

**Measuring success**



**Arcelor S.A.**

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**CAC-40:** LOR

**Chairman of the Board & Chief Executive Officer**  
Mr. Guy Dollé

**Revenues**  
€ 30 Billion

**Employees:** 95.000

**ROI Study Highlights**

- **605% ROI in 5 years**
- **117% IRR in 5 years**
- **€5.993 Million NPV in 5 Years**
- **€220,000 Initial Investment**
- **€8.1 Million projected Net Savings over 5 years**

**Strategic Benefits**

- **Improved Security**
- **Increased Reliability**
- **Enhanced Straight Through Processing (STP)**

**Study Scope**

- **Arcelor Treasury**
  - Cash Aggregation & reporting
  - Deal settlement % confirmation
  - Intraday balances
- **FileAct**
  - Accounts statements collection
- **Straight Through Processing**
  - Automated integration of account statements
  - Automated generation of group payments
  - Integration to ERP applications

**Arcelor Treasury standardizes on SWIFTNet as a single gateway — realizes 605% ROI**

**Executive Summary**

Arcelor was formed, in 2002, by the combination of steel giants Aceralia (Spain) ARBED (Luxembourg), and Usinor (France). Arcelor produces flat carbon steel (coated steel sheet, cold coils and hot coils), long carbon steel (beams, concrete reinforcement bars, merchant steel, sheet piling, and rails for public transport), and stainless steel for the appliance, automotive, construction, and packaging industries. Arcelor manufactures about 47 million metric tons of crude steel per year. It employs 95.000 associates in over 60 countries and is a leading player in the global steel industry.

In 2002, Arcelor Corporate Treasury recognized a fundamental need to streamline its infrastructure to achieve greater visibility into cash receipts. The Arcelor Treasury was spending significant time in maintaining multiple systems and connection points (ETEBAC 3,5, ISABEL, proprietary bank system, fax, telephone, Internet) each with totally different characteristics (i.e., processes, data quality, availability, timeliness, security level). Additionally, Arcelor was spending an inordinate amount of time and money on maintaining Security protocols for the various connections, which were not consistent and required a growing level of resource commitment. Moreover, any expansion process proved to be tedious. New links with banks were difficult to implement, both in terms of time and cost. Finally, Arcelor Treasury had a Disaster Recovery (DR) plan per geographic location. Testing and maintaining each location's DR plan was both costly and time consuming. It was impossible to plan for the infinite combinations of bank availability.

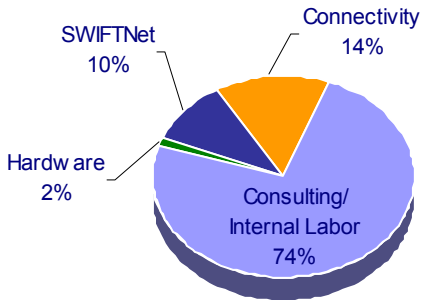
To overcome these challenges, Arcelor Treasury made the insightful decision to work with the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T.) to create a solution that would deliver a simple, secure and reliable communications platform to transmit financial messages to all of its cooperating banks around the globe.

By migrating to SWIFTNet, Arcelor Treasury increased the automation of its business, including the flow and sharing of information across the enterprise on a global basis. Subsequently, Arcelor Treasury has managed to reduce risks related to manual activities and position itself to handle any growth in future payments or receipts volume.

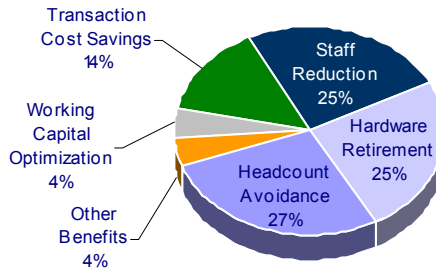
***With SWIFT, Arcelor Treasury is experiencing increased reliability, improved security and enhanced Straight Through Processing (STP) all translating into an impressive financial Return On Investment (ROI) of 605% over five years.***

