

**2002 Annual results**  
28 February 2003

# Summary

## Introduction

- *Legal and proforma accounts*
- *Key figures*

### **1. Operating performance by business sectors & Synergies**

### **2. Debt management: Working capital, Capex, Divestments**

### **3. Financial statements**

- You said IAS ?
- Negative goodwill
- Impairments
- Post employment benefits (*“Pension liabilities”*)

# Introduction

- **2002 legal accounts: first set of audited figures**
  - Merger accounted for under the *purchase accounting* method (IAS22)
  - 12 months Usinor + 10 months Aceralia/Arbed
  - 2002 balance sheet and P&L of Arcelor compared to 2001 balance sheet and P&L of Usinor
- **Proforma accounts presentation: application of the economic continuity principle**
  - 12 months Arcelor
  - 2002 balance sheet and P&L of Arcelor compared to 2001 balance sheet and P&L of Arcelor
  - 2001 balance sheet and P&L adjusted after allocation of negative goodwill

# Introduction

## Key figures

€m *proforma – non audited*

	FY01 <sup>(1)</sup>	FY01 <sup>(2)</sup>	FY02
<b>Revenue</b>	<b>27,512</b>	<b>27,512</b>	<b>26,594</b>
<b>EBITDA</b>	<b>1,379</b>	<b>1,384</b>	<b>1,978</b>
<i>as % of revenue</i>	<i>5%</i>	<i>5%</i>	<i>7.4%</i>
<b>EBIT</b>	<b>- 200</b>	<b>- 75</b>	<b>780</b>
<i>as % of revenue</i>	<i>- 0.7%</i>	<i>0.3%</i>	<i>2.9%</i>
<b>Net income Group share</b>	<b>- 339</b>	<b>- 289</b>	<b>- 121</b>
<i>as % of revenue</i>	<i>- 1.2%</i>	<i>1.1%</i>	<i>- 0.4%</i>

(1) *As published in 2002*

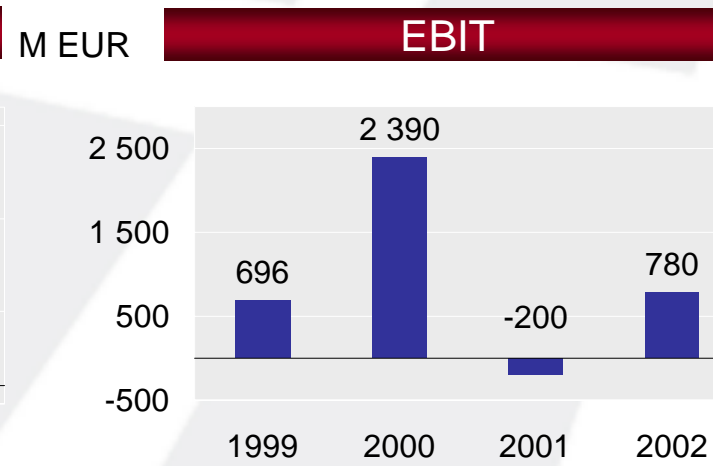
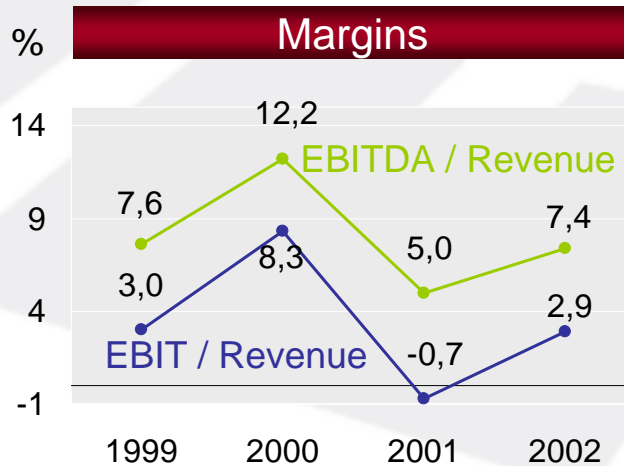
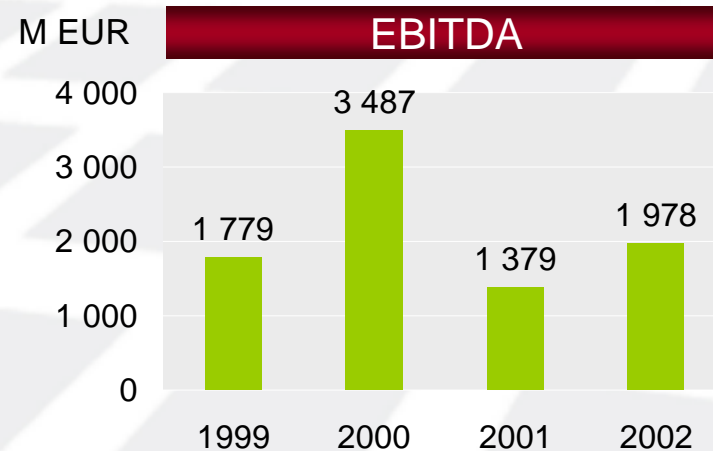
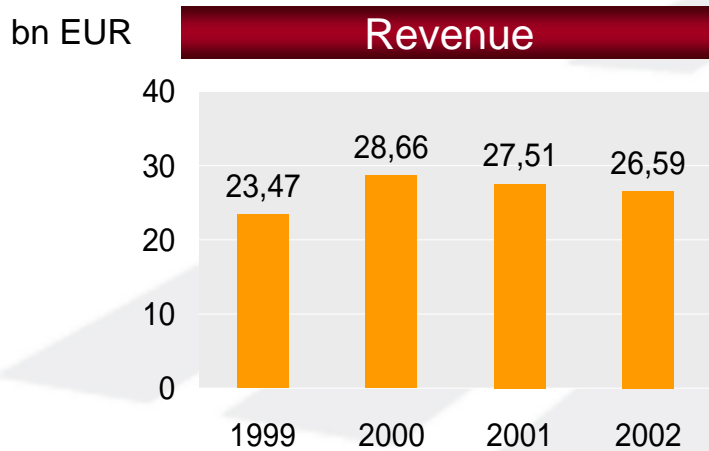
(2) *Adjusted after allocation of neg.goodwill*

