



# 3Q05 Financial Results

October 27th, 2005



# 3Q05 Highlights

## 3Q 2005



- Excellent EBITDA results for the Flat Carbon division despite:
  - Sharp decline of spot prices. Up to 3 digits in some regions
  - Negative seasonal effects
  - Full impact of the raw-materials price increase
- Effective production cuts. Metal inventories normalized
- Constant portfolio optimization: Addition of 700,000 tons/year for long steel business in Poland and disposal of the rebars business in Spain
- Inclusion of the equity component of O.C.E.A.N.E. 2017 convertibles in the net debt

## Flat Steel



- Structural higher profitability guaranteed through long term contracts, sales mix, production flexibility and continuous cost cutting

## Long Carbon Steel



- Stability of margins even considering the negative seasonal effects

## Stainless



- Base price continuous under pressure

## A3S



- Normal margins reduction due to the flat spot prices decline
- Inventories below normal levels
- Increasing scope, specially to Eastern Europe

# Key Figures



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005	Change on comparable basis
<b>Revenue</b>	7,152	7,481	<b>21,745</b>	<b>24,259</b>	<b>+6.7%</b>
<b>Gross op. result (EBITDA)</b>	1,098	1,122	<b>2,877</b>	<b>4,505</b>	
<i>as % of revenue</i>	15.4%	15.0%	<b>13.2%</b>	<b>18.6%</b>	
<i>...incl. non recurring items</i>	-163	113	<b>-208</b>	<b>59</b>	
<b>Depreciation &amp; Amortisation</b>	-263	-322	<b>-805</b>	<b>-1,062</b>	
<b>Operating result (EBIT)</b>	835	800	<b>2,072</b>	<b>3,443</b>	
<i>as % of revenue</i>	11.7%	10.7%	<b>9.5%</b>	<b>14.2%</b>	
<i>... incl. non recurring items</i>	-136	132	<b>-201</b>	<b>3</b>	
<b>Net result, Group share</b>	629	657	<b>1,494</b>	<b>2,594</b>	
<i>as % of revenue</i>	8.8%	8.8%	<b>6.9%</b>	<b>10.7%</b>	
<b>EPS (€)</b>	1.09	1.07	<b>2.87</b>	<b>4.23</b>	
			<b>09.30.2004</b>	<b>09.30.2005</b>	
<b>Gearing</b>			<b>21.3%</b>	<b>9.2%</b>	

# Flat Carbon Steel



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005	Change on comparable basis QoQ
<b>Revenue</b>	3,769	3,875	<b>11,459</b>	<b>13,540</b>	<b>+6.0%</b>
<b>Gross op. result (EBITDA)</b>	507	644	<b>1,391</b>	<b>3,025</b>	<b>Mix/Vol Effect</b> <b>-10.5%</b>
<i>as % of revenue</i>	13.5%	16.6%	<b>12.1%</b>	<b>22.3%</b>	
<i>...incl. non recurring items</i>	-95	-4	<b>-190</b>	<b>-51</b>	<b>Price effect</b> <b>+16.5%</b>
<b>Depreciation &amp; Amortisation</b>	-159	-216	<b>-451</b>	<b>-633</b>	
<b>Operating result (EBIT)</b>	348	428	<b>940</b>	<b>2,392</b>	
<i>as % of revenue</i>	9.2%	11.0%	<b>8.2%</b>	<b>17.7%</b>	
<i>... incl. non recurring items</i>	-95	-4	<b>-197</b>	<b>-51</b>	
<b>Production (ktons)</b>	7,482	7,745	<b>22,889</b>	<b>24,802</b>	
<b>Shipments (ktons)</b>	6,031	6,054	<b>20,255</b>	<b>21,170</b>	

