

# 2004 Financial Results

17 February 2005



# Agenda

**Highlights of the Year**

**Guy Dollé, CEO**

**2004 Financial Statements**

**Michel Wurth, CFO**

- **Key figures**
- **Business Segments**
- **Consolidated Figures**

**Uses of Cash**

**Michel Wurth, CFO**

**Outlook & Business Perspectives**

**Guy Dollé, CEO**

**Transformation Phase**

**Guy Dollé, CEO**

# 2004 Market Trends

- **Further consolidation of the Industry**
  - But only the main players moved ahead
- **Worldwide demand growth driving prices for Flat Carbon Steel**
  - Especially in the US and China
- **Pressure coming from raw materials**
  - Bottlenecks in infra-structure
  - Chinese demand

# 2004 Achievements - Beyond Promises

- **Record Results**

- Earnings per share multiplied by 7.9x, EBITDA almost doubled, consequently Balance Sheet strongly reinforced

- **Transformation Under Way**

- Accumulated yearly management gains since the merger of around EUR 1.5 billion, including EUR 560 million of synergies and guarantying a higher profitability level
- Active Portfolio Management ( Euro 726 m less in revenues due to disposals)
- Successful acquisitions of CST and Acindar

- **More Cash to Shareholders**

- Stable and strong cash-flow
- CAPEX in Europe maintained around depreciation level
- Good accretive acquisitions and sound CAPEX perspectives in growth areas
- Proposal of substantial (+62.5% YoY) dividend increase

# 2004 – The Year of the Long Steel Sector, DTT and Management Gains

- **Long Steel Division delivered outstanding results during FY04**
  - Scrap surcharge successfully implemented
  - Sustained performance achieved
- **DTT Results boosted by higher shipments and prices**
  - Continuous improvement of services provided and geographical expansion in Eastern Europe
- **Flat Steel Division delivered substantial gains driven by management efforts**
  - Cost reductions
  - Working capital control through tight control of inventories and improved terms of payment
  - Positive impact due to prices in 2H04
- **Stainless turnaround under way**
  - Continuous portfolio optimization (disposal of Thainox and J&L)
  - Restructuring under way (closure of L'Ardoise and implementation of the Carinox Project)

# Key Figures

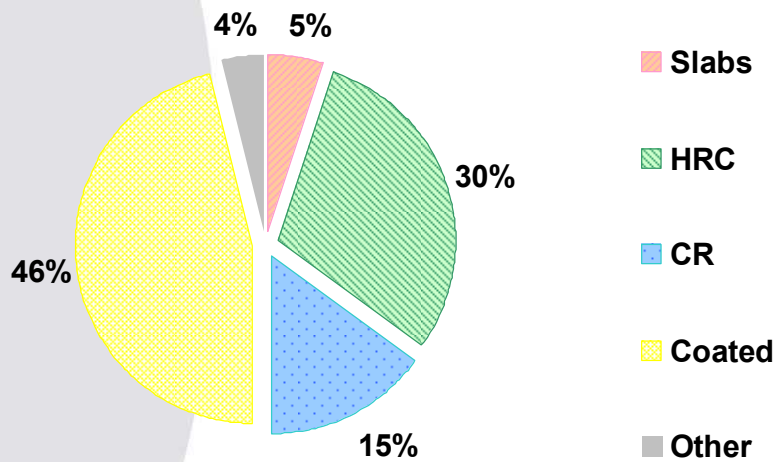
€m	Q4 2003	Q4 2004*	FY03	FY04*	Change on comparable basis	
					Q/Q	FY/FY
<b>Revenues</b>	<b>6,472</b>	<b>8,431</b>	<b>25,923</b>	<b>30,176</b>	25.3%	17.7%
<b>Gross op. result (EBITDA)</b>	<b>536</b>	<b>1,464</b>	<b>2,228</b>	<b>4,341</b>		
<i>as % of revenue</i>	8.3%	17.4%	8.6%	14.4%		
<i>...incl. non recurring items</i>	- 61	- 43	- 75	- 245		
<b>Depreciation &amp; Amortisation</b>	<b>- 712</b>	<b>- 342</b>	<b>- 1,490</b>	<b>- 1,147</b>		
<i>...incl. non recurring items</i>	- 468	+16	- 468	+18		
<b>Operating result (EBIT)</b>	<b>- 176</b>	<b>1,122</b>	<b>738</b>	<b>3,194</b>		
<i>as % of revenue</i>	- 2.7%	13.3%	2.8%	10.6%		
<i>...incl. non recurring items</i>	- 529	- 27	- 543	- 227		
<b>Net result, Group share</b>	<b>- 202</b>	<b>820</b>	<b>257</b>	<b>2,314</b>		
<i>as % of revenue</i>	- 3.1%	9.7%	+ 1.0%	7.7%		
<b>EPS</b>	<b>- 0.42</b>	<b>1.34</b>	<b>0.54</b>	<b>4.26</b>		
<b>Gearing</b>			<b>55%</b>	<b>20%</b>		
<b>ROCE</b>			<b>8.5%</b>	<b>26.6%</b>		

