register in Luxembourg *(Registre de Commerce et des Sociétés)* under the number B 82.454 and which is the sole manager (*gérant*) and an *actionnaire commandité* of the Issuer.

"Applicable Accounting Standards" means the International Financial Reporting Standards ("IFRS") adopted by IASB (International Accounting Standards Board) as amended from time to time.

"Asset(s)" of any Person means, all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital, wherever situated.

"Consolidated Financial Statements" means the most recently published:

(a) audited annual consolidated financial statements of ARCELOR, as approved by the annual general meeting of its shareholders and certified by an independent auditor; or, as the case may be,

(b) unaudited (but subject to a "review" from an independent auditor) consolidated half-year financial statements of ARCELOR, as approved by its Board of Directors,

in each case prepared in accordance with Applicable Accounting Standards.

"Existing Security" means any Security granted by any Person over its Assets in respect of any Relevant Indebtedness and which is existing at the Closing Date (as defined in Condition 5) or at the time any such Person becomes a Shareholder or a Material Subsidiary or whose business and/or activities, in whole or in part, are assumed by or vested in the Issuer, ARCELOR or any other existing Shareholder or a Material Subsidiary after the Closing Date (other than any Security created in contemplation thereof) or any substitute Security created over those Assets (or any part thereof) in connection with the refinancing of the Relevant Indebtedness secured on those Assets provided that the principal, nominal or capital amount secured on any such Security may not be increased.

"Group" means ARCELOR and its Subsidiaries taken as a whole.

"Material Subsidiary" means any Subsidiary of ARCELOR which is not incorporated in Brazil and whose total assets exceed 2 per cent. of the consolidated total assets of ARCELOR and/or whose turnover exceeds 2 per cent. of the consolidated turnover of ARCELOR,

where:

(a) the total assets and/or turnover, as the case may be, of any such Subsidiary means its total assets and/or turnover contribution, as the case may be (or its consolidated total assets and/or turnover contribution, as the case may be, in the case of any such Subsidiary being consolidated by ARCELOR as a sub-group of it), as measured by reference to the latest financial reporting package of any such Subsidiary used for the purposes of the preparation of the Consolidated Financial Statements, adjusted, where necessary, in line with the accounting policies and practices used from time to time in the preparation of such Consolidated Financial Statements, and

(b) consolidated total assets and/or turnover, as the case may be, of ARCELOR means the consolidated total assets and/or turnover of ARCELOR, as the case may be, as shown in the Consolidated Financial Statements.

"Permitted Security" means:

(a) any Existing Security; or

(b) any Security granted in respect of or in connection with any Securitisation Indebtedness.

"Person" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case, whether or not having separate legal personality).

"Rating Agency" means any of Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. or Moody's Investors Service, Inc. (or, in each case, any successor rating agency thereto).

A **"Rating Downgrade"** shall be deemed to have occurred in respect of a Material Subsidiary Insolvency Event (as defined in Condition 9(d)(ii)), if the rating assigned by any Rating Agency to the long-term, unsecured and unsubordinated indebtedness of the Issuer and ARCELOR immediately prior to or on the effective date of such Material Subsidiary Insolvency Event, is reduced within the period of 60 days immediately following the effective date of such Material Subsidiary Insolvency Event.

"Relevant Indebtedness" means any indebtedness for borrowed money represented by bonds, notes or other debt instruments which are for the time being quoted or listed, or capable of being quoted or listed, on any stock exchange or other similar regulated securities market.

"Securitisation Indebtedness" means any Relevant Indebtedness which is incurred in connection with any securitisation, asset repackaging, factoring or like arrangement or any combination thereof of any assets, revenues or other receivables where the recourse of the Person making the Relevant Indebtedness available or entering into the relevant arrangement or agreement(s) is limited fully or substantially to such assets or revenues or other receivables.

"Security" means any mortgage, charge, pledge or other real security interest (*sûreté réelle*).

"Shareholders" means, at any time, any person which is at that time an unlimited liability shareholder (*actionnaire commandité*) of the Issuer and which, at the Closing Date (as defined below in Condition 5) are ACERALIA, ARBED, ARCELOR and USINOR.

"Subsidiary" means (i) in relation to any Person (other than ARCELOR) at any time, any other Person (whether or not now existing) more than 50 per cent. of whose voting rights attaching to the share capital (or the like) is then owned, held or controlled, directly or indirectly, by such Person and (ii) in relation to ARCELOR at any time, any Person which satisfies the provisions of (i) above and which is consolidated on a fully integrated basis in the latest Consolidated Financial Statements.

"USINOR" means USINOR, a *société anonyme* incorporated under the laws of France which has its registered office at Immeuble "Le Pacific", 11-13 cours Valmy, la Défense 7, 92070 La Défense Cedex, France, registered with the *Registre du Commerce et des Sociétés* of Nanterre under No. 562 094 425.

4. Negative Pledge

The Issuer covenants that so long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Issuer will not, and will procure that none of ARCELOR, any of the other Shareholders or any Material Subsidiary will, create or permit to subsist any Security upon any of their respective Assets, present or future, to secure any Relevant Indebtedness incurred or guaranteed by it, by ARCELOR, by any such other Shareholder or any Material Subsidiary (whether before or after the issue of the Notes) other than Permitted Security unless the obligations of the Issuer under the Notes are (i) equally and rateably secured so as to rank *pari passu* with such Relevant Indebtedness or the guarantee thereof or (ii) benefit from any other Security or arrangement as shall be approved by the Noteholders in general meeting.

5. Interest

(a) Each Note bears interest on its principal amount from and including 15 July 2004 (the **"Closing Date"**) to (but excluding) 15 July 2014 at the rate of 5.50 per cent. per annum payable annually in arrear on 15 July in each year (each an **"Interest Payment Date"**) commencing on 15 July 2005.

(b) Interest will cease to accrue on each Note on the due date for redemption thereof unless, upon such due date, payment of principal is improperly withheld or refused or if default is otherwise made in respect of payment thereof. In such event, interest will continue to accrue at the rate per annum as specified in the preceding paragraph (as well after as before judgment) on the principal amount of such Note until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder, and (ii) the day falling 7 days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all Notes up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions following such notification).

(c) Interest will be calculated on an Actual/Actual (ISMA) basis. If interest is required to be calculated in respect of a period which is equal to or shorter than an Interest Period (as defined below), the day count fraction used will be the number of days elapsed in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last). The period beginning on the Closing Date and ending on the first Interest Payment Date and each successive period beginning on an Interest Payment Date and ending on the next successive Interest Payment Date is called an **"Interest Period"**.

6. Redemption, Exchange and Purchase

The Notes may not be redeemed otherwise than in accordance with this Condition 6.

(a) Final Redemption

Unless previously redeemed, exchanged or purchased and cancelled as provided below, the Notes will be redeemed at their principal amount on 15 July 2014 (the **"Maturity Date"**).

(b) Redemption for Taxation Reasons

If, by reason of a change in Luxembourg law, or any change in the official application or interpretation of such law, becoming effective after the Closing Date, the Issuer would, on the occasion of the next payment of principal or interest due in respect of the Notes or Coupons, not be able to make such payment without having to pay additional amounts as specified under Condition 8, the Issuer may, at any time, subject to having given not more than 60 nor less than 30 days' prior notice to the Noteholders (which notice shall be irrevocable), in accordance with Condition 11, redeem all, but not some only, of the Notes at their principal amount with accrued interest (if any) to the date set for redemption provided that the due date for redemption of which notice hereunder may be given shall be no earlier than the latest practicable date on which the Issuer could make payment of principal and interest without withholding for Luxembourg taxes. The Issuer shall ensure that the Luxembourg Stock Exchange is promptly informed of any redemption under this Condition 6(b).

(c) Exchange

Nothing in these Conditions shall prevent the Issuer from making any offers to the Noteholders to exchange their Notes (together with all unmatured Coupons attached thereto or surrendered therewith) for other bonds or notes issued by the Issuer.

(d) Purchases

The Issuer, ARCELOR and any of their respective Subsidiaries or affiliates may at any time purchase Notes (together with all unmatured Coupons attached thereto or surrendered therewith) in the open market or otherwise at any price.

(e) Cancellation

All Notes which are redeemed, exchanged or purchased pursuant to paragraph (c) or (d) of this Condition 6 may either be held or retransferred or resold or be surrendered for cancellation by surrendering each such Note (together with all unmatured Coupons attached thereto or surrendered therewith) to the Fiscal Agent and, if so surrendered shall be cancelled forthwith (together with all such unmatured Coupons attached thereto or surrendered therewith) and accordingly may not be reissued or resold.

7. Payments

(a) Method of Payment

Payments of principal and interest in respect of any Note or Coupon will be made in Euro to the bearer upon presentation and surrender (or, in the case of a partial payment, endorsement) of the relevant Note or Coupon, as the case may be, at the specified office of any Paying Agent by credit or transfer to a Euro denominated account maintained by the payee with a bank in a city which has access to the TARGET System (as defined below) or, at the option of the payee, by a cheque drawn in Euro on a bank in the Eurozone or by payment in cash. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.

(b) Payments Subject to Laws

Payments in respect of principal and interest on the Notes will, in all cases, be made subject to any fiscal or other laws and regulations or orders of courts of competent jurisdiction applicable in respect of such payments in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged by the Issuer or any Paying Agent in such capacity to the Noteholders or Couponholders in respect of such payments.

(c) Surrender of Unmatured Coupons

Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date (as defined in Condition 8) for the relevant payment of principal.

(d) Payments on Business Days

A Note or Coupon may only be presented for payment on a day which is a Business Day (as defined below) in the place of presentation (and, in the case of payment by transfer to a Euro account, a day on which the TARGET System is operating). No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this paragraph falling after the due date.

For the purposes of these Conditions, **"Business Day"** means any day, not being a Saturday or a Sunday, (i) on which commercial banks and foreign exchange markets are open for general business in the relevant city and (ii) which is a TARGET Business Day; **"TARGET System"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer System; and **"TARGET Business Day"** means any day on which the TARGET System is open.

(e) Fiscal Agent

The name and specified office of the initial Fiscal Agent are as follows:

FISCAL AGENT
Banque Générale du Luxembourg S.A.
50, avenue J.F. Kennedy
L-2951 Luxembourg

The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent or any Paying Agent and/or appoint another Fiscal Agent or Paying Agent and additional or other Paying Agents or approve any change in the office through which the Fiscal Agent or any Paying Agent acts, provided that there will at all times be (i) a Fiscal Agent having a specified office in a European city, (ii) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, a Paying Agent having a specified office in Luxembourg (which may be the Fiscal Agent) and (iii) if any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to such Directive is introduced, the Issuer will ensure that, to the extent such State exists, it maintains a Paying Agent in an EU Member State that will not be obliged to withhold or deduct tax pursuant to such Directive or law. Any notice of a change in Fiscal Agent or Paying Agent or their specified office shall be given to Noteholders as specified in Condition 11.

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Grand Duchy of Luxembourg or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as may be necessary in order that the holder of each Note or Coupon, as the case may be, after such deduction or withholding, will receive the full amount then due and payable thereon in the absence of such deduction or withholding; provided, however, that the Issuer shall not be liable to pay any such additional amounts in respect of any Note or Coupon presented for payment:

(a) by or on behalf of a holder who is subject to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with the Grand Duchy of Luxembourg other than the mere holding of such Note or Coupon; or

(b) more than 30 days after the Relevant Date (as defined below), except to the extent that the holder thereof would have been entitled to such additional amounts on the last day of such period of 30 days; or

(c) where such deduction or withholding is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusion of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive (as more fully described below under General Information); or

(d) by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union.

For this purpose, the **"Relevant Date"** in relation to any Note or Coupon means whichever is the later of (A) the date on which the payment in respect of such Note or Coupon first becomes due and payable, and (B) if the full amount of the moneys payable on such date in respect of such Note or Coupon has not been received by the Fiscal Agent on or prior to such date, the date on which notice is given to Noteholders that such moneys have been so received.

