

Arcelor Sa

Luxembourg: 005786

Industry: Steel

Meeting Date: April 28, 2006

Record Date: April 20, 2006

Share Blocking: Yes

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2006 Annual Meeting				
Proposal	Issue	Board	GL&Co.	
1.00	Accounts and Reports	For	For	
2.00	Consolidated Accounts and Reports	For	For	
3.00	Allocation of Profits; Directors' Fees	For	For	
4.00	Allocation of Dividends	For	For	
5.00	Ratification of Board Acts	For	Against	
6.00	Elect Ulrich Hartmann	For	For	
7.00	Elect Joseph Kirsch	For	Against	
8.00	Elect Edmond Pachura	For	For	
9.00	Elect Fernand Wagner	For	For	
10.00	Elect Hedwig De Koker	For	For	
11.00	Elect Jean-Pierre Hansen	For	Against	
12.00	Elect Daniel Melin	For	For	
13.00	Elect Sergio Silva de Freitas	For	For	
14.00	Elect John Castegnaro	For	For	
15.00	Elect Manuel Fernandez Lopez	For	For	
16.00	Elect Francisco Javier de la Riva Garriga	For	For	
17.00	Elect José Ramón Álvarez Rendueles	For	For	
18.00	Elect Ramón Hermosilla Martín	For	For	
19.00	Elect Jean-Yves Durance	For	For	
20.00	Elect Prince Guillaume of Luxembourg	For	For	
21.00	Elect Georges Schmit	For	Against	
22.00	Authority to Repurchase Shares	For	For	
23.00	Appointment of Auditor	For	For	

Note

Except as noted, €1.00 = \$1.1840 (exchange rate as of December 31, 2005)

PROPOSAL 1.00: ACCOUNTS AND REPORTS

FOR

This proposal seeks shareholder approval of the Company's financial statements for the fiscal year ended December 31, 2005.

Glass Lewis' Analysis

We believe that all of the necessary financial statements and reports are present in the Company's annual report. We note that in the opinion of KPMG, the Company's independent auditor, the financial statements have been properly prepared in accordance with the generally accepted accounting principles in Luxembourg.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 2.00: CONSOLIDATED ACCOUNTS AND REPORTS

FOR

This proposal seeks shareholder approval of the Company's consolidated financial statements for the fiscal year ended December 31, 2005.

The Company's consolidated financial statements combine the activities of the Company, as well as the activities of its subsidiaries. As a routine matter, most companies in Luxembourg ask shareholders to approve both the parent company's financial statements, as well as the financial statements of the entire group.

Glass Lewis' Analysis

All of the necessary financial statements and reports are present in the Company's annual report. We note that in the opinion of KPMG, the Company's independent auditor, the financial statements have been properly prepared in accordance with the generally accepted accounting principles in Luxembourg.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 3.00: ALLOCATION OF PROFITS; DIRECTORS' FEES

FOR

This proposal seeks shareholder approval of the allocation of profits for the fiscal year ended December 31, 2005 as well as of the fees to be paid to the Company's board of directors during fiscal year 2006.

If approved, the Company will transfer €100,297,776.40 (\$118,752,567.26) to its legal reserve, in addition to the distribution of a dividend, as described in Proposal 4.

Furthermore, the board proposes that the fixed compensation to be paid to directors total €1.6 million (\$1.89 million).

Glass Lewis' Analysis

With limited exceptions, Glass Lewis will generally support the profit distribution policy proposed by a company. Here, we find that the allocation of profits to the legal reserve is reasonable and we do not see any cause for concern in terms of the board's process in making this determination.

As for the directors' fees, the aggregate amount of fees paid to the Company's board of directors during fiscal year 2005 totaled €1.97 million (\$2.33 million). Of this amount, fixed fees and attendance fees amounted to €1.6 million (\$1.89 million) and €367,000 (\$434,528), respectively.

