Arcelor Mittal Activity Report 2006

Contents

The financial information in the Arcelor Mittal Activity Report 2006 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This financial information does not contain complete information related to the statutory account of Mittal Steel Company N.V., which must be adopted at the Annual General Meeting of shareholders pursuant to Dutch law. A copy of the Dutch statutory accounts can be obtained free of charge by contacting the registered office of Mittal Steel Company N.V., Hofplein 20, 15th floor, 3032 AC Rotterdam, The Netherlands, or by contacting the ABN AMRO Service Desk at +31 (0)76 579 9455.

All figures relating to Arcelor Mittal are pro forma (unaudited).
The pro forma information reflects the combined business as if the acquisition of Arcelor and its subsidiaries had taken place at the beginning of the period presented.

Arcelor Mittal: A Winning Strategy

Arcelor Mittal 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 and 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 27 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 organically and by acquisition, particularly in high-growth developing markets. The company believes that globalisation and consolidation are the only 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 organisation which places considerable emphasis on critical functions including Health and Safety, Environment and Corporate Social Responsibility.

Quality is another area of particular focus for the company. The Group's investments in innovation and Research and Development 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 satisfying the most sophisticated customer demands.

These investments also provide opportunities for worldwide operations, so as to enhance and share best practices. The company recognises the importance of intelligence sharing and exchanging ideas between business segments to improve business performance.

The merger has also boosted financial strength and sustainability. The year 2006 pro forma financials show combined revenues of US$88.6 billion, with a crude steel production of 118 million tonnes, representing around 10 per cent of world steel output. On a pro forma basis, the company has now 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.

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.

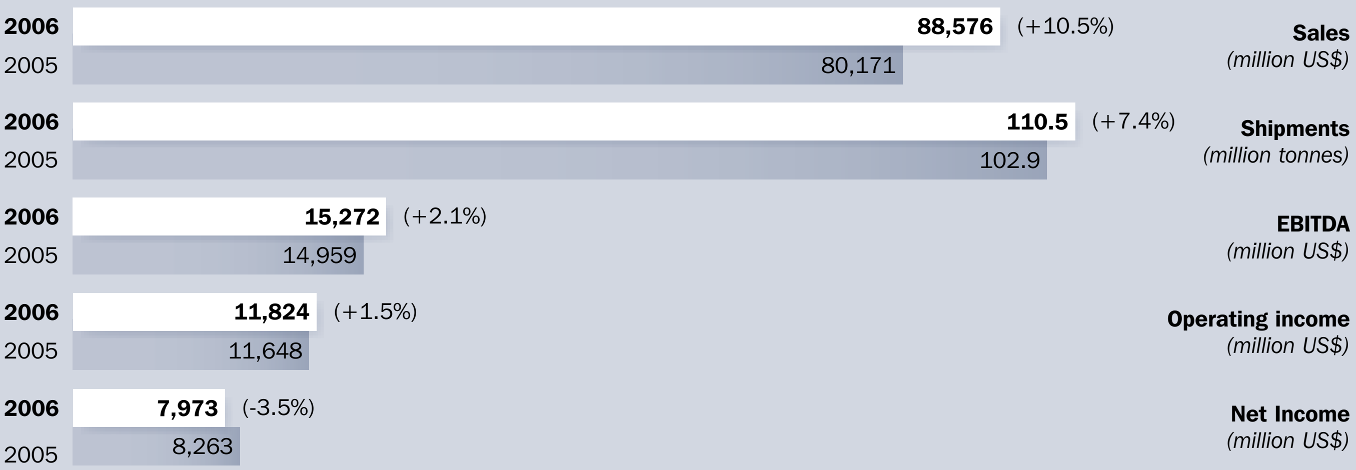
Portrait of the Group – 2006

Arcelor Mittal is the only truly global steel company. In 2006, the Arcelor Mittal group produced over 118 million tonnes of steel and generated revenue of US$88.6 billion. It directly employes more than 320,000 personnel in over 60 countries and is rightly regarded as the undisputed leader in its core businesses.

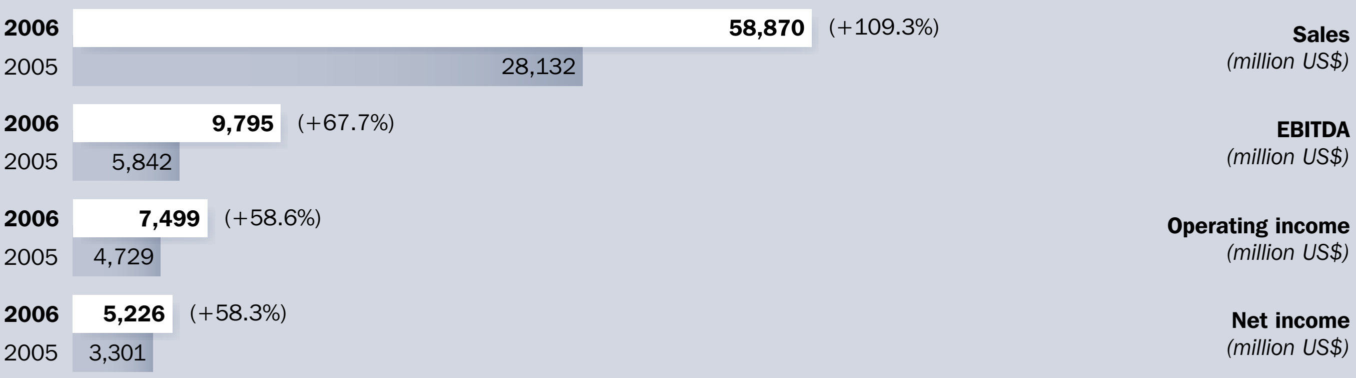
US $88.6 billion sales

realised by Arcelor Mittal in 2006.

Arcelor Mittal pro forma figures (unaudited)



Mittal Steel legal figures



Chairman's Statement

Dear Shareholders, Ladies and Gentlemen,

2006 was a very memorable year for the steel industry. It marked the creation of Arcelor Mittal through the merger of the world's two leading steel companies, creating a new undisputed global market leader.

It is a great honour for me to be the Chairman of this new company, one that really does lead the world in terms not just of our global presence or our product offering, but also in terms of financial strength and stability, as evidenced by our pro forma annual results.

The company benefits from the exceptional leadership of Lakshmi Mittal as President and Chief Executive Officer, who has set the scene for a very successful integration. Lakshmi is supported by one of the strongest and most experienced management teams in the steel industry today and this can only bode well for the future.

The rapid progress we have made in the integration has been very encouraging and fills me with confidence about the future of our combined Group. It became very clear to me from the outset that, while being very different, our companies had a great deal in common and our people quickly set about working hand in hand together.

We have implemented a joint business plan and developed a tailored management system in a merger of equals based on business values benefiting from wide support among the shareholders. Both companies also have a wealth of experience of making mergers work for our stakeholders.

Before the merger, both companies had grown strongly and had demonstrated successful integration. Following the creation of Arcelor in 2002 through the merger of Aceralia, Arbed and Usinor, the new steelmaking group swiftly positioned itself as a leader in innovation, quality, sustainable development and social dialogue while continually improving financial results. Mittal Steel meanwhile had grown through several transformational acquisitions. As with the merger to create Arcelor, Mittal Steel began immediate integration of these and other acquisitions, improving performance and delivering synergies. These past experiences not only demonstrate how our new company, Arcelor Mittal, has plenty of integration experience to call on over the coming months, but also how we were both committed to steel consolidation as the most important dynamic of our industry.

I am happy to report that having spent several months working as one single company, we have not forgotten to look forward. We have our gaze firmly looking towards the future in order to continue developing the largest steelmaking company in the world.

Furthermore, we aim to be the most admired steel company in the world, a company that views itself as exemplary in terms of the Health and Safety of its employees, its interaction with its workforce and its contribution to the communities in which it operates.

In addition, we also aim to be leaders in the way we run our company, our product quality, customer services, innovation and sustainable development. We aim to continue our focus on cost reductions, courtesy of the ongoing and systematic exchange of best practices and a permanent concern for the best possible level of production.

Arcelor Mittal is the first truly global steel company. In 2006, the Arcelor Mittal group produced over 118 million tonnes of steel and generated revenue of US$88.6 billion. It directly employs more than 320,000 personnel in over 60 countries and is rightly regarded as the undisputed leader in its core businesses. The Group also continues to expand its mining operations, with projects announced in Liberia and Senegal, which underline our commitment to building the only truly integrated steel company in the world.

Arcelor and Mittal Steel both prided themselves on their Research and Development policy. The merger of the two companies allows us to bring together these programmes and leverage their combined output across the whole Group, for the benefit of our customers. Without a doubt, Arcelor Mittal's Research and Development capabilities are the most technologically advanced in the world.

The Arcelor Mittal share is currently listed on the markets in New York, Amsterdam, Paris, Brussels and Luxembourg, and on the Spanish markets in Barcelona, Bilbao, Madrid and Valencia.

Today, in early 2007, the economic environment remains favourable and the demand for steel products continues to be driven by China's prodigious appetite for steel. Arcelor Mittal is remarkably well positioned to take advantage of this sustained demand and of the opportunities the Group will have for external growth. Increasing investment projects and the realisation of several acquisitions testify to this. These achievements support our analysis of the key role of the corporate spirit of the founding companies in Arcelor Mittal's vision of the accelerating trend towards consolidation in the global steel industry. In their own way and by dint of their unique talents, the two companies have already greatly contributed towards shaping the development of the history of steel in Europe and in the world. Both have also played a major role in the renewed interest of the financial markets in steel securities. United within a single company that is already doing its partners and staff proud, they will continue to fashion the future of steelmaking and to provide the profession with leadership on a global scale.

As well as thanking my colleagues on the Board of Directors, I would like to take this opportunity to thank all our shareholders and other stakeholders for their continuing support and look forward to the next stage in the development of Arcelor Mittal.

Sincerely,

Joseph Kinsch,
Chairman of Arcelor Mittal

Message from the President and CEO

2006 has been a groundbreaking year for the steel industry. It saw the creation of Arcelor Mittal, the world's first 100 million tonnes plus steel company in a merger which highlighted the benefits of a more consolidated steel industry and which I am pleased to say, has been followed by a new phase of consolidation in our industry.

It has been some nine months since we announced the merger and I am delighted by how quickly the two companies have become aligned. I can say with confidence that the success of the merger to date has surpassed even my own expectations. The collaboration between people is very strong and effective, and everyone is motivated by the considerable opportunities ahead of us.

Today Arcelor Mittal enjoys a unique profile in the steel industry, with a balanced operating portfolio across Europe, America and Asia. Additional diversity is provided by our broad product portfolio, which encompasses both long and flat products for a wide range of customer segments, including automotive, white goods and construction. Furthermore, we are the only steel company to operate a truly integrated model from mining through steel production to distribution.

One of the clear priorities for 2007 is ensuring a successful integration. I am very pleased to report that we are making excellent progress in this regard. It was clear from the beginning that the two businesses benefited from complementary business models, which have formed the basis for a positive integration.

The first task of the integration process was to establish the senior management of the company. I believe that in my colleagues on both the Group Management Board and the Management Committee we have the strongest senior team in the steel industry today, offering a collective wealth of knowledge and experience. In particular I would like to thank Roland Junck, Aditya Mittal, Malay Mukherjee, Gonzalo Urquijo and Michel Wurth for their commitment and hard work over these critical first months of the merger, ensuring the new company sets off in the right direction from the outset.

It is their leadership which has helped set the tone for the considerable excitement now permeating the company. People are motivated by the future opportunities and prospects the merger has created and this gives me great optimism for the future.

The merger is creating many benefits on both a geographic and product basis. For example our plants in Eastern Europe are benefiting from the expertise of their new colleagues in Western Europe. This will enable them to more quickly improve product mix and take advantage of the demand growth for more sophisticated products in this market. Similarly in automotive, our teams from Europe and the United States are working closely together to create a global solution, supported by our combined industry-leading Research and Development function.

I have been delighted to see how well people are working together, sharing their knowledge and expertise to enhance performance. In order to maximise this opportunity we have adopted a new approach of “twinning” operating facilities with similar units in order to accelerate and enhance operational excellence across the company. This approach is already proving very effective and also provides employees with an opportunity to integrate directly and share knowledge, ideas and best practice with their new colleagues.

The success of the merger is also reflected in the financials. Mittal Steel reported record results for the twelve months ended 31 December 2006 with sales soaring 109.3% to US$58.9 billion, EBITDA increasing 68% to US$9.8 billion and net income up 52.4% to US$5.2 billion on account of the merger with Arcelor. The pro forma numbers for the year clearly demonstrate the financial strength of the new company with revenues of US$88.6 billion, EBITDA of US$15.3 billion and net income of US$8 billion, a result which would place us amongst the world’s largest corporations according to Fortune 500’s 2006 global ranking.

I believe that our stronger, more diversified business model will enable us to maintain a consistent earnings base. Indeed, over the past three years, Arcelor Mittal has reported pro forma EBITDA of approximately US$15 billion, demonstrating a stability that neither company would have achieved on its own. This is a great achievement which many stakeholders would not have believed possible only a few years ago.

Cashflow continues to be strong, with the company generating US$4.3 billion of cashflow in the fourth quarter. Net debt was reduced by US$2.3 billion in the quarter and at 31 December 2006 stood at US$20.4 billion, representing an NFD/EBITDA of 1.3x.

Our confidence in the continued financial strength of the company is reflected in our decision to implement a new dividend policy, paying out 30% of profits by way of a dividend and share buy-back to shareholders each year, and having a minimum dividend payout commitment. This is an unprecedented step for a steel company and one which we believe serves to underline the resilience of our business model.

The stability of the new global and diversified model is reflected in the stock price, which has risen some 40% since the merger was announced. There can be no greater an endorsement from the financial community.

Whilst integration is a main priority, we do not intend to allow this to distract us from continuing to look for opportunities to create further value.

Message from the President and CEO

continued

Today the steel industry is in a much healthier position, due to a combination of good global demand growth and a more consolidated industry. Nevertheless, the industry remains fragmented and it is important that the momentum of consolidation is maintained.

Indeed, since the merger was announced, the new company has demonstrated its continued commitment to pursuing growth opportunities with the acquisition of Sicartsa in Mexico and the intention to pursue a Greenfield opportunity in the Orissa state of India. We have also taken steps to further increase our iron ore sufficiency, having acquired facilities in Liberia and Senegal.

Similarly, we are also focused on maximising organic growth potential and have identified many different and exciting projects in this regard. These include increasing slab capacity in Brazil; the commissioning of the new hot strip mill in Krakow, Poland; expansion in the Ukraine; capacity increase at Acindar, Argentina; and de-bottlenecking leading to capacity expansion in South Africa.

As we continue to grow, we will also ensure that we do not take our eye off the ball on important areas such as cost leadership. Although the industry has made great steps forward in terms of sustainability, being cost-conscious at all times must remain a priority.

Looking forward, I am optimistic about the future. Economic indicators are positive and steel demand growth is expected to remain at between 3 – 5% per year for the foreseeable future. Consolidation should continue, improving the overall health of the industry and enabling us to take further steps towards creating a more sustainable environment. China remains the greatest challenge, but encouragingly current indicators demonstrate that Chinese exports are beginning to fall. Additionally it is important that the Chinese steel market, which remains highly fragmented, also starts to consolidate in order to be able to manage supply and demand more effectively. The Chinese government has voiced its support for consolidation and I would hope we will see a move in this direction over the next few years.