€

<b>EPS</b>	<b>- 0.70</b>	<b>- 0.25</b>
<b>DPS</b> <i>(proposed to AGM)</i>	<i>n.a.</i>	<b>0.38</b>
<b>Gearing</b>	<b>74%</b>	<b>74%</b>

# Introduction

## Key figures



# Introduction

## *Breakdown of revenue*

### by Geographical area

EU (15)	<b>74.9%</b>
North America	<b>11.8%</b>
South America	<b>5.1%</b>
Other	<b>8.2%</b>

### by Business sector

Flat carbon steel	<b>49.7%</b>
Long carbon steel	<b>16.0%</b>
Stainless steel	<b>16.0%</b>
DTT	<b>35.5%</b>
Other activities	<b>3.4%</b>
Eliminations	<b>- 20.6%</b>
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Total	<b>100%</b>

# 1. Operating performance by business sectors & Synergies

# Flat carbon steel

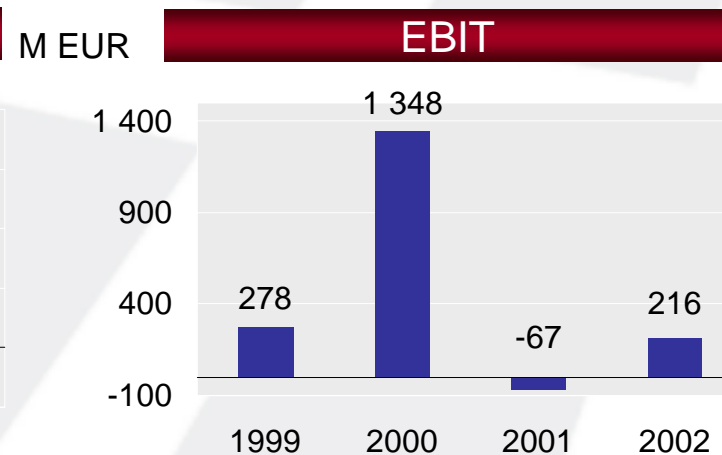
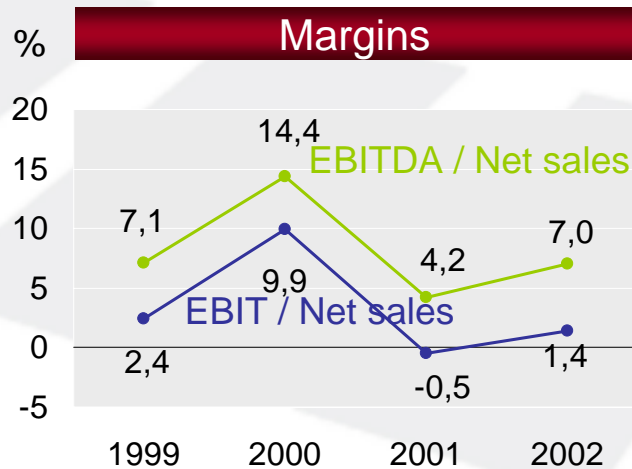
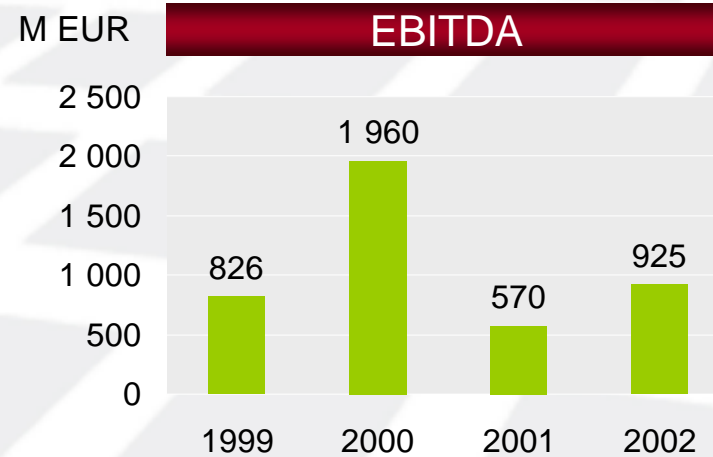
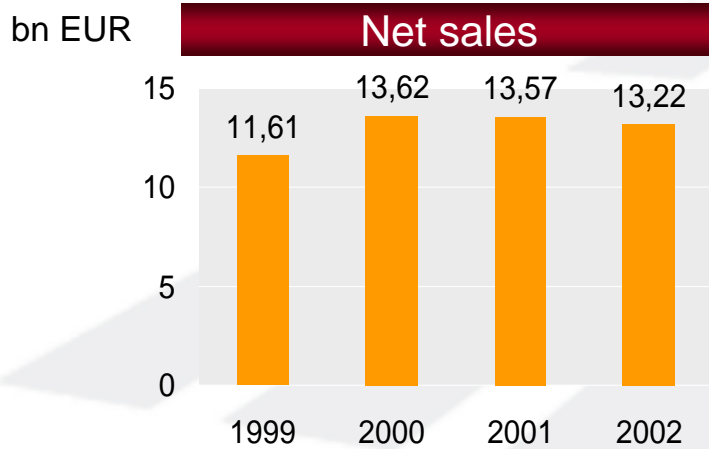
€m <i>proforma – non audited</i>	2001 <sup>(1)</sup>	2001 <sup>(2)</sup>	2002	Change
<b>Revenue</b>	<b>13,572</b>	<b>13,572</b>	<b>13,222</b>	<b>- 2.6%</b>
<b>EBITDA</b> <i>as % of revenue</i>	<b>570</b> 4.2%	<b>570</b>	<b>925</b> 7%	
<b>Amortisation &amp; depreciation</b>	<b>- 637</b>	<b>- 488</b>	<b>- 709</b>	
Recurring Impairments			- 524 - 185	
<b>EBIT</b> <i>as % of revenue</i>	<b>- 67</b> - 0.5%	<b>82</b> 0.6%	<b>216</b> 1.4%	