# Long Carbon Steel



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005	Change on comparable basis QoQ
<b>Revenue</b>	1,644	1,758	<b>4,571</b>	<b>4,944</b>	<b>+11.3%</b>
<b>Gross op. result (EBITDA)</b>	409	380	<b>947</b>	<b>1,036</b>	<b>Mix/Vol Effect</b> -2.3%  <b>Price effect</b> +13.6%
<i>as % of revenue</i>	24.9%	21.6%	<b>20.7%</b>	<b>21.0%</b>	
<i>...incl. non recurring items</i>	-9.3	96	<b>46.7</b>	<b>96</b>	
<b>Depreciation &amp; Amortisation</b>	-30	-67	<b>-128</b>	<b>-205</b>	
<b>Operating result (EBIT)</b>	379	313	<b>819</b>	<b>831</b>	
<i>as % of revenue</i>	23.1%	17.8%	<b>17.9%</b>	<b>16.8%</b>	
<i>...incl. non recurring items</i>	30	96	<b>87</b>	<b>96</b>	
<b>Production (ktons)</b>	3,078	2,589	<b>9,383</b>	<b>8,478</b>	
<b>Shipments (ktons)</b>	3,275	2,976	<b>10,148</b>	<b>9,154</b>	

# Stainless Steel & Alloys



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005	Change on comparable basis QoQ
<b>Revenue</b>	1,017	854	<b>3,418</b>	<b>2,829</b>	<b>+0.8%</b>
<b>Gross op. result (EBITDA)</b>	51	14	<b>160</b>	<b>165</b>	<b>Mix/Vol Effect</b> -7.3%
<i>as % of revenue</i>	5.0%	1.6%	<b>4.7%</b>	<b>5.8%</b>	
<i>...incl. non recurring items</i>	-24	0	<b>-41</b>	<b>-2</b>	<b>Price effect</b> +8.1 %
<b>Depreciation &amp; Amortisation</b>	-43	-23	<b>-110</b>	<b>-115</b>	
<b>Operating result (EBIT)</b>	8	-9	<b>50</b>	<b>50</b>	
<i>as % of revenue</i>	0.8%	-1.1%	<b>1.5%</b>	<b>1.8%</b>	
<i>...incl. non recurring items</i>	-36	0	<b>-68</b>	<b>-48</b>	
<b>Production (ktons)</b>	483	328	<b>1,883</b>	<b>1,162</b>	
<b>Shipments (ktons)</b>	450	274	<b>1,652</b>	<b>1,052</b>	

# A3S – Arcelor Steel Solutions and services



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005	Change on comparable basis QoQ
<b>Revenue</b>	1,905	2,042	<b>5,902</b>	<b>6,445</b>	<b>+9.6%</b>
<b>Gross op. result (EBITDA)</b>	128	54	<b>375</b>	<b>230</b>	<b>Mix/Vol Effect</b> -7.7%
<i>as % of revenue</i>	6.7%	2.6%	<b>6.4%</b>	<b>3.6%</b>	
<i>...incl. non recurring items</i>	-24.6	0	<b>-13.6</b>	<b>1</b>	
<b>Depreciation &amp; Amortisation</b>	-22	-2	<b>-81</b>	<b>-72</b>	<b>Price effect</b> +17.3%
<b>Operating result (EBIT)</b>	106	52	<b>294</b>	<b>158</b>	
<i>as % of revenue</i>	5.6%	2.5%	<b>5.0%</b>	<b>2.5%</b>	
<i>...incl. non recurring items</i>	-25	19	<b>-2</b>	<b>-9</b>	
<b>Total volume sold (ktons)*</b>	3,597	3,298	<b>11,095</b>	<b>10,163</b>	
<b>Sourced from Arcelor (ktons)</b>	2,554	2,434	<b>7,877</b>	<b>7,521</b>	
<b>Sourced externaly (ktons)</b>	1,043	864	<b>3,218</b>	<b>2,642</b>	

