MITTAL

Comisión Nacional
del Mercado de Valores
REGISTRO DE ENTRADA
Nº 2007065538 02/07/2007 12:00

Contacto Madrid: Javier Serra Callejo C/ Albacete 3 E - 28027 Madrid	Contacto Luxemburgo: Manuel Chamorro 19 avenue de la Liberté L - 2930 Luxembourg	Tfno: 91 596 95 78 / 00 352 4792 2442 Fax: 91 596 95 98 / 00 352 4792 2491 javier.serra@arcelor.es - manuel.chamorro@arcelor.com

COMISIÓN NACIONAL DEL
MERCADO DE VALORES

Madrid, 28 de junio de 2007

Estimados Sres.:

Como complemento a nuestras cartas de 18 y 24 de mayo y de 4 de junio relativas a la documentación remitida con ocasión de la última Junta General Ordinaria de accionistas de MITTAL STEEL COMPANY NV, y en contestación a su correo electrónico de 28 de mayo, junto con la presente les hacemos llegar la siguiente documentación que nos tienen interesada:

- Certificado expedido por el Secretario del Consejo de Administración dejando constancia de la concordancia entre los resultados impresos en el documento STATUTORY FINANCIAL STATEMENTS que acompañado a nuestra carta de 25 de mayo, con los que fueron objeto de aprobación unánime por el Consejo de Administración de la sociedad. El citado documento se aporta mediante testimonio notarial del original con firma legitimada y con apostilla.

Asimismo les hacemos llegar traducción española del documento titulado INFORME DE ACTIVIDAD DE ARCELORMITTAL 2006, el cual ha sido ya enviado al Departamento de esa CNMV dedicado a Informes Financieros y Contables (Doña Sol García Santa) como Informe Anual de Gobierno corporativo en español, y en el que se incluye al final resumen de las cuentas anuales de la sociedad emisora en dicho idioma.

Con este motivo, atentamente,

Javier Serra Callejo
General Counsel Spain-Portugal-Italy

Manuel Chamorro
Senior Legal counsel

The undersigned,

Willem Frederik Otto Stricker, civil law notary, officiating in Rotterdam (The Netherlands), declares that the attached document, issued by the public company: **Mittal Steel Company N.V.**, established in Rotterdam (The Netherlands) and having its offices at 3032 AC Rotterdam, Hofplein 20, 15e etage (The Netherlands), registered with the Commercial Register of the Chamber of Commerce of Rotterdam under number 24275428 ("**Company**") has been signed by:

- Hendrikus Justus Scheffer, born in Groningen (The Netherlands) on 5 October 1962, living at Doornspijk, holder of a passport with number: NF1617368,

acting in his capacity as Company Secretary of the Company and as such, fully authorized to represent and to sign on behalf of the Company.

Thus signed and executed in Rotterdam (The Netherlands), on 19 June 2007.

Mr W.F.O. Stricker notaris te Rotterdam

APOSTILLE

1. **(Convention de la Haye du 5 Octobre 1961)**
   Country: NETHERLANDS
   This public document
2. has been signed by mr W.F.O. Stricker
3. acting in the capacity of notary
4. bears the seal/stamp of
   mr W.F.O. Stricker at Rotterdam
   certified
5. at Rotterdam 6. the 20-06-2007
7. by the Clerk of the Dictrict Court

   (Griffier van de Rechtbank)
8. No. HA RP 07-7240/1
9. Seal/stamp 10. Signature
   L. Bourne

PH5976097

9620021/297983.1

ArcelorMittal

CERTIFICATE

The undersigned, HENDRIKUS JUSTUS SCHEFFER, Company Secretary of MITTAL STEEL COMPANY N.V. (trading name ARCELORMITTAL), states that the 2006 annual accounts have been approved by the Board of Directors of MITTAL STEEL COMPANY N.V., which have been distributed both printed and electronically in a publication titled "MITTAL STEEL COMPANY N.V. STATUTORY FINANCIAL STATEMENTS 2006".

Hendrikus Justus Scheffer

Mittal Steel Company N.V.
Hofplein 20
3032 AC Rotterdam
The Netherlands

T +31 10 217 88 00
F +31 10 217 88 88
www.arcelormittal.com

Registered office as postal address
Registered no. 24275428

R5976096

DILIGENCIA DE AUTENTIFICACIÓN: **RODRIGO TENA ARREGUI**, Notario de esta Capital.----------

DOY FÉ: que la presente fotocopia compuesta de dos folios sellados es REPRODUCCIÓN EXACTA del original que he tenido a la vista y he cotejado, redactado en ingles, idioma que conozco.----------

Número 1.578 del Libro Indicador número 2, Sección B.----------
Serie PH., números 5976097 y 5976096.----------

En Madrid, a 22 de junio de 2.007.----------

The undersigned,

Willem Frederik Otto Stricker, civil-law notary, officiating in Rotterdam (The Netherlands), declares that the signature on the attached document is the signature of:

- Mr Edwin Richard Termaten, born in Rotterdam (The Netherlands) on 4 April 1962, holder of a Dutch passport with number: NK1330989.

Thus signed and executed in Rotterdam (The Netherlands), on 27 April 2007.

APOSTILLE

1. **(Convention de la Haye du 5 Octobre 1961)**
   Country: NETHERLANDS
   This public document
2. has been signed by mr. W.F.O. Stricker
3. acting in the capacity of notary
4. bears the seal/stamp of
   mr. W.F.O. Stricker at Rotterdam
   certified
5. at Rotterdam 6. the 27-04-2007
7. by the Clerk of the Dictrict Court

   (Griffier van de Rechtbank)
8. No. HA RP 07.6155
9. Seal/stamp 10. Signature
   E. Groeneveld

9620021/509554.1

PH3507033

Deloitte.

Deloitte Accountants B.V.
Admiraliteitskade 50
3063 ED Rotterdam
P.O.Box 4506
3006 AM Rotterdam
Netherlands

Tel: +31 (10) 2721500
Fax: +31 (10) 2721098
www.deloitte.nl

To the Board of Directors and shareholders of
of Mittal Steel Company N.V.

Date	From	Reference
April 16, 2007	E.R. Termaten	Oml/310115524/op9988/mb

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Mittal Steel Company N.V., Rotterdam. The financial statements consist of the consolidated financial statements as set out on pages 29 to 108 and the company financial statements as set out on pages 109 to 115. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2006, the company statement of income for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

NIHIL PRIUS FIDE
COLEGIOS NOTARIALES DE ESPAÑA
PROTOCOLO
28 MAYO DE 1862

Deloitte.

NOTARIO - MADRID
RODRIGO TENA ARREGUI
NIHIL PRIUS FIDE

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mittal Steel Company N.V. as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Mittal Steel Company N.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter

We draw attention to the fact that the accounting principles used in the preparation of the consolidated financial statements can vary in significant respects from accounting principles generally accepted in the United States of America. The effect of the principal differences in the determination of net income (loss) and shareholders' equity is set out in Note 28 to the consolidated financial statements. Our opinion is not qualified in respect of this matter.

Deloitte.

April 16, 2007
Oml/310115524/op9988/mb

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

E.R. Termaten

DILIGENCIA DE AUTENTIFICACIÓN: **RODRIGO TENA ARREGUI**, Notario de esta Capital.----------

DOY FÉ: que la presente fotocopia compuesta de tres folios sellados es REPRODUCCIÓN EXACTA del original, redactado en inglés, idioma que conozco, que he tenido a la vista y he cotejado.----------

Número 1004 del Libro Indicador número 1, Sección B.----

Serie PH., números 3507033, 3507030 y3507029.----------

En Madrid, a 16 de Mayo de 2.007.----------

FE PÚBLICA NOTARIAL

SELLO DE LEGITIMACIONES Y LEGALIZACIONES

NIHIL PRIUS FIDE

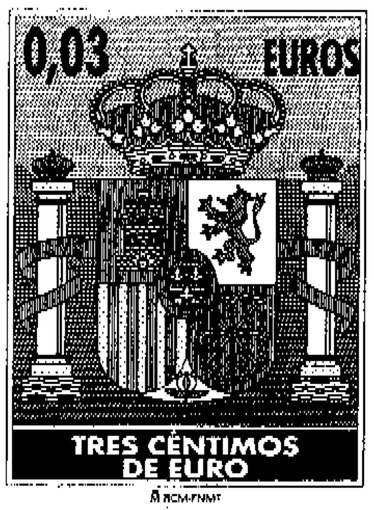
A20736347

PH3507029

NIHIL PRIUS FIDE

COLEGIOS NOTARIALES DE ESPAÑA

TIMBRE DEL ESTADO



CLASE 8.ª

NOTARIO - MADRID - RODRIGO TENA ARREGUI

0184260001

TRADUCCIÓN JURADA INGLÉS – ESPAÑOL

Certificación: *Dña. Norma Sánchez Meana, Intérprete Jurado de INGLES, por la presente certifica que el documento que sigue a continuación es traducción fiel y completa al CASTELLANO de un documento redactado en INGLES. En Gijón, a ocho de mayo del año 2007.*

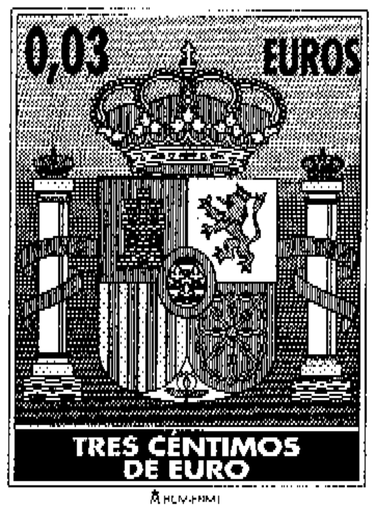
Certification: *Mrs. Norma Sánchez Meana, Certified Translator of ENGLISH, hereby certifies that the following document is the true and complete translation into SPANISH of a document written in ENGLISH. In Gijón, on the eighth of May, 2007.*

NORMA SANCHEZ MEANA
INTERPRETE JURADO de IDIOMA INGLES
CERTIFIED TRANSLATOR OF ENGLISH
C/. Jove y Hevia, 32 - 1º piso F
33211 Gijón-Asturias-ESPAÑA
Tel./Fax: +34 985 39 59 79

PH3507028

TIMBRE DEL ESTADO

CLASE 8.ª



018426002

[Aparece un sello en otro idioma].

El que suscribe, Willem Frederik Otto Stricker, notario público en derecho civil, con ejercicio en Rótterdam (Países Bajos), por el presente declara que la firma que aparece en el documento adjunto es la firma de:

- D. Edwin Richard Termaten, nacido en Rótterdam (Países Bajos), el 4 de abril de 1962, titular del pasaporte holandés número: NK1330989.

De este modo, se firma y extiende el presente en Rótterdam (Países Bajos), a 27 de abril de 2007.

[Aparece una firma ilegible].
[Aparece un sello que dice: "D. W. F. O. Stricker. Notario de Rótterdam."].
[Aparecen dos sellos rojos en relieve].

APOSTILLA

(Convención de La Haya del 5 de octubre de 1961)

1. País: **Países Bajos**
   El presente documento público
2. ha sido firmado por: **D. W.F.O. Stricker**
3. en calidad de: **notario**
4. contiene el sello / estampillado de: **Don. W.F.O. Stricker en Rotterdam**

Certificado

5. en **Rotterdam** 6. El **27 de abril de 2007**
7. por el Secretario del Tribunal del Distrito (Griffier van de Rechtbank),
8. Nº **HA RP 07.6155**
9. Sello / Estampillado: [Siguen dos sellos].
10. Firma: F. Groeneveld. [Sigue una firma ilegible].

NORMA SANCHEZ MEANA
INTERPRETE JURADO de IDIOMA INGLES
CERTIFIED TRANSLATOR OF ENGLISH
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NIHIL PRIUS FIDE
PROTOCOLO
28 MAYO DE 1862
COLEGIOS NOTARIALES DE ESPAÑA

TIMBRE DEL ESTADO

0,03 EUROS
TRES CÉNTIMOS DE EURO

CLASE 8.ª

NOTARIO - MADRID - RODRIGO TENA ARREGUI
NIHIL PRIUS FIDE
01842603

Deloitte

Deloitte Accountants B.V.
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Al Consejo de Administración y a los accionistas de
Mittal Steel Company N.V.

Fecha: 16 de abril de 2007
De: E. R. Termaten
Referencia: Oml/310115524/op9988/mb

INFORME DE AUDITORÍA

Informe sobre los estados financieros

Hemos auditado las Cuentas Anuales correspondientes a los estados financieros del año 2006 que se adjuntan al presente, de la sociedad "*Mittal Steel Company N. V.*" de Rótterdam. Dichas cuentas anuales comprenden los estados financieros consolidados según se indica en las páginas 29 a 108 y los estados financieros de la sociedad según se especifica en las páginas 109 a 115. Los estados financieros consolidados comprenden el balance de situación consolidado al 31 de diciembre de 2006, la cuenta de beneficios consolidada, la cuenta de cambios en el patrimonio consolidada y la cuenta de tesorería consolidada para el año finalizado en dicha fecha, y un resumen de las políticas contables significativas y otras notas explicativas. Los estados financieros de la sociedad incluyen el balance de situación de la sociedad al 31 de diciembre de 2006, la cuenta de beneficios de la sociedad para el año finalizado en dicha fecha y las notas.

Deloitte Accountants B.V. está inscripta en el Registro Mercantil de la Cámara de Comercio e Industria en Rótterdam, con el número: 24362853. Es miembro de ***Deloitte Touche Tohmatsu.***

NORMA SANCHEZ MEANA
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Tel./Fax: +34 [illegible] 39 59 79

TIMBRE DEL ESTADO

CLASE 8.ª

0,03 EUROS

TRES CÉNTIMOS DE EURO

018426004

Responsabilidad de la Administración de la Sociedad

La Administración de la Sociedad será responsable de la preparación y presentación objetiva de los estados financieros de conformidad a lo dispuesto en las Normas Internacionales sobre la Preparación de Informes Financieros, según fueran aprobadas por la Unión Europea, y al capítulo 9 del Libro 2 del Código Civil de los Países Bajos, y en cuanto a la preparación del informe de la Junta Directiva, de conformidad a lo dispuesto en el capítulo 9 del Libro 2 del Código Civil de los Países Bajos. Esta responsabilidad incluye: diseño, aplicación y mantenimiento del control interno en relación a la preparación y presentación objetiva de los estados financieros que no deberán incluir ninguna declaración falsa que sea esencial, ya sea debido a fraude o error; seleccionando y aplicando las políticas contables adecuadas, y realizando las estimaciones contables que sean razonables en tales circunstancias.

Responsabilidad de los Auditores

Nuestra responsabilidad se limita a expresar una opinión sobre las cuentas anuales basadas en nuestra auditoría. Hemos realizado dicha auditoría de conformidad a lo dispuesto en la legislación de Holanda. Esta legislación exige que cumplamos con los requisitos éticos y que se planifique y realice la auditoría con el fin de obtener una garantía razonable de que los estados financieros no contienen ninguna declaración falsa que sea esencial.

Una auditoría implica la realización de procedimientos con el fin de obtener pruebas de auditoría sobre las cantidades y declaraciones incluidas en los estados financieros. Los procedimientos seleccionados dependen del criterio del auditor, incluyendo la valoración de los riesgos de una declaración falsa que sea esencial en los estados financieros, ya sea debido a fraude o error. Al realizar la valoración de tales riesgos, el auditor considera el control interno relevante a la preparación y presentación objetiva de los estados financieros de la sociedad, con el fin de diseñar los procedimientos de auditoría que sean los adecuados en tales circunstancias, pero no con el fin de expresar una opinión sobre la efectividad del control interno de la sociedad. Una auditoría incluye también la evaluación de la adecuación de las políticas contables utilizadas y la sensatez de las estimaciones contables realizadas por la dirección, así como también la evaluación de la presentación general de los estados contables.

Consideramos que la prueba de auditoría que hemos obtenido es suficiente y adecuada para ofrecernos una base para dar nuestra opinión como auditores.

NORMA SANCHEZ MEANA
INTERPRETE JURADO de IDIOMA INGLES
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33211 Gijón-Asturias-ESPAÑA
Tel./Fax: +34 985 39 59 79

NIHIL PRIUS FIDE
PROTOCOLO
COLEGIOS NOTARIALES DE ESPAÑA
TIMBRE DEL ESTADO
0,03 EUROS
TRES CÉNTIMOS DE EURO
CLASE 8.ª
01842005
NOTARIO - MADRID - RODRIGO TENA ARREGUI
NIHIL PRIUS FIDE

Opinión en relación a los estados financieros consolidados

Según nuestra opinión, los estados financieros consolidados expresan la imagen fiel y verdadera de la situación financiera de la empresa *Mittal Steel Company N.V.* al 31 de diciembre de 2006, y de los resultados de sus operaciones y de los recursos generados para el año finalizado en dicha fecha, de conformidad a lo dispuesto en las Normas Internacionales sobre la Presentación de Informes Financieros según fueran adoptadas por la Unión Europea y a lo establecido en el capítulo 9 del Libro 2 del Código Civil de los Países Bajos.

Opinión en relación a los estados financieros de la empresa

En nuestra opinión, los estados financieros de la empresa expresan la imagen fiel y verdadera de la situación financiera de la empresa *Mittal Steel Company N.V.* al 31 de diciembre de 2006, y de los resultados de sus operaciones para el año finalizado en dicha fecha, de conformidad a lo dispuesto en el capítulo 9 del Libro 2 del Código Civil de los Países Bajos.

Énfasis en una cuestión

Deseamos destacar que los principios contables aplicados en la preparación de los estados financieros consolidados pueden variar en aspectos significativos a los principios contables generalmente aceptados en los Estados Unidos de América. El efecto de las diferencias principales en la determinación de los beneficios (pérdidas) netos y de los recursos propios de la empresa se especifica en la Nota 28 de los estados financieros consolidados. Nuestra opinión no manifiesta ninguna salvedad en relación con esta cuestión.

Informe sobre otros requisitos legales y reglamentarios

De conformidad a lo dispuesto en los requisitos legales en virtud del artículo 2:393, punto 5, parte "e" del Código Civil de los Países Bajos, informamos, con el alcance que nos permite nuestra competencia, que el informe de la Junta Directiva guarda conformidad con los estados financieros según lo exigido en el artículo 2:391, punto 4 del Código Civil de los Países Bajos.

Deloitte Accountant B.V.
[Aparece una firma ilegible]. E. R. Termaten

NORMA SANCHEZ MEANA
INTERPRETE JURADO de IDIOMA INGLES
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DILIGENCIA DE AUTENTIFICACIÓN: **RODRIGO TENA ARREGUI**, Notario de esta Capital.----------

DOY FÉ: que la presente fotocopia compuesta de tres folios sellados es REPRODUCCIÓN EXACTA del original, redactado en inglés, idioma que conozco, que he tenido a la vista y he cotejado.----------

Número 1005 del Libro Indicador número 1, Sección B.---- Serie PH., números 3507028 y dos siguientes en orden correlativo inverso.----------

En Madrid, a 16 de Mayo de 2.007.----------

CNMV Comisión Nacional del Mercado de Valores
REGISTRO DE ENTRADA
2007055739 24 MAY 2007

Mittal Steel Company N.V.

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Board Report

Arcelor Mittal: A Winning Strategy

Mittal Steel Company N.V. ("Arcelor Mittal", "the Company", "the Group") is the number one steel company in the world, with 320,000 employees in more than 60 countries. Created from the merger between Arcelor and Mittal Steel, the Group is the leader in all major global customer segments, including automotive, construction, household appliances and packaging. Arcelor Mittal has leading Research & Development (R&D) and technology, sizeable captive supplies of raw materials, and outstanding distribution networks to support its production process forming a truly integrated business model.

With an industrial presence in 26 European, Asian, African and American countries, the Company has a substantial presence in all the key steel markets providing geographic as well as product diversity.

Arcelor Mittal will now be looking to further build on its leading position both organicaly and by acquisition, particularly in high-growth markets such as India and China. The Company believes that globalisation and consolidation are the way forward to ensure long-term sustainability and maintain profitability, throughout variable steel cycles.
Such a global presence brings considerable social responsibility. Arcelor Mittal is a responsible, community-minded organization which places considerable emphasis on critical functions including health and safety, environment and corporate social responsibility.

In 2006 consolidated sales and operating income were US$ 58.9 billion and US$ 7.5 billion, respectively, as compared with US$ 28.1 billion and US$ 4.7 billion, respectively, in 2005. Net income for 2006 was US$ 5.2 billion, as compared with US$ 3.3 billion in 2005. On a pro forma basis, as if the merger with Arcelor occurred at the beginning of the period presented, sales for 2006 were US$ 88.6 billion, with a pro forma crude steel production of 118 million tonnes, representing around 10 per cent of world steel output. Also on a pro forma basis, the company has reported EBITDA of approximately US$ 15 billion for the past three years, demonstrating how the newly diversified geographic and product profile is helping deliver sustainable results.

Quality is another area of particular focus for the Company. The Group's investments in R&D provide opportunities for worldwide operations, so as to enhance and share best practices. The Company recognizes the importance of intelligence sharing and exchanging ideas between business units to improve business performance.

Furthermore, innovation and R&D benefit customers and drive improved competitiveness. Arcelor Mittal produces a diversified portfolio of quality products and services to meet a wide range of customers' needs across all steel consuming industries. Strong relationships with customers are further strengthened by innovative R&D facilities satisfy the most sophisticated customer demands.

Arcelor Mittal believes this winning strategy has not only created the market leading position enjoyed today, but ideally positions the company to lead the steel industry into a new phase of quality and sustainability.

Board Report

Company Profile and Global Business Strategy

A consistent strategy is driving Arcelor Mittal. That strategy has three dimensions:

- Product diversity
- Integrated business model
- Geographic reach

The strategy has proved successful in creating one of the world's lowest cost and highest margin steelmakers – one demonstrating sustained profitability, reduced risk and substantial growth opportunities. The Arcelor Mittal merger marks one more step along that path.

Product diversity – reducing risk

Arcelor Mittal is the only producer offering the full range of steel products and services. From commodity steels to value-added products, from long products to flat, from standard to specialty products, from carbon steel to stainless steel and alloys, Arcelor Mittal offers a complete spectrum of steel products – and supports it with continuous investment in process and product research.

Product diversity is important in two respects. First, the requirements of mature and developing markets differ. Steel consumption in mature economies is weighted towards flat products and higher value-added mix. In developing economies, there is greater demand for long products and commodity grades. Second, a broad presence across all product areas provides a natural hedge against volume fluctuations in particular countries or market segments.

Product breadth also reduces the impact of price cyclicality. In the US market, for instance, the spot price of hot rolled coil fluctuated by as much as to 40 % between early 2004 and early 2007 – almost twice the rate of fluctuation witnessed in the average base price for all US steel products. Price risk is further reduced by the volume of steel Arcelor Mittal sells on long-term contract. Around 35 % of flat carbon output is sold under contracts of a year or longer. In addition, one-third of long products in Europe are sold under scrap surcharge indexation.

With its leadership position in North America and Europe, the company also enjoys high exposure to stable markets. Value-added and specialty products represent about 60 % of Group shipments. Arcelor Mittal will continually seek to grow the value-added proportion of its product mix over time as demand increases for these products in emerging countries. This will be achieved through continued investment in product enhancement in existing plants, new projects in high-growth markets and acquisitions that reinforce and expand product leadership and offer high synergy potential.

Integrated business model – increasing the sustainability of profits

Arcelor Mittal is not only a steel producer but also an integrated metals and mining operation. At the other end of the value chain, it has a powerful distribution arm which transforms and trades finished products. Upstream and downstream integration increases the sustainability of profits by allowing a steel company to capture opportunities wherever they arise in the value chain.

Upstream integration allows steel companies to hedge against raw material price fluctuations. Arcelor Mittal's strategy is to expand its already substantial captive resources of iron and coal to increase levels of raw material self-sufficiency. Major investments are underway to expand iron ore output from existing mines – most notably in Ukraine. In addition, since the merger, Arcelor Mittal has announced two significant new initiatives:

- A new mining development agreement with the Government of Liberia that paves the way for a 15 million tonnes-a-year iron ore mine.
- Agreements with the State of Senegal in February 2007 to develop a 750 million tonne iron ore resource in the Faleme region and build associated rail and port infrastructure at a cost of US$2.2 billion.

Downstream integration, through the ownership and management of distribution channels, allows steel companies to capture a greater share of value-added activities, particularly for high-end customers, such as automotive manufacturers, that are outsourcing more and more of their operations. It also brings steel makers closer to their end customers, giving them better market intelligence. That, in turn, allows them to better manage inventories in the supply chain to reduce volatility and improve working capital management.

Finally, captive distribution channels provide a buffer against falling demand during an economic downturn – particularly in Europe where steelmakers tend to own distribution channels.

Board Report (continued)

Company Profile and Global Business Strategy

Geographic reach – delivering cost leadership and growth

With an industrial network spanning 26 countries on four continents, and representation in a total of 60 countries, Arcelor Mittal benefits from unique geographical diversification. Approximately 25% of production is from plants that figure among the lowest-cost producers in the world. Around three-quarters of production is at less than global average cost, giving the company the regional cost leadership that is essential to ensuring profitability throughout the economic cycle.

Arcelor Mittal is committed to maintaining that cost leadership. In the short term, that will be achieved by realising the maximum synergies – in purchasing, marketing and trading – from the merger. Over the longer term, the focus will be on continuing to use scale and global presence to achieve greater production efficiencies, operational synergies and cost savings across the business.

The Group's Western European and U.S. operations are among the most productive in the steel industry. Arcelor Mittal is embarking on a five-year programme designed to bring a number of its plants sited in emerging economies, and acquired over recent years, up to the same standard. Together with selective investments, efficiency improvements across the Group are designed to reduce headcount by around 40,000 over the period 2005-2008 through a combination of natural attrition and a voluntary retirement scheme.

While the worldwide breadth of Arcelor Mittal's sales reduces its exposure to wide price or demand fluctuations in any one market, its leading position in Brazil, Mexico, Central and Eastern Europe, Africa and Central Asia, enables it to benefit from the anticipated strong growth in domestic steel demand among developing countries.

A major investment programme to expand the company's low-cost operations in emerging markets is underway (see below). In addition, since the merger, Arcelor Mittal has announced a number of new initiatives:

- The US$1.4 billion acquisition of Sicartsa, the leading Mexican long steel producer with annual production of around 2.7 million tonnes. The combination of Sicartsa with Arcelor Mittal's existing Mexican business, Lazaro Cardenas, offers significant synergy potential and the opportunity to leverage the Group's expertise in value-added products.
- The signing of a Memorandum of Understanding to build a 12 million tonne capacity greenfield steel plant in Orissa, India.
- A joint venture with the Bin Jarallah Group of companies to construct a state-of-the-art seamless tube mill at Jubail Industrial City in Saudi Arabia. The mill will have a capacity of 500,000 tonnes a year.

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Flat Carbon Americas

Arcelor Mittal's Flat Carbon Americas division comprises substantial operations in Brazil, Mexico, the US and Canada. Combined, they represent the largest and most diverse flat-rolled supplier in the hemisphere, spanning a mix of mature and developing markets. These operations share markets and technologies and thus offer significant opportunities for synergies and performance improvements.

Sales in the Flat Carbon Americas segment increased 56 % to $17.6 billion for the year ended December 31, 2006 from $11.2 billion for the year ended December 31, 2005, primarily due to the inclusion of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, sales decreased 6 % to $5.0 billion for the year ended December 31, 2006 from $5.3 billion for the year ended December 31, 2005. The decrease was primarily due to the marginal reduction of average steel selling prices, lower steel shipment and lower non-steel revenues.

Total steel shipments in the Flat Carbon Americas segment increased 49 % to 24.0 million tonnes for the year ended December 31, 2006 from 16.2 million tonnes for the year ended December 31, 2005, primarily due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, steel shipments decreased by 1 % to 7.8 million tonnes for the year ended December 31, 2006 as compared to 7.9 million for the year ended December 31, 2005. This decrease was primarily due to the weak market environment for our products, in particular in the United States.

Average steel selling price in the Flat Carbon Americas segment increased 7 % for the year ended December 31, 2006, as compared with the year ended December 31, 2005, primarily due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc with higher average steel selling prices. Excluding the effects of these acquisitions, average steel selling price for the year ended December 31, 2006 were marginally lower as compared with the year ended December 31, 2005.

Flat Carbon Europe

Sales in the Flat Carbon Europe segment nearly quadrupled to $14.4 billion for the year ended December 31, 2006 from $3.7 billion for the year ended December 31, 2005, primarily due to the inclusion of Arcelor. Excluding the effects of this acquisition, sales increased 14 % to $4.2 billion for the year ended December 31, 2006 from $3.7 billion for the year ended December 31, 2005. This increase was primarily due to a 6 % increase in average steel selling price and 3 % increase in total steel shipments as the demand for our products was strong in Central and Eastern Europe.

Total steel shipments in the Flat Carbon Europe segment increased 175 % to 17.4 million tonnes for the year ended December 31, 2006 from 6.3 million tonnes for the year ended December 31, 2005, primarily due to the inclusion of Arcelor. Excluding the effects of this acquisition, steel shipments increased 3 % to 6.5 million tonnes for the year ended December 31, 2006 from 6.3 million tonnes for the year ended December 31, 2005. This increase was a result of generally stronger demand for our products in Central and Eastern Europe.

Average steel selling prices in the Flat Carbon Europe segment increased 26 % for the year ended December 31, 2006, as compared with the year ended December 31, 2005, primarily due to the inclusion of Arcelor. Excluding the effects of this acquisition, average selling price increased 6 % from 2005 to 2006. This increase was primarily due to the ability to pass along to customers certain increases in the input costs and improved market environment for our products.

Long Carbon Americas and Europe

Sales in the Long Carbon Americas and Europe segment nearly doubled to $13.1 billion for the year ended December 31, 2006 from $7.7 billion for the year ended December 31, 2005, primarily due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, sales increased 16 % to $8.2 billion for the year ended December 31, 2006, from $7.1 billion for the year ended December 31, 2005. This increase was primarily due to a 14 % increase in shipments and a 7 % increase in average steel selling prices.

Total steel shipments in the Long Carbon Americas and Europe segment increased 73 % to 17.0 million tonnes for the year ended December 31, 2006 from 9.8 million tonnes for the year ended December 31, 2005, primarily due to the acquisitions

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of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, shipments increased 14% to 10.5 million tonnes for the year ended December 31, 2006 from 9.2 million tonnes for the year ended December 31, 2005. This increase was primarily due to an improved market demand for our products, particularly wire rod and bars.

Average steel selling price in the Long Carbon Americas and Europe segment increased 13% for the year ended December 31, 2006 as compared to the year ended December 31, 2005, primarily due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, average steel selling price increased 7% from 2005 to 2006. This increase was primarily due to a strong demand, especially from the construction industry, and the ability to pass along increased scrap prices to customers.

Asia, Africa and CIS (AACIS)

Sales in the AACIS segment increased 45% to $14.4 billion for the year ended December 31, 2006 from $9.9 billion for the year ended December 31, 2005, primarily as a result of the inclusion of Arcelor and Mittal Steel Kryviy Rih. Excluding the effects of these acquisitions, sales increased 19% to $11.6 million for the year ended December 31, 2006 as compared with $9.7 billion for the year ended December 31, 2005. This increase was primarily due to a 10% increase in shipments and a 5% increase in average steel selling price.

Total steel shipments in the AACIS segment increased 60% to 19.7 million tonnes for the year ended December 31, 2006 from 12.3 million tonnes for the year ended December 31, 2005, primarily due to the inclusion of Arcelor and Mittal Steel Kryviy Rih. Excluding the effects of these acquisitions, steel shipments increased 10% to 13.1 million tonnes for the year ended December 31, 2006 from 11.9 million tonnes for the year ended December 31, 2005. This increase was primarily the result of strong demand for our products, particularly in the long products division of the CIS, Middle East and African countries.

Average steel selling price in the AACIS segment decreased 6% for the year ended December 31, 2006 as compared to the year ended December 31, 2005, primarily due to the inclusion of Arcelor and Mittal Steel Kryviy Rih, the latter of which had lower average selling prices, being primarily an exports-based business. Excluding the effects of these acquisitions, average steel selling price increased 5% for the year ended December 31, 2006 as compared to the year ended December 31, 2005. This increase was primarily due to a strong market environment for our products in the CIS, Middle East and African countries, itself reflecting increased activity in the construction and infrastructure sectors, which was offset in part by a price decrease for flat products as a result of Chinese steel producers satisfying their local demand and consequently turning China into a net steel exporter in 2006.

Stainless Steel

The results of the Stainless Steel segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. In the Stainless Steel segment, sales were $3.3 billion and shipments were 0.9 million tonnes for the year ended December 31, 2006.

AM3S

The results of the AM3S segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. Sales in the AM3S segment were $5.2 billion for the year ended December 31, 2006.

The following table provides a summary of sales at Mittal Steel by operating segment for the year ended December 31, 2006 as compared to the year ended December 31, 2005:

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Segments[1]	Sales for the Year ended December 31[1] 2005 (in $ millions)	2006 (in $ millions)	Changes in Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Flat Carbon Americas	11,241	17,585	56	49	7
Flat Carbon Europe	3,676	14,366	291	175	26
Long Carbon Americas and Europe	7,676	13,120	71	73	13
AACIS	9,909	14,388	45	60	(6)
Stainless Steel[3]	NA	3,261	NA	NA	NA
AM3S[3]	NA	5,221	NA	NA	NA

[1]Amounts are prior to inter-company eliminations and include non-steel sales.
[2]Includes results of operations of Mittal Steel USA ISG Inc. from April 15, 2005, Mittal Steel Kryviy Rih from November 26, 2005 and Arcelor from August 1, 2006.
[3]The results of the Stainless Steel and AM3S segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. Consequently, there are no comparable business operations for the Stainless Steel and AM3S segments for 2005.

Recent Developments

In January 2007, the Company sold Travi e Profilati di Pallanzeno ("TPP") and its 49.9 % stake in San Zeno Acciai to Duferco for an enterprise value of €117 million. Such divestment was pursuant to a commitment made to the European Commission in connection with the Company's acquisition of Arcelor. In 2006, TPP generated sales of approximately €190 million with an annual production of approximately 500,000 tonnes of long carbon steel products.

On January 19, 2007, the Company announced that it had agreed to sell Huta Bankowa Spólka z.o.o. ("Huta Bankowa") to Alchemia SA Capital Group for an enterprise value of approximately €37 million (approximately $48 million). Such divestment was pursuant to a commitment made to the European Commission in connection with the Company's acquisition of Arcelor. Huta Bankowa, a wholly-owned subsidiary of the Company, is located in Dabrowa Gornicza in southern Poland. The transaction is expected to close in 2007, subject to European Commission approval and applicable antitrust clearances.