(1) As published in 2002

(2) Adjusted after allocation of neg.goodwill



# Flat carbon steel



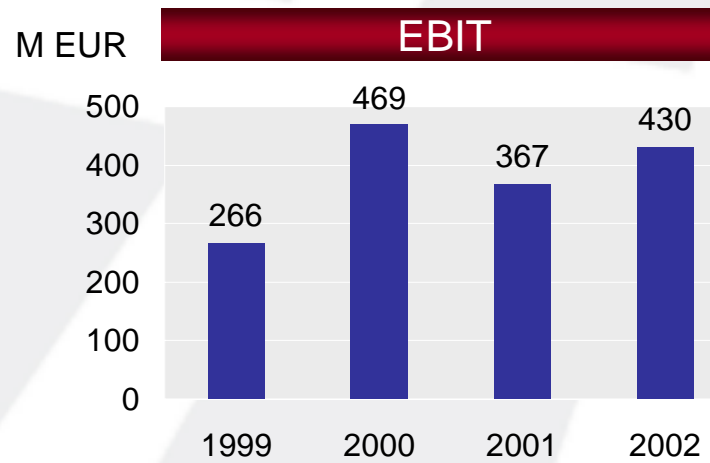
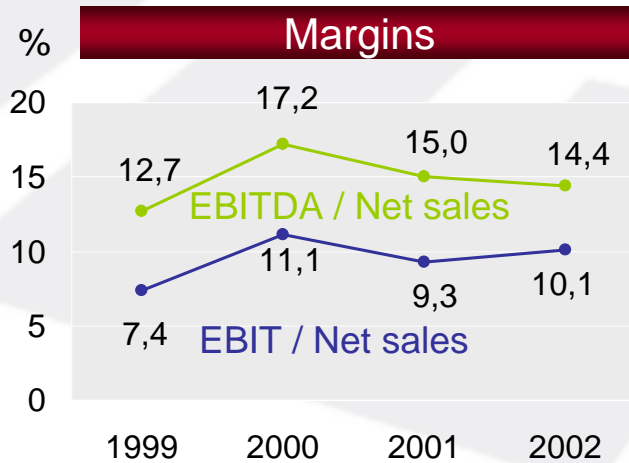
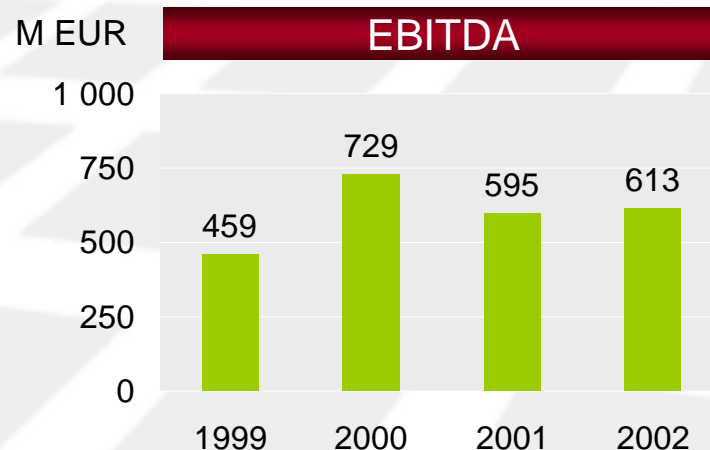
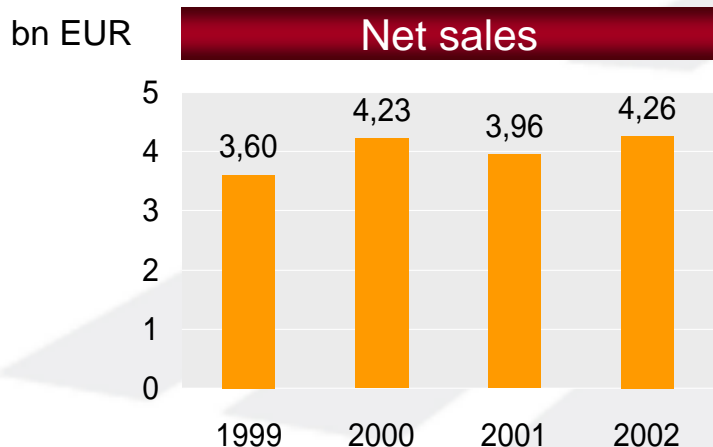
# Long carbon steel

€m <i>proforma – non audited</i>	2001 <sup>(1)</sup>	2001 <sup>(2)</sup>	2002	Change
<b>Revenue</b>	<b>3,963</b>	<b>3,963</b>	<b>4,256</b>	<b>7.4%</b>
<b>EBITDA</b> <i>as % of revenue</i>	<b>595</b> 15%	<b>595</b>	<b>613</b> 14.4%	
<b>Amortisation &amp; depreciation</b>	<b>- 228</b>	<b>- 213</b>	<b>- 183</b>	
<b>EBIT</b> <i>as % of revenue</i>	<b>367</b> 9.3%	<b>382</b> 9,6%	<b>430</b> 10.1%	

(1) As published in 2002

(2) Adjusted after allocation of neg.goodwill

# Long carbon steel



# Stainless steel

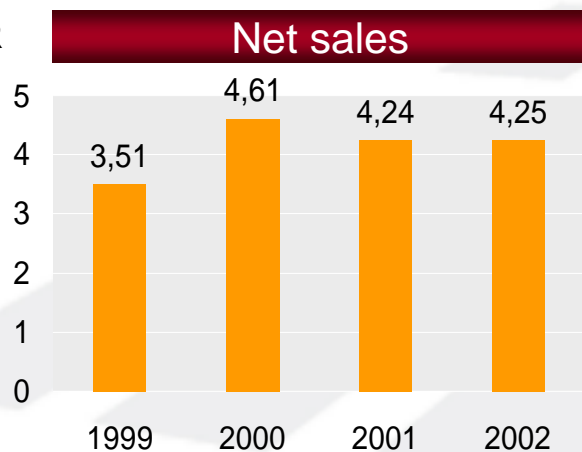
€m <i>proforma – non audited</i>	2001 <sup>(1)</sup>	2001 <sup>(2)</sup>	2002	Change
<b>Revenue</b>	<b>4,240</b>	<b>4,240</b>	<b>4,248</b>	<b>0.2%</b>
<b>EBITDA</b> <i>as % of revenue</i>	<b>- 53</b> 1.3%	<b>- 53</b>	<b>200</b> 4.7%	
<b>Amortisation &amp; depreciation</b>	<b>- 624</b>	<b>- 595</b>	<b>- 155</b>	
<b>EBIT</b> <i>as % of revenue</i>	<b>- 677</b> -16%	<b>- 648</b> -15.3%	<b>45</b> 1.1%	