We find the proposed fees to be reasonable and in line with those paid by the Company's peers.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 4.00: ALLOCATION OF DIVIDENDS

FOR

This proposal seeks shareholder approval of the distribution of dividends for the fiscal year ended December 31, 2005.

If approved, the Company will distribute a dividend of €1.85 (\$2.19) per share on May 29, 2006, representing a dividend payout ratio of 30%.

Glass Lewis' Analysis

With limited exceptions, Glass Lewis will generally support the dividend policy proposed by a company. Here, we find that the dividend payout is reasonable and we do not see any cause for concern in terms of the board's process in making this determination.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 5.00: RATIFICATION OF BOARD ACTS

AGAINST

This proposal seeks shareholder ratification of the acts of the Company's board of directors for the fiscal year ended December 31, 2005.

Glass Lewis' Analysis

It is customary for companies in Luxembourg to submit the actions of the board of directors during the year for shareholder approval. While discharging the board may limit shareholders' rights to take legal action against the board and/or its members, it does not release directors from their fiduciary duties owed to the Company and its shareholders.

In this case, we do not believe it is in shareholders' best interest to ratify the actions of the Company's board of directors for fiscal year 2005. As discussed further in Proposal 6, we believe shareholders should be aware of the fact that the Company has repeatedly tried to thwart the proposed takeover of the Company and has acted in contravention of shareholders' best interests.

See analysis in Proposal 6.

Accordingly, we recommend that shareholders vote **AGAINST** this proposal.

Board of Directors								
Name	Up	Age	GLC Classification	Committees			Term Start	Term End
				Audit	Comp	Nom		
John Castegnaro	✓	62	Employee Rep				2002	2006
Sergio Silva de Freitas	✓	63	Independent				2002	2006
Hedwig De Koker	✓	51	Independent	✓			2002	2006
Francisco Javier de la Riva Garriga	✓	61	Independent				2002	2006
Jean-Yves Durance	✓	64	Independent	✓			2002	2006
Manuel Fernandez Lopez	✓	59	Employee Rep				-	-
Noël Forgeard		60	Independent				2004	2008
Jean-Pierre Hansen	✓	58	Affiliated 1		✓	✓	2002	2006
Ulrich Hartmann	✓	68	Independent				2002	2006
Joseph Kirsch	✓	73	Independent 2		C	C	2002	2006
Michel Marti		59	Employee Rep				2004	2008
Ramón Hermosilla Martín	✓	-	Affiliated 3				2002	2006
Daniel Melin	✓	62	Independent				2002	2006
Prince Guillaume of Luxembourg	✓	43	Independent				2002	2006
Edmond Pachura	✓	72	Independent		✓	✓	2003	2006
José Ramón Álvarez Rendueles	✓	66	Independent 4	C	✓	✓	2002	2006
Georges Schmit	✓	53	Affiliated 5	✓			2002	2006
Fernand Wagner	✓	68	Affiliated 6				2002	2006

C = Chair

1. Represents the Wallonia region which beneficially owns 2.4% of the Company's outstanding share capital.
2. Chairman.
3. Represents an entity that owns 3.6% of the Company's outstanding share capital.
4. Vice chairman.
5. Represents the Luxembourg government which beneficially owns 5.6% of the Company's outstanding share capital.
6. Former CEO (until 2001).

Sixteen candidates are up for election as directors. If elected, a group of four directors each will expire at the Company's 2008, 2009, 2010 and 2011 annual meetings of shareholders, respectively.

We believe shareholders should be aware of the following:

On January 27, 2006, Mittal Steel ("Mittal"), the world's largest steel producer, put forth a hostile bid to purchase the Company, the second-largest steel firm in the world, for \$22.4 billion. Currently, the bid is subject to approval by the European Union's highest antitrust authority by May 19th, 2006. If approved, the Mittal family would control 50.7% of the merged company and possess nearly two-thirds of the voting rights.

