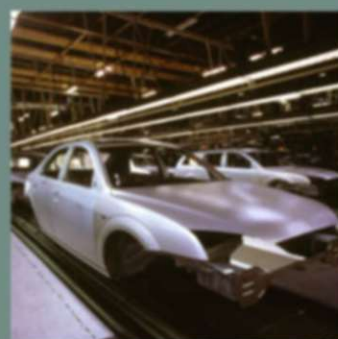


GSV

Belgian Steel in 2005

Annual Report of the Belgian Steel Federation



The beginning of 2005 wasn't very favourable for the steel sector, because of the slow economic growth in the euro-zone, the high stock level and a sluggish market. Moreover, during the first half of 2005, imports in EU25 have been reaching peak levels.

Facing this context, the European producers have adapted their offer to the demand. During the year, the situation has progressively improved, thanks to the economic recovery, the vigorous external demand and the easing of the import pressure.

Last year the steel industry also has been marked by the buoyancy of the activity in Asia, particularly in China and India. India has booked a nearly 17% progress in one year and has announced investment projects to bring production capacity to 100 million tonnes within a few years. China produced some 350 million tonnes of crude steel in 2005, and represents today 30% of world output, i.e. double its share compared to the year 2000. The recent measures of the Chinese authorities, aiming at a swifter restructuring of the steel industry, positively contribute to rationalisation and consolidation of the companies.

The extent of these evolutions has unsettled the trade flows of raw materials and is a sign of the power these economies have been gaining in the industrial world.

Input cost considerations are not the only issue which can explain the expansion of production into the new economies, including the CIS countries. Already today, but even more tomorrow, these countries will be boosting world demand as the purchasing power of their populations will progressively surge. The potential demand is huge and it is important that different economic actors with a long-standing establishment in the industrial countries set up the necessary structures to take part in this evolution.

The consolidation trend which has been launched some years ago, intensified in 2005. The first stage had mainly led to regional concentrations; today, intercontinental approaches want to be the answer to the requirements of global markets.

The globalisation of the economy, the gradual liberalisation of market mechanisms a.o. in China, Russia and Ukraine, as well as the rapid industrialisation in India and Latin America, emphasize the international competition.

Within this dynamic context of blurring frontiers, the European and Belgian steel industry have to enhance their efforts for more competitiveness and more innovation. Not taking this issue seriously, is putting a heavy burden on the future. The importance of all that's at stake and the urgency to take appropriate measures, require in our socio-economic consultation structure the involvement of the social partners, but also of the public authorities.

More than ever, human abilities and determination will make the difference. A constructive social dialogue is thus a sine qua non. Responsibility and commitment have to be the spirit of the interprofessional negotiations at the end of the year, and further on of those at sectoral and company level.



The steel sector's progress in health and safety at work and the engagements in this field strengthen the social climate.

Research & Development are fully part of the dynamics of progress and are determining product innovation and productivity optimization. In this context, relations with research centres and the scientific world are essential to make sure that research leads to innovation, that a ripening project ends in an innovative product or process, which can at least temporarily provide a competitive advantage for our companies.

The steel sector insists that the public authorities, at all competence levels, put in place a stimulating, negotiated industrial policy, enabling the sector to cope with global competition on a level playing field.

Actually, the steel industry insists on

- ▶ the rapid implementation of a European area integrating energy and transport;
- ▶ the need for a long-term European policy for the supply of energy and raw materials at competitive prices;
- ▶ the urgent and at the same time substantial revision of the European directive on the emission trading system in the context of the Kyoto Protocol. In its actual configuration, the scheme penalizes - in the absence of a genuine European approach - transnational companies, such as the Belgian steel industry.

In the environmental field, the Belgian steel companies insist that regulatory European and Belgian federal or regional initiatives be preceded by an impact analysis, notably from a point of view of their technical feasibility and the financial implications. Furthermore, the existing measures have to be rationalised, for the sake of efficiency and legal certainty.