(1) As published in 2002

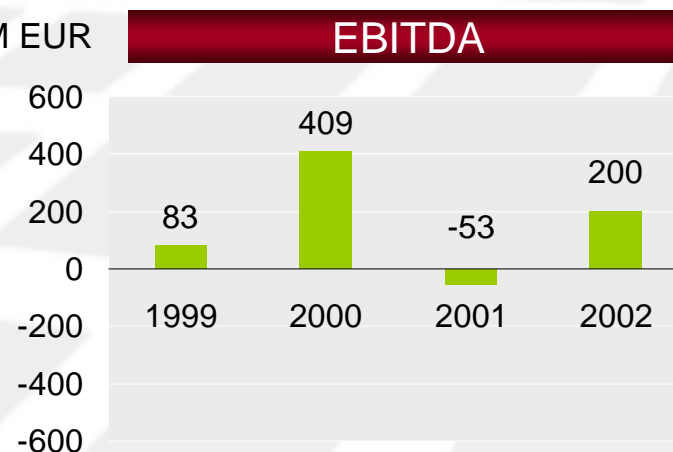
(2) Adjusted after allocation of neg.goodwill

# Stainless steel

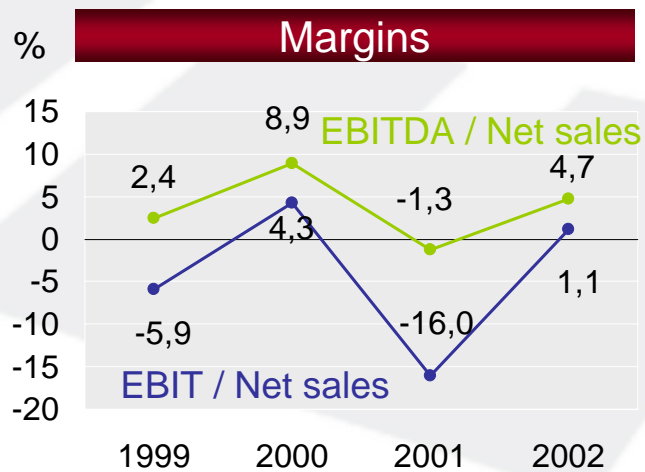
bn EUR



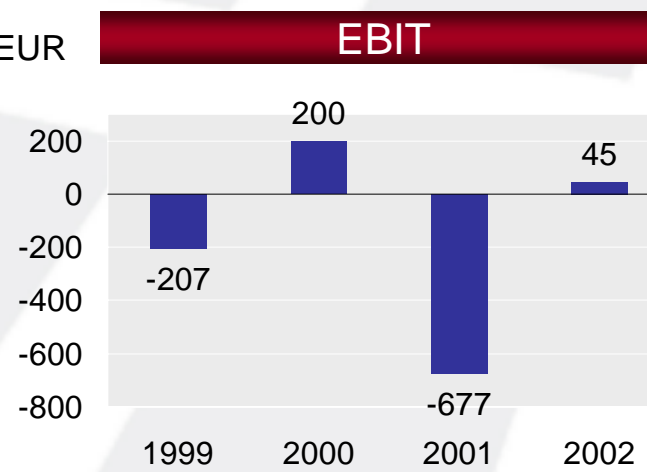
M EUR



%



M EUR



# Distribution – Transformation - Trading

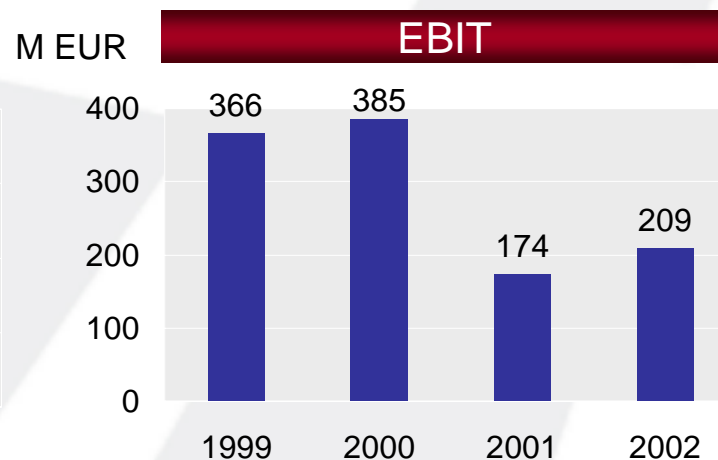
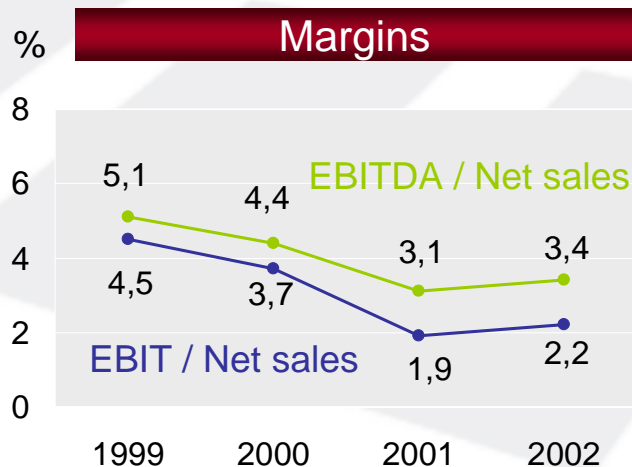
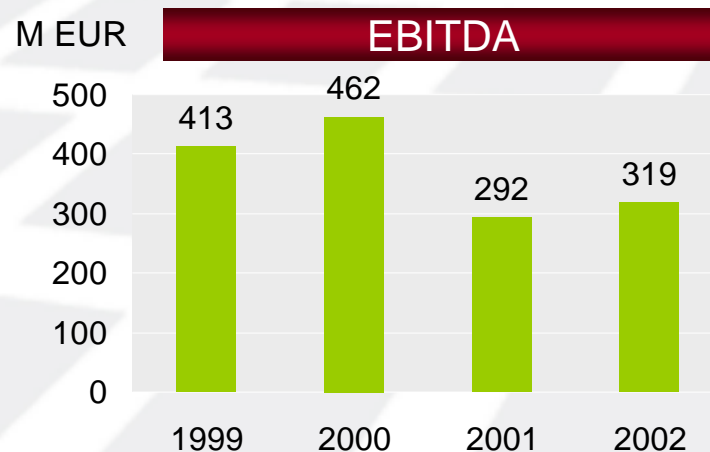
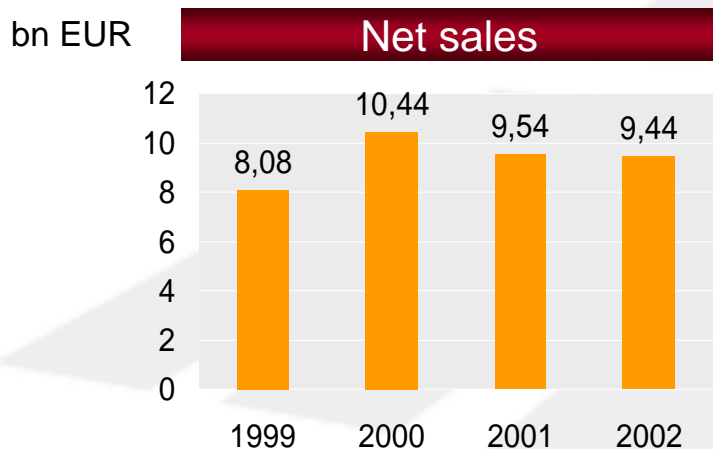
€m *proforma – non audited*