Arcelor Mittal is in an excellent position to benefit from these underlying conditions. Our merger was based on very sound industrial logic of which there are already a number of tangible results. Integration is progressing well and we are well positioned for further growth.

We also want to build on our reputation as the most admired steel company in the world. In this regard we are equally focused on demonstrating industry leadership across critical areas including Health and Safety, the environment, Corporate Social Responsibility and Human Resources.

I would like to take this opportunity to thank my colleagues on the Board of Directors whose leadership and advice, under the guidance of Chairman Kinsch, has been invaluable during these critical first months of the integration process. We are very fortunate to have such a strong Board of Directors, drawn from a wide range of industries and backgrounds.

Finally, I would like to extend my thanks and appreciation to all our stakeholders who have supported us over the years. Specifically, I would like to extend my thanks to all our 320,000 employees. Mergers can be unsettling, but I have been very impressed with the way everyone has aligned themselves quickly in the new company, which sends very positive signals for our future development.

Sincerely,

Lakshmi N. Mittal,
President and Chief Executive Officer

I believe that our stronger, more diversified business model will enable us to maintain a consistent earnings base. Indeed, over the past three years, Arcelor Mittal has reported pro forma EBITDA of approximately US$15 billion, demonstrating a stability that neither company would have achieved on its own.

For Mittal Steel
Sales soared 109.3% to US$58.9 billion
EBITDA increased 68% to US$9.8 billion
Net income went up 52.4% to US$5.2 billion

For Arcelor Mittal pro forma (unaudited)
Revenues of US$88.6 billion
EBITDA of US$15.3 billion
Net income of US$8 billion

Questions for the CEO

Arcelor and Mittal Steel were natural business partners with an extraordinary geographic and product fit, says CEO Lakshmi N. Mittal. Both shared one very important trait: "we were both committed to and focused on improving the underlying sustainability and health of the global steel industry". The merger is living up to its promise – delivering the anticipated synergies and creating exciting opportunities for the future.

It is now nearly nine months since the merger between Arcelor and Mittal Steel was announced. Is it having all of the benefits that you envisaged?

Absolutely. One of the most exciting things about this merger was that the two businesses were entirely complementary with virtually no overlap. In a consolidating steel industry, Arcelor and Mittal Steel were natural business partners and the past nine months have only served to further convince us of the compatibility between the two companies. Arcelor Mittal is the first truly global, diversified and integrated steel producer and there are a wide range of benefits associated with such a model.

Can you elaborate more on these benefits?

I have always believed that a business model based on size, scale and diversification would be necessary to unlock the value potential of the steel industry. Steel has historically suffered from severe volatility and cyclicality due largely to its fragmented nature which has resulted in the very low multiples still afforded to the sector today. Whilst the sector will always have some degree of cyclicality, the severity of the cycles can be reduced through consolidation of the industry and the emergence of a number of key players with a more diversified and global operating base. Arcelor Mittal is the first such company to be created and we are already seeing the benefits in terms of creating a more sustainable operating environment, which will have considerable benefits for all stakeholders.

Your share price has had a good run since the merger was announced. Do you think that the re-rating of the stock and the sector has now occurred?

Our share price has performed very well since the merger was announced, rising some 40% in the months following. It is pleasing to see that the market can see the benefits and further potential the merger has created. Compared with other industries though, we still believe steel is underrated. There is a big opportunity for steel companies to prove that the new business model has momentum and can create results. If we can continue to demonstrate progress, then I believe the re-rating should continue.

Mergers are notoriously difficult. Have you encountered many problems and issues in integrating the two companies?

Mergers will always create challenges and issues, but the integration between Arcelor and Mittal Steel has been remarkably straight forward. This is largely due to the fact that the two businesses did not overlap at all in terms of operations. Also, the two businesses really are very complementary and this is proving very motivational in terms of encouraging people to work together to share their skills and expertise. This cross-fertilisation of knowledge and skills should help us accelerate the business plan of the company and deliver on our potential.

Can you give any examples of this?

There are many different examples. The European business is one. By harnessing the experience and quality of the Western European plants, we are able to transfer this to the Eastern European plants to help them improve product quality and mix and be better positioned to serve a growing and more sophisticated product base.

The automotive business is another good example. We have now created a global automotive segment which is in a position to offer a global solution to one of our most important global customers. Commercial Coordination, Marketing and Research and Development on both sides of the Atlantic is being unified in order to improve the level of service and quality we are able to offer the car makers. There are also benefits downstream in that we have been able to combine the service centres with operational facilities in order to cut out third parties such as traders.

What about the culture of the companies? Is that compatible?

Both companies shared one very important trait: that we were both committed to and focused on improving the underlying sustainability and health of the global steel industry. This has acted as a strong unifying force and I believe is forming the basis for the successful merger. We are all steel industry professionals who have lived through the volatile cycles for many years and who all share a desire to work towards creating a healthier operating environment. The fact that we are making tangible progress towards this is providing further momentum and motivation. We are really building on the strengths of both companies to create a new culture which is both structured and dynamic and this has been very successful to date.

What is the focus of the company for 2007?

Effecting a successful integration is clearly key and we are making excellent progress in this sphere. Also we want to continue to exploit growth opportunities globally, both organically and by acquisition. In addition, Health and Safety, for all our employees, will be major concern in 2007.

Which countries do you see this growth coming from?

Organic growth will come from our existing operations and there are particular opportunities in the growth markets such as Brazil, South Africa and Eastern Europe. In terms of further acquisition, we will largely be focused on growth economies, with a special focus on AACIS and Middle East countries. We will also continue to further develop our integrated business model, most specifically by increasing our captive iron ore reserves and resources.

Are you confident about the future prospects of Arcelor Mittal?

I am very confident about the company's future prospects. The merger has created not only the largest steel company in the world, but more importantly the most stable. We have a real opportunity to build on this and to lead the steel industry into a new period of sustainability.

Our share price has performed very well since the merger was announced, rising some 40% in the months following. It is pleasing to see that the market can see the benefits and further potential the merger has created.

Questions for the Group Management Board

Made up of six members and heading up a merger of unprecedented size in the steel industry, Arcelor Mittal's Group Management Board recognise the challenges ahead - not only in maintaining corporate functions but in driving sustainable development forward and continually monitoring Health and Safety.

Are you pleased with the integration so far?

Roland Junck: As far as the corporate functions are concerned, I am very pleased with the integration process to date. It has really given us the opportunity to invigorate the corporate functions and launch new improved policies for critical areas such as Health and Safety, Human Resources and Sustainable Development.

Aditya Mittal: The integration is going very well. What has particularly impressed me is how well people from the two organisations are working together and how quickly they have become aligned. I have had the opportunity to meet and talk with a lot of our executives and employees over the past months and there is a lot of optimism and excitement throughout the group about our future potential. Integration has proved to be very motivating for all employees who can now enjoy challenging business and career opportunities in a truly global environment.

Malay Mukherjee: I am finding that people are responding very well to the integration process. If I use the example of stainless steel we have really been able to improve the performance of this division in only a short time and that has given a lot of motivation to the people in this team.

Gonzalo Urquijo: I think the integration is going better than any of us anticipated. We really have made a lot of progress since the merger was announced. Combining the two companies has enabled us to accelerate our respective strategies and the progress is already very visible. I think employees are enjoying sharing their knowledge and expertise with their new colleagues and there is a definite sense of positive momentum.

Michel Wurth: From the perspective of my operational responsibilities, integration is progressing well and on schedule. People seem excited by the opportunities created by combining the businesses which has created a new company stronger than the sum of the two parts. If I highlight the automotive sector, we are able to share technologies and processes which will ultimately create considerable benefits for our customers.

What are the benefits and gains of the merger in your area of business?

Roland Junck: With the huge diversity of the Group, we have the opportunity to gain enormously from the spread of best practice. Through the Performance Enhancement unit, we are creating teams of experts drawn from the operation in every area. The rest of the Group will be able to call on them at any time. This is a wonderful resource and one which is already reaping the benefits. There is so much that we can achieve through the benchmarking of best practice and regular knowledge sharing. Through our Global Executive Development Programme, we are providing enhanced career development opportunities for our managers.

Aditya Mittal: The gains span every area of the American flat business. We are sharing best practice both north-south and east-west to good effect. Company-wide purchasing initiatives and shared services are delivering overhead savings. At the commercial level, we now have single account teams in place to manage slab sales for CST in Brazil and Lázaro Cárdenas in Mexico. Many more benefits will emerge as we optimise the product flow and concentrate production of certain high-value products such as top-end plates.

Malay Mukherjee: The gains are numerous. Integrated distribution is a key one – allowing us to explore new markets. The sharing of best practice in pipes and tubes is another. The opportunity to combine Stainless Steel's purchasing of energy, scrap and alloys with that of the carbon steel operations offers big synergies.

Gonzalo Urquijo: Consolidated purchasing, moves to specialise plants around key products, the integration of wire rod and wire drawing activities, the ability to draw on the international sales offices rather than rely on external traders – the list of gains is almost endless! But the key one is the ability to improve logistics. By allocating plants to different markets we can reduce the distance over which products have to travel – what I call "steel tourism". There will also be big advantages from a refocusing of our investment spending to avoid duplication and deliver quality improvements and cost savings.

Michel Wurth: There are a lot of gains – from improved logistics, better sourcing, cross-selling and so on. But perhaps it is the rapid transfer of best practices that is the best example of internal gains from the merger. For instance, in Eastern Europe, each steel shop, each hot rolling mill, each production line, is being twinned with a counterpart in Western Europe. Through exchanges of personnel, best practice is being absorbed in a very rapid – and very unbureaucratic – fashion.

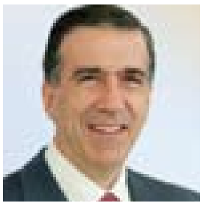
What are the benefits of the merger for customers?

Aditya Mittal: As a truly global organisation, we are now uniquely placed to support our global customers through an in-depth partnership that pulls together all the regional relationships we enjoyed with them before. With one global account team for each major OEM (Original Equipment Manufacturer), we are able to deliver them standard solutions worldwide. The merger also enables us to offer our North American customers a wider range of advanced steel. And through the combination of the two companies' R&D efforts, we are better placed than ever to deliver them the next generation of steel that will help them remain competitive.

Roland Junck

Aditya Mittal

Malay Mukherjee



Gonzalo Urquijo

Michel Wurth

Malay Mukherjee: We will be channelling all export sales through our in-house sales network, as opposed to through agents. This will bring us closer to end customers and give us a better feel for their needs, both now and in the future. Our investment programme in pipes and tubes is focused on driving up quality and product sophistication – and driving cost down. Here again the customers will benefit.

Gonzalo Urquijo: Having combined the two companies' commercial organisations, we are able to deliver an enhanced product range and give a better service. Cost reduction measures arising out of the merger underwrite our competitiveness going forward. And by consolidating the product mix at different sites, we will be better placed to partner our customers in their future plans.

Michel Wurth: If I use automotive as an example, we are developing a unique capability to provide our customers with standard solutions worldwide. With plants located close to theirs, we are in a position to support their worldwide developments, pretty much wherever they may be. And with a combined US$185 million Research and Development budget, our customers can count on us to be even more innovative in the future – not only in the automotive field, but in packaging, home appliances and many other markets.

The company recently held its first global Health and Safety day. How important is Health and Safety for the Group?

Roland Junck: There is nothing more important than Health and Safety. Health and Safety considerations should supersede all others in every decision we take. The recent Health and Safety day was very well received and we used the day to raise awareness and also as a platform to announce ambitious new targets for lifting the safety performance in 2007. We are creating a tracking and reporting mechanism that will not only capture information on every incident but will disseminate lessons learned from it quickly and efficiently to all parts of the Group. Our organisational structure will allow ideas to move up and down the command chain quickly. Safety comes first – but it also requires every individual in the Group to play their part.

What opportunities and challenges do you see ahead?

Roland Junck: Sustainability and development of our future leaders are two big issues. We have to demonstrate over and over again that we are a good corporate citizen, prepared not only to meet our responsibilities towards the environment, but also to play a supportive role in the communities in which we operate. To do this and meet our business challenges, we must attract and retain good managers. One of the benefits of the merger is that it provides us with an opportunity to refocus on these critical areas and strengthen our policies and activities to develop our leaders and to ensure we act in a socially responsible manner, year-in, year-out.

Aditya Mittal: Arcelor Mittal has considerable opportunities ahead of it. We must focus on delivering on the synergies, developing integration and demonstrating to the market the benefits the merger will create. If we can do this, I believe we will see a continuing re-rating of the company and indeed the broader industry. Clearly integration is a priority for 2007, but we must not allow integration to distract us from continuing to take advantage of growth opportunities when they arise. We have a clear competitive advantage at present vis-à-vis the rest of the steel industry and we must make sure we do not lose this.

Malay Mukherjee: We need to respond to the high-growth of the African and Asian markets by expanding capacity, increasing quality and lifting the volume of finished products we produce. At the same time, cost reduction will be key. And there will be opportunity for acquisition and greenfield opportunities in these markets and we have to be ready for them.

Gonzalo Urquijo: We have many opportunities. If I take as an example AM3S, we are now working to replicate our leadership in Western Europe not only in Central and Eastern Europe, but also to export our proven skills in construction to other parts of the world, most notably the United States. We also want to expand our long products business, which is performing well and offers good stability to the Group. In the Americas, we need to seize the growth potential in Central and South America. And in Europe, we need to drive capacity utilisation up to the appropriate levels and build on our leadership position in key product areas.

Michel Wurth: The profile of the company really gives us a unique opportunity to build a unified product for customers both by sector and geography. In Flat Europe, the combination of the high quality operations in Western Europe, coupled with the low cost base in Eastern Europe and the extensive service and distribution network of AM3S, we have created a very strong and unique offering. Eastern Europe continues to be a strong platform for growth and our West European operations should help us accelerate their move into higher quality products to service this growing market. Our new global automotive platform is also a very exciting opportunity as it enables us for the first time to offer customers a truly global solution.

Automotive

Arcelor Mittal supplies an estimated 17.4 tonnes to the worldwide automotive industry annually. Since the merger, a global organisation has been put in place to serve the Group's global automotive customers. Arcelor Mittal has the ability to serve an auto maker's global platform, delivering standardised materials and specifications worldwide. Backed by a unique range of advanced steel grades and a powerful Research and Development effort, Arcelor Mittal can add genuine value at every stage of vehicle design and production.


17.4

2006 Monthly Highlights

2006 has been a very exciting and challenging year for Arcelor Mittal. The new company has been at the forefront of the consolidation process, leading the industry through mergers and acquisitions.

Creating the world's largest steel company, Mittal Steel and Arcelor reach an agreement in June 2006 to combine the two companies in a merger of equals. The terms of the transaction were reviewed by the Boards of Arcelor and Mittal Steel which each recommended the transaction to their shareholders.

January 2006

Historic moment for the Global Steel Industry

The year starts with the historic launch of the Mittal Steel offer to the shareholders of Arcelor to create the world's first 100 million tonne plus steel producer. The aim of increasing globalisation and consolidation, necessary in the steel industry, defines the deal and sets the pace for the industry.