# Flat Carbon Steel

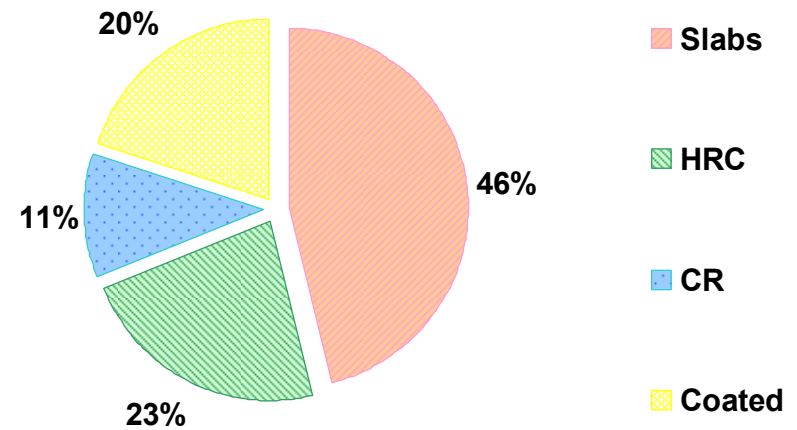
€m	Q4 2003	Q4 2004*	FY 03	FY 04*	Change on comparable basis
<b>Revenues</b>	<b>3,455</b>	<b>4,680</b>	<b>13,994</b>	<b>16,139</b>	<div style="text-align: center;"> <p>+ 12.6%</p> <p>Mix/Vol effect + 3.9%      Price effect + 8.8%</p> </div>
<b>Gross op. result (EBITDA)</b>	<b>266</b>	<b>908</b>	<b>1,365</b>	<b>2,299</b>	
<i>as % of revenue</i>	7.7%	19.4%	9.8%	14.2%	
<i>...incl. non recurring items</i>	- 73	- 2	- 64	- 192	
<b>Depreciation &amp; Amortisation</b>	<b>- 166</b>	<b>- 182</b>	<b>- 591</b>	<b>- 633</b>	
<i>...incl. non recurring items</i>	- 20	+21	- 20	+14	
<b>Operating result (EBIT)</b>	<b>100</b>	<b>726</b>	<b>774</b>	<b>1,666</b>	
<i>as % of revenue</i>	2.9%	15.5%	5.5%	10.3%	
<i>...incl. non recurring items</i>	- 93	+19	- 84	- 178	
<b>ROCE</b>			<b>17.0%</b>	<b>25.2%</b>	
<b>Production</b>	<b>7.8 mt</b>	<b>9.0 mt</b>	<b>28.6 mt</b>	<b>31.9 mt</b>	<b>+ 6.1%</b>
<b>Shipments</b>	<b>6.5 mt</b>	<b>8.0 mt</b>	<b>25.6 mt</b>	<b>28.4 mt</b>	

# Flat Carbon Steel - Product Mix by Origin

Product mix Europe



Product mix Brazil\*

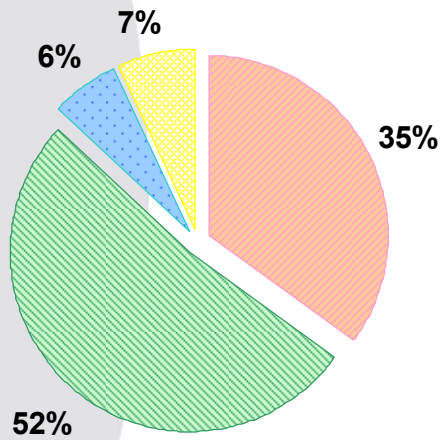


CST consolidated as of October 1<sup>st</sup> 2004



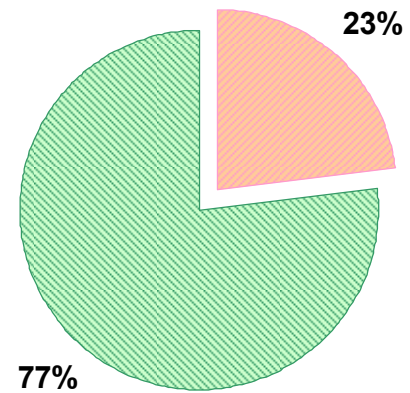
# Flat Carbon Steel - By End-User Industry

End-Users Europe



- Auto
- Industry
- Packaging
- Other

End-users Brazil\*



- Auto
- Industry

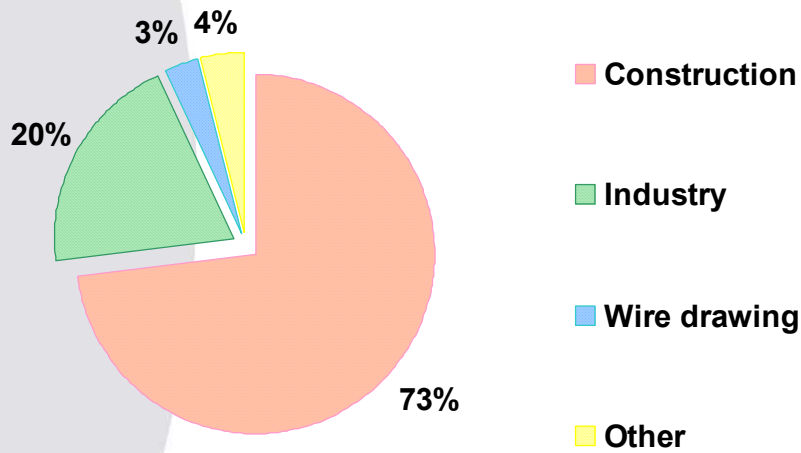
CST consolidated as of October 1<sup>st</sup> 2004