References in these Conditions to principal and interest shall be deemed also to refer to any additional amounts which may be payable under the provisions of this Condition 8.

9. Events of Default

Any Note may, by written notice given to the Fiscal Agent at its specified office by the relevant Noteholder, be declared immediately due and repayable in any of the events set forth below (each **"an Event of Default"**), whereupon such Note shall without further formality become immediately due and payable at its principal amount, together with interest accrued to (but excluding) the date of repayment, unless prior to the receipt of such notice by the Fiscal Agent the relevant Event of Default shall have been cured:

(a) if any amount of principal or interest on any Note shall not be paid on the due date thereof and such default shall not be remedied within a period of 20 days; or

(b) if default is made by the Issuer in the due performance or observance of any other obligation of the Issuer in these Conditions and such default continues for a period of 40 days following receipt of a written notice of such default by the Fiscal Agent from any Noteholder; or

(c) if any present or future financial indebtedness of any of the Issuer, ARCELOR, any of the other Shareholders or any Material Subsidiary in respect of monies borrowed or raised, other than the Notes and any moneys borrowed or raised by the Issuer, ARCELOR, any such other Shareholder or any Material Subsidiary from any other member of the Group (as defined in Condition 3 above), shall not be paid when it shall become due and payable on its stated maturity date (following the giving of such notice, if any, as is required under the document governing such indebtedness and as extended by any applicable grace period) or becomes due and payable prior to its stated maturity by reason of the occurrence of a default or event of default, or the Issuer, ARCELOR, any of the other Shareholders or any Material Subsidiary fails to pay when due any amount payable by it under any present or future guarantees for, or indemnity in respect of, any such financial indebtedness (other than in respect of any such guarantee or indemnity granted in favour of any other member of the Group) (i) unless the aggregate amount of all such financial indebtedness or guarantees or indemnities is less than €50,000,000 or its equivalent in any other currencies or (ii) unless the Issuer, ARCELOR, any such other Shareholder or any such Material Subsidiary, as the case may be, has disputed in good faith by appropriate proceedings that such financial indebtedness is due or such guarantees or indemnities are callable, in which event such default shall not constitute an event of default hereunder so long as the dispute shall not have been finally adjudicated against the Issuer, ARCELOR, any such other Shareholder or any such Material Subsidiary, as the case may be; or

(d) (i) if the Issuer, ARCELOR or any of the other Shareholders is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or presents a request for controlled management (*gestion contrôlée*) or is granted a moratorium on payments or is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts within the meaning of any applicable law, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or any arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer, ARCELOR or any of the other Shareholders or any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the foregoing events; or

(ii) if any Material Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or presents a request for controlled management (*gestion contrôlée*) or is granted a moratorium on payments or is unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts within the meaning of any applicable law, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or any arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of any such Material Subsidiary or any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the foregoing events (in each case, a **"Material Subsidiary Insolvency Event"**), provided that no Event of Default under this paragraph (ii) will occur in relation to any such Material Subsidiary Insolvency Event unless (x) the credit rating assigned by any Rating Agency to the long-term, unsecured and unsubordinated indebtedness of the Issuer and ARCELOR within the period of 60 days immediately following such Material Subsidiary Insolvency Event is less than the credit rating assigned by such agency to the long term, unsecured and unsubordinated indebtedness of the Issuer and ARCELOR immediately prior to or on the effective date of such Material Subsidiary Insolvency Event and (y) a Rating Agency making a Rating Downgrade publicly announces or confirms that such Rating Downgrade was the result of any event or circumstance comprised in or arising as a result of, or in respect of, such Material Subsidiary Insolvency Event; or

(e) if any of the Shareholders ceases to be an *actionnaire commandité* of the Issuer unless (i) such Shareholder unconditionally and irrevocably guarantees all of the obligations of the Issuer under the Notes, (ii) all or substantially all of its assets and business are transferred to one or more of the remaining Shareholders or (iii) such Shareholder has ceased to carry on all or substantially all of its business and such business that has been ceased has continued to be carried on by one or more of the remaining Shareholders.

10. Representation and Meetings of Noteholders and Modification of Agency Agreement

(a) Representation and Meetings of Noteholders

Pursuant to the provisions of articles 86-95 of the law of the Grand Duchy of Luxembourg of 10 August 1915 on Commercial Companies, as amended by the provisions of the law of 9 April 1987 (the **"Luxembourg Company Law"**), relating to the representation and meetings of noteholders, Noteholders can organise and meet themselves and appoint one or more representative(s) towards the Issuer, all in accordance with the procedures set forth in the Luxembourg Company Law.

(b) Modification of Agency Agreement

The Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

(i) any modification (except as mentioned above) of the Agency Agreement which is not prejudicial to the interest of the Noteholders; or

(ii) any modification of the Notes, the Coupons or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 as soon as practicable thereafter.

11. Notices

Any notice to the Noteholders will be valid if published, (i) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of that Exchange so require, in a leading daily newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe and (ii) in the *Mémorial C, Journal Officiel du Grand-Duché de Luxembourg, Recueil des Sociétés et Associations* (the ***"Mémorial"***) to the extent required by Luxembourg law. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

12. Prescription

Claims against the Issuer for the payment of principal and interest in respect of the Notes and Coupons shall become void unless presentation for payment is made as required by Condition 7 within ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the appropriate Relevant Date.

13. Replacement of Notes and Coupons

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Fiscal Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

14. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further securities (either having the same terms and conditions as the Notes in all respects or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding Notes or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

15. Governing Law and Jurisdiction

(a) Governing law

The Notes and the Coupons are governed by, and shall be construed in accordance with, Luxembourg law.

The Agency Agreement is governed by, and shall be construed in accordance with, Luxembourg law.

(b) Jurisdiction

The courts of the city of Luxembourg shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Coupons (the **"Proceedings"**) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, expected to amount to Euro 99,925,000, will be used by the Issuer for general corporate purposes of the Issuer and the Group, including the refinancing of existing debt of the Group and the consequential lengthening of its debt repayment schedule.

DESCRIPTION OF ARCELOR FINANCE

General

ARCELOR FINANCE was initially incorporated for an unlimited period in Luxembourg on 9 October 1975 as a *société à responsabilité limitée* (limited liability company) under Luxembourg law under the name of MecanARBED and registered with the *Registre de Commerce et des Sociétés* à Luxembourg under number B 13.244.

At an extraordinary general meeting held on 14 June 2002, the legal form of ARCELOR FINANCE was changed into that of a *société en commandite par actions* governed by Luxembourg law, its share capital was increased to EUR 300,000, its name was changed to ARCELOR FINANCE and its articles of incorporation were entirely restated. The restated version of the articles of incorporation of ARCELOR FINANCE was published in the *Mémorial* C on 15 July 2002 and is on file with the *Registre de Commerce et des Sociétés* of Luxembourg. ARCELOR FINANCE's registered office is at 19, avenue de la Liberté, L-2930 Luxembourg.

ARCELOR FINANCE has been a dormant company during the ten years preceding 14 June 2002. Prior to such period of inactivity ARCELOR FINANCE was active in the construction business and in the marketing of certain technologies developed by ARBED alone or with others.

Shareholders and share capital

As a *société en commandite par actions*, ARCELOR FINANCE has two different types of shareholders:

(i) *actionnaires commandités* which, by operation of law, are jointly, severally and indefinitely liable for any debts of ARCELOR FINANCE that cannot be satisfied by ARCELOR FINANCE;

(ii) *actionnaires commanditaires* whose liability is limited to the amount of their investment in ARCELOR FINANCE.

The share capital of ARCELOR FINANCE amounts to EUR 300,000 and is represented by 12,000 shares without nominal value consisting of four unlimited shares (*actions de commandité*) and 11,996 limited shares (*actions de commanditaire*).

The *actionnaires commandités* with joint, several and indefinite liability for the liabilities of ARCELOR FINANCE are ARCELOR, ACERALIA, ARBED and USINOR (each as defined in the Conditions), each holding one unlimited share (*action de commandité*).

The *actionnaires commanditaires* are ARBED holding 11,994 limited shares and ARBED Investment Services S.A. and ARBED Investments S.A., two Luxembourg incorporated *sociétés anonymes* which are fully owned subsidiaries of the ARCELOR Group, holding one limited share each.

Liability of and enforcement against the *actionnaires commandités*

Each *actionnaire commandité* is indefinitely and together with the other *actionnaires commandités* jointly, severally and indefinitely liable for any liabilities of ARCELOR FINANCE that cannot be satisfied by ARCELOR FINANCE. Creditors of ARCELOR FINANCE may enforce their claims on ARCELOR FINANCE against any individual *actionnaire commandité* or all the *actionnaires commandités* to obtain payment of such claims that ARCELOR FINANCE does not satisfy. Pursuant to article 152 of the Luxembourg law of 10 August 1915 on commercial companies (as amended), a court order against any one or all or some of the *actionnaires commandités* must be preceded by a court order against the Issuer. Such court orders may however be given in the same proceedings.

An *actionnaire commandité*, upon ceasing to be an *actionnaire commandité*, will remain liable for all liabilities of ARCELOR FINANCE incurred up to the day of publication in the *Mémorial C* that it ceased to be an *actionnaire commandité*, subject to the statute of limitations provided by law, but will not be liable for new liabilities of ARCELOR FINANCE incurred after such publication.

Management

ARCELOR is the sole manager (*gérant*) of ARCELOR FINANCE. In that capacity, ARCELOR has the widest administrative and management powers in ARCELOR FINANCE including the power on behalf of ARCELOR FINANCE to borrow funds in any form, including in the form of notes or money market instruments or in the form of bank loans, and to issue guarantees. Under applicable law and the articles of incorporation of

ARCELOR FINANCE, ARCELOR may only be removed as manager with the unanimous consent of all *actionnaires commandités* (including ARCELOR) and all *actionnaires commanditaires*.

Any decision by the shareholders' meeting binding ARCELOR FINANCE *vis-à-vis* third parties or amending its articles requires the consent of ARCELOR in its capacity as manager of ARCELOR FINANCE.

Supervisory Board

The supervisory board's function is to supervise the affairs of ARCELOR FINANCE and its financial situation including in particular its books and accounts. The supervisory board may furthermore be consulted by the *gérant* on such matters as the *gérant* may determine.

The current supervisory board, which has been elected for a term ending at the annual general meeting of shareholders to be held in 2008, is composed of the following members: ACERALIA, ARBED and USINOR.

Auditor

KPMG Audit, *société civile*, Luxembourg, has been appointed as auditor of ARCELOR FINANCE for a term ending at the annual general meeting of shareholders to be held in 2005.

Objectives of ARCELOR FINANCE

The object of ARCELOR FINANCE is to provide financing in the form of loans, credit lines, guarantees or any other form of financial assistance to entities within the Group or to entities in which such entities hold a participation or economic interest.

For that purpose ARCELOR FINANCE may access the capital markets, *inter alia*, by issuing bonds, commercial paper, money market instruments or any other type of debt instrument (including convertible and/or exchangeable instruments and subordinated instruments). ARCELOR FINANCE may also enter into long, medium or short term financing transactions with banks or financial institutions.

ARCELOR FINANCE may carry out all types of commercial, industrial or financial transactions directly or indirectly linked to, or deemed to support, its corporate object including the placement of its cash assets and the hedging of financial risks, as well as carrying out of transactions on or using derivatives and managing of a cash pooling system. ARCELOR FINANCE may furthermore acquire and hold any sort of interest in whatever form in any Luxembourg or foreign company, undertaking or entity deemed to support its object.

Within the scope of its object, ARCELOR FINANCE pursues the activities of an industrial or commercial establishment benefiting from professional access to the financial markets.