February 2006

Expansion and strong results

Mittal Canada completes the acquisition of three Stelco subsidiaries, the Norambar and Stelfil plants, located in Quebec, and the Stelwire plant in Ontario. Stelfil and Stelwire will add 250,000 tonnes of steel wire to the company's annual production capacity, providing a wider product mix to better meet customers' needs.

Arcelor acquires a 38.41% stake in Laiwu Steel Corporation, in China. Laiwu Steel Corporation is China's largest producer of sections and beams, and will further boost its operational excellence thanks to this partnership. It is still awaiting approval with the Beijing authorities.

April 2006

Renewal after Hurricane Katrina and new galvanized line

Out of the devastation of Hurricane Katrina, arose a revitalised Mississippi youth baseball field, rebuilt with the help of Mittal Steel USA and Arcelor. The companies provide money towards the purchase of lighting fixtures and steel cross bar support. It also arranges for and donates the labour costs for their installation.

Mittal Steel USA places a new line into operation in Cleveland to provide top-quality galvanized sheet steel to automakers and other demanding customers. The new line is designed to produce in excess of 630,000 tonnes of corrosion-resistant sheet annually, using the hot-dip galvanizing process.

May 2006

US clears the way for bid

Mittal Steel announces US antitrust clearance for the Arcelor bid and the approval of the offer documents by European regulators. The acceptance period starts in Luxembourg, Belgium and France on 18 May 2006 (some days later for Spain and the United States) and lasts until 29 June 2006.

Arcelor contributes to the first anti-seismic school building in Izmit (Turkey), where a school building had been destroyed by an earthquake in 1999.

June 2006

Historic agreement to create the No.1 Global Steel Company

Creating the world's largest steel company, Mittal Steel and Arcelor reach an agreement to combine the two companies in a merger of equals. The terms of the transaction were reviewed by the Boards of Arcelor and Mittal Steel which each recommended the transaction to their shareholders. The combined Group, domiciled and headquartered in Luxembourg, is named Arcelor Mittal.

Demonstrating the commitment to extend markets in developing nations, a strategic partnership between Arcelor Mittal and SNI (Société Nationale d'Investissement) is concluded concerning the development of Sonasid. This consolidates and develops the position of Sonasid on the Moroccan market, allowing the company to benefit from the transfer of Arcelor Mittal's technologies and skills in the Long Carbon Steel product sector.

September 2006

New dividend policy

Arcelor Mittal announces new dividend policy, under which it will pay out 30% of net income annually.

93.7% of Arcelor shareholders tender their shares to Mittal Steel.

Arcelor Mittal confirms Value Plan up to 2008.

December 2006

Deals, deals, deals!

Arcelor Mittal sells Thüringen long carbon steel plant to Grupo Alfonso Gallardo for €591 million, as part of Mittal Steel's commitments to the European Commission.

Arcelor Mittal and the Government of Liberia conclude the review of the Mining Development Agreement. With this agreement giving access to iron ore mining, with capacity of 15 million tonnes a year, the Liberian Government and Arcelor Mittal will be partners in jumpstarting economic recovery and development for Liberia. The US$1 billion investment will bring around 3,500 direct jobs and 15,000 to 20,000 indirect jobs.

Arcelor Mittal sells the Italian long carbon steel production Travi e Profilati di Pallanzeno and San Zeno Acciai to Duferco for €117 million, as part of Mittal Steel's commitment to the European Commission.

Arcelor Mittal acquires Sicartsa, the leading Mexican long steel producer. Sicartsa is a fully integrated producer of long steel with an annual production capacity of about 2.7 million tonnes, and with production facilities in Mexico and Texas. This combination of Sicartsa with Mittal Steel Lázaro Cárdenas leads to the creation of Mexico's largest steel producer with an annual capacity of 6.7 million tonnes.

Arcelor Mittal signs a Memorandum of Understanding for the Greenfield project in Orissa, India. The aim is to set up steelmaking operations in the Keonijhar District. The integrated steel plant should have a total annual capacity of 12 million tonnes. This would include captive mining facilities, captive power supply, water supply infrastructure and other facilities including setting up townships for employees.

The first slab in the new continuous caster in Dabrova has been produced and represents a key step of the successful restructuring of Arcelor Mittal Poland. Other projects had been achieved earlier, such as the relining of a blast furnace in September 2006, the commissioning of the new colour coating line in Huta Florina. The start-up of a new hot strip mill in Krakow is foreseen in the first half of 2007.

Arcelor Mittal says EBITDA will be higher in 2007 than in 2006.

February 2007

Recent events

Arcelor Mittal announces its first set of pro forma full year results.

Arcelor Mittal signs various agreements with the State of Senegal in West Africa, to develop iron ore mining in the Faleme region of South East Senegal. With an expected investment of approximately US$2.2 billion, the project will encompass the development of the mine, the building of a new port near Dakar and the development of about 750km of rail infrastructure. The mine should start production in 2011.

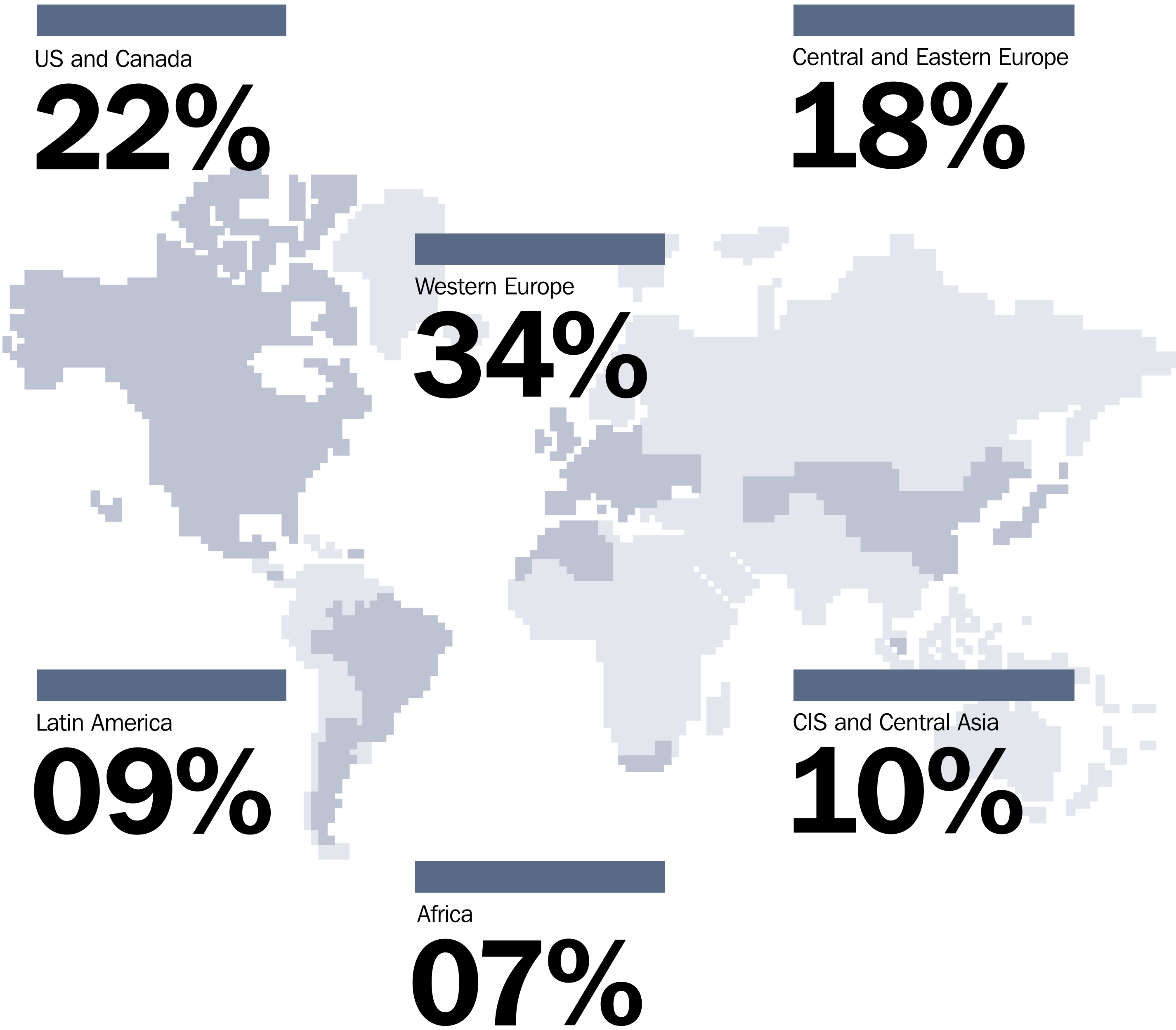
Arcelor Mittal signs partnership agreement for a seamless tubemill in Saudi Arabia.

Global Presence

The Arcelor Mittal merger has created a steel company with an unrivalled geographical footprint. Three times the size of its nearest competitor, Arcelor Mittal has steel plants on four continents and a presence in over 60 countries, enjoying regional leadership in North and South America, Western Europe, Eastern Europe, CIS and Africa.

118 million tonnes

of steel produced by Arcelor Mittal in 2006.



Geographical breakdown of Arcelor Mittal production in 2006.

Board of Directors

Arcelor Mittal's Board of Directors is composed of 18 members, responsible for the overall supervision of the company. Twelve of its members were appointed equally by Arcelor and Mittal Steel. There are three shareholder representatives and three employee representatives. The Board is truly international in character.

Joseph Kinsch (01), 73, is the Chairman of Arcelor Mittal's Board of Directors. At the helm of Luxembourg-based steelmaker Arbed, he has been one of the key consolidators of the world steel industry of the last decades, first by reshaping Arbed's strategy and steering its growth, notably in Europe and Brazil, then by assuming a significant role in the three-way merger of European steel companies which resulted in Arcelor, and recently by negotiating a merger of equals between Arcelor and Mittal Steel. Mr. Kinsch joined Arbed in 1961 at its Burbach (Saar, Germany) plant. A year later, he moved to the company's headquarters in Luxembourg. There, he held various financial (accounting and finance) and industrial (steel processing) positions. Mr. Kinsch was a member of the Group's Management Board from 1980 to 1991, became CEO in 1992 and Chairman of the Board of Directors in 1993. In 2002, at the creation of Arcelor, he was chosen to chair the Board of Directors of the new company. Joseph Kinsch holds a Master degree in Economics and is a Doctor of Laws h.c. He is the Honorary Consul of Brazil in Luxembourg. His merits as an entrepreneur have been widely recognised throughout the world.

Lakshmi N. Mittal (02), 56, is the President of the Board of Directors and Chief Executive Officer of Arcelor Mittal. He is the founder of Mittal Steel and has been responsible for its strategic direction and development. He is widely recognised for the role he has played in restructuring the steel industry towards a more consolidated and globalised model. He is also a non-executive Director of Mittal Steel South Africa, an executive committee member of the International Iron and Steel Institute, a member of the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the World Economic Forum's International Business Council, a Director of ICICI Bank Ltd and is on the Advisory Board of the Kellogg School of Management in the United States. At the end of 2006, Mr. Mittal was named Man of the Year by the Financial Times, Business Person of 2006 for The Sunday Times, Gewinner 2006 for Die Welt, and Newsmaker of the Year for Time magazine. He was awarded Fortune magazine's 'European Businessman of the Year 2004' and was named 'Entrepreneur of the Year' by the Wall Street Journal in 2004. He was previously named Steel Maker of the Year in 1996 by New Steel, a leading industry publication and was awarded the 8th honorary Willy Korf Steel Vision Award, the highest recognition for worldwide achievement in the steel industry. Mr. Mittal has been nominated for the 2007 Dwight D. Eisenhower Global Leadership Award.

Vanisha Mittal Bhatia (03), 26, was appointed as a member of the LNM Holdings Board of Directors in June 2004. Mrs. Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School and has completed corporate internships at Mittal Shipping, Mittal Steel Hamburg GmbH and an Internet-based venture capital fund. She is the daughter of Mr. Lakshmi N. Mittal.

Narayanan Vaghul (04), 70, has 49 years of experience in the financial sector and has been the Chairman of Industrial Credit and Investment Corporation of India for 16 years and of ICICI Bank Ltd. for the last two years. Prior to that, he was Chairman of the Bank of India and Executive Director of the Central Bank of India. He was chosen as the Businessman of the Year in 1992 by Business India, a leading Indian publication, and has served as a consultant to the World Bank, the International Finance Corporation and the Asian Development Bank. Mr. Vaghul was also a visiting Professor at the Stern Business School at New York University. Mr. Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a Board member of various other companies, including Wipro Ltd., Mahindra & Mahindra Ltd., Nicholas Piramal India Ltd., Apollo Hospitals Ltd. and Himatsingka Seide Ltd.

01

02

03

04

05

06

07

08

09


Wilbur L. Ross, Jr. (05), 69, was the founder of ISG which merged with LNM to create Mittal Steel in 2004. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the Chairman and Chief Executive Officer of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment, Nippon Investment Partners and Absolute Recovery Hedge Fund. Mr. Ross is also the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund and Absolute Recovery Hedge Fund. Mr. Ross is also Chairman of Ohizumi Manufacturing company in Japan, Chairman of International Textile Group, International Coal Group and of Marquis Who's Who Inc., in the United States and Chairman of Insuratex Ltd., in Bermuda. Mr. Ross is a Board member of the Turnaround Management Association, Nikko Electric Co. in Japan, Tong Yang Life Insurance Co. in Korea and of Syms Corp., Clarent Hospital Corp. and News Communications Inc. in the United States. He is also Director of IAC Acquisition Corporation Ltd. in the United Kingdom, Compagnie Européenne de Wagons SARL in Luxembourg, Oxford Automotive in Denmark and Safety Components International in the United States. He is Director of the Japan Society and of the Yale School of Management. Mr. Ross is also a member of the Business Roundtable. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was also Chairman of the Smithsonian Institution National Board.

Lewis B. Kaden (06), 64, has approximately 38 years of experience in corporate governance, dispute mediation, labour and employment law and economic policy. He is currently Vice Chairman and Chief Administrative Officer of Citigroup Inc. Prior to that, he was a partner at the law firm of Davis Polk & Wardwell, and served as Counsel to the Governor of New Jersey, as a Professor of Law at Columbia University and as Director of Columbia's Centre for Law and Economic Studies. He has served as a Director of Bethlehem Steel Corporation for ten years and is currently Chairman of the Board of Directors of the Markle Foundation. He is a member of the Council on Foreign Relations and the moderator of the Business-Labor Dialogue. Mr. Kaden is a graduate of Harvard College and of Harvard Law School. He was the John Harvard Scholar at Emmanuel College, Cambridge Univeristy.

François H. Pinault (07), 70, is the founder and former President of the Artemis Group and PPR. The Artemis Group is a €25 billion global investment holding company including 42% of the listed company PPR. PPR includes retail brands, such as FNAC, La Redoute, Le Printemps, Conforama and luxury brands, such as Gucci Group, which includes Gucci, Bottega Veneta, Yves Saint Laurent, Boucheron and Balenciaga. Artemis also owns Chateau Latour vineyard in France and Christie's auction house. Mr. Pinault also owns insurance and media businesses and holds minority shares in the French group Bouygues. Mr. Pinault serves on the Board of Directors for Financière Pinault and Artemis.