# Financial Impact

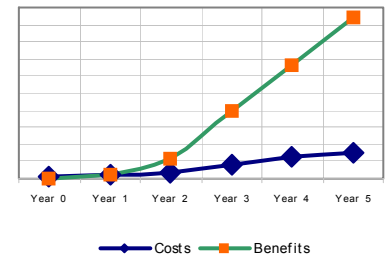
**Total Investment Cost Structure**



**Total Benefits Composition**



**Break Even Analysis**



- Labor and Consulting costs are driven by 3 factors (Legal Contracts Review, Payment Factory Development, and SWIFT Implementation and Testing); 52% Internal and 48% Consulting
- Connectivity cost cover the linkage to the SWIFT Network and the underlying maintenance
- SWIFTNet costs encompass the usage fees, including gateway services and network maintenance

- Arcelor will retire 40 bank messaging systems with an average maintenance cost of € 20K per bank, per year
- With SWIFTNET, Arcelor was able to maintain a 4 person headcount, although its subsidiary activity doubled. Without SWIFTNet, headcount would have increased, especially as transaction processing increased by 150%
- Efficiencies gained using SWIFTNet contributed to Arcelor reducing department headcount from 40 to 10

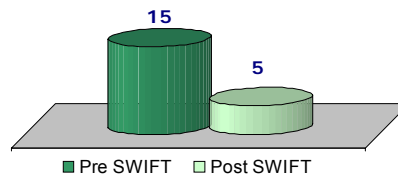
- Arcelor's 18 months "break-even-point" was largely driven by the delayed benefit realization of headcount avoidance and reduction, coupled with the hardware retirement of the messaging systems
- The benefits grew exponentially after recognizing the values of Phase III (Payment Factory) with no additional costs

# Operational Impact

## Working Capital Optimization

With SWIFTNet, cash aggregation volume increased by 67%. Using a conservative gain of 5 basis points (bps), Arcelor can invest the additional capital translating into benefits of €0.43 million, 4% of the total benefits

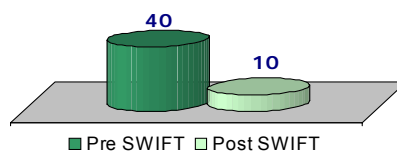
**Cash Pooling Activity**



## Staff Reduction

Productivity gains from SWIFTNet have led to staff and resource reallocation in two major areas: Treasury Back Office, 12.5% of total staff reduction, and Treasury Commercial Management and Finance, 87.5%. Staff reduction is 25% of the total benefits

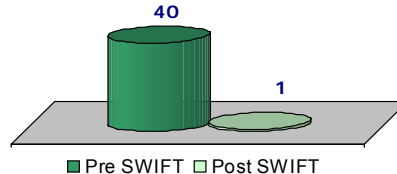
**Commercial Management & Finance Headcount**



## Bank Hardware Retirement

SWIFTNet, combined with the "Payment Factory," is helping Arcelor retire over 40 bank messaging systems generating savings of €20K per bank, per year

**Bank Hardware Retirement**



# Future Benefits

## Extend Payment Factory Functionality

- Move beyond the Payment Factory's current focus of receipts to include urgent and non-urgent payments
- Use XML standards to eliminate various message formats to enhance payments efficiency

## Establish SWIFTNet as the STP Backbone

- Connect Arcelor's ERP system to enable wing to wing communications
- Standardize, rich information sets to track payments and receipts from initiation to completion
- Increase automation will enable Arcelor Treasury to focus on exception processing instead of matching P/Os and Invoicing

About the Value Measurement Series

This study is one of a series of investigations into the costs and business returns of SWIFTNet investments. It is intended to serve business executives and managers who are evaluating investment options to improve the way they conduct Cash and Treasury Management. This case study is based on original research and analysis conducted by Thoughtware Worldwide, LLC, an independent research and consulting firm. Thoughtware Worldwide's research included on-site interviews with members of Arcelor Corporate Treasury and reviews of company financial and planning documents. Information contained in the publication has been obtained from sources considered reliable, but is not warranted by Thoughtware Worldwide, LLC, or S.W.I.F.T.. © 2005 All rights reserved. For more information about this study, please visit: [ThoughtwareWorldwide.com](http://ThoughtwareWorldwide.com) or contact your local SWIFT office