On February 2, 2007, the Company's Board of Directors declared an interim dividend of $0.325 per share. The cash dividend was paid on March 15, 2007 to Euronext Amsterdam, Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and Spanish Stock Exchange shareholders of record on February 27, 2007, and to NYSE shareholders of record on March 2, 2007.

On February 14, 2007, the Company signed a joint venture agreement with the Bin Jarallah Group of companies for the design and construction of a seamless tube mill in Saudi Arabia. This facility will be located in Jubail Industrial City, north of Al Jubail on the Persian Gulf. The mill will have a capacity of 500,000 tonnes per year. Construction is planned to commence at the end of the first quarter of 2008 and to be completed by the fourth quarter of 2009. the Company will hold a 51 % interest in the company established for this project, with the Bin Jarallah Group holding the remaining 49 %.

On February 23, 2007, the Company announced that it had signed agreements with the State of Senegal in West Africa to develop iron ore mines in the Faleme region of South East Senegal. The project is expected to require an investment of approximately $2.2 billion. The project is an integrated mining project that will encompass the development of the mine, the building of a new port near Dakar and the development of approximately 750 kilometers of rail infrastructure to link the mine with the port. The Company expects the mine to produce approximately 750 million tonnes of iron ore. The Company expects to commence production of the mines in 2011. The agreements will become effective upon the fulfillment of certain conditions by the State of Senegal.

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On March 2, 2007, The Company was included in the AEX index and the FTSE4Good Index Europe indexes. On September 18, 2006, The Company was included in the CAC 40 index.

On March 2, 2007, the Company announced that 385,340,210 Mittal Steel class B common shares owned by Mittal Investments S.à.r.l. had been converted into 385,340,210 Mittal Steel class A common shares. This conversion had no impact on the total number of shares (1,392,308,490 shares, consisting of 1,320,158,490 class A common shares and 72,150,000 class B common shares).

On March 5, 2007, the Company sold Stahlwerk Thüringen GmbH ("SWT") to Grupo Alfonso Gallardo for an enterprise value of €591 million (approximately $768 million). Such divestment was pursuant to a commitment made to the European Commission in connection with the Company's acquisition of Arcelor. SWT, which was a wholly-owned subsidiary of the Company, is located at Unterwellenborn, Thüringen, Germany. In 2005, SWT's sales were approximately €400 million. SWT employs approximately 700 people and produces steel sections of up to 550 millimeters in width used in building and construction.

On March 16, 2007, the Company announced that it was investing in a new steel service center in Krakow, Poland. Incorporating two de-coiling lines and a slitting line, this facility will have a processing capacity of 450,000 tons per year and will strengthen the Company's network of steel service centers in Poland. Operation is expected to commence in the fall of 2007.

On March 16, 2007, the Company announced that it had signed a definitive agreement with Noble International, Ltd. ("Noble") for the combination of their laser-welded tailored blanks businesses. In exchange for its laser-welded blanks business in western and eastern Europe, China, India and the United States, the Company will receive $300 million from Noble, including $131,250,000 in a combination of cash, a Noble note and the assumption of certain financial obligations, and 9,375,000 shares of Noble common stock. The Company and Noble are also seeking to include in the transaction the tailored blanks business of Powerlasers, a unit of Dofasco, for additional consideration of approximately $50 million, subject to the approval of the trustees of Dofasco. Upon completion of the transaction, which is expected to occur in June 2007, the Company will become the largest shareholder of Noble, with approximately 40 % of its issued and outstanding common shares and four of the nine seats on it's Board of Directors.

On April, 2, 2007, the Company announced the commencement of a share buy-back program to repurchase up to a maximum aggregate amount of $590 million of its class A common shares. The share buy-back program will end at the earliest of (i) December 31, 2007 (provided that the Company's shareholders, at the annual general meeting of shareholders to be held on May 15, 2007, renew the current authorization for the the Company Board of Directors for a period of 18 months, ending on November 15, 2008), (ii) the moment on which the aggregate value of class A common shares repurchased by the Company since the start of this share buy-back program reaches $590 million, or (iii) the moment on which the Company and its subsidiaries hold ten percent of the total number of the then-issued class A and class B common shares.

On September 25, 2006, the Comissão de Valores Mobiliáros (the "CVM"), the Brazilian securities regulator, ruled that, as a result of the Company's acquisition of Arcelor, the Company was required to carry out a public offer to acquire all the outstanding shares in Arcelor Brasil not owned by Arcelor or any other affiliate of the Company. Pursuant to the ruling, the value to be offered to Arcelor Brasil's shareholders is to be determined on the basis of the value of the part of the overall consideration paid for Arcelor by the Company that was attributable to Arcelor Brasil. On October 26, 2006, the Company filed with the CVM a request for registration with respect to such offer, and filed amended requests on January 11, 2007, February 27, 2007, and April 5, 2007. As per the amended request for registration filed by the Company on April 5, 2007, the consideration to be offered per Arcelor Brasil share is R$11.70 in cash and 0.3568 Mittal Steel Class A common shares, subject to certain adjustments. As of April 4, 2007, the total value offered per Arcelor Brasil share would be €18.89. Tendering Arcelor Brasil shareholders may also accept an all-cash option, pursuant to which they will receive cash in an amount equivalent to the value of the cash and share consideration described above, calculated in the manner set forth in the request for registration. On the basis of the closing price for the Company's shares on the New York Stock Exchange

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on April 4, 2007, the maximum amount of cash that may be paid by the Company will be approximately €4.0 billion (assuming 100% acceptance of the cash option). The maximum number of the Company shares that may be issued will be approximately 76 million shares, representing 5% of the share capital of the Company on a fully diluted basis (assuming 100% acceptance of the mixed option). The request for registration is subject to the approval of the CVM.

Outlook

For the first quarter of 2007, the Company expects overall shipments levels to remain in line with fourth quarter 2006 levels. Flat Carbon Americas, profitability is expected to continue to suffer from oversupply of inventory while performance for the Flat Carbon Europe segment is expected to remain positive. The performance of the Long Carbon Americas and Europe is expected to increase. The performance of the Stainless Steel segment is expected to remain at high levels, while the performance of AM3S and AACIS is expected to remain stable. The Company expects an effective tax rate of approximately 25% for the year.

For the full year 2007, the Company expects operating performance to improve over the 2006 levels in all segments, assuming no material changes in the scope of consolidation.

Liquidity and capital resources

The Company's principal sources of liquidity are cash generated from its operations, its credit lines at the corporate level and various working capital credit lines at its operating subsidiaries.

In management's opinion, the Company's financing facilities are adequate for its present requirements. Because the Company is a holding company, it is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service obligations. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions or prohibitions on such operating subsidiaries' ability to pay dividends.

As of December 31, 2006, the Company's cash and cash equivalents, restricted cash and short-term investments amounted to $6.1 billion as compared to $2.1 billion as of December 31, 2005. In addition, the Company, including its operating subsidiaries, had available borrowing capacity under its various credit lines, including receivable factoring and securitization facilities, of $9.0 billion as of December 31, 2006 as compared to $1.9 billion as of December 31, 2005.

As of December 31, 2006, the Company's total debt, which includes long-term debt, short-term debt and borrowings under working capital facilities, was $26.6 billion as compared to $8.3 billion as of December 31, 2005. Most of the external debt is borrowed by the parent company on an unsecured basis. As of December 31, 2006, the Company's external debt bore interest at varying levels based on a combination of fixed and variable interest rates. In addition, some of the debt of the Company's operating subsidiaries is secured by liens on specified assets of the relevant subsidiary. Under some of the loan agreements and bonds outstanding, the Company's operating subsidiaries are required to comply with certain financial covenants. As of December 31, 2006, the Company's operating subsidiaries were in compliance with all such covenants.

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Human Resources

Human Resources has played a key role in driving the integration of the Group in the wake of the merger, establishing the organisational structure and overseeing management appointments down to General Manager level. That process continued into early months of the new year with the announcement of the 2007 bonus plan – detailing the way in which people will be measured and rewarded – and the completion of a comprehensive job evaluation, benchmarking and salary review process covering the top management tiers.

The primary focus going forward is talent management. Harnessing and developing the skills of its 320,000 employees is an integral part of the Arcelor Mittal vision to be the most admired steel institution in the world. Enabling employees at all levels to contribute to the best of their ability is a duty on any good employer. It also makes good business sense.

In the case of the steel industry, there is an added incentive to identify and encourage talent from within. With its difficult history, the industry finds itself with a shortage of leaders at both executive and general management levels. Demographic trends suggest all industries will find it harder to find and keep top management talent in the coming years. Along with many international companies, there is huge competition to develop and attract talented people with multi-country experience. Finding managers with both business and international experience remains a key challenge. In addition, as a global leader, Arcelor Mittal is tasked with making careers in the resurgent steel sector attractive. Ensuring there is sufficient talent for the future leadership needs of the Company is a primary focus of the existing senior Executives, supported by proactive HR initiatives.

The response of Arcelor Mittal has been to invest heavily in the fostering and developing of internal talent through a multi-pronged Leadership Development Programme. The Leadership Development Programme combines several tiers of internal and external training with a continuous review process designed to identify and develop a long-term pool of talent.

Arcelor Mittal University

One of the key priorities in the wake of the merger was the establishment of the Arcelor Mittal University ("the University"). Building on the best of the two predecessor companies' learning and development programmes, the Arcelor Mittal University constitutes one of the most advanced skills development resources in the corporate world. Its objectives are to develop the potential of everyone in the Group and bring on the next generation of leaders.

It encourages people to:

- Acquire new skills and competences.
- Meet and exchange ideas and share best practice.
- Allow themselves to be intellectually stretched and challenged.
- Develop a 'bottom-up' flow of ideas – so proposals for change are driven not only from the top down.

The new University held its first event at the end of November 2006. It combines the former Arcelor University training centre at Maisières-lès-Metz in North-Eastern France with the extensive e-learning and localised modular training courses created by Mittal Steel in an integrated, global offering. With blended programmes now available for the entire Arcelor Mittal workforce, the University is additionally playing a valuable role in the process of integration and the building of an Arcelor Mittal culture.

The 2007 course programme includes the 'Open Your Steel', 'Emerging Talent, 'Operations Managers' and 'Campus' programmes, traditionally run by the former Arcelor University as well as more advanced modules on change management and strategic marketing. The distance learning courses will be used to help introduce new technologies rapidly and effectively. A global English language training programme, delivered online and targeted at second and third level managers, is already being accessed by several hundred people. Once mastered, the additional language skill is designed to act as a stepping stone to other programmes – broadening the base for future management assignments.

The University is designed to provide development opportunities for everyone with people management responsibilities, spanning professional, functional or technical activities, and will be used to help identify promising talent at every level. It

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Human Resources

will be closely aligned with performance management. Targeted at managers across the Group, it is designed to accelerate leadership development and capability, engage employees in career planning, and strengthen the Group's position as an employer of choice.

Leadership Development
The Global Executive Development Process (GEDP) has been deployed across the Arcelor Mittal Group in 2006. GEDP is a performance management review process that not only assesses the quality of leadership within all business units and functions but identifies the potential leaders of tomorrow – the so-called 'high potentials' or 'Hipos'. The process covers every level of management down to General Manager, assessing performance and potential, mobility, English language capability and seeks nominations for Arcelor Mittal University programmes. The succession management component targets a minimum of ten to 15 key positions in each business unit, identifying two successors for each position, and between five and 15 'Hipos'. For each successor or 'Hipo', it puts in place, a personal development plan is created, and it picks out those considered ripe for internal mobility.

The GEDP lies at the heart of Arcelor Mittal's performance management process. It is the key to succession planning, salary increase, annual performance bonus payout, long-term incentive plans and the nomination of candidates for advanced management development programmes.

As part of the GEDP, young talent is groomed for higher roles. In 2006, around 150 managers were nominated to attend management and leadership programmes at six leading business schools in the US and Europe.

Every effort is also being made to identify managers prepared to move across borders and encourage mobility. The scale of the new organisation has transformed career opportunities, providing unparalleled opportunities for staff to progress via multiple functions, countries and regions. International mobility is now viewed as a key component of personal development and a prerequisite for career advancement.

As part of the process of encouraging mobility, Arcelor Mittal is committed to making its internal job market as transparent as possible. A preliminary Intranet site – Job Offers for Managers – was launched in December 2006. It allows anyone within the new perimeter of the Group to apply for a vacancy in any country, profession or plant. An expanded –Job Market Online - tool will be launched in the second quarter of 2007.

In addition to fostering internal development, Arcelor Mittal continues to look beyond the boundaries of the steel industry for future talent. Its global MBA recruitment programme continued in 2006 with the recruitment of 15 people.

Partnership with Employees and their Representatives
Both Arcelor and Mittal Steel have in recent years adopted a partnership approach with trades unions. Building and maintaining good relations with employee representatives everywhere is one of management's key goals.

Voluntary Retirement/Separation Schemes
Continued efficiency improvements remain a key focus for management. Arcelor Mittal has completed a comprehensive productivity benchmarking programme for all operating units, and work on restructuring and productivity improvement will be progressed throughout 2007. Through benchmarking and knowledge transfer the overall employment efficiency will be continuously improved and with that the viability of individual plants strengthened.

Board Report (continued)

Corporate Social Responsibility (CSR)

Sustainable Steel means building a stable global institution with the resources to deliver the products that customers want, while respecting the needs of the communities in which Arcelor Mittal operates.

Arcelor Mittal has grown rapidly over recent years by acquiring steel making operations around the world and has inherited a wide range of values, principles and management approaches to addressing sustainability challenges. The challenge and opportunity during the integration phase has been to identify the strengths, best practices and areas for improvement in order to fulfil Arcelor Mittal's commitment to Sustainable Development - including the management of health, safety and environmental issues, as well as those areas covered by the developing Group CSR strategy.

Given the Company's diversity, focus in 2006 has been on:

- Benchmarking global and regional performance in CSR;
- Understanding the challenges and initiatives of country operations;
- Responding to key stakeholders such as Socially Responsible Investment (SRI) Funds regarding the impacts of the Arcelor Mittal merger; and
- Developing a Group framework (strategy, policies, standards and tools) to promote the consistent treatment of Sustainable Development throughout the company.

Even as Arcelor Mittal develops its Group Sustainable Development framework, the country and regional operations have demonstrated a continuing commitment to social and environmental responsibility within the communities in which the Group operates. This commitment takes the form of stakeholder engagement efforts, community partnerships and community development programmes.

Moving into 2007, activities at both Group and country levels will be emphasized. For the Group, the key elements of the Group Sustainable Development framework will be completed and moved toward reporting on performance by the end of 2007. Arcelor Mittal will also continue to respond to its key stakeholders, in particular to gather feedback as the company moves forward with this framework. The Group will also continue to support and develop programmes and partnerships in its country operations. To accomplish this, the investment placed in communities through operations must be conducted in a manner that is also sensitive to the economic well-being of those communities, the sustainability of the resources used and the integral role of Arcelor Mittal's products in society.

2006 Highlights

During the year, priority areas have progressed:

- Completion of a 2006 CSR Country Level Risk & Opportunity Register to better understand the social challenges faced by the communities and the Company;
- Provision of a Group-wide environmental framework and guidance to facilities;
- Assessment of sponsorship and social investment activities across all business units to inform the strategy of the newly formed Arcelor Mittal Foundation;
- Coordination of Group-wide environmental reporting and analysis;
- Development and roll-out of a framework to assess the organisational structures in place in all regions to address CSR impacts;

Evolving Sustainable Development Framework

In a diverse culture such as Arcelor Mittal, it is the responsibility of the Group to provide a consistent framework within which the various country and regional operations can continue to provide social and economic benefit to the communities in which they operate. Therefore, a Sustainable Development framework is evolving so that it will provide consistent standards and values in the form of tools and knowledge sharing, whilst allowing operations to determine what is most important in their own communities. In 2006, this evolution has centred on policy development, standards development and the introduction of key mechanisms to improve performance.

Board Report

Corporate Social Responsibility (CSR)

Policy Development
During 2006, Arcelor Mittal has sought to evolve the CSR policies and commitments of Arcelor and Mittal Steel by integrating best practice aspects from both to form an Arcelor Mittal CSR policy series. This will address the broad scope of CSR activities within Arcelor Mittal and will align with the Health & Safety, Environment and Human Resources policies. Together, these policies will underpin the delivery of Sustainable Development strategy.

Standards Development
To measure its success, Arcelor Mittal has developed a unique internal benchmarking system designed to drive improvement in CSR throughout the Company. The system assesses policies; forward planning; allocation of responsibilities; internal communication; external communication; management systems and auditing. During 2006, it has been benchmarked through many of Arcelor Mittal global operations in order to create a robust methodology that is applicable across the range of socio-economic conditions.

Introducing Key Mechanisms to Improve Performance
The final focus of the evolving Sustainable Development framework has been developing specific mechanisms to improve performance. Primarily, Arcelor Mittal has been actively engaged in developing support tools that can be used at sites covering various CSR aspects, as well as building a community of champions across the business. Both will be crucial in ensuring sufficient organisational capacity to deliver a successful CSR programme.

Stakeholders – Dialogue, Engagement and Partnership
Building and maintaining trust amongst the many and varied stakeholder groups relies upon action rather than words and much of the detailed work is rightly led from within country operations. Therefore, it is no surprise that even as the Group Sustainable Development Framework is being built, the country operations have demonstrated significant commitment to responsible behaviour within their own communities. Each site manager is responsible for engaging with their local stakeholders and partners, both internal and external. Arcelor Mittal also recognises that a multi-stakeholder approach offers the best hope of increasing capacity to pre-empt, manage and mitigate global risks.

Throughout 2006, engagement at sites have been characterised by a wide range of positive activities and initiatives. Examples include:

- Arcelor Mittal South Africa held regular meetings with Municipal Authorities in order to understand the needs of local communities and will be building on this by proactively setting up forums for consultation with local communities, even where no specific concerns have been identified.
- Arcelor Mittal Brasil continued its systematic approach to stakeholder dialogue through their Stakeholder Engagement Programme, which has included a mapping of key stakeholder's views to ensure that these are fed into the business decision-making processes on strategy and future projects.

At the Group level, these regional engagement programmes are being built by integrating the learning and best practice elements into the Group Sustainable Development Framework, which will include a systematic assessment of stakeholders' expectations around non-financial impacts. The outcome of which will include a list of material issues and areas of concern for each stakeholder. Going forward, Arcelor Mittal will look to establish systematic stakeholder dialogue at all levels of the company to inform the development of the Arcelor Mittal strategy, policies and public disclosure.

During 2006, the Group also implemented many projects in partnership with institutions and non-governmental organisations (NGOs). Examples include:

- In Algeria, the Company is working with an environmental NGO, Association for Protection of Environment and Fight against Pollution (ANPEP) on several projects in the Annaba area. These have focused on increasing the green belt around the plant and a local river cleanup.
- In Brazil, the Environmental Communication Programme (PCA) is a long term partnership initiative with primary, secondary and higher education institutions in Great Vitória. Since 1997, the programme has focused on improving environmental education and awareness of sustainability to students, teachers and educators. The activities are developed in-line with school curricula and include workshops; guided visits to the plant and educational vegetable gardens.

Board Report (continued)

Corporate Social Responsibility (CSR)

These types of projects will be increasingly evaluated and pursued in a more strategic manner. Moving forward, Arcelor Mittal will emphasize country partnerships that match both the needs of the community and society as well as the values of Arcelor Mittal.

2007 Sustainable Development Priorities

Moving into 2007, Arcelor Mittal has established the following priorities in Sustainable Development:

- Continue to support and develop responsible social and environmental practices within our country operations;
- Draft CSR policies and integrate these with the existing Health and Safety, Environment and Human Resources Policies to develop the Sustainable Development Policy Series;
- Continue to develop specific mechanisms, tools and communication networks to enhance the sharing of best practice and to improve performance;
- Identify the Group's top ten sustainability issues and use these to agree and draft the Sustainable Development strategy in line with the overall business strategy;
- Continue to focus on communication with key stakeholders such as Socially Responsible Investment (SRI) Funds whilst expanding stakeholder engagement practices at Group and country levels;
- Publicly report on Sustainable Development performance by the end of the year;
- Develop more responsive products that address the needs of current and future society.

Corporate Governance

Board Practices
In June 2001, the Company adopted corporate governance guidelines in line with best practices on corporate governance. The Company has since continued to monitor diligently new, proposed and final U.S. and Dutch corporate regulatory requirements, and it will make adjustments to its corporate governance controls and procedures to stay in compliance with these requirements on a timely basis. The Company is committed to meeting the corporate governance and requirements under applicable current and proposed SEC and New York Stock Exchange listing standards and the laws of The Netherlands.

The Dutch Corporate Governance Code was published on December 9, 2003 and incorporated in Dutch law in 2004. During the Company's annual general meeting of shareholders held on May 5, 2004, the implications of the Dutch Corporate Governance Code were discussed with its shareholders and certain proposed changes to the Company's Articles of Association to bring them in line with the requirements of the Dutch Corporate Governance Code were approved by the shareholders. Finally, the Company's general meeting of shareholders, in which Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal ("the Significant Shareholder") can determine the outcome of votes, also approved one deviation from the Dutch Corporate Governance Code, i.e., the separation of the posts of Chairman and Chief Executive Officer, as it approved that Mr. Lakshmi N. Mittal could remain the Company's Chairman and Chief Executive Officer. Because this deviation was approved by the general meeting of shareholders, the Company is in compliance with the Dutch Corporate Governance Code and the relevant provisions of Book 2 of the Dutch Civil Code in this regard.

At the Company's annual general meeting of shareholders held on May 26, 2005, the shareholders approved an amendment to the Company's Articles of Association stipulating a clear division of responsibility for setting a remuneration policy for the Board of Directors and individual members of the Board of Directors between the Board of Directors, the Remuneration Committee (since then replaced by the Appointments, Remuneration and Corporate Governance Committee) and shareholders. In addition, the Company's Articles of Association were updated to reflect changes in Dutch law.

Each year the Board of Directors will submit for approval by the general meeting of shareholders a proposal regarding the arrangements for the remuneration in the form of shares or rights to acquire shares. The proposal will at least set out the maximum number of shares or rights to subscribe for shares to be granted to the members of the Board of Directors and the applicable criteria for such grant or for any change thereto. A lack of approval by the general meeting of shareholders of such proposal will not affect the representative authority of the Board of Directors in connection with the grant of rights to subscribe for shares. In accordance with the Dutch Corporate Governance Code, non-executive members of the Board of Directors will not receive any share options, and no options have been awarded after 2002.

Finally, on June 30, 2006, the general meeting of shareholders of the Company resolved to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). Following the implementation of the amendment, which took effect on September 7, 2006, all shareholders hold shares carrying the same voting and economic rights; each share one vote, irrespective of the time it has been held. As a result of the amendment, the holders of class B common shares no longer have the right to make a binding nomination for the appointment of directors to the Board of Directors. All directors are elected by the general meeting of shareholders to serve three-year terms by a simple majority of the votes cast.

The following explanation provides details of the Company board practices and corporate governance.

Mittal Steel / Arcelor Memorandum of Understanding
Pursuant to the Memorandum of Understanding, certain special governance mechanisms designed to promote the integration of Mittal Steel and Arcelor have been put in place for an initial three-year transitional period beginning as from August 1, 2006, which is referred to as the Initial Term. Mittal Steel and Arcelor agreed to change and unify their respective corporate governance structure and rules until Mittal Steel is merged into Arcelor, following which the name of

Corporate Governance (continued)

the top-entity of the group will be "ArcelorMittal". Since the implementation of the Memorandum of Understanding, the Company has been governed by a Board of Directors and a Group Management Board. Until Mittal Steel is merged into Arcelor, the composition and operation of each of Mittal Steel and Arcelor's Board of Directors, Group Management Board and Management Committee will be identical.

Board of Directors, Group Management Board and Management Committee of the Company
The Board of Directors is in charge of the overall management of the Company. Mr. Lakshmi N. Mittal is the Chairman of the Board of Directors. The members of the Board of Directors are appointed and removed by the general meeting of shareholders. The Board of Directors is currently comprised of 17 "non-executive" directors and one "executive" director. The Chairman and Chief Executive Officer of the Company, Mr. Lakshmi N. Mittal is the sole "executive" director. Pursuant to the Memorandum of Understanding, Mr. Joseph J. Kinsch is "President" of the Board of Directors of the Company.

Mr. Joseph J. Kinsch is currently the Chairman of the Board of Directors of Arcelor, while Mr. Lakshmi N. Mittal is currently the President of the Board of Directors and CEO of Arcelor. Following the merger of Mittal Steel into Arcelor, Mr. Kinsch shall be the Chairman of the Board of Directors of ArcelorMittal and Mr. Mittal shall be the President of the Board of Directors and CEO of ArcelorMittal.

Article 18, paragraph 3 of the Mittal Steel Articles of Association stipulates that directors are appointed for a period of three years starting on the day after the day of the annual general meeting of shareholders on which they are appointed and ending on the day of the annual general meeting of shareholders that will be held in the third year after their appointment.

The Group Management Board is entrusted with the day-to-day management of the Company. Mr. Lakshmi N. Mittal, the Chief Executive Officer, is the Chairman of the Group Management Board. The members of the Group Management Board are appointed and dismissed by the Board of Directors. As the Group Management Board is not a corporate body created by Dutch law or the Company's Articles of Association, the Group Management Board exercises authority granted to it by the Board of Directors. (Any references in the Company's Articles of Association to "managing board" are references to its Board of Directors.)

In establishing the Company's strategic direction and corporate policies, Mr. Lakshmi N. Mittal is supported by members of senior management team who have substantial professional and worldwide steel industry experience. A number of senior management team members are members of the Group Management Board.

The Group Management Board is assisted by a Management Committee, comprised of the members of the Group Management Board and 20 other senior executives. The Management Committee discusses and prepares group decisions on matters of group-wide importance, integrates the geographical dimension of the group, ensures in-depth discussions with the Company's operational and resources leaders and shares information about the situation of the group and its markets.

Operation of the Board of Directors
The required quorum for meetings of the Board of Directors is a majority of the directors, including at least the Chairman, the President and a majority of the independent directors being present or represented.

Each director has one vote and no director has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a quorate meeting, except as otherwise required by Dutch law.

During the Initial Term as defined in the Memorandum of Understanding, the agenda of each meeting of the Board of Directors will be jointly agreed by the Chairman and the President of the Board of Directors and will include any matters proposed to be included on the agenda jointly by the Chairman and the President. In the event of a disagreement, the Chairman and the President will work together to try to resolve any such disagreement. After the expiration of the Initial Term, the Chairman and the President will use their reasonable best efforts to agree on the agenda.

Corporate Governance

Director Independence
Thirteen of the 18 members of the Board of Directors are independent. A director is considered to be "independent" if (a) he or she is independent within the meaning of the Listed Company Manual of the New York Stock Exchange, Inc., which is referred to as the Listed Company Manual, as it may be amended from time to time, or any successor provision, subject to the exemptions available for foreign private issuers with respect to the director independence requirements under the Listed Company Manual, and (b) he or she is unaffiliated with any shareholder owning or controlling more than two percent of the total issued share capital of the Company. For these purposes, a person is deemed affiliated to a shareholder if he or she is an executive officer, a director who also is an employee, a general partner, or a managing member of such shareholder.

Separate Meeting of Non-Executive Directors
The non-executive members of the Board of Directors schedule meetings without the presence of management. There is no minimum number of meetings that the non-executive directors must hold per year. During 2006, the non-executive directors of the Company held three meetings separate from the executive director(s). The presiding independent director at each of these meetings was chosen at the meeting.

Communications with the Board of Directors
Pursuant to a process adopted by the Board of Directors, a shareholder or any other person may send communications directly to the Board of Directors through the Company's website at http://www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable.

Significant shareholder Right of Opposition
During the Initial Term, with respect to Board of Directors' decisions that require shareholders' approval, the Significant shareholder will vote in accordance with the position expressed by the Board of Directors, unless the Significant shareholder opposes any such position, in which case the Significant shareholder can vote as it wishes, subject to the following requirements. During the Initial Term, if Mr. Lakshmi N. Mittal opposes any decision of the Board of Directors on a matter that does not require shareholders' approval and that was not proposed by him, Mr. Lakshmi N. Mittal will have the right to request that such action first be approved by a shareholders' meeting and the Significant shareholder will have the right to vote at such meeting as it sees fit. The Board of Directors will not approve any action that has been rejected by such shareholders' meeting.

Board of Directors' Committees
Following the implementation of the Memorandum of Understanding, the Board of Directors has two committees: an Audit Committee and an Appointments, Remuneration and Corporate Governance Committee.

Audit Committee.
The Audit Committee is composed of four independent directors. The members are appointed by the Board of Directors. The Audit Committee makes decisions by a simple majority with no member having a casting vote.

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing:

- the financial reports and other financial information provided by the Company to any governmental body or the public;
- the Company's system of internal control regarding finance, accounting, legal compliance and ethics that the Board of Directors and members of management have established; and
- the Company's auditing, accounting and financial reporting processes generally.

The Audit Committee's primary duties and responsibilities are to:

- serve as an independent and objective party to monitor the Company's financial reporting process and internal controls system;
- review and appraise the audit efforts of the Company's independent accountants and internal assurance department;

Corporate Governance (continued)

- provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department and the Board of Directors;
- approve the appointment and fees of the independent auditors; and
- monitor the independence of the external auditors.

The current members of the Audit Committee are: Messrs. Narayanan Vaghul, José Rámon Álvarez-Rendueles, Wilbur L. Ross and Edmond Pachura, all of whom are independent under the Company's Corporate Governance guidelines, the New York Stock Exchange ("NYSE") standards and the Dutch Corporate Governance Code. The Chairman of the Audit Committee is Mr. Vaghul, who has significant experience and financial expertise. Mr. Vaghul is the Chairman of ICICI Bank, a company that is listed on the NYSE and the Mumbai Stock Exchange. Mr. Álvarez-Rendueles, as former Governor of the Bank of España and former President of the Bank Zaragozano, also has significant experience and financial expertise. Both Mr. Ross and Mr. Pachura have considerable experience in managing companies' affairs.

The charter of the Audit Committee is available at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance. The Audit Committee is required to meet at least four times a year. During 2006, the Audit Committee met nine times, five of which were physical meetings and four of which were meetings held by teleconference.

Appointments, Remuneration and Corporate Governance Committee.
Until October 30, 2006, the Board of Directors had a Nomination Committee and a Remuneration Committee. As of October 30, 2006, these two committees have been replaced by the Appointments, Remuneration and Corporate Governance Committee.

The Appointments, Remuneration and Corporate Governance Committee is comprised of four directors, all of whom are independent, as were all directors in the two predecessor committees. The members are appointed by the Board of Directors. The Appointments, Remuneration and Corporate Governance Committee makes decisions by a simple majority with no member having a casting vote.

The Board of Directors has established the Appointments, Remuneration and Corporate Governance Committee to:
- determine on its behalf and on behalf of the shareholders within agreed terms of reference, the Company's framework of remuneration and compensation, including stock options for the Chief Executive Officer and the Chief Financial Officer of the Company, the members of the Group Management Board and the members of the Management Committee;
- to consider any appointment or reappointment to the Board of Directors at the request of the Board of Directors;
- to provide advice and recommendations to the Board of Directors on such appointment; and
- to develop, monitor and review corporate governance principles applicable to the Company.

The Appointments, Remuneration and Corporate Governance Committee's principal responsibility in compensating executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value.

The Appointments, Remuneration and Corporate Governance Committee will, at the request of the Board of Directors, consider any appointment or reappointment to the Board of Directors. It will provide advice and recommendations to the Board of Directors on such appointment. The Appointments, Remuneration and Corporate Governance Committee is also responsible for developing, monitoring and reviewing Corporate Governance principles applicable to the Company.

The current members of the Appointments, Remuneration and Corporate Governance Committee are: Messrs. Joseph Kinsch, Sergio Silva de Freitas, Lewis Kaden and Jean-Pierre Hansen, all of whom are independent under the Company's Corporate Governance guidelines, the NYSE standards as well as the Dutch Corporate Governance Code. The Chairman of the Appointments, Remuneration and Corporate Governance Committee is Mr. Kaden.

The charter of the Appointments, Remuneration and Corporate Governance Committee is available at http:/ /www.mittalsteel.com/Investor+Relations/Corporate+Governance.

Corporate Governance

The Appointments, Remuneration and Corporate Governance Committee is required to meet at least twice a year. Its two predecessors, the Mittal Steel Nomination Committee and the Mittal Steel Remuneration Committee, were also required to meet twice a year. During 2006, each of these three committees met three times.

Process for Handling Complaints about Accounting Matters
As part of the procedures of the Board of Directors for handling complaints or concerns about the Company's financial accounting, internal controls and auditing issues, the Company's Code of Business Conduct encourages all employees to bring such issues to the Audit Committee's attention. Concerns relating to such issues may be communicated through the Company's website at http://www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable.

During 2006, employees reported no complaints of this nature.

Internal Assurance
The Company has an Internal Assurance function. Until December 19, 2006, the function was solely the responsibility of the Director Internal Assurance, who reported to the Audit Committee. Since December 19, 2006, the Director-Internal Assurance of Mittal Steel was made jointly responsible for the function along with the Head of Internal Audit at Arcelor. The function is staffed by full time professional staff located at each of the principal operating subsidiaries and at the corporate level. Recommendations and matters relating to internal control and processes are made by the Internal Assurance function, and their implementation is regularly reviewed by the Audit Committee.

External Auditor's Independence
The appointment and approval of fees of the external auditors is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining annually a written statement from the external auditors that their independence has not been impaired. The Audit Committee has obtained a confirmation from the principal external auditors that none of its former employees is in a position with the Company that may impair the principal external auditor's independence.

Ethics and Conflicts of Interest
Ethics and conflicts of interest are governed by the Company's Code of Business Conduct. The Code of Business Conduct sets out standards for ethical behavior that are to be followed by all employees and directors of the Company in the discharge of their duties. They must always act in the best interests of the Company and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to the Company. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive the Company of the time or the attention needed to devote to the performance their duties. Any behavior that deviates from the Code of Business Conduct is to be reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the internal audit/internal assurance department. The Code of Business Conduct is available at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance.

Risk Management and Internal Controls
The management is responsible for internal control in the Company and it has implemented a risk management and control system, which is designed to ensure that significant risks are identified and are monitored. Furthermore the system is designed to ensure compliance with relevant laws and regulations.

The Company has mapped its internal control system in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which recommendations are aimed at providing a reasonable level of assurance.
The Company's risk management and internal control system is designed to determine risks in relation to the achievement of business objectives and appropriate risk responses.

Corporate Governance (continued)

The risk management is an integral part of the Company's approach towards risk management and includes, management reviews, reviews of the design and implementation of the Company's risk management approach and reviews in business and functional audit committees. On the basis thereof, the management confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies. The financial statements fairly represent the financial condition and result of operations of the Company and provide the required disclosures.

It should be noted, however, that the above does not imply that these systems and procedures provide certainty as to the realization of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non compliances with rules and regulations.