José Ramón Álvarez Rendueles (08), 66, has extensive experience in the financial, economic and industrial sectors. He was former Governor of the Bank of España and President of the Bank Zaragozano. He is President of the Board of Directors of Arcelor España, Peugeot España and Pirelli España. He is professor of public finance at the Universidad Autónoma de Madrid, the President of the Prince of Asturias Foundation and a Director of Gestavisíon Telecinco S.A.

Sergio Silva de Freitas (09), 63, has 40 years of experience in the financial sector. He is President of the Board of Directors and of the Audit, Appointments and Remunerations Committees of Arcelor Brasil. After several years spent in high ranking positions in important financial institutions in London and in Washington, he became Senior Vice President of Banco Itaù and is now member of the International Advisory Board of Banco Itaù, Sao Paulo, Brazil. He has a Bachelor's degree in Electrical Engineering from Escola Nacional de Engenharia da Universidade Brasil.

Board of Directors

continued

Georges Schmit (10), 53, is Director General at the Ministry of the Economy and Foreign Trade and a Member of the Board of Economic Development of the Grand-Duchy of Luxembourg. He is also Vice Chairman of the Société Nationale de Crédit et d'Investissement (SNCI) and of the « Entreprise des Postes et Télécommunications », Luxembourg and a Director of SES Global S.A., of Banque et Caisse d'Epargne de l'Etat, Luxembourg, and of Paul Wurth S.A. Since 2000, he has been the representative of Luxembourg on the Enterprise Policy Group, an advisory body to the European Commission. Mr. Schmit holds a Master of Arts degree in Economics from the University of Michigan.

Edmond Pachura (11), 72, has 40 years of experience in the industrial sector. He is Chairman of the Union des Négociants en Aciers Spéciaux (UNAS), Paris. Previously, he was Director of Renault and CEO of Sollac. Mr. Pachura has also been a member of the Board of Directors of Charbonnages de France since 1997 and of the SNCF (Société Nationale des Chemins de Fer) since 1998.

Michel Angel Marti (12), 59, is a representative of the employees. He is former Secretary of the Conféderation Française Démocratique du Travail (CFDT) union, Broye, France.

Manuel Fernández López (13), 60, is a representative of the employees. He is also Secretary General of the Metal, Construcción y Afines de UGT union; Federación Estatal (M.C.A.-U.G.T.); Madrid, Spain.

Jean-Pierre Hansen (14), 58, is Vice Chairman of the Executive Committee and Senior Executive Vice President of Suez, and is responsible for Operations. He entered the electricity and gas sector in 1975. Since 1 January 2005, Mr. Hansen has been Vice Chairman and CEO of Electrabel, a role he previously held from 1992 to March 1999. Since March 1999, he has also held the position of Chairman of the Executive Committee of Electrabel. He is also CEO of Suez-Tractebel, Chairman of Fabricom and Director of Distrigas, Fluxys, AGBAR and ACEA, Vice Chairman of the Federation of Enterprises in Belgium, and Associate Professor of Economics at the UCL and at the École Polytechnique (Paris). Mr. Hansen holds a Master's degree in Electrical Engineering, a degree in Economics and a Doctorate in Engineering.

10


11


12


13


14


15


16


17


18


John O. Castegnaro (15), 61, is a representative of the employees. He is a member of the Luxembourg Parliament and Honorary Chairman of trade union Onhofhängege Gewerkschaftsbond Lëtzebuerg (OGB-L).

Antoine Spillmann (16), 43, is a representative of Corporación JMAC B.V. After several years spent in different banks, mainly in the United Kingdom, he is now Asset Manager and executive partner at the firm Bruellan, an asset management company based in Geneva.

H.R.H. Prince Guillaume de Luxembourg (17), 43, worked for six months at the International Monetary Fund in Washington, US and spent two years at the Commission of European Communities in Brussels. He studied at Oxford University and graduated from Georgetown University in the United States.

Romain Zaleski (18), 73, graduated from the Ecole Polytechnique and from the Ecole des Mines de Paris (Mining School). He then served as a technical consultant in the public service, in particular at the Ministry of Industry. After leaving the public service, he was appointed as a Managing Director in several groups related to industry and to banking. In 1984, he settled in Italy and dedicated himself to the reorganisation and the development of Carlo Tassara SpA group, a leading company operating in the sectors of heavy industry, steel industry, ironworks, metallurgy and production of electric power. He led the Carlo Tassara group to its current position, with the holding of interests in the banking sector in Mittel, Banca Intesa, Banca Lombarda and Generali, as well as in the industrial sector, in Eramet and in Mittal Steel. Managing Director of the Carlo Tassara group and of Banca Lombarda, one of the top ten Italian banks, from 2003 to 2005, Mr. Zaleski was also Chairman of Italenergia Bis, a holding company of the Edison group, the second largest producer of electric power in Italy.

The Group Management Board

The strategic direction of the business is the responsibility of a six-strong Group Management Board (GMB), formed in August 2006. The GMB members were appointed by the Board of Directors, and is headed by Lakshmi N. Mittal as Chief Executive. Its composition reflects the Group's new structure, which is divided into five key segments.

Roland Junck, Member of the Group Management Board, Advisor to the CEO

Roland Junck was previously a member of the Group Management Board of Arcelor with responsibility for the global Long Carbon Steel and Wire Drawing business and for China. He started his career with Arbed in 1980 in the rolling mills at Dudelange, before moving to Esch-Schifflange in 1985. In 1993, Mr. Junck was named General Manager of TrefilArbed Bissen, being appointed Managing Director in 1996. He was named Senior Vice President of Aceralia in 1998 and was a member of the Arbed Group Management Board from 1999 to 2002 when he was appointed Senior Executive Vice President of the newly created Arcelor. Mr. Junck graduated from the Federal Polytechnic in Zurich and earned an MBA from Sacred Heart University of Luxembourg.

Aditya Mittal, CFO, Member of the Group Management Board, Responsible for Flat Products Americas

Aditya Mittal is Chief Financial Officer of Arcelor Mittal with additional responsibility for Flat Products Americas and for Merger and Acquisitions. Prior to the merger to create Arcelor Mittal, Aditya Mittal held the position of President and CFO of Mittal Steel from October 2004 to 2006. He joined Mittal Steel in January 1997 and has held various finance and management roles within the company. In 1999, he was appointed Head of Mergers and Acquisitions for Mittal Steel. In this role, he led the company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and the United States. These acquisitions included Kryvorizhstal in Ukraine, Polskie Huty Stali in Poland, Nova Hut in Czech Republic, Sidex in Romania, Annaba in Algeria, Iscor in South Africa, and International Steel Group in the US. In addition to his Merger and Acquisition responsibilities, Aditya Mittal was involved in post-integration, turnaround and improvement strategies. This led to Mittal Steel emerging as the world's largest and most global steel producer, growing its steelmaking capacities fourfold. As CFO of Mittal Steel, he also led Mittal Steel's offer for Arcelor to create the first 100 million tonne plus steel company. Aditya Mittal holds a Bachelor's degree of Science in Economics with concentrations in Strategic Management and Corporate Finance from the Wharton School in Pennsylvania from which he graduated magna cum laude. Aditya Mittal is the son of Mr. Lakshmi N. Mittal.

Malay Mukherjee, Member of the Group Management Board, Responsible for Asia & Africa, Mining, Stainless

Malay Mukherjee has over 30 years of experience in a variety of technical and commercial functions in the steel industry, including iron ore mining, project implementation, materials management and steel plant operations. He joined the LNM Group in 1993 from the Steel Authority of India, where his last position was as Executive Director (Works) at the Bhilai Steel Plant, the largest integrated steel plant in India, with a production capacity of approximately four million tonnes. Mr. Mukherjee has a Master's degree in Mining from the USSR State Commission in Moscow and a Bachelor of Science degree from the Indian Institute of Technology in Kharagpur, India. Mr. Mukherjee has completed an advanced Management Programme conducted by the Commonwealth Secretariat in joint association with University of Ottawa, Canada and the Indian Institute of Management, Ahmedabad. Mr. Mukherjee joined Ispat Karmet in 1996 from Ispat Mexicana where he was Managing Director. He joined Ispat Europe as President and CEO in June of 1999. Formerly the President and Chief Operating Officer of Ispat International N.V., Mr. Mukherjee became Chief Operating Officer of Mittal Steel in October 2004. Mr. Mukherjee is a recipient of the MECON Award from the Indian Institute of Metals.

Gonzalo Urquijo, Member of the Group Management Board, Responsible for Long Products, Distribution and Wire Drawing

Gonzalo Urquijo, previously Senior Executive Vice President and Chief Financial Officer of Arcelor, was responsible for Finance, Purchasing, IT, Legal Affairs, Investor Relations, Arcelor Steel Solutions & Services, and other activities. Mr. Urquijo also held several other positions within Arcelor and in this sector, including Deputy Senior Executive Vice President and Head of the functional directorates of distribution. Until the creation of Arcelor in 2002, when he became Executive Vice President of the Operational Unit South of the Flat Carbon Steel sector, Mr. Urquijo was CFO of Aceralia. Between 1984 and 1992, he held a variety of positions at Citibank and Crédit Agricole before joining Aristrain in 1992 as CFO and later becoming Co-Chief Executive Officer. Mr. Urquijo graduated in Economics and Political Science from Yale University and holds an MBA from the Instituto de Empresa in Madrid.

Michel Wurth, Member of the Group Management Board, Responsible for Flat Products Europe, Global Auto, Plates and R&D

Michel Wurth was previously Vice President of the Group Management Board and Deputy CEO of Arcelor, and was responsible for Flat Carbon Steel Europe & Auto, Flat Carbon Steel Brazil, Coordination Brazil, Coordination Heavy Plate, R&D and NSC Alliance. The merger of Aceralia, Arbed and Usinor leading to the creation of Arcelor in 2002 saw Mr. Wurth appointed as Senior Executive Vice President and CFO of Arcelor, with responsibility over Finance and Management by Objectives. Mr. Wurth joined Arbed in 1979 and held a variety of positions, including Secretary of the Board of Directors, Head of the Arbed subsidiary Novar and Corporate Secretary, before joining the Arbed Group Management Board and becoming Chief Financial Officer in 1996. He was named Executive Vice President in 1998. Mr. Wurth holds a Law degree from the University of Grenoble, a Political Science degree from the Institut d'Etudes Politiques de Grenoble and a Master of Economics from the London School of Economics.

From left to right:
Malay Mukherjee,
Aditya Mittal,
Roland Junck,
Lakshmi N. Mittal,
Gonzalo Urquijo,
Michel Wurth.

Management Committee

All GMB members also sit on a strong Management Committee, active since early September 2006 and responsible for regional or sectoral organisations and Group-level functions such as Purchasing, Marketing and Performance Enhancement. The new structure is both lean and flat. It aims to create an organisation that is at once inventive and adaptable, with clear accountability at every level. Above all, it aims to foster an entrepreneurial spirit that will keep Arcelor Mittal ahead of its competitors.

Bhikam Agarwal
Executive Vice President, Responsible for Financial Controlling and Reporting

Bhikam Agarwal has been the Managing Director, Controlling of Mittal Steel and has over 30 years of experience in steel and related industries. He has held various senior executive positions within Mittal Steel and was previously Chief Financial Officer after its formation at Ispat International. He has been responsible for the financial strategy of Mittal Steel and has been a coordinator of its prior activities in the capital markets. Mr. Agarwal has also led the finance and accounting functions of Ispat International across all its operating subsidiaries.

Roeland Baan
Executive Vice President, Responsible for South and Central Africa and Pipes & Tubes

Roeland Baan has been Chief Executive Officer of Mittal Steel Europe. He joined Mittal Steel from the global conglomerate SHV Holdings, which lists metals recycling among its non-core activities. There he spent eight years as a member of the Energy Divisions Executive Committee and was responsible for developing and executing its strategy across a number of key regions, including Europe, South America and the Mediterranean rim. Prior to that, Mr. Baan spent 16 years with Shell, where he held a number of positions worldwide. He has a Master's degree in Economics from Vrije Universiteit in Amsterdam.

Gilles Biau
Executive Vice President, Human Resources Group Co-Head

Gilles Biau was Arcelor's Executive Vice President Human Resources, since July 2005. A engineering graduate of the Ecole Supérieure d'Electricité of Paris, he has held various positions within Arcelor's and Usinor's Flat Carbon business, including as Head of its Centre and Wallonia Operational Units, from 2003 to 2005, and as Industrial Operations Manager of Arcelor's Flat Carbon Sector from 2002 to 2003. Before that, he was in charge of industrial operations at Sollac, the Flat Carbon unit of Usinor, primarily at its Florange (France) unit. He joined Sollac in 1971.

Alain Bouchard
Executive Vice President, Responsible for Purchasing Function on Worldwide Basis

Alain Bouchard has been Arcelor Executive Vice President Purchasing since 2004. Prior to that, he was in charge, at Arcelor and Usinor, of the Cockerill-Sambre works in Liège (Belgium) and at Sollac Lorraine. From 1993 to 1999, he held various positions in production planning, customer services, information systems-information technology, and reengineering of support functions within Usinor's Flat Carbon Steel business in Paris. From 1989 to 1993, he worked at Usinor's Fos-sur-Mer plant, after joining the IRSID Steel Research and Development Institute in 1973. Mr. Bouchard is an IT engineer, a graduate of the Ecole Nationale Supérieure d'Informatique et Mathématiques Appliquées de Grenoble, and a Physics engineer, with a degree from Ecole Nationale Supérieure de Physique de Grenoble.

José Armando Campos
Executive Vice President,
Responsible for Flat South America

José Armando Campos was the President and officer in charge of the Flat Steel Business Area at Arcelor Brasil and President and CEO of CST since 1997. Prior to that, he worked in mining development and metallurgical areas at the Companhia Vale do Rio Doce from 1974 to 1992. Mr. Campos has been a member of the Brazilian Metallurgy and Materials Society since 1972 and the Board of Directors of the Brazilian Business Council for Sustainable Development. Mr. Campos is also a member of the Board of Directors of Acesita. He is a Mining Engineer, with a degree from the Federal University of Ouro Preto.

Narendra Chaudhary
Executive Vice President,
Responsible for Carbon Steel Asia, Mediterranean, Black Sea Basin

Narendra Chaudhary was appointed CEO of Mittal Steel's Ukrainian operation in January 2006. Prior to that, Mr. Chaudhary was Director, Operations and Maintenance for Mittal Steel. Mr. Chaudhary joined Mittal Steel in 1993 at its Mexican operations and has held a number of positions at Mittal Steel since then, including as CEO of Mittal Steel Galati in Romania and CEO of Mittal Steel's operations in Kazakhstan. Mr. Chaudhary possesses over 39 years of experience in a variety of technical and managerial functions in the steel industry. He worked at Steel Authority of India Limited plants in various capacities for 28 years. Mr. Chaudhary has a Bachelor's degree in Engineering from Bihar Institute of Technology, India.