# Long Carbon Steel

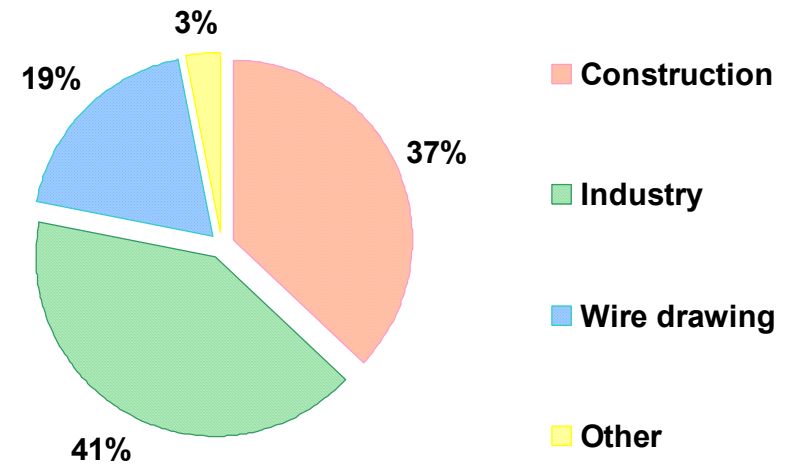
€m	Q4 2003	Q4 2004*	FY 03	FY 04*	Change on comparable basis
<b>Revenues</b>	1,176	1,650	4,381	6,221	+ 36.1%
<b>Gross op. result (EBITDA)</b>	103	340	493	1,287	<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Mix/Vol effect</b> + 5.5%         </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <b>Price effect</b> + 30.7%         </div> </div>
<i>as % of revenue</i>	8.8%	20.6%	11.3%	20.7%	
<i>...incl. non recurring items</i>	0	0	0	+ 43	
<b>Depreciation &amp; Amortisation</b>	- 46	- 81	- 182	- 209	
<i>...incl. non recurring items</i>	- 10	0	- 10	+ 45	
<b>Operating result (EBIT)</b>	57	259	311	1,078	
<i>as % of revenue</i>	4.8%	15.7%	7.1%	17.3%	
<i>...incl. non recurring items</i>	- 10	0	- 10	+ 88	
<b>ROCE</b>			15.2%	39.2%	
<b>Production**</b>	2.9 mt	3.2 mt	11.5 mt	12.6 mt	+ 2.5%
<b>Shipments</b>	3.3 mt	3.2 mt	12.2 mt	13.4 mt	

# Long Carbon Steel - By End-User Industry

End User mix Europe



End Users mix Brazil\*



# Stainless Steels, Alloys & Specialty Plates

€m	Q4 2003	Q4 2004	FY 03	FY 04	Change on comparable basis
<b>Revenues</b>	<b>1,094</b>	<b>1,159</b>	<b>4,280</b>	<b>4,577</b>	<div style="text-align: center;"> <p>+ 14.5%</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>Mix/Vol effect - 2.0%</p> </div> <div style="border: 1px solid black; padding: 5px; text-align: center;"> <p>Price effect + 16.5%</p> </div> </div> </div>
<b>Gross op. result (EBITDA)</b> <i>as % of revenue</i> <i>...incl. non recurring items</i>	<b>- 63</b> - 5.8% - 144	<b>98</b> 8.5% - 18	<b>23</b> 0.5% - 156	<b>258</b> 5.6% - 65	
<b>Depreciation &amp; Amortisation</b> <i>...incl. non recurring items</i>	<b>- 363</b> - 323	<b>- 31</b> 0	<b>- 486</b> - 323	<b>- 141</b> - 21	
<b>Operating result (EBIT)</b> <i>as % of revenue</i> <i>...incl. non recurring items</i>	<b>- 426</b> -/- - 467	<b>67</b> 5.8% - 18	<b>- 463</b> -/- - 479	<b>117</b> 2.6% - 86	
<b>Acesita equity income<sup>(1)</sup></b>	<b>9.3</b>	<b>3.8</b>	<b>- 25.4</b>	<b>32.3</b>	
<b>ROCE</b>			<b>- 39.6%</b>	<b>12.8%</b>	
<b>Production</b>	<b>652 kt</b>	<b>570 kt</b>	<b>2.6 mt</b>	<b>2.4 mt</b>	<b>1.6%</b>
<b>Shipments</b>	<b>579 kt</b>	<b>486 kt</b>	<b>2.4 mt</b>	<b>2.1 mt</b>	

# Distribution, Transformation, Trading

€m	Q4 2003	Q4 2004	FY 03	FY 04	Change on comparable basis
					FY/FY
<b>Revenues</b>	<b>1,935</b>	<b>2,365</b>	<b>7,954</b>	<b>8,267</b>	<b>+ 12.5%</b>
<b>Gross op. result (EBITDA)</b>	<b>164</b>	<b>138</b>	<b>284</b>	<b>513</b>	
<i>as % of revenue</i>	8.5%	5.8%	3.6%	6.2%	
<i>...incl. non recurring items</i>	+ 123	- 23	+ 112	- 21	
<b>Depreciation &amp; Amortisation</b>	<b>- 92</b>	<b>- 37</b>	<b>- 160</b>	<b>- 118</b>	
<i>...incl. non recurring items</i>	- 80	- 5	- 80	- 9	
<b>Operating result (EBIT)</b>	<b>72</b>	<b>101</b>	<b>125</b>	<b>395</b>	
<i>as % of revenue</i>	3.7%	4.3%	1.6%	4.8%	
<i>...incl. non recurring items</i>	+ 43	- 28	+ 32	- 30	
<b>ROCE</b>			<b>9.2%</b>	<b>24.2%</b>	
<b>Sourced from Arcelor</b>			<b>69%</b>	<b>71%</b>	
<b>Sourced externally</b>			<b>31%</b>	<b>29%</b>	
<b>Total volume sold</b>			<b>16 mt*</b>	<b>15 mt</b>	