In view of the foregoing, the management believes that it is in compliance with the requirements of recommendation II.1.4 of the Dutch Corporate Governance Code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof. This statement cannot be construed as a statement in accordance with the requirements of section 404 of the US Sarbanes-Oxley Act.

Share Capital and Articles of Association

Capital structure

As at December 31, 2006, the authorized common shares of Mittal Steel consisted of 5,000,000,000 Class A common shares, par value of €0.01 per share, and 721,500,000 Class B common shares, par value of €0.01 per share. At December 31, 2006, 934,818,280 (December 31, 2005: 255,401,673) class A common shares and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were issued and 927,778,733 (December 31, 2005: 246,572,889) class A common shares (excluding treasury shares) and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were outstanding.

Form and Transfer of Shares

Both the class A common shares and the class B common shares of Mittal Steel are in registered form. Class A common shares are available in the form of an entry in the share register of Mittal Steel with or without the issuance of a share certificate, at the option of the shareholder concerned. No share certificates will be issued in respect of class B common shares. The class A common shares are freely transferable. The class A common shares have no conversion rights. Each class B common share is convertible at any time and from time to time at the option of the holder thereof into one class A common share.

Issuance of Common Shares

Pursuant to the Articles of Association, the general meeting of shareholders can designate Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the issuance of shares by Mittal Steel and to determine the price and further conditions of such share issuance. Such a designation can only be valid for a specific period of no more than five years and may from time to time be extended for a period of not more than five years.
A resolution to resolve upon the issuance of shares, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the issuance of shares, requires a simple majority of the votes cast, without a quorum requirement.

At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel shareholders extended the authority to Mittal Steel's Board of Directors for a period of one year (until the annual general meeting of shareholders to be held in 2007) to issue and/or grant rights to subscribe for shares with respect to ten percent of the unissued class A common shares in which the authorized share capital of Mittal Steel is divided at the time the resolution to issue or grant rights to subscribe for common shares taken by Mittal Steel's Board of Directors.

Corporate Governance

Preemptive Rights
Unless limited or excluded by Mittal Steel's shareholders or Board of Directors as described below, holders of each class of common shares have a pro rata preemptive right to subscribe for any newly issued common shares of such class, except for common shares issued for consideration other than cash or issued to Mittal Steel employees or employees of any of its operating subsidiaries.

A resolution to exclude or limit preemptive rights, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the exclusion or limitation of preemptive rights, requires the approval of at least an absolute majority of the votes cast and, if less than one-half of the issued share capital is represented at the meeting at which the vote is taken, the approval of at least two-thirds of the votes cast.

At the extraordinary meeting of shareholders held on December 15, 2004, shareholders delegated authority to Mittal Steel's Board of Directors to limit or exclude preemptive rights in respect of issuances of Mittal Steel class A common shares for a period of five years (the maximum permitted by the laws of The Netherlands). At the annual general meeting of shareholders held on May 26, 2005, Mittal Steel shareholders resolved to reduce such authority to a period of one year (until the annual general meeting of shareholders to be held in 2006). At the annual general meeting of shareholders held on May 9, 2006, this authority was extended until the annual general meeting of shareholders to be held in 2007.

Repurchase of Shares
Mittal Steel may acquire its own common shares, subject to certain provisions of the laws of The Netherlands and of its Articles of Association. Purchases by Mittal Steel of its common shares may be effected by Mittal Steel's Board of Directors only if the shareholders have authorized Mittal Steel's Board of Directors to effect such repurchases and such authorization has been granted within 18 months (the maximum permitted by the laws of The Netherlands) prior to the date of purchase.

A resolution to resolve upon the repurchase of shares, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the repurchase of shares, requires a simple majority of the votes cast, without a quorum requirement.

At the extraordinary meeting of shareholders held on December 15, 2004, shareholders granted the authority to Mittal Steel's Board of Directors to repurchase up to 10 percent of the issued share capital of Mittal Steel, in the form of class A common shares and class B common shares, for a period of 18 months effective from the date of the extraordinary meeting of shareholders until June 14, 2006.

At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel shareholders resolved to authorize Mittal Steel's Board of Directors, with effect from the date of the annual general meeting of shareholders held on May 9, 2006, to cause Mittal Steel to acquire up to ten percent of its own share capital issued at the time of acquisition, in the form of class A common shares, on the NYSE, Euronext Amsterdam or otherwise, for a period of 18 months (ending on November 8, 2007), for a purchase price per class A common share to be paid in cash, of not more than 125 % of the share price on the NYSE or Euronext Amsterdam and no less than the par value of the share at the time of repurchase. The price on the NYSE or Euronext Amsterdam will be the higher of: (i) the average of the final listing price per class A common share according to the Official Price List (Officiële Prijscourant) of Euronext Amsterdam during the 30 consecutive days on which Euronext Amsterdam is open for trading preceding the three trading days prior to the date of repurchase, and (ii) the average of the closing price per class A common share on the NYSE during the 30 consecutive days on which the NYSE is open for trading preceding the three trading days prior to the date of repurchase.

Capital Reduction
The shareholders of Mittal Steel may reduce its issued share capital by canceling common shares held by Mittal Steel, by canceling all common shares of a specific class or by reducing the par value of common shares, subject to certain statutory provisions. A resolution to reduce the issued share capital requires the approval of at least an absolute majority of the votes cast and, if less than one-half of the issued share capital is represented at the meeting at which the vote is

Corporate Governance (continued)

taken, the approval of at least two-thirds of the votes cast. In addition, the prior or simultaneous approval of each class of common shares to which the capital reduction relates is required. Mittal Steel is required to file any resolution of shareholders reducing its share capital with the Commercial Register in Rotterdam and to publish the filing in a national daily newspaper. During the two-month period after the filing is made, creditors of Mittal Steel may oppose such reduction of share capital.

General Meeting
Each shareholder of Mittal Steel has the right to attend a general meeting of shareholders, either in person or by proxy, to address shareholder meetings and to exercise voting rights, subject to the provisions of Mittal Steel's Articles of Association. There is no minimum shareholding required to be able to attend or vote at a general meeting of shareholders. An annual general meeting of shareholders will be held within six months after the end of each financial year in The Netherlands, in Amsterdam, Haarlemmermeer (Schiphol Airport), The Hague or Rotterdam. An extraordinary general meeting of shareholders may be held as often as Mittal Steel's Board of Directors deems necessary. In addition, one or more shareholders and other persons entitled to attend such meetings jointly representing at least ten percent of the issued share capital may request that a general meeting of shareholders be convened.

Mittal Steel will give notice of each meeting of shareholders by notice published by advertisement, which shall be published in at least one national daily newspaper distributed throughout The Netherlands and in the Official Price List (Officiële Prijscourant) of Euronext Amsterdam and, if required, elsewhere. In addition, holders of registered shares who have their ownership recorded directly in Mittal Steel's shareholders' register shall be notified by letter that the meeting was convened. Such notices will be given no later than on the 15th day prior to the day of the meeting and will include, or be accompanied by, an agenda (or state where such agenda may be obtained) identifying the business to be considered at the meeting.

Mittal Steel's Board of Directors may set a record date to establish which shareholders are entitled to attend and vote at the meeting of shareholders.

The agenda is to contain the items selected by the person(s) convening the meeting and required by Dutch law or Mittal Steel's Articles of Association. In addition, unless it would be detrimental to the vital interests of Mittal Steel, the agenda must also contain the items requested in writing by one or more shareholders or other persons entitled to attend general meetings of shareholders, alone or together representing at least 1% of the issued share capital or representing the amount of market capitalization set by law (at present being €50 million). Such request must have been received by Mittal Steel not later than on the sixtieth day prior to that of the meeting.

Voting Rights
Each Mittal Steel class A common share and each Mittal Steel class B common share entitles its holder to one vote on each matter to be voted upon by shareholders. Shareholders will vote as a single class on all matters submitted to a vote of the general meeting of shareholders, including, without limitation, the appointment of Class A, B, and C directors to Mittal Steel's Board of Directors and any proposed amendment of Mittal Steel's Articles of Association.

Mittal Steel's Articles of Association currently provide that the Board of Directors must consist of five or more Class A, B and C directors, and must have at all times one Class A director and at least two Class C directors. All directors are appointed for a period of three years.

The entire Board of Directors acting jointly can represent and bind Mittal Steel. In addition, each Class A director can represent and bind Mittal Steel individually. A Class B director acting jointly with another Class B director can represent and bind Mittal Steel, and a Class C director acting jointly with two Class B directors or one Class A director can represent and bind Mittal Steel.

Unless otherwise required by Mittal Steel's Articles of Association or the laws of The Netherlands, resolutions of the general meeting of shareholders will be validly adopted by a simple majority of the votes cast. Except in limited circumstances

Corporate Governance

provided for in Mittal Steel's Articles of Association or under the laws of The Netherlands, there is no quorum requirement for the valid adoption of shareholder resolutions. Major shareholders in Mittal Steel have no special or enhanced voting rights as a result of their larger shareholdings; their voting rights correspond to the number of class A and/or class B common shares they hold and the votes attached to such shares.

In addition, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast.

Amendment to the Articles of Association
Mittal Steel's Articles of Association may be amended by resolution of the shareholders upon a proposal by Mittal Steel's Board of Directors. The resolution of the shareholders to amend the Articles of Association shall require the prior or simultaneous approval of each class whose rights are prejudiced by the amendment to the Articles of Association.

A resolution of the general meeting of shareholders and each class whose rights are prejudiced by the amendment to the Articles of Association to resolve upon an amendment to the Articles of Association requires a simple majority of the votes cast, without a quorum requirement.

Board of Directors
The members of the the Company's Board of Directors as of December 31, 2006 are as set forth below:

Name	Age[4]	Date Joined Board	Class/Term	Position within Mittal Steel
Lakshmi N. Mittal	56	May 1997	Class A – 2009	Chairman of Mittal Steel's Board of Directors and Chief Executive Officer
Joseph J. Kinsch[2][3]	73	October 2006	Class C – 2009	President of Mittal Steel's Board of Directors
Vanisha Mittal Bhatia	26	December 2004	Class A – 2009	Member of Mittal Steel's Board of Directors
Narayanan Vaghul[1][3]	70	July 1997	Class C – 2009	Member of Mittal Steel's Board of Directors
Wilbur L. Ross[1][3]	69	April 2005	Class C – 2009	Member of Mittal Steel's Board of Directors
Lewis B. Kaden[2][3]	64	April 2005	Class C – 2009	Member of Mittal Steel's Board of Directors
François H. Pinault[3]	70	June 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
José Rámon Álvarez Rendueles[1][3]	66	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Sergio Silva de Freitas[2][3]	63	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Georges Schmit	53	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Edmond Pachura[1][3]	72	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Michel Angel Marti[3]	59	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Manuel Fernández López[3]	60	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors

Corporate Governance (continued)

Name	Age[4]	Date Joined Board	Class/Term	Position within Mittal steel
Jean-Pierre Hansen[2][3]	58	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
John Castegnaro[3]	61	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Antoine Spillmann	43	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
HRH Prince Guillaume de Luxembourg[3]	43	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors
Romain Zaleski	73	October 2006	Class C – 2009	Member of Mittal Steel's Board of Directors

(1) Audit Committee
(2) Appointments, Remuneration and Corporate Governance Committee
(3) "Non-executive" and independent director
(4) Age as of December 31, 2006

The Company continues to put strong emphasis on corporate governance. The Company has thirteen independent directors on its Board of Directors. Mittal Steel's Audit Committee and Mittal Steel's Appointments and Remuneration and Corporate Governance Committee are each comprised exclusively of four independent members.

Compensation of Board of Directors

Remuneration principles
The Mittal Steel Remuneration Committee's principal responsibility in compensating executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. The Remuneration Committee reviews the remuneration of executive members of the Company's Board of Directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level. None of the members of the Company's Board of Directors currently have entered into any contracts with the Company or any of its subsidiaries that provide benefits upon termination of employment.

By a resolution passed on May 26, 2005, the shareholders of the Company adopted a policy regarding the remuneration of the members of the Board of Directors. The remuneration of the members of the Board of Directors will, with due observance of such policy, be determined by the Board of Directors upon a proposal of the Mittal Steel Remuneration Committee. Each year the Board of Directors will submit for approval by the general meeting of shareholders a proposal regarding the arrangements for the remuneration in the form of shares or rights to acquire shares. The proposal shall at least set out the maximum number of shares or rights to subscribe for shares to be granted to the members of the Board of Directors and the applicable criteria for such grant or for any change thereto. A lack of approval by the general meeting of shareholders of such proposal shall not affect the representative authority of the Board of Directors in connection with the grant of rights to subscribe for shares.

Options were granted to executive members of the Company's Board of Directors for 2005 in accordance with the Mittal Steel Global Stock Option Plan ("MittalShares") as approved by the shareholders. Options granted under MittalShares vest ratably upon each of the first three anniversaries of the grant date, or, in total, upon death, disability or retirement of the participant.

In accordance with the Dutch Corporate Governance Code, independent non-executive members of the Company's Board of Directors will no longer receive any share options.

Corporate Governance

Remuneration

The total annual compensation of the members of the Company's Board of Directors for 2005 and 2006 was as follows:

(Amounts in $ thousands except option information)	Year ended December 31, 2005	2006
Base salary and/or directors fees	$4,369	$3,760
Short term performance related bonus	—	3,288
Long term incentives (number of options)	235,000	175,000

The annual compensation of the members of the Company's Board of Directors was as follows:

(Amounts in $ thousands except option information)	2005	2006	2005 Short term Performance Related	2006 Short term Performance Related	2005 Long term Number of Options	2006 Long term Number of Options
Lakshmi N. Mittal	$2,194	$2,005	—	1,677	100,000	100,000
Aditya Mittal [1]	1,245	942	—	1,611	75,000	75,000
Vanisha Mittal Bhatia	18	23	—	—	—	—
Malay Mukherjee [2]	311	—	—	—	60,000	—
Narayanan Vaghul	109	139	—	—	—	—
Ambassador Andrés Rozental [3]	134	142	—	—	—	—
Fernando Ruiz Sahagun [4]	22	—	—	—	—	—
Muni Krishna T. Reddy [5]	110	119	—	—	—	—
René Lopez [6]	74	82	—	—	—	—
Wilbur L. Ross, Jr. [7]	73	105	—	—	—	—
Lewis B. Kaden [8]	79	123	—	—	—	—
François H. Pinault [9]	—	80	—	—	—	—
Joseph Kinsch [10]	—	—	—	—	—	—
José Ramón Álvarez-Rendueles Medina [11]	—	—	—	—	—	—
Sergio Silva de Freitas [12]	—	—	—	—	—	—
Georges Schmit [13]	—	—	—	—	—	—
Edmond Pachura [14]	—	—	—	—	—	—
Michel Angel Marti [15]	—	—	—	—	—	—
Manuel Fernández López [16]	—	—	—	—	—	—
Jean-Pierre Hansen [17]	—	—	—	—	—	—
John Castegnaro [18]	—	—	—	—	—	—
Antoine Spillmann [19]	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg [20]	—	—	—	—	—	—
Romain Zaleski [21]	—	—	—	—	—	—
Total	4,369	3,760	—	3,288	235,000	175,000

Corporate Governance (continued)

(1) Mr. A. Mittal resigned from Mittal Steel's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of Mittal Steel. His compensation is included only for the period from January 2006 to October 2006.
(2) Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel. His compensation is included only for the period from January 2005 to March 2005.
(3) Mr. Rozental resigned from Mittal Steel's Board of Directors on October 30, 2006.
(4) Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.
(5) Mr. Reddy resigned from Mittal Steel's Board of Directors on October 30, 2006.

(6) Mr. Lopez resigned from Mittal Steel's Board of Directors on October 30, 2006.
(7) Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.
(8) Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.
(9) Mr. Pinault was elected to Mittal Steel's Board of Directors on June 30, 2006.
(10) Mr. Kinsch was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Kinsch has been paid as Chairman of Arcelor's Board of Directors in 2006.
(11) Mr. Álvarez-Rendueles Medina was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Álvarez-Rendueles Medina has been paid as Vice-Chairman of Arcelor's Board of Directors in 2006.
(12) Mr. Silva de Freitas was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Silva de Freitas has been paid as an Arcelor Board Member in 2006.
(13) Mr. Schmit was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Schmit has been paid as an Arcelor Board Member in 2006.
(14) Mr. Pachura was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Pachura has been paid as an Arcelor Board Member in 2006.
(15) Mr. Marti was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Marti has been paid as an Arcelor Board Member in 2006.
(16) Mr. Fernández López was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Fernández López has been paid as an Arcelor Board Member in 2006.
(17) Mr. Hansen was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Hansen has been paid as an Arcelor Board Member in 2006.
(18) Mr. Castegnaro was elected to Mittal Steel's Board of Directors on October 30, 2006. Mr. Castegnaro has been paid as an Arcelor Board Member in 2006.
(19) Mr. Spillmann was elected to Mittal Steel's Board of Directors on October 30, 2006.
(20) HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on October 30, 2006. HRH Prince Guillaume de Luxembourg has been paid as an Arcelor Board Member in 2006.
(21) Mr. Zaleski was elected to Mittal Steel's Board of Directors on October 30, 2006.

The remuneration for the board members for the year 2006, nominated from Arcelor, will be paid after their approval by shareholders in the annual general meeting of Arcelor which will be held on April 27, 2007.

As of December 31, 2005 and 2006, the Company did not have outstanding any loans or advances to members of its Board of Directors, and, as of December 31, 2006, the Company had not given any guarantees for the benefit of any member of its Board of Directors.

Corporate Governance

The following table provides a summary of the options outstanding and the exercise of the options granted to the Company's Board of Directors (in 2001, 2003 and 2004, no options were granted to members of the Company's Board of Directors). The stock option plan is described in Note 16 of the consolidated financial statements.

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Granted in 2006	Total	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	100,000	440,000	$18.35
Aditya Mittal[1]	7,500	7,500	25,000	75,000	75,000	190,000	$25.78
Vanisha Mittal Bhatia	—	—	—	—	—	—	—
Malay Mukherjee[2]	40,000	40,000	50,000	60,000	—	190,000	$13.99
Narayanan Vaghul[3]	—	—	—	—	—	—	—
Ambassador Andrés Rozental[4][5]	—	—	—	—	—	—	—
Fernando Ruiz Sahagun[6][7]	—	—	3,333	—	—	3,333	$2.26
Muni Krishna T. Reddy[8]	—	—	—	—	—	—	—
René Lopez[9]	—	—	—	—	—	—	—
Wilbur L. Ross[10]	—	—	—	—	—	—	—
Lewis B. Kaden[11]	—	—	—	—	—	—	—
François H. Pinault[12]	—	—	—	—	—	—	—
Joseph Kinsch[13]	—	—	—	—	—	—	—
José Ramón Álvarez-Rendueles Medina[14]	—	—	—	—	—	—	—
Sergio Silva de Freitas[15]	—	—	—	—	—	—	—
Georges Schmit[16]	—	—	—	—	—	—	—
Edmond Pachura[17]	—	—	—	—	—	—	—
Michel Angel Marti[18]	—	—	—	—	—	—	—
Manuel Fernández López[19]	—	—	—	—	—	—	—
Jean-Pierre Hansen[20]	—	—	—	—	—	—	—
John Castegnaro[21]	—	—	—	—	—	—	—
Antoine Spillmann[22]	—	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg[23]	—	—	—	—	—	—	—
Romain Zaleski [24]	—	—	—	—	—	—	—
Total	127,500	127,500	158,333	235,000	175,000	823,333	$18.99
Exercise price	$11.94	$8.57	$2.26	$28.75	$33.755	—	—
Term (in years)	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	—	—

Corporate Governance (continued)

(1) Mr. A. Mittal resigned from Mittal Steel's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of Mittal Steel.
(2) Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel.
(3) Mr. Vaghul exercised all his vested options in 2005.
(4) Mr. Rozental resigned from Mittal Steel's Board of Directors on October 30, 2006.
(5) Mr. Rozental exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002 which were exercised in 2006.
(6) Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.
(7) Mr. Ruiz exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002.
(8) Mr. Reddy resigned from Mittal Steel's Board of Directors on October 30, 2006.
(9) Mr. Lopez resigned from Mittal Steel's Board of Directors on October 30, 2006.
(10) Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.
(11) Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.
(12) Mr. Pinault was elected to Mittal Steel's Board of Directors on June 30, 2006.
(13) Mr. Kinsch was elected to Mittal Steel's Board of Directors on October 30, 2006.
(14) Mr. Álvarez-Rendueles Medina was elected to Mittal Steel's Board of Directors on October 30, 2006.
(15) Mr. Silva de Freitas was elected to Mittal Steel's Board of Directors on October 30, 2006.
(16) Mr. Schmit was elected to Mittal Steel's Board of Directors on October 30, 2006.
(17) Mr. Pachura was elected to Mittal Steel's Board of Directors on October 30, 2006.
(18) Mr. Marti was elected to Mittal Steel's Board of Directors on October 30, 2006.
(19) Mr. Fernández López was elected to Mittal Steel's Board of Directors on October 30, 2006.
(20) Mr. Hansen was elected to Mittal Steel's Board of Directors on October 30, 2006.
(21) Mr. Castegnaro was elected to Mittal Steel's Board of Directors on October 30, 2006.
(22) Mr. Spillmann was elected to Mittal Steel's Board of Directors on October 30, 2006.
(23) HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on October 30, 2006.
(24) Mr. Zaleski was elected to Mittal Steel's Board of Directors on October 30, 2006.

Consolidated Balance Sheets

	December 31,	
	2005*	2006
	(millions of U.S. Dollars, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	2,035	6,020
Restricted cash	100	120
Short-term investments	14	6
Assets held for sale (note 4)	-	1,267
Trade accounts receivables (note 5)	2,287	8,769
Inventories (note 6)	5,994	19,238
Prepaid expenses and other current assets (note 7)	925	3,942
Total current assets	11,355	39,362
Non-current assets:		
Goodwill and intangible assets (note 8)	1,806	10,782
Property, plant and equipment (note 9)	19,045	54,696
Investments accounted for using the equity method (note 10)	947	3,492
Other investments (note 11)	277	1,151
Deferred tax assets (note 19)	318	1,670
Other assets	119	1,013
Total non-current assets	22,512	72,804
Total assets	33,867	112,166

* The 2005 comparative information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets (continued)

	December 31, 2005*	2006
	(millions of U.S. Dollars, except share data)	
LIABILITIES AND EQUITY		
Current liabilities:		
Payable to banks and current portion of long-term debt (note 13)	334	4,922
Trade accounts payable	2,504	10,717
Short-term provisions (note 20)	109	569
Liabilities held for sale (note 4)	-	239
Accrued expenses and other liabilities (note 21)	2,169	7,579
Income tax liabilities	483	534
Total current liabilities	5,599	24,560
Non-current liabilities:		
Long-term debt, net of current portion (notes 13 and 14)	7,974	21,645
Deferred tax liabilities (note 19)	2,174	7,274
Deferred employee benefits (note 18)	1,054	5,285
Long-term provisions (note 20)	611	1,880
Other long-term obligations	998	1,331
Total non-current liabilities	12,811	37,415
Total liabilities	18,410	61,975
Equity (note 16):		
Common shares:		
Class A shares, (EURO 0.01 par value per share, 5,000,000,000 shares authorized, shares issued and outstanding: 255,401,673 at December 31, 2005 and 934,818,280 at December 31, 2006)	2	11
Class B shares, (EURO 0.10 par value per share (2005), EURO 0.01 par value per share (2006), 721,500,000 shares authorized, 457,490,210 shares issued and outstanding)	58	6
Treasury stock (8,828,784 class A shares at December 31, 2005 and 7,039,547 class A shares at December 31, 2006, at cost)	(111)	(84)
Additional paid-in capital	2,239	25,566
Retained earnings	10,270	14,974
Reserves	828	1,654
Equity attributable to the equity holders of the parent	13,286	42,127
Minority interest	2,171	8,064
Total equity	15,457	50,191
Total liabilities and equity	33,867	112,166

Commitments and contingencies (notes 22 and 23)

* The 2005 comparative information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income

	Year Ended December 31,	
	2005*	2006
	(millions of U.S. Dollars, except share and per share data)	
Sales:	28,132	58,870
(Including 2,339 in 2005 and 3,847 in 2006 of sales to related parties)		
Cost of sales (including depreciation and amortization of 1,113 in 2005 and 2,296 in 2006)	22,341	48,411
(Including 914 in 2005 and 1,740 in 2006 of purchases from related parties)		
Gross margin	5,791	10,459
Selling, general and administrative	1,062	2,960
Operating income	4,729	7,499
Other income – net (including negative goodwill of 147 in 2005, and nil in 2006)	214	49
Income from equity method investments	86	301
Financing costs – net (note 17)	(353)	(654)
Income before taxes	4,676	7,195
Income tax expense (note 19)	881	1,109
Net income (including minority interest)	3,795	6,086
Attributable to:		
Equity holders of the parent	3,301	5,226
Minority interests	494	860
Net income (including minority interest)	3,795	6,086

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income (continued)

	Year Ended December 31,	
	2005*	2006
	(millions of U.S. Dollars, except share and per share data)	
Earnings per common share		
Basic:		
Class A common shares	4.80	5.29
Class B common shares	4.80	5.29
Diluted:		
Class A common shares	4.79	5.28
Class B common shares	4.79	5.28
Weighted average common shares outstanding (in millions)		
Basic:		
Class A common shares	230	531
Class B common shares	457	457
Total	687	988
Diluted:		
Class A common shares	232	533
Class B common shares	457	457
Total	689	989

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Changes in Equity

					Reserves							
(millions of U.S. Dollars, except share and per share data)	Shares**	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Net income for the year	Foreign Currency Translation Adjustments	Unrealized (Losses) on Gains Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities	Equity	Minority interest	Total equity
*Balance at December 31, 2004	643	59	(123)	552	7,199	-	1,368	6	135	9,196	1,875	11,071
Movement with minority shareholders		-	-	-	(17)	-	-	-	-	(17)	(198)	(215)
Items recognized directly in equity		-	-	-	-	-	(758)	(10)	87	(681)	-	(681)
Net income		-	-	-	-	3,301	-	-	-	3,301	494	3,795
Recognized income and expenses		-	-	-	-	3,301	(758)	(10)	87	2,620	494	3,114
Transfer to retained earnings		-	-	-	3,301	(3,301)	-	-	-	-	-	-
Recognition of share based payments		-	-	3	-	-	-	-	-	3	-	3
Issuance of shares in connection with ISG acquisition (net of capital duties of 11)	61	1	-	1,693	-	-	-	-	-	1,694	-	1,694
Treasury Stock (note 16)		-	12	(9)	-	-	-	-	-	3	-	3
Dividends (0.30 per share)		-	-	-	(213)	-	-	-	-	(213)	-	(213)
*Balance at December 31, 2005	704	60	(111)	2,239	10,270	-	610	(4)	222	13,286	2,171	15,457
Movement with minority shareholders		-	-	-	-	-	-	-	-	-	-	-
Items recognized directly in equity		-	-	-	-	-	826	(16)	16	826	5,033	5,859
Net income		-	-	-	-	5,226	-	-	-	5,226	860	6,086
Recognized income and expenses		-	-	-	-	5,226	826	(16)	16	6,052	5,893	11,945
Transfer to retained earnings		-	-	-	5,226	(5,226)	-	-	-	-	-	-
Recognition of share based payments		-	-	29	-	-	-	-	-	29	-	29
Voting right reduction		(52)	-	52	-	-	-	-	-	-	-	-
Issuance of shares in connection with Arcelor acquisition	680	9	-	23,231	-	-	-	-	-	23,240	-	23,240
Treasury Stock (note 16)	1	-	27	15	-	-	-	-	-	42	-	42
Dividends (0.50 per share)		-	-	-	(522)	-	-	-	-	(522)	-	(522)
Balance at December 31, 2006	1,385	17	(84)	25,566	14,974	-	1,436	(20)	238	42,127	8,064	50,191

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).
** Excludes treasury shares.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	Year Ended December 31, 2005*	2006
	(millions of U.S. Dollars)	
Operating activities:		
Net income	3,795	6,086
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	1,113	2,296
Interest expense	503	1,124
Interest paid	(246)	(867)
Income tax expense	1,110	925
Taxes paid	(892)	(1,083)
Negative goodwill released to income	(147)	-
Other non-cash operating expenses (net)	(330)	(733)
Changes in operating assets and liabilities, net of effects from acquisition:		
Trade accounts receivable	406	(128)
Inventories	33	(584)
Trade accounts payable	15	854
Other working capital movements	(1,486)	(768)
Net cash provided by operating activities	3,874	7,122
Investing activities:		
Purchase of property, plant and equipment	(1,181)	(2,935)
Acquisition of net assets of subsidiaries, net of cash acquired of 816 and 4,599, respectively	(6,120)	(5,842)
Other investing activities (net)	(211)	201
Net cash used in investing activities	(7,512)	(8,576)
Financing activities:Proceeds from bank borrowings	1,678	959
Proceeds from long-term debt, net of debt issuance costs	8,318	29,910
Payments of payable to banks	(1,807)	(5,906)
Payments of long-term debt	(2,740)	(18,820)
Sale of treasury stock for stock option exercises	3	8
Dividends paid (includes 245 and 122 of dividends paid to minority shareholders in 2005 and 2006, respectively)	(2,092)	(660)
Other financing activities (net)	(11)	(46)
Net cash provided by (used in) financing activities	3,349	5,445
Effect of exchange rate changes on cash	(171)	(6)
Net increase in cash and cash equivalents	(460)	3,985
Cash and cash equivalents:		
At the beginning of the year	2,495	2,035
At the end of the year	2,035	6,020

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (continued)

	Year Ended December 31,	
	2005*	2006
	(millions of U.S. Dollars)	
Supplemental disclosures of cash flow information		
Non-cash activity:		
Issuance of common shares in connection with the acquisition of ISG, net of capital duty of 11	1,694	-
Issuance of common shares in connection with the acquisition of Arcelor	-	23,240

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 (see note 1) as well as the finalization of purchase price allocations on ISG and Mittal Steel Kryviy Rih (see note 3).

The accompanying notes are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 1: NATURE OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION

Nature of business

Mittal Steel Company N.V. ("Mittal Steel") or (the "Company"), together with its subsidiaries, is a manufacturer of steel and steel related products. Mittal Steel owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. These manufacturing facilities, each of which includes its respective subsidiaries, are referred to herein as the "Operating Subsidiaries".

On December 17, 2004, Ispat International N.V. completed its acquisition of Mittal Steel Holdings N.V., formerly LNM Holdings N.V. and changed its name to Mittal Steel Company N.V. On December 28, 2005, Mittal Steel Holdings N.V. was redomiciled to Switzerland and changed its name to Mittal Steel Holdings A.G. As Ispat International N.V. and LNM Holdings N.V. were affiliates under common control, the acquisition of LNM Holdings N.V. was accounted for on the basis of common control accounting, which is similar to a previously permitted method of accounting known as a "pooling-of-interests". All costs associated with this transaction were expensed as incurred. Therefore, these consolidated financial statements reflect the financial position for those assets and liabilities and results of operations of Mittal Steel from the accounts of Ispat International N.V. and LNM Holdings N.V., as though Mittal Steel had been a stand alone legal entity during 2004. The consolidated financial statements for the year ended December 31, 2004 have been prepared using the historical basis in the assets and liabilities and the historical results of operations relating to Ispat International N.V. and LNM Holdings N.V. based on the separate records maintained for each of these businesses.

Organization

Mittal Steel is formed and organized under the laws of the Netherlands to hold directly or indirectly certain subsidiaries involved in the steel manufacturing activities described above. Mittal Steel has no manufacturing operations of its own and its major assets are interests in the common and preferred stock of its Operating Subsidiaries.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets and derivative financial instruments, which are measured at fair value. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and are presented in U.S. Dollars with all amounts rounded to the nearest million, except for share and per share data. IFRS as endorsed by the European Union differs in certain respects from IFRS as issued by the International Accounting Standards Board ("IASB"). However, these consolidated financial statements would be no different if IFRS, as issued by the IASB, had been applied. Hereafter, references to IFRS should be construed as reference to IFRS as adopted by the European Union.

New IFRS standards and interpretations applicable in 2006

In the current year, the Company has adopted all of the new and revised standards, amendments and interpretations to existing standards issued by the IASB and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods from January 1, 2006. The adoption of IFRIC 4, "Determining whether an Arrangement contains a Lease", has resulted in changes to the Company's accounting policies reported for the current and prior periods. IFRIC 4, which requires that if fulfillment of an arrangement is dependent on the use of a specific asset and conveys a right to use, the arrangement contains a lease. Upon adoption of this Interpretation as of January 1, 2006, the Company applied the guidance to all arrangements in existence as of January 1, 2005 and has retrospectively adjusted the prior period financial information presented herein so as to comply with the requirements of the Interpretation. As a result, the Company increased its total assets by 101, total liabilities by 108 and reduced retained earnings by 7. The adoption of all other new and revised standards and interpretations did not have a significant impact on the Company's financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its Operating Subsidiaries, and its respective interest in associated companies and jointly controlled entities. Subsidiaries are fully consolidated from the date of acquisition, the date the Company obtains control until the date control ceases. Control is defined as the power to

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govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Control is presumed to exist, when the Company holds more than half of the voting rights.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions which are not Operating Subsidiaries. Significant influence is presumed to exist when the Company holds more than 20 % of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement.

The consolidated financial statements include the Company's share of the total recognized gains and losses of associates and jointly controlled entities on an equity accounted basis from the date that significant influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The investor's share of those changes is recognized directly in the Company's shareholders' equity.

Other investments are classified as available for sale and are stated at fair value when their fair value can be reliably measured. When fair value cannot be measured reliably, the investments are carried at cost less impairment.

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the consolidated financial statements. Gains and losses resulting from intra-company transactions that are recognized in assets are eliminated in full. Gains and losses on internal transfers with associates and jointly controlled entities are eliminated to the extent of the Company's interest in the associate or jointly controlled entity, only to the extent that there is no indication if impairment.

Minority interests represent the portion of profit or loss and net assets not held by the Company and are presented separately on the income statement and within shareholders' equity in the consolidated balance sheet.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and critical accounting judgements
The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses.

Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting judgements and significant estimates made by management in the preparation of these financial statements are provided below.