In the past few weeks, the Company has made several efforts to repeal the offer, including appeals to major investors and shareholders; attempting to implement government-wide legislation that would prevent a bidder from resubmitting a hostile bid for 12 months, which could allow the Company to fend off the takeover by issuing more shares, and thereby compelling Mittal to wait 12 months before resubmitting its offer; the sheltering of newly acquired Canadian steelmaker Dofasco Inc., so as to prevent Mittal from selling it to ThyssenKrupp, the Company's recent rival in the acquisition of Dofasco; and most recently, the announcement that it would raise its dividend more than 50%, from

€1.20 (\$1.47) a share to €1.85 (\$2.27) a share, and give an additional €5 billion (\$6.1 billion) in cash back to shareholders over the next 12 months if the Company stays independent.

Taking into consideration the Company's various attempts to prevent its acquisition by Mittal, in addition to the belief that the board has requested the Company's management to undertake "any actions to help further the interests of shareholders" as discussed in numerous reports released by the press, we are concerned that the Company is once again trying to fend off Mittal, this time by implementing a staggered board.

Furthermore, it appears that the Company is acting in contravention of the Company's articles by classifying the terms of the Company's board members. Article 8 of the Company's articles of association states that "board members shall be elected by the shareholders at the annual general meeting or at any other general meeting of shareholders for a period terminating at the fifth annual general meeting following the date of their appointment." Pursuant to the aforementioned article, the terms of all of the board members currently up for election should be renewed for an equal five-year term each; a practice which is evidently not being followed by the Company.

Glass Lewis believes that classified boards do not serve the best interests of shareholders. Empirical studies have shown that: (i) companies with classified boards show a reduction in the firm's value; and (ii) in the context of hostile takeovers, classified boards operate as a takeover defense, which entrenches management, discourages potential acquirors and delivers less return to target shareholders. Glass Lewis also believes that the annual election of directors provides maximum accountability of directors to shareholders and requires directors to focus on the interests of shareholders.

In a March 12, 2004, *Glass Lewis Proxy Talk* regarding staggered boards, Lucian Bebchuk, a Harvard Law professor who studies corporate governance issues, concluded that charter-based staggered boards "reduce the market value of a firm by 4% to 6% of its market capitalization" and "staggered boards bring about and not merely reflect this reduction in market value." This conclusion is based upon a study conducted by Professor Bebchuk and Alma Cohen, entitled "The Costs of Entrenched Boards" (2004). Furthermore, based on Glass Lewis' *Proxy Talk*, there appears to be a lack of empirical evidence indicating that staggered boards increase shareholder value.

In addition, Glass Lewis believes that there is no evidence to demonstrate that, in a takeover context, staggered boards operate to improve shareholder returns. Another study, conducted by Lucian Bebchuk, John Coates and Guhan Subramanian and entitled "The Powerful Antitakeover Force of Staggered Boards" (2002), found that companies whose staggered boards prevented a takeover "reduced shareholder returns for targets ... on the order of 8% to 10% in the nine months after a hostile bid was announced."

Shareholders have expressed an increasing aversion toward staggered boards year over year. While a majority of companies elect to maintain a classified board structure, shareholder proposals seeking to repeal classified board have garnered increasing support. By our estimates, the 47 shareholder proposals regarding the repeal of classified boards submitted for shareholder approval in 2005 received on average the support of 62.8% of votes cast. In 2004, that percentage was only 52.7%, and in 1987, only 16.4% of votes cast voted in favor. Moreover, empirical evidence suggests that classified boards reduce a firm's value and shareholders' increasing opposition to such a structure. As such, they are not in the best interests of shareholders.

Given that, to the best of our knowledge, the Company does not currently have a governance committee, we believe it is appropriate for shareholders to hold Mr. Kirsch, the chairman of the board and chairman of the compensation and nominating committee, together with Messrs. Hansen and Schmit, who represent the Luxembourg government, accountable for the implementation of a staggered board. The

Luxembourg government is the largest single shareholder in the Company, with a 5.6% stake, and has voiced its opposition of the bid. We are concerned that said participation in the Company, as well as the government's recent attempt to reform the country's takeover laws, poses a conflict of interest which may negatively affect shareholders' interests.