\* Excluding Tubes and PUM Processing

# Consolidated Income Statement

€m	Q4 2003	Q4 2004*	FY03	FY04*
<b>Revenues</b>	<b>6,472</b>	<b>8,431</b>	<b>25,923</b>	<b>30,176</b>
Gross operating result	536	1,464	2,228	4,341
Depreciation & Amortisation	- 738	- 379	- 1,601	- 1,225
Amortisation of goodwill	26	37	111	78
<b>Operating result</b>	<b>- 176</b>	<b>1,122</b>	<b>738</b>	<b>3,194</b>
Net financing costs	- 112	- 196	- 321	- 367
Income from associates	50	67	140	413
Result before tax	- 238	993	557	3,240
Income tax	79	- 17	- 141	- 523
Result after tax	- 159	976	416	2,717
Minority interests	- 43	- 156	- 159	- 403
<b>Net result, Group share</b>	<b>- 202</b>	<b>820</b>	<b>257</b>	<b>2,314</b>

# Operating Result & Non Recurrent Items

€m	"Operating" FY 04	Flat	Long	Stainl.	DTT	Other	Total	Reported FY 04
Gross Op. Result	4,586	- 192*	+43	- 65	- 21	- 10	- 245	4,341
D&A	- 1,165	- 23	+4	- 21	- 9	- 11	- 60	- 1,225
Amort.of gw.	0	+37	+41	0	0	0	+78	+78
Operating Result	3,421	- 178	+88	- 86	- 30	- 21	- 227	3,194

**Impact non-recurrent items: -€ 227 m**

# Cash-Flow and Net Financial Debt

€m	FY 2003	FY 2004*
<b>Net result before Minority Interests</b>	<b>416</b>	<b>2,717</b>
Depreciation & Amortization	1,490	1,147
Loss/profit of cics under equity method, net of div.	- 48	- 336
Others	3	403
Change in working capital (decr.=+)	641	- 726
<b>Cash flow from operating activities</b>	<b>2,502</b>	<b>3,205</b>
Acquisitions of tangible and intangible assets	- 1,327	- 1,424
Other acquisitions and disposals	218	42
<b>Cash flow from investing activities</b>	<b>- 1,109</b>	<b>- 1,382</b>
Proceeds from the issue of share capital	85	- 64
Capital increase of Arcelor	/	1,136
Dividends paid	- 218	- 249
Conversion O.C.E.A.N.E.	/	277
Buyout of Aceralia's minority interests	/	- 96
<b>Cash flow from financing activities</b>	<b>- 133</b>	<b>1,004</b>
Exchange rate, scope, others	269	- 875
<b>Change in net financial debt (decr.=+)</b>	<b>+ 1,529</b>	<b>+1,952</b>
<b>NFD at the beginning of the period</b>	<b>5,993</b>	<b>4,464</b>
<b>NFD at the end of the period</b>	<b>4,464</b>	<b>2,512</b>



# Consolidated Balance Sheet - Assets

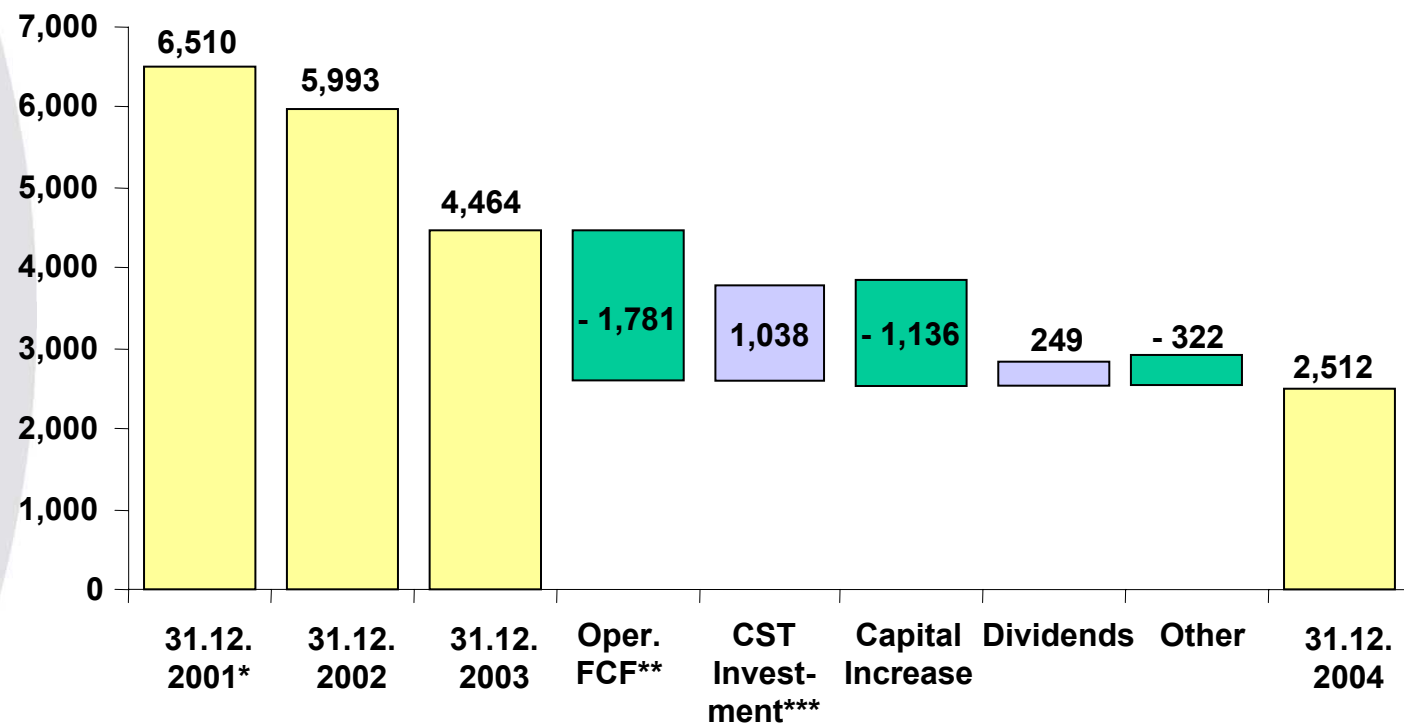
€m	12.31.03	12.31.04
<b>Non current assets</b>	<b>12,590</b>	<b>15,249</b>
- Intangible assets	- 551	157
- Property, plant and equipment	8,947	11,230
- Investments under equity method	1,758	1,366
- Other investments	307	528
- Receivables and other financial assets	693	684
- Deferred tax assets	1,436	1,284
<b>Current assets</b>	<b>12,018</b>	<b>15,973</b>
- Inventories	5,497	6,801
- Trade receivables	3,253	3,757
- Other receivables	1,378	1,372
- Cash and cash equivalents	1,890	4,043
<b>Total Assets</b>	<b>24,608</b>	<b>31,222</b>