As of the date of this Offering Circular, ARCELOR FINANCE has no subsidiaries.

Accounting year

The accounting year of ARCELOR FINANCE begins on 1 January of each year and ends on 31 December of the same year.

SUMMARY FINANCIAL INFORMATION – ARCELOR FINANCE

The following is a summary of the audited financial statements of ARCELOR FINANCE as at, and for the 12 months ended 31 December 2002 and 31 December 2003, extracted from, and which should be read in conjunction with, the Issuer's audited financial statements as at, and for the 12 months ended 31 December 2002 and 31 December 2003, contained in each case in the annual report of the Issuer for the years 2002 and 2003, incorporated by reference in this Offering Circular.

	For the year ended	
	31 December 2003	*31 December 2002*
	Euro	*Euro*
Profit and Loss Account		
Revenue	6,991,960.44	4,468,462.22
Operating Profit (EBIT)	45,040.51	2,333,092.09
Profit on Ordinary Activities before Tax	1,438,363.90	34,053.79
Net Profit	1,438,368.04	4,015,455.28

	As at	
	31 December 2003	*31 December 2002*
	Euro	*Euro*
Balance Sheet		
Fixed Assets	3,628,857,805.99	688,549,665.55
Current Assets	1,000,846,130.89	1,629,406,573.85
Total Balance Sheet	4,675,228,689.32	2,320,870,010.93
Capital and Reserves	1,875,319.63	436,951.59
Financial Indebtedness	4,628,347,097.30	2,320,416,059.34

CAPITALISATION TABLE – ARCELOR FINANCE

The following table sets forth the unaudited capitalisation of ARCELOR FINANCE as at 31 March 2004, adjusted for the present €100 million 5.5 per cent. Notes due 2014. The below information has been derived from the unaudited accounting records of the Issuer as at 31 March 2004.

	Euro	*Euro*
CAPITAL AND RESERVES		**5,574,209.37**
Subscribed capital	300,000.00	
Legal reserve	30,000.00	
Free reserve	75,000.00	
Profit brought forward	1,470,319.63	
Profit for the period	3,698,889.74	
FINANCIAL DEBTS		**5,413,114,801.11**
Other debenture loans	1,765,220,701.38	
Amounts owed to credit institutions	510,405,183.14	
Other loans	751,046,033.49	
Amounts owed to affiliated undertakings	2,386,442,883.10	
TOTAL CAPITALISATION		**5,418,689,010.48**

As at 31 May 2004, save as disclosed below, there has been no material change in the capitalisation of ARCELOR FINANCE since 31 March 2004.

Pursuant to its corporate object, ARCELOR FINANCE continued to act as the Group's main financing vehicle. Consequently, further loans and credit facilities have been contracted or reimbursed as follows (figures as at 31 May 2004 and by reference to the situation as at 31 March 2004):

- "Other debenture loans" have decreased by approximately €22.5 million;
- "Amounts owed to credit institutions" have decreased by approximately €53.6 million and "Other loans" have increased by approximately €138.8 million; and
- "Amounts owed to affiliated undertakings" have increased by approximately €17.5 million.

DESCRIPTION OF ARCELOR

ARCELOR, a *société anonyme*, is incorporated under the laws of Luxembourg and is registered in the Luxembourg Trade and Companies Register under number B 82.454. Its registered office is located at 19, avenue de la Liberté, L-2930 Luxembourg Grand Duchy of Luxembourg.

ARCELOR was born out of the commitment of three steel makers, ACERALIA, ARBED and USINOR, to create a leading company in the global steel industry. The creation of ARCELOR, which was announced on 19 February 2001, became a reality a year later, on 18 February 2002, with the listing of its shares on the Luxembourg Stock Exchange, on the *Premier Marché* of Euronext Brussels S.A./N.V., on the *Premier Marché* of Euronext Paris S.A. and on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia.

ARCELOR's corporate objectives are the manufacturing and processing of, and trading in, steel, steel products and other metal products, as well as all products and materials involved in their manufacturing, processing and trading and all industrial and commercial activities directly or indirectly related to these objects, including research activities and the creation, acquisition, holding, exploitation and sale of patents, licences, know-how and of intellectual and industrial property generally.

ARCELOR may realise this object either directly or by the creation of companies, the acquisition, holding or taking of participations in any company or partnership, and the participation in any associations, interest groups and joint ventures.

More generally, the object of ARCELOR includes the holding of participations, in any form whatsoever, in any companies or partnerships and the acquisition by purchase, subscription or any other means, as well as the transfer by sale, exchange or otherwise, of shares, bonds, debentures, notes and other securities and instruments of any kind.

It may grant assistance to affiliated companies and take any controlling and supervisory measures in respect of any such companies. It may carry out any operation or transaction, whether commercial, financial or industrial, which it may deem directly or indirectly necessary or useful for the fulfilment and development of its object.

BUSINESS OVERVIEW

(I) Introduction

The ARCELOR Group is active in four principal sectors: Flat Carbon Steels, Long Carbon Steels, Stainless Steels and Distribution-Transformation-Trading.

Employing 98,000 people in over 60 countries, ARCELOR is the largest steelmaker in the world with production of 44 million tonnes of steel, and revenues in 2003 of EUR 26 billion. It holds a leading market share in all its major markets: automotive, construction, domestic electrical appliances, packaging and general industry.

The Group is split into three levels with regards to management organisation:

- at the level of the parent company of the Group, the Management Board and the corporate centre (i.e., operational management units and central sources);
- business sectors; and
- operational units within each business sector.

The Management Board, a body acting by collective decision, comprises eight members, including its chairman. Four members of the Management Board are each responsible for an operational management unit and the other four members are each responsible for a business sector. Operational management units principally comprise purchasing, finance, strategic orientation and planning, research and development, human resources and technology and information.

The Management Board and the corporate departments manage the orientation of the Group according to four main strategic perspectives: strategic orientations, progress management, human resources, co-ordination and integration. They are responsible for defining and monitoring the strategic orientations and the management plan of the ARCELOR Group, co-ordinating the sectors' common projects, managing financial resources on a centralised basis, implementing synergies and providing other services. At the level of the Group, each business sector is responsible for its own results (with particular attention to its operating results, return on capital employed and working capital requirements), implementation of the Group's strategy, as defined by the Management Board, personnel management and synergies between operational units.

The operational units conduct the Group's industrial and commercial operations and are also responsible for their operating results and return on capital employed.

(II) Strategy

The recent history of the steel industry in Europe has been characterised by the high level of consolidation of customers in certain markets (automotive, packaging, domestic electrical appliances), excess production capacities, and the presence of a large number of steel producers. This has generated a structural trend toward lower prices.

In addition, the savings achieved from the reorganisation of the steel industry in Europe and the United States, and the industry-wide restructuring and cost-cutting measures implemented in recent years, were largely offset by the continued reduction in selling prices.

In this context, the ARCELOR Group assumed its place as a global player in 2003, reinforcing its worldwide presence in its major markets. Its objective is to take advantage of economies of scale by furnishing a global products offer while reducing costs and financial risks, in order to improve performance and profitability and create value for its shareholders, customers and employees.

The Group has set a medium-term goal of posting an average pre-tax return on capital employed of 15% over the cycle, and achieving a sound financial structure.

In order to implement this strategy, ARCELOR has the following goals for all its flat carbon steels, long products and stainless steels activities:

- to optimise the European industrial model to improve productivity and competitiveness and become more flexible to better serve customers while exploiting all potential synergies; thus, for flat carbon steels, ARCELOR decided in 2003 to progressively shut down the production of liquid pig iron in the blast furnaces at its inland plants and cut the costs of the cold-rolling and coating lines, initially at the Montataire and Mardyck (France) plants; with regard to stainless steels, the decision was made to concentrate steel production by building a new steelshop at Charleroi (Belgium) in immediate proximity to the existing hot strip mill. This steelshop is a major strategic and structural investment for the stainless steels business, which will result in the closing of the steelshop in Ardoise and Isbergues (France);

- to offer the same products/services anywhere in the world in response to demand from global customers through better market access (expanded distribution network, e-business platforms, alliances and partnerships); for example, ARCELOR decided in 2003 to invest, in partnership with Japan's Nippon Steel Corporation and China's Bao Steel, in a cold-rolling and galvanising plant for automotive products in China;

- to offer a broad range of products and enrich the portfolio by taking advantage of the complementary nature of the products and markets in the three sectors and a well-focused innovation resource; it is in this context that the transformation of the Research function was implemented;

- to favour sales price increases over volume increases;

- to attract the best talents, as well as manage and develop the Group's human resources; and

- to be an effective agent for change in the world steel industry in order to facilitate customer growth, and to ensure ARCELOR's growth through targeted acquisitions that create value and strengthen the geographic presence of ARCELOR in North and South America, Asia and Europe.

In addition, ARCELOR is focusing on its core business in its Distribution-Transformation-Trading Sector.

These strategies have had and are expected to continue to have the following consequences:

- improved operating performance based on a process of continual improvement and the exchange of "best practices" and technical know-how within the Group;

- improved profitability, based primarily on the synergies generated by ARCELOR's creation, while at the same time limiting capital expenditures;

- lower impacts from the cyclical nature of demand through complementary products and markets, thereby improving the stability of cashflow; and
- greater visibility for the Group in the capital markets and improvement in these same markets of the perception of the Group, with the intention that ARCELOR become the investment benchmark for the industry.

Corporate governance rules and the responsibilities of management were defined in such a way as to ensure rapid integration and implementation of ARCELOR's strategic ambitions. Management is collectively responsible for defining strategy, setting goals, allocating resources between the business units and pursuing industrial optimisation. The business units have full responsibility for their results and the implementation of industrial and commercial plans.

The work carried out in 2003 encourages ARCELOR to persist in its strategy of becoming the benchmark in the industry, both in economic performance for the benefit of our shareholders, and in innovative products and services for the benefit of our customers.

Continual improvement in the product and service offer

By combining R&D resources and by capitalising on the multi-market, multi-process and multi-product approach, the ARCELOR Group reinforces its advantages and strengthens the attractiveness of steel solutions to ward off substitute product offers (aluminium, plastics, cement) and to develop new applications for steel, for example by combining long and flat products to better serve the construction industry.

The evolution of desired functionalities such as lighter weight, safety, durability, appearance will guide the development of new products. The progressive elimination of processing operations at customer facilities, compliance with health, safety and environmental requirements, and the constant goals of greater flexibility and lower costs will guide the development of new processes, in particular those that allow for reductions in carbon dioxide output, or the production of vacuum deposition coatings, as well as the development of new products. Each of these ongoing developments, driven by one of ARCELOR's companies is expected to benefit the entire Group, thereby improving the return on strategic investments. These developments should proceed in close relationship with customers' innovation processes.

By sharing research resources, the alliance with Nippon Steel Corporation, now well established, has resulted in the development of new products in common for the automotive industry.

Further improvements in profitability

Synergies of EUR 405 million were achieved by the end of 2003, versus an initial goal of EUR 300 million. The synergies achieved in 2003 represent more than half the annual gains targeted at the time of the merger for the end of 2006.

Likewise, the strategy of favouring sales price increases over volume has been successful for the Group, as demonstrated by the improved results despite a slight decline in volume.

(III) Business sectors and Product groups

(1) ***Overview***

The consolidated revenues, the consolidated gross operating result and the consolidated operating result of the ARCELOR Group, for each business sector, for the last two financial years, after elimination of intra-group sales, are set forth in the table below.

In order to show homogenous and comparable information, 2002 comparative information is shown on a pro forma basis. According to International Financial Reporting Standards IFRS, the business combination between ACERALIA, ARBED and USINOR has been accounted for using the purchase method of accounting, with USINOR as acquiring entity. Based on this principle, the Group consolidated income statement for the year ended 31 December 2002 includes two months of operations of the USINOR group and ten months of operations of the ARCELOR Group. Figures for 2003 are based on twelve months of operations of the ARCELOR Group.