Purchase Accounting
Accounting for acquisitions requires Mittal Steel to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, the Company undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Accordingly, for significant items, we typically obtain appraisals and actuarial or other valuations in order to aid in determining the estimated fair value of assets acquired and liabilities assumed. The valuations are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

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There are several methods that can be used to determine the fair value of assets acquired and liabilities assumed. For intangible assets, we typically use the "income method". This method starts with our forecast of all of the expected future net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include: the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows (weighted average cost of capital); the assessment of the asset's life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

The most common purchase accounting adjustments relate to the following assets and liabilities, whose fair value is estimated as indicated:

- The fair value of identifiable intangible assets (generally, patents, customer relationships and favorable and unfavorable contracts) is estimated as described above.
- Property, plant and equipment is recorded at replacement cost, which is generally estimated with the assistance of independent valuation experts.
- The fair value of pension and other post-employment benefits is determined separately for each plan, with the assistance of actuaries, using assumptions valid as of the acquisition date regarding the population of employees involved and the latest market data for the valuation of plan assets.
- The fair value of inventories is estimated based on expected selling prices for inventory on hand at the date of acquisition reduced by an estimate of selling expenses and an appropriate gross margin.
- Adjustments are recorded to deferred tax assets and liabilities of the acquiree to reflect purchase price adjustments, other than goodwill.

Determining the estimated useful lives of tangible and intangible assets acquired also requires judgment, as different types of assets will have different useful lives and certain intangible assets may even be considered to have indefinite useful lives. For example, the useful life of an intangible asset recognized associated with a favorable contract will be finite and will result in amortization expense being recorded in our results of operations over a determinable period.

Finally, when the fair value of the assets acquired exceeds their cost, the excess is recognized immediately as a gain in the statement of income, making the amount initially assigned to all assets and liabilities more important.

Deferred Tax Assets

Mittal Steel charges tax expenses or accounts for tax credits based on the differences between the financial statement amounts and the tax base amounts of assets and liabilities. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. Mittal Steel reviews the deferred tax assets in the different jurisdictions in which it operates annually to assess the possibility of realizing such assets based on projected earnings, the expected timing of the reversals of existing temporary differences, and the implementation of tax-planning strategies. It is probable that the deferred tax assets of 1,670 recognized as of December 31, 2006 will be fully realized. The amount of future taxable income required to be generated by Mittal Steel's Operating Subsidiaries is approximately 5,278.

For each of the years ended December 31, 2005 and 2006, these Operating Subsidiaries generated approximately 62% and 43%, respectively, of the Company's consolidated taxable income of 4,676 and 7,195 respectively. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to realize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements.

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At December 31, 2006, the Company had total estimated net tax loss carry forwards of 9,019. Such amount includes net operating losses of 2,425 primarily related to Mittal Steel's Operating Subsidiaries in the United States, Spain, Canada and the Mexican operating subsidiaries which expire as follows:

Year Expiring	
2007	60
2008	70
2009	44
2010	82
2011	40
Thereafter	2,129

The remaining tax loss carry forwards of 6,594 are indefinite lived and are principally attributable to the Company's operations in Luxembourg, Belgium, Germany, Brazil, France, Trinidad and Tobago and South Africa.

Mittal Steel had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 1,468 as of December 31, 2006 (163 as of December 31, 2005). As per December 31, 2006, most of these temporary differences relate to tax loss carry forwards attributable to our operating subsidiaries in Brazil, Belgium, Luxembourg and the United States. The majority of unrecognized tax losses have no expiration date. The utilization of tax loss carry forwards is, however, restricted to the taxable income of the subsidiary generating the losses.

Provisions for Pensions and Other Post Employment Benefits

Mittal Steel's operating subsidiaries have different types of pension plans and post-employment benefit plans, primarily post-employment health care, for their employees. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet, is based on a number of assumptions and factors such as discount rates, rate of compensation increase, expected return on plan assets, health care cost trend rates, mortality rates, and retirement rates.

- Discount rates. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the measurement date. In setting these rates, we utilize several high quality bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates. The weighted average assumed discount rate for Mittal Steel's worldwide defined benefit plans and other post employment benefit plans was 4.43 %-10.97 % and 4.5 %-8.75 %, respectively, at December 31, 2006.

- Rate of compensation increase. The rate of compensation increase reflects our long-term actual experience and our outlook, including contractually agreed upon wage rate increases, for represented hourly employees.

- Expected return on plan assets. Our expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix. While the studies give appropriate consideration to recent plan performance and historic returns, the assumptions are primarily long-term, prospective rates of return.

- Health care cost trend rate. Our healthcare cost trend rate is based on historical retiree cost data, near-term health care outlook, including appropriate cost control measures implemented by us, and industry benchmarks and surveys.

- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

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In accordance with IFRS, actual gains or losses resulting from changes in actuarial assumptions are recognized in Mittal Steel's income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date

and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plan. Such accumulated unrecognized costs amounted to 831 for pensions and 351 for other post-employment benefits as of December 31, 2006. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Mittal Steel's pension and other postretirement obligations and future expense.

The following information illustrates the sensitivity to a change in certain assumptions for pension plans (as of December 31, 2006 the projected benefit obligation ("PBO") for pension plans was 8.6 billion):

(in millions of US Dollars) Change in assumption	**Effect on 2007 Pre-Tax Pension Expense,**	**Effect of December 31, 2006 PBO**
100 basis point decrease in discount rate	18	703
100 basis point increase in discount rate	(22)	(620)

The following table illustrates the sensitivity to a change in the discount rate assumption related to Mittal Steel's OPEB plans (as of December 31, 2006 the PBO for post-employment benefit plans was 2.6 billion):

(in millions of US Dollars) Change in assumption	**Effect on 2007 Pre-Tax OPEB Expense**	**Effect of December 31, 2006 APBO**
100 basis point decrease in discount rate	6	586
100 basis point increase in discount rate	(5)	(365)
100 basis point decrease in healthcare cost trend	(6)	(136)
100 basis point increase in healthcare cost trend	7	160

The above sensitivities reflect the effect of changing one assumption at a time. Actual economic factors and conditions often affect multiple assumptions simultaneously, and the effects of changes in key assumptions are not necessarily linear.

Valuation of Long-Lived Assets, Intangibles and Goodwill

At each reporting date, Mittal Steel reviews the carrying amounts of its non-current assets (excluding goodwill) to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the amount of the impairment, if any. The recoverable amount is the higher of its net selling price (fair value reduced by selling costs) and its value in use.

In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets corresponding to our operating segments that generates cash inflows. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, an impairment loss is recognized.

An impairment loss recognized in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in income immediately.

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Goodwill is reviewed for impairment annually at the cash generating unit level or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the cash generating units are determined from value in use calculations, as described above. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on historical experience and expectations of future changes in the market.

Cash flow forecasts are derived from the most recent financial budgets approved by management for the next five years. Beyond the specifically forecasted period, the Company extrapolates cash flows for the remaining years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

Once recognized, impairment losses recognized for goodwill are not reversed.

Based on our impairment review during 2006, we recorded 41 (2005: nil) of impairment losses for long-lived assets and goodwill. At December 31, 2006, we had 10,782 of intangible assets, of which 8,020 represented goodwill. An impairment to our intangible assets could result in a material, non-cash expense in our consolidated statement of income.

Translation of financial statements denominated in foreign currency

The functional currency of each of the major Operating Subsidiaries is the local currency, except for Mittal Steel Kryviy Rih, Mittal Steel Lázaro Cárdenas, and Mittal Steel Galati, whose functional currency is the U.S. Dollar. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the consolidated statements of income.

Upon consolidation, the results of operations of Mittal Steel's subsidiaries and associates whose functional currency is other than the U.S. Dollar are translated into U.S. Dollars at average exchange rates for the year and assets and liabilities are translated at year-end exchange rates. Translation adjustments are recognized directly in shareholders' equity and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or associated company.

Impairment of non-current assets (excluding goodwill)

At each reporting date, Mittal Steel reviews the carrying amounts of its non-current assets to determine whether there is any indication that the carrying amount of those assets may not be recoverable through continuing use. If any such indication exists, the recoverable amount of the asset is reviewed in order to determine the extent of the impairment loss (if any). The recoverable amount of an asset is the higher of its net selling price and its value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately as part of operating income in the income statement.

An impairment loss recognized in prior years is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. However, the increased carrying amount of an asset due to a reversal of an impairment loss will not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately as part of operating income in the income statement.

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The recoverable amount of investments in held-to-maturity securities and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset.

Business combinations

Business combinations are accounted for using the purchase accounting method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by Mittal Steel in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized at their fair values at the acquisition date. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Acquisitions from minority shareholders are considered transactions with shareholders and decreases or increases between the cost and the net value are recorded directly in shareholders' equity.

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition. The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity the interests previously held in that entity are re-valued on the basis of the fair values of the identifiable assets and liabilities at that date. The contra posting for this revaluation is recorded directly in shareholders' equity. Subsequent purchases, after the Company has obtained control, are treated as the acquisitions of shares from minority shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded directly in shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents, consists of cash and short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at the time of purchase and are carried at cost plus accrued interest, which approximate fair value.

Restricted cash

Restricted cash represents the required collateral primarily with various banks as margin for revolving letters of credit and guarantees.

Trade accounts receivable

Trade accounts receivable are initially recorded at their fair value and do not carry any interest. If applicable, trade accounts receivable are subsequently measured at amortized cost using the effective interest rate method and reduced by allowances for any impairment.

Mittal Steel maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, Mittal Steel considers multiple factors including historical bad debt experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are credited to income.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out ("FIFO") method and average cost method, which approximates FIFO. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production

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overheads. Raw materials and spare parts are valued at cost inclusive of freight, shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution.

Goodwill and negative goodwill

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over Mittal Steel's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is reviewed for impairment annually at the cash generating unit level or whenever changes in circumstances indicate that the carrying amount may not be recoverable. The impairment analysis is principally based on an estimate of discounted future cash flows at the operating unit level. Impairment losses recognized for goodwill are not reversed. On disposal of a subsidiary, joint venture or associate any residual amount of goodwill is included in the determination of the profit or loss on disposal.

Mittal Steel has historically purchased under-performing steel assets, principally those involved in various privatization programs in former government controlled economies. Businesses with these characteristics typically have been purchased for an amount that does not exceed net asset fair value, thus producing negative goodwill for accounting purposes. In a business combination in which the fair value of the identifiable net assets acquired exceeds the cost of the acquired business, the Company reassesses the fair value of the assets acquired. If, after reassessment, Mittal Steel's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess (negative goodwill) is recognized immediately in the income statement.

Intangible assets

Intangible assets are those assets for which future economic benefits are likely to flow to the Company and whose costs can be measured reliably. Intangible assets acquired separately by Mittal Steel are initially measured at cost. These primarily include the cost of technology and licenses purchased from third parties. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Intangible assets acquired separately and in business combinations are amortized on a straight-line basis over their estimated economic useful lives which typically does not exceed five years.

Costs incurred on individual development products are recognized as intangible assets from the date that all of the following conditions are met: (i) completion of the development is considered technically feasible and commercially viable; (ii) it is the intention and ability of the Company to complete the intangible asset and use or sell it; (iii) it is clear that the intangible asset will generate future economic benefits; (iv) adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset are available; and (v) it is possible to reliably measure the expenditure attributable to the intangible asset during its development. The intangible asset capitalized includes the cost of materials, direct labor costs and an appropriate proportion of overheads incurred during its development. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. Other development expenditures that do not meet the conditions for recognition as an asset are recognized as an expense as part of operating income in the income statement in the period in which it is incurred. To date, costs incurred on individual development projects, which meet the above criteria, are not significant.

Research and development costs expensed amounted to 39, and 96 in the years ended December 31, 2005, and 2006, respectively.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any recognized impairment loss. Cost includes professional fees, and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. All property, plant and equipment except land

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are depreciated using the straight line method over the useful lives of the related assets, ranging from 10 to 50 years for buildings and improvements and 2 to 45 years for machinery and equipment. Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

The cost of mining production assets is depreciated on a unit-of-production basis. The rate of depreciation is determined based on the rate of depletion of the proven developed reserves in the coal deposits mined. Proven developed reserves are defined as the estimated quantity of product which can be expected to be profitably extracted, processed and used in the production of steel under current and foreseeable economic conditions. Depletion of mineral properties is based on rates which are expected to amortize cost of the estimated tonnage of minerals to be removed.

Property, plant and equipment under construction are recorded as construction in progress until they are ready for their intended use; thereafter they are transferred to the related category of property, plant and equipment and depreciated over their estimated useful lives. Interest incurred during construction is capitalized to property, plant and equipment under construction until the assets are ready for their intended use. Gains and losses on retirement or disposal of assets are determined as the difference between net disposal proceeds and carrying amount and are reflected in the statement of operations.

Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the income statement over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation policy of capitalised leased assets is similar to that applied to owned property, plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term. Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases. Payments made under operating leases are recognized as an expense in the income statement of the period.

In accordance with IFRIC 4, the same accounting treatment applies to agreements that do not take the legal form of a lease, but convey the right to use a tangible fixed asset in return for a payment or series of payments.

Investment in associates, joint ventures and other entities

Investments in associates and joint ventures, in which Mittal Steel has the ability to exercise significant influence, are accounted for under the equity method whereby the investment is carried at cost of acquisition, plus Mittal Steel's equity in undistributed earnings or losses since acquisition, less dividends received.

Mittal Steel reviews all of its investments in associates and joint ventures at each reporting date to determine whether there is any evidence that the investment may be impaired. If objective evidence indicates that the investment is impaired, Mittal Steel calculates the amount of the impairment as being the difference between the fair value of the investment and its acquisition cost. The amount of any write-down is included in operating expense in the income statement.

Investments in other entities, over which the Company and/or its Operating Subsidiaries do not have the ability to exercise significant influence and have a readily determinable fair value, are accounted for at fair value with any realized gain or loss included in equity. To the extent that these investments do not have a readily determinable fair value, they are accounted for under the cost method.

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Assets held for sale
Non-current assets, and disposal groups, are classified as held for sale and are measured at the lower of carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset, or disposal group, is available for immediate sale in its present condition and is marketed for sale at a price that is reasonable in relation to its current fair value. Assets held for sale are presented separately on the balance sheet and are not depreciated while classified as held for sale.

Borrowings
Interest-bearing borrowings are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with Mittal Steel's accounting policy for borrowing costs.

Capitalized interest
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in the income statement in the period in which they are incurred.

Deferred employee benefits
Defined contribution plans are those plans where Mittal Steel pays fixed contributions to an external life assurance or pension fund for certain categories of employees. Contributions are paid in return for services rendered by the employees during the period. They are expensed as they are incurred in line with the treatment of wages and salaries. No provisions are established in respect of defined contribution plans, as they do not generate future commitments for Mittal Steel.

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. This guarantee of benefits represents a future commitment of Mittal Steel and, as such, a liability is calculated. The provision is calculated by estimating the benefits accumulated by employees in return for services rendered during the period and during prior periods. The calculation takes into account demographic assumptions relating to the future characteristics of the previous and current personnel (mortality, personnel turnover etc.) as well as financial assumptions relating to future salary levels or the discount rate applied to services rendered. Benefits are discounted in order to determine the present value of the future obligation resulting from this type of plan. They are shown in the balance sheet after the deduction of the fair value of the assets that serve to cover them. The discount rate applied is the yield, at the balance sheet date, on highly rated bonds that have maturity dates similar to the terms of Mittal Steel's pension obligations. In principle, a qualified actuary performs the underlying calculations annually, using the projected unit credit method. The actuarial assumptions (both demographic and financial) are reviewed at year end, which may give rise to actuarial gains or losses. In calculating Mittal Steel's obligation in respect of a plan, to the extent that any unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan ("corridor policy"). Otherwise, the actuarial gain or loss is not taken into consideration. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise on a straight-line basis over the average period until the benefits become vested.
Where the calculation results in a benefit to the Company, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Within the Company, early retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date or to encouraging voluntary redundancy. Early retirement plans are considered effective when the affected employees have formally been

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informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations.

Other long-term employee benefits include various plans that depend on the length of service, such as long service and sabbatical awards, disability benefits and long term compensated absences such as sick leave. The amount recognized as a liability is the present value of benefit obligations at the balance sheet date, and all movements in the provision (including actuarial gains and losses or past service costs) are recognized in the income statement.

Provisions and accruals

Mittal Steel recognizes provisions for liabilities and probable losses that have been incurred as of the balance sheet date when it has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost. For provisions, where the effect of the time value of money is not material, they are stated at face value in the balance sheet.

Environmental costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation or cost reduction, are expensed. Liabilities are recorded when environmental assessments and or remedial efforts are probable, and the cost can be reasonably estimated based on ongoing engineering studies, discussions with the environmental authorities and assumptions as to the areas that may have to be remediated along with the nature and extent of the remediation that may be required. The ultimate cost to Mittal Steel is dependent upon factors beyond its control such as the scope and methodology of the remedial action requirements to be established by environmental and public health authorities, new laws or government regulations, rapidly changing technology and the outcome of any potential related litigation. Environmental liabilities are discounted if the aggregate amount of the obligation and the amount and timing of the cash payments are fixed or reliably determinable.

Asset retirement obligations

Mittal Steel records asset retirement obligations ("ARO") initially at the fair value of the legal liability in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related long lived asset. The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value each period and the capitalized cost is depreciated in accordance with the Company's depreciation policies for property, plant and equipment.

Income taxes

The provision for income taxes includes income taxes currently payable or receivable and those deferred. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the estimated future effects of tax loss carry forwards.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets and liabilities are measured using substantively enacted statutory tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the income statement in the period in which the changes are enacted or substantively enacted. Current and deferred tax are recognized as expense or income in profit or loss, except when they

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relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity or when they arise from the initial accounting in a business combination. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derivative financial instruments

Derivative instruments are utilized by Mittal Steel to manage its exposure to commodity prices, fluctuations in foreign exchange rates, and interest rates. The Company has established a control environment, which includes policies and procedures for risk assessment and the approval and monitoring of derivative instrument activities. Mittal Steel does not enter into foreign currency hedging contracts related to its investment in associated companies. The Company and its subsidiaries selectively use various financial instruments, primarily forward exchange contracts, interest rate swaps and commodity future contracts, to manage exposure to price fluctuations. All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Company will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective through the financial reporting periods for which they were designated. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in equity and are recognized in the statements of income when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The fair value gains or losses as a result of the change in fair value of derivatives that do not qualify for hedge accounting are recognized in cost of sales or other operating expenses. Gains and losses related to financial instruments that are utilized to manage exposures to fluctuations in the cost of energy and raw materials used in the production process are recognized as a part of the cost of the underlying product when the contracts mature or expire.

Emission rights

Mittal Steel's industrial sites regulated by the European Directive on CO2 emission rights, effective as of January 1, 2005, are located primarily in Germany, Belgium, Spain, France and Luxembourg. The emission rights allotted to the Company on a no charge basis pursuant to the annual national allocation plan, are recorded on the balance sheet at nil value. Mittal Steel continuously monitors rights that have expired and that will have to be surrendered. The number of rights to be surrendered is equal to the total emissions over a given period. These emissions are submitted to an annual certification, performed by a certified external expert in accordance with applicable national regulation. Excess allowances sold are recognized in the income statement. Allowance purchases or sales are recorded at cost.

Revenue recognition

Sales of goods and services

Revenue is measured at the fair value of the consideration received or receivable. Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognized in the income statement in proportion to the stage of completion

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of the related transaction at the balance sheet date. The stage of completion is assessed according to the work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

Shipping and handling costs

Mittal Steel classifies all amounts billed to a customer in a sale transaction related to shipping and handling costs as sales and all other shipping and handling costs as cost of sales.

Financing costs

Financing costs include interest, amortization of discounts or premiums on borrowings, amortization of costs incurred in connection with the arrangement of borrowings and net gain or loss from foreign exchange on translation of long-term debt, net of unrealized gains and losses on foreign exchange contracts.

Earnings per common share

The Company follows the provisions of IAS 33, "Earnings Per Share", which requires companies to report both basic and diluted per share data for all periods for which a statement of income is presented. Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to shareholders and assumed conversion by the weighted average number of common shares and potential common shares from convertible debt and outstanding stock options. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options. The following table provides a reconciliation of the denominators used in calculating basic and diluted net income per share for the years ended December 31, 2005 and 2006:

	Year Ended December 31,	
	2005*	2006
Net income	3,301	5,226
Plus: Interest on Pension Benefit Guaranty Corporation ("PBGC") note, net of tax	1	-
Income available to shareholders and assumed conversion	3,302	5,226
Weighted average common shares outstanding (in millions)	687	988
Plus: Incremental shares from assumed conversions		
Stock options (in millions)	1	1
6 % PBGC note (in millions)	1	-
Weighted average common shares assuming conversions (in millions)	689	989

* Prior period information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006. (see note 1) as well as the finalization of purchase price allocations on ISG and Kryviy Rih (see note 3).

Diluted weighted average shares outstanding excludes 3,704,940 and nil potential common shares from stock options outstanding for the years ended December 31, 2005 and 2006, respectively, because the exercise prices of such stock options were higher than the average closing price of the Company's common shares as quoted on the New York Stock Exchange ("NYSE") during the periods stated and, accordingly, their effect would be anti-dilutive.

Stock option plan/share-based payments

Mittal Steel issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Treasury shares held by the Company are deducted from equity.

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Segment reporting

As a result of Mittal Steel's acquisition of Arcelor, Mittal Steel has changed its segment structure to a structure that comprises six major business segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia/Africa & CIS (AACIS), Stainless Steel, and Arcelor Mittal Steel Solutions and Services (AM3S). These business segments are used as the primary format for segmental reporting. They include attributable goodwill, intangible assets, property, plant and equipment, and equity method investments. They do not include cash and short-term deposits, short-term investments, tax assets, and other current financial assets. Segment liabilities are also those resulting from the normal activities of the segment, excluding tax liabilities and indebtedness but including post retirement obligations where directly attributable to the segment. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual business segments.

Geographical sectors are used as the secondary format for segmental reporting. Those areas separately disclosed represent Mittal Steel's most significant regional markets. Segment assets are operational assets employed in each region and include items such as tax and pension balances that are specific to a country. They also include attributable goodwill but exclude cash and short-term deposits and short-term investments. Segment liabilities are those arising within each region, excluding indebtedness. Financing items are managed centrally for the Company as a whole and so are not directly attributable to individual geographical segments.

New IFRS standards and interpretations applicable from 2007 onward

IFRS 7

In August 2005, the IASB issued IFRS 7, "Financial Instruments: Disclosures", which provides expanded disclosure requirements on the significance of financial instruments and qualitative and quantitative information about risk exposure related to these instruments. This statement supersedes the disclosure requirements outlined in both IAS 30, "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and IAS 32, "Financial Instruments: Disclosure and Presentation" and is effective for annual periods beginning on or after January 1, 2007. The Company is in the process of assessing whether there will be any significant changes to its financial statement disclosures upon the adoption of IFRS 7.

IFRS 8

In November 2006, the IASB issued IFRS 8, "Operating Segments", which specifies how an entity should report information about its operating segments in annual financial statements, and amends IAS 34, "Interim Financial Reporting", to require an entity to report selected information about its operating segments in interim financial reports. This statement defines operating segments as components of an entity about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources in assessing performance. This statement also outlines the requirements for related disclosures about products and services, geographical areas, and major customers and is effective for annual periods beginning on or after January 1, 2009. The Company believes that the adoption of IFRS 8 will not have a significant impact on its financial statement disclosures.

AMENDMENT TO IAS 1

In August 2005, the IASB issued an amendment to IAS 1, "Presentation of Financial Statements – Capital Disclosures", which requires an entity to provide additional qualitative and quantitative disclosures so as to enable users of the financial statements to be able to evaluate its objectives, policies and processes for managing capital. The amendment is effective for annual periods beginning on or after January 1, 2007. The Company is in the process of assessing whether there will be any significant changes to its financial statement disclosures upon the adoption of this amendment.

IFRIC 7

In November 2005, the IFRIC issued Interpretation 7, "Applying the Restatement Approach under IAS 29, Financial Reporting in Hyper-Inflationary Economies", to clarify that the restatements required under IAS 29 should be made retrospectively if an economy becomes hyperinflationary during a reporting period. An entity shall apply the Interpretation for annual periods beginning on or after March 1, 2006. The Company is in the process of assessing whether there will

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be any material changes to its financial statements upon the adoption of IFRIC 7.

IFRIC 8

In January 2006, the IFRIC issued Interpretation 8, "Scope of IFRS 2", which requires consideration of transactions involving the issuance of equity instruments where the identifiable consideration received is less than the fair value of the equity instruments issued to establish whether or not they fall within the scope of IFRS 2, "Share-based Payment". An entity shall apply the Interpretation for annual periods beginning on or after March 1, 2006. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 8.

IFRIC 9

In March 2006, the IFRIC issued Interpretation 9, "Reassessment of Embedded Derivatives", which requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. An entity shall apply the Interpretation for annual periods beginning on or after June 1, 2006. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 9.

IFRIC 10

In July 2006, the IFRIC issued Interpretation 10, "Interim Financial Reporting and Impairment", to clarify whether interim impairment losses should ever be reversed. An entity is required to assess goodwill for impairment at every reporting date, to assess investments in equity instruments and in financial assets carried at cost for impairment at every balance sheet date and, if required, to recognise an impairment loss at that date in accordance with IAS 36 and IAS 39. However, at a subsequent reporting or balance sheet date, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed. IFRIC 10 concluded an entity shall not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. An entity shall not extend this consensus by analogy to other areas of potential conflict between IAS 34 and other standards. An entity shall apply the Interpretation for annual periods beginning on or after November 1, 2006. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 10.

IFRIC 11

In November 2006, the IFRIC issued Interpretation 11, "Group and Treasury Share Transactions", to clarify the accounting for certain share-based payment arrangements involving an entity's own equity instruments (treasury shares) and share-based payment arrangements that involve two or more entities within the same group. This Interpretation provides that share-based payment transactions in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled. This applies regardless of whether (i) the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement; (ii) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholders; or (iii) the share-based payment arrangement was settled by the entity itself or by its shareholders. With regard to share-based payment transactions that involve two or more entities within the same group, this Interpretation provides that in the instance of a parent granting rights to its equity instruments to the employees of its subsidiary, if the share-based payment arrangement is accounted for as equity-settled in the consolidated financial statements of the parent, the subsidiary shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognized in equity as a contribution from the parent. In the event that a subsidiary grants rights to equity instruments of its parent to its employees, this Interpretation requires that the subsidiary shall account for the transaction with its employees as cash-settled. This requirement applies irrespective of how the subsidiary obtains the equity instruments to satisfy its obligations to its employees. An entity shall apply the Interpretation for annual periods beginning on or after March 1, 2007. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 11.

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IFRIC 12

In November 2006, the IFRIC issued Interpretation 12, "Service and Concession Arrangements", which provides guidance on the accounting by operators for public-to-private service concession arrangements. This Interpretation sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements and in doing so focuses on the following issues: (i) treatment of the operator's rights over the infrastructure,; (ii) recognition and measurement of arrangement consideration, (iii) construction or upgrade services, (iv) operation services; (v) borrowing costs; (vi) subsequent accounting treatment of a financial asset and an intangible asset; and (vii) items provided by the operator to the grantor. An entity shall apply the Interpretation for annual periods beginning on or after 1 January 2008. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption of IFRIC 12.

NOTE 3: ACQUISITIONS

Significant acquisitions made during the years ended December 31, 2005 and 2006 include:

International Steel Group ("ISG")

On April 15, 2005, Mittal Steel acquired 100% of the outstanding common shares of International Steel Group Inc. ("ISG") (renamed Mittal Steel USA ISG Inc.). Mittal Steel USA ISG is one of the largest steel producers in North America, shipping a variety of steel products from 13 major steel producing and finishing facilities in 8 states. As a result of the acquisition Mittal Steel is the leading steel provider in North America.

The aggregate purchase price of approximately 3,833 including cash of 2,128 (1,472 net of cash acquired and 56 of acquisition cost) and Class A common Shares valued at 1,705. The fair value of the 60,891,883 Class A common shares was determined based on the market-price of Mittal Steel's Class A common shares on the date of acquisition. Intangible assets identified as a result of purchase accounting relate to 4 assigned to patents and 384 assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years or 2 years on a weighted average basis. Intangible liabilities consist of 1,095 assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years or 3.2 years on a weighted average basis. The company recognized 383 of income during 2006 (137 in 2005) related to the net amortization of these intangibles. The Company finalized the purchase price allocation for ISG in 2006.

The results of Mittal Steel USA ISG's operations have been included in the consolidated financial statements since April 15, 2005.

Kryvorizhstal

On November 25, 2005, the Company acquired 93.02% of the outstanding common stock of OJSC Krivorizky Ore Mining Company and Steel Works Kryvorizhstal (renamed Mittal Steel Kryviy Rih) from the governmentally run State Property Fund of Ukraine. Mittal Steel Kryviy Rih is the largest producer of carbon steel long products in the Ukraine and the nearby region. As a result of the acquisition, the Company is the leading provider of steel products in the region. The Company also expects to achieve synergies and increase productivity through integration with its operations. Mittal Steel Kryviy Rih was acquired for 4,908 in cash (4,632 net of cash acquired). In connection with the acquisition, the Company has committed to make capital expenditures of 500 until 2010. The Company finalized the purchase price allocation for Kryvorizhstal in 2006. In 2006, the Company increased its interest in Mittal Steel Kryviy Rih to 93.77%.

Based on the purchase price allocation for Kryviy Rih, the Company has identified approximately 1,323 of excess purchase price over the fair value of the assets acquired. The results of Mittal Steel Kryviy Rih have been included in the consolidated financial statements since November 26, 2005.

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Arcelor

On August 1, 2006, Mittal Steel acquired 91.9% of the share capital of Arcelor (on a fully diluted basis). Through subsequent transactions Mittal Steel increased its ownership to 94.2% of the issued and outstanding shares of Arcelor and 19.9 million of Arcelor's Convertible bonds. Arcelor is a global steel producer and holds leading positions in its main markets: automotive, construction, household appliances and packaging as well as general industry.

The total purchase price, including acquisition costs, was 33,675, which was funded through a combination of cash and 680 million newly issued Class A common shares. Total cash consideration for the transactions was 10,435 (5,841 net of 4,594 of cash acquired). The fair value of the Class A common shares issued was determined based on the market price of Mittal Steel's Class A common shares at the date of the acquisition, which was 34,20 per share, based on the weighted average closing price on August 1, 2006 and September 4, 2006 (the dates of the issuance of Mittal Steel shares as consideration).

The acquisition has been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition. The allocation of the total purchase price is preliminary as at December 31, 2006 and remains subject to modification. Appraisals of intangible and tangible assets as well as identification of contingent liabilities are still underway. Intangible assets recognized as a result of purchase accounting relate to 920 assigned to favorable supply contracts on raw materials and energy that are being amortized over the term of the associated contracts ranging from two to five years. The acquired liabilities also include 583 assigned to unfavorable sales contracts that are being amortized over the term of the associated contracts ranging from half a year to nine years.

The acquisition of Arcelor resulted in the consolidation of total assets of 64,565 and total liabilities of 36,624, excluding minority interest. The fair value of the net assets acquired (net of cash acquired) amounts to 22,733, excluding minority interest. The resulting goodwill is 6,348 at the acquisition date.

The results of Arcelor have been included in the consolidated financial statements since August 1, 2006.

The table below summarizes the estimated fair value of the assets acquired and liabilities assumed for significant acquisitions.

	2005*		Arcelor (2006)***		
	ISG**	Kryviy Rih**	Historical	Purchase Accounting Adjustments	Arcelor at fair value
Current assets	3,024	347	21,292	1,060	22,352
Property, plant & equipment	4,001	4,454	22,480	11,770	34,250
Other assets	506	—	6,356	1,607	7,963
Total assets acquired	7,531	4,801	50,128	14,437	64,565
Current liabilities	1,590	258	16,178	—	16,178
Long-term loan	844	—	8,830	80	8,910
Other long-term liabilities	1,613	200	5,532	699	6,231
Deferred tax liabilities	104	782	1,276	4,029	5,305
Minority interest	—	—	3,303	144	3,447
Total liabilities assumed	4,151	1,240	35,119	4,952	40,071
Total net assets	3,380	3,561	15,009	9,485	24,494
Minority interest	—	249	1,147	614	1,761
Net assets acquired	3,380	3,312	13,862	8,871	22,733

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	2005*			Arcelor (2006)***	
	ISG**	Kryviy Rih**	Historical	Purchase Accounting Adjustments	Arcelor at fair value
Fair value of shares issued	1,705	—			23,240
Cash paid, net	1,528	4,635			5,841
Equity investment	—	—			—
Purchase price, net	3,233	4,635			29,081
Goodwill/ (negative goodwill)	(147)	1,323			6,348

*Historical IFRS information as of the date of acquisition was not available for the acquired entities.
** During 2006, the Company finalized the purchase price allocation for ISG and Kryviy Rih, which resulted in a charge of 131 to the consolidated statement of income for the year ending December 31, 2005, primarily due to lower negative goodwill than initially recognized. See the table below for adjustments. Prior period information has been adjusted retrospectively.
***Based on a preliminary purchase price allocation, which is subject to change. The amount of profit attributable to Arcelor since the date of acquisition is 1.7 billion.

	ISG			Kryviy Rih		
	Preliminary allocation	Adjustments	Final allocation	Preliminary allocation	Adjustments	Final allocation
Current assets	3,024	—	3,024	332	15	347
Property, plant & equipment	4,066	(65)	4,001	4,177	277	4,454
Other assets	598	(92)	506	—	—	—
Total assets acquired	7,688	(157)	7,531	4,509	292	4,801
Current liabilities	1,613	(23)	1,590	125	133	258
Long-term loan	844	—	844	—	—	—
Other long-term liabilities	1,560	53	1,613	151	49	200
Deferred tax liabilities	165	(61)	104	807	(25)	782
Minority interest	—	—	—	—	—	—
Total liabilities assumed	4,182	(31)	4,151	1,083	157	1,240
Total net assets	3,506	(126)	3,380	3,426	135	3,561
Minority interest	—	—	—	239	10	249
Net assets acquired	3,506	(126)	3,380	3,187	125	3,312
Purchase price, net	3,229	4	3,233	4,632	3	4,635
(Negative) goodwill	(277)	130	(147)	1,445	(122)	1,323

Goodwill recorded in connection with the above acquisitions is principally attributable to the assembled workforces of the acquired businesses and the synergies expected to arise after the Company's acquisition of those businesses.
Any negative goodwill arising from these acquisitions is included in other income in the income statement.

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The total purchase price for ISG, Kryviy Rih, and Arcelor consists of the following:

	ISG	Kryviy Rih	Arcelor
Cash paid to stockholders, gross	2,072	4,904	10,247
Transaction related fees	56	4	188
Mittal Steel shares issued	1,705	—	23,240
Total purchase price, gross	3,833	4,908	33,675
Cash acquired	(600)	(273)	(4,594)
Total purchase price, net	3,233	4,635	29,081

Pro Forma Results (unaudited)

The following pro forma financial information presents the combined results of operations of Mittal Steel for 2006, with Arcelor, as if the acquisition had occurred as of the beginning of the periods presented. The 2005 pro forma information also includes the results of operations of Mittal Steel Kryviy Rih and Mittal Steel USA on the same basis. The pro forma financial information is not necessarily indicative of what our consolidated results of operations actually would have been had we completed the acquisition at the dates indicated. In addition, the pro forma financial information does not purport to project the future results of operations of the combined company.