## Consolidated Balance Sheet - Liabilities

€m	12.31.03	12.31.04
<b>Shareholders' equity</b>	<b>7,463</b>	<b>12,317</b>
- Group share	6,733	10,902
- Minority interests	730	1,415
<b>Non current liabilities</b>	<b>8,757</b>	<b>8,518</b>
- Interest bearing liabilities	4,871	4,348
- Employee benefits	1,733	1,652
- Termination benefits	718	887
- Other provisions	983	920
- Deferred tax liabilities	289	629
- Others	163	82
<b>Current liabilities</b>	<b>8,388</b>	<b>10,387</b>
- Trade payables	4,348	4,997
- Interest bearing liabilities	1,551	2,293
- Other amounts payables	2,194	2,848
- Termination benefits	82	50
- Other provisions	213	199
<b>Total Shareholders' Equity &amp; Liabilities</b>	<b>24,608</b>	<b>31,222</b>

# Net Financial Debt Evolution

in €m



Gearing	2001	2002	2003	2004
	74%	75%	55%	20%



\*Proforma

\*\* Oper. FCF = cash flow from operating activities minus acquisitions of tangible and intangible assets

\*\*\* Acquisition cost for CST plus net financial debt of CST as on October 1, 2004

# Working Capital

€m

12.31.03

12.31.04

Change

Inventories	5,497	6,801	+1,304
Trade receivables	3,253	3,757	+504
Trade payables	- 4,348	- 4,997	- 649

<b>Operating Working Capital</b>	<b>4,402</b>	<b>5,561</b>	<b>+1,159</b>
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Other receivables & payables	- 979	- 1,558	- 579
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<b>Total Working Capital</b>	<b>3,423</b>	<b>4,003</b>	<b>+580</b>
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<b>Total Inventories in tonnage</b>	<b>9.9 mt</b>	<b>10.0 mt</b>	<b>0.1 mt</b>
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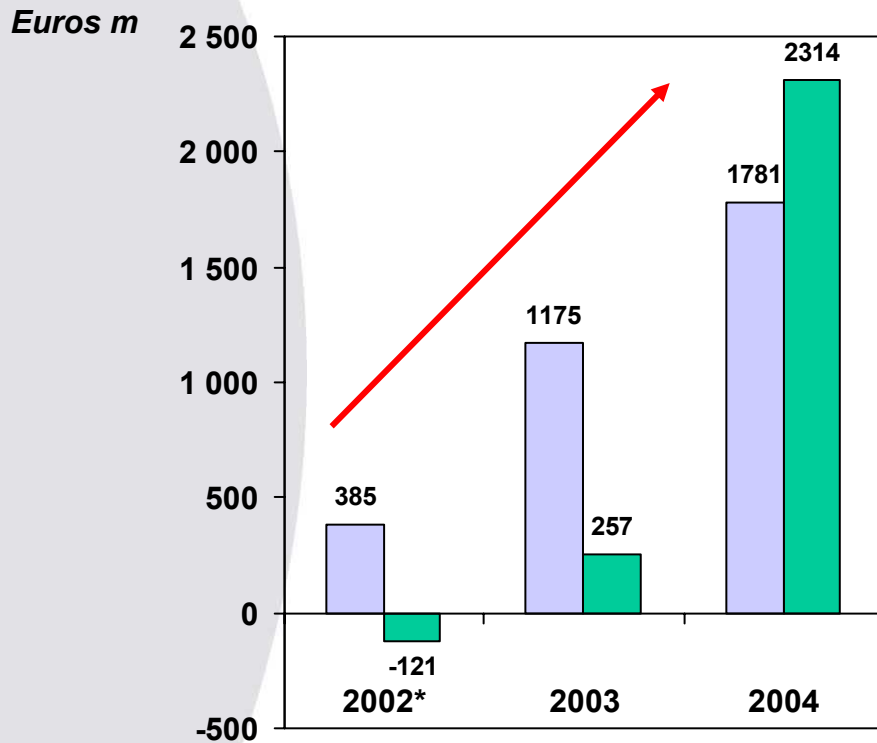
<b>CST Inventories in tonnage</b>		<b>0.1 mt</b>	
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# New Dividend Policy – More cash to shareholders