(EUR millions)	2003 (audited) Revenue	Gross Operating Result	%	Operating Result	%	2002 pro forma (unaudited) Revenue	Gross Operating Result	%	Operating Result	%
Flat Carbon Steel	13,994	1,365	9.8	774	5.5	13,222	925	7.0	216	1.6
Long Carbon Steel	4,381	493	11.3	311	7.1	4,256	613	14.4	430	10.1
Stainless, Alloys & Specialty Plates	4,280	23	0.5	(463)	(10.8)	4,248	200	4.7	45	1.1
Distribution, Transformation & Trading	7,954	284	3.6	125	1.6	9,444	319	3.4	209	2.2
Others	836	58	6.9	(14)	(1.7)	910	(79)	(8.7)	(120)	(13.2)
Eliminations	(5,522)	5	—	5	—	(5,486)	—	—	—	—
Total	**25,923**	**2,228**	**8.6**	**738**	**2.8**	**26,594**	**1,978**	**7.4**	**780**	**2.9**

(2) *Organisation*

The Group divides its business into four sectors: flat carbon steel, long carbon steel, stainless steel, and distribution-transformation-trading. Each sector comprises several operational business units, covering either a geographical region or a range of products and services. At the end of May 2004, the main operational units, which cover either a geographical region or a range of products and services, are set out in below table:

Flat carbon steel	*Long carbon steel*	*Stainless steel*	*Distribution-Transformation-Trading*	*Other activities*
Northern Europe	Sections	UGINE & ALZ (Europe)	Arcelor Trading & Distribution	Paul Wurth
Wallonia	Beams	Ugitech	Arcelor Steel Services Centre	Circuit Foil
Centre Europe	Sheet piling, rail and special sections	Precision-rolled products (IUP + Imphy Alloys S.A.)	Arcelor Construction	DHS Group
Southern Europe	Americas	Special Plates (Industeel)	Arcelor PUM Processing)	IEE
Arcelor Packaging International "API"	Wire drawing	Stainless steel tubes	Arcelor International	
Brazil		Acesita (Brazil)	Arcelor Projects	

2.1 *Flat carbon steel*

Standing at EUR 13,994 million at 31 December 2003 compared with EUR 13,222 million at 31 December 2002*, revenues in the Flat Carbon Steels sector increased by 5.8%, remaining unchanged on a comparable basis, the increase in selling prices being offset by a significant decrease of shipments.

This voluntary reduction in the level of shipments, initiated at the end of the first half of the year in order to adjust the Group's supply to a low European demand, only partially impacted gross operating profit.

At EUR 1,365 million for 2003 compared with EUR 925 million for 2002, gross operating result recorded a year-on-year improvement of more than 45%, even after taking into account the EUR 64 million in non-recurring items (compared with EUR 41 million non-recurring income in 2002*). The increase in average sales prices (+2% for packaging customers, +5% for automotive customers, +12% for general industry customers) more than offset the effects of reductions in output, while the weakness of the U.S. dollar against the euro completely absorbed the increase in the cost of raw materials.

Operating result for 2003 amounted to EUR 774 million compared with EUR 216 for 2002* and included EUR 84 million of non-recurring charges (compared with EUR 144 million in 2002*) related to the implementation of the strategies announced in January 2003.

At 25.6 million tonnes in 2003 compared with 27.6 million tonnes in 2002*, total shipments in the Flat Carbon Steels sector declined by 7%. This decline partly resulted from the sale of certain assets as required by the European Commission, but more fundamentally, reflected the implementation of a profitable commercial policy focused more on margins than on market share.

In the automotive sector, despite a decline in the European market of 1.4% in 2003, ARCELOR saw a slight increase in shipments. Conversely, volumes declined in general industry and the construction business. Overall, despite the pressure on prices and the imports from other countries, ARCELOR was able to implement an active pricing policy.

The financial performance in 2003 of steel products for the packaging industry was in line with the results achieved in 2002*. The growth resulting from a rise in sale prices and from steady efficiency savings was, however, negatively affected by the drop in the beverage can businesses in Germany and the fall of the U.S. dollar, which had an adverse effect on exports.

2.2 Long carbon steel

At EUR 4,381 million for 2003 compared with EUR 4,256 million for the 2002* financial year, revenues for the Long Carbon Steels sector increased by 2.9% (2.2% on a comparable basis). Despite a globally weak demand in Europe, the long carbon steels sector was able to maintain its market share as a market leader. It was also able to take advantage of strong non-European markets, even though the appreciation of the euro against the U.S. dollar offset the impact of the price increases in South America and increases in worldwide exports.

Gross operating result declined from EUR 613 million in 2002* to EUR 493 million in 2003. The sector's gross operating margin satisfactorily remained over 11%, however (as compared to 14.4% in 2002* on a comparable basis), despite a significant increase in the cost of scrap and the impact of the depreciation of the Brazilian real on the contribution made by Belgo-Mineira in Brazil.

Operating result amounted to EUR 311 million in 2003 compared with EUR 430 million in 2002*.

The Long Carbon Steels sector, in order to pass through the significant and continuous increase in prices of raw materials (scrap) to sales prices, introduced in November a "scrap surcharge" automatically linked to scrap price movements in Europe.

Shipments increased by 2.4% from 11.9 million tonnes in 2002* to 12.2 million tonnes in 2003.

Trends of sales and marketing differed within the sector, depending on products and markets.

In the beams market, 2003 saw a further erosion of apparent consumption in Europe, particularly in the European Union (EU-15), where the apparent consumption decreased by about 7% compared with 2002*. Economic activity in the Iberian peninsula slowed over the course of the year, notably in Portugal. ARCELOR shipments in the Iberian peninsula suffered a decline as a result of increased competition due to the creation of additional capacities in Spain. ARCELOR recorded solid growth in the other countries of the European Union and continued its growth policy in the countries of Central and Eastern Europe. Worldwide exports shipments outside North America increased substantially in 2003 as a result of the economic recovery recorded (in Asia in particular), mainly fuelled by strong growth in China and the Middle East. Sales in the United States, despite some positive economic signals, were noticeably down compared with the previous year as a result of the commissioning of additional capacity and the willingness of local producers to limit imports.

Even though shipments in 2003 in the area of sheet piling were below those of 2002*, total sales of hot-rolled and cold-rolled sheet piling were satisfactory. Sales in the European Union grew amid fiercer competition while demand remained unchanged from 2002*. Shipments also rose in the countries of Central and Eastern Europe, partially offsetting the loss of volume in the United States.

In terms of prices, greater competition in Europe and the negative impact on exports of the declining U.S. dollar led to overall lower average sales prices.

In the wire rod markets, the increase of scrap cost was largely offset by the increase in sales prices during the first half of 2003, while increased competition and the erosion of the markets led, for low added-value products, to a decline in margins during the second half of the year.

Despite increasing competition, sales of rails for gantry cranes broke the record in 2003 due to a comprehensive range of cutting-edge products. Sales of special steel sections performed well in 2003 in terms of volume. However, prices were somewhat lower than expected as a result of the readjustment in product mix during the year and due to the negative impact of foreign currency movements.

* Numbers for 2002 are proforma (unaudited)

Sales of concrete reinforcing bars were satisfactory in Northern Europe, but demand declined toward the end of the year as a result of seasonal variations. ARCELOR's sales policy focused on maintaining margins by prioritising price policy over volumes.

In Southern Europe, the high level of demand recorded in 2002 continued in 2003 and ARCELOR's sales approach aimed to maintain margins in the face of increased scrap costs. The second half of the year saw demand level off, which, combined with reduced exports opportunities due to exchange rate movements, led to a more competitive climate.

In drawn wire products, demand for steelcord was satisfactory, while demand for low-carbon steel remained stable at a relatively low level. This was also true for high-carbon products that, however, showed signs of recovery during the second half of the year.

2.3 Stainless Steels

At EUR 4,280 million for 2003 compared with EUR 4,248 million for 2002*, revenues in the Stainless Steels sector increased by 0.8% (a decrease of 1.4% on a comparable basis). This change reflected both the rise in total sales prices, as a direct consequence of the strong increase in the price of nickel, and the lower contribution of revenues of subsidiaries selling in U.S. dollars.

At EUR 23 million for 2003 compared with EUR 200 million for 2002*, gross operating result fell sharply. Pressure on base prices (excluding alloy surcharges) in Europe and in the United States, lower margins on exports because of the weak U.S. dollar and the "hole" in European demand during the third quarter heavily impacted the profitability of the sector. Gross operating profit for 2003 also included EUR 156 million of overall restructuring charges incurred as a part of restructuring and rationalization measures in all operating units of the sector.

The operating loss of EUR 463 million in 2003, as compared with a profit of EUR 45 million in 2002*, included EUR 479 million of non-recurring charges and primarily reflected the write-down of assets of J&L, a Group U.S. subsidiary.

Shipments held steady in volume at 2.4 million tonnes.

Beyond the global unfavorable economic environment, 2003 was characterised by a slow but steady appreciation of the euro against the U.S. dollar and by a sharp increase in the price of nickel. Although apparent activity in Europe was relatively sustained during the first quarter, it slowed notably by mid-year. The third quarter of 2003 was highly unfavorable, with activity far below the normal summer slowdown. Demand started to rise again by the end of the year, in part because of a speculative attitude with regard to prices but also confirming prospects for a business recovery in 2004, driven by relatively low inventory levels.

Nickel price, a key factor in demand, rose steadily in 2003. The price more than doubled from USD 7,100 per tonne to USD 16,650 per tonne by the end of the year, with the month of December alone accounting for more than half of the increase. Driven by expected higher demand in China in a tight supply environment, this increase in the price of nickel can also be explained by speculative behaviours of certain investment funds using base metals as a sort of "safe haven" face to declining stock performance. Future trends in nickel, pending of negotiations in progress with certain producers, will be a major factor in 2004.

From a financial perspective, and excluding any exceptional items, trends in the following factors directly affected performance. Efficiency savings proved insufficient to offset substantially deteriorated market conditions, both in terms of demand and prices. The appreciation of the euro against the U.S. dollar adversely affected competitiveness not only in domestic markets but also in export markets. Sales prices retreated in most markets within a climate of weak demand and greater competition, with increases in alloy surcharges (+85% in Europe for the year) contributing to the erosion of margins by the end of the year.

Apparent consumption in stainless steel flat products increased 6% on a worldwide basis compared with 2003, mainly fuelled by Asia (approximately +10%), while the European and American markets increased only between 1.5 and 2%.

In Europe, demand was normal for the first few months of 2003, then suffered a setback during the second and third quarters. The year-end order books of the main European producers pointed to a recovery in 2004, thus confirming the signs evidenced in the last quarter. In a climate of weak demand and strong competition, base

* Numbers for 2002 are proforma (unaudited)

prices eroded steadily (down 10% in December on a year-to-year basis). After the low point reached in the fourth quarter and despite the levels of alloy surcharges, base prices began increasing at the end of the year.

Business in the United States recovered steadily after a relatively pessimistic start for the year, but industry only benefited from the first positive effects of the recovery by the end of the year. Prices were under pressure and deteriorated further from their already weak level, to finally stabilise in the third quarter. Helped by the withdrawal of certain operators, producers had already implemented significant price increases for 2004.

The Asian markets, where firm demand at the beginning of the year was greatly disrupted by the effects of SARS, recovered during the second half. This improvement, linked partially to the need of rebuilding stocks, was accompanied by an increase in prices during the fourth quarter linked to the increase in nickel prices, which had continued in 2004.

Excepting some low points at mid-year, the economic climate in Brazil was relatively favorable. At the end of the year, the business was able to take advantage of the interest rate cuts and of the incentives introduced by the government to stimulate consumption. Base prices remained stable overall in U.S. dollar terms despite the further appreciation of the Brazilian real against the U.S. dollar.