	Pro Forma for the year ended December 31,	
	2005	2006
Sales	80,171	88,576
Net income	8,263	7,973
Per share amounts		
Basic earnings per common share	5.97	5.76
Diluted earnings per common share	5.97	5.76

NOTE 4: ASSETS HELD FOR SALE

Following Mittal Steel's bid for Arcelor, the European commission identified competition concerns in certain steel production segments. As a result, the Company has identified the following entities to be disposed of: Travi e Profilati di Pallanzeno, San Zeno Acciai – Duferco, Stahlwerk Thüringen Gmbh, and Huta Bankowa, all of which reside in its Long Carbon Europe segment. In response, the Company announced, on December 13, 2006, that it had agreed to sell its wholly-owned subsidiary Travi e Profilati di Pallanzeno as well as its 49.9 % stake in San Zeno Acciai – Duferco, to Duferco for an enterprise value of €117 million (153). The transaction closed in January 2007. At December 31, 2006, the disposal group comprises assets of 143 and liabilities of 55. In addition, on December 6, 2006, Mittal Steel agreed to sell Stahlwerk Thüringen GmbH to Grupo Alfonso Gallardo for an enterprise value of €591 million (768). The transaction closed on March 5, 2007. At December 31, 2006, the disposal group comprised assets of 736 and liabilities of 127. Furthermore, on January 19, 2007, Mittal Steel announced that it had agreed to sell its wholly-owned subsidiary Huta Bankowa to Alchemia SA Capital Group. At December 31, 2006, the disposal group comprised assets of 57 and liabilities of 9. The transaction is expected to be closed in second quarter of 2007.

On October 27, 2006, Noble and Arcelor signed a binding letter of Intent for the combination of Arcelor's laser-welded tailor blank business (Flat Carbon Europe segment) with Noble. On March 16, 2007, Mittal Steel and Noble signed a definitive agreement for the combination of their laser-welded tailored blanks businesses. Under the terms of the transaction, Mittal Steel, will sell its laser-welded blanks business in western and eastern Europe, China, India and United States ("TBA") for aggregate consideration of 300, which will consist of approximately 131 in a combination of cash, a note receivable, and assumption of certain TBA financial obligations by Noble and 9,375,000 shares of Noble common stock (with an agreed

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value of 18 per share). Upon completion, Mittal Steel will become the largest stockholder of Noble, owning approximately 40 % of the issued and outstanding common shares. Arcelor will also obtain four of nine seats on Noble's board of directors. Completion of the transaction is expected to occur in June 2007, and is subject to a number of conditions, including Noble shareholder approval, receipt by Noble of not less than 165 in debt financing, anti-trust clearance in the United States, Canada and Europe and other customary conditions. In addition, Arcelor and Noble will seek to include in the transaction as soon as practicable the tailored blanks business operated by Powerlasers, a subsidiary of Dofasco, Inc., for additional consideration to be determined based upon the 2006 financial performance of Powerlasers, estimated at 50. The common shares of Dofasco are held in a Dutch trust, the trustees of which control any decision to sell Dofasco assets. At December 31, 2006, the disposal group comprises assets of 331 and liabilities of 47.

Assets classified as held for sale*:

	December 31, 2006
Property, plant and equipment	1,045
Trade and other receivables	65
Inventories	1 29
Other assets	28
	1,267

Liabilities classified as held for sale*:

	December 31, 2006
Trade and other payables	181
Other liabilities	58
	239

*As of December 31, 2005, the Company did not have any assets or liabilities classified as held for sale.

On February 20, 2007, the U.S. Department of Justice ("DOJ") informed the Company that the DOJ has identified the Sparrows Point steel mill located near Baltimore Maryland for divestiture under the consent decree filed by the DOJ in August 2006. As the announcement of the divestiture of Sparrows Point was made after the balance sheet date, the assets and liabilities of Sparrows Point are not classified as held for sale.

NOTE 5: TRADE RECEIVABLES

The trade receivables balances are the following as of December 31, 2005 and 2006:

	2005	2006
Trade accounts receivable	2,528	9,197
Allowance for doubtful accounts	(241)	(428)
	2,287	8,769

The provision charged to the income statement is 23 and 241 for 2005 and 2006, respectively.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 6: INVENTORIES

Inventory at December 31 2005 and 2006, net of allowance for slow moving, excess, or obsolete inventory of 269 and 359, respectively, is comprised of the following:

	2005	2006
Finished products	1,956	7,131
Production in process	1,138	3,914
Raw materials	2,321	6,491
Manufacturing supplies, spare parts and other	579	1,702
	5,994	19,238

The amount of inventory pledged as collateral is nil and 148 as of December 31, 2005 and 2006, respectively.

NOTE 7: PREPAID EXPENSES AND OTHER CURRENT ASSETS

The prepaid expenses and other current assets are the following as of December 31, 2005 and 2006:

	2005	2006
Other advance payments to public authorities	327	1,692
Financial loans	-	354
Financial instruments	-	490
Receivables from sale of tangible and intangible assets	-	166
Prepaid and other expenses	598	1,240
	925	3,942

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisition	Concessions patents and licenses	Favourable contracts	Other	Total
Cost					
At December 31,2004	49	7	-	187	243
Acquisitions	1,342	28	384	-	1,754
Foreign exchange differences	-	(1)	-	22	21
Transfers and other movements	-	-	-	(17)	(17)
At December 31, 2005	1,391	34	384	192	2,001
Acquisition of Arcelor	6,348	710	920	912	8,890
Other acquisitions	67	17	-	60	144
Disposals	-	(11)	-	-	(11)
Foreign exchange differences	205	4	30	30	269
Transfers and other movements	9	18	-	5	32
At December 31, 2006	8,020	772	1,334	1,199	11,325

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

	Goodwill on acquisition	Concessions patents and licenses	Favourable contracts	Other	Total
Accumulated amortization and impairment losses					
At December 31, 2004	-	2	-	23	25
Amortization charge	-	5	162	6	173
Foreign exchange differences	-	-	-	(3)	(3)
At December 31, 2005	-	7	162	26	195
Disposals	-	(11)	-	-	(11)
Impairment	-	11	-	(1)	10
Amortization charge	-	106	177	44	327
Foreign exchange differences	-	23	2	(4)	21
Transfers and other movements	-	1	-	-	1
At December 31, 2006	-	137	341	65	543
Carrying amount					
At December 31, 2005	1,391	27	222	166	1,806
At December 31, 2006	8,020	635	993	1,134	10,782

Goodwill acquired in a business combination is allocated, at the acquisition date, to the cash generating unit(s) that is or are expected to benefit from synergies expected to be realized as a result of that business combination (generally the plant (or plants) acquired). Before recognition of subsequent impairment losses, the carrying amount of goodwill recognized in each of the years ended December 31, 2005 and 2006, has been allocated as follows:

	Net value December 31, 2005	Acquisitions**	Exchange rate differences and other movements	Net value December 31, 2006
Mittal Steel Kryvly Rih	1,323	-	9	1,332
Arcelor*	-	6,348	204	6,552
Others	68	67	1	136
Total	1,391	6,415	214	8,020

*Includes all subsidiaries, mainly located in Europe and South America as purchase price allocation has not been finalized.
**Subject to change upon finalization of purchase price allocation

Mittal tests goodwill annually, in the fourth quarter, for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Mittal prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the following five years based on an estimated growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost				
At December 31, 2004	3,608	11,602	626	15,836
Additions	184	869	128	1,181
Acquisition through business combinations	416	7,856	183	8,455
Foreign exchange differences	(189)	(221)	(32)	(442)
Disposals	-	(292)	-	(292)
Other movements	-	(9)	-	(9)
At December 31, 2005	4,019	19,805	905	24,729
Additions	477	721	1,737	2,935
Acquisition through business combinations	8,669	22,115	3,466	34,250
Foreign exchange differences	503	1,067	(66)	1,504
Disposals	(306)	(544)	(194)	(1,044)
Transfers	200	1,094	(1,294)	-
Other movements	782	37	(94)	725
At December 31, 2006	14,344	44,295	4,460	63,099
Accumulated depreciation and impairment				
At December 31, 2004	711	3,854	8	4,573
Depreciation charge for the year	321	781	-	1,102
Foreign exchange differences	-	-	(6)	(6)
Other movements	-	15	-	15
At December 31, 2005	1,032	4,650	2	5,684
Depreciation charge for the year	633	1,506	7	2,146
Impairment	3	38	-	41
Disposals	(96)	(403)	-	(499)
Foreign exchange differences	201	573	-	774
Other movements	105	153	(1)	257
At December 31, 2006	1,878	6,517	8	8,403
Carrying amount				
At December 31, 2005	2,987	15,155	903	19,045
At December 31, 2006	12,466	37,778	4,452	54,696

During the period, the Company carried out a review of the recoverable amount of its manufacturing plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use. As a result of the assessment, the Company determined that the recoverable amount for certain of its plant, property and equipment located in its US Operating Subsidiary was less than its carrying amount. Accordingly, a 41 (2005: 0) impairment loss was recognized immediately as an expense as part of operating income in the income statement.

The Company has pledged 292 and 1,146 in land and buildings as of December 31, 2005 and 2006, respectively, to secure banking facilities granted to the Group. These facilities are further disclosed in note 13 and 14.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The Company's investments in associates and joint ventures are as follows:

Investee		Ownership % At December 31,	Net asset value at December 31,	
Equity method investments:	**Location**	**2006**	**2005**	**2006**
PCI Associates	USA	50 %	23	15
I/N Tek[1]	USA	60 %	82	88
I/N Kote[2]	USA	50 %	159	175
Gallatin[6]	USA	50 %	-	192
DHS Group [3]	Germany	51.3 %	-	998
Macsteel International Holdings B.V. [4]	South Africa	50 %	130	124
Zaklad Przetworstwa Hutniczego	Poland	33 %	40	67
Hunan Valin [5]	China	29.49 %	344	382
Gestamp	Spain	35 %	-	238
Gonvarri Industrial	Spain	35 %	-	175
Holding Gonvarri SRL	Spain	35 %	-	101
CLN	Italy	35 %	-	152
Borcelik	Turkey	40.3 %	-	83
CFL Cargo	Luxembourg	33.3 %	-	63
TrefilArbed Kiswire[6]	South Korea	50 %	-	133
Other	Various	-	169	506
			947	3,492

[1] I/N Tek, a general partnership formed for a joint venture between the Company and Nippon Steel Corporation ("NSC"), owns and operates a cold-rolling facility. I/N Tek is 60 % owned by the Company. The Company does not exercise control over I/N Tek as all significant management decisions require agreement by both partners. The Company has rights to the productive capacity of the I/N Tek facility, except in certain limited circumstances and, under a tolling arrangement, has an obligation to use the facility for the production of cold rolled steel. See note 12 for a further discussion of transactions with related parties.

[2] Mittal Steel USA and NSC own and operate another joint venture which consists of a 500,000 ton electro galvanizing line and a 500,000 ton hot-dip galvanizing line adjacent to the I/N Tek facility. I/N Kote, the general partnership formed for this joint venture, is owned 50 % by the Company. The Company and NSC have each guaranteed the share of long-term financing attributable to their respective interest in the partnership. The I/N Kote joint venture is required to buy all of its cold rolled steel from the Company. See note 12 for a further discussion of transactions with related parties.

[3] The Company owns a 51.3 % interest in Dillinger Hutte Saarstahl AG ("DHS"). The Company does not exercise control over DHS as it is unable to appoint a majority of the members of the supervisory board of DHS and decisions voted on by shareholders are required to be approved with at least a 70 % affirmative vote.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

[3] The Company owns a 51.3 % interest in Dillinger Hutte Saarstahl AG ("DHS"). The Company does not exercise control over DHS as it is unable to appoint a majority of the members of the supervisory board of DHS and decisions voted on by shareholders are required to be approved with at least a 70 % affirmative vote.

[4] Macsteel International Holdings B.V. ("Macsteel") is an equity method investment owned by Mittal Steel South Africa. Mittal Steel South Africa's steel products are marketed internationally through Macsteel, a joint venture in which the Mittal Steel South Africa's holds a non-controlling 50 % interest. The Company recognized 29 in equity income from Macsteel in 2006 (42 in 2005).

[5] On September 27, 2005, Mittal Steel completed the acquisition of 36.67 % of the outstanding shares of Hunan Valin Steel Tube and Wire Co., Ltd ("Hunan Valin"), for a aggregate consideration of 338 (excluding acquisition related fees of 6). Following the conversion of bonds into shares of Hunan Valin, the Company's interest in Hunan Valin was diluted to 31.43 % as of December 31, 2005. During January 2006, the conversion of all remaining convertible bonds occurred and, as a result, the shareholdings of the Company were diluted to 29.49 %. As of December 31, 2006, the investment had a market value of 357 (2005: 391).

[6] These investments are under common control between Arcelor Mittal and joint venture partners. As a result, the Company does not have the power to govern the financial and reporting policies of these entities, and therefore, accounts for the investments under the equity method.

Summarized financial information, in the aggregate, for the Company's investments accounted for using the equity method follows:

	Years ended December 31,	
	2005	2006
Condensed statement of income data		
Gross revenue	3,446	8,734
Net income	137	533

	December 31,	
	2005	2006
Condensed balance sheet data		
Total assets	2,487	12,148
Total liabilities	1,570	6,797

NOTE 11: OTHER INVESTMENTS

The Company holds the following other investments:

	December 31,	
	2005	2006
Available-for-sale securities:		
Erdemir	277	424
Other	-	81
Total available-for-sale securities	277	505
Investments accounted for at cost:		
Carrying amount	-	646
Total accounted for at cost	-	646
Total other investments	277	1,151

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

As of December 31, 2006, the Company owned approximately 14.2% of the outstanding shares of Erdemir, a publicly-traded company located in Turkey (the largest iron and steel producer in the Republic of Turkey). In addition to its interest in Erdemir, the Company also owned stakes in the the following companies, which were also classified as available-for-sale securities as of December 31, 2006:

- Aços Villares (part of the Sidenor Group, producer of special steels and rolls for rolling mills, publicly traded on the Brazilian stock market).
- Fortis (international financial services provider engaged in banking and insurance, publicly traded on Amsterdam, Brussels and Luxembourg stock markets).
- Kiswire (special steel wire manufacturer whose shares are publicly traded on the South Korean stock market).

The change in fair value of available-for-sale securities for the period (unrealized gain of 16, net of income tax and minority interests) is recorded directly in shareholders' equity.

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties, all of which are associates and joint ventures of the Company, were as follows:

	Year ended December 31,		At December 31,	
	2005	2006	2005	2006
Transactions	**Sales**		**Receivables**	
Macsteel Int'l Holding & Subsidiaries	1,369	1,084	51	26
I/N Kote	361	380	4	13
Polski Koks	77	376	45	64
Coils Lamiere Nastri (CLA) SPA	-	221	-	143
Gonvarri Industrial SA	-	207	-	49
WDI	153	205	20	18
Zaklad	70	150	13	20
Straprofil	68	105	6	8
Sorevco	63	72	-	8
Lamines Marchands Europeens SA	-	55	-	28
Borecelik Celik Sanayii Ticret	-	52	-	20
Florin Centrum	23	50	4	12
Other	155	890	25	300
Total	2,339	3,847	168	709

	Year ended December 31,		At December 31,	
	2005	2006	2005	2006
	Purchases of raw material & others		**Payables**	
Polski Koks	217	258	50	56
E.I.M.P	188	255	-	-
Forges et Acieries de Dilinger	-	186	-	27
I/N Tek (Tolling charges)	144	166	1	10
Mac Steel Int'l Holding & Subsidiaries	-	106	-	-
Peña Colorada	53	66	27	27
PCI Associates (Tolling Fees)	54	65	(5)	-
Eko Recycling GmbH	-	62	-	17
Lindsay International (Pvt) Ltd.	57	36	6	3

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

	Year ended December 31,		At December 31,	
	2005	2006	2005	2006
	Purchases of raw material & others		Payables	
Polski Koks	217	258	50	
Orind Refractories & Subsidiaries	66	35	5	3
Other	135	505	41	376
Total	914	1,740	125	519

The Company's principal subsidiaries, categorized by operating segment and location, are as follows.

Name of Subsidiary	Abbreviation	Country
Flat Carbon Americas		
Companhia Siderúrgica de Tubarão S.A.	CST	Brazil
Dofasco Inc.	Dofasco	Canada
Mittal Steel Lázaro Cárdenas S.A. de C.V.	Mittal Steel Lázaro Cárdenas	Mexico
Mittal Steel USA Inc.	Mittal Steel USA	USA
Flat Carbon Europe		
Aceria Compacta de Bizkaia S.A.	Aceria Compacta de Bizkaia	Spain
Arcelor Atlantique et Lorraine SAS	Arcelor Atlantique et Lorraine	France
Arcelor Bremen GmbH	Arcelor Bremen	Germany
Arcelor Eisenhüttenstadt GmbH	Arcelor Eisenhüttenstadt	Germany
Arcelor España S.A.	Arcelor España	Spain
Arcelor Méditerranée SAS	Arcelor Méditerranée	France
Arcelor Steel Belgium N.V.	Arcelor Steel Belgium	Belgium
Arcelor Piombino S.p.a.	Arcelor Piombino	Italy
Cockerill Sambre S.A.	Cockerill Sambre	Belgium
Industeel Belgium S.A.	Industeel Belgium	Belgium
Industeel France S.A.	Industeel France	France
Mittal Steel Galati S.A.	Mittal Steel Galati	Romania
Mittal Steel Ostrava a.s.	Mittal Steel Ostrava	Czech Republic
Mittal Steel Poland S.A.	Mittal Steel Poland	Poland
Long Carbon Americas and Europe		
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
Arcelor Bergara, S.A.	Arcelor Bergara	Spain
Arcelor Huta Warszawa Sp.z.o.o.	Arcelor Huta Warszawa	Poland
Arcelor Madrid, S.L.	Arcelor Madrid	Spain
Arcelor Olaberría, S.L.	Arcelor Olaberría	Spain
Arcelor Profil Luxembourg S.A.	Arcelor Profil Luxembourg	Luxembourg
Arcelor Rodange S.A.	Arcelor Rodange	Luxembourg
Belgo Siderurgia S.A.	Belgo	Brazil
Mittal Canada Inc.	Mittal Canada	Canada
Mittal Steel Hamburg GmbH	Mittal Steel Hamburg	Germany
Mittal Steel Hochfeld GmbH[1]	Mittal Steel Hochfeld	Germany
Mittal Steel Ostrava a.s.	Mittal Steel Ostrava	Czech Republic
Mittal Steel Point Lisas Ltd.	Mittal Steel Point Lisas	Trinidad and Tobago
Mittal Steel Poland S.A.	Mittal Steel Poland	Poland
Mittal Steel Ruhrort GmbH[1]	Mittal Steel Ruhrort	Germany
Mittal Steel USA Inc.	Mittal Steel USA	USA

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

Name of Subsidiary	Abbreviation	Country
Asia, Africa and CIS (AACIS)		
JSC Mittal Steel Temirtau	Mittal Steel Temirtau	Kazakhstan
Mittal Steel Annaba Spa	Mittal Steel Annaba	Algeria
Mittal Steel Liberia Limited	Mittal Steel Liberia	Liberia
Mittal Steel South Africa Ltd.	Mittal Steel South Africa	South Africa
OJSC Mittal Steel Kryviy Rih	Mittal Steel Kryviy Rih	Ukraine
Société Nationale de Sidérurgie, S.A.	Sonasid	Morocco
Stainless Steel		
Acesita S.A.	Acesita	Brazil
Ugine & Alz Belgium N.V.	Ugine & Alz Belgium	Belgium
Ugine & Alz France S.A.	Ugine & Alz France	France
Arcelor Mittal Steel Solutions and Services (AM3S)		
Arcelor Construction France S.A.	Arcelor Construction France	France
Arcelor International America, LLC	Arcelor International America	USA
Arcelor Auto Processing France SAS	Arcelor Auto Processing France	France
Produits d'Usines Métallurgiques, Pum-Station Service Acier S.A.	Pum Service Acier	France
Ravené Schäfer GmbH	Ravené Schäfer	Germany

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to note 26 for disclosure of transactions with key management personnel.

NOTE 13: PAYABLE TO BANKS

Payable to banks, including the current portion of long-term debt, consisted of the following as of December 31, 2005 and 2006:

	2005	2006
Short term bank loans and other credit facilities	144	1,229
Current portion of long-term debt and lease obligations (see note 14)	190	3,693
	334	4,922

Payable to banks includes short term loans., overdrafts and commercial paper.

Multi-currency Letter of Credit Facility

On December 30, 2005 the Company entered into a multi-currency revolving letter of credit facility in an aggregate amount equal to 800 with a consortium of lenders. This facility is used by the Company and its subsidiaries for the issuance of letters of credit and financial guarantees. The terms of the letter of credit and financial guarantees contain certain restrictions as to duration.

Commercial paper

The Company assumed a commercial paper program from Arcelor enabling borrowings of up to €2,000 million (2,621).

Notes to the consolidated financial statements

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Senior Unsecured Notes

On April 14, 2004, Mittal Steel USA (formally ISG) issued 600 of senior, unsecured debt securities due in 2014. The debt securities bear interest at a rate of 6.5 % per annum and were issued at a discount of 5, which is amortized as interest expense over the life of the senior unsecured notes. On July 22, 2005, Mittal Steel USA repurchased 100 of unsecured notes leaving an outstanding balance of 500. These bonds are fully and unconditionally guaranteed by certain wholly-owned subsidiaries of Mittal Steel USA and, as of March 9, 2007, by Mittal Steel.

On October 1, 2001, Dofasco issued Canadian Dollar ("CAD") 125 million of 7.55 % unsecured, non-callable notes maturing October 1, 2008. On June 15, 2005, pursuant to the Short Form Shelf Prospectus dated November 24, 2004, Dofasco issued CAD 250.0 million of 4.961 % Series A Medium Term Notes. The unsecured, non-redeemable notes will mature June 15, 2017 with interest payable semi-annually on June 15 and December 15. The principal will be repaid in four equal annual installments of CAD 62.5 million commencing June 15, 2014.

Asset Acquisition Loans

In May 2005, ISG Inc. (since renamed Mittal Steel USA) took ownership of a coke oven battery at Burns Harbor that was previously leased under a capital lease. The related loan amounts to 140 as of December 31, 2006. CST, Vega do Sul and Belgo Mineira contracted loans mainly with Banco Nacional de Desenvolvimento and Banco Bradesco S.A. for a total amount of 489 in order to finance their expansion of capacity. Together the outstanding as at December 31, 2006 was 633 including accrued interest.

Other loans

The other loans relate mainly to loans contracted by Acesita, CST and Vega do Sul with different counterparties.

Redemptions

On August 18, 2006, Mittal Steel USA redeemed the 38 principal amount of its outstanding Pollution Control Revenue Bonds (Inland Steel Company Project No.13) Series 1996 at par.

On April 20, 2006, the Pension Benefit Guaranty Corporation converted the entire 35 outstanding principal amount plus accrued interest of the convertible note issued by ISG into 1,268,719 Class A common shares of Mittal Steel.

On April 1, 2006, Ispat Inland ULC redeemed the 150 floating rate notes. The floating rate notes were redeemed at a price of 103.0 % of the principal plus accrued interest.

On December 28, 2005, Ispat Inland redeemed the 23 principal amount of its outstanding City of East Chicago, Indiana Pollution Control Refunding Revenue Bonds (Inland Steel Company Project No. 10) Series 1993 at par plus accrued and unpaid interest and the 11 principal amount of its outstanding Indiana Development Finance Authority Pollution Control Refunding Revenue Bonds (Inland Steel Company Project No. 12) Series 1995 at 102 % plus accrued and unpaid interest. On February 1, 2006, Mittal Steel USA redeemed the 17 principal amount of its outstanding City of East Chicago, Indiana Pollution Control Revenue Bonds (Inland Steel Company Project No. 5) Series 1977 at par.

On October 5, 2005, Ispat Inland redeemed the 28 principal amount of its outstanding First Mortgage 7.9 % Bonds, Series R, due January 15, 2007 at par plus accrued and unpaid interest.

Contingent Liability

In 1998, Ispat Inland entered into an agreement with the PBGC to provide certain financial assurances with respect to its pension plan. Under the terms of this agreement, the PBGC was granted a first priority lien on certain assets and Ispat Inland was required to make certain minimum contributions to its pension plan. In 2003, the agreement was amended and under the amended terms, Ispat Inland contributed 175 in 2005 and pledged 160 of non-interest bearing First Mortgage Bonds. The agreement terminated on December 31, 2005 when Mittal Steel USA met certain financial measures but the pledge of the 160 of bonds continues until Mittal Steel USA meets certain other measures, including the funding level of its pension plan. Attorneys for the parties are finalizing documentation for the release of the first priority liens on the remaining assets.

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Europe

OCEANE 2017 3%
In December 2006, Arcelor completed the early redemption of Arcelor's OCEANEs. This early redemption was completed on December 15, 2006 in accordance with the terms and conditions of the OCEANEs set forth in the prospectus approved by the Luxembourg Commission de Surveillance du Secteur Financier on June 28, 2002, for cash equal to the principal amount of the OCEANEs plus the accrued and unpaid interest amounting to €0.27055 (0.35461) per OCEANE.

Senior Secured Notes
On December 19, 2005, Mittal Steel Europe called the outstanding amount of the euro-denominated senior secured notes due February 2011, which bore interest at 11.875 % per annum. The outstanding note was repaid on February 1, 2006 at 105.938 % of par value.

Debenture loans
In 2001, Usinor issued €600 in two tranches (€500 million on April 10 and €100 million on July 31). Both principal amounts of unsecured and unsubordinated fixed rated notes bear interest at 6.125 % (issued at 99.695 %) due April 10, 2008. On December 20, 2002, the general assembly of the bondholders approved the substitution of Arcelor Finance for Usinor as primary obligor under the outstanding bonds.

In 2003, Arcelor Finance issued €600 million,(€500 on September 24 and €100 million on December 4). Both principal amounts of unsecured and unsubordinated fixed rated notes bear interest at 5.125 % (issued at 99.536 %) due September 24, 2010. Both issuances were consolidated to form a single series.

On July 15, 2004, Arcelor Finance issued €100 million principal amount of unsecured and unsubordinated fixed rated notes bearing interest at 5.50 % (issued at 101.97 %) due July 15, 2014.

On November 7, 2004, Arcelor Finance issued €500 million principal amount of unsecured and unsubordinated fixed rated bonds bearing interest at 4.625 % (issued at 99.195 %) due November 7, 2014.

On December 10, 2004, Arcelor Finance issued €100 million principal amount of unsecured and unsubordinated fixed rated bonds bearing interest at 3.395 % (issued at 100.00 %) due December 10, 2014.

Other Loans
Between 2003 and 2006, Arcelor Finance issued €556 principal amount of loans maturing between 2008 and 2015. Interest rates are based on 3 month EURIBOR, 6 month EURIBOR, or 6 month LIBOR.
In 2006, Arcelor Ambalaj Celigi Sanayi ve Ticaret issued 19 principal amount of loan maturing in 2007 bearing interest at the 6 month LIBOR average.
€408 principal amount of loans maturing between 2008 and 2015 bearing interest between 3.75 % and 6.4 % were issued between 1996 and 2005. On December 31, 2006 367 was outstanding.

Asia & Africa

Mittal Steel Annaba has a 150 ten-year term loan agreement with the government of Algeria. The loan is guaranteed by Mittal Steel. The loan has been repaid in full during first quarter of 2007.

Other

Certain debt agreements of the Company or its subsidiaries provide for various covenants requiring certain consent from lenders in specified circumstances, to declare or pay any dividends, make certain restricted payments, incur additional indebtedness, make certain investments, create liens, guarantee indebtedness, sell or acquire assets with certain exceptions, enter into any merger or consolidation or reorganization, as well as require compliance with other financial maintenance

Notes to the consolidated financial statements

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tests, which includes financial ratios and minimum levels of net worth. The Company is in compliance with the financial covenants contained within the amended agreements related to all of its non-current borrowings.

Scheduled maturities of long-term debt including lease obligations at December 31, 2006 are as follows:

Year ended December 31,	
2007	3,693
2008	4,615
2009	4,239
2010	6,537
2011	3,797
Subsequent years	2,457
Total	25,338

NOTE 15: FINANCIAL INSTRUMENTS AND CREDIT RISK

Fair Value of Financial Instruments

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term nature of these instruments.

The Company's short and long-term debt consists of debt instruments which bear interest at fixed rates and variable rates tied to market indicators. The fair value of the Company's variable rate debt approximates its carrying amount given the floating rate nature of the debt. The fair value of fixed rate debt is based on estimated future cash flows discounted using the current market rates for debt of the same remaining maturities and credit risk.

The estimated fair values of the Company's short and long-term debt are as follows as of December 31, 2005 and 2006:

	2005		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Instruments payable bearing interest at variable rates	6,589	6,594	20,674	20,674
Instruments payable bearing interest at fixed rates	1,575	1,649	4,664	4,756
Long-term debt, including current portion	8,164	8,243	25,338	25,430
Payable to banks	144	144	1,229	1,229

Derivative Financial Instruments

The Company uses foreign currency exchange contracts to manage the risk of foreign currency fluctuations on projected cash flows relating to purchase and sales contracts.

The Company uses futures and swap contracts to manage fluctuations in the cost of input commodities in the steel-making process such as natural gas, electricity, oil and oil products and non-ferrous metals. Timing of these transactions corresponds to the expected need for the underlying physical commodity and is intended as a hedge.

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The effective portion of the unrealized gains or losses on cash flow hedges are recorded in equity and recorded in the income statement upon realization of the cash flows if they meet the criteria of IAS 39. Unrealized gains and losses on ineffectiveness were recognized immediately in earnings.

The amount of gains or losses reclassified from equity into earnings, as a result of the discontinuance of cash flow hedges, was not material.

Unrealized gains or losses from foreign currency derivatives and commodity swaps and options that do not qualify for hedge accounting are recognized in cost of sales or other operating expenses.

The amounts of derivative financial assets and liabilities (all classified as current) recognized in the balance sheet as of December 31, 2005 and 2006 are not material. These are all short-term.

Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Financial instruments that potentially subject the Company to credit risk primarily consist of trade accounts receivable and derivative contracts. The Company does not anticipate non-performance by counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company considers its credit risk associated with trade accounts receivable to be limited due to a large number of customers comprising the Company's customer base and their geographic dispersion. The Company sells a significant amount of products pursuant to orders throughout its main markets. The Company grants credit based on evaluations of its customers' financial situation, in certain cases, without requiring guarantees or letters of credit, and monitors the exposure of potential losses from granting credit. To reduce risk the Company routinely assesses the financial strength of its customers and as a consequence, believes that its accounts receivable credit risk exposure is limited. In addition, the Company has entered into insurance policies for a number of subsidiaries.

The counterparties to derivative contracts are generally major financial institutions and credit risk is generally limited to the unrealized gains and losses on such contracts should the counterparties fail to perform as contracted. The credit risk exposure to each counterparty is capped in function of its credit rating and our business volume. As a result, the Company considers the risk of counterparty default to be minimal.

NOTE 16: EQUITY

As at December 31, 2006, the authorized common shares of Mittal Steel consisted of 5,000,000,000 Class A common shares, par value of €0.01 per share, and 721,500,000 Class B common shares, par value of €0.01 per share. At December 31, 2006, 934,818,280 (December 31, 2005: 255,401,673) class A common shares and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were issued and 927,778,733 (December 31, 2005: 246,572,889) class A common shares (excluding treasury shares) and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were outstanding.

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The Company's share capital at December 31, 2006 is comprised as follows:

	Class A	Class B	Total
December 31, 2004	1	58	59
Acquisition of ISG	1	-	1
December 31, 2005	2	58	60
Voting right reduction	-	(52)	(52)
Acquisition of Arcelor	9	-	9
December 31, 2006	11	6	17

As of December 31, 2006, the preference and relative rights of the Mittal Steel Class A common shares and Mittal Steel Class B common shares are substantially identical except for conversion rights. Each Mittal Steel Class B common share is convertible, at the option of the holder, into one Mittal Steel Class A common share.

Under Mittal Steel's Articles of Association, each Mittal Steel Class B common share is convertible at any time and from time to time at the option of the holder thereof into one Mittal Steel Class A common share. The Mittal Steel Class A common shares have no conversion rights.

On August 1, 2006, Mittal Steel acquired 91.9% of the share capital of Arcelor (on a fully diluted basis). Through subsequent transactions, Mittal Steel increased its ownership to 94.2% of the issued and outstanding shares of Arcelor and 19.9 million of Arcelor's Convertible bonds. The acquisition was funded through a combination of cash and 680 million newly issued Class A common shares.

In September 2006, the nominal value of class B shares changed from €0.10 per share to €0.01 per share. This was approved by the shareholders during the shareholders meeting of June 30, 2006. At the same time the voting rights for Class B shares reduced from 10 votes per share to 1 vote per share.

At December 31, 2006, the Company held 7,039,547 of its own Class A shares which it purchased on the open market for aggregate consideration of 84 (at December 31, 2005—8,828,784 for aggregate consideration of 111). In 2006, the Company received 9 upon the exercise of options by employees.

Dividends

All calculations to determine the amounts available for dividends are based on Mittal Steel's Dutch statutory accounts, which are different from its consolidated accounts. Mittal Steel has no manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of (new) common shares. Certain of the Company's operating subsidiaries are subject to restrictions under the terms of their debt agreements with respect to the payment dividends. As a result, subsidiaries of Mittal Steel had 13.1 billion in retained earnings which are free of restriction for the payment of dividend at December 31, 2006. Dividends are payable by Mittal Steel in either U.S. Dollars or in Euros.

On September 27, 2006, Mittal Steel announced that its Board of Directors had agreed upon a new dividend and cash distribution policy. The new policy will be proposed to Mittal Steel's shareholders at the next general meeting. The new policy aims to return 30% of Mittal Steel's prior year's annual net income to shareholders every year through an annual base dividend, supplemented by share buy-backs. Mittal Steel's Board of Directors proposed an annual base dividend of $1.30 per share. This base dividend has been designed to provide a minimum payout per year and would rise in order to reflect Mittal Steel's underlying growth. Payment of this dividend will be made on a quarterly basis.

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In addition to this dividend, Mittal Steel's Board of Directors proposed a share buy-back program tailored to achieve the 30% distribution pay-out commitment. Based on the annual net income announced for the twelve months ended December 31, 2006, Mittal Steel will implement a 590 share buy-back and a cash dividend of approximately 1.8 billion. This new distribution policy will be implemented as of January 1, 2007 for the 2006 results, subject to shareholder approval.