	2001 <sup>(1)</sup>	2001 <sup>(2)</sup>	2002
<b>Revenue</b>	<b>9,541</b>	<b>9,541</b>	<b>9,444</b>
<b>EBITDA</b> <i>as % of revenue</i>	<b>292</b> 3.1%	<b>292</b>	<b>319</b> 3.4%
<b>Amortisation &amp; depreciation</b>	<b>- 106</b>	<b>- 118</b>	<b>- 110</b>
<b>EBIT</b> <i>as % of revenue</i>	<b>186</b> 1.9%	<b>174</b> 1.8%	<b>209</b> 2.2%

(1) *As published in 2002*

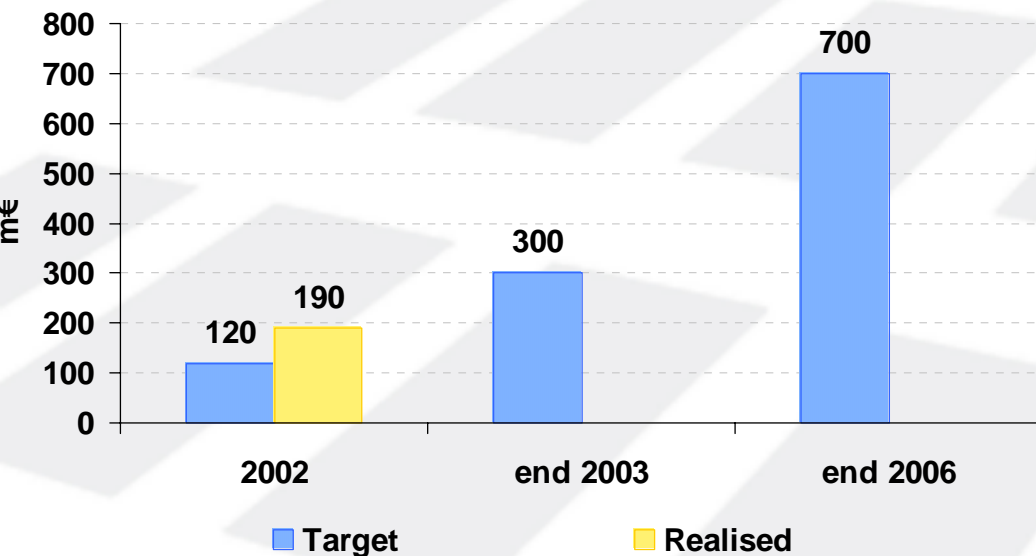
(2) *Adjusted after allocation of neg.goodwill*