After a difficult year, 2004 began auspiciously. Stronger demand linked in part to speculative procurement has reflected a genuine recovery driven by the low level of inventories.

In long products, the weakness of the U.S. dollar in 2003 improved the competitiveness of Asian producers and maintained strong pressure on prices. In a climate of stagnating consumption, strong competition from European competitors and imports translated into a very low level of orders and prices. Base price levels have still to recover despite a slight increase and a rise in nickel prices at the end of the year.

In an economic climate that did not favor major investments, demand for specialty plates was weak. Combined with the unfavorable euro/U.S. dollar exchange rate and price increases in alloys, as well as scrap, it locked Industeel into a negative price squeeze and contributed to a decline in performance.

From an industrial perspective, operations of most steel facilities were adapted to the apparent consumption level. After a pronounced slowdown during the second and third quarters in response to particularly weak demand and to the summer business slowdown, production rates returned to more normal levels in the fourth quarter, reflecting business improvement for the beginning of 2004. Yearly production volumes of crude steel showed a decline of 4% compared with the average recorded in 2002*. The commissioning of a new electric furnace in Genk and the modernisation of an annealing and pickling line at Gueugnon enhanced the competitiveness of production equipment.

2003 also witnessed:

- the shutdown of perforated tube production at Matthey in England;
- the shutdown of stainless steel tube plants in Italy;
- the sale of the foundry (CFI) and of a stake in the Creusot steelworks to the France Essor Group; and
- the start-up of construction work by UGINE & ALZ of the new steelshop, upstream of the Carlam strip mill (Belgium).

2.4 Distribution-Transformation-Trading

At EUR 7,954 million in 2003 compared with EUR 9,444 million in 2002*, revenues in the Distribution-Transformation-Trading sector suffered a decline of 16% partly due to the consolidation scope reclassification (transfer of the packaging business to the Flat Carbon Steels sector). On a comparable basis, revenues decreased by 4.2% even though the volume sold remained almost unchanged (–1%). International business transacted through Arcelor International and Arcelor Projects remained steady, although the weakness of the U.S. dollar partly offset the financial impact. Other companies of the sector experienced a decrease in volume, due to a policy for prioritising prices over volumes in order to pass through upstream price increases to end users to the extent possible. However, price increases applied to end users were insufficient to offset the increases in upstream prices, which had a noticeable impact on margins.

* Numbers for 2002 are proforma (unaudited)

The two effects combined (lower volume and squeezed margins) heavily affected the performance of the sector. Gross operating result in 2003 amounted to EUR 284 million compared with EUR 319 million in 2002* and included a EUR 112 million non-recurring profit mainly related to the sale of the company PUM Plastiques in the fourth quarter.

Operating profit, at EUR 124 million compared with EUR 209 million* the year before, included EUR +32 million in non-recurring net items, of which a EUR 71 million charge related to the restructuring of the Tubes business put up for sale.

The Trade and Distribution business posted a 12% decline in sales volume in 2003 compared with 2002*. However, it experienced a noticeable sales price increase, particularly in general industry trading, as a result of priority being given to prices and margins. In terms of business organisation, 2003 was a transition year with a restructuring of the European network through plant openings and closures, and the acquisition of new companies.

The Arcelor Steel Services Centres (**"ASSC"**) business also suffered a decline in volume during 2003 in the context of higher prices. Geographic locations and organisational structures were rationalised over the course of the year in order to take advantage of the synergies achieved by the creation of ARCELOR. Two major investment decisions were taken in this context: the twofold expansion of Usinor Stahl Service in Poland (start-up 2004) and the creation of a large ASSC near Bratislava in Slovakia (start-up expected for 2005).

The Construction business showed a slight improvement in sales prices, which was more than offset, however, by a reduction in sales volumes. The decline in demand and the price situation led to the closing of the Kreuztal profiling plant (Germany) and substantial cutbacks at the plant in Strasbourg (France). The cost of these restructuring activities had a significant impact on the results of the business. These restructuring activities will continue in 2004.

Investments remained steady despite the commissioning in Belgium of a mineral wool panel line in partnership with Isover (Saint Gobain Group), the commissioning in Great Britain of a discontinuous high-quality panel line and the completion of the upstream industrial facility with the construction of a pickling line at the Contrisson plant (France) that is scheduled to come in line in the third quarter of 2004.

The Arcelor Pump Processing business, established at the beginning of 2003 to produce pickled, hardened, cold rolled and galvanised coils, recorded a slight decline in business compared with the corresponding activity of the Group in 2002*. In order to maintain the competitiveness of the business, a major investment program was approved for the renovation and upgrading of heavy equipment in 2003 and 2004.

Arcelor International experienced strong growth in business volumes that was not reflected in terms of revenues because of the depreciated U.S. dollar. Due to a strong and long-standing presence in China with offices in Beijing, Shanghai and Hong Kong, backed by a Singapore logistics support platform, sales to Asia in conjunction with those to North Africa, Near and Middle East, more than offset the decline in sales to the United States.

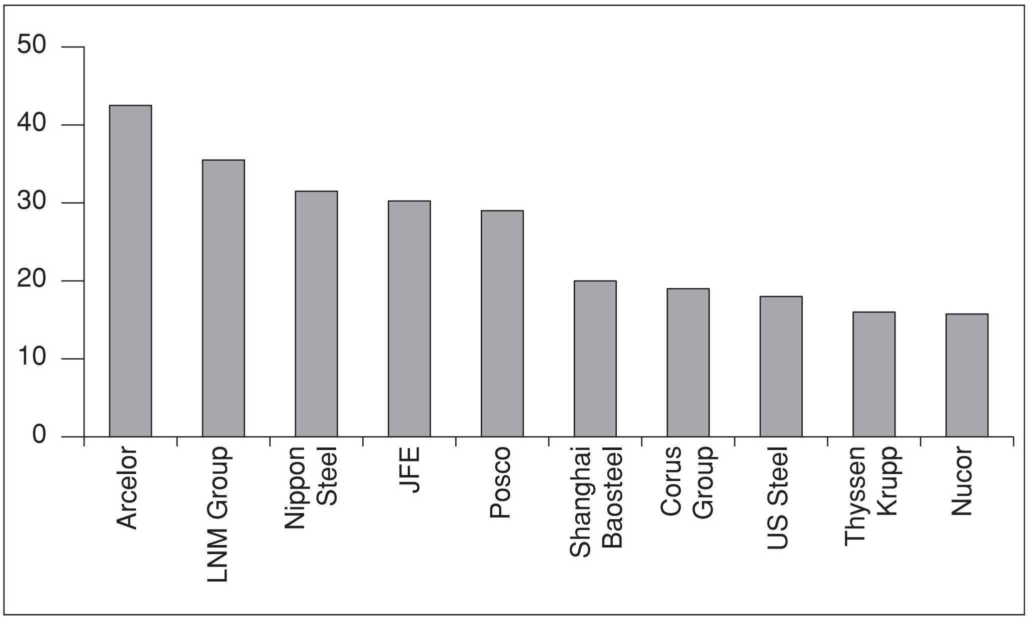
(3) *Other important information concerning the business activity of ARCELOR and its Group*

3.1 Competition

The ARCELOR Group's markets are highly competitive. Its markets are characterised by a fragmentation of offer (the ten leading steel producers represent approximately 27% of worldwide production), chronic over-capacity, production costs which vary considerably throughout the world and globalisation of major customers. Its markets are also characterised by powerful and experienced competitors, with new competitors appearing in emerging markets, as well as the development of substitute products.

* Numbers for 2002 are proforma (unaudited)

Competition is based primarily on production costs, the quality of the products, their added value, the range of products and services offered, sales prices, reputation, experience and technological innovation. The chart below shows the world's ten leading producers of crude steel based on the volume of crude steel produced in 2003 (in millions of metric tons).



Source: International Iron and Steel Institute

3.2 Contracts

Purchasing contracts

The main purchasing contracts are generally entered into for a term of one year (raw materials, transport, maintenance), except for the purchase of scrap metal, which are usually spot or very short-term contracts and maritime freight contracts, whose terms are generally longer than one year. Contracts relating to energy (excluding coal) requirements are often longer and have terms of five to ten years. Ferro-alloys purchase contracts are usually three-month contracts. Other purchasing contracts are for varying terms. Purchases are effected primarily in euros and U.S. dollars.

Purchasing contracts (except raw materials) are usually renewed by tacit agreement between the parties upon expiry. In the event of early termination of such a contract, notice of between three and six months must generally be given.

Sales contracts

Generally, steel product sales contracts have a term of one or more years, or are concluded at spot price and spot quantities. Since more than 70% of the ARCELOR Group's turnover is generated in the European market, sales contracts are generally denominated in euros. Sales in U.S. dollars and in Brazilian real represent a relatively small percentage of total turnover.

Contracts having a term of one or more years represent approximately one-third of annual turnover in the flat carbon steel sector and a small proportion of annual turnover in the stainless steel sector. In long carbon steels, the contracts are spot contracts, except for specific products, such as rails or wires used for reinforcing tyres, for which the contracts are annual.

Within the scope of long-term partnerships set up by the Group with certain of its major customers, particularly to develop new products together, contracts with terms of one or more years are becoming the norm, particularly in the automotive, packaging and household appliance sectors.

The ARCELOR Group's renowned know-how, particularly in the automotive sector, constitutes a positive asset to make these contracts more generalised.

3.3 Raw materials and energy

The ARCELOR Group's steelmaking activities use principally iron ore, coal, coke and scrap metal for both the traditional blast furnace steel production process and the electric steelmaking process. These materials represent approximately 60% of the ARCELOR Group's operating costs. The Group has stable relationships with the suppliers of these raw materials, none of which represents more than 25% of the Group's total raw materials and energy purchased. Nickel and other ferrous and non-ferrous metals, including ferro and silico manganese alloys and zinc, are also used.

Raw materials and energy are paid for in euros. The other main currencies used are the U.S. dollar and the pound sterling. The Group's general policy includes exchange risk hedging.

3.4 Regulations—Trade barriers

Trade liberalisation has led to the creation of national trade protection instruments to control international trade. Adopted internationally through the GATT agreements, the first of which dates from 1994, the main instruments of trade protection are the anti-dumping and anti-subsidy laws (countervailing duty), the safeguard clauses and voluntary export restraint agreements.

The last few years have been characterised by a broad deployment of trade protection, particularly anti-dumping and anti-subsidy legislation adopted by a large number of countries. This background trend has been intensified by the opening of an inquiry into the safeguard clause initiated in June 2001 by the United States.

The safeguard measures permit a country to protect a domestic industry if a product is imported in increased quantities and causes or threatens to cause serious harm to the industry concerned; however, they are not meant to combat so-called unfair trading practices.

Anti-dumping duties are designed to eliminate trading practices that consist in selling a product in a foreign market at a lower price than the price charged on the domestic market. They are equal to the difference between the selling price on the domestic market and the selling price in the export market.

Anti-subsidy duties are intended to cancel the effect of the advantages that result from direct or indirect subsidies for imported products.

3.5 Environment

Environmental regulations

Steelmaking activities require large quantities of raw materials and energy and are therefore subject to environmental regulations.

In the countries in which it operates, and in particular in Europe, Brazil and the United States, the Group must comply with various regulations relating, in particular, to the handling of major accidents, the disposal of waste water and industrial waste, air and water pollution and the protection of sites. National norms concerning emissions vary considerably from one country or region to another.

In addition, the Group pays tax on polluting activities, such as the *taxe générale sur les activités polluantes-TGAP* introduced in France on 1 January 1999.

Since a large part of the Group's steel production is situated in the European Union, the Group must comply with European regulations (and, in particular, the Seveso II Directive, the IPPC-Integrated Pollution Prevention and Control Directive and the Environmental Impact Assessment Directive) and implementing legislation.