Further to the September 27, 2006 announcement described above, Mittal Steel announced on April, 2, 2007, the commencement of a share buy-back program to repurchase up to a maximum aggregate amount of 590 of its class A common shares. It is Mittal Steel's intention to either use the repurchased class A common shares exclusively for future share issuances in view of current or future employee stock option plans and other allocations of shares to employees or cancel the repurchased class A common shares in due course. The share buy-back program will end at the earliest of (i) December 31, 2007 (provided that Mittal Steel's shareholders, at the annual general meeting of shareholders to be held on May 15, 2007, renew the current authorization for the Mittal Steel Board of Directors for a period of 18 months, ending on November 15, 2008), (ii) the moment on which the aggregate value of class A common shares repurchased by Mittal Steel since the start of this share buy-back program reaches 590, or (iii) the moment on which Mittal Steel and its subsidiaries hold ten percent of the total number of the then-issued class A and class B common shares.

The dividend for 2006 amounted to 522 (0.50 cents per share) and was paid during the year. On February 2, 2007 an interim dividend was declared of 0.325 cents per share or 452 in total.

Share Retention Agreements

Mittal Steel Temirtau has entered into share retention agreements with the European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), whereby until the date on which the EBRD and IFC loans have been repaid in full, Mittal Steel Temirtau's holding company or its nominee shall not, unless EBRD and IFC otherwise agree in writing, transfer, assign, pledge, dispose or encumber 67% of the share holding in Mittal Steel Temirtau.

The Company has pledged 20% of the outstanding shares of Mittal Steel Galati towards its commitment to pay the remaining purchase price owed to APAPS relating to the Company's acquisition of Mittal Steel Galati. Further, the Company has also pledged 50% of the outstanding shares of Mittal Steel Galati's towards the Company's ten-year capital expenditure commitment at Mittal Steel Galati which commenced November 2001.

The Company has pledged 44.8% of the outstanding shares of Mittal Steel Iasi towards its commitment to pay the remaining purchase price owed to APAPS relating to the Company's acquisition of Mittal Steel Iasi.

The Company has entered into a share pledge agreement with APAPS for 51.1% of its share holding in Mittal Steel Roman's share capital with respect to its commitment to pay the purchase price for Mittal Steel Roman. The Company has also entered into a share pledge agreement with APAPS for 49.9% of its share holding in Mittal Steel Roman's share capital towards its capital expenditure commitment for five years commencing December 2003.

The Company has entered into a share pledge agreement with APAPS for 1.4% of its share holding in Mittal Steel Hunedoara's share capital with respect to its commitment to pay the purchase price for Mittal Steel Hunedoara. The Company has also entered into a share pledge agreement with APAPS for 51.7% of its share holding in Mittal Steel Hunedoara's share capital towards its capital expenditure commitment for five years commencing April 2004.

The Company has entered into a share retention agreement with IFC to retain at least 51% of the registered share hol ding in Mittal Steel Annaba with respect to the commitment for repayment of loans to IFC by Mittal Steel Annaba.

The Company is obliged to establish a registered pledge in favor of the State Treasury of Poland over such number of the Company's shares of Mittal Steel Poland which is equal to the difference between: (i) the number of shares in the Company held by MSH and (ii) 50% of the Company's shares plus one share. As a result, the number of the shares to be pledged equals to 32,440,972 shares, which constitutes about 12.17% of the entire Company's share capital and about 19.58% of all shares/capital held by the Company.

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Stock Option Plan

In 1999, the Company established the Mittal Steel Global Stock Option Plan ("MittalShares"). Under the terms of MittalShares, Mittal Steel may grant options to purchase common stock to senior management of Mittal Steel and its associates for up to 20,000,000 shares of common stock (increased from 6,000,000 shares to 10,000,000 shares of common stock after shareholder approval in 2003 and increased from 10,000,000 shares to 20,000,000 shares of common stock after shareholder approval in 2006). The exercise price of each option equals not less than the fair market value of Mittal Steel stock on the grant date, with a maximum term of 10 years. Options are granted at the discretion of the Mittal Steel's Appointments, Remuneration and Corporate Governance Committee or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant.

On August 23, 2005, Mittal Steel granted 3,908,773 options to a group of key employees at an exercise price of 28.75. The options expire on August 23, 2015.

On September 1, 2006, Mittal Steel granted 3,999,223 options to a group of key employees at an exercise price of 33.755. The options expire on September 1, 2016.

Pursuant to the transitional provisions of IFRS 2, "Share-Based Payments", only options granted after November 7, 2002 were recognized as an expense at their fair value. The Company determines the fair value of the options at the date of grant using the Black-Scholes model. The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of income over the relevant resting or service periods, adjusted to reflect actual and expected levels of vesting.

The fair value of each option grant to purchase Mittal Steel common shares is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions (based on year of grant):

	Year of grant	
	2005	**2006**
Exercise price	28.75	33.76
Dividend yield	1.44%	1.45%
Expected annualized volatility	52%	60%
Discount rate - Bond equivalent yield	4.50%	4.63%
Weighted average share price	28.75	33.76
Expected life in years	6	6
Fair value of options (per share)	13	30

The expected life of the options is estimated by observing general option holder behaviour and actual historical lives of Mittal Steel stock option plans. In addition, the expected annualized volatility has been set by reference to the implied volatility of options available on Mittal Steel shares in the open market, as well as, historical patterns of volatility.

The compensation expense recognized for stock option plans was 9, and 28 for each of the years ended December 31, 2005, and 2006, respectively.

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Option activity with respect to MittalShares is summarized below as of and for each of the years ended December 31, 2005, and 2006:

	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2004	1,711,216	2.26 - 11.94	6.72
Granted	3,908,773	28.75	28.75
Exercised	(351,850)	2.26 – 11.94	5.87
Forfeitures	(210,833)	2.26 – 28.75	27.87
Outstanding, December 31, 2005	5,057,306	2.26 - 28.75	22.92
Granted	3,999,223	33.76	33.76
Exercised	(523,304)	2.26 –28.75	17.83
Cancelled	(4,000)	8.57 – 11.95	10.26
Forfeitures	(78,257)	33.76	33.76
Outstanding, December 31, 2006	8,450,968	2.26 – 33.76	28.27
Exercisable, December 31, 2006	2,062,787	2.26 - 28.75	17.27
Exercisable, December 31, 2005	1,352,366	2.26 - 28.75	6.96

The following table summarizes information about stock options as of December 31, 2006:

Options Outstanding

Exercise Prices	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
11.94	315,599	2.71	315,599
8.57	330,100	3.42	330,100
2.26	442,118	5.27	442,118
28.75	3,442,185	8.65	974,970
33.76	3,920,966	9.67	-
2.26 – 33.76	8,450,968	8.52	2,062,787

In addition, Arcelor S.A. has stock option plans with 1,485,393 options outstanding as of December 31, 2006 with an exercise price ranging from €9.67 to €34.43 per option. The Company recorded compensation expense of 4 with respect to these stock option plans during 2006.

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NOTE 17: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2005 and 2006 is as follows:

	2005	2006
Recognized in profit and loss		
Interest expense	(503)	(1,124)
Interest income	110	251
Net foreign exchange result	40	340
Change in fair value of derivatives	-	(11)
Other net financing costs	-	(110)
Total net financing costs recognized in profit and loss	**(353)**	**(654)**
Recognized in equity		
Net change in fair value of available for sale financial assets	87	16
Effective portion of changes in fair value of cash flow hedge	(10)	(16)
Foreign currency translation differences for foreign operations	(758)	826
Total net financing costs recognized in equity	**(681)**	**826**

NOTE 18: PENSIONS AND OTHER POST-EMPLOYMENT PLANS

Arcelor Mittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer post-employment benefits, including post-employment health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as the discount rate, expected wage increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect recognized expense and the recorded obligation in future periods. The total accumulated unrecognized losses amounted to 901 for pensions and 389 for other post retirement benefits as of December 31, 2006.

A summary of the significant defined benefit plans is as follows:

Americas

U.S.

Mittal Steel USA's Pension Plan and Pension Trust is a non-contributory defined benefit plan covering approximately 40 % of its employees. Benefits for most non-represented employees are determined under a "Cash Balance" formula as an account balance which grows as a result of interest credits and of allocations based on a percentage of pay. Benefits for other non-represented salaried employees are determined as a monthly benefit at retirement depending on final pay and service. Benefits for wage and salaried employees represented by the United Steelworkers of America are determined as a monthly benefit at retirement based on fixed rate and service.

The Company also has established defined contribution benefit trusts to fund pensions and retiree medical and death benefits as well as qualified savings plans. The amount recognized as expense for the defined contribution plans to 123 and 232 for the years ended December 31, 2005, and 2006, respectively.

Canada

The primary pension plans are the ones from Hamilton and QCM. The Hamilton pension plan is a hybrid plan providing the better of a defined benefit and defined contribution pension. The defined contribution component is financed by both employer and employee contributions. The employer also contributes a percentage of profits in the defined contribution

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plan. The QCM defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on employee length of service.

Brazil

The primary defined benefit plans, financed through trusted funds, have been closed to new entrants. Brazilian entities have all established defined contribution plans that are financed by employer and employee contributions.

Europe

Certain European Operating Subsidiaries maintain primarily unfunded defined benefit pension plans for a certain number of employees the benefits of which are based on such employees' length of service and applicable pension table under the terms of individual agreements. Some of these unfunded plans have been closed to new entrants and replaced for active members by defined contributions pension plans financed by employer and employee contributions

A limited number of funded defined benefit plans are in place in countries where funding collective company pension plans is mandatory.

Plan Assets

The weighted-average asset allocations for the Funded Pension Plans at December 31 2005, and 2006, by asset category are as follows:

	December 31, 2005			December 31, 2006				
	U.S.	CANADA	OTHERS	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	62%	61%	49%	62%	56%	9%	18%	40%
Fixed Income (including cash)	17%	39%	38%	17%	38%	89%	73%	47%
Real Estate	21%	-	-	21%	-	-	-	-
Other	-	-	13%	-	6%	2%	9%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%

The respective Finance and Retirement Committees of the Board of Directors have general supervisory authority over the respective trust funds. These committees have established the following asset allocation targets:

	December 31, 2006				
	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	63%	60%	20%	20%	49%
Fixed Income (including cash)	23%	40%	80%	80%	38%
Real Estate	14%	-	-	-	-
Other	-	-	-	-	13%
Total	100%	100%	100%	100%	100%

Summary of changes in the benefit obligation and of the change in plan assets:

	December 31, 2005				
Change in benefit obligation	TOTAL	U.S.	CANADA	EUROPE	OTHER
Benefit obligation at beginning of the period	3,268	2,672	463	71	62
Business combinations	134	134	-	-	-
Service cost	52	38	9	2	3
Interest cost	195	160	28	3	4
Plan participants' contribution	2	-	1	-	1
Actuarial loss	246	179	62	5	-
Benefits paid	(243)	(218)	(21)	(2)	(2)
Foreign currency exchange rate differences	9	-	19	(10)	-
Benefit obligation at end of the period	3,663	2,965	561	69	68

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Change in plan assets					
Fair value of plan assets at beginning of the period	2,327	1,923	304	-	100
Business combinations	69	69	-	-	-
Expected return on plan assets	212	180	24	-	8
Actuarial gain (loss)	32	25	12	-	(5)
Employer contribution	202	182	17	2	1
Plan participants' contribution	2	-	1	-	1
Benefits paid	(243)	(218)	(21)	(2)	(2)
Foreign currency exchange rate differences	11	-	11	-	-
Fair value of plan assets at end of the period	**2,612**	**2,161**	**348**	**-**	**103**
(Unfunded) funded status of the plans	(1,051)	(804)	(213)	(69)	35
Unrecognized net actuarial loss (gain)	1,103	971	154	-	(22)
Unrecognized transition asset	(1)	-	-	-	(1)
Unrecognized post service cost	92	-	84	-	8
Net amount recognized	**143**	**167**	**25**	**(69)**	**20**

	December 31, 2006					
Change in benefit obligation	**TOTAL**	**U.S.**	**CANADA**	**BRAZIL**	**EUROPE**	**OTHER**
Benefit obligation at beginning of the period	3,663	2,965	561	-	69	68
Business combinations	4,762	19	2,165	461	2,117	-
Service cost	103	38	41	4	17	3
Interest cost	319	168	84	20	42	5
Plan amendments	(1)	3	(1)	-	(3)	-
Plan participants' contribution	3	-	1	1	-	1
Curtailments and settlements	(14)	(14)	-	-	-	-
Actuarial loss	151	114	27	1	6	3
Benefits paid	(382)	(218)	(69)	(11)	(82)	(2)
Foreign currency exchange rate differences	(12)	-	(79)	5	62	-
Benefit obligation at end of the period	**8,592**	**3,075**	**2,730**	**481**	**2,228**	**78**
Change in plan assets						
Fair value of plan assets at beginning of the period	2,611	2,161	348	-	-	102
Business combinations	2,828	12	1,771	520	525	-
Expected return on plan assets	338	206	87	27	9	9
Actuarial gain (loss)	154	123	39	3	1	(12)
Employer contribution	181	64	83	5	28	1
Plan participants' contribution	3	-	1	1	-	1
Curtailments and settlements	(13)	(13)	-	-	-	-
Benefits paid	(326)	(218)	(69)	(11)	(26)	(2)
Foreign currency exchange rate differences	(47)	-	(67)	6	14	-
Fair value of plan assets at end of the period	**5,729**	**2,335**	**2,193**	**551**	**551**	**99**
(Unfunded) funded status of the plans	(2,863)	(740)	(537)	70	(1,677)	21
Unrecognized net actuarial loss (gain)	901	891	5	(3)	4	4
Unrecognized transition asset	-	-	-	-	-	-
Unrecognized past service cost	(70)	-	-	(70)	-	-
Employer Contribution after measurement date	6	-	6	-	-	-
Net amount recognized	**(2,026)**	**151**	**(526)**	**(3)**	**(1,673)**	**25**

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Asset Ceiling
The amount not recognized in the fair value of plan assets due to the asset ceiling was nil and 5 at December 31, 2005 and 2006 respectively.

Accumulated Benefit Obligation
The accumulated benefit obligation for all defined benefit pension plans was 3,584 and 7,972 at December 31, 2005 and 2006, respectively

Information for pension plans with accumulated benefit obligations in excess of plan assets:

	December 31, 2005			
	TOTAL	U.S.	CANADA	EUROPE
Projected benefit obligation	3,595	2,965	561	69
Accumulated benefit obligation	3,584	2,942	559	83
Fair value of plan assets	2,509	2,161	348	-

	December 31, 2006			
	TOTAL	U.S.	CANADA	EUROPE
Projected benefit obligation	8,033	3,075	2,730	2,228
Accumulated benefit obligation	7,972	3,049	2,697	2,226
Fair value of plan assets	5,079	2,335	2,193	551

The following table details the components of net periodic pension cost

	December 31, 2005				
	TOTAL	U.S.	CANADA	EUROPE	OTHER
Net periodic cost (benefit)					
Service cost	51	38	9	1	3
Interest cost	195	160	28	3	4
Expected return on plan assets	(212)	(180)	(24)	-	(8)
Amortization of past service cost	38	-	38	-	-
Amortization of net (gain) loss	52	55	1	(3)	(1)
	124	73	52	1	(2)

	December 31, 2006					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Net periodic cost (benefit)						
Service cost	102	38	41	3	17	3
Interest cost	320	168	84	20	43	5
Expected return on plan assets	(338)	(206)	(87)	(27)	(9)	(9)
Effect of asset ceiling	5	-	-	5	-	-
Curtailments and settlements	2	2	-	-	-	-
Amortization of past service cost	6	-	6	-	-	-
Amortization of net (gain) loss	76	69	6	1	-	-
	173	71	50	2	51	(1)

Post-employment benefits
Arcelor Mittal's Operating Subsidiaries in the U.S., Canada and Europe provide post-employment benefits, including medical benefits and life insurance benefits to retirees. Substantially all of the U.S. Operating Subsidiary's employees are covered under post-employment life insurance and medical benefit plans that require deductible and co-insurance payments from retirees. The post-employment life insurance benefit formula used in the determination of post- employment benefit cost is primarily based on applicable annual earnings at retirement for salaried employees and specific amounts for

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hourly employees. The U.S. Operating Subsidiary does not pre-fund most of these post- employment benefits. Effective January 1, 1994, a Voluntary Employee Benefit Association Trust was established for payment of health care benefits to United Steel Workers of America. Funding of the Trust is made as claims are submitted for payment.

Summary of changes in the post employment benefit obligation and the change in plan assets:

	December 31, 2005				
	TOTAL	**U.S.**	**CANADA**	**EUROPE**	**OTHER**
Change in post-employment benefit obligation					
Benefit obligation at beginning of period	937	882	25	4	26
Business combinations	315	315	-	-	-
Service cost	12	12	-	-	-
Interest cost	66	64	1	-	1
Plan amendment	(279)	(279)	-	-	-
Actuarial loss (gain)	57	56	4	(2)	(1)
Benefits paid	(78)	(75)	(2)	-	(1)
Foreign currency exchange rate changes	(2)	-	1	-	(3)
Benefits obligation at end of period	**1,028**	**975**	**29**	**2**	**22**
Fair value of assets (from acquisition)	23	23	-	-	-
Funded (unfunded)status of the plans	**(1,005)**	**(952)**	**(29)**	**(2)**	**(22)**
Unrecognized net loss	180	167	13	-	-
Unrecognized past service cost (benefit)	(154)	(41)	(113)	-	-
Net amount recognized	**(979)**	**(826)**	**(129)**	**(2)**	**(22)**

	December 31, 2006					
	TOTAL	**USA**	**CANADA**	**BRAZIL**	**EUROPE**	**OTHER**
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	1,028	975	29	-	2	22
Business combinations	1,377	3	897	7	468	2
Service cost	30	9	9	-	8	4
Interest cost	92	54	27	-	9	2
Plan amendment	(5)	-	(2)	-	(3)	-
Actuarial loss (gain)	227	207	22	-	(2)	-
Benefits paid	(116)	(79)	(15)	(1)	(20)	(1)
Foreign currency exchange rate changes	(19)	-	(32)	-	12	1
Benefits obligation at end of period	**2,614**	**1,169**	**935**	**6**	**474**	**30**
Fair value of assets (from acquisition)	48	32	1	-	15	-
Funded (unfunded)status of the plans	**(2,566)**	**(1,137)**	**(934)**	**(6)**	**(459)**	**(30)**
Unrecognized net loss	389	362	32	-	(5)	-
Unrecognized past service cost (benefit)	(38)	(33)	(2)	-	(3)	-
Net amount recognized	**(2,215)**	**(808)**	**(904)**	**(6)**	**(467)**	**(30)**

The net periodic post-employment cost:

	December 31, 2005				
Components of net periodic cost (benefit)	**TOTAL**	**USA**	**CANADA**	**EUROPE**	**OTHER**
Service cost	12	12	-	-	-
Interest cost	66	63	2	1	-
Expected return on plan assets	(1)	(1)	-	-	-
Amortization of past service cost	(288)	(5)	(283)	-	-
Amortization of net (gain)	(1)	1	-	(1)	(1)
Net periodic benefit cost	**(212)**	**70**	**(281)**	**-**	**(1)**

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		December 31, 2006				
Components of net periodic cost (benefit)	**TOTAL**	**USA**	**CANADA**	**BRAZIL**	**EUROPE**	**OTHER**
Service cost	25	9	9	-	5	2
Interest cost	91	55	27	-	7	2
Expected return on plan assets	(2)	(2)	-	-	-	-
Amortization of past service cost	(8)	(8)	-	-	-	-
Amortization of net (gain)	12	12	-	-	-	-
Net periodic benefit cost	**118**	**66**	**36**	-	**12**	**4**

Weighted-average assumptions used to determine benefit obligations at December 31,

	Pension Benefits		Other Benefits	
	2005	**2006**	**2005**	**2006**
Discount rate	4.25%-7.75%	4.43%-10.97%	4.25%-7.25%	4.5%-8.75%
Rate of compensation increase	2% – 8%	2.22%-7.5%	2% - 8%	3%-7.5%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31,

	Pension Benefits		Other Benefits	
	2005	**2006**	**2005**	**2006**
Discount rate	4.25%-7.75%	4.43%-10.97%	4.25%-7.75%	4.5%-8.75%
Rate of compensation increase	2% – 8%	2.22%-7.5%	2% – 8%	3%-7.5%
Expected long-term rate of return on plan assets	6.5% - 9%	3.54%-12.71%	6.5% - 9%	5%-10%

An increase of 1% in the discount rate would decrease the pension obligation by 620 and the annual net periodic cost by 22. It would decrease the post employment benefit obligation by 365 and the annual net periodic cost by 5. A 1% decrease would increase the pension obligation by 703 and the annual net periodic cost by 18. It would increase the post employment benefit obligation by 586 and the annual net periodic cost by 6.

Health Care Cost trend

	December 31,	
	2005	**2006**
Health care cost trend rate assumed for next year	4.5% -11.2%	2.03%-10.7%

An increase of 1% in the health care cost trend rate would increase the post employment benefit obligation by 160 and the annual net periodic cost by 7. A 1% decrease would reduce the post-employment benefit obligation by 136 and the annual net periodic cost by 6.

Cash Flows

Contributions

The Company expects to contribute 414 to defined benefit pension plans in 2007. This includes an expected contribution of about 260 to the US Trust in 2006 pursuant to ERISA minimum funding requirements.

Estimated Future Pension and Post-Employment Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

Expected benefit payments	Years ended December 31					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
2007	628	309	101	12	46	160
2008	632	321	106	12	46	147
2009	649	333	109	12	46	149
2010	649	334	113	12	45	145
2011	654	339	117	12	47	139
Five years thereafter	3,415	1,702	640	63	241	769

Total long-term employee benefits

Together with plans and obligations that do not constitute pension or other post employment benefits the total long-term employee benefits are as follows:

	At December 31,	
	2005	2006
Pension obligation	(143)	2,026
Other post-employment benefit obligation	979	2,215
Provision for early retirement	-	610
Other long-term employee benefits (jubilee, leave, compensation)	218	434
	1,054	5,285

NOTE 19: INCOME TAX EXPENSE

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2005 and 2006, respectively, is summarized as follows:

	Year ended December 31,	
	2005	2006
Total current income tax expense	663	1,267
Total deferred tax expense (benefit)	218	(158)
Total income tax expense	**881**	**1,109**

The following table reconciles the income tax expense (benefit) to the statutory tax expense as calculated:

	Year ended December 31,	
	2005	2006
Net income:	3,301	5,226
Minority interest	494	860
Income from equity method investments	(86)	(301)
Income tax expense	881	1,109
Income before tax and income from equity method investments:	**4,590**	**6,894**
Tax at the domestic rates applicable to profits in the countries	1,008	1,656
Permanent items	136	56
Benefit arising from interest in partnership	(39)	(34)
Rate change	(22)	6
Change in measurement of deferred tax assets	(28)	(43)
Re-characterization of capital loss to ordinary loss	(226)	(211)
Benefit of tax holiday	(21)	(14)
Effects on foreign currency translation	10	(51)
Foreign exchange loss on Canadian dollar currency swap	—	(57)

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

	Year ended December 31, 2005	2006
Tax deduction	—	(42)
Tax credits	—	(41)
Other taxes	54	31
Others	9	(147)
Income tax expense	881	1,109

During 2004, our Mexican Operating Subsidiary, in two separate transactions, transferred shares of two of its subsidiaries and realized capital losses for tax purposes of approximately 755 and 668, respectively. At December 31, 2005, deferred tax assets of 226 related to the capital loss of 755 were recognized based on the decision of the Mexican federal court to allow utilization of such capital loss against operating income.

At Mittal Steel Lázaro Cárdenas, the Mexican federal court approved a petition in 2006 to utilize 668 loss against operating income. Since the loss was incurred in 2004 and it was denominated in Mexican Pesos, fluctuations in currency exchange rate along with annual inflationary adjustments, resulted in an increase in the US dollar equivalent value of the loss from 668 to 729. Accordingly, a deferred tax asset of 211 was recognized in 2006.

The tax deduction relates to federal governmental incentives granted to our subsidiary CST in Brazil as part of a program to promote the development of the Brazilian northeast region including part of Espirito Santo state. The tax credits are attributable to our operating subsidiaries in Spain. They relate to credits claimed on capital gain reinvested in fixed assets and research and development credit.

Deferred Income Tax

Deferred tax assets and (liabilities) are summarized as follows:

	December 31, 2005	2006
Net deferred tax assets/liabilities consists of the following:		
Property, plant and equipment	(3,072)	(9,152)
Tax loss carried forward	422	2,175
Provision: employee benefits	351	1,092
Inventories	-	(96)
Provision: other	317	359
Other liabilities	126	18
Total net deferred tax liabilities	**(1,856)**	**(5,604)**

Mittal Steel had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 1,468 as of December 31, 2006 (163 as of December 31, 2005). As per December 31, 2006, most of these temporary differences relate to tax loss carry forwards attributable to our operating subsidiaries in Brazil, Belgium, Luxembourg and the U.S. The majority of unrecognized tax losses have no expiration date. The utilization of tax loss carry forwards is, however, restricted to the taxable income of the subsidiary generating the losses.
At December 31, 2006, based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary timing differences are anticipated to reverse, management believes it is more likely than not that Mittal Steel will realize the benefits of the deferred tax assets recognized. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Mittal Steel has not provided any deferred income taxes on the undistributed earnings of its foreign subsidiaries based upon its determination that such earnings will be indefinitely reinvested. If such earnings were not considered indefinitely reinvested, deferred foreign income taxes would have been provided, after consideration of estimated foreign

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tax credits. However, determination of the amount of deferred foreign income taxes on reinvested earnings is not practicable.

Secondary Taxation on Companies ("STC") is a tax levied on South African companies at a rate of 12.5% of dividends distributed. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. On declaration of a dividend, the South African Operating Subsidiary includes the tax of 12.5% in its computation of the income tax expense. If the South African Operating Subsidiary distributed all of its undistributed retained earnings, of which 1,954 and 2,267 in 2005 and 2006, respectively, would be subject to STC, additional taxes of 217 and 252 (or 206 if the dividend is declared after October 1, 2007, since the tax rate will be reduced to 10%) in 2005 and 2006, respectively, would be owed. STC on dividends declared in 2005 and 2006 were 29.8 and 23.9, respectively and are included in "Other Taxes" in the effective rate reconciliation.

As provided in certain agreements related to acquisitions and capital investments undertaken by the Company, income from operating activities in certain countries is subject to reduced tax rates, or, in some cases is wholly exempt from taxes. Such arrangements expire over various fiscal years through 2011.

The Kazakhstan Operating Subsidiary and the Government of Kazakhstan signed an agreement that fixed its corporate income tax payments for the years 2005 through 2009. The fixed corporate income tax payments are dependent upon the Kazakhstan Operating Subsidiary's completion of required capital investments by December 31, 2004, which was subsequently extended to December 31, 2006. As per December 31, 2006, Kazakhstan Operating Subsidiary has fulfilled the requirement of capital investments.

Tax loss carry forward position

At December 31, 2006, the Company had total estimated net tax loss carry forwards of 9,019.

Such amount includes net operating losses of 2,425 primarily related to Operating Subsidiaries in the United States, Spain, Canada and Mexico which expire as follows:

Year Expiring	
2007	60
2008	70
2009	44
2010	82
2011	40
2012	38
2013	50
2014	713
2015	37
2016	112
2017	69
2018	89
2019	93
2020	149
2021	301
2022	37
2023	272
2024	73
2025	1
2026	95
Total	**2,425**

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The remaining tax loss carry forwards of 6,594 are indefinite and attributable to the Company's operations in Luxembourg, Belgium, Germany, Brazil, France, Trinidad and Tobago and South Africa.

Tax loss carry forwards are denominated in the currency of the countries in which the respective subsidiaries are located and operate. Fluctuations in currency exchange rates could reduce the U.S. Dollar equivalent value of these tax loss carry forwards in future years.

NOTE 20: PROVISIONS AND ALLOWANCES

The movements by provision are as follows:

	Balance at December 31,2005	Additions	deductions/ Releases	Acquisitions	Foreign currency and other movenments	Balance December 31,2006
Environmental (see note 23)	442	118	(91)	319	39	827
Asset retirement obligations	198	2	(33)	-	2	169
Restructuring*	80	20	(41)	130	(8)	181
Litigation	-	65	(129)	545	(47)	434
Other**	-	268	(218)	680	108	838
	720	473	(512)	1,674	94	2,449
Short-term provisions	109					569
Long-term provisions	611					1,880
	720					2,449

	Balance at December 31,2004	Additions	deductions/ Releases	Acquisitions	Foreign currency and other movenments	Balance December 31,2005
Environmental (see note 23)	199	75	(46)	232	(18)	442
Asset retirement obligations	114	5	(13)	100	(8)	198
Restructuring	119	30	(61)	-	(8)	80
	432	110	(120)	332	(34)	720
Short-term provisions	159					109
Long-term provisions	273					611
	432					720

The provisions will be used in a period of 2 to 4 years; for the environmental provisions until 20 years.

***Employee termination cost**

As of December 31, 2006, included in the restructuring contingency above is a liability for employee termination cost with regard to the Polish Operating Subsidiary of 80. Prior to the acquisition of the controlling interest in Mittal Steel Poland, this company entered into a head-count reduction plan in order to comply with the Act on Restructuring of Polish Steel Industry dated August 12, 2001 and Protocol 8 of the Republic of Poland Accession Treaty to the European Union.

Notes to the consolidated financial statements

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As part of the acquisition of the controlling interest in Mittal Steel Poland, the Company agreed to provide certain entitlements for personnel whose employment with the Company will be terminated in conjunction with required restructuring plans. In total, the Company plans on terminating approximately 3,500 employees under the head-count reduction plan. The total cost expected to be incurred relating to this head-count reduction plan has been recorded at its present value as part of the Company's initial purchase price allocation of its acquisition of Mittal Steel Poland.

The components of the accrued employee termination cost are as follows:

	December 31,	
	2005	**2006**
Beginning balance at December 31	106	72
Cash payments	(52)	(35)
Reassessment	26	35
Foreign currency exchange	(8)	8
Balance as of December 31	72	80

**Other

Other includes provisions for warranties and guarantees as well as other disputes, losses on onerous contracts and provisions for disputes with local and/or national authorities.

Valuation and Qualifying Accounts

	Balance at December 31, 2005	Additions	Deductions Releases	Acquisitions	Balance at December 31, 2006
Allowance for doubtful accounts	241	241	(238)	184	428
Inventory obsolescence	269	179	(140)	51	359

	Balance at December 31, 2004	Additions	Deductions Releases	Acquisitions	Balance at December 31, 2005
Allowance for doubtful accounts	267	23	(105)	56	241
Inventory obsolescence	244	58	(33)	-	269

NOTE 21: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following at December 31:

	December 31,	
	2005	**2006**
Advances from customers	140	625
Accrued payroll and employee related expenses	471	2,238
Dividends payable	-	107
Financial instruments	7	501
Other trade accounts payable to affiliates	121	177
Polish government dues	-	131
Taxes payable	-	762
Other creditors	1,430	3,038
Total	2,169	7,579

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NOTE 22: COMMITMENTS

Operating leases

Mittal Steel leases various facilities, land and equipment under non-cancellable lease arrangements. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases. Future minimum lease payments required under operating leases that have initial or remaining non-cancellable terms in excess of one year are as follows:

Year ending	
2007	108
2008	98
2009	77
2010	67
2011	36
Thereafter	178
Total minimum lease payments	564

Rent expense was 82 and 226 for the years ended December 31, 2005 and 2006, respectively.

Commitments given

	2006
Purchase commitments	31,274
Capital commitments	3,297
Property pledged and guarantees	2,927
Guarantees on third-party financial loans and credit lines	782
Other guarantees	1,406
Other commitments given	190
Total commitments given	39,876

Commitments received

	2006
Endorsements and guarantees received from non-consolidated companies	486
Other commitments received	1,839
Total commitments received	2,325

Purchase commitments

Mittal Steel USA entered into various supply agreements and tolling arrangements for services, utilities, natural gas, transportation, industrial gases and certain raw materials.

One of these agreements is an umbrella agreement with Cleveland Cliffs Inc, dated March 1, 2007, that covers significant price and volume matters under three separate pre-existing iron ore pellet supply agreements with Cleveland Cliffs Inc. for Mittal Steel USA's Cleveland and Indiana Harbor West, Indiana Harbor East and Weirton facilities. Under the terms of the umbrella agreement, the three agreements are modified to aggregate Mittal Steel USA's purchases during the years 2006 through and including 2010. During this period, Mittal Steel USA is obligated to purchase specified minimum tonnages of iron ore pellets on an aggregate basis.

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In February 2005 Mittal Steel Duisburg signed an agreement with ThyssenKrupp Stahl AG for the purchase of between 1.3 - 1.5 million tonnes of hot metal each year for a 20 year term commencing October 2007.

Mittal Steel Lázaro Cárdenas has committed through 2010 for the supply of 500,000 tons per year of pellet feed.

Arcelor Mittal Purchasing SAS has entered into contracts extending to 2010 for the purchase of iron ore (approximately 260 million tons), coking coal (approximately 515 million tons), PCI (approximately 300 million tons), anthracite (approximately 90 million tons) and coke (approximately 1,150 million tons) at specified prices per tonne for 2006 and thereafter at prices to be agreed in accordance with specified formulae, in line with customary international practice for the sale and purchase of these materials.

Arcelor Mittal Purchasing SAS has also entered into energy contracts for the purchase of 876 GWH per year based on competitive price formulae as well as freight contracts through 2010 for a total volume of 208 million tons.

Significant Capital Commitments

Mittal Steel Kryviy Rih has committed to invest at least 500 through 2010, which includes certain innovation, investment and environment-related "undertakings".

Mittal Steel Poland committed to make capital expenditures of 587 through December 2009. Through December 31, 2006, Mittal Steel Poland has spent 434 towards this commitment.

Mittal Steel Ostrava has committed to invest 243 including 20 for environmental investment, from 2003 to 2012, out of which 135 is to be invested by 2007. Mittal Steel Ostrava has spent 99 through December 31, 2006 towards this commitment.

Mittal Steel Galati has committed to invest approximately 251 from November 2001 through December 2006, of which 76 is to be used for environmental projects, as well as a further 100 in capital expenditures from 2007 through 2011.
Mittal Steel Zenica has committed to invest 135 (including environmental protection) at Mittal Steel Zenica over a ten year period ending in 2014. The amount committed to be spent is 65 over the first three years, 35 over the next three years, and 35 over the final four years. Mittal Steel Zenica has spent nil through December 31, 2006.

On December 26, 2001, Mittal Steel Temirtau had signed a contract with the Committee on Investments of the Ministry of Foreign Affairs of the Republic of Kazakhstan. Under this contract the Company, subject to market conditions, is required to invest in projects totaling 580 through 2006. The Company has invested 584 through December 31, 2006. Other capital commitments outstanding against major contracts as of December 31, 2006 totaled 50.

In addition to these specific capital commitments associated primarily with Sale Purchase Agreements at the time of acquisitions, Mittal Steel entered into various capital commitments for PP&E in the ordinary course of business.