Davinder Chugh
Senior Executive Vice President,
Responsible for Shared Services

Davinder Chugh, previously CEO of Mittal Steel South Africa, has over 25 years experience in the steel industry, particularly in materials purchasing, logistics, warehousing and shipping. Mr. Chugh also was Commercial Director at Mittal Steel from 2002 to 2006. Before joining Mittal Steel South Africa, he was Vice President of purchasing at Mittal Steel Europe. Mr. Chugh has been with the company since 1995 and successfully integrated the materials management functions at newly acquired plants in Hamburg, Duisburg, France, Romania and Algeria. Prior to this, he held several senior positions at the Steel Authority India Limited in New Delhi, India. He holds Degrees in Science and Law and has a Master's degree in Business Administration.

Christophe Cornier
Executive Vice President,
Responsible for Flat Europe

Christophe Cornier has been responsible for Arcelor's Flat Products activities in Europe and for its worldwide automotive sector since December 2005, when he was appointed member of the Arcelor's Management Committee. In June 2005, he was appointed Head of Arcelor's Client Value Team. At the creation of Arcelor in 2002, he was named Executive Vice President of FCS Commercial Auto. Before that, he was CEO of Sollac Méditerranée. In 1998, he was appointed CEO of La Magona, after joining Sollac Packaging as Managing Director in 1993. In 1985 he joined Usinor, where he was Business Development Director and Chief Controller of Sollac. He began his career within the French Ministry of Industry, which he left as a Deputy Director. Mr. Cornier is a graduate of the Ecole Polytechnique and the Ecole des Mines, in Paris.

Philippe Darmayan
Executive Vice President,
Responsible for Arcelor Mittal Steel Solutions & Services (AM3S)

Philippe Darmayan has been Executive Vice President in charge of Arcelor Steel Solutions and Services (A3S) since January 2005. Before that, he was CEO of Ugine & ALZ. A graduate of French business school HEC, Philippe Darmayan joined Arcelor to lead the transformation of Ugine & ALZ in 2002. Before, he held various management positions in the aluminium businesses of Pechiney Group, which he joined in 1996, and was a plant Director and Managing Director of Franco-Belge de Fabrication de Combustibles, a subsidiary of Framatome.

Bernard Fontana
Executive Vice President,
Responsible for Automotive Worldwide

Bernard Fontana joined Arcelor in September 2004 as FCS Program Office Executive manager and was appointed as Arcelor Flat Carbon Europe Executive Vice President/People and Development in July 2005. Prior to that, he worked at the Chemical Group SNPE for 18 years, including as SNPE's North American Director and as Executive Vice President of SNPE. Mr. Fontana graduated from the Ecole Polytechnique and from the Ecole Nationale Supérieure des Techniques Avancées in Paris.

Management Committee

continued

Jean-Yves Gilet
Executive Vice President,
Responsible for Stainless Steel Worldwide

Jean-Yves Gilet has been advisor to the CEO with responsibility for Arcelor's Stainless Steel business worldwide since December 2005, in charge of preparing and implementing the strategic reorganisation of this business. Prior to that, he was Senior Executive Vice President of Arcelor, in charge of the Stainless Steel Sector, a position he held since the creation of Arcelor in 2002. In 1999, he became a member of the Usinor executive committee. In 1998, he was named Chairman and CEO of Acesita in Brazil. He joined Usinor in 1990 and, between 1991 and 1998, he held management positions at Imphy, Ugine-Savoie and Sprint Métal Stainless businesses. Prior to that, he was Cabinet Head for the Regional Development and Minister in France. Mr. Gilet, an engineering graduate of the Ecole Polytechnique (Corps des Mines), began his career in 1981 at the Industry Ministry, before joining DATAR, the regional development agency.

Sudhir Maheshwari
Executive Vice President,
Responsible for Finance and M&A

Sudhir Maheshwari was previously the Managing Director, Business Development and Treasury of Mittal Steel and has 20 years of experience in steel and related industries. He was the Chief Financial Officer of LNM Holdings from January 2002, until its merger with Ispat International in December 2004. He has played an integral role in all the recent acquisitions by Mittal Steel, including turnaround and integration activities, and in various corporate finance and capital market projects, including the initial public offering in 1997. He also held the positions of Chief Financial Officer at Mittal Steel Europe, Mittal Steel Germany and Mittal Steel Point Lisas, and was Director of Finance and Mergers & Acquisitions at Mittal Steel. Mr. Maheshwari has worked for Mittal Steel for 18 years. Mr. Maheshwari is an Honours Graduate in Accounting and Commerce from St Xavier's College, Calcutta and a Fellow Member of the Institute of Chartered Accountants and the Institute of Company Secretaries in India.

Carlo Panunzi
Executive Vice President,
Responsible for Long Americas

Carlo Panunzi was previously Senior Executive Vice President of Arcelor Brasil, in charge of Long Products and Distribution. In 2002, Carlo Panunzi became the President of Belgo Mineira, a company he had joined in 1999 and where he was, among other positions, Managing Director of the Piracicaba plant in the State of São Paulo. Before that, he held several positions at Arbed, which he joined in 1973 as an engineer at the Differdange plant's rolling line.

Michael Pfitzner
Executive Vice President,
Responsible for Commercial Coordination

Michael Pfitzner joined Mittal Steel as Director of Marketing in February 2006. He has over 25 years of extensive industry experience in commercial functions with several steel companies namely Mannesmann, Saarstahl, ThyssenKrupp Stainless and Salzgitter. At Salzgitter, where he worked for nearly 5 years, Mr. Pfitzner was a member of the Executive Board responsible for Sales and Distribution. Mr. Pfitzner has a degree in Economics from the University of Bonn, Germany.

Gerhard Renz
Executive Vice President, Responsible for Long Europe

Gerhard Renz has been the Chief Operating Officer of Mittal Steel Europe and has over 32 years of experience in the steel industry. Mr. Renz formerly worked as the Managing Director of Mittal Steel Hamburg. He is a Board Member of Verein Deutscher Eisenhüttenleute, Wirtschaftsvereinigung Stahl and the European Iron and Steel Institute. He holds a Bachelor's degree in Engineering.

Michael G. Rippey
Executive Vice President, Responsible for USA

Michael Rippey was elected in August 2006 as President and Chief Executive Officer of Mittal Steel USA. Previously, he had been the Mittal Steel's Executive Vice President, Sales & Marketing, since April 2005, with direct responsibility for all sales and marketing of light flat-rolled and plate products. Mr. Rippey had been Executive Vice President, Commercial, and Chief Financial Officer at Ispat Inland, since January 2004 and an Officer of Mittal Steel USA since June 1998. He has a Bachelor's degree in Marketing from Indiana University, Bloomington; a Master's degree in Banking and Finance from Loyola University, Chicago; and a Master of Business Administration from the University of Chicago.

Lou Schorsch
Executive Vice President, Responsible for Flat Americas

Lou Schorsch was elected in August 2006 as President and Chief Executive Officer of Flat Americas. Previously, he had been Chief Executive Officer of Mittal Steel USA since the merger between Mittal Steel and ISG in October 2004. Prior to that, Dr. Schorsch was the President and Chief Executive Officer of Ispat Inland where he was responsible for significant improvements in its operational performance. Dr. Schorsch has over 25 years of experience in consulting and managerial roles primarily relating to the steel industry. Prior to joining Ispat Inland in October 2003, he held various senior positions in the consulting and e-commerce sectors. Most recently, he was President and Chief Executive Officer of GSX.Com and Principal at McKinsey & Company, where he worked from 1985 until 2000. While at McKinsey, he was a co-leader of its metals practice. Dr. Schorsch has published numerous articles in such publications as Business Week and Challenge and has also co-authored a book on steel entitled "Upheaval in a Basic Industry".

Bill Scotting
Executive Vice President, Responsible for Performance Enhancement

Bill Scotting joined Mittal Steel in September 2002 to lead its Performance Enhancement activities. Formerly an Associate Principal at McKinsey & Company, Mr. Scotting has 20 years of experience in the steel industry in technical, operations management and consulting roles. He has also held positions at BHP Steel, Pioneer Concrete (UK), Mascott Partnership and CRU International. Mr. Scotting holds a Bachelor of Science (Metallurgy) degree from the University of Newcastle in Australia, where he was awarded the Australasian Institute of Metallurgy Prize for Metallurgy, and an MBA (with distinction) from Warwick Business School in the United Kingdom.

André van den Bossche
Executive Vice President, Responsible for Marketing

André van den Bossche has been Arcelor's Executive Vice President Commercial Worldwide Optimisation since 2005. Prior to that, he was Managing Director of Arcelor's Flat Carbon Steel commercial organisation from 2002 to 2005, Managing Director at the Aceralia Sidstahl Ibérica and Sidstahl sales organisations, from 1995 to 2001, and Sales Director at TradeArbed Luxembourg from 1986 to 1995. At Sidmar (Ghent), which he joined in 1970, he was Vice President of the Commercial and Customer Relations Department, General Manager of the cold rolling mill and production and management engineer at the cold rolling mill. Mr. van den Bossche is a civil engineer graduated from the Universities of Louvain and Ghent.

Inder Walia
Executive Vice President, Responsible for Human Resources

Inder Walia joined Mittal Steel in 2000 and since then has been responsible for the development and implementation of human resources strategies. Mr. Walia has held various positions in human resources at Modi Corp and HCL Hewlett Packard. He has 24 years of experience in human resources positions. He has a post-graduate degree in Human Resources from Tata Institute of Social Sciences, Mumbai, India. He is also an active member of various human resource committees.

Household Appliances

With the advent of tough recycling rules for electric and electronic equipment, steel's capacity for recycling makes it an ever more attractive material for household appliances, a market that is growing in some regions by as much as 12%. Arcelor Mittal has led the way with new surface finishes, stainless substitutes and fingerprint-resistant steel.

Company Profile and Global Business Strategy

The Arcelor Mittal merger marks the most decisive step in the consolidation of the world steel industry, but it is the continuation of a consistent strategy aimed at creating a business with cost leadership, sustained profitability and cash generation through the economic cycle. With unparalleled access to developing markets, Arcelor Mittal combines stability and sustainability with substantial growth potential.

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 steel 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.

Together with geographical diversity, product breadth also reduces the impact of price cyclicality. 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 at 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.

Geographic reach** – **delivering cost leadership and growth

With an industrial network spanning 27 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, giving the company the regional cost leadership that is essential to ensuring profitability throughout the economic cycle. This geographical breadth is a hedge against regional price fluctuations.

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 US 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.

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. In the US market, for instance, the spot price of hot rolled coil fluctuated by as much as 40% between ealy 2004 and early 2007 - almost twice the rate of fluctuation witnessed in the average base price for all US steel products.

Company Profile and Global Business Strategy

continued

The Group is now in a unique position to build a sustainable model for the future and become the benchmark for the global steel industry.

Arcelor Mittal is leading the consolidation process in the world steel industry. With a reputation for producing high-quality steel products for the most demanding applications, the Group benefits from a strong market position with high-end customers.

Key strategic initiatives

Delivering planned merger synergies and achieving full organisational integration

The major focus of activity in the short to medium term is on capturing planned merger synergies worth US$1.6 billion a year by 2008. Those synergies arise in three principal areas: manufacturing and process optimisation, marketing and trading, and purchasing. Quick wins are already evident from cross-selling, better logistics, exchange of expertise and best practice, and increased internal sourcing of slabs and semi-finished products.

Synergy targets allocated to each business segment have been validated on a bottom-up basis by integration taskforces and incorporated in 2007 budgets. Around three-quarters of the 2008 target is already covered by action plans. Taskforces and business units are finalising milestones and plans for the remainder.

Integration is on schedule. A new, deliberately flat organisational structure has been in place since December 2006. Human Resources policies are being finalised and implemented. The integration process is expected to be 80% complete by the end of the second quarter of 2007. The new structure will then be reviewed and modifications made if necessary to ensure it delivers the desired objective: a global but lean organisation and homogeneous design between entities.

Capturing market growth potential in developing countries

The steel markets of Central and Eastern Europe (CEE) are forecast to grow at compound annual growth rates ranging between 4.6% and 6.7% over the next four years as per capita consumption of steel accelerates from current low levels. To capture that growth, the Group plans both to leverage its strong asset base in the region and fast-track the expansion of Arcelor Mittal Steel Services and Solutions (AM3S), its distribution and service centres business.

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, Lázaro Cárdenas, 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.

A US$1 billion investment programme at the CEE mills aimed at enhancing product quality and mix, and improving efficiency and productivity, is well advanced. Not only will this position help Arcelor Mittal to satisfy rising demand born of strong GDP growth in these countries but it will enable the company to meet the anticipated trend towards more sophisticated products – as, for instance, auto manufacturers increasingly shift production from Western to Eastern Europe.

The biggest element of the investment programme is in Poland, where the modernisation of a wire rod mill and the construction of a new colour coating line were completed in 2006. A new continuous casting line is due to be commissioned in the first quarter of 2007. A new hot strip mill will be commissioned in the second quarter of the year.

The second element of the plan – to fast-track the expansion of AM3S in CEE countries – will be achieved through a mix of downstream integration, organic growth and acquisitions. AM3S's combination of distribution and service centres will deliver new commercial reach to complement the Group's strong production base in the region. The initial focus of expansion will be the Polish market, where AM3S will target the hot rolled and cold rolled sheet market (which is expected to grow by 20% over the period to 2010) and expand its distribution of long products and tubes.

Consolidating leading position in high-end segments in mature economies to build a global customer platform

With a reputation for producing high-quality steel products for the most demanding applications, the Group benefits from a strong market position with high-end customers. As a consequence of the merger, it now enjoys a leading position in the mature economies of North America and Western Europe.

Many customers in the automotive, electrical and appliance manufacturing industries are becoming increasingly global in their activities. As such, they value a supplier that is capable of delivering the same products everywhere. Automotive manufacturers, for example, can significantly reduce the cost of developing moulds if they can use globally the same grades of steel in all their plants.

With the company's much expanded presence in developing economies, there is a strong platform from which to support customers in their worldwide product development programmes. As local market needs change, Arcelor Mittal will increasingly transfer the capability for manufacturing high-end products to its operations in the developing economies.

Expansion of low-cost facilities in emerging markets

Facilities in Brazil, Mexico, South Africa, Ukraine and Kazakhstan rank among the most cost-competitive in world steelmaking, benefiting from low energy and labour costs and privileged access to raw materials. The brownfield expansion of all these operations – at relatively low cost – is planned to lift production by approximately 9.5 million tonnes a year by 2008.

In Brazil, CST, the world's largest supplier of slab steel, is engaged in an expansion programme that will lift capacity by 2.5 million tonnes a year. This follows a major increase in capacity in 2006.

In South Africa, upstream expansion at both the Newcastle and Vanderbijlpark facilities is set to provide an additional 2 million tonnes of liquid steel production over the next two to three years, to be directed equally towards flat and long steel applications. At Newcastle, this will be achieved through a reline of Blast Furnace N5 and increased scrap melting capacity. At Vanderbijlpark, projects include the reline of Blast Furnace D, additional DRI capacity and the installation of an additional sinter strand.

Highlights of the expansion at Kryviy Rih, in Ukraine, are a US$90 million investment in a new billet caster and wire rod mill upgrade. These investments together with mining de-bottlenecking will allow capacity to increase from 7 million tonnes to 10 million tonnes. Around 450,000 tonnes of long product output will be upgraded to value-added rod and bar. In Kazakhstan, major investments in the upstream operations were completed last year. De-bottlenecking work continues to allow the plant to take maximum advantage of adjacent captive iron ore and coal. Further investments are planned in new coating facilities, a new billet caster and a bar mill. Total production from Kazakhstan is set to rise from around 5 million tonnes a year to 6.5 million tonnes by 2008. The product mix will benefit from an additional 570,000 tonnes of cold rolled coil, 130,000 tonnes of galvanised, 160,000 tonnes of tin plate and 80,000 tonnes of colour-coated.