Accordingly, we recommend that shareholders vote:

AGAINST: Kirsch; Schmit; Hansen

FOR: All other nominees

PROPOSAL 7.00: ELECT JOSEPH KIRSCH

AGAINST

See analysis in Proposal 6.

PROPOSAL 8.00: ELECT EDMOND PACHURA

FOR

See analysis in Proposal 6.

PROPOSAL 9.00: ELECT FERNAND WAGNER

FOR

See analysis in Proposal 6.

PROPOSAL 10.00: ELECT HEDWIG DE KOKER

FOR

See analysis in Proposal 6.

PROPOSAL 11.00: ELECT JEAN-PIERRE HANSEN

AGAINST

See analysis in Proposal 6.

PROPOSAL 12.00: ELECT DANIEL MELIN

FOR

See analysis in Proposal 6.

PROPOSAL 13.00: ELECT SERGIO SILVA DE FREITAS

FOR

See analysis in Proposal 6.

PROPOSAL 14.00: ELECT JOHN CASTEGNARO

FOR

See analysis in Proposal 6.

PROPOSAL 15.00: ELECT MANUEL FERNANDEZ
LOPEZ

FOR

See analysis in Proposal 6.

PROPOSAL 16.00: ELECT FRANCISCO JAVIER DE LA
RIVA GARRIGA

FOR

See analysis in Proposal 6.

PROPOSAL 17.00: ELECT JOSÉ RAMÓN ÁLVAREZ
RENDUELES

FOR

See analysis in Proposal 6.

PROPOSAL 18.00: ELECT RAMÓN HERMOSILLA MARTÍN

FOR

See analysis in Proposal 6.

PROPOSAL 19.00: ELECT JEAN-YVES DURANCE

FOR

See analysis in Proposal 6.

PROPOSAL 20.00: ELECT PRINCE GUILLAUME OF LUXEMBOURG

FOR

See analysis in Proposal 6.

PROPOSAL 21.00: ELECT GEORGES SCHMIT

AGAINST

See analysis in Proposal 6.

PROPOSAL 22.00: AUTHORITY TO REPURCHASE SHARES

FOR

This proposal seeks shareholder approval to authorize the Company to repurchase and trade its own shares, in accordance with Article 49 of the Luxembourg Companies Code. If approved, this authority will replace the authority approved at the Company's 2005 annual meeting.

The authority to repurchase and trade shares will be subject to the following conditions: (i) the purchase price will be no less than the market share price at the time of the transaction, nor can it be greater than €55.00 (\$65.12) per share; (ii) the number of shares purchased will not exceed 10% of the Company's outstanding share capital; and (iii) the term of authorization will be 18 months from the date of approval.

Management states that the repurchased shares may be used to develop the Company's capital structure, to finance acquisitions or other arrangements, to implement equity-based incentive plans, or to be otherwise conveyed or canceled.

Glass Lewis' Analysis

As a general rule, we believe that buyback programs are in shareholders' best interests, so long as the Company is left with a sufficiently strong balance sheet in light of its capital requirements. Typically, a repurchase is used to return surplus capital to shareholders, increase earnings per share, or provide shares for equity compensation plans.

Furthermore, this authority will benefit shareholders by providing the Company with the flexibility to use its repurchased shares to finance operations and future business opportunities, as well as to fund equity-based incentive plans.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

PROPOSAL 23.00: APPOINTMENT OF AUDITOR

FOR

This proposal seeks shareholder approval to ratify the appointment of KPMG as the Company's independent auditor for fiscal years 2006 and 2007.

During the last fiscal year, the Company paid KPMG audit fees of €11 million (\$13 million). All other fees accounted for less than 10% of the aforementioned amount.

Glass Lewis' Analysis

We believe that the fees paid for non-audit-related services are reasonable and that the Company has a track record of disclosing the appropriate information about these services in its filings.

Accordingly, we recommend that shareholders vote **FOR** this proposal.

DISCLOSURE

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