Property pledged and guarantees

Property pledges and guarantees mainly relate to mortgages entered into by the Company's Operating Subsidiaries in the Americas and guarantees issued in respect of external debt financing.

Guarantees on third party financial loans and credit lines

Guarantees on third-party loans consist of guarantees hedging financial loans and credit lines granted to non-consolidated subsidiaries and subsidiaries accounted for using the equity method, primarily by Mittal Steel USA.

In the ordinary course of its business, Mittal Steel USA has guaranteed certain debts of its subsidiaries amounting to 458.

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Other guarantees

Other guarantees consist of letters of credit in the ordinary course of business, guarantees provided to governmental authorities such as customs authorities and for advances received.

Other commitments given

Other commitments given comprise commitments incurred for the long-term use of goods belonging to a third party, commitments incurred under operating leases and commitments undertaken within the framework of securitization programs.

Other commitments received

Other commitments received include undrawn credit lines available to the Company and guarantees and/or letters of credit from suppliers.

NOTE 23: CONTINGENCIES

In addition, Mittal Steel is a party to various legal actions arising in the ordinary course of business.

Environmental Liabilities

Mittal Steel's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2006, Mittal Steel had established reserves of approximately 830 million for environmental liabilities. Previous owners of Mittal Steel's facilities expended in the past, and Mittal Steel expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations.

United States

In 1990, Mittal Steel USA's Indiana Harbor (East) facility was party to a lawsuit filed by the United States Environmental Protection Agency (the "EPA") under the RCRA. In 1993, Mittal Steel USA entered into a consent decree, which, among other things, requires facility-wide RCRA corrective action and Indiana Harbor Ship Canal sediment assessment and remediation.

Mittal Steel USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA corrective action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires Mittal Steel to perform a Remedial Facilities Investigation ("RFI") and corrective measures study, to complete corrective measures, and to perform any required post-remedial activities. In 2004, the RFI was completed, and the New York State Department of Environmental Conservation and Mittal Steel USA executed an Order on Consent to perform interim corrective measures at a former benzol storage tank area.

In 1997, Bethlehem Steel, the EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution Consent Decree for investigation and remediation at Mittal Steel USA's Sparrows Point, Maryland facility. Mittal Steel USA has assumed Bethlehem Steel's ongoing obligations under the Consent Decree. The Consent Decree requires Mittal Steel USA to address compliance, closure and post-closure care matters and implement corrective measures associated with two on-site landfills, perform a site-wide investigation, continue the operation and maintenance of a remediation system at an idle rod and wire mill and address several pollution prevention items. The potential costs, as well as the time frame of possible remediation activities, which Mittal Steel currently considers probable, relating to the site-wide investigation at Sparrows Point, cannot be reasonably estimated until more of the investigations required by the Consent Decree have been completed and the data therefrom analyzed.

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Mittal Steel USA is required to prevent acid mine drainage from discharging to surface waters at closed mining operations in southwestern Pennsylvania. In 2003, Mittal Steel USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the "PaDEP") addressing the transfer of required permits from Bethlehem Steel to Mittal Steel USA and providing financial assurance for long-term operation and maintenance of the wastewater treatment facilities associated with these mines. As required by this Consent Order and Agreement, Mittal Steel USA submitted an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required Mittal Steel USA to propose a long-term financial assurance mechanism. In 2004, Mittal Steel USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. Mittal Steel USA expects to fund the treatment trust over a period of up to ten years at a current target value of approximately 20 until the improvements are made and the treatment trust is fully funded. After the treatment trust is fully funded, the treatment trust will then be used to fund the cost of treatment of acid mine drainage. Although remote, Mittal Steel USA could be required to make up any deficiency in the treatment trust in the future.

On August 8, 2006, the EPA issued Mittal Steel USA's Burns Harbor, Indiana facility a Notice of Violation ("NOV") alleging that in early 1994 the facility (then owned by Bethlehem Steel, from whom the assets were acquired out of bankruptcy) commenced a major modification of its #2 Coke Battery without obtaining a Prevention of Significant Deterioration ("PSD") permit and has continued to operate without the appropriate PSD permit. In October and November 2006, Mittal Steel USA met with the EPA to obtain a preliminary understanding of the allegations and the EPA's technical bases for the NOV. Further communication and discussion with the EPA is planned.

Legal Claims

Mittal Steel is a party to various legal actions. As of December 31, 2006, Mittal Steel has established reserves of approximately 440 for such actions. The principal legal actions are disclosed below.

United States

In January 2005, Indiana Harbor (East) received a third party complaint by Alcoa Incorporated alleging that Indiana Harbor (East) was liable as successor to the interests of Hillside Mining Co. ("Hillside"), a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940s and then sold the assets of in the early 1950s. On October 26, 2006, the Madison County, Illinois circuit court dismissed that complaint, with there being no opportunity of its being re-filed, thus terminating the action.

In a separate proceeding, the Illinois Environmental Protection Agency (the "IEPA") has identified Indiana Harbor (East) as a potentially responsible party in connection with alleged contamination relating to the above-referenced matter. The IEPA is requesting that Indiana Harbor (East) and other potentially responsible parties conduct an investigation of certain areas of potential contamination. Indiana Harbor (East) intends to defend itself fully in this matter. As of December 31, 2006, it is not possible to reasonably estimate the amount of environmental liabilities relating to this matter.

Canada

In March 2004, a group of residents in Nova Scotia brought a potential class action in the Supreme Court of Nova Scotia against various parties, including Mittal Canada, alleging various torts for damage allegedly caused by the steel plant and coke ovens formerly owned and occupied by Dominion Steel and Coal Corporation from 1927 to 1967. Mittal Steel acquired Mittal Canada in 1994, and the plaintiffs are attempting to establish that Mittal Canada thereby assumed the liabilities of the former occupiers. The plaintiffs seek to have the claim approved as a class action, though the court has not yet issued a decision on this matter. As of December 31, 2006, Mittal Steel is unable to assess the outcome of these proceedings or to reasonably estimate the amount of Mittal Canada's liabilities relating to this matter, if any.

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All of the matters discussed above are legacy environmental matters arising from acquisitions.

South America

The Brazilian Federal Revenue Service has claimed that Belgo owes certain amounts for IPI (Manufactured Goods Tax) concerning its use of tax credits on the purchase of raw materials that were non-taxable, exempt from tax or subject to a 0% tax rate and the disallowance of IPI credits recorded five to ten years after the relevant acquisition.

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including Belgo. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council (CADE) issued a decision against Belgo that resulted in Belgo's having to pay a penalty of 36. Belgo has appealed the decision to the Brazilian Federal Court. In September 2006, Belgo offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

As a result of the foregoing decision by CADE, customers of Belgo commenced civil proceedings for damages. There is also a related class action commenced by the Federal Public Prosecutor of the state of Minas Gerais against Belgo for damages based on the alleged violations investigated by CADE.

In 2003, the Brazilian Federal Revenue Service granted CST a tax benefit for certain investments. CST had received certificates from SUDENE, the former Agency for the Development of the Northeast Region of Brazil, confirming CST's entitlement to this benefit. In September 2004, CST was notified of the annulment of these certificates. CST has pursued its right to this tax benefit though the courts against both ADENE, the successor to SUDENE, and against the Brazilian Federal Revenue Service.

Europe

In late 2002, three subsidiaries of Mittal Steel (Tréfileurope, Tréfileurope Italia S.r.l. and Fontainunion S.A.), and two former subsidiaries of Arcelor España (Emesa and Galycas), along with other European manufacturers of pre-stressed wire and strands steel products, received notice from the European Commission that it was conducting an investigation into possible anti-competitive practices by these companies. In 2004, Emesa and Galycas were sold. Mittal Steel and its subsidiaries are cooperating fully with the European Commission in this investigation. The European Commission has not yet notified a Statement of Objections to Mittal Steel or any of its subsidiaries. The European Commission can impose fines of up to a maximum of 10% of annual revenues for breaches of EU competition law. Mittal Steel is currently unable to assess the ultimate outcome of the proceedings before the European Commission or the amount of any fines that may result. Arcelor is contractually required to indemnify the present owner of Emesa and Galycas if a fine is imposed on it for any matters under the ownership of Arcelor.

The Competition Council of Romania has commenced investigations against Mittal Steel Galati and Mittal Steel Hunedoara with respect to certain commercial practices. Mittal Steel is cooperating fully with the authorities but cannot at present determine the outcome of the investigations or estimate the amount or range of a potential fine that may be imposed.

In June 2005, the Competition Council of Romania began an investigation concerning alleged state aid received by Mittal Steel Roman in connection with its privatization.

Since 2001, Mittal Steel Ostrava has been involved in a dispute with Kaiser Netherlands B.V. ("Kaiser"), the contractor for phase 1 of a mini-mill works project (rolling mill P1500), and its parent company, Kaiser Group International. Kaiser Group International and certain of its affiliates (collectively, "KGI") filed an action in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") (where these companies commenced Chapter 11 bankruptcy proceedings) seeking monetary awards against Mittal Steel Ostrava, which has been stayed. On January 6, 2004, Kaiser filed arbitration claims against Mittal Steel Ostrava with the International Court of Arbitration of the ICC in Paris. On May 16, 2006, the arbitration panel awarded Kaiser 7.3 in favor of its claims and Mittal Steel Ostrava 10.5 in favor of its claims, resulting in a net award, including costs, of approximately 4.1 to Mittal Steel Ostrava. As a result of the award, Mittal Steel Ostrava

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is seeking to enforce its award against Kaiser. Mittal Steel Ostrava has also filed a motion for summary judgment in its favor in the action commenced in the Bankruptcy Court. KGI have opposed that motion. KGI have also filed a motion for summary judgment in the Bankruptcy Court to enforce a portion of the arbitration award against Mittal Steel Ostrava without set-off.

In 2004, La Direction Générale de la Consommation et de la Repression des Fraudes (the French competition authority) commenced an investigation into alleged anti-competitive practices in the steel distribution sector in France, including Arcelor Négoce Distribution, a subsidiary of Arcelor. The case has been referred to the Conseil de la Concurrence (the French competition council), which is now in charge of the investigation procedure. Any potential fine that might be imposed will depend on the entity that will be considered liable for the alleged practices. No Statement of Objections has yet been issued against Mittal Steel or any of its subsidiaries.

Various retired or present employees of certain Arcelor subsidiaries commenced lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security. 421 such suits are still pending.

Spanish tax authorities have claimed that amortization recorded by Arcelor Planos Seguntos SL in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 49, including the amount of tax, interest and penalties. The case is pending before the court (the Audiencia Nacional), administrative procedures having been exhausted.

South Africa

Mittal Steel South Africa is involved in a dispute with Harmony Gold Mining Company Limited and Durban Roodeport Deep Limited alleging that Mittal Steel South Africa is in violation of the Competition Act. On March 27, 2007, the Competition Tribunal decided that Mittal Steel South Africa had contravened Section 8(a) of the Competition Act by charging an excessive price. The Tribunal has not yet decided upon the relief to be granted, which will be determined at a later hearing on a date to be fixed. Decisions of the Competition Tribunal are appealable to the Competition Appeals Court and the Supreme Court of Appeal. The decision of the Competition Tribunal may impact the pricing formulas used by Mittal Steel South Africa and may result in a fine not exceeding 10% of Mittal Steel South Africa's annual sales for 2003.
In February 2007, the complaint previously filed with the South African Competition Commission by Barnes Fencing, a South African producer of galvanized wire, alleging that Mittal Steel South Africa, as a "dominant firm", discriminated in its pricing of low carbon wire rod, was referred to the Competition Tribunal. The complainant seeks, among other sanctions, a penalty of 10% on Mittal Steel South Africa's sales for 2006 in respect of low carbon wire rod and an order that Mittal Steel South Africa cease its pricing discrimination. The complaint is under review by the Competition Tribunal. Mittal Steel is unable to assess the outcome of this proceeding or the amount of Mittal Steel South Africa's potential liability, if any.
Mittal Steel South Africa is involved in a dispute with the South African Revenue Service in respect of the tax treatment of payments made under a Business Assistance Agreement of 88 in 2003 and 105 in 2004.

NOTE 24: SEGMENT AND GEOGRAPHIC INFORMATION

Mittal Steel has a high degree of geographic diversification relative to other steel companies. During 2006, Mittal Steel shipped its products to customers in approximately 187 countries, with its largest markets in the Flat Carbon Europe and Flat Carbon Americas segments. Mittal Steel conducts its business through its operating subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As of December 31, 2006, Mittal Steel had approximately 320,000 employees.
Prior to its acquisition of Arcelor in August 2006, Mittal Steel reported operations based on their geographic location (America, Europe and Asia/Africa). Following the acquisition, Mittal Steel restructured its operations to align them with the structure in place at Arcelor, and the new management structure. Mittal Steel now reports its operations in six operating segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and CIS ("AACIS"), Stainless Steel and AM3S (trading and distribution).

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The following table summarizes certain financial data relating to our operations in different reportable segments:

	Flat Carbon Americas	Flat Carbon Europe	Long	Asia & Africa CIS	Stainless Steel	AM3S	Others / Elimination	Consolidated
Year ended December 31, 2005								
Sales	11,241	3,676	7,676	9,909	-	-	(4,370)	28,132
Operating income	1,289	367	641	2,335	-	-	97	4,729
Depreciation and amortization	283	174	226	318	-	-	112	1,113
Capital expenditures	304	190	206	479	-	-	2	1,181
Total assets at December 31, 2005	11,180	3,028	10,283	13,158	-	-	(3,782)	33,867
Year ended December 31, 2006								
Sales	17,585	14,366	13,120	14,388	3,261	5,221	(9,071)	58,870
Operating income	1,904	959	1,805	2,584	363	174	(290)	7,499
Depreciation and amortization	658	618	385	447	89	39	60	2,296
Capital expenditures	759	818	577	537	61	62	121	2,935
Total assets at December 31, 2006	17,160	26,586	21,221	15,947	4,775	3,995	22,482	112,166

See also Note 26 to the consolidated financial statements.

The following table sets out selected financial data relating to our operations in different reportable segments:

	Americas	Europe	Asia & Africa	Others/Elimin	Consolidated
Year ended December 31, 2005					
Sales	12,467	9,762	7,683	(1,780)	28,132
Operating income	1,676	933	2,219	(99)	4,729
Depreciation and amortization	341	312	273	187	1,113
Capital expenditures	335	391	455	-	1,181
Total assets at December 31, 2005	24,204	46,092	9,738	(46,167)	33,867
Year ended December 31, 2006					
Sales	22,798	29,156	9,987	(3,071)	58,870
Operating income	2,612	3,141	1,664	82	7,499
Depreciation and amortization	808	1,174	310	4	2,296
Capital expenditures	1,375	1,588	369	(397)	2,935
Total assets at December 31, 2006	39,482	142,802	13,703	(83,821)	112,166

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The tabel below sets out the sales per significent country:

	Sales for the Year Ended December 31,		
	2004	**2005**	**2006**
Americas			
United States	3,158	9,186	15,653
Others	3,402	3,281	7,145
Total Americas	**6,560**	**12,467**	**22,789**
Europe			
France	679	645	4,033
Spain	-	-	3,170
Germany	1,301	1,356	4,543
Romania	2,087	2,192	1,840
Poland	3,563	3,118	3,065
Others	2,275	2,451	12,505
Total Europe	**9,905**	**9,762**	**29,156**
Asia & Africa			
South Africa	2,015	2,448	2,891
Others	4,046	5,235	7,096
Total Asia & Africa	**6,061**	**7,683**	**9,987**
Eliminations [1]	**(1,914)**	**(1,7880)**	**(3,071)**
Total	**20,612**	**28,132**	**58,870**

[1] Eliminations relate to inter-region

NOTE 25: FACTORING OF RECEIVABLES

Certain of our Operating Subsidiaries have entered into Factoring Agreements with certain banks/financial institutions under which they are entitled to sell eligible accounts receivables from the customers up to an agreed limit. The bank/financial institution buys these receivables without recourse to the seller. The proceeds from the sale of trade accounts receivables are included in the cash flows from operating activities in the Consolidated Statements of Cash Flows.

Factoring	**2005**	**2006**
Proceeds from trade receivables sold under factoring agreement	1,554	8,906
Nominal of trade receivables sold under factoring agreement	1,605	8,910
Discounts incurred	6	50

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NOTE 26: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

The table below sets forth the breakdown of the total year-end number of employees by segment for the past two years.

	Year Ended December 31,	
	2005	2006
Segment		
Flat Carbon Americas [1]	21,046	36,700
Flat Carbon Europe	29,811	67,238
Long	20,050	40,893
Asia, Africa, CIS	153,235	148,291
Stainless Steel	-	11,542
AM3S	-	11,560
Consolidated [2]	224,286	319,578

[1] Including Dofasco for 2006 Arcelor

[2] Includes corporate and other employees

	Year Ended December 31,	
	2005	2006
Employee information		
Wages and salaries	3,247	6,870
Pension cost	60 [1]	328
Total	3,307	7,198

[1] In 2005, a change in a post employment benefit plan in the US resulted in a decrease of the pension obligation to an amount of 212.

The total annual remuneration of the members of Mittal Steel's Board of Directors for 2005 and 2006 was as follows:

	Year ended December 31,	
	2005	2006
	(All amounts in $ thousands except option information)	
Base salary	4,369	3,760
Short-term performance-related bonus	—	3,288
Long-term incentives (number of options)	235,000	175,000

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The annual remuneration of the members of Mittal Steel's Board of Directors was as follows:

	2005	2006	2005 Short-term Performance Related	2006 Short term Performance Related	2005 Long-term Number of Options	2006 Long term Number of Options
(All amounts in $ thousands except option information)						
Lakshmi N. Mittal	2,194	2,005	—	1,677	100,000	100,000
Aditya Mittal [1]	1,245	942	—	1,611	75,000	75,000
Vanisha Mittal Bhatia	18	23	—	—	—	—
Malay Mukherjee [2]	311	—	—	—	60,000	—
Narayanan Vaghul	109	139	—	—	—	—
Ambassador Andrés Rozental [3]	134	142	—	—	—	—
Fernando Ruiz Sahagun [4]	22	—	—	—	—	—
Muni Krishna T. Reddy [5]	110	119	—	—	—	—
René Lopez [6]	74	82	—	—	—	—
Wilbur L. Ross, Jr. [7]	73	105	—	—	—	—
Lewis B. Kaden [8]	79	123	—	—	—	—
François H. Pinault [9]	—	80	—	—	—	—
Joseph Kinsch [10]	—	—	—	—	—	—
José Ramón Álvarez-Rendueles Medina [11]	—	—	—	—	—	—
Sergio Silva de Freitas [12]	—	—	—	—	—	—
Georges Schmit [13]	—	—	—	—	—	—
Edmond Pachura [14]	—	—	—	—	—	—
Michel Angel Marti [15]	—	—	—	—	—	—
Manuel Fernández López [16]	—	—	—	—	—	—
Jean-Pierre Hansen [17]	—	—	—	—	—	—
John Castegnaro [18]	—	—	—	—	—	—
Antoine Spillmann [19]	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg [20]	—	—	—	—	—	—
Romain Zaleski [21]	—	—	—	—	—	—
Total	4,369	3,760	—	3,288	235,000	175,000

[1] Mr. A. Mittal resigned from Mittal Steel's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of Mittal Steel. His renumeration is included only for the period from January 2006 to October 2006.

[2] Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel. His remuneration is included only for the period from January 2005 to March 2005.

[3] Mr. Rozental resigned from Mittal Steel's Board of Directors on October 30, 2006.

[4] Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.

[5] Mr. Reddy resigned from Mittal Steel's Board of Directors on October 30, 2006.

[6] Mr. Lopez resigned from Mittal Steel's Board of Directors on October 30, 2006.

[7] Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.

[8] Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.

[9] Mr. Pinault was elected to Mittal Steel's Board of Directors on June 30, 2006.

[10] Mr. Kinsch was elected to Mittal Steel's Board of Directors on October 30, 2006.

[11] Mr. Álvarez-Rendueles Medina was elected to Mittal Steel's Board of Directors on October 30, 2006.

[12] Mr. Silva de Freitas was elected to Mittal Steel's Board of Directors on October 30, 2006.

[13] Mr. Schmit was elected to Mittal Steel's Board of Directors on October 30, 2006.

[14] Mr. Pachura was elected to Mittal Steel's Board of Directors on October 30, 2006.

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(15)Mr. Marti was elected to Mittal Steel's Board of Directors on October 30, 2006.
(16)Mr. Fernández López was elected to Mittal Steel's Board of Directors on October 30, 2006.
(17)Mr. Hansen was elected to Mittal Steel's Board of Directors on October 30, 2006.
(18)Mr. Castegnaro was elected to Mittal Steel's Board of Directors on October 30, 2006.
(19)Mr. Spillmann was elected to Mittal Steel's Board of Directors on October 30, 2006.
(20)HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on October 30, 2006.
(21)Mr. Zaleski was elected to Mittal Steel's Board of Directors on October 30, 2006.

The remuneration for the board members for the year 2006, nominated from Arcelor, will be paid after their approval by shareholders in the annual general meeting of Arcelor which will be held on April 27, 2007.

The amount outstanding at December 31, 2006 in respect of loans and advances to members of Mittal Steel's Board of Directors was 0 (December 31, 2005: 0). In addition, Mittal Steel has not given any guarantees for the benefit of any member of Mittal Steel's Board of Directors.

The following table provides a summary of the options outstanding and the exercise of the options granted to Mittal Steel's Board of Directors (in 2001, 2003 and 2004 no options were granted to members of Mittal Steel's Board of Directors):

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Granted in 2006	Total	Weighted exercise average price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	100,000	440,000	18.35
Aditya Mittal (1)	7,500	7,500	25,000	75,000	75,000	190,000	25.78
Vanisha Mittal Bhatia	—	—	—	—	—	—	—
Malay Mukherjee(2)	40,000	40,000	50,000	60,000	—	190,000	13.99
Narayanan Vaghul(3)	—	—	—	—	—	—	—
Ambassador Andrés Rozental(4)(5)	—	—	—	—	—	—	—
Fernando Ruiz Sahagun(6)(7)	—	—	3,333	—	—	3,333	2.26
Muni Krishna T. Reddy (8)	—	—	—	—	—	—	—
René Lopez (9)	—	—	—	—	—	—	—
Wilbur L. Ross (10)	—	—	—	—	—	—	—
Lewis B. Kaden(11)	—	—	—	—	—	—	—
François H. Pinault (12)	—	—	—	—	—	—	—
Joseph Kinsch (13)	—	—	—	—	—	—	—
José Ramón Álvarez-Rendueles Medina (14)	—	—	—	—	—	—	—
Sergio Silva de Freitas (15)	—	—	—	—	—	—	—
Georges Schmit (16)	—	—	—	—	—	—	—
Edmond Pachura (17)	—	—	—	—	—	—	—
Michel Angel Marti (18)	—	—	—	—	—	—	—
Manuel Fernández López (19)	—	—	—	—	—	—	—
Jean-Pierre Hansen (20)	—	—	—	—	—	—	—
John Castegnaro (21)	—	—	—	—	—	—	—
Antoine Spillmann (22)	—	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg (23)	—	—	—	—	—	—	—
Romain Zaleski (24)	—	—	—	—	—	—	—
Total	127,500	127,500	158,333	235,000	175,000	823,333	18.99
Exercise price	11.94	8.57	2.26	28.75	33.755	—	—
Term (in years)	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	—	—

(1)Mr. A. Mittal resigned from Mittal Steel's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of Mittal Steel.
(2)Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel.

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(3)Mr. Vaghul exercised all his vested options in 2005.
(4)Mr. Rozental resigned from Mittal Steel's Board of Directors on October 30, 2006.
(5)Mr. Rozental exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002 which were exercised in 2006.
(6)Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.
(7)Mr. Ruiz exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002.
(8)Mr. Reddy resigned from Mittal Steel's Board of Directors on October 30, 2006.
(9)Mr. Lopez resigned from Mittal Steel's Board of Directors on October 30, 2006.
(10)Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.
(11)Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.
(12)Mr. Pinault was elected to Mittal Steel's Board of Directors on June 30, 2006.
(13)Mr. Kinsch was elected to Mittal Steel's Board of Directors on October 30, 2006.
(14)Mr. Álvarez-Rendueles Medina was elected to Mittal Steel's Board of Directors on October 30, 2006.
(15)Mr. Silva de Freitas was elected to Mittal Steel's Board of Directors on October 30, 2006.
(16)Mr. Schmit was elected to Mittal Steel's Board of Directors on October 30, 2006.
(17)Mr. Pachura was elected to Mittal Steel's Board of Directors on October 30, 2006.
(18)Mr. Marti was elected to Mittal Steel's Board of Directors on October 30, 2006.
(19)Mr. Fernández López was elected to Mittal Steel's Board of Directors on October 30, 2006.
(20)Mr. Hansen was elected to Mittal Steel's Board of Directors on October 30, 2006.
(21)Mr. Castegnaro was elected to Mittal Steel's Board of Directors on October 30, 2006.
(22)Mr. Spillmann was elected to Mittal Steel's Board of Directors on October 30, 2006.
(23)HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on October 30, 2006.
(24)Mr. Zaleski was elected to Mittal Steel's Board of Directors on October 30, 2006.

Senior management personnel

The total annual compensation of Mittal Steel's senior management for 2006 was $16 million in base salary and $21 million in short-term performance related bonuses. As of December 31, 2006, $2.0 million was accrued by Mittal Steel to provide pension benefits to its senior management. During 2006, no loans or advances to Mittal Steel's senior management were outstanding. As of December 31, 2005, $0.2 million of such loans was outstanding, which was also the maximum amount outstanding during 2005.

NOTE 27: SUBSEQUENT EVENTS

On December 20, 2006, Mittal Steel announced the acquisition of Sicartsa, a Mexican integrated steel producer, from Grupo Villacero. Sicartsa is a fully integrated producer of long steel, with an annual production capacity of approximately 2.7 million tonnes from its facilities in Mexico and Texas, USA. Mittal Steel has also entered into a 50/50 commercial joint-venture with Grupo Villacero for the distribution and trading of Mittal Steel long products in Mexico and in the southwest of the United States, capitalizing on Villacero's commercial network. Sicartsa is sharing its production site with Mittal Steel Lázaro Cárdenas, offering significant synergy potential, once reunited. Prior to the privatization in 1991 which led to its separation in two entities, the Lázaro Cárdenas steelworks operated as one single integrated site producing both flat and long carbon products. The transaction values Sicartsa at 1,439. In addition to the integrated steel making facility at Lázaro Cárdenas, the acquisition also includes Metaver, a mini-mill, Sibasa and Camsa, two rolling mills in Celaya, Guanajuato (Sibasa) and Tultitlán, State of Mexico as well as Border Steel, a mini-mill in Texas, USA. The closing of this transaction is expected during in the second quarter of 2007.

On December 22, 2006, ThyssenKrupp AG initiated summary legal proceedings against Mittal Steel in the District Court in Rotterdam alleging that Mittal Steel had breached a letter agreement between Mittal Steel and ThyssenKrupp, dated January 26, 2006, with respect to the sale of Dofasco Inc., a North American steelmaker, to ThyssenKrupp. On January 23, 2007, the District Court in Rotterdam denied ThyssenKrupp's petition for an order. The time for ThyssenKrupp to appeal the Rotterdam Court's order has expired.

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On January 19, 2007, Mittal Steel announced that it agreed to the sale of Huta Bankowa to Alchemia SA Capital Group, as part of Mittal Steel's commitments to the European Commission during the recommended merger of Arcelor S.A. and Mittal Steel. Huta Bankowa, a 100% subsidiary of Mittal Steel, is located in Dabrowa Gornicza (southern Poland).

On February 2, 2007, Mittal declared an interim dividend at 0.325 cents per share or 452 in total.

On February 14, 2007, Mittal Steel signed a joint venture agreement with the Bin Jarallah Group of companies for the design and construction of a seamless tube mill in Saudi Arabia. This state of the art facility will be located in Jubail Industrial City, north of Al Jubail on the Persian Gulf. The mill will have a capacity of 500,000 tonnes per year. Construction is planned to commence at the end of the first quarter of 2008 and to be completed by the fourth quarter of 2009. Mittal Steel will hold a 51% interest in the company established for this project, with the Bin Jarallah Group holding the remaining 49%.

On February 20, 2007, the U.S. Department of Justice ("DOJ") informed the Company that it has selected the Sparrows Point steel mill located near Baltimore Maryland for divestiture under the consent decree filed by the DOJ in August 2006. According to the decree, any such divestiture must take place within ninety days from February 20, 2007, subject to possible extensions by the DOJ. The selection of Sparrows Point by the DOJ ends the period during which Mittal Steel must hold Dofasco separate from its operations.

On February 23, 2007, Mittal Steel, announced that it has signed various Agreements with the State of Senegal in West Africa to develop iron ore mining in the Faleme region of South East Senegal. The project is expected to require an investment of approximately 2.2 billion. The total estimated reserves are approximately 750 million tonnes, located in 4 locations in the Faleme region and comprising both haemetite and magnetite deposits. The project is an integrated mining project and will encompass the development of the mine, the building of a new port near Dakar and the development of approximately 750 km of rail infrastructure to link the mine with the port. The mine is expected to commence production in 2011. The agreements will become effective upon fulfillment of certain conditions precedent by the State of Senegal. The Company has also pledged its support to the community and the people of Senegal as part of its commitment to Corporate Social Responsibility in the countries in which it operates.

On March 2, 2007, Mittal Steel was included in the AEX index and the FTSE4Good Index Europe indexes. On September 18, 2006, Arcelor Mittal was included in the CAC 40 index.

On March 2, 2007, Mittal Steel announced that 385,340,210 Mittal Steel Class B shares owned by Mittal Investments S.à.r.l. have been converted into 385,340,210 Mittal Steel Class A common shares. This conversion has no impact on the total number of shares (1,392,308,490 shares of which 1,320,158,490 Class A shares and 72,150,000 Class B shares).

On March 5, 2007, Mittal Steel sold Stahlwerk Thüringen GmbH ("SWT") to Grupo Alfonso Gallardo for an enterprise value of €591 million (approximately 768). Such divestment was pursuant to a commitment made to the European Commission in connection with Mittal Steel's acquisition of Arcelor. SWT, which was a wholly-owned subsidiary of Mittal Steel, is located at Unterwellenborn, Thüringen, Germany. In 2005 SWT's sales were approximately €400 million. SWT employs approximately 700 people and produces steel sections of up to 550 millimeters in width used in building and construction.

On March 16, 2007, Mittal Steel and Noble signed a definitive agreement for the combination of their laser-welded tailored blanks businesses. Under the terms of the transaction, Mittal Steel, will receive from Noble, in exchange for its laser-welded

blanks business in western and eastern Europe, China, India and United States ("TBA"), consideration of 300, which will consist of approximately 131.25 in a combination of cash, a Noble note and assumption of certain TBA financial obligations and 9,375,000 shares of Noble common stock with an agreed value of 18 per share. Upon completion, Mittal Steel will become the largest stockholder of Noble, owning approximately 40% of its issued and outstanding common shares.

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Arcelor will also obtain four of nine seats on Noble's board of directors. Completion of the transaction is expected to occur in June 2007, and is subject to a number of conditions, including Noble shareholder approval, receipt by Noble of not less than 165 in debt financing, anti-monopoly clearances in the United States, Canada and Europe and other customary conditions.

On March 16, 2007, Mittal Steel announced that as part of its expansion strategy in Central & Eastern Europe, it will invest in a new steel service centre (SSC) in Krakow. With a processing capacity of 450 000 tons per year, this facility will strengthen the existing network of SSC operations in Poland, in Huta Sendzimira (Krakow) and in Bytom (near Katowice). It will start operating early in 4th quarter 2007.

Further to the September 27, 2006 announcement, Mittal Steel announced on April, 2, 2007, the commencement of a share buy-back program to repurchase up to a maximum aggregate amount of 590 of its class A common shares. It is Mittal Steel's intention to either use the repurchased class A common shares exclusively for future share issues in view of current or future employee stock option plans and other allocations of shares to employees or cancel the repurchased class A common shares in due course. The share buy-back program will end at the earliest of (i) December 31, 2007 (provided that Mittal Steel's shareholders, at the annual general meeting of shareholders to be held on May 15, 2007, renew the current authorization for the Mittal Steel Board of Directors for a period of 18 months, ending on November 15, 2008), (ii) the moment on which the aggregate value of class A common shares repurchased by Mittal Steel since the start of this share buy-back program reaches 590, or (iii) the moment on which Mittal Steel and its subsidiaries hold ten percent of the total number of the then-issued class A and class B common shares.

On September 25, 2006, the Comissão de Valores Mobiliáros (the "CVM"), the Brazilian securities regulator, ruled that, as a result of Mittal Steel's acquisition of Arcelor, Mittal Steel was required to carry out a public offer to acquire all the outstanding shares in Arcelor Brasil not owned by Arcelor or any other affiliate of Mittal Steel. Pursuant to the ruling, the value to be offered to Arcelor Brasil's shareholders is to be determined on the basis of the value of the part of the overall consideration paid for Arcelor by Mittal Steel that was attributable to Arcelor Brasil. On October 26, 2006, Mittal Steel filed with the CVM a request for registration with respect to such offer, and filed amended requests on January 11, 2007, February 27, 2007, and April 5, 2007. As per the amended request for registration filed by Mittal Steel on April 5, 2007, the consideration to be offered per Arcelor Brasil share is R$11.70 in cash and 0.3568 Mittal Steel class A common shares, subject to certain adjustments. As of April 4, 2007, the total value offered per Arcelor Brasil share would be €18.89. Tendering Arcelor Brasil shareholders may also accept an all-cash option, pursuant to which they would receive cash in an amount equal to the value of the cash and share consideration described above, calculated in the manner set forth in the request for registration. On the basis of the closing price for Mittal Steel's shares on the New York Stock Exchange on April 4, 2007, the maximum amount of cash that may be paid by Mittal Steel will be approximately €4.0 billion (assuming 100% acceptance of the cash option). The maximum number of Mittal Steel class A common shares that may be issued will be approximately 76 million shares, representing 5% of the share capital of Mittal Steel on a fully-diluted basis (assuming 100% acceptance of the mixed option). The request for registration is subject to the approval of the CVM.

NOTE 28: RECONCILIATION FROM IFRS TO US GAAP

The Company's consolidated financial statements have been prepared in accordance with IFRS, which, differs in certain significant respects from accounting principles generally accepted in the United States of America ("U.S. GAAP").