# Balance Sheet Indicators



€m (unaudited for 2005 figures)	12.31.2004	09.30.2005	Variation
<b>Non-Current Assets*</b>	<b>13,879</b>	<b>15,108</b>	<b>1,229</b>
<b>Working Capital Requirements</b>	<b>4,003</b>	<b>5,221</b>	<b>1,218</b>
<b>Total</b>	<b>17,882</b>	<b>20,329</b>	<b>2,447</b>
<b>Shareholders Equity</b>	<b>12,317</b>	<b>15,532</b>	<b>3,215</b>
<b>-Group Share</b>	<b>10,902</b>	<b>13,635</b>	<b>2,733</b>
<b>Provisions**</b>	<b>3,053</b>	<b>3,369</b>	<b>316</b>
<b>Net Financial Debt</b>	<b>2,512</b>	<b>1,428</b>	<b>-1,084</b>
<b>Gearing</b>	<b>20.4%</b>	<b>9.2%</b>	<b>-11.2%</b>

\* Non Current assets minus Deferred taxes assets and revaluation of financial instruments

\*\*Provisions including net deferred taxes



# Consolidated Income Statement



€m (unaudited for 2005 figures)	Q3 2004	Q3 2005	9m 2004	9M 2005
Revenue	7,152	7,481	<b>21,745</b>	<b>24,259</b>
Gross op. result (EBITDA)	1,098	1,122	<b>2,877</b>	<b>4,505</b>
Depreciation & Amortisation	-263	-322	-805	<b>-1,062</b>
Operating result (EBIT)	835	800	<b>2,072</b>	<b>3,443</b>
Net financing costs	-37	-62	-171	<b>-141</b>
Income from associates	158	90	346	255
Results before tax	956	828	<b>2,247</b>	<b>3,557</b>
Income tax	-201	-87	-506	<b>-606</b>
Result after tax	755	741	1,741	2,951
Minority interests	-126	-84	-247	<b>-357</b>
Net result, Group share	629	657	<b>1,494</b>	<b>2,594</b>