The Group considers that it is in all material respects in compliance with all applicable regulations in the various countries and regions where it is present and that it will continue to be so for the foreseeable future.

The Group's industrial sites are subject to authorisation procedures set by national authorities. The Group considers that it holds the authorisations required for its operations and does not anticipate that it will face any particular difficulties when applying for the renewal of such authorisations or for new authorisations.

Within the framework of EUROFER and together with other European steel producers, ARCELOR has actively participated in the discussions on the proposed European directive regarding the allocation and trading of greenhouse gas emission rights pursuant to the Kyoto Protocol. Despite these improvements, the final version of this directive still poses many problems for the steel industry. It will distort competition not only between materials (certain materials would be exempted by the directive in the short-term), but also between European steel producers and, in particular, with regard to companies producing steel in countries that refused to ratify Kyoto (the United States and Russia in particular). Accordingly, the Group lodged an appeal with the European Court of Justice on 15 January 2004. At the same time, the Group negotiated, on a country-by-country basis, improved emission rights that not only safeguard the production needs at each facility but also contribute, through voluntary commitments, to the national plans to reduce greenhouse gases.

The Group operates, through Belgo-Mineira, the Andrade mine in Brazil.

In certain countries, when mining sites are not operated, national authorities may, relying on applicable legislation, require the former operator to take all measures necessary to restore the sites to the state they were in prior to the commencement of the activity (especially where the sites have been contaminated).

During the summer of 1997, ARBED ceased all mining activity in France. Within the scope of the measures, which the French authorities can impose when a site of this type is closed down, the "*Préfet"* ordered ARBED to take a certain number of measures relating to the monitoring of ground stability and the drinking water supply system, and to pump out the pit water until 30 November 2002. Appeals were made against these orders and negotiations followed with the French authorities. Provisions have been made in the accounts to cover such risks. The French authorities ordered that an expert prepare a report on how long the pumping of the pit water should last. Following the conclusions of such report, the "*Préfet*" ordered ARBED to continue the pumping work until 30 November 2004. To the extent the continuation of the pumping after 30 November 2002 is due to reasons for which ARBED does not bear responsibility, the French authorities are willing to share the costs of pumping out the water.

The French mining code was recently amended by law no 99-245 of 30 March 1999, which increased the obligations of former operators relating to the monitoring, prevention and management of risks, which may continue after the closure of the mines, as well as the indemnification for damage caused by subsidence. These new provisions are applicable to procedures relating to the cessation of works at the date of entry into force of the law.

The Group is not aware of the existence of any litigation or threat of litigation relating to environmental matters which could have a significant negative impact on the Group's financial situation. However, because of its past and current activities, the Group is exposed to risks which may give rise to its environmental liability, the consequences of which cannot be evaluated.

Environmental protection

Environmental protection forms an integral part of the Group's strategy and growth policy and covers all aspects of its activities.

In addition to recurring environmental operational charges, the Group has authorised, for the protection of the environment, the equivalent of approximately EUR 30 million of total investment in 2003.

The ARCELOR Group's environmental policy is based on the principle of the preservation of a long-lasting balance between the environment, health and safety, and the economy.

Continuous progress in environmental protection matters will be implemented in particular by aiming to achieve:

- compliance with all legal and regulatory requirements;
- ISO 14001 certification for all major production facilities by the end of 2004;
- significant contribution to reduction of greenhouse gases (CO_2, etc.);
- reduction of pollutant emissions and environmental nuisances (water, dust, SO_2, NOx, etc.);
- reduction of water consumption/raw material extraction (ore, etc.) and improvement of energy efficiency; and
- promoting and encouraging recycling wherever possible.

3.6 *Research & Development*

The ARCELOR Group has an active R&D policy focused on using and further developing technical knowledge to continue to differentiate itself by providing products and services, which meet its customers' current and future needs.

The alliance with Nippon Steel Corporation should enable the ARCELOR Group to benefit from a sharing of the R&D activities in terms of customer-demand response and cost sharing.

R&D facilities

In 2003, the ARCELOR R&D expenditure was approximately EUR 142 million compared to EUR 153 million in 2002*. The reduction in 2003 expenditure compared to 2002 expenditure is due to the synergies generated by the merger and to improvements in productivity.

The Flat Carbon Sector came out of the merger with eleven research and development laboratories and took the decision to consolidate their activities into four Research Centres. The new organisation is in place; the related transfers are under way. Three multi-disciplinary centres are focused on the major markets: Automobile, Industry and Packaging. The fourth centre is devoted to optimising industrial processes. The R&D portfolio is now largely defined and managed at Sector and Business Unit levels, which ensures that objectives and research projects are developed in line with the industrial and sales strategy over all ARCELOR markets.

The Group is presently able to offer the same range of innovative products and services anywhere in the world to meet the demand of its global customers. In achieving its objectives, the Group relies on research into continuous improvements to its products and services offer, on a multi-market, multi-process and multi-product approach, and on outside cooperation programs, such as the alliance with Nippon Steel. In addition, a European Steel technology platform has been formed with ARCELOR's partners and will be launched in 2004.

3.7 *Investment*

ARCELOR Group's policy

The Board of Directors defines the investment policy and authorises the strategic investments proposed, planned and executed by the Management Board, the other investments being decided at the level of the business sectors and the operational units.

In taking these investment decisions, the Group rigorously applies investment criteria designed to attain profit targets set for the Group.

Recent and current investments

The table below shows, for each business sector, for the last two financial years, the investments in tangible assets made by the ARCELOR Group.

Investment in tangible assets	*2003*	*2002 Pro Forma unaudited*
	(EUR million)	
Sector		
Flat Carbon Steel	714	757
Long Carbon Steel	290	243
Stainless Steel	188	177
Distribution-Transformation-Trading	81	164
Other activities	20	36
TOTAL	**1,293**	**1,377**

* Numbers for 2002 are proforma (unaudited)

The table below shows, for the last two financial years financial investments made by the ARCELOR Group.

Year	*Financial investments* (*EUR million*)
2003	540
2002 pro forma (unaudited)	602

3.8 Insurance

It is ARCELOR's policy to contract worldwide insurance to cover catastrophic risks for the Group with insurers having the highest liquidity rating, and local coverage for those risks that must be covered by law. The amounts of the insurance coverage are a function of the financial risks as defined by the various disaster scenarios and the products offered by the insurance market.

With regard to property damage and consequential operating losses, the Group is:

- conducting, through outside entities, engineering audits regarding fire protection and equipment breakdown risks for all facilities for which the insured value exceeds EUR 50 million, with 75% of such facilities having been audited in 2003;
- studying major loss scenarios, estimating the potential consequences for people, the environment and the facilities;
- strengthening the resources available to limit the likely occurrence of such catastrophic losses and their consequences;
- formalising the recovery resources existing within the Group to limit consequential operating losses; and
- transferring the residual catastrophic risks to the insurance market, for the portion exceeding EUR 20 million per event, with insured amounts being in line with industry practices and the insurance products available on the market.

With respect to civil liability, and because the maximum financial risk cannot be estimated empirically, the amounts insured are in line with the products available on the market and the insurance coverage purchased by industrial groups of comparable size and activity. In order to reduce its liability risk, the Group is implementing in-house training to raise awareness and educate everyone involved.

In terms of product shipment, when a customer entrusts the Group with organising product shipment, the vessels used must:

- be classified by a classification society that is a member of the International Association of Classification Societies (IACS);
- be covered by a "P&I Club" (Mutual Protection and Indemnity Association) having the highest liquidity rating;
- possess an International Safety Management (ISM) certificate valid for the duration of the voyage; and
- be less than 20 years old.

Two additional criteria are applied if ARCELOR charters the vessel:

- knowledge of the results of the most recent inspections performed by port authorities; and
- awareness of the existence or non-existence of a major event affecting the vessel during the last 12 months.

The full insured amount corresponds to the maximum potential risk per event (to the extent it can be reasonably estimated).

With regard to all insurable risks, the Group gives preference to self-insurance for low frequency risks that each entity can cover. This results in a deductible tailored to the financial resources of each entity for better awareness of risk prevention by all participants.

Self-insurance with recourse to the reinsurance market is used for medium-frequency risks in order to optimise and smooth insurance costs at Group level. The risk exposure is limited through the protection provided by the reinsurance market.

ARCELOR's policy for the protection of its industrial installations, highlighted by the decision to allocate EUR 17.4 million over 2004 (in addition to the regular accident prevention investment budgets of the entities), for the purpose of improving the safety of its facilities has been welcomed by the insurance market. Accordingly, the Group benefitted from a substantial discount on its premiums for 2004 for damage and consequential operating loss cover.

3.9 Risk Factors

Commercial and industrial environment

Cyclical nature of the steel market

The steel market has traditionally shown cyclical trends resulting, in particular, from the influence of macro-economic conditions on demand for steel products and the recurrent imbalance between steel production and demand.

The turnover, margins and results of the ARCELOR Group are closely linked to these factors and may vary significantly from year to year. Any forecast in relation to market growth or its evolution must be reviewed in the light of changing economic conditions which can affect or delay expected improvements.

Strong competition in the steel market

The steel market is highly competitive. Steel producers are also in competition with producers of substitute materials, particularly in the automotive, construction and packaging industries.

Intensity of competition and cyclical steel markets result in significant variations in economic performance which may lead to a decrease in profits and even to losses, which would materially affect the steelmaking industry as a whole, including the ARCELOR Group.

Raw material and energy consuming industry

Steel production activities consume raw materials, such as iron ore, coal, coke, scrap metal, nickel, ferro-manganese and silico-manganese alloys and zinc. The Group maintains diversity in its sources of supply, where possible, and, save for electricity and natural gas, keeps stocks sufficient to minimise the impact of potential disruptions in supply.

Raw materials and energy constitute major items of expenditure for the ARCELOR Group. A significant increase in the price of raw materials and energy could have a material adverse effect on the ARCELOR Group's results if any hedging financial instruments used prove to be insufficient or if these price increases cannot be passed on to customers.

Activities in emerging countries

The ARCELOR Group has activities throughout the world. Risks associated with operating activities in emerging countries can include non-payment or slower payment of invoices, nationalisation, social, political or economic instability, greater exchange risk and restrictions on repatriation of currency. The ARCELOR Group may not be able to insure or cover these risks. Furthermore, it may prove difficult, even impossible, to obtain financing in countries rated below "investment grade" by rating agencies. The ARCELOR Group may encounter difficulties in operating in such countries, which could materially affect its results. See note 25 of the notes to the consolidated financial statements as at, and for the year ended 31 December 2003, incorporated by reference herein.

Heavy industry

The ARCELOR Group operates in an industrial environment where most of its movable assets may be affected by technical problems or accidents which may lead to the interruption of its operations and have a material negative impact on production.

Environmental regulations and liability-Non-renewal of authorizations

Compliance with regulations-Environmental liability

In the different countries where the ARCELOR Group operates, particularly in Europe, Brazil and the United States, steel production activities must comply with environmental regulations which are diverse, subject to change and extensive.

These regulations relate, in particular, to the control of major accidents, the elimination of waste water, the elimination of hazardous solid industrial waste, atmospheric and water pollution and protection of the sites. The ARCELOR Group's activities could, in the future, be subject to stricter regulations, requiring expenditure in order to comply with such regulations or the payment of taxes which could materially adversely affect the Group's results, if this expenditure or such taxes could not be quickly reflected in customer prices.

There are potential liabilities for the ARCELOR Group as a result of its past activities that, should they result in bodily harm or damage to property, could materially adversely affect ARCELOR's results.

In addition, regulatory authorities and courts may force the Group to carry out investigations or to restore sites, or may impose restrictions on its activities or temporarily or permanently close its installations, which could materially adversely affect the Group's results.