The year 2006 has started favourably: the inventories are back to normal and thanks to an economic upturn, a.o. in Europe, demand has picked up.

Within this positive context, steel prices are on the rise, which is necessary to guarantee a good return on investment and to maintain operating margins, given the ascent of the production costs.

*Paul MATTHYS
Chairman*



SOCIAL DIALOGUE

As usual, every two years, following the intersectoral negotiations, the social partners of the steel industry have reached, in the Spring of 2005, a sectoral agreement covering 2005-2006.

This agreement is in line with today's economic dynamics, source of swift and profound mutations which require continuous adaptations of the companies, facing a largely worldwide competition. It focuses on the development of policies creating a safe and healthy working environment for all parties involved. With the agreement, the steel companies also commit themselves to pursue their investments in training and competence development policies, to achieve progress for both the company and the workers.



HEALTH & SAFETY AT WORK

The individual steel companies have the ambition to become a reference in health and safety for all the workers; at this end, they develop very advanced prevention policies.

All parties involved unanimously pursue the same goals: the enhancement of the safety results and the reduction of accidents.

The constant care for health and safety at work implies own personnel just as well as the subcontractors' workers: accordingly, the member companies of the Belgian Steel federation, in partnership with the metallurgical and non ferrous sector, have signed a Charter aiming at improving the health and safety for all the workers, through a better integration of safety policies and procedures between the steel company and its service providers.

The Charter has its own website (in French www.chartedesecurite.be and in Dutch www.veiligheidscharter.be), where the full text can be found.

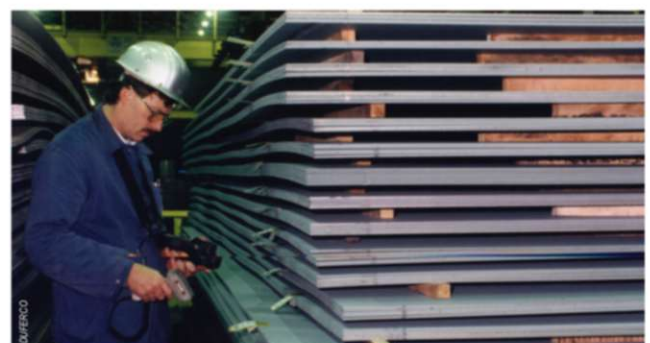
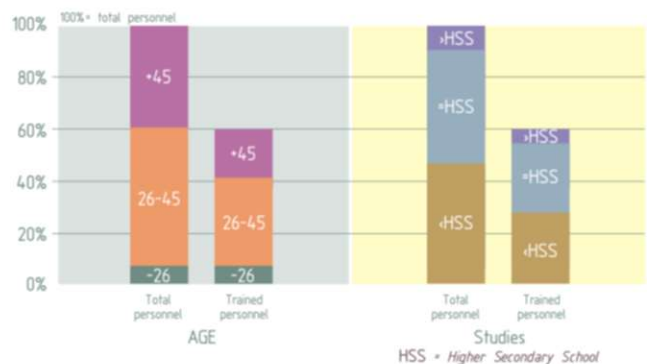


TRAINING AND COMPETENCE DEVELOPMENT

The steel companies develop training policies which focus on competence development throughout the full career, and which reinforce employability in case of mutations and restructuring.

The training investments are presented to the workers' representatives and get a yearly follow-up by the joint industrial committee. The 2003-2004 data and the first estimations for 2005 give evidence of the ambitious qualitative and quantitative efforts that have been achieved: the steel sector is particularly proud of the well-balanced distribution of the training measures; in fact, the participation rate already corresponds to the European guidelines that will come into force in 2010.