# Cash-Flow and Net Financial Debt



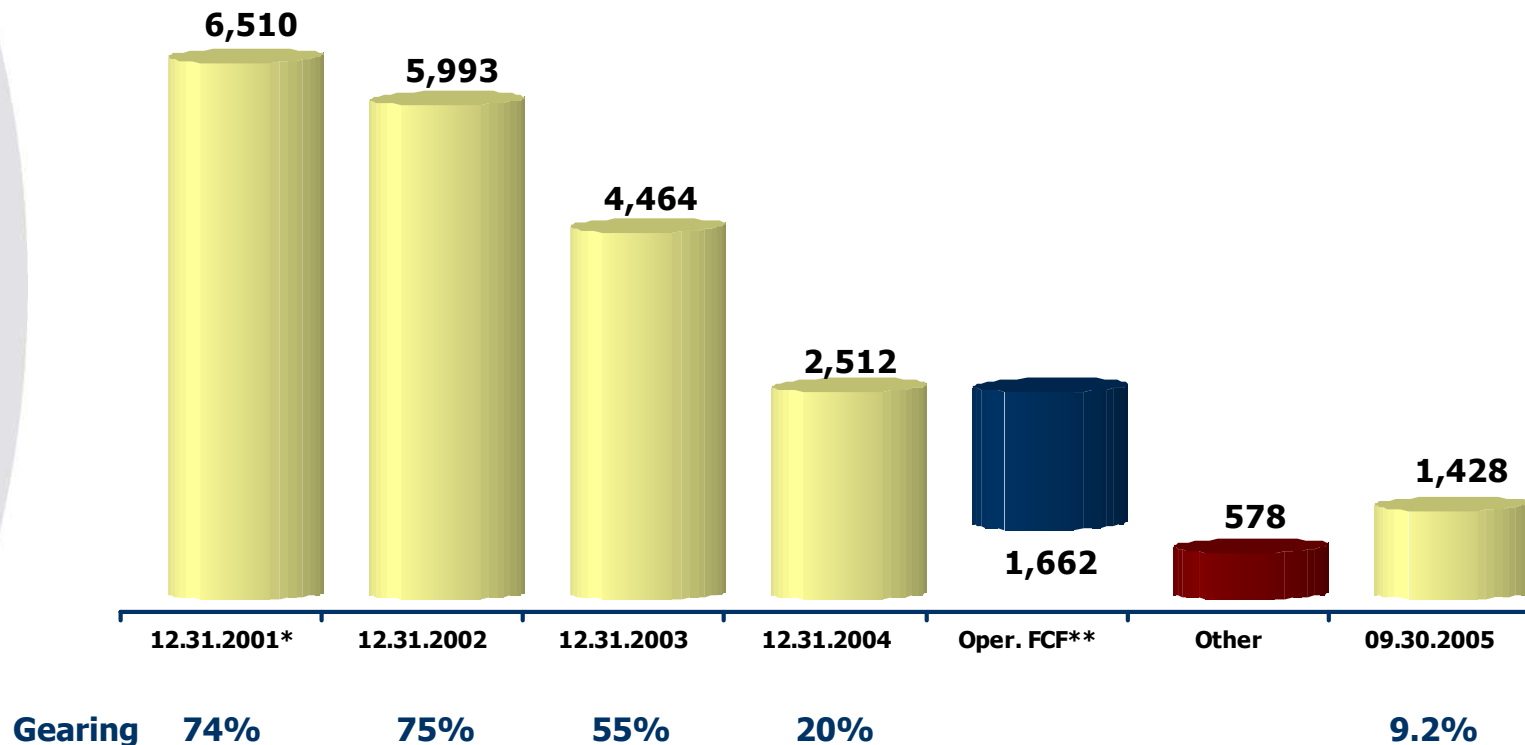
€m (unaudited for 2005 figures)	FY 2004	9M 2005
<b>Net result before Minority Interests</b>	<b>2,717</b>	<b>2,951</b>
Depreciation & Amortisation	1,147	1,062
Loss/profit of cics under equity method, net of div.	-336	-174
Others	403	299
Change in working capital (decr.=+)	-726	-1,227
<b>Cash flow from operating activities</b>	<b>3,205</b>	<b>2,911</b>
Acquisitions of tangible and intangible assets	-1,424	-1,249
Other acquisitions and disposals	42	92
<b>Cash flow from investing activities</b>	<b>-1,382</b>	<b>-1,157</b>
Proceeds from the issue of share capital	-64	12
Capital increase of Arcelor	1,136	
Dividends paid	-249	-507
Conversion O.C.E.A.N.E.	277	
Accounting procedure change O.C.E.A.N.E. 2017*		-148
Buyout of Aceralia's minority interests	-96	
<b>Cash flow from financing activities</b>	<b>1,004</b>	<b>-643</b>
Exchange rate, scope, others	-875	-27
<b>Change in net financial debt (decr.=+)</b>	<b>1,952</b>	<b>1,084</b>
<b>NFD at the beginning of the period</b>	<b>4,464</b>	<b>2,512</b>
<b>NFD at the end of the period</b>	<b>2,512</b>	<b>1,428</b>

\*Change of consolidation method based on the Revised IAS32 Standards.

# Net Financial Debt & Gearing



€m – unaudited for 2005



# Working Capital



<b>€m (unaudited for 2005 figures)</b>	<b>12.31.2004</b>	<b>06.30.2005</b>	<b>09.30.2005</b>
Inventories	6,801	7,445	7,479
Trade receivables	3,757	4,146	3,611
Trade payables	-4,997	-4,859	-4,594
<b>Operating Working Capital</b>	<b>5,561</b>	<b>6,732</b>	<b>6,496</b>
Other receivables & payables	-1,558	-1,388	-1,275
<b>Total Working Capital</b>	<b>4,003</b>	<b>5,344</b>	<b>5,221</b>
<b>Total inventories in tonnage</b>	<b>10.0 mt</b>	<b>10.2 mt</b>	<b>10.2 mt</b>
<b>CST inventories in tonnage</b>	<b>0.12 mt</b>	<b>0.16 mt</b>	<b>0.31 mt</b>