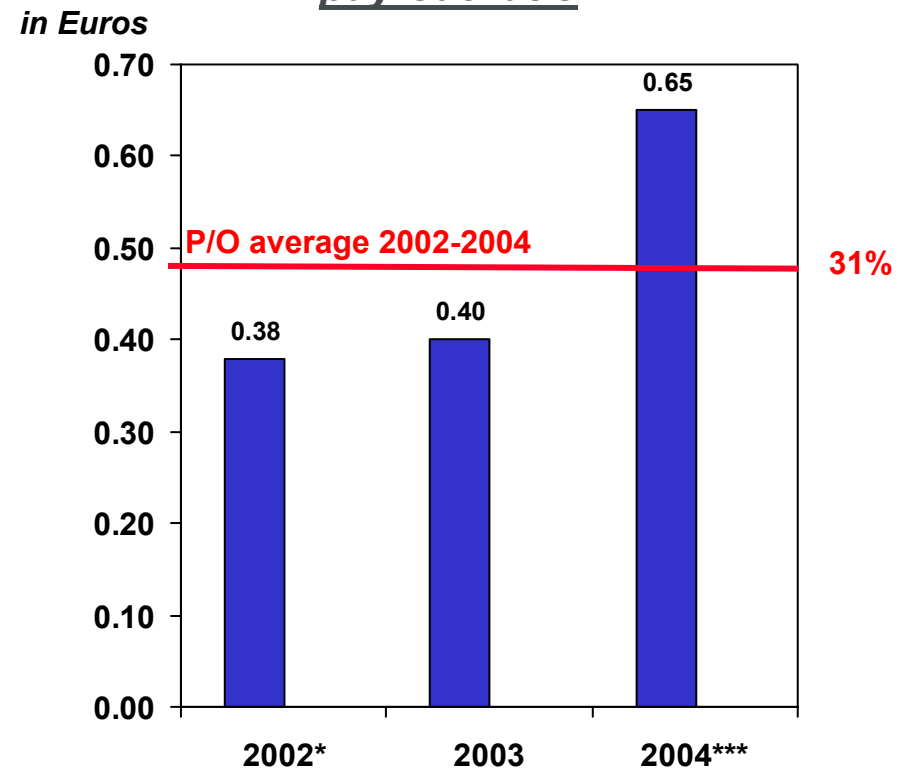
- ***New dividend policy to reflect structural changes of Arcelor***
  - Sustainable stronger cash flows from operations
  - Significantly improved balance sheet
  - Profitable growth and higher returns to shareholders
- ***Board proposal to increase the dividend to Euro 0,65/share***
  - Structural increase of 62,5% vs. 2004
  - Over 2002 - 2004 Arcelor will have an average pay-out ratio of 31%

# Higher structural cash flow and dividends per share

Strong growth on operating free cash flow\*\* and net result



Dividend per share and average pay-out ratio



Gearing (%)      75                      55                      20

Earnings/share (€)   -0.25                      0.54                      4.26

□ Oper. free cash flow\*\*

■ Net earnings



\* Pro-forma.

\*\*Oper. free cash flow = cash flow from operating activities minus acquisitions of tangible and intangible assets

\*\*\*Dividend proposed

# 2005 – The Steel Sector will be even Stronger

- **Consolidation**

- Consolidation of the Steel Industry is a trend, adding value for the sector as a whole
- Fewer remaining players should enhance market discipline
- Prices

- **World Markets**

- Chinese economy continues to drive the world pace
  - ✓China will continue to be a net importer of Flat Steel
- Increase of demand in the CIS

- **Raw Materials**

- Structural increase due to lack of infrastructure and Chinese demand
  - ✓Coal prices up 80-100%
  - ✓Negotiations for iron ore are yet to start

# 2005 – Arcelor Structurally at a Higher Profitability Level

- **Outstanding perspectives for the Flat Steel Division**
  - Higher contract prices
  - Higher price announcements in the 1Q05
  - 9 more months of CST contribution to results than in 2004
- **Sustainable results of the Long Steel Division**
  - Scrap surcharge successfully implemented
  - 4 more months of Acindar contribution to results than in 2004
- **Stainless turnaround**
  - Turnaround under way (Carinox and further disposals)
  - China still a net importer
- **DTT conquering new regions**
  - Enlarging the perimeter
  - Reduction of working capital



# 2005 – Transformation is in Progress

- **Further cost reductions**

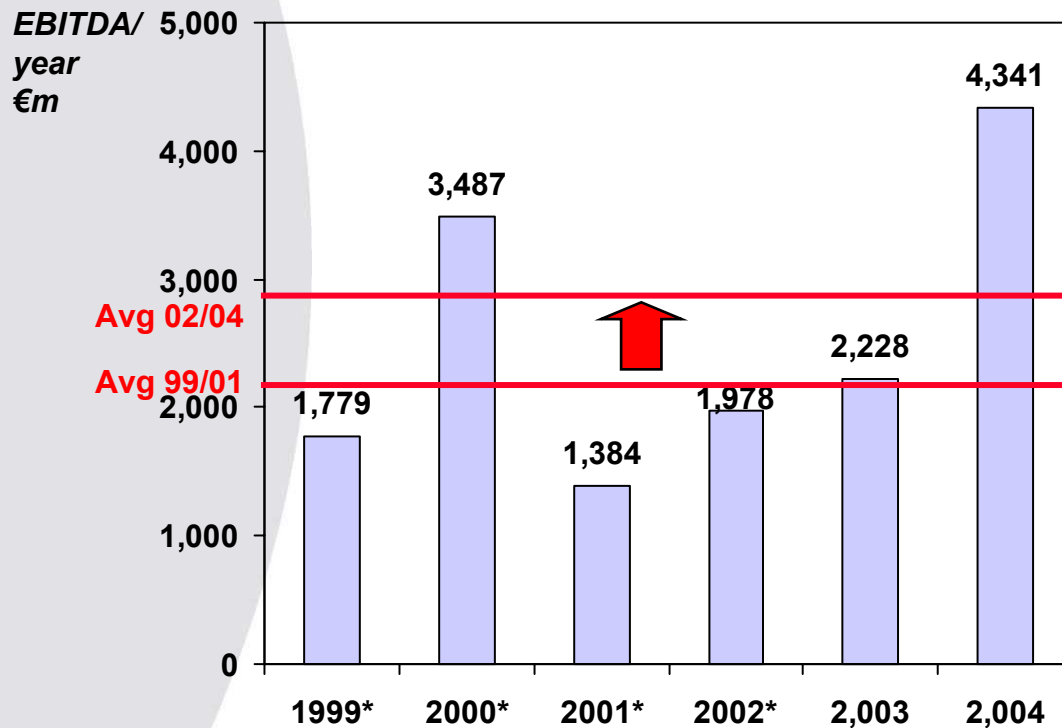
- First closure of a continental blast furnace in Europe
- Internal benchmarking
- Integration of Brazilian assets