Training: age and study level of the beneficiaries (2003/04)



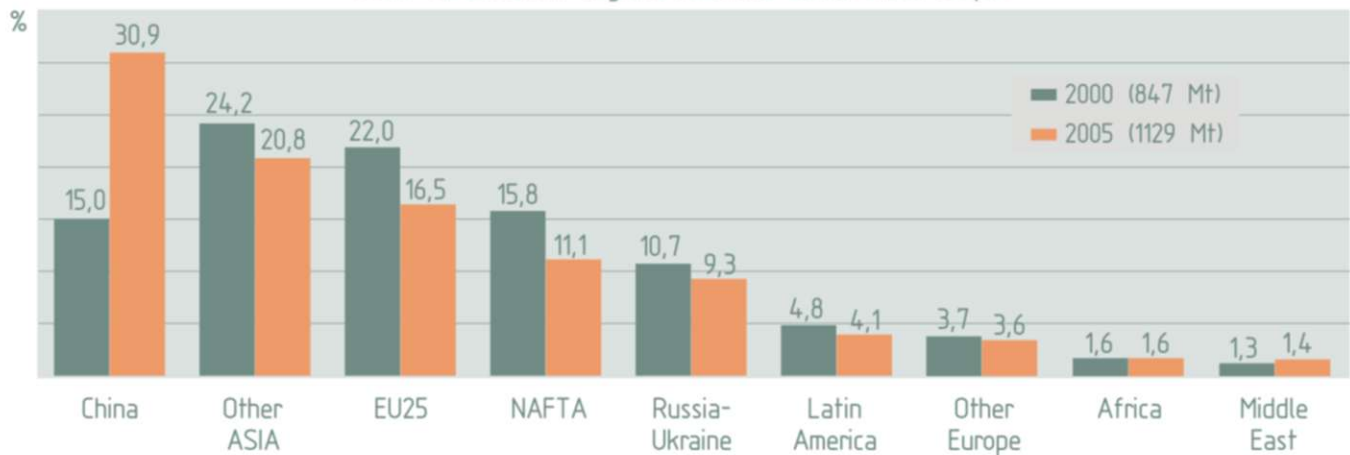


WORLD STEEL PRODUCTION HAS GROWN BY 33% SINCE 2000

World crude steel production increased by 5,9% in 2005, to reach a total of 1.129 million tonnes. The growth has been particularly remarkable in Asia (+14,8%), in the Middle East (+7,2%) and in Africa (+7,1%). The output went however down in EU25 (-3,5%) and in North America (-5,2%). Today, Asia produces over 50% of the world's steel output, and China by itself represents more than 30%. The following graph illustrates the evolution of the share of different regions in the world's crude steel production since 2000.

Belgium produced 10,4 million tonnes in 2005, i.e. a 11,1% decrease compared to 2004. This decline is mainly due to the combination of an economic slowdown and the high inventories' levels at the beginning of the year, which made the sector adapt its offer in order to avoid possibly damaging imbalances. The stainless steel production also went down by 1,3% and reached 1,03 million tonnes. In September 2005, a new stainless mill has been commissioned at Charleroi.

Share of different regions in world crude steel output



SLACKENING STEEL CONSUMPTION IN 2005

After the remarkable increase of 2004, steel consumption last year evolved very differently by region. The growth of world steel consumption reached nearly 3%, thanks to the evolution in China (+10%). Global demand outside China went down by -0,2%, with a -1,5% drop in EU25 and a -5,5% slump in the United States. In the EU, the weakness of the economic growth and especially of the internal demand strongly influenced the evolution in the non residential building sector, the metallic construction and the automotive sector. Delocalisation also contributed to a downturn in the household industry and in certain metallic constructions. Private housing, the mechanical industry and the tube sector on the other hand experienced positive evolutions.



EU25 STEEL TRADE BALANCE STILL POSITIVE

The EU25 steel trade balance reached 2,1 million tonnes in 2005, i.e. a more than 100% gain compared to the - very low - level of 2004. The balance consists in an important finished products' surplus (+5,8Mt) and a growing deficit of ingots and semis. On the export side, the United States remain the most important market, followed by Turkey, Switzerland and China. Imports in the EU25 slightly went up for the full year, but at the beginning of 2005 they have been reaching record levels which seriously disrupted the market. Russia, Ukraine, as well as Turkey, Brazil and China are the main sources of the imported tonnages. In 2005, semis represented nearly 30% of total imports.