Authorisations

In order to carry on its activities, the ARCELOR Group must obtain, renew or modify various authorisations, permits and/or consents. In certain countries, procedures for obtaining these authorizations from regulatory authorities are often long and complex and there can be no assurance that the authorisation requested will be granted, renewed or modified, which could materially adversely affect the relevant activities of the Group.

Financial environment

Investment requirements and significant working capital

Free cash flow generated by heavy industries, such as the steel industry can be significantly affected by the necessity to carry out major investments; in addition, these industries require large amounts of working capital.

The Group may not be able to generate, raise or borrow sufficient funds for capital expenditures or working capital, which could have a material adverse effect on its business and results of operations.

Exchange rate fluctuations

Steel companies have noted over the last few years that their businesses and share prices are sensitive to the exchange rate fluctuations between the U.S. dollar and the euro. For example, any appreciation of the euro would reduce costs of a certain number of raw materials, but could reduce the competitiveness of exporting European steelmakers and facilitate imports into Europe.

In addition, to the extent that the ARCELOR Group pays in a currency and obtains payment of its products and services in another currency, its profit margins may be affected by exchange rate fluctuations. The Group's general policy is to hedge this type of risk either by making the currencies of its sales correspond with those of its expenditures, or by hedging contracts. See Note 25 of the Group consolidated financial statements as at 31 December 2003, incorporated by reference herein.

In addition, the choice of the currency used to evaluate the assets in a currency other than the euro can have a significant impact on the balance sheet.

Interest rate fluctuations

In view of the structure of the Group's indebtedness, part of which is subject to floating interest rates, the annual financial charges are partly linked to changes in interest rates. In particular, variation of short-term interest rates has a considerable impact on financial charges. See Note 25 of the Group consolidated financial statements as at 31 December 2003, incorporated by reference herein.

MANAGEMENT AND EMPLOYEES

Board of Directors

ARCELOR's Board of Directors has 18 members, of which none are executive directors. The Directors of ARCELOR are as follows:

Name	*Affiliations*
Joseph Kinsch	Chairman of the Board of Directors
José Ramón Álvarez Rendueles	Vice-Chairman of the Board of Directors
John Castegnaro	Director Employee Representative, Luxembourg
Hedwig de Koker	Director Chairman of the Board of Vancaen PLC, Brussels
Jean-Yves Durance	Director Chairman of the Management Board of MARSH France, Paris
Noël Forgeard	Director, President and CEO of Airbus, Paris
Jean-Pierre Hansen	Director Chairman and Managing Director of Tractebel S.A. Managing Director of SUEZ S.A., Brussels
Ulrich Hartmann	Director Vorsitzender des Aufsichtstrats of E-ON AG, Düsseldorf
Corporación JMAC B.V., represented by Ramón Hermosilla Martín	Director, Madrid
HRH Prince Guillaume of Luxembourg	Director, Luxembourg
Michel Marti	Director Employee Representative, Paris
Daniel Melin	Director Chairman of EMEA South EDS, Paris
Edmond Pachura	Director Chairman of UNAS, Paris
Francisco Javier de la Riva Garriga	Director Executive Vice-Chairman of Fertiberia S.A., Madrid
Georges Schmit	Director Secretary General of the Ministry of the Economy, Luxembourg
Sergio Silva de Freitas	Director Senior Vice-President of Banco Itaú, Sao Paulo
Ignacio Fernández Toxo	Director Employee Representative, Madrid
Fernand Wagner	Director, Luxembourg
Paul Junck	Secretary General ARCELOR Secretary of the Board of Directors

The Board of Directors has the widest administrative and management powers in ARCELOR. All powers which are not expressly reserved, by law or the articles of association, to the general meeting of the shareholders are within the competence of the Board of Directors.

Management Board

The Chairman of the Management Board and the members of the Management Board are appointed by the Board of Directors on the recommendation of the Appointments and Remunerations Committee.

Name	*Position*
Guy Dollé	Chief Executive Officer and Chairman of the Management Board
Jacques Chabanier	Senior Executive Vice-President-Purchasing, R&D, Information Technologies, e-Commerce, Nippon Steel Corporation Alliance
Jean-Yves Gilet	Senior Executive Vice-President-Stainless Steels
Gonzalo Urquijo	Deputy Senior Executive Vice-President Distribution-Transformation-Trading
Roland Junck	Senior Executive Vice-President Long-Carbon Steels
Paul Matthys	Senior Executive Vice-President-Strategy and Planning, Synergies
Guillermo Ulacia Arnaiz	Senior Executive Vice-President-Flat Carbon Steels
Michel Wurth	Senior Executive Vice-President-Finance, Management by Objectives

Authority

The powers of the Management Board are defined by the Board of Directors. The Board of Directors has delegated the day-to-day management powers of ARCELOR to the Management Board. The Management Board also has the powers to:

- define and oversee the strategic objectives and general management plan of ARCELOR and the Group, to be submitted to the Board of Directors for decision after consultation with the Chairman of the Board;
- define the policies and resources aimed at implementing this strategy; all decisions other than those relating to day-to-day management must be submitted to the Board of Directors for approval; and
- implement and control decisions with oversight of performance and results.

Mission

The Management Board is a collegial body which shares common values and embodies the Group's identity and philosophy.

Within the powers delegated by the Board of Directors, the Management Board:

- is responsible for the performance of the Group and its operating sectors;
- oversees the use made of the industrial, financial and commercial convergence and synergies within and between the operating sectors;
- appoints top-level management for the principal companies of the Group;
- handles relations with national and EU authorities and with national and international professional associations;
- is responsible for the co-ordination of public relations and ensures compliance with the Group's corporate identity; and
- submits, for the consideration of the Board of Directors, the annual financial statements of ARCELOR and a recommendation regarding the allocation of results, the consolidated financial statements of the Group, the consolidated budget forecasts and the reports to be submitted to the general meeting of shareholders.

Employees

At the end of December 2003, the fully consolidated companies of the Group employed 98,264 people compared with 104,434 employees at the end of December 2002.

SHAREHOLDERS

The table below shows, to the best of ARCELOR's knowledge, the composition of its share capital as at 31 May 2004:

Shareholder	*% of shares outstanding*
Luxembourg State	5.9%
Corporación JMAC B.V. (Aristrain)	4.1%
SOGEPA (Wallonia region)	3.8%
Employees	2.5%
EDF	1.7%
Banque Générale du Luxembourg and BGL Investment Partners	0.7%
Individual/Institutional shareholders	75.8%
ARCELOR Group companies	5.5%
Total	**100.0%**

On 31 May 2004, the subscribed share capital of ARCELOR amounted to 2,665,726,365 euros and consisted of 533,145,273 shares without nominal value, all fully paid up.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION – ARCELOR

The following table sets out a summary of certain key consolidated audited financial information of ARCELOR as at, and for the years ended, 31 December 2002 and 2003. This information is derived from, and should be read in conjunction with, the audited consolidated financial statements and the related notes of ARCELOR as at, and for the years ended, 31 December 2002 and 2003, which are incorporated by reference in this Offering Circular.

ARCELOR is the result of a business combination of ACERALIA, ARBED and USINOR, which was accounted for as being completed on 28 February 2002. In compliance with the International Financial Reporting Standards (IFRS), and specifically under IAS 22, the business combination was accounted for by using the purchase method of accounting with USINOR being the acquiring entity.

Under this principle, the Group's profit and loss account for the 2002 financial year includes 2 months of trading for the USINOR group and 10 months of trading for the ARCELOR Group. The results for 2003 correspond to 12 months of actual trading for ARCELOR.

The figures for 2002 are also presented on a proforma basis so as to provide homogeneous and comparable financial information.

The ARCELOR Group's consolidated financial statements for the financial year ending 31 December 2003 were prepared in accordance with IFRS international accounting standards current on that date. Please refer to Note 2 of the consolidated financial statements as at 31 December 2003, incorporated by reference herein, for a discussion of significant accounting policies.

	For the year ended 31 December,		
	2003	*2002 Pro-forma (unaudited)*	*2002*
		(EUR million)	
Consolidated Profit and Loss Account			
Revenue	25,923	26,594	24,533
Gross Operating Profit	2,228	1,978	1,811
Operating Result	738	780	680
Net Result-Group Share	257	–121	–186

	As at 31 December,		
	2003	*2002 Pro-forma (unaudited)*	*2002*
		(EUR million)	
Consolidated Balance Sheet			
Shareholders' Equity*	8,139	8,058	8,020
Net Financial Debt (NFD)	4,464	5,993	5,993
NFD/Shareholders' Equity*	54.8%	74.4%	74.7%

* including minority interests, adjusted by net negative goodwill.

RECENT DEVELOPMENTS RELATING TO ARCELOR

IMS-International Métal Services

On 1 June 2004, the investment fund Chequers Capital made an offer to the ARCELOR Group, subject to a certain number of conditions (notably obtaining of the authorisation of the relevant anti-trust authorities), with a view to acquiring 36% of the share capital held by the ARCELOR Group, through Produits d'Usines Métallurgiques (**"PUM"**), of IMS-International Métal Services (**"IMS"**) for a price of EUR 5 per share.

On the basis of the terms set out in the offer, the ARCELOR Group started exclusive negotiations with Chequers Capital with a view to reaching an agreement which could only be entered into after the implementation of the applicable notice procedures to the corporate bodies and the representatives of the personnel of the ARCELOR Group.

Subsequently, Chequers Capital has proposed to the ARCELOR Group to take a minority stake, for a total amount of EUR 11 million, in the share capital of the acquisition vehicle to be set up and controlled by Chequers Capital. Furthermore, Chequers Capital has offered ARCELOR to subscribe to bonds to be issued by the acquisition vehicle for a total amount of EUR 7 million.

Disposal of J&L Specialty Steel

On 2 June 2004, ARCELOR announced the completion of the sale of substantially all of the assets of its wholly-owned subsidiary J&L Specialty Steel, LLC to a division of ATI and Allegheny Ludlum Corporation on 1 June 2004 in accordance with the terms of an agreement signed between the companies on 17 February 2004.

Disposal of Tubes business

On 3 June 2004, ARCELOR and Bagoeta, SL, majority shareholder of Conducciones y Derivas, S.A. (**"Condesa"**), completed the sale relating to the Tubes business of the ARCELOR Group. The companies have obtained the approval of the relevant anti-trust authorities.

ARCELOR sold to Bagoeta, SL 100% of the share capital of Arcelor Tubes, S.A., Alessio Tubi, SpA, Exma, S.A. and Aceralia Tubos, SL, as well as 5% of the share capital of Industube (the remaining 5% of the share capital of Industube has been sold to the other partners of the company) and 30% of the share capital of Condesa. The total price of the deal amounts to EUR 58.7 million. With regard to the remaining 18.84% stake of Condesa owned by the ARCELOR Group, the parties have mutually granted put and call options.

Sale of IEE

In June 2004, an exclusivity agreement has been signed with an investor for the sale of IEE, a company specialising in electronic sensor devices.

Sale of Aciérie de l'Atlantique

On 22 June 2004, ARCELOR sold its wholly-owned subsidiary Aciérie de l'Atlantique, SAS (**"ADA"**) to Siderúrgica Añón S.A. for EUR 77 million. ADA is a French company based in Bayonne (France) equipped with an electric arc furnace and a continuous casting facility. The entity (223 employees) shipped over 770,000 tons of steel in 2003 for a turnover of EUR 185 million.

Luxembourg long products' units

On 25 June 2004, the Board of Directors of ARCELOR approved a EUR 122 million investment over the 2004-2006 period in the Luxembourg long products' units, as part of the plan to improve the performance at the Luxembourg sites. In this context, the cold rolling mill of Laminoir de Dudelange will be progressively phased out by the end of 2005.