# Distribution - Transformation - Trading

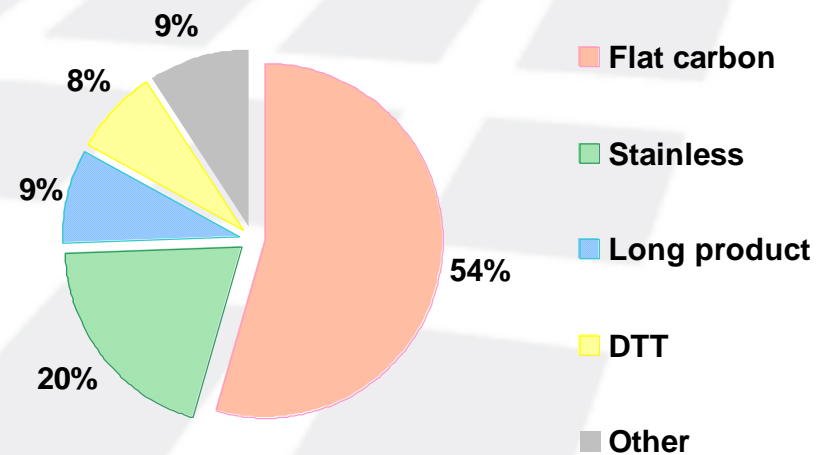


# Synergies well on track

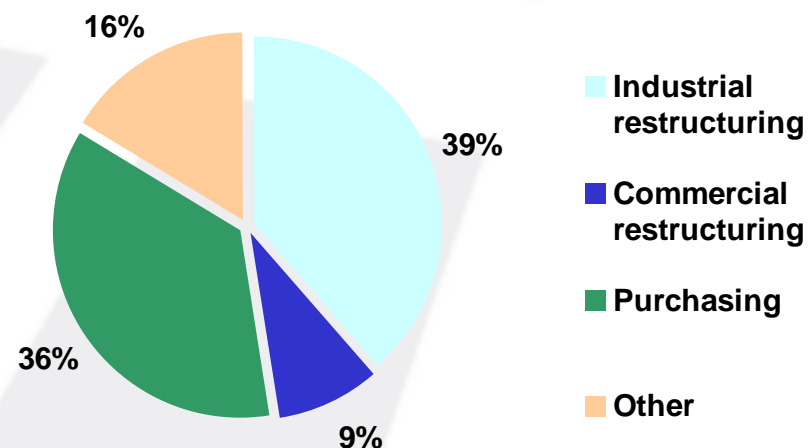
## Additional Ebitda due to the merger



## Realised 2002 - Split by sector



## Realised 2002 - Split by category





## **2. Debt management: Working capital, Capex & Divestments**

# Working capital

€m *proforma – non audited*

	12.31.01 <sup>(1)</sup>	12.31.02	Change
Inventories	6,671	6,091	- 580
Trade receivables	4,911	4,320	- 591
Trade payables	- 4,171	- 4,111	60
<b>Operating Working Capital</b>	<b>7,411</b>	<b>6,300</b>	<b>- 1,111</b>
Net financing linked to securitization	- 1,584	- 1,097	487
Others receivables & payables	- 1,178	- 896	282
<b>Total Working Capital</b>	<b>4,649</b>	<b>4,307</b>	<b>- 342</b>

# Capex

## Investments in tangible and intangible assets 2002

€m

Flat carbon steel	782
Long carbon steel	245
Stainless	181
DTT	168
Others	39

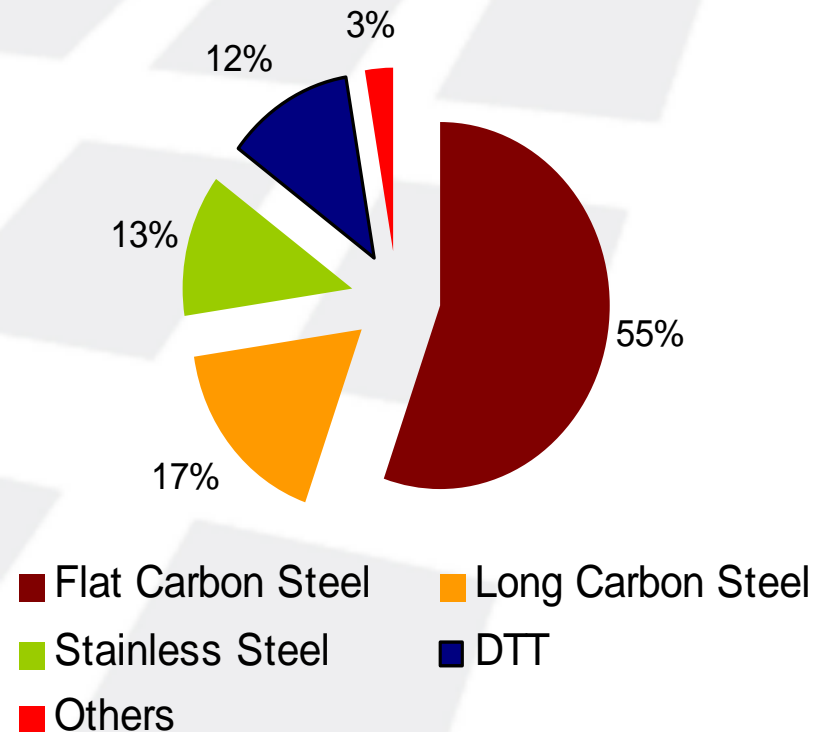
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**Total** **1,415**

Amortisation & Depreciation 1,302

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**Authorization granted in 2002  
(future investments) 724**



# Divestments

Company	Business activity	% to be divested	Status
Finarverdi	Hot-dip galvanising	39.9	6 months extension granted by EC
Galmed	Hot-dip galvanising	75.5	SPA* signed with TKS
Lusosider	Cold-rolled products, HDG, Tin-plating	50	SPA* signed with Severstal, cleared by EC. Pre-emption right Corus, SPA* to be finalised
Segal	Hot-dip galvanising	66.6	SPA* signed with Marubeni-Itochu. Pre-emption right Corus, SPA* to be finalised
Beautor	Cold-rolled products, Electro-galvanising	99.65	SPA* signed with Duferco Group, cleared by EC
Galv.line LDD	Hot-dip galvanising	100	Advanced stage of negotiations, 3 months extension granted by EC
Sorral	Hot-dip galvanising, Organic coating	100	SPA* signed with Duferco Group, cleared by EC
Cofrafer	Slit./Trading./Oxycutt.	100	SPAs* signed with Bamesa Aceros (cleared by EC) and Mr. Piveteau
Bamesa	Slitting	49	Sale completed to Armasfi (14%) and Borusan (35%)

## 3. Financial statements

- **Dec 2002 is first closing of Arcelor**
- **3 main accounting treatments :**
  - **IAS 22:** accounting treatment for business combinations.  
**=> *Allocation of negative goodwill***
  - **IAS 36:** at each balance sheet date, review all assets to look for any indication that an asset may be impaired.  
**=> *“fair” value of tangible assets***
  - **IAS 12:** accounting treatment for income taxes. The carrying amount of deferred tax assets should be reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.  
**=> *“fair” value of deferred tax assets***