FOR AN EFFICIENT AND REALISTIC ENVIRONMENTAL POLICY

CLIMATE CHANGE: A GLOBAL APPROACH - THE CONCERN OF ALL ACTORS

The international negotiations on a climate policy beyond 2012, i.e. after the expiry of the actual Kyoto Protocol, are still going on. The European Union has to make sure that a non-discriminating system be put in place at global level. In order to avoid unwanted effects on the European industry's competitiveness, any unilateral engagement must be avoided; evenly, all the parties - industry, transport, agriculture, households and services - have to be involved in the common efforts.

EMISSIONS IN THE AIR: TECHNICAL AND ECONOMICAL FEASIBILITY HAS TO BE THE BASIS

The discussions in the EU concerning the limitations of emissions of several pollutants in the air (SO_2 -sulphur dioxide; NO_x - nitrogen oxide; dust,...) have to take into account the real reduction potential. Every cap on emissions in absolute values has to be ruled out in order to avoid a negative impact on the preservation and development of the industrial activities.

EMISSION TRADING: RESPECT THE COMMITMENTS

The CO_2 emission trading scheme, put in place by the European Union, has officially come into force with the launch of the first period, 2005-2007.

At the latest in June 2006, the competent authorities - in Belgium, the Regions - have to submit to the European authorities a draft allocation plan for the second period, 2008-2012. The steel companies insist the mutual engagements that have been agreed upon with the authorities concerning the improvement of energy efficiency and the reduction of greenhouse gas emissions, be respected. As counterpart for its efforts, the industry expects the free allocation of sufficient emission rights. Furthermore, no additional constraint may be imposed.



ENERGY: PRICE COMPETITIVENESS AND SUPPLY SECURITY

FOR A REAL COMPETITION ON THE MARKETS - LIMITATION OF THE SURCHARGES

The opening of the EU electricity and gas markets has been conceived to enhance competition and to give the consumers, among which the industry, the advantages of a competitive market. The severe increase of the electricity prices of the last years proves that this goal hasn't been reached. The actual price levels are prejudicial for the large industrial electricity consumers, which have to face worldwide competition.

By consequence, the steel industry expects that the European and national authorities pursue their investigations on efficient market functioning and urges them to take the appropriate measures. Moreover, the competition and antitrust rules have to be guaranteed.

The federal and regional authorities have to limit and cap the various levies and charges which burden the electricity price and which are intrinsic to their fiscal and environmental policies, like e.g. the charges resulting from the regional "green certificate" systems. The objectives for the production of renewable energy and cogeneration have thus to take into account the technical feasibility and economic considerations.

REOPEN THE DEBATE ON THE NUCLEAR PRODUCTION OF ELECTRICITY

In order to guarantee the security of energy supply and for environmental reasons, several EU member states retracted their previous decision to abandon progressively the nuclear production of electricity. At the light of the international commitments concerning the reduction of greenhouse gas emissions and considering the limited possibilities of alternative production methods (windmills, biomass, solar energy, ...), Belgium should also re-examine the nuclear issue on the basis of technical and economic elements.



STEEL RECYCLABILITY: A CONSIDERABLE ADVANTAGE

Steel is indefinitely recyclable, without loss of its physical or chemical qualities. This characteristic is perfectly in line with the concept of sustainable development. In the production process of steel, the use of scrap from equipments and consumables at the end of their life cycle, enables the economy of raw materials and energy.

This « materials » recycling has to be appreciated at its full value.



Steel Promotion - Information



STEEL INFORMATION CENTRE

www.infosteel.be

The main mission of the Steel Information Centre consists in promoting qualitative applications of steel in the building sector. The Centre is being supported by over 450 members from the steel industry, the metallic construction sector, study centres and architects' firms. It comprises also educational institutes and many students.