# Arcelor: pro-forma results



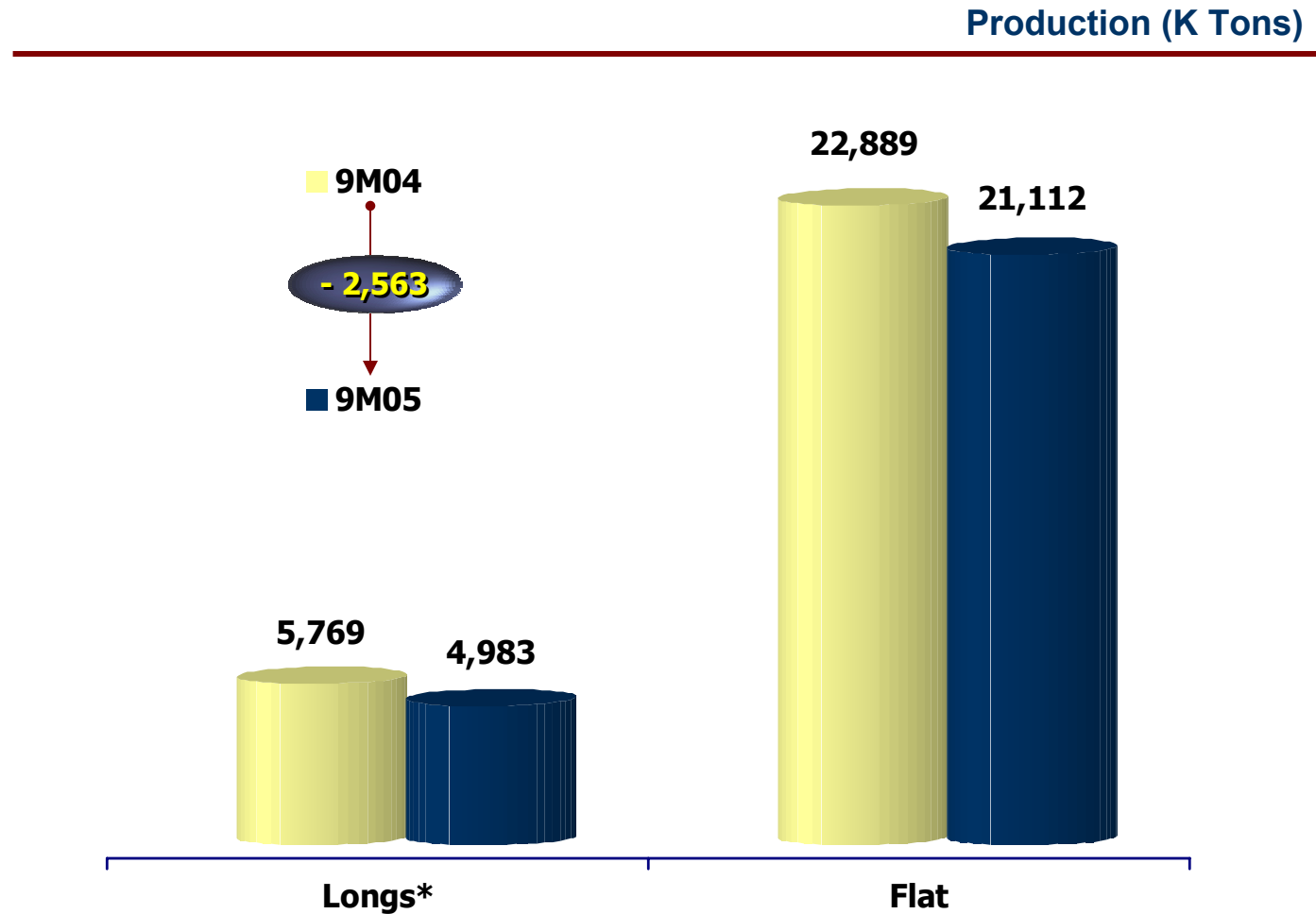
- **Pro-forma results including South American acquisitions (CST + Acindar)**