Capturing growth in sub-Saharan Africa

Arcelor Mittal continues to look at opportunities to build on its market leadership on the African continent to capture anticipated growth in steel demand in sub-Saharan Africa. In particular, the Group will investigate the scope to establish a presence in East Africa where it could leverage upstream capabilities by installing local rolling mill facilities. These would be fed with semis produced at the company's plant in Ukraine.

Enhancing Research and Development leadership to drive innovation and growth

With 13 major research centres in Europe, the US and Canada, Arcelor Mittal possesses an R&D capability unique in the steel industry. The Group will continue to invest in R&D to continuously deliver the high-end products key customers require.

Health and Safety

Arcelor Mittal sets Health and Safety above all priorities, and for the entire Group. A strong safety culture is instilled at every level and is supported by a robust set of safety standards and a system of performance monitoring that aims to reduce accident levels year-on-year.

Ensuring health and safety of the highest standard is a core component of Arcelor Mittal's business strategy. Every aspect of the product we create depends on our employees ability to work in a safe environment. As such this was one of the first topics the Group Management Board turned its attention to after its appointment. In a move to clearly demonstrate the emphasis and commitment to this critical area, a decision was taken to hold a worldwide health and safety day mobilising each of the company's 320,000 employees in March 2007. This day was also used to launch the company's new, improved Health and Safety policy aimed at reducing the rate and frequency of accidents on a continuing basis.

The Health and Safety department advises and assists the Group Management Board and the various business units in achieving a safe and healthy workplace. From the initial integration phase of the merger, a common Health and Safety model was implemented across the entire organisation which permits the department to define and follow-up performance targets and monitor results from every business unit.

An Integration Task Force for health and safety, comprising managers from both predecessor companies, defined a common road map, strategy and organisation for Health and Safety – drawing on the best systems and reporting standards of the two companies. These were presented and discussed at a special Health and Safety convention held in Paris in January 2007 and attended by around 100 Health and Safety managers from the business units.

A new methodology was developed for defining safety targets. A particular focus is given to Health and Safety leadership and behaviour; implementation of a Health and Safety management system with systematic audits; a safety assessment of all the risks inherent in the business; and sharing of best practice and information systems.

An injury tracking and reporting database is being put in place to track all information on injuries, lost man days and other significant events. It incorporates a return-of-experience system for disseminating lessons learned from individual incidents so that other business units can learn from them. The aim is to achieve faster and more accurate feedback on the cause of accidents in order to improve prevention and prevent recurrence.

The Group's determination to achieve a material reduction in accident rates is demonstrated in the new Group Health and Safety policy, which is publicly posted in offices and plants across the company. The policy outlines the commitment Arcelor Mittal has made to the Health and Safety of all employees, both on and off the job, in order to become the safest steel company in the world. To that end, a set of principles has been defined and a policy laid down with the clear objective of working vigorously towards a goal of zero accidents and injuries. The company will continue to work not only to meet, but to surpass, local regulatory requirements.

The Health and Safety department will focus on new leading indicators to develop a preventative strategy on accidents and illnesses. The success of this policy requires the involvement and commitment of everyone working for and with Arcelor Mittal.

Performance in 2006

Both Arcelor and Mittal Steel achieved a further reduction in the frequency rate of accidents in 2006, but there was no comparable fall in the rate of high impact occurrences. To tackle this persistent problem, business unit plans for 2007 focus on reducing accidents in three priority areas: those occasioned through falls, crushes or in the course of new construction work.

In addition, a set of new standards was adopted to tighten the conditions relating to a number of problem areas – such as working at heights or within a confined space. All contractors engaged on major projects will be subject to accident-prevention measures that include risk assessments and regular safety reviews. Compliance with standards will be monitored on a constant basis.

Lenina coal mine

It is distressing to report that, on 20 September 2006, a methane explosion occurred in the Lenina mine at the Group's Kazakhstan Coal Division. Some 41 miners lost their lives in this tragic event.

Immediate action taken included both financial and moral support for the families of the victims. In addition, risk assessments at each mine were reviewed and all controls were checked before recommencing operations. The company launched a full investigation to establish the root causes of the explosion. There was also a Government inquiry.

Both investigations established behaviour as the major issue. Following the conclusion of the investigations, the company took a number of actions. First, it decided to invest heavily in these mining operations to improve both safety and productivity simultaneously. Safety-related capital investment includes the upgrading of methane degassing and mine ventilation systems, the installation of electrical and telemetry (gas detection) systems. The programme will cost around US$100 million over four years.

In addition to the investment programme, renewed emphasis has been placed on improved safety leadership (not only in Kazakhstan but throughout the Group). Senior management from Kazakhstan has made a series of visits to world-class underground coal mining operations in the USA. The team has been able to view first-hand the safety programmes, training, major hazard control techniques and equipment used in these mines.

There has also been a major review of the safety culture in the mines. This has resulted in an upgrading of training for various roles as well as a specific programme on safety leadership for all managers.

Finally, there has been a renewed effort on communication and awareness, supported by the Health and Safety Day initiative, through upgrading safety committees and community programmes – including those involving unions and schools.

Health and Safety Day

In order to raise awareness of health and safety issues, the Group held a company-wide Health and Safety Day on 6 March 2007 involving all 320,000 employees and 140,000 contractors. The timing was chosen to coincide with the launch of the new Group Health and Safety Policy. Organised with the help of the employees' representatives, the Health and Safety Day is set to become an annual event.

The purpose of the event was to mobilise the Group's entire workforce – including subcontractors – to improve risk awareness, identify best practice and promote knowledge sharing in the Health and Safety area.

At all sites, a corporate campaign video was played, together with a series of short films. They included a personal message from President and CEO Lakshmi Mittal, subtitled into 13 languages, stressing the critical role Health and Safety plays within the Group. He and other members of the Group Management Board, together with members of the Management Committee, spent the day visiting as many Arcelor Mittal plants as possible to communicate the message in person and to take part in discussions aimed at further improving Health and Safety performance.

A variety of other activities took place, varying from site to site. There were interactive stands on topics such as hearing protection, the loading of trucks, working at heights, ergonomics and relaxation. Many sites featured first aid training, games and contests for local children, or talks on nutrition or fire prevention. In some case, plants invited local politicians and the media to take part.

Performance Enhancement

With its unmatched scale and diversity, Arcelor Mittal benefits from a rich storehouse of technical know-how. Through the Performance Enhancement Team, that know-how is deployed in a systematic manner to get the best out of every plant, every process and every function.

Performance Enhancement and a culture of continuous improvement are at the heart of Arcelor Mittal's success. The Corporate Performance Enhancement team coordinates and drives the process.

The activities of the Performance Enhancement team are structured along three lines:

- *Strategy and performance improvement.* This team works to ensure clarity of alignment between corporate and business unit strategy; supports the investment allocation process; ensures focus and effectiveness of performance improvement efforts; and leads or supports high priority projects.
- *Asset and operational excellence.* This team aims to ensure standards of operational and technical excellence are developed and implemented for all core operating processes across the group. It also coordinates the deployment of operational experts across the group and leads the implementation of a global asset risk management system.
- *Performance and knowledge management.* This team is working to develop and integrate the Group's global technical benchmarking system. It also coordinates the development and documentation of the Arcelor Mittal way for performance improvement, and leads the Knowledge Management Programme.

Leveraging knowledge and skills globally

In the wake of the merger, the Performance Enhancement team established a number of taskforces to drive integration of knowledge management and performance improvement processes. Coordinated by the corporate Performance Enhancement team, these taskforces were composed of operating managers from all sectors and geographies, and have been working to align key performance indicators and design an integrated knowledge management programme.

The Group is developing a global performance benchmarking database and, where possible, standardising and "industrialising" processes and tools for driving improvement deployed around the company. A skills database is being created to identify and log individual sources of expertise in every area. Together with the establishment of specialist teams, the database will allow skills to be transferred around the Group quickly and effectively. A cadre of experts will be available to support any unit around the clock.

In addition to supporting operational improvement, the Group is seeking to leverage its scale and size to improve its capital investment processes. One example will be the establishment of a blast furnace reline team which will develop a standardised set of designs, oversee reline planning and manage contractual relationships with suppliers.

These processes will be supported by an expanded Knowledge Management Programme (KMP), designed to lift the bar on future performance. The annual KMP meetings, which bring together all the key people involved in a given function or technical area, will be extended. With a richer knowledge base on which to draw following the merger, their focus will be on operational excellence.

Across the Group, global or regional initiatives include programmes for improving yields and optimising scrap and energy usage. A group-wide programme to implement "total cost of ownership" approaches to procurement and use of key materials is underway, building on approaches established by the two former companies.

The 'Twinning' Process

The sharing of information at the corporate, regional and operating level lies at the heart of the Performance Enhancement Programme. To accelerate the process, a number of plants sharing common characteristics (such as production route or product mix) have been 'twinned' to create ongoing interaction between them in a programmed manner.

In this process, operational and technical teams make regular visits to their counterparts in the twinned plant, exchanging ideas and transferring best practice. Arcelor Mittal is convinced that these and other initiatives to draw on the expanded know-how of the enlarged Group and take advantage of the Group's scale and scope will drive superior performance in the years ahead. This concept is actively expanded.

In the wake of the merger, the Performance Enhancement team established a number of taskforces to drive integration of knowledge management and performance improvement processes.

Operational Review

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.

Overview of operations

In Canada and the US, where growth rates are modest, major opportunities exist for differentiation with sophisticated users of value-added products. End-user demand in these markets has been both robust and stable since the 2004 recovery. Arcelor Mittal is the leading North American supplier to these sophisticated customers.

Arcelor Mittal is the number one steel producer in both Brazil and Mexico, the two largest steel markets in Latin America, and is remarkably well positioned to capture the growth opportunities in both markets. In Brazil, a more favourable political environment and a stronger commitment to infrastructure investments is pushing annual steel consumption growth towards the 5% level. CST and Vega do Sul are already leading suppliers to sophisticated South American end-users, such as the automotive sector, and have ample opportunity to expand capacity to meet growing regional demand.

In Mexico, the acquisition of Sicartsa will provide significant synergies in steelmaking operations. Through its partnership with Aceros Planos Mexico, Lázaro Cárdenas is already a major sheet supplier in Mexico and continues to explore opportunities for expanding its downstream presence.

Through its CST and Lázaro Cárdenas operations, Flat Carbon Americas is the largest global supplier of slabs. With the ability to produce large volumes of special quality grades – API, IF steel, tin-mill substrate – these operations are much less susceptible to the volatility that affects commodity grades.

Performance in 2006

The year 2006 was a solid one for Flat Carbon Americas, with shipments of around 30 million tonnes, revenues of US$21.9 billion, EBITDA of US$3.6 billion, and operating income of US$2.6 billion. Comparable figures for 2005 were 28 million tonnes, US$20.9 billion, US$3.6 billion and US$2.7 billion, respectively[1].

The Brazilian and Mexican operations enjoyed strong and stable markets in 2006, with those in Brazil achieving record output. In North America, markets tightened in the first three quarters of the year and then weakened due to high imports and resulting excess inventories, particularly in the distribution sector. This had a dampening effect on the seasonally weak fourth quarter.

Investments

A major expansion at CST, which will be commissioned in the second quarter of 2007, will boost its slab-making capacity from 5 million tonnes to 7.5 million tonnes. The project, which is set to cost a total of US$1.2 billion, will provide CST with a large, environmentally-friendly coke complex, a new blast furnace, new steelmaking and continuous casting capacity, and ancillary improvements in infrastructure. It will begin to produce substantial additional volumes in the second quarter of 2007.

The Mexican slab operations are focused on three main goals: maintaining and extending their global leadership in more sophisticated slabs; moving downstream to capture domestic market opportunities; and investing in raw materials. Current investments at Lázaro Cárdenas are targeting quality upgrades and the acquisition and expansion of iron ore mining. The first of these mining projects will begin production in 2007.

In addition, Mexican operations will expand by over 2 million tonnes with the conclusion of the Sicartsa acquisition in the second quarter of 2007. Through this acquisition, Arcelor Mittal will become the largest steel producer in Mexico, adding to its current slab portfolio an extensive network of low-cost bar capacity. In addition to the synergies related to integrating primary operations with the adjacent Lázaro Cárdenas operations and to integrating long-product operations into the regional long-products group, it is expected to greatly increase output at the Sicartsa facilities, reducing an already low-cost base.

Current priorities in the US are to improve plant performance. While more than US$200 million of targeted synergies announced with the acquisition of ISG in 2005 have been realised, major opportunities to optimise plant operations and streamline production remain. Most of the US$450 million, now being invested annually, supports these objectives by upgrading primary (iron and steelmaking) assets. In addition, significant additional synergy opportunities are being realised through operational benchmarking with European and Brazilian operations.

At the same time, the US operations are investing heavily to meet customers' evolving product needs. A prime example is the 650,000 tonne galvanizing line in Cleveland that was commissioned last year. All of these projects are being pursued through Flat Carbon Americas' close partnership with the United Steelworkers, which benefits not only the company but also its employees.

Dofasco, the Canadian market leader in terms of quality and value added, represents the fourth major component in the Flat Carbon Americas portfolio. As a result of Arcelor Mittal's consent decree with the US Department of Justice, Dofasco operated under a hold-separate arrangement from August 2006 until February 2007. During 2006 – benefiting from benchmarking and synergy identification with the former Arcelor – Dofasco realised management gains of C$75 million, well beyond its planned targets. Integration with the USA now offers the opportunity to capture substantial additional synergies, particularly in terms of commercial activities and plant optimisation. Such synergies will enable the Canadian operations to strengthen their position in value added markets while also dealing with the cost pressures generated by the strong Canadian dollar.

Product development

Flat Carbon Americas' R&D complex in East Chicago, Indiana, is pursuing the most aggressive product development programme in the company's history. In 2006, it successfully introduced multiple new products, particularly Advanced High Strength Steel that allows automakers to produce safer, more fuel-efficient vehicles with a highly cost-competitive steel product. The 2007 product development goals are just as aggressive. With the integration of Dofasco, this R&D group will number over 200 staff.

The future

In North America, the inventory adjustment experienced late last year is expected to be complete by the second quarter of 2007, when still-strong end-user demand – particularly in industries such as energy, capital goods and non-residential construction – will drive a full recovery. The critical automotive sector is expected to consume steel at rates comparable to 2006. In Latin America, the strong local demand for CST's products experienced in 2006 is expected to continue in 2007. Finally, the market for slabs is expected to maintain its momentum.

The businesses of Flat Carbon Americas are well positioned to realise their target of achieving value enhancements and synergies. Just as importantly, they are committed to remaining leading corporate citizens in terms of environmental, community and social impact.