The 2005 campaign involved four major events.

The Steel Construction Day, organized in the Grand Duchy of Luxembourg, united 400 professionals of the building sector and celebrated the winners of the Steel Construction Contest.

In Belgium, the Students' STEEL Day, linked with the Students' STEEL Award 2005, gathered 1.250 future architects, engineers-architects, civil engineers and industrial engineers in construction.

Transfer of knowledge is the second action domain of the Centre. Responding to the demands of the sector, the Centre is organizing together with the Flemish Public Employment Service (VDAB) professional training for designers specialized in building with steel. The Eurocode 3 course is being continued in the Grand Duchy of Luxembourg and in Brussels, an information session on weathering steels has been organized for architects and study centres. Visits to the new building of the Court of Justice in Gent and the mill of Ugine & ALZ Carinox at Charleroi have highlighted two

strong references of the performance of steel as a building material.

The media promotion of the Centre has been carried out through its Internet site, the magazine Staal_Acier, its participation in Architect@Work (Kortrijk) and a series of conferences "En détail" organized at the "International Centre for City, Architecture and Landscape" (www.civa.be) in Brussels.

During 2006-2007, the Centre will be focussing on fire safety: upcoming legal changes are making this a priority issue for the position of steel as a building material.



Research - Innovation



CENTRE FOR RESEARCH IN METALLURGY

www.crm-eur.com

CRM is a joint Research Centre for the Iron and Steel industry as well as for the non-ferrous metals industry. Thanks to the consolidation in the steel sector, the CRM presence extends well over the Benelux countries.

CRM is based in Liège (Sart Tilman) and in Gent (Zwijnaarde) with two teams working in close cooperation. In 2006, CRM Gent moved to new offices and facilities located in Technologiepark and shared by other partners like OCAS-ARCELOR, UGent and FLAMAC.

CRM's activities are supported by contributions from the Active Members (ARCELOR and CORUS) and the 27 Associated Members (such as DUFERCO, CARSID, THY-MARCINELLE, UMICORE) as well as by subsidies from the Public Authorities (Belgian Regions and European Community).

In the steel industry, the main CRM activities are focusing on three principal axes :

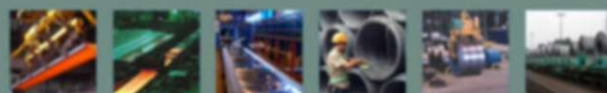
- New generic steel grades
- Advanced surface engineering
- Environmental preservation and eco-friendly products

To achieve these objectives, CRM is using several unique pilot lines which are worldwide recognized and are continuously subject to enhancements.

CRM is also involved with guidance and technology transfer towards the SME's via its group based in the "Pôle d'Ingénierie des Matériaux de Wallonie".



Belgian Steel in Figures



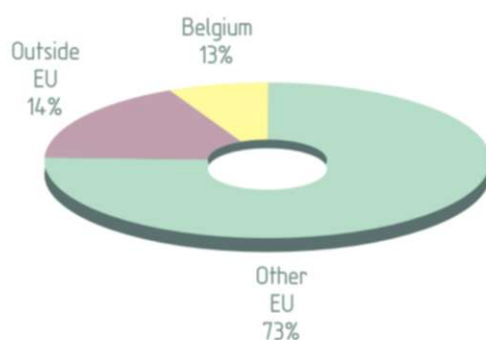
Crude steel production (in kt)

Year	Pig Iron		Crude Steel	
		Oxygen converter	Electric furnace	Total
2001	7732	8086	2655	10741
2002	7988	8417	2905	11322
2003	7813	8309	2805	11114
2004	8224	8812	2885	11697
2005	7254	7775	2647	10422