# Negative goodwill

## Allocation

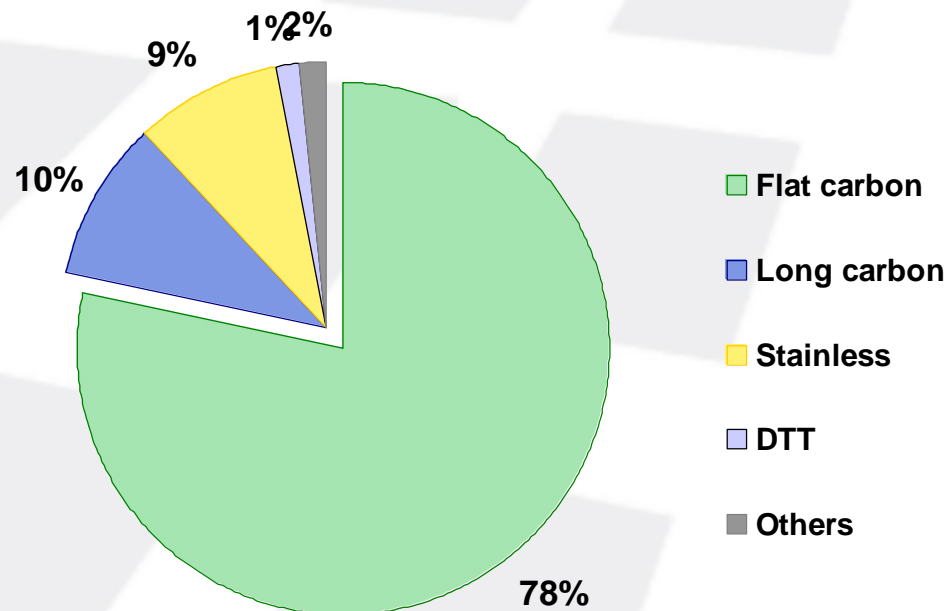
### “Before”

- 2001 intangibles: - €2,838m, out of which:
  - Neg.gw “Merger”: - €2,145m
  - Neg.gw “Cockerill”: - €904m

### “After”

- 2002 intangibles: - €1,046m, out of which:
  - Neg.gw “Merger”: - €361m
  - Neg.gw “Cockerill”: - €673m

### Fair value adjustments : Breakdown by business sector



# Impairments

## *Tangible assets and diferred tax assets*

- **Tangibles** - €185m *“depreciation line”*
    - Flat Carbon steel
  - **Deferred tax assets** - €273m *“tax line”*
    - mainly Flat Carbon & Stainless steel
- 
- **Total impairments** - €458m



# Consolidated P&L

€m *proforma – non audited*

	FY01 <sup>(1)</sup>	FY01 <sup>(2)</sup>	FY02
Revenue	27,512	27,512	26,594
<b>EBITDA</b>	<b>1,379</b>	<b>1,384</b>	<b>1,978</b>
Amortisation & depreciation	-1,656	- 1,358	- 1302
Amortisation of acquisition differences	77	101	104
<b>EBIT</b>	<b>- 200</b>	<b>- 75</b>	<b>780</b>
Net financing costs	- 570	- 570	- 464
Income from associates	23	23	77
Result of disposal of associated companies	66	66	-
<b>Profit before tax</b>	<b>- 681</b>	<b>- 556</b>	<b>393</b>
Income tax	317	261	- 462
<b>Profit after tax</b>	<b>- 364</b>	<b>- 295</b>	<b>- 69</b>
Minority interests	25	6	- 52
<b>Net profit group share</b>	<b>- 339</b>	<b>- 289</b>	<b>- 121</b>



(1) *published*

(2) *Adjusted after allocation of neg.goodwill*

# Net financial debt & gearing

€m *proforma – non audited*

	12.31.01	12.31.02	change
Interest bearing liabilities, long term	5,053	4,594	- 459
Interest bearing liabilities, short term	5,320	3,821	- 1,499
Net financing linked to securitisation	- 1,584	- 1,097	487
Cash and cash equivalents	- 2,177	- 1,239	938
Revaluation of financial instruments (short term and long term)	- 102	- 86	16
<b>Net financial debt</b>	<b>6,510</b>	<b>5,993</b>	<b>- 517</b>
	<i>12.31.01<sup>(1)</sup></i>	<i>12.31.02</i>	
<i>Shareholders' equity</i>	8,070	7,431	
<i>Residual neg. goodwill</i>	749	627	
<b>Gearing</b>	<b>74%</b>	<b>74%</b>	



(1) *Adjusted after allocation of neg. goodwill*

# Consolidated Balance Sheet - Assets

€m *proforma – non audited*

	12.31.01 <sup>(1)</sup>	12.31.02
<b>NON CURRENT ASSETS</b>	<b>13,670</b>	<b>12,891</b>
- <i>Intangible assets</i>	- 1,216	- 950
- <i>Property plant and equipment</i>	9,848	9,312
- <i>Investments under equity method</i>	1,946	1,780
- <i>Other investments</i>	499	466
- <i>Receivables and other financial assets</i>	836	766
- <i>Deferred tax assets</i>	1,757	1,517
<b>CURRENT ASSETS</b>	<b>15,195</b>	<b>12,983</b>
- <i>Inventories</i>	6,671	6,091
- <i>Trade receivables (securitization added back)</i>	4,911	4,320
- <i>Other receivables</i>	1,436	1,333
- <i>Cash and cash equivalents</i>	2,177	1,239
<b>TOTAL ASSETS</b>	<b>28,865</b>	<b>25,874</b>



(1) *Adjusted after allocation of neg.goodwill*

# Consolidated Balance Sheet - Liabilities

€m *proforma – non audited*

	12.31.01 <sup>(1)</sup>	12.31.02
<b>SHAREHOLDERS' EQUITY</b>	<b>8,070</b>	<b>7,431</b>
- Group share	7,077	6,768
- Minority interests	993	663
<b>NON CURRENT LIABILITIES</b>	<b>8,294</b>	<b>8,178</b>
- Interest bearing liabilities	5,053	4,594
- Employee benefits	2,073	1,961
- Provisions	721	1,059
- Deferred tax liabilities	288	359
- Others	159	205
<b>CURRENT LIABILITIES</b>	<b>12,501</b>	<b>10,265</b>
- Trade payables	4,171	4,111
- Interest bearing liabilities <i>(securitization added back)</i>	5,320	3,821
- Other amounts payables	2,442	2,023
- Provisions	568	310
<b>TOTAL SHAREHOLDER'S EQUITY AND LIABILITIES</b>	<b>28,865</b>	<b>25,874</b>