- **Growth perspectives**

- CAPEX in growth areas
- Accretive acquisitions

# Arcelor's Performance Significantly Improved

## Arcelor performance across last two cycles



**Arcelor is a fundamentally better company:**

- 1 Improvements in cost structure
- 2 Sound Capex policy
- 3 Consistent portfolio management
- 4 South American acquisitions
- 5 Management Gains

1

# Improvements in Cost Structure - Flat Steel

2004 average cash cost/ton (EUR)

225

200

142\*

Plant type

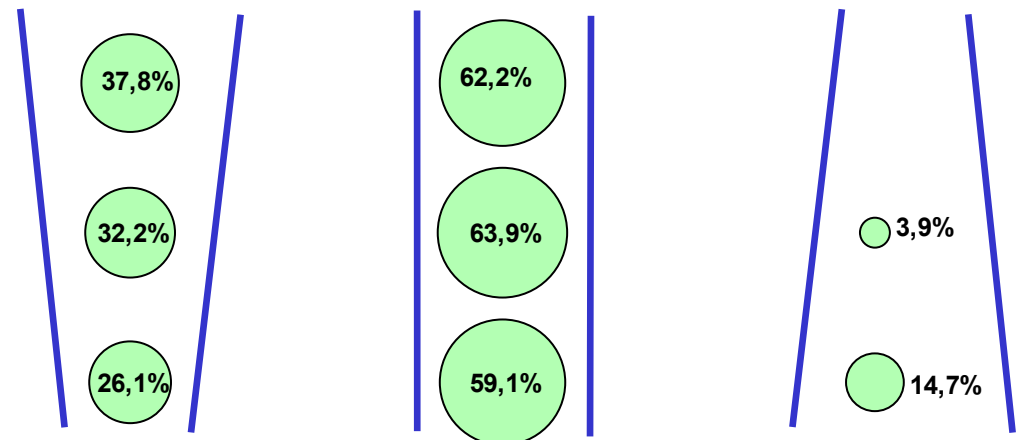
  
EU Continental

  
EU Coastal

  
Brazil

Share of Arcelor Production

- 2002
- 2004
- 2005F \*\*



2

## CAPEX and Depreciation by Region

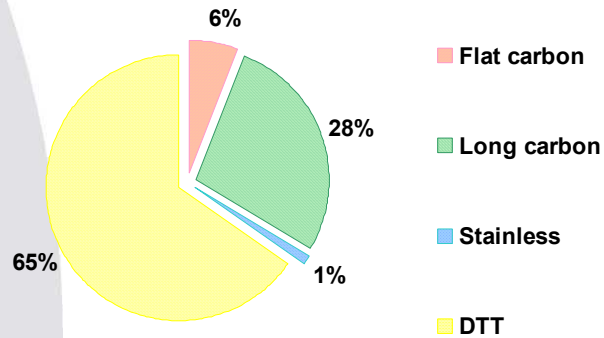
€m	2002**	2003	2004***	2005F
<b>Europe</b>				
CAPEX	1,133	1,099	1,154	1,100
Depreciation*	- 975	- 977	- 993	- 998
= Difference	158	122	161	102
<b>Brazil and RoW</b>				
CAPEX	282	228	270	900
Depreciation*	- 142	- 158	- 172	- 287
= Difference	140	70	98	613