Consolidation of the shareholding control in CST and bonus allocation of warrants to existing shareholders

On 28 June 2004, ARCELOR announced that it entered into definitive and binding agreements with Companhia Vale do Rio Doce (**"CVRD"**) aiming at consolidating the shareholding control of the Brazilian Companhia Siderúrgica de Tubarão (**"CST"**) for a total amount of approximately USD 579 million. These agreements remain subject to the satisfaction of certain conditions precedent consistent with transactions of such nature. Following the acquisition of CST common shares indirectly held by Acesita S.A. (**"Acesita"**), pursuant to a call option granted by Acesita to ARCELOR and CVRD in March 2003, and after the implementation of above mentioned agreements with CVRD, ARCELOR shall hold directly or indirectly 64.72% of the voting capital and 59.92% of the non-voting capital of CST, representing 61.77% of the total share capital of CST.

ARCELOR further announced on 29 June 2004 that it intends to raise approximately EUR 1.14 billion via a share capital increase by way of warrants issue, in order (i) to finance the consideration to be paid to CVRD mentioned above, (ii) to finance further acquisitions which are consistent with ARCELOR's strategy and value criteria, and (iii) to maintain a strong financial profile. The capital increase will be achieved through the distribution of bonus warrants to existing shareholders of ARCELOR of record on 1 July 2004 (one share entitling to one warrant). New shares of ARCELOR can be subscribed at a price of EUR 11 per share (the **"Subscription Price"**), based on an exercise ratio of one new share for 5 warrants.

The warrants have been listed and traded on the stock exchanges on which the ARCELOR share is listed during a period which ended on 13 July 2004. A syndicate of banks agreed to subscribe at the Subscription Price to the number of new shares which correspond to the warrants not exercised by existing shareholders and these new shares will be sold through private placements pursuant to Regulation S or on the market, as the case may be, on or about 22 July 2004.

SUBSCRIPTION AND SALE

Fortis Bank nv-sa, Dexia Banque Internationale à Luxembourg société anonyme, acting under the name of Dexia Capital Markets, ING Belgium S.A./N.V., KBC Bank NV, Banque et Caisse d'Epargne de l'Etat, Luxembourg and F. Van Lanschot Bankiers N.V. (the **"Managers"**) have, in a subscription agreement dated 14 July 2004 (the **"Subscription Agreement"**) and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to subscribe and pay for the Notes at their issue price of 101.97 per cent. of their principal amount and less a total commission of 2 per cent. of their principal amount. The Managers are entitled in certain circumstances to be discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by the Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has further represented, warranted and undertaken that:

(a) ***No offer to public:*** It has not offered or sold and will not offer or sell any Notes to persons in the United Kingdom, prior to the expiry of a period of six months from the Closing Date, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) ***Financial Promotion:*** It has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the **"FSMA"**)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(c) ***General compliance:*** It has complied with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Luxembourg

The Notes are not offered to the public in or from Luxembourg and each of the Managers has represented, warranted and agreed that it has not, and will not, offer the Notes, or cause the offering of the Notes or contribute to the offering of the Notes, to the public in or from Luxembourg, unless all the relevant legal and regulatory requirements have been complied with. In particular, the offer and sale of the Notes have not been and will not be announced to the public in or from Luxembourg and offering material relating to the Notes will not be made available to the public in or from Luxembourg. A listing of the Notes on the Luxembourg Stock Exchange does not necessarily imply that a public offering in or from Luxembourg has been authorised.

Kingdom of Belgium

The Notes have not been and will not be publicly offered in Belgium.

The offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and the Offering Circular or any other offering material relating to the Notes has not been and will not be approved by, the Belgian Banking, Finance and Insurance Commission ("*Commission bancaire, financière et des assurances/Commissie voor het Bank-, Financie- en Assurantiewezen*").

Accordingly, the offering may not be advertised and each of the Managers has represented, warranted and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

(i) investors required to invest a minimum of Euro 250,000 (per investor and per transaction);

(ii) institutional investors as defined in Article 3, 2º, of the Belgian Royal Decree of 7 July 1999 on the public character of financial transactions, acting for their own account;

(iii) persons for which the acquisition of the Notes subject to the offering is necessary to enable them to exercise their professional activity;

(iv) in cases where such advertisement of the offering and such sale, resale, transfer or delivery of the Notes and such distribution of any memorandum, information circular, brochure or any similar documents, directly or indirectly, has been done in accordance with article 10, 4º of the Law of 22 April 2003 on the public offer of securities and article 4 of the Royal Decree of 7 July 1999 on the public character of financial transactions.

This Offering Circular has been issued only for the personal use of the above qualified investors and exclusively for the purpose of the offering of Notes. Accordingly, the information contained therein may not be used for any other purpose nor disclosed to any other person in Belgium.

Republic of France

The Managers and the Issuer have warranted, represented and agreed that they have not offered or sold, and will not offer or sell, directly or indirectly, any Notes to the public in the Republic of France and that offers and sales of the Notes in the Republic of France will be made only to qualified investors (*investisseurs qualifiés*) as defined in and in accordance with Article L.411-2 of the French *Code monétaire et financier* and decree no. 98-880 dated 1 October 1998.

In addition, the Issuer and each Manager has warranted, represented and agreed that it has not distributed or caused to be distributed, and will not distribute or cause to be distributed, in the Republic of France this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in the Republic of France may be made as described above.

Japan

The Notes have not been and will not be registered under the Securities and Exchange Law of Japan (the **"Securities and Exchange Law"**). Accordingly, each Manager has represented, warranted and agreed that it has not directly or indirectly offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and other relevant laws and regulations of Japan.

Federal Republic of Germany

The Notes have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the Notes in Germany in accordance with the Securities

Sales Prospectus Act of 9 September 1998, as amended (*Wertpapier-Verkaufsprospektgesetz*, the "**Prospectus Act**"), has been or will be published or circulated in the Federal Republic of Germany. Each Manager has represented and agreed that it has only offered and sold and will only offer and sell the Notes in the Federal Republic of Germany in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the issue, sale and offering of securities. Any resale of the Notes in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Netherlands

The Notes may not be offered, transferred, delivered or sold in or from the Netherlands as part of its distribution or as part of any re-offering, and neither this Offering Circular nor any other document in respect of the offering may be distributed or circulated in the Netherlands, other than to individuals or legal entities who are considered as professional market parties pursuant to the Netherlands Banking Act (*Wet toezicht kredietwezen 1992*) and which trade or invest in securities in the conduct of their profession or trade pursuant to the Netherlands Securities Act (*Wet toezicht effectenverkeer 1995*) (which includes (among others) duly supervised banks, insurance companies, securities institutions, investment institutions and pension funds).

The Notes in global or definitive form will bear a legend substantially to the following effect:

"Any person who holds (a beneficial interest in) this obligation, who is resident in the Netherlands, shall be deemed to have represented and agreed that it is a professional market party as defined in section 1 sub e of the Exemption Regulation pursuant to the Netherlands Banking Act."

General

No action has been or will be taken in any jurisdiction by the Issuer or any Manager that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material relating to the Notes, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

GENERAL INFORMATION

1. The creation and issue of the Notes has been authorised by a decision of the meeting of the Board of Directors of ARCELOR in its capacity as *Gérant* of the Issuer dated 21 June 2002 and 27 June 2003 and by a decision of the meeting of its board of management dated 15 June 2004.

2. There are no legal or arbitration proceedings against or affecting the Issuer, ARCELOR, any of the other Shareholders or any Material Subsidiary (each, as defined in the Conditions) or any of their respective assets, nor is the Issuer aware of any pending or threatened proceedings affecting itself or any of the foregoing, which are or might be material in the context of the issue of the Notes.

3. Save as otherwise disclosed in this Offering Circular, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of the Issuer or ARCELOR since 31 December 2003 that is material in the context of the issue of the Notes.

4. For so long as any of the Notes are outstanding, a copy of the Agency Agreement (as defined in the Conditions) may be inspected during normal business hours at the specified office of the Fiscal Agent.

5. For so long as any of the Notes are outstanding, copies of the following documents may be obtained, free of charge, during normal business hours at the specified office of each Paying Agent:

   (a) the latest published audited year-end financial statements of the Issuer (available in the French language only);

   (b) the latest published audited year-end consolidated financial statements of ARCELOR;

   (c) the latest published unaudited (having been subject to a limited review by its auditors) semi-annual consolidated financial statements of ARCELOR;

   (d) the latest published unaudited first quarter and third quarter consolidated financial statements of ARCELOR; and

   (e) each document incorporated by reference herein, as referred to on page 4 of this document.

   The Issuer does not publish interim financial statements. The Issuer's financial situation is comprised in the consolidated financial statements of ARCELOR described under (b)-(d) above and the Issuer does not establish nor publish consolidated financial statements.

6. In connection with the application for the Notes to be listed on the Luxembourg Stock Exchange, copies of the *articles of association* of the Issuer and a legal notice relating to the issue of the Notes will be deposited prior to listing with the Trade and Companies Register in Luxembourg (*Registre de Commerce et des Sociétés*), where they may be inspected and copies thereof obtained upon request.

7. The Notes and any Coupons appertaining thereto will bear a legend to the following effect: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code." The sections referred to in such legend provide that a United States person who holds a Note or Coupon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note or Coupon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

8. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The International Securities Identification Number of the Notes is XS0194455340 and the Common Code is 019445534.

9. EU Directive on the Taxation of Savings Income (2003/48/EC)

   Noteholders and prospective purchasers of the Notes should take into consideration that on 3 June 2003, the Council of the European Union adopted a directive regarding the taxation of savings income (the **"Directive"**). The Directive will have to be applied under national Luxembourg legislation from 1 January 2005. According to the Directive, Member States will be required as from the date of application of the Directive to provide to the tax authorities of another Member State details of payments of interest within the meaning of the Directive (interest, premiums or other debt income) made by a paying agent within its jurisdiction to an individual resident in that other Member State (the **"Disclosure of Information Method"**).

The entry into force of the Directive (the **"Date of implementation"**) was initially expected to be 1 January 2005, and was conditioned by a decision of the ECOFIN no later than 1 July 2004 whereby the ECOFIN would agree that third countries (Switzerland, Liechtenstein, San Marino, Monaco and Andorra) and dependant and associated territories (the Channel Islands, the Isle of Man, the Netherlands Antilles and certain Caribbean territories) will apply from that same date measures equivalent to those contained in the Directive.

The ECOFIN could not agree in due time on the satisfaction of that condition and it is now expected that the Directive shall not enter into force before 1 July 2005.

The term "paying agent" is defined in the Directive as any economic operator who pays, or secures the payment of interest for the immediate benefit of individuals, who are the beneficial owners of the interest. However, throughout the transitional period (starting at the Date of implementation), certain Member States (the Grand-Duchy of Luxembourg, Belgium and Austria) will withhold an amount on interest payments instead of using the Disclosure of Information Method used by other Member States. The rate of such withholding tax will equal 15 per cent. for the first three years after the Date of implementation of the Directive, this rate being increased to 20 per cent. (3 years starting after the Date of implementation of the Directive) and 35 per cent. (6 years starting after the Date of implementation of the Directive). Such transitional period will end if and when the European Community enters into agreements on exchange of information with several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra), and, if and when the Council of the European Union agrees that the United States is committed to use the Disclosure of Information Method.

In view of the conditions mentioned before and given that – on one hand, the entry into force of the Directive and the related Luxembourg legislation cannot yet be determined, and on the other hand, the content of such legislation is not yet defined, the Issuer does not accept any responsibility in relation to the potential impacts of this future legislation on the Notes.

In this sense, Noteholders who are individuals should note that the Issuer will not pay additional amounts under Condition 8 of the Terms and Conditions of the Notes in respect of any withholding tax imposed as a result of this Directive.

Consequently, prospective purchasers of Notes should not consider purchasing these Notes without taking detailed advice from a specialised professional tax adviser.

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