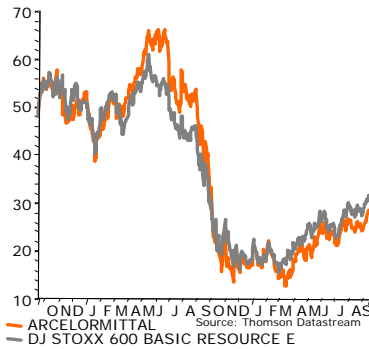


Basic Ressources / Netherlands

Pascale Boyer Barresi, CFA
18 September 2009

Valoren : 3 529 315
Reuters code : ISPA.AS
www.arcelormittal.com

Market cap : EUR 43.5 bn
Free float : 59%
Closing price : EUR 27.9



ArcelorMittal was created by the merger of Arcelor and Mittal in 2006. The company is a vertically integrated steel producer. The group has captive supply sources (upstream) and manages its own distribution networks (downstream). ArcelorMittal had sales of USD 125 billion and production of 103 million tonnes in 2008

ArcelorMittal is a cyclical investment in a sector that is also cyclical. Several factors prompted our new MINUS rating; the recovery may take time, overcapacity could pose a problem and performance to date is good. We prefer to take our profits now and get back in later rather than going on and losing it all. MINUS

	Arcelor Mittal Bas.Ress. (USD)	DJ Stoxx (EUR)
Performance (CHF)		
-1M	13.6%	14.3%
-3M	23.6%	27.5%
-12M	-29.5%	-6.9%
Change in earnings per share		
2008	-8.5%	-85.3%
2009e	-90.6%	209.6%
2010e	231.9%	33.0%
P / E (x)		
2008	9.6	NS
2009e	64.0	18.2
2010e	19.3	12.7
P / BV (x)		
2008	1.6	2.4
2009e	1.0	2.1
2010e	1.0	1.9
Dividend yield		
2008	3.7%	1.5%
2009e	2.2%	2.0%
2010e	2.3%	2.5%

Sources : B&Cie, Datastream IBES

The steel sector has its own fundamentals. Overall, the worst may be over now but the recovery will not be as swift as management may have anticipated. Moreover, overcapacity makes us fear downward pressure on prices if the discipline of getting going again is not maintained.

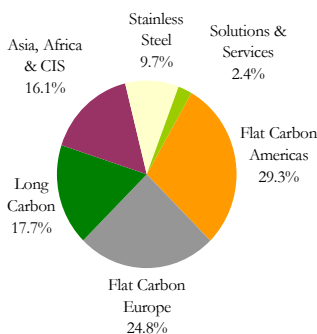
Although stimulus programs in many of the World's countries may sustain demand a bit longer, recovery won't happen tomorrow. It should also be noted that emerging markets will recover before the developed countries.

The ArcelorMittal strategy is always relevant and constructed around several points: Geography (expansion in the heart of the emerging markets; Products: differentiation as a function of destination markets; Value Chain: vertical integration, captive sources; Organic Growth: targeted value of 130 million tonnes (up 20% on 2006).

We also note in passing that the capital increase and several bond issues have cleaned up the company's balance sheet and refinanced certain segments of debt. Management's goal is to lower net debt level by USD 10 billion by the end of 2009 with a gearing ratio between 25 and 40%.

Share performance since recommendation (14 May 2009) is good: absolute: up 50.2%; relative: up 12.3%.

Sales breakdown 2008



In USD million

Key figures at end of December

	2006	2007	2008	2009e	2010e
Sales	58'870	105'216	124'936	75'766	87'264
Sales growth	109.3%	78.7%	18.7%	-39.4%	15.2%
Operating profit (EBIT)	7'532	14'830	12'236	3'866	6'264
Operating margin	12.8%	14.1%	9.8%	5.1%	7.2%
Net profit	5'247	10'368	9'399	928	3'080
ROE	12.4%	18.3%	17.0%	1.6%	5.1%
EV/Sales (x)	1.18	1.04	0.92	0.73	0.62
Net debt / Equity	48.4%	39.6%	47.9%	32.6%	29.6%
Free cash flow	4'187	11'084	9'121	5'499	8'373
Dividend per share	0.50	1.30	1.50	0.92	0.95
EPS	5.31	7.41	6.78	0.64	2.13