---

[1] *Figures for both years are pro forma, reflecting the acquisitions of ISG in 2005 and Dofasco in 2006 as well as the 2006 integration of South American operations into Arcelor Brasil.*

Operational Review

Asia, Africa, Commonwealth of Independent States (AACIS)

As the number one steel producer in Africa, and with plants in Macedonia, Bosnia, Ukraine and Kazakhstan, Arcelor Mittal enjoys the twin benefits of a large, low-cost production base with a strong footprint in some of the world's fastest growing steel markets. The main destinations for AACIS shipments are Africa (43%) and CIS and Middle East (15% each).

Performance in 2006

Total shipments for AACIS (including the Pipes and Tubes business) rose 9% to 20.3 million tonnes. Demand for long products was supported by a construction boom in Ukraine, CIS, the Gulf States and North Africa. In the Middle East, demand was stable.

Flat product shipments increased by 2% in 2006. For Mittal Steel Temirtau, an anticipated sharp fall in sales to China was offset by growth in demand from CIS, the Middle East and Europe.

In South Africa, the level of shipments was held down by capacity constraints and a number of production-related events. Production fell 2.8% on the year.

AACIS sales rose 19% on the year to US$14.7 billion. EBITDA of US$3.1 billion was similar to 2005. The 2006 figures include a full year of Kryviy Rih in Ukraine (acquired by Mittal Steel in October 2005) and Sonasid in Morocco (acquired by Arcelor in June 2006). The integration of the Ukrainian business yielded US$240 million of synergies.

Investments

Ongoing investment projects include the reconstruction of coke oven batteries and a blast furnace reline in Ukraine; the installation of a new cold rolling mill and colour coating line in Temirtau; and a new galvanizing line in South Africa. Among the major new projects to launch this year will be the US$1 billion-plus expansion of Kryviy Rih, to take production capacity to 10 million tonnes; two new kilns and a bar and rod mill in South Africa; and the integrated route project at Zenica, Bosnia.

Outlook

Conditions are expected to remain favourable in most markets in 2007, though some pressure on volume and prices is expected in CIS and Eastern Europe. In South Africa, demand for long products is set to rise on the back of the Government's US$60 billion infrastructure development programme.

Pipes and Tubes

Arcelor Mittal produces a mix of small and large diameter welded pipes and seamless tubes at 11 plants around the world. Strong demand from the energy and infrastructure markets in 2006 helped to lift shipments to 1.3 million tonnes. Together with a firm trend in product prices, revenues rose to US$1.2 billion.

Investments

Investment projects costing US$130 million are either underway or planned at all the main pipes and tubes facilities. They are designed to expand capacity to around 2 million tonnes a year by 2010, improve quality, lift the proportion of high-end products – particularly those aimed at the oil and gas industry – and reduce costs. New capacity at the Aktau plant in Kazakhstan was commissioned in February 2007.

Outlook

The markets for seamless and large diameter welded pipes are expected to remain steady although pricing will continue to be impacted by Chinese competition. Demand for small diameter welded pipes is expected to be in line with that in 2006.

Stainless Steel

Arcelor Mittal is a world leader in stainless steel and nickel alloys. In 2006, there was a marked recovery in demand for stainless steel with worldwide consumption rising by 9.6% – despite a surging nickel price. Demand was especially firm in Europe, the US and Brazil, and prices rose over the first three quarters of the year. Supply was tight, despite a 40% lift in Chinese output which increased self-sufficiency in China from 60% to 70%.

Re-stocking slowed towards the end of the year, but base prices for stainless still pushed up to new all-time highs. The European price of extra alloys rose 40% on the previous year to an average of US$1,639/tonne.

Total shipments rose from 2.1 million tonnes to 2.3 million tonnes. Allowing for the disposal of Ugitech and the acquisition of an increase shareholding in Acesita, this represents an underlying growth of 13%. On the same basis, revenues reached US$7.3 billion generating an EBITDA of US$0.9 billion.

Outlook

Strong demand at the start of 2007 is likely to be tempered by increasing supply growth in the US, Western Europe and Asia as the year progresses.

Mining

Arcelor Mittal operates its own iron ore and coal mines in eight countries. Together with a long-term strategic supply contract in South Africa & USA and a major iron ore project under development in Liberia, this provides it with a valuable hedge against raw material price increases.

Iron ore availability (including strategic contracts) rose to 64.4 million tonnes. This enabled the new Group (including Dofasco) to attain 45% self-sufficiency in iron ore. Coal production was 4.4 million tonnes. With plans to expand production in Mexico, Bosnia, Ukraine and Kazakhstan – and commence production in Liberia – the Group's reliance on external iron ore supplies is set to fall from 55% of annual requirements to 45% by 2010.

On 23 February 2007, Arcelor Mittal 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 will encompass the development of the mine, the building of a new port near Dakar and the development of about 750 km of rail infrastructure.

Operational Review

Long Products, AM3S, Wire Drawing

Growth in demand from the construction sector in Europe and South America was a major driver behind the strong performance of Long Products in 2006. With price increases implemented in a number of markets to recover rising costs, the outlook for 2007 is positive.

Long Products

Long Products operates from 36 countries in Europe and the Americas and enjoys a particularly strong footprint in the growing markets of Eastern Europe and South America. A stable business with a history of sustained profitability, it offers the broadest product mix in the marketplace. Production consists of blooms and billets, bars and rebars, wire rod and wire products, sections, sheet piles and rails.

Performance in 2006

Long Products (including Wire Drawing) lifted shipments from 23.2 million tonnes to 25 million tonnes on a pro forma basis. In Europe, demand was boosted by growth in the construction industry allied to significant investments in railway infrastructure. European shipments of sheet piles and rails rose 23%. Demand for beams, wire rod and bars was also strong.

In the Americas, South American volumes reached a new record, up 11% compared with 2005. In Argentina, domestic demand was boosted by good growth in construction activity.

Total sale rose from US$16.6 billion to US$18.5 billion and EBITDA increased from US$2.6 billion to US$3.6 billion. In Europe, profits rose sharply on the back of expanded volumes and higher prices, partly offset by increases in scrap and other input prices. In some product areas, prices weakened in the final quarter. In the Americas, increased shipments in South America offset a fall in prices. In North America, higher costs reduced margins.

Investments

A number of major projects were initiated in 2006 and are ongoing. These include investment in Argentina to lift capacity at Acindar from 1.2 million tonnes to 1.6 million tonnes and three substantial projects in Poland involving a wire rod mill modernisation, a new rolling mill and a blast furnace reline.

Outlook

In Europe, there is continuing strong demand in many sectors of the market. In rails and special profiles, prices have firmed and the outlook is excellent. There are good levels of activity in sheet piles and sections and a firming in prices for rebars. There are signs that wire rod prices have bottomed out following falls from last October onwards.

In South America, domestic market demand remains generally strong. Elsewhere in the Americas, the market is generally recovering at low levels and price increases have been implemented in Canada to reflect higher scrap costs.

Arcelor Mittal Steel Services and Solutions (AM3S)

The operations of AM3S span a worldwide network of distribution centres, steel service centres, construction and foundation solutions for infrastructure projects. Operating more than 500 facilities in 32 countries, AM3S serves approximately 200,000 customers. It offers a full portfolio of flat and long products, tubes and stainless steel, adding value through further processing and the provision of technical, engineering and consultancy support. AM3S also manages the sales network for the Group's worldwide exports. AM3S is the most important customer for both Arcelor Mittal Flat and Long Carbon Business Segments, benefiting from customer loyalty to strengthen synergies and optimise costs. AM3S's ambition is to optimise its efficiency through this close partnership.

AM3S offers innovative solutions and focuses on customer loyalty by providing high-quality and personalised services to meet the expectations of its clients, such as automotive manufacturers that are increasingly outsourcing their operations. It gives better market intelligence to end customers. That, in turn, allows them to better manage inventories in the supply chain to reduce volatility and improve working capital management. Thanks to the size and scope of the company and its extensive global network, AM3S delivers enhanced product range and unique solutions enabling a better knowledge of its customers.

Expansion moves

In 2006, AM3S extended its reach through acquisitions and the integration of assets from other parts of the Group. In France, Arcelor Mittal Distribution acquired or lifted the majority of Devillers and Alliance Metal Group. These acquisitions will form the core of a new operation, Total Offer Provider (TOP), to serve customers in the machine tool, yellow goods and other manufacturing industries. TOP will be extended to Central and Eastern Europe and China.

Arcelor Mittal Steel Service Centres integrated five service centres in Germany and Italy previously operated by the Flat Carbon business. It acquired a sixth, in Casablanca, Morocco. It expanded its downstream activities with the acquisition of Mobilever in Italy and the signing of a new partnership with Mitsui in South Africa.

Arcelor Mittal Construction acquired a Swedish company, Rydab, which provides steel solutions for houses and lifted its holding in Perfilor, its Brazilian profiling company, to 51%.

Operational Review

Long Products, AM3S, Wire Drawing
continued

Investments

Capital expenditure in 2006 was US$136 million. Arcelor Mittal Construction expanded its network with new facilities in Poland, Slovakia and Spain. Construction of a new service centre was started in Slovakia. The Foundation Solutions business established a new pipe mill in the US (through Skyline) and a new sheet pile cold rolling mill in Malaysia (through Oriental Sheet Piling). As a result, Arcelor Mittal is now producing sheet piles in Asia and is actively developing steel foundations solutions in the region.

Performance in 2006

With the exception of Southern Europe, which suffered increased penetration by Asian imports in the second half of the year, market conditions were favourable in most of AM3S's markets in 2006. On shipments of 14.3 million tonnes, compared with 13.7 million tonnes in 2005, revenues rose from US$10.8 billion to US$11.9 billion. AM3S achieved an EBITDA of US$0.6 billion (2005: US$0.4 billion).

Outlook

Merger synergies of US$150 million are targeted. These will come from volume growth in Central and Eastern Europe, achieved through partnership with the Group's steel mills in the region. A further integration benefit at Arcelor Mittal International is the expected sale of around 12 million tonnes of steel in the current year - this is a result of a worldwide efficient sales network which is close to the end user customers, and source optimisation through an extended internal supplier base.

AM3S's strategy will focus on extending the range of services to anticipate customer developments, targeting more value-added products and seeding its business model outside of its core regions. Above all, it will continue to work to build customer loyalty through reliability and speed of supply, a willingness to innovate and the delivery of global steel solutions

Wire Drawing

Arcelor Mittal Wire Drawing is the most important and diversified steel wire drawer in the world with a production capacity close to 3 million tonnes in the Americas, Europe, Asia and Africa. Its strategy is to pursue the consolidation that has started in Europe and to grow in Asia, focusing on projects that reinforce its position as a global solution provider with superior R&D and innovation capability.

Performance in 2006

Price pressures led many of the Wire Drawing operations to prioritise margins over volume in 2006 in Europe and NAFTA. China is now the largest manufacturing place for car and trucks tyres and therefore also for steelcord wires and strands.

The sector of energy is booming. Arcelor Mittal Wire Drawing benefits from increasing demand in wire for the construction of flexible pipes and wire ropes for platforms mooring lines. The development of renewable energies such as solar power has lead Arcelor Mittal Wire Drawing to develop new wires, contributing to the increased efficiency of the photovoltaic industry.

2006 was a good year for construction applications. Arcelor Mittal Wire Drawing is a major supplier to this industry in fibres and prestressed wire and strands.

Outlook

While global demand for wires solutions in construction, automotive or energy industries remains good, growing over-capacity in some regions puts pressure worldwide on margins.

2007 capacity investments in Hungary and China for steelcord are following the shift in tyre manufacturers' demand from NAFTA and Western Europe to Asia and Central-Eastern Europe.

Price increases are implemented from end of the first quarter of 2007 to reflect higher raw material costs.

The sector of energy is booming. Arcelor Mittal Wire Drawing benefits from increasing demand in wire for the construction of flexible pipes and wire ropes for platforms mooring lines. The development of renewable energies such as solar power has lead Arcelor Mittal Wire Drawing to develop new wires.

Operational Review

Flat Europe, Automotive, Plates, R&D

The Arcelor Mittal merger has created by far the largest Flat steel producer in Europe with operations that range from Spain in the West to Romania in the East and cover the complete Flat Carbon Steel product portfolio. Also under the responsibility of the GMB member in charge of Flat Europe are two ‘transversal’ business lines – Automotive and Global Plates – both of which are structured to meet the needs of global markets.

Flat Europe

Market conditions in 2006

The year witnessed a good recovery after the difficult conditions experienced in the second half of 2005, although increased import pressure (from China in particular) affected markets in Southern Europe. Prices generally firmed as the year progressed. On the input side, a doubling in the price of zinc dramatically impacted the cost of coated products. While Arcelor Mittal applied a zinc surcharge for spot deliveries, the profitability of some long-term contracts was adversely affected. Following renegotiation, yearly contracts now take the impact of the zinc price into account.

In automotive, the European light vehicle market enjoyed continued growth (+1.5% on the year) which came mostly from Eastern Europe. The household appliances market saw increased activity across Europe with the strongest growth coming from Eastern Europe (+12% compared with +4% in Western Europe). The construction market grew between 5% and 7% across Europe and the heavy plates market also experienced strong growth driven by wind power applications in Western Europe and by construction in Eastern Europe and Turkey. Steel for packaging applications remained a difficult market.

Performance in 2006

The year 2006 was a solid year for Flat Europe, with recovering volumes and good results. Total shipments increased from 30.7 million tonnes to 33.1 million tonnes with a strong final quarter to the year. These figures were achieved despite a voluntary cut in volumes in the second and third quarters, as Arcelor Mittal sought to adjust supply to falling apparent consumption, and a 5% fall in packaging volumes.

Operational performance was excellent both in Western and Eastern Europe with a number of facilities achieving record production levels and overall management gains fully in line with the Arcelor Mittal value plan.

Pro forma revenues totalled US$27.6 billion, up from US$24.9 billion in 2005. However, as a consequence of increased raw material prices, EBITDA came in at US$3.9 billion compared with US$4.2 billion in 2005. Again, the fourth quarter was the best of the year, reflecting price rises to recover higher zinc prices and management gains arising out of integration.

Investments

Flat Europe’s capital spending was US$1.28 billion, up from US$1.02 billion in 2005.

Major projects in Eastern Europe included a blast furnace revamping, a new continuous caster, a colour coating line, and a hot strip mill in Poland (to be commissioned in 2007). The caster produced its first slab at the end of December. At Galati in Romania, blast furnace 5 was restarted after capital repair in May and pickling line 2 commenced production after a difficult period of commissioning. At Ostrava, investment to lift slab production to 1.5 million tonnes continued. In 2007, investments in Eastern Europe will continue in order to fully capture the growth potential in this region. Projects include modernising the cold rolling mill in Krakow and increasing electrical steel production in the Czech Republic.

In Western Europe, two blast furnaces were relined (Avilés in Spain and Dunkerque in France) and the revamp of the continuous caster at Dunkerque is set to add additional capacity. In order to adapt production flows, packaging activity of Mardyck, France, was transferred to other packaging locations in Europe, thus optimising supply chain for cold rolling and annealing activities between Mardyck and Montataire. Projects for 2007 include a blast furnace relining in Fos, a repair of the second blast furnace in Avilés, a steel plant upgrade in Dunkerque, a new galvanising line in La Magona (Italy) and investments aiming to increase the productivity of the different sites.