(1) *Adjusted after allocation of neg.goodwill*

# Consolidated cash-flow statement

€m *proforma – non audited*

	2001	2002
<b>Cash flow from operating activities</b>	<b>2,245</b>	<b>1,800</b>
Acquisitions of tangible and intangible assets	-1,690	- 1,415
Other acquisitions and disposals	- 36	- 299
<b>Cash flow from investing activities</b>	<b>- 1,726</b>	<b>- 1,714</b>
Contribution of shareholders' equity	44	35
Dividends paid	- 359	- 192
Increase/decrease in loans or other financing	304	- 864
<b>Cash flow from / (used in) financing activities</b>	<b>- 11</b>	<b>- 1,021</b>
Others	1	11
Impact of exchange rate	- 24	- 14
Increase (decrease) of cash	485	- 938
<b>Balance at the beginning of the period</b>	<b>1,692</b>	<b>2,177</b>
<b>Balance at the end of the period</b>	<b>2,177</b>	<b>1,239</b>

- **Employees may be entitled, on a contractual basis, to certain post employment benefits in addition to those required by local legislations.**
- **Post employment benefits give rise to long-term obligations which are recognised as provisions in balance sheet.**
- **Future obligations are based on actuarial calculations made by external actuaries.**

# Post employment benefits

*Five items in balance sheet*

€m

12/31/02

## Total employee benefits

**1,961**

1. Defined benefit pension plans

**1,128**

2. Liability for long service leave

**377**

3. Early retirement

**364**

4. Work medals

**43**

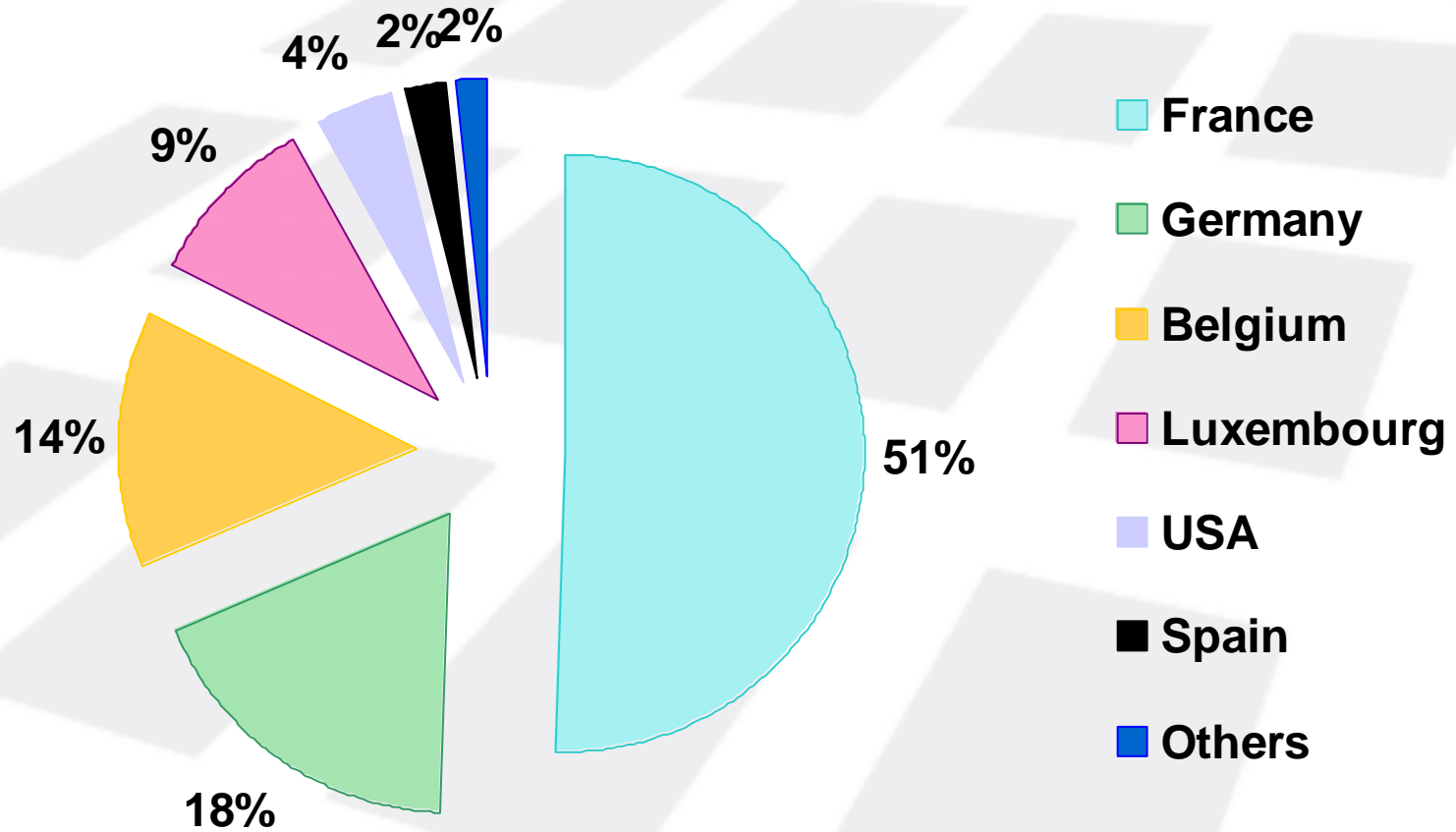
5. Post retirement health care plans

**49**

# Post employment benefits

*A European matter*

**Total : €1,961m**





- **P&L recognition:**

- €266m, included in Ebitda (payroll costs)

- **Cash-out:**

- €215m
  - €128m: defined benefit pension plans
  - €14m: long service leave
  - €61m: early retirement
  - €12m: health care & work medals

# Post employment benefits

*cash outflow*

## Evolution of expected total and “pension related” cash outflows

*Index 100: 2002*