3

# Portfolio Optimization Ongoing

2003/04  
€m

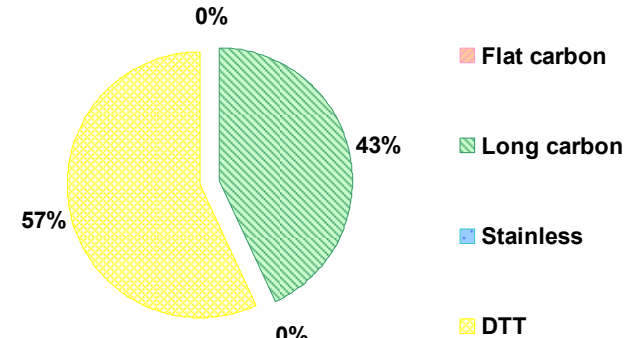
## Disposals Europe



Total sales\* (€m) 753

2003/04  
€m

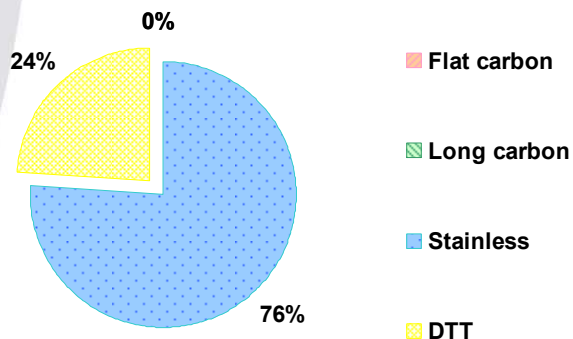
## Acquisitions Europe



Total sales\* (€m) 382

2003/04  
€m

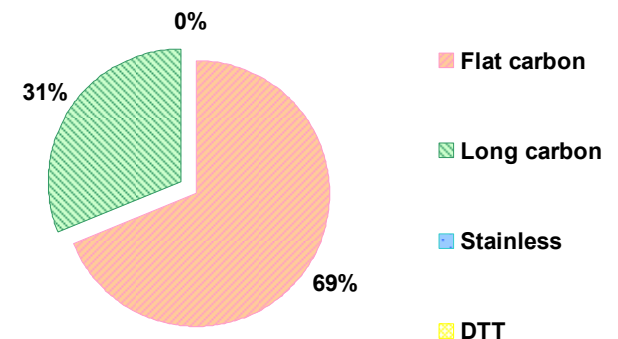
## Disposals RoW\*\*



Total sales\* (€m) 508

2003/04  
€m

## Acquisitions RoW



Total sales\* (€m) 1,880



\* Total sales as of last year of business in portfolio respectively

\*\* Excludes changes in consolidation method

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## Structural Impact of Brazilian Acquisitions

<i>€m - unaudited</i>	FY04 Reported*	FY04S**	FY04 Proforma***	Change
<b>Revenues</b>	<b>30,176</b>	<b>29,382</b>	<b>31,258</b>	<b>+6.3%</b>
<b>Gross op. result (EBITDA)</b> <i>as % of revenue</i>	<b>4,341</b> 14.4%	<b>3,964</b> 13.5%	<b>4,879</b> 15.6%	<b>+23%</b> 16%
<b>Net earnings</b> <i>as % of revenue</i>	<b>2,314</b> 7.7%	<b>2,147</b> 7.3%	<b>2,475</b> 7.9%	<b>15%</b> 8%
<b>Oper. free cash flow****</b>	<b>1,781</b>	<b>1,667</b>	<b>2,045</b>	<b>23%</b>
<b>EPS</b>	<b>4.26</b>	<b>4.31</b>	<b>4.55</b>	<b>6%</b>
<b>ROCE</b>	<b>26.6%</b>	<b>28.4%</b>	<b>28.6%</b>	
<b>Gearing</b>	<b>20%</b>	<b>27%</b>	<b>20%</b>	

\* FY04 Reported - CST consolidated as of October 1st, Acindar consolidated as of May 1st

\*\* FY04S Arcelor in 2003 scope (meaning CST and Acindar accounted for under the equity method without ownership increase)

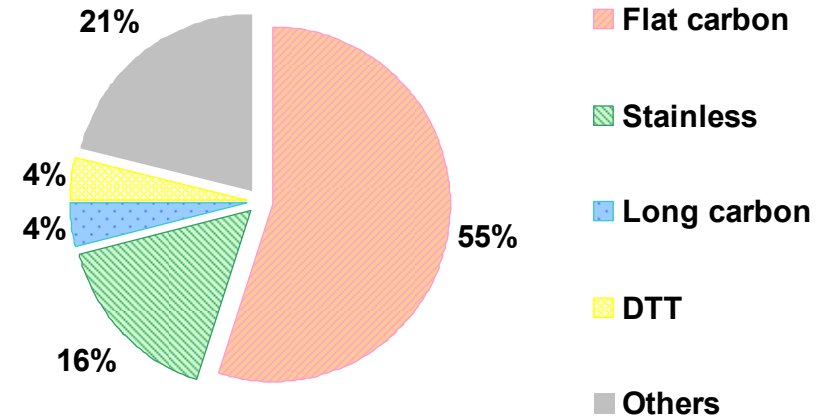
\*\*\* FY04 Proforma with CST and Acindar on 12-months basis

\*\*\*\* Oper. free cash flow = cash flow from operating activities minus acquisitions of tangible and intangible assets

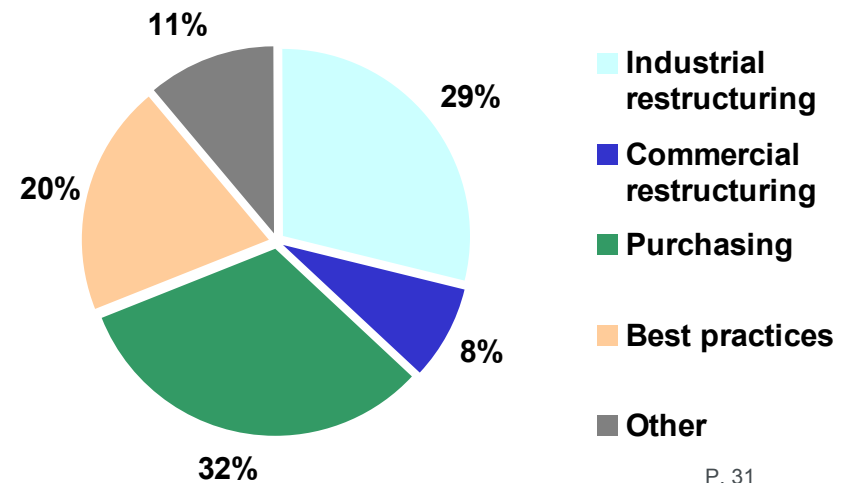
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# Management Gains Beyond Promises

Synergies (Euros 560m) realised at end 2004 - Split by sector



Synergies (Euros 560m) Realised at end 2004 - Split by category



Total Management Gains