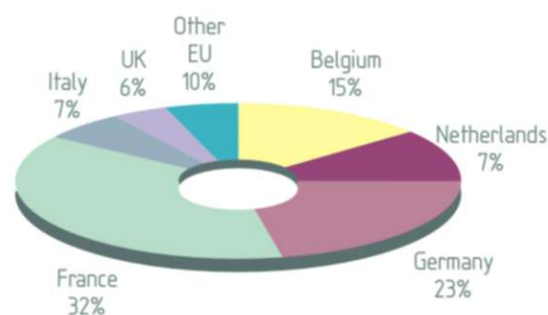
Deliveries of steel products (in kt)

Year	Total	of which	Steel products (all qualities)					of which stainless & other alloys
			Hot rolled strip	Plate	Cold rolled	Coated flat products	Wire rod	
2001	11217		4288	759	1460	3425	902	572
2002	11205		4092	730	1451	3684	839	629
2003	10678		3848	725	1631	3302	789	811
2004	11811		4063	816	1958	3917	769	982
2005	10981		3816	765	1780	3398	587	946

Total Deliveries



Deliveries in the European Union



Employment (on 31/12/2005)	17400 persons
Turnover (e)	7,5 billion euro
Value added (e)	1,9 billion euro
Exports of steel products	5,2 billion euro
Part of the steel sector in rail freight	46%

GSV is the professional organization representing the Belgian steel industry.

on 01.01.2006

CHAIRMAN	Paul MATTHYS	Senior Executive Vice-President, Strategy and Planning, ARCELOR SA
VICE-CHAIRMEN	Xavier GAILLY	Director, INDUSTEEL BELGIUM SA / ARCELOR GROUP
	John LIPPENS	Director, SIDMAR NV / ARCELOR GROUP
BOARD of DIRECTORS	Patrick BARDET	Managing Director Cold Liège, ARCELOR PRODUITS PLATS WALLONIE
	Luc BONTE	Plant Director, SIDMAR NV / ARCELOR GROUP
	Francesco CHINDEMI	Managing Director-Director General, CARSID SA
	Antonio GOZZI	President - Chief Executive Officer, DUFERCO BELGIUM
	André LECLERCQ	Senior Vice-President Human Resources, ARCELOR PRODUITS PLATS WALLONIE
	Jos STEEGMANS	Director General, UGINE & ALZ Belgium NV / ARCELOR GROUP

Member Companies

Group/Companies



Groupe ARCELOR		
sa Arcelor Produits Plats Wallonie	Flémalle (04) 236 11 11	www.cockerill-sambre.com
sa Arcelor Packaging International	Tilleur (04) 236 18 37	www.cockerill-sambre.com
sa Cockerill Sambre	Seraing (04) 236 41 11	www.cockerill-sambre.com
sa Arceo	Yvoz-Ramet (04) 224 65 30	www.cockerill-sambre.com
sa Industeel Belgium	Marchienne/Pont (071) 44 17 11	www.industeel.info
Sidmar nv	Gent (09) 347 31 11	www.sidmar.arcelor.com
Ugine & ALZ Belgium nv	Genk (089) 30 21 11	www.ugine-alz.com
sa Ugine & ALZ Carinox	Châtelet (071) 60 70 14	www.ugine-alz.com
Gruppo DUFERCO		
sa Duferco Clabecq	Iltre (02) 391 91 00	www.duferco.be
sa Duferco La Louvière	La Louvière (064) 27 27 11	www.duferco.be
sa Carsid	Marcinelle (071) 60 57 13	www.duferco.be
Gruppo RIVA		
sa Thy-Marcinelle	Charleroi (071) 27 01 11	www.rivagroup.com
ELLWOOD Group Inc.		
Ellwood Steel Belgium (Division of EGI)	Seraing (04) 338 85 50	www.elwd.com
CORUS		
sa Segal	Ivoz-Ramet (04) 273 73 73	www.corusgroup.com
Gruppo BELTRAME		
sa Laminoirs du Ruau	Monceau s/Sambre (071) 27 09 11	www.beltrame.it