The effects of the application of U.S. GAAP on consolidated net income for each of the years ended December 31, 2005 and 2006, as determined under IFRS, are set out in the table below:

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

	For the Year Ended December 31,	
	2005	2006
Net income (including minority interests)	3,795	6,086
Less: minority interests, as reported under IFRS	(494)	(860)
Net income attributable to equity holders of parent , as reported under IFRS	3,301	5,226
U.S. GAAP adjustments:		
(a) Employee benefits	(232)	47
(b) Business combination-related adjustments:		
(1) Negative goodwill and measurement date	60	280
(2) Revaluation of minority interests	10	161
(3) Restructuring provisions	40	80
(4) Finalization of purchase price allocation	131	—
(c) Other	21	(153)
(d) Effect of minority interests on adjustments	(26)	(121)
(e) Deferred income tax effect on adjustments	60	(115)
Total U.S. GAAP adjustments	**64**	**179**
Net income, as determined under U.S. GAAP	**3,365**	**5,405**
Earnings per share (Class A and Class B), as determined under U.S. GAAP:		
Basic	4.90	5.47
Diluted	4.89	5.46

The effects of the application of U.S. GAAP on consolidated shareholders' equity as of December 31, 2005 and 2006, as determined under IFRS, are set out in the table below:

	As of December 31,	
	2005	2006
Consolidated shareholders' equity, as reported under IFRS	**15,457**	**50,191**
Less: minority interest, as reported under IFRS	(2,171)	(8,064)
Consolidated shareholders' equity excluding minority interest, as determined under IFRS	13,286	42,127
U.S. GAAP adjustments:		
(a) Employee benefits	(1,322)	(1,225)
(b) Business combination-related adjustments:		
(1) Negative goodwill	(3,269)	(5,373)
(2) Revaluation of minority interests	(212)	(1,586)
(3) Restructuring provisions	—	80
(4) Finalization of purchase price allocation	200	121
(c) Other	8	(161)
(d) Effect of minority interests on adjustments	336	1,098
(e) Deferred income tax effect on adjustments	1,123	1,798
Total U.S. GAAP adjustments	**(3,136)**	**(5,248)**
Shareholders' equity, as determined under U.S. GAAP	**10,150**	**36,879**

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

(a) Employee benefits

The aggregate adjustments included in the tables above as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 consist of the following:

	As of December 31,		For the Year Ended December 31,	
	2005	**2006**	**2005**	**2006**
Recognition of funded status (SFAS 158)	—	(1,012)	—	5
Recognition of minimum pension liability	(1,103)	—	—	—
Prior service costs	(219)	(213)	(232)	42
Total U.S. GAAP adjustments (before income taxes and minority interest)	**(1,322)**	**(1,225)**	**(232)**	**47**

Recognition of funded status (SFAS 158)

Under U.S. GAAP, the Company accounts for its pensions and post-retirement benefit plans in accordance with Statement of Financial Accounting Standards ("SFAS") 87, "Employers' Accounting for Pensions" and SFAS 106, "Employers' Accounting for Post-retirement Benefits" and, from December 31, 2006, SFAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)." Effective December 31, 2006, SFAS 158 requires the Company to recognize the funded status of employee benefit plans on the balance sheet. Prior to the adoption of SFAS 158, the Company recognized an additional minimum pension liability as described below. Due to the adoption of SFAS 158, actuarial gains and losses and past service costs, (which remain unrecognized under IFRS) are recognized as of December 31, 2006 directly in equity, net of deferred income taxes.

Recognition of minimum pension liability

Under U.S. GAAP, prior to the adoption of SFAS 158 as of December 31, 2006, an additional minimum pension liability was required when, as a result of unamortized actuarial losses, prior service costs and transition obligations, the accrued liability reflected in the Company's balance sheet (before adjustment for minimum pension liability) was lower than the excess of the accumulated benefit obligation over the fair value of the plan assets. The adoption of SFAS 158 eliminates the need for minimum pension liability adjustments from December 31, 2006.

Prior service costs

Under IFRS, in accordance with IAS 19, "Employee Benefits", where pension benefits have already vested, past service costs are recognized immediately. Under U.S. GAAP, in accordance with SFAS 87, prior service costs are amortized over the remaining service period for both vested and unvested rights.

We expect to recognize losses of 89 and prior service costs of 11 for pension in 2007, and we expect to recognize losses of 27 and prior service credits of 68 for other benefits in 2007.

(b) Business combination-related adjustments

(1) Negative goodwill and measurement date

Under IFRS 3, "Business Combinations," any excess of the fair value of acquired net assets over the acquisition cost (negative goodwill) is recognized immediately as income.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

Under U.S. GAAP, in accordance with SFAS 141, "Business Combinations," any excess of the fair value of acquired net assets over the acquisition cost (negative goodwill) is allocated on a pro rata basis to reduce the amount allocated to non-current, non-monetary assets until such assets are reduced to zero. Any remaining excess is recognized immediately as an extraordinary gain.

During the year ended December 31, 2005, 147 (as adjusted, see b(4)) was recognized in the statements of income, under IFRS relating to negative goodwill. Under U.S. GAAP, these amounts reduced the underlying long-lived assets, thereby reducing depreciation and amortization expense on the related assets during the years ending December 31, 2005 and 2006, by 277 and 280.

Under IFRS, the guidance of IFRS 3 requires that securities issued as consideration in a business combination be recorded at their fair value as of the date of exchange – the date on which an entity obtains control over the acquiree's net assets and operations.

Under U.S. GAAP, in accordance with Emerging Issues Task Force ("EITF") 99-12: "Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination," the measurement date used to determine the fair value of securities issued as consideration in a business combination is the date when the terms of the transaction are agreed to and announced.

The following adjustments related to measurement date differences between IFRS and U.S. GAAP as of and for the years ended December 31, 2005 and 2006 are set out below:

	2005 ISG	2006 Arcelor
Value of Mittal Steel shares issued as determined under U.S. GAAP purposes	1,922	21,172
Value of Mittal Steel shares issued as determined under IFRS	1,705	23,240
Total U.S. GAAP difference on measurement date	**217**	**(2,068)**
U.S. GAAP income statement adjustment for negative goodwill	(217)	—
Cumulative translation adjustment related to goodwill difference	—	(65)
U.S. equity adjustment for measurement date	**—**	**(2,133)**

Acquisition of Arcelor

Under IFRS, the 679.4 million Mittal Steel common shares issued in connection with the acquisition of Arcelor were valued at a weighted average price of 34.20 per share, resulting in an aggregate consideration for this component of the purchase price of 23,240. Under U.S. GAAP, the 679.4 million Mittal Steel common shares issued in connection with the acquisition of Arcelor were valued at a weighted average price of 31.16 per share, resulting in an aggregate consideration for this component of the purchase price of 21,172. The resulting difference in fair value assigned to the Mittal Steel common shares issued in connection with the acquisition of Arcelor amounts to 2,068 and is included in the reconciliation of consolidated shareholders' equity as of December 31, 2006.

Acquisition of ISG

Under IFRS, the 60.9 million Mittal Steel common shares issued in connection with the acquisition of ISG were valued at a weighted average price of 27.99 per share, resulting in an aggregate consideration for this component of the purchase price of 1,705. Under U.S. GAAP, the 60.9 million Mittal Steel common shares issued in connection with the acquisition of ISG were valued at 31.56 per share, resulting in an aggregate consideration for this component of the purchase price of 1,922. The resulting difference in fair value assigned to the Mittal Steel common shares issued in connection with the acquisition

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

of ISG amounts to 217. Under IFRS, the differential in purchase consideration resulted in a corresponding adjustment to the amount of negative goodwill recognized immediately in the statement of income which is not recognized for U.S. GAAP purposes. Therefore the 217 is included in the reconciliation of consolidated net income for the year ended December 31, 2005. The difference had no impact on consolidated shareholders' equity between IFRS and U.S. GAAP. However, in reconciling from IFRS to U.S. GAAP, a reclassification adjustment is necessary within equity from retained earnings under IFRS to additional paid in capital under U.S. GAAP for this difference.

(2) Revaluation of minority interests

Under IFRS, when a company acquires less than 100 % of a subsidiary, the minority (non-controlling) interests are recorded in the acquirer's balance sheet at the minority's proportion of the fair value of the assets acquired and liabilities assumed.

Under U.S. GAAP, when a company acquires less than 100 % of a subsidiary, the minority (non-controlling) interests are recorded in the acquirer's balance sheet at the minority's proportion of the historical book value of the assets acquired and liabilities assumed. Fair values are only assigned to the parent company's share of the net assets acquired.

The aggregate adjustments included in the tables above as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 consist of the following:

	As of December 31,		For the Year Ended December 31,	
	2005	2006	2005	2006
U.S. GAAP adjustments:				
Minority interest in Arcelor	—	(731)	—	59
Minority interest in subsidiaries of Arcelor	—	(617)	—	92
Minority interest in Kryviy Rih	(212)	(238)	10	10
Total U.S. GAAP adjustments (before income taxes and minority interest)	**(212)**	**(1,586)**	**10**	**161**
Effect of income taxes on adjustments	85	525	(4)	(53)
Effect of minority interests on adjustments	127	1,061	(6)	(108)
Total U.S. GAAP adjustments (after income taxes and minority interest)	—	—	—	—

(3) Restructuring provisions

Under IFRS, the Company may recognize restructuring provisions as part of the acquired liabilities only if the Company has an existing liability at the acquisition date for a restructuring plan recognized in accordance with International Accounting Standards ("IAS") 37, "Provisions, contingent liabilities, and contingent assets".

Under U.S. GAAP, EITF 95-3, "Recognition of Liabilities in Connection with a Business Combination," requires the Company to recognize a restructuring liability at the acquisition date if specific criteria are met. Mittal Steel must have a plan to exit an activity as of the acquisition date, and communication of such a plan should have occurred.

Acquisition of ISG

In conjunction with the acquisition of ISG, a restructuring provision was recognized under U.S. GAAP, which could not be recognized for IFRS. Therefore, under IFRS, the net assets acquired were higher than those recognized under U.S. GAAP in the opening balance sheet, resulting in a corresponding adjustment to the amount of negative goodwill recognized immediately in the statement of income under IFRS, which is not recognized for U.S. GAAP purposes. The difference had no impact on consolidated shareholders' equity in total between IFRS and U.S. GAAP, however, in reconciling from IFRS to U.S. GAAP, a

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

reclassification adjustment is necessary within equity from retained earnings under IFRS to additional paid in capital under U.S. GAAP for this difference.

During the year ended December 31, 2006, ISG recorded a restructuring provision of 80 under IFRS, which was previously recognized under U.S. GAAP through the purchase accounting during the year ending December 31, 2005. Accordingly, the provision recorded under IFRS has been reversed during the year ended December 31, 2006 for U.S. GAAP.

(4) Finalization of purchase price allocation ("PPA")

The aggregate adjustments included in the tables above as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 consist of the following:

	As of December 31,		For the Year Ended December 31,	
	2005	2006	2005	2006
U.S. GAAP adjustments:				
Finalization of ISG PPA	182	130	130	—
Finalization of Kryviy Rih PPA	18	(9)	1	—
Total U.S. GAAP adjustments (before income taxes and minority interest)	**200**	**121**	**131**	**—**
Effect of income taxes on adjustments	(79)	—	—	—
Effect of minority interests on adjustments	10	10	—	—
Total U.S. GAAP adjustments (after income taxes and minority interest)	**131**	**131**	**131**	**—**

Under IFRS and U.S. GAAP, the period that is allowed for finalizing the identification and measurement of the fair value of assets acquired and liabilities assumed in a business combination ends when the acquiring entity is no longer waiting for information that it has arranged to obtain and that is known to be available or obtainable. That allocation period should usually not exceed one year from the consummation of a business combination. Accordingly, the measurement and recognition of certain items that were recorded on a preliminary basis as of December 31, 2005, have been subsequently adjusted to take into account information obtained in 2006 regarding the facts and circumstances that existed as of the acquisition date and that, if known, would have affected the measurement or recognition of the amounts as of that date.

Under IFRS, the prior period financial statements were modified to reflect these adjustments from the date of acquisition, as disclosed in Note 3. Under U.S. GAAP, the prior period financial statements were not modified to reflect these adjustments. Accordingly, the negative goodwill adjustment along with the impact of other changes applied retrospectively under IFRS, were reversed as of and for the year ended December 31, 2005 under U.S. GAAP. The final U.S. GAAP purchase price adjustments were recorded during the year ended December 31, 2006, with no impact on the consolidated statement of income.

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

(c) Other

The aggregate adjustments included in the tables above as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 consist of the following:

	As of December 31,		For the Year Ended December 31,	
	2005	**2006**	**2005**	**2006**
Inventory valuation	(10)	(154)	(10)	(144)
Change in discount rates for asset retirement obligations	34	15	34	10
Embedded leases	11	9	(1)	(1)
Change in consolidation method	—	—	—	—
Other	(27)	(31)	(2)	(18)
Total U.S. GAAP adjustments (before income taxes and minority interest)	**8**	**(161)**	**21**	**(153)**

Inventory valuation
Under IFRS, inventory is measured on the basis of first in – first out (FIFO). Under U.S. GAAP, the Company measures certain inventory on the basis of last in – first out (LIFO).

Change in discount rates for asset retirement obligations
Under IFRS, the discount rate applied is adjusted at each reporting period, with a corresponding adjustment to the cost of the property, plant and equipment asset and to the liability. Under U.S. GAAP, the original discount rate is not adjusted.

Embedded leases
Under IFRS, from January 1, 2005, the Company applied the accounting requirements of IFRIC 4, "Determining Whether an Arrangement Contains a Lease". In accordance with the transition provisions of IFRIC 4, the Company was required to analyze all existing arrangements and to account for them in accordance with IFRIC 4 irrespective of when the arrangement was entered into or last modified. Under U.S. GAAP, EITF 01-08, "Determining Whether an Arrangement Contains a Lease", is required to be applied only to contracts containing embedded leases which have been entered into, last modified or acquired in a business combination after January 1, 2004 (the Company's first reporting period beginning after May 28, 2003). Retroactive application of EITF 01-08 is not permitted.

Accordingly, the adjustments included in the reconciliation of consolidated shareholders' equity and consolidated net income as of and for each of the years ended December 31, 2006 reflect the elimination of the lease accounting impacts of embedded leases entered into, last modified or acquired in a business combination prior to December 31, 2003.

(d) Effect of minority interests on adjustments

This adjustment reflects the portion of the aforementioned adjustments attributable to the Company's subsidiaries with minority interests.

(e) Deferred income tax effect on adjustments

This adjustment reflects the deferred tax effects attributable to the aforementioned adjustments.

(f) Other presentation differences

The major reclassifications, adjusting the IFRS presentation to conform to U.S. GAAP, are as follows:

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

Deferred income taxes
Under IFRS, current deferred tax assets and current deferred tax liabilities are presented as non-current items in the balance sheet. Under U.S. GAAP, current deferred tax assets and current deferred tax liabilities are presented within current assets and current liabilities, respectfully, in the balance sheet.

Classification of accreted interest
Under IFRS, the interest component of discounted obligations is presented as part of interest. Under U.S. GAAP the interest component of discounted obligations is presented as part of cost of sales.

Deferred financing costs
Under IFRS, borrowings are recognized in the balance sheet net of issuance related costs. Under U.S. GAAP, issuance related costs are recognized in the balance sheet as an asset.

Pension costs
Under IFRS, the Company has classified the interest component and the expected return on plan assets component of net periodic pension cost as a financial expense in the consolidated statement of income. Under U.S. GAAP, the interest component and the expected return on plan assets component of net periodic pension costs is included within the operating expense section of the consolidated statement of income.

Assets and liabilities held for sale
Under IFRS, as of December 31, 2006, the Company has classified its laser-welded tailor blank business as held for sale, following the signing of a binding letter of intent during the year. Under U.S. GAAP, as the Company will continue to have significant involvement in the laser-welded tailor blank business being sold, the respective assets and liabilities have been reclassified from the held for sale designation.

(g) Other disclosures required by U.S. GAAP

Variable interest entities
The Company holds a 49 % equity interest in Cia Hispano-Brasileira de Pelotizacao SA, a VIE that is accounted for using the equity method of accounting. Cia Hispano-Brasileira de Pelotizacao SA was established in 1974 with Companhia Vale do Rio Doce for the production and sale of iron ore pellets, destined mainly for the shareholders and related parties. As of and for the years ended December 31, 2006 and 2005, the VIE has total assets of approximately 172 and 141, respectively and reported sales and earnings before interest and taxes of 309 and 305 and 51 and 91, respectively. The exposure to loss as a result of involvement with the VIE is limited to the Company's equity and financing interests.

The Company holds a 10 % equity interest in Traxys SA, Bertrange ("Traxys"), a VIE that is accounted for using the equity method of accounting. Traxys was established as a joint venture in 2002 between Arcelor International S.A. and Umicore Marketing Services S.A. for the sourcing, trading, marketing and distribution of non-ferrous metals, ferro-alloys, minerals and industrial raw materials. In January 2006, following a management buy-out, the Company's interest in Traxys was reduced from 50 % to 10 %. As of and for the years ended November 30, 2006 and 2005, the VIE has total assets of approximately 760 and 575, respectively and reported sales and earnings before interest and taxes of 2,862 in 2006 and 2,219 in 2005 and 62 in 2006, 52 in 2005, respectively.

The exposure to loss as a result of involvement with the VIE is to the Company's equity and financing interests.

(h) U.S. GAAP earnings per share

Under U.S. GAAP, basic earnings-per-share is calculated by dividing the net income available to common shareholders by the weighted average number of shares outstanding during the period, and diluted earnings-per-share is calculated by adjusting both the numerator and denominator used for the calculation of basic earnings-per-share for instruments that

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

provide holders with potential access to the capital of the Company, whether they are issued by the Company itself or by one of its subsidiaries. The dilution is calculated, instrument-by-instrument, taking into account the conditions existing at the balance sheet date, and excluding anti-dilutive instruments.

The following table sets out the calculation of basic and diluted earnings-per-share (in millions), as determined in accordance with U.S. GAAP, for each of the years ended December 31, 2005 and 2006:

	For the Year Ended December 31, 2005	2006
Net income available to common shareholders:		
Basic earnings-per-share	3,365	5,405
Elimination of interest on PBGC note, net of income taxes	1	—
Net income available to shareholders and assumed conversion	**3,366**	**5,405**
Weighted average number of shares outstanding:		
Basic earnings-per-share	687	988
Incremental shares from assumed exercise of stock options	1	1
Incremental shares from assumed conversion of PBGC note	1	—
Diluted earnings-per-share	**689**	**989**
Earnings per share (Class A and Class B):		
Basic	4.90	5.47
Diluted	4.89	5.46

(i) Condensed consolidated U.S. GAAP Balance Sheets and Statements of Income

The following represents the condensed U.S. GAAP balance sheets of the Company as of December 31, 2005 and 2006:

in millions of USD	As of December 31, 2005	2006
Assets		
Current assets		
Cash and cash equivalents	2,035	6,020
Trade accounts receivable, net	2,287	8,769
Inventories	6,036	19,021
Prepaid expenses and other current assets	1,354	5,560
Total current assets	**11,712**	**39,370**
Non-current assets		
Goodwill and intangible assets	1,439	8,433
Property, plant and equipment	15,539	49,809
Other non-current assets	2,352	8,074
Total non-current assets	**19,330**	**66,316**
Total assets	**31,042**	**105,686**

Notes to the consolidated financial statements

(Millions of U.S. Dollars, except share data and per share data)

Shareholders' equity and liabilities		
Current liabilities		
Payables to banks and current portion of long-term debt	334	4,919
Trade accounts payable	2,504	10,717
Accrued expenses and other liabilities	2,777	9,164
Total current liabilities	**5,615**	**24,800**
Non-current liabilities		
Long-term debt (including affiliates)	7,974	21,576
Deferred tax liabilities	1,602	5,933
Deferred employee benefits	2,506	6,511
Other long-term obligations	1,361	3,021
Total non-current liabilities	**13,443**	**37,041**
Shareholders' equity	**10,150**	**36,879**
Minority interests	**1,834**	**6,966**
Total shareholders' equity and liabilities	**31,042**	**105,686**

The following represents the condensed U.S. GAAP statements of income of the Company for the years ended December 31, 2005 and 2006:

	For the year ended December 31,	
in millions of USD	**2005**	**2006**
Sales	**28,132**	**58,870**
Cost of sales (exclusive of depreciation and amortization)	21,495	46,072
Depreciation and amortization	829	1,993
Selling, general, and administrative	1,062	2,984
Operating income	**4,746**	**7,821**
Other income - net	77	52
Income from equity method investments	69	301
Financing costs – net	(189)	(564)
Income before taxes and minority interest	**4,703**	**7,610**
Income tax expense	(818)	(1,224)
Minority interests	(520)	(981)
Net income	**3,365**	**5,405**

(j)Recent U.S. GAAP accounting pronouncements

The following U.S. GAAP accounting standards have recently been issued:

SFAS 155, "Accounting for Certain Hybrid Financial Instruments -an amendment of FASB statements 133 and 140" issued in February 2006 provides companies with the option to elect to measure at fair value the entire financial instruments containing embedded derivatives that would otherwise have to be accounted for separately. This pronouncement, if elected, would be effective for the Company for the fiscal year beginning January 1, 2007. The Company believes the adoption of this Statement would have no impact on its consolidated financial statements.

Notes to the consolidated financial statements

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SFAS 156, "Accounting for Servicing of Financial Assets – an amendment of SFAS 140" was issued in March 2006. SFAS 156 requires all separately recognized servicing assets and liabilities to be initially measured at fair value if practical and permits an entity to choose between the amortization method or the fair value measurement method for the subsequent measurement of each class of separately recognized servicing assets and liabilities. The pronouncement is effective for the Company for the fiscal year beginning January 1, 2007 and the Company believes it will have no impact on the consolidated financial statements.

SFAS 157, "Fair Value Measurements" issued in September 2006 defines fair value and establishes a framework for measuring fair value providing a fair value hierarchy and guidance on valuation techniques. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements, except those related to share based payments or when the accounting pronouncement includes practicability exceptions to fair value measurement. This pronouncement is effective for the Company for the fiscal year beginning January 1, 2008. The Company believes the adoption of this Statement would have no impact on its consolidated financial statements.

SFAS 159, "The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FAS 115" issued in February 2007, provides companies with an election to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis under a fair value option ("FVO"). This pronouncement is effective for the Company for the fiscal year beginning January 1, 2008. The Company expects that the adoption of this

Statement would have no material impact on its consolidated financial statements.

Financial Accounting Standards Board Interpretation ("FIN") 48, "Accounting for Uncertain Tax Positions" issued in June 2006 clarifies the accounting for uncertainty in income taxes recognized in accordance with SFAS 109, "Accounting for Income Taxes". This interpretation provides a two-step approach for the (i) recognition and (ii) measurement of tax positions until the uncertainty, about tax positions taken or to be taken will be treated under tax law, is ultimately resolved: (i) benefits of tax positions are taken if they are "more likely than not" to be sustained by the taxing authority and (ii) the tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized. The Company will adopt FIN 48 on January 1, 2007, and the cumulative effect of adoption will be recorded in retained earnings. The Company is currently evaluating the impact this Statement will have on its consolidated financial statements.

Company Balance Sheets

(After appropiation of result)

	December 31, 2005*	2006
ASSETS		
Current Assets:		
Cash	50	80
Due from affiliates	830	4,448
Prepaid expenses	6	2
Total Current Assets	886	4,530
Non-Current Assets:		
Financial fixed assets (note 2)	14,778	55,060
Loan to affiliates (note 3)	2,932	3,133
Non-current assets	11	96
Total Non-Current Assets	17,721	58,289
Total Assets	18,607	62,819
EQUITY AND LIABILITIES		
Current Liabilities:		
Due to affiliates	691	3,981
Accrued expenses and other current liabilities	29	135
Total Current Liabilities	720	4,116
Non-Current Liabilities		
Long-term debt (note 5)	4,601	16,576
Equity:		
Common shares	60	17
Additional paid-in capital	2,239	25,566
Retained earnings	10,270	14,974
Treasury stock	(111)	(84)
Legal reserves	828	1,654
Total Equity (note 4)	13,286	42,127
Total Equity and Liabilities	**18,607**	**62,819**

* The 2005 comparative information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 as well as the finalization of purchase price allocations on ISG and Kryviy Rih (see note 1 and 3 of the consolidated financial statements).

See notes to the company financial statements

Company Statements of Income

	Year Ended December 31,	
	2005*	2006
Share in results of participations	3,328	5,536
Share in results of associates	-	44
Other income and expenses after taxation	(27)	(354)
Net income	**3,301**	**5,226**

* The 2005 comparative information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 as well as the finalization of purchase price allocations on ISG and Kryviy Rih (see note 1 and 3 of the consolidated financial statements).

Notes to the Company financial statements

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The description of the company's activities and the organization, as included in the notes to the consolidated financial statements also apply to the company financial statements.

In accordance with article 2:362 part 8 of the Netherlands Civil Code, Mittal Steel has prepared its company financial statements in accordance with accounting principles generally accepted in the Netherlands applying the accounting principles as adopted in the consolidated financial statements. Investments in subsidiaries are stated at net asset value as the company effectively exercises influence over the operational and financial activities of these investments. The net asset value is determined on the bases of the IFRS accounting principles as applied by the Company in its consolidated financial statements.

In accordance with article 2:402 of the Netherlands Civil Code, the company profit and loss account is presented in abbreviated form.

For the remuneration of the managing and supervisory directors, please refer to note 26 of the consolidated financial statements.

NOTE 2: FINANCIAL FIXED ASSETS

Financial fixed assets can be specified as follows:

	Subsidiaries	Associates	Total
Balance at January 1, 2006	14,434	344	14,778
Net income investment	5,536	44	5,580
Investments	33,662	-	33,662
Dividends received	(79)	-	(79)
Foreign exchange, derivative reserves and gains on available for sale securities	1,126	(7)	1,119
Balance at December 31, 2006	54,679	381	55,060

A list of subsidiaries and associated companies, prepared in accordance with the relevant legal requirements (The Netherlands Civil Code, Articles 2:379 and 2:414), is deposited at the office of the Commercial Register in Rotterdam, the Netherlands.

NOTE 3: LOAN TO AFFILIATES

The loan to an affiliate is to Mittal Steel Europe SA and the balance as of December 31, 2006 is 3,133. This consists of a loan relating to the acquisition of Kryvorizhstal of 2,932. The interest on the loan is 10% per annum. The final repayment will be on November 23, 2013, which is eight years from the drawdown date. The remainder relates to a loan to Mittal Steel Kryviy Rih.

Notes to the Company financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 4: SHAREHOLDERS' EQUITY

(millions of U.S. Dollars, except share and per share data)	Shares**	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Net income for the year	Reserves Foreign Currency Translation Adjustments	Reserves Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities	Shareholders' Equity
*Balance at December 31, 2005	704	60	(111)	2,239	10,270	-	610	(4)	222	13,286
Movement with minority shareholders		-	-	-	-	-	-	-	-	-
Items recognized directly in equity		-	-	-	-	-	826	(16)	16	826
Net income		-	-	-	-	5,226	-	-	-	5,226
Recognized income and expenses		-	-	-	-	5,226	826	(16)	16	6,052
Transfer to retained earnings		-	-	-	5,226	(5,226)	-	-	-	-
Recognition of share based payments		-	-	29	-	-	-	-	-	29
Voting right reduction		(52)	-	52	-	-	-	-	-	-
Issuance of shares in connection with Arcelor acquisition	680	9	-	23,231	-	-	-	-	-	23,240
Treasury Stock (note 15)	1	-	27	15	-	-	-	-	-	42
Dividends (0.50 per share)		-	-	-	(522)	-	-	-	-	(522)
Balance at December 31, 2006	1,385	17	(84)	25,566	14,974	-	1,436	(20)	238	42,127

* The 2005 comparative information has been adjusted retrospectively for the adoption of IFRIC 4 which occurred as of January 1, 2006 as well as the finalization of purchase price allocations on ISG and Kryvly Rih (see note 1 and 3 of the consolidated financial statements).
** Excludes treasury shares.

As at December 31, 2006, the authorized common shares of Mittal Steel consisted of 5,000,000,000 Class A common shares, par value of €0.01 per share, and 721,500,000 Class B common shares, par value of €0.01 per share. At December 31, 2006, 934,818,280 (December 31, 2005: 255,401,673) Class A common shares and 457,490,210 (December 31, 2005: 457,490,210) Class B common shares were issued and 927,778,733 (December 31, 2005: 246,572,889) Class A common shares and 457,490,210 (December 31, 2005: 457,490,210) Class B common shares were outstanding.

The Company's share capital at December 31, 2006 is comprised as follows:

	Class A	Class B	Total
December 31, 2004	1	58	59
Acquisition of ISG	1	-	1
December 31, 2005	2	58	60
Voting right reduction	-	(52)	(52)
Acquisition of Arcelor	9	-	9
December 31, 2006	11	6	17

As of December 31, 2006, the preference and relative rights of the Mittal Steel Class A common shares and Mittal Steel Class B common shares are substantially identical except for conversion rights. Each Mittal Steel Class B common share is convertible, at the option of the holder, into one Mittal Steel Class A common share.

Under Mittal Steel's Articles of Association, each Mittal Steel Class B common share is convertible at any time and from time to time at the option of the holder thereof into one Mittal Steel Class A common share. The Mittal Steel Class A common shares have no conversion rights.

On August 1, 2006, Mittal Steel acquired 91.9 % of the share capital of Arcelor (on a fully diluted basis). Through subsequent transactions, Mittal Steel increased its ownership to 94.2 % of the issued and outstanding shares of Arcelor and 19.9 million of Arcelor's Convertible bonds. The acquisition was funded through a combination of cash and 680 million newly issued Class A common shares.

Notes to the Company financial statements

(Millions of U.S. Dollars, except share data and per share data)

In September 2006, the nominal value of class B shares changed from €0.10 per share to €0.01 per share. This was approved by the shareholders during the shareholders meeting of June 30, 2006. At the same time the voting rights for Class B shares reduced from 10 votes per share to 1 vote per share.

At December 31, 2006, the Company held 7,039,547 of its own Class A shares which it purchased on the open market for aggregate consideration of 84 (at December 31, 2005—8,828,784 for aggregate consideration of 111). Treasury shares held by the company are deducted from equity. In 2006, the Company received 9 upon the exercise of options by employees.

Dividends
The dividend for 2006 amounted to 522 (0.50 cents per share) and was paid during the year. On February 2, 2007 an interim dividend was declared of 0.325 cents per share or 452 in total.

Stock Option Plan
For the stock option plan reference is made to note 16 to the consolidated financial statements.

NOTE 5: LONG-TERM DEBT:

3.2 billion Credit Facility
On April 7, 2005, Mittal Steel and certain subsidiaries signed a five-year 3,200 credit facility with a consortium of banks. At December 31, 2006, 2,100 was outstanding.

3.5 billion Bridge Facility
On October 19, 2005, the Company signed a 3,000 loan agreement with Citigroup. The facility was subsequently increased by 500 to 3,500. The 2005 Bridge Facility was repaid in full on June 26, 2006 and cancelled subsequently. Funding was provided from a €3,000 million (3,932) Refinancing Facility entered into on January 30, 2006.

€17 billion Credit Facility
On January 30, 2006, the Company entered into a €5,000 million credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs ("Acquisition Facility") and a €3,000 million credit agreement to refinance the 2005 Bridge Facility. On May 23, 2006, the Company entered into a €2,800 million agreement with a group of lenders to finance the cash portion of the increased offer for Arcelor along with related transaction costs ("Acquisition Facility").

On November 30, 2006, the Company entered into a €17,000 million credit agreement with a group of lenders to refinance Mittal Steel's Refinancing Facility and Acquisition Facilities, along with Arcelor €4,000 million term loan facility and €3,000 million revolving credit facility agreement. All of these refinanced facilities were repaid and cancelled in December 2006. The outstanding under €17 billion credit facility at December 31, 2006 was 15,828.

EBRD Loans
The secured loan is for capital expenditures and working capital requirements at Mittal Steel Galati. The loan is guaranteed by the Company and certain of its subsidiaries, and is secured by a pledge of certain assets of Mittal Steel Galati. The outstanding amount of the loan is 50 as of December 31, 2006.

On April 4, 2006, Mittal Steel signed a 200 loan agreement with the European Bank for Reconstruction and Development for on-lending to Mittal Steel Kryviy Rih. The outstanding amount of the loan was 200 as of December 31, 2006.

Notes to the Company financial statements

(Millions of U.S. Dollars, except share data and per share data)

NOTE 6: COMMITMENT AND CONTINGENCIES

See note 22 and 23 to the consolidated financial statements.

NOTE 7: RELATED PARTIES

There are no significant transactions between the company and its associates. Transactions between the company and its subsidiaries are included in the Company's Financial statements.
These a transactions include the charge-out of management fees and interest on intercompany financing.

NOTE 8: REMUNERATION OF TE BOARD OF DIRECTORS

See note 26 to the consolidated financial statements.

NOTE 9: SUBSEQUENT EVENTS

See note 27 to the consolidated financial statements.

Notes to the Company financial statements

Rotterdam, 16 April, 2007

BOARD OF DIRECTORS
L.N. Mittal
V. Mittal Bhatia
N. Vaghul
W.L. Ross
L.B. Kaden
F.H. Pinault
J.J. Kinsch
J.R. Alvarez Rendueles
S. Silva de Freitas
G. Schmit
E. Pachura
M. Angel Marti
M. Fernandez Lopez
J.P. Hansen
J. Castegnaro
A. Spillmann
HRH Prince Guillaume de Luxembourg
R. Zaleski

Additional information

PROPOSED APPROPRIATION OF NET INCOME FOR 2006

Article 37.1 of the articles of association reads:
'From the profits, as apparent from the annual accounts adopted by the general meeting of shareholders, such amounts shall be reserved as the managing board shall determine.'

The Board of Directors has decided that the Company's income for 2006 will be added to retained earnings, taking into account the interim dividends already paid in 2006. This proposal has already been reflected in the 2006 financial statements.

SPECIAL STATUTORY VOTING RIGHTS

See note 16 of the notes to the consolidated financial statements.

AUDITORS' REPORT

See page 117

REGISTERED OFFICE

Hofplein 20
3032 AC Rotterdam
The Netherlands

COMPANY REGISTRATION NO:

24275428 (Corporate seat – Rotterdam, Netherlands)

Additional information

To the Board of Directors and shreholders of Mittal Steel Company N.V.

Auditors' Report

Report on the financial statements
We have audited the accompanying financial statements 2006 of Mittal Steel Company N.V., Rotterdam. The financial statements consist of the consolidated financial statements as set out on pages 29 to 108 and the company financial statements as set out on pages 109 to 115. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2006, the company statement of income for the year then ended and the notes.

Management's responsibility
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of Mittal Steel Company N.V. as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.
Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of Mittal Steel Company N.V. as at December 31, 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Emphasis of matter
We draw attention to the fact that the accounting principles used in the preparation of the consolidated financial statements can vary in significant respects from accounting principles generally accepted in the United States of America. The effect of the principal differences in the determination of net income (loss) and shareholders's equity is set out in Note 28 to the consolidated financial statements. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

E.R. Termaten RA
Rotterdam, The Netherlands
April 16, 2007