Outlook

In Western Europe, the trend in selling prices remains positive. The pressure from Chinese imports is expected to be less marked in 2007. Demand from the automotive industry remains robust and annual contract renegotiations have been positive. Construction demand is also buoyant. In Eastern Europe, shipments are on a rising trend but prices have been generally lower. Demand for plates remains particularly firm.

Major integration gains are being achieved. Arcelor Mittal Flat Europe now operates one price list and one face to the customer. Optimisation of the supply chain – with, for instance, Polish slabs feeding the Western European plants – is delivering major benefits. In 2007, the East/West material flow will be further optimised. Flat Europe is on target to achieve its share of the anticipated merger synergies.

Automotive worldwide

With 17 million tonnes of steel sheet shipped in 2006 (the figure includes Dofasco), and a worldwide market share of 25%, Arcelor Mittal is the world leader in steel sheets and steel solutions for the automotive industry.

Operational Review

Flat Europe, Automotive, Plates, R&D
continued

Arcelor Mittal now operates a unique worldwide product policy to serve the platforms of the leading automotive manufacturers. With a common catalogue and a global manager appointed for each key account, the organisation is positioned to deliver even higher levels of service to its global automotive customers. In 2006, global partnerships were fostered with a number of major Original Equipment Manufacturers (OEMs) and these efforts will be extended in 2007.

Arcelor Mittal is also the producer with the broadest and most technologically advanced product portfolio, renowned for its innovation and quality. It plays a key role in every stage of vehicle manufacture – from initial design to series production. It continues to invest in tomorrow's products with an R&D spend that tops US$65 million a year, developing a product offering that is constantly being enhanced.

Global Automotive expects to improve its profitability in 2007, while seeking to consolidate market share and establish a stronger presence in Asia.

Global Plates

Global Plates covers 13 plate mills located in Europe, the US and South Africa. While its share of the worldwide plates market is only about 5%, Arcelor Mittal is nevertheless the undisputed leader in the specialty segment (cryogeny, alloyed plates, special stainless plates, heat treated plates). Global Plates coordinates sales of all Arcelor Mittal specialty plates worldwide.

In 2006, 4.4 million tonnes of plates were produced. Overall demand for plate products was extremely robust in all major segments and available capacity was fully utilised.

Major investments in 2006 were targeted on increasing the capacity of high-quality plates. In Gijón, Spain, a new automatic gauge control was installed. Industeel inaugurated three new heat treatment furnaces to expand supply of quenched and tempered plates.

Global Plates' strategy is to reinforce its worldwide leadership in specialty plates by integrating the US plates activities with those of Industeel in Europe. Significant synergies can be achieved through leveraging common R&D activities, benchmarking operations and selling all special products through a common worldwide network.

R&D

Arcelor Mittal now operates 13 major research centres in Europe, the US and Canada. Between them, they employ more than 1,200 researchers. They were responsible for a record number of new product launches in 2006. The Group's new size has helped to increase the number of research partnerships throughout the world. Collaboration with scientific and technical universities has been extended and has led to strengthened relationships.

In the wake of the merger, the focus has been on transferring know-how between the US and Europe. As a result of the first such transfer, Usibor, a corrosion-resistant steel developed by Arcelor, is now being produced at the former Mittal Steel plant at Riverdale, in the US. Production of martensitic grades developed by Mittal Steel in Chicago and deployed by the auto industry in key safety-critical applications such as roll bars, will commence in Europe later in 2007. Integration will continue in order to unify the many different strands of research now underway in one global organisation.

All of Arcelor Mittal's R&D efforts will be maintained throughout 2007, taking advantage of the global size of the company to make the technological lead even greater for the benefit of customers. Transferring and deploying innovations quickly to the different locations and for the benefit of all customer segments will be emphasised so as to increase profitability of investments.

Arcelor Mittal now operates a unique worldwide product policy to serve the platforms of the leading automotive manufacturers. With a common catalogue and a global manager appointed for each key account, the organisation is positioned to deliver even higher levels of service to its global automotive customers. In 2006, global partnerships were fostered with a number of major Original Equipment Manufacturers (OEMs) and these efforts will be extended in 2007.

Operational Review

Portfolio – Corporate Functions

The Corporate Functions of the Group have responsibility for a wide range of activities, including Human Resources, Health and Safety, Commercial Coordination, Marketing Support, Performance Enhancement, Sustainable Development, International Affairs and the Group's operations in China. Many of these functions are discussed in detail in other sections of this Report.

Performance Enhancement

The Group's much expanded scale and scope, together with the enriched skills base the merger has created, have opened up new opportunities to mobilise internal know-how to achieve operational excellence in every sphere of the Group's business. With significant value creation potential beyond that of its individual business segments, Arcelor Mittal has a unique strategic advantage.

Bringing together many of the Group's leading experts on technical and management issues, the Corporate Performance Enhancement team seeks to realise that advantage by leveraging knowledge and skills across the Group on a global basis. It is now building on the knowledge sharing programmes and global benchmarking systems developed by both Arcelor and Mittal Steel to:

- Standardise processes and tools. As the best of all methodologies are documented, standard training courses will be developed through the Arcelor Mittal University to provide them Group-wide.
- Leverage the Group's scale and knowledge base. Expertise databases are being compiled. At the same time, specialised teams of experts are being developed along with rapid response teams to address critical operational problems as they arise. The specialist blast furnace reline team, an example of the new policy, will leverage the Group's scale to improve capital efficiency in this major process.
- Build and maintain a global benchmarking system using common definitions, platforms and standards to enhance global knowledge sharing and facilitate the transfer of best practice.

Human Relations

Human Resources has been closely involved in the transition to a new organisational and management structure, the appointment of key personnel and the establishment of a new reward strategy. It has also taken the first step towards the creation of a transparent, internal jobs market with a 'Job Offers for Managers' website.

A unified leadership development programme is being put in place. It is modelled on the Global Executive Development Process (GEDP) employed by Mittal Steel. The GEDP is a performance management review process that not only assesses the quality of leadership within all business segments and functions but identifies the potential leaders of tomorrow – the so-called 'high potentials' – and puts a personal development plan in place for each one.

Proposals for a new employee relations framework are also being developed. Arcelor Mittal has a clear goal of building strong employee relations and working with the trade unions on a partnership basis. Many of the Group's 320,000 people are represented by trade unions; they are therefore key stakeholders. The Group's partnership approach has already proved a major success in several countries and forms the cornerstone of its approach to employee relations.

Commercial Coordination

The Commercial Coordination of Arcelor Mittal's complex marketing and sales activities is a key function to ensure sales effectiveness and price leadership. The team's task is to develop the Group's application of global marketing strategies, to understand global market changes, to organise the immediate adaptation to a changing environment, to see upcoming risks and arising challenges and to provide commercial direction to Arcelor Mittal as industry leader.

Commercial Coordination works transversally and enhances the understanding of market developments and communication on a Group-level, beyond products and geographies.

Marketing

A new, high-level marketing organisation has been established at corporate level to provide economic and demand analysis, serve as a marketing resource for all segments in the Group. The organisation combines macro-economic research with the collation of steel market data to provide market, product and segment analysis.

The marketing teams also handle Arcelor Mittal's relationships with associations and steel contact groups, manage commercial communications and trade issues. It ensures the Group is always represented at a high level in key associations and has a voice in contact groups as a global player designed to avoid trade friction.

International Affairs and Sustainable Development

The International Affairs and Sustainable Development function supports Arcelor Mittal's businesses in three areas:

- Government relations. The team works to sustain good relations with governments at national and local level, and manages the Group's lobbying activities.
- Environmental issues that have an impact on the Group's businesses. Arcelor Mittal has consistently gone beyond simple compliance with local environmental regulations to ensure it minimises the impact of its operations on the world around it.
- Corporate Social Responsibility and Sustainable Development. From maintaining the highest standards of Health and Safety to supporting local communities, Arcelor Mittal sees its commitment to act in a socially responsible manner as part of its 'licence to operate'.

China

Arcelor Mittal operates in China through sales and distribution centres and two major joint ventures.

In 2006, Hunan Valin, one of China's top ten steel producers in which the Group has a 32.90% participation, produced 9.89 million tonnes of crude steel. Semi-processed silicon steel technology was successfully transferred to the Chinese company and delegates from Hunan Valin went on a six-month training programme for CSP hot rolling at Arcelor Mittal's Riverdale plant in the US.

BNA, the automotive sheet joint venture with Baosteel and Nippon Steel, had a profitable year, achieving production of 1.8 million tonnes. BNA supplies the main automotive manufacturers in China.

Arcelor Mittal completed its final supplies of plate and heavy beams to the Shanghai World Financial Center. Still under construction, the Center will be one of the tallest buildings in the world at 492 metres.

A three-year partnership with the United Nations Development Programme (UNPD), signed in November 2005, to increase energy efficiency and environmental awareness, was successfully initiated. One of the programmes in the partnership contributes to provide capacity building in Clean Development Mechanism (CDM) in 12 provinces in China, as part of the implementation of the Millennium Development Goals (MDG).

In February 2006, Arcelor Mittal agreed to acquire a 38.41% stake in Laiwu Iron & Steel. The agreement has still to be approved by the Chinese Government.

Integration review

As the two leading consolidators in the global steel industry, both Arcelor and Mittal Steel came to the merger with strong track records of successful integration. Each was the product of a series of international mergers and acquisitions that presented challenging organisational and cultural issues. As a result of that common history, each had a group of professionals highly experienced at integrating diverse businesses and delivering anticipated merger gains.

Drawing on this experience, it was agreed from the outset that speed was of the essence in achieving a successful integration. An ambitious timetable was set for putting a new organisational structure in place, unifying key functional areas, and driving the process that would capture the targeted synergies by the end of year three. Quick wins were sought that would make an immediate impact. Some 80% of the integration process was planned to be completed by the middle of 2007 – when the integration effort would largely be incorporated into daily business.

Organisation

The new management structure was put in place over the summer and autumn of 2006 and is designed to create an organisation that combines scale with agility. At the very top is an 18-member Board of Directors responsible for the overall supervision of the company. The majority of its members are independent. There are three shareholder representatives and three employee representatives. The Board is truly international in character.

The strategic direction of the business is the responsibility of a six-strong Group Management Board (GMB), members appointed by the Board of Directors – and which started to work together in early August 2006. Headed by Lakshmi Mittal, who assumes the role of Chief Executive, its composition reflects the Group's new structure, which is divided into five key segments.

All GMB members also sit on a Management Committee of Executive Vice Presidents, active since early September 2006 and responsible for regional or sectoral organisations and Group-level functions such as purchasing, marketing and Performance Enhancement. Below that committee are just three more tiers of management. The majority of appointments down to Manager level were announced by early-December. Care was taken to ensure a balance of appointments from the two predecessor companies, whilst respecting a "best of both" principle.

The new structure is both lean and flat. It is designed to avoid top-heavy bureaucracies or functional 'silos' and deliver a clear line of sight in the decision-making process. It aims to create an organisation that is at once inventive and adaptable, with clear accountability at every level. Above all, it aims to foster an entrepreneurial spirit that will keep Arcelor Mittal ahead of its competitors.

Integration Process

An Integration Office was established in September 2006 under co-heads drawn from each predecessor company. Supported by a strong team of managers within the business segments, the Integration Office assembled 20 taskforces – which in turn ran 30 sub-taskforces – to drive integration in each area. With every business segment given a target for the synergies it was expected to achieve, the taskforces had the job of confirming those targets 'bottom up', work out where the opportunities lay, propose concrete actions and put plans in place to capture them.

The integration process is guided by four simple principles:

- *Value creation.* The purpose is to optimise Arcelor Mittal, not individual businesses. A mix of initiatives is bringing both short-term cash gains and fundamental multi-year improvements.
- *Simplicity.* Integration is part of daily life, with line management accountable for delivering the expected impact – thereby fostering entrepreneurship across the organisation. Synergies and stand-alone improvement plans have quickly been incorporated in 2007 budgets.
- *Fast, yet sustainable.* The integration decision-making process runs in parallel with 'business as usual'. Four core functions – budgeting/control, capital expenditure planning, operational control and human resources – were integrated as quickly as possible to ensure immediate and total control of the ongoing business.
- *Best of both.* A forward-looking organisational design has been implemented with the best person appointed for each job, irrespective of passport, but with attention to balance between the two companies. The process has been transparent and open, with full data sharing. Similarly, best of both has been applied in designing key management processes.

Integration review

continued

Throughout the process, the role of the Integration Office has been to coordinate challenge and support the taskforces (injecting urgency into the process), provide a quality check on their work and report back to the GMB. It has also worked closely with Internal Communications to ensure the progress of the integration and Group aspirations are communicated fully throughout the organisation. An Intranet site, opened in November 2006, was quickly followed with a Web TV launch in January 2007. Both have received excellent feedback.

The Integration Office has achieved its goals and was wound down at the end of March 2007, one quarter ahead of the original schedule. At the end of 2006, approximately 75% of the targeted US$1.6 billion of synergies are now covered by action plans. Taskforces and operational units are finalising milestones and plans for the remainder. The organisational structure is in place and HR policies are being finalised and implemented. The new Arcelor Mittal brand is due to be unveiled in the second quarter of 2007. Most taskforces are preparing to merge back into the business segments from which their members came, though some – such as purchasing – will have a continuing role for some time to come.

Synergies

The planned merger synergies, worth an annualised US$1.6 billion, are targeted in three main areas: marketing and trading, purchasing, and manufacturing and process optimisation. In the final quarter of 2006, merger-related synergies worth an annualised US$269 million were secured, mainly in the area of marketing and trading. By the end of the first quarter of 2007, the total of annualised synergies is expected to reach approximately US$500 million. It will include some purchasing benefits, the first gains from manufacturing and process optimisation and also some gains in the area of SG&A.

Rapid progress is being made in every area:

- *Marketing and Trading*. Brazilian and Mexican slab sales are now coordinated to provide one face to the customer. Similarly, in Long Products, on a continental basis, there is a unified commercial organisation offering harmonised pricing and a better service to customers; logistics have been transformed by switching sourcing to the plant closest to the customer wherever possible. Trading and international sales have been consolidated into Arcelor Mittal International, which now operates a unified sales network with four regional hubs.

  In Global Automotive and Flat Carbon Europe, organisational changes to deliver ‘one face to the customer’ have improved market dynamics and the recognition of value provided by the Group. The transfer of key technologies between Europe and the US is allowing both regions to enhance the range of advanced automotive steel grades they offer.
- *Purchasing*. Merger synergies are expected to have a significant impact from the second quarter of 2007, as supplier renegotiations and the effects of global sourcing start to flow. Increased inter-Group sourcing is already delivering benefits. One example: Arcelor Mittal Steel Solutions and Services is sourcing substantial tonnages from the Group’s Eastern European plants that were previously sourced from third parties.
- *Manufacturing and process optimisation.* Material benefits are expected to start flowing in the second half of 2007 as several factors combine. The benchmarking of all plants and processes, combined with the systematic sharing of best practices, is having a progressive impact on productivity and efficiency. Plants with similar product or process characteristics have been ‘twinned’ to ensure the rapid transfer of best practices through the exchange of experiences.

  Plans to optimise plant output – by refocusing production to specialise on a given product area, thus achieving the longest possible production runs and avoiding duplicated investment spending – are expected to have an increasingly beneficial impact from 2008 onwards. Specialisation has already taken effect in the area of slab manufacturing.