€m – unaudited for 2005

	9M04		9M05		% Total
	Reported	Pro-forma	Reported	Acquisitions impact (*)	
<b>Revenues</b>	<b>21,745</b>	<b>22,827</b>	<b>24,259</b>	<b>1,621</b>	<b>7%</b>
<b>Gross Op. Result (EBITDA)</b> <i>as % of revenue</i>	<b>2,877</b> <i>13.2%</i>	<b>3,415</b> <i>15.0%</i>	<b>4,505</b> <i>18.6%</i>	<b>850</b> <i>52.4%</i>	<b>19%</b>
<b>Net Earnings</b> <i>as % of revenue</i>	<b>1,494</b> <i>6.9%</i>	<b>1,652</b> <i>7.2%</i>	<b>2,594</b> <i>10.7%</i>	<b>537</b> <i>33.1%</i>	<b>21%</b>
<b>Oper. Free Cash Flow</b>	<b>1,026</b>	<b>1,475</b>	<b>1,662</b>	<b>369</b>	<b>22%</b>
<b>EPS</b>	<b>2.87</b>	<b>3.17</b>	<b>4.23</b>	<b>0.88</b>	<b>21%</b>
<b>Gearing</b>	<b>21%</b>	<b>23%</b>	<b>9%</b>	<b>1%</b>	<b>11%</b>

(\*) considered CST and Acindar impacts in 2005.

# European production cuts

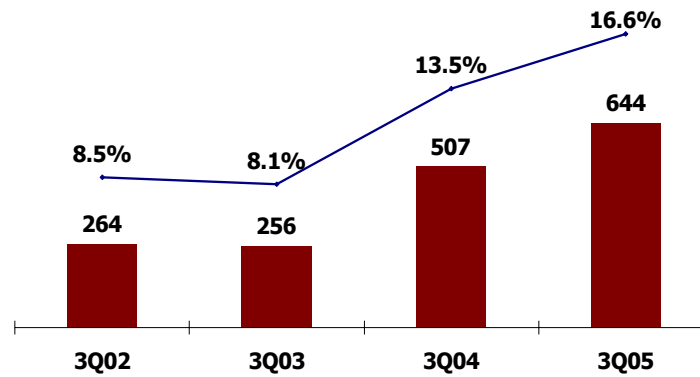


\*Scope adjustments: ADA production (368 kt) not included in 1H 04. Azpeitia & Getafe production in Q3 2004 (322kt) not included. Huta Warszawa production in Q3 2005 was not considered.

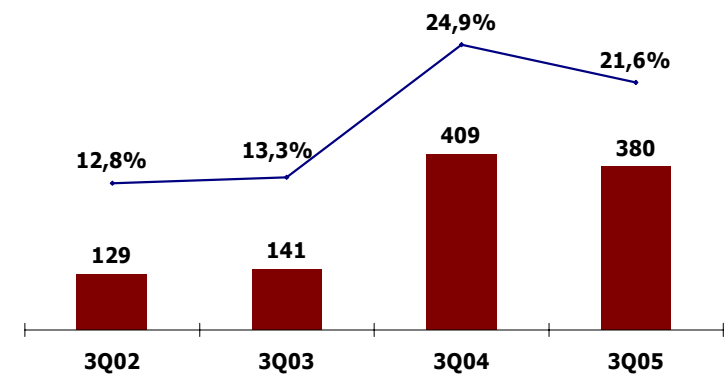
# Quarter Profitability



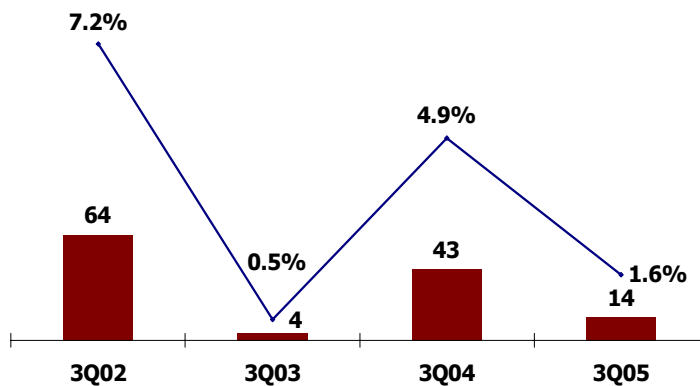
## Flat



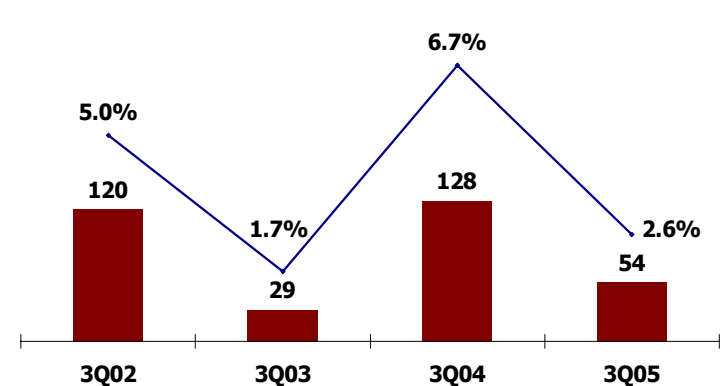
## Long



## Stainless\*



## A3S



■ EBITDA

◆ EBITDA Margin

€m – unaudited for 3Q05

# Outlook



## Better perspectives for the 4Q05

- Higher prices for Flat Carbon Steel spot market, slabs in Brazil and Longs
- Positive demand signals
- Inventories under control
- Acquisition of Acesita



## Profitability structurally improved

- **Long Carbon:** Stable margins
- **Flat carbon:** Continuous cost cutting initiatives
- **Stainless:** Start up of the Carinox project and acquisition of Acesita
- **A3S:** Conquering new markets and securing the profitability to the rest of the group



## Growth opportunities and capital allocation

- Focus maintained on value creation acquisitions



# Consolidated Balance Sheet

## *Assets*



€m (unaudited for 2005 figures)

	12.31.2004	09.30.2005
<b>Non current assets</b>	<b>15 249</b>	<b>16 220</b>
- Intangible assets	157	149
- Property, plant and equipment	11 230	12 170
- Investments under equity method	1 366	1 570
- Other investments	528	503
- Receivables and other financial assets	684	803
- Deferred tax assets	1 284	1 025
<b>Current assets</b>	<b>15 973</b>	<b>17 016</b>
- Inventories	6 801	7 479
- Trade receivables	3 757	3 611
- Other receivables	1 372	1 704
- Cash and cash equivalents	4 043	4 222
<b>TOTAL ASSETS</b>	<b>31 222</b>	<b>33 236</b>

# Consolidated Balance Sheet

## *Liabilities*



€m (unaudited for 2005 figures)	12.31.2004	09.30.2005
<b>Shareholders' equity</b>	<b>12,317</b>	<b>15,532</b>
- Group share	10,902	13,635
- Minority interests	1,415	1,897
<b>Non current liabilities</b>	<b>8,518</b>	<b>8,609</b>
- Interest bearing liabilities	4,348	4,282
- Employee benefits	1,652	1,698
- Termination benefits	887	843
- Other provisions	920	1,045
- Deferred tax liabilities	629	564
- Others	82	177
<b>Current liabilities</b>	<b>10,387</b>	<b>9,095</b>
- Trade payables	4,997	4,594
- Interest bearing liabilities	2,293	1,455
- Other amounts payables	2,848	2,802
- Termination benefits	50	36
- Other provisions	199	208
<b>TOTAL SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	<b>31,222</b>	<b>33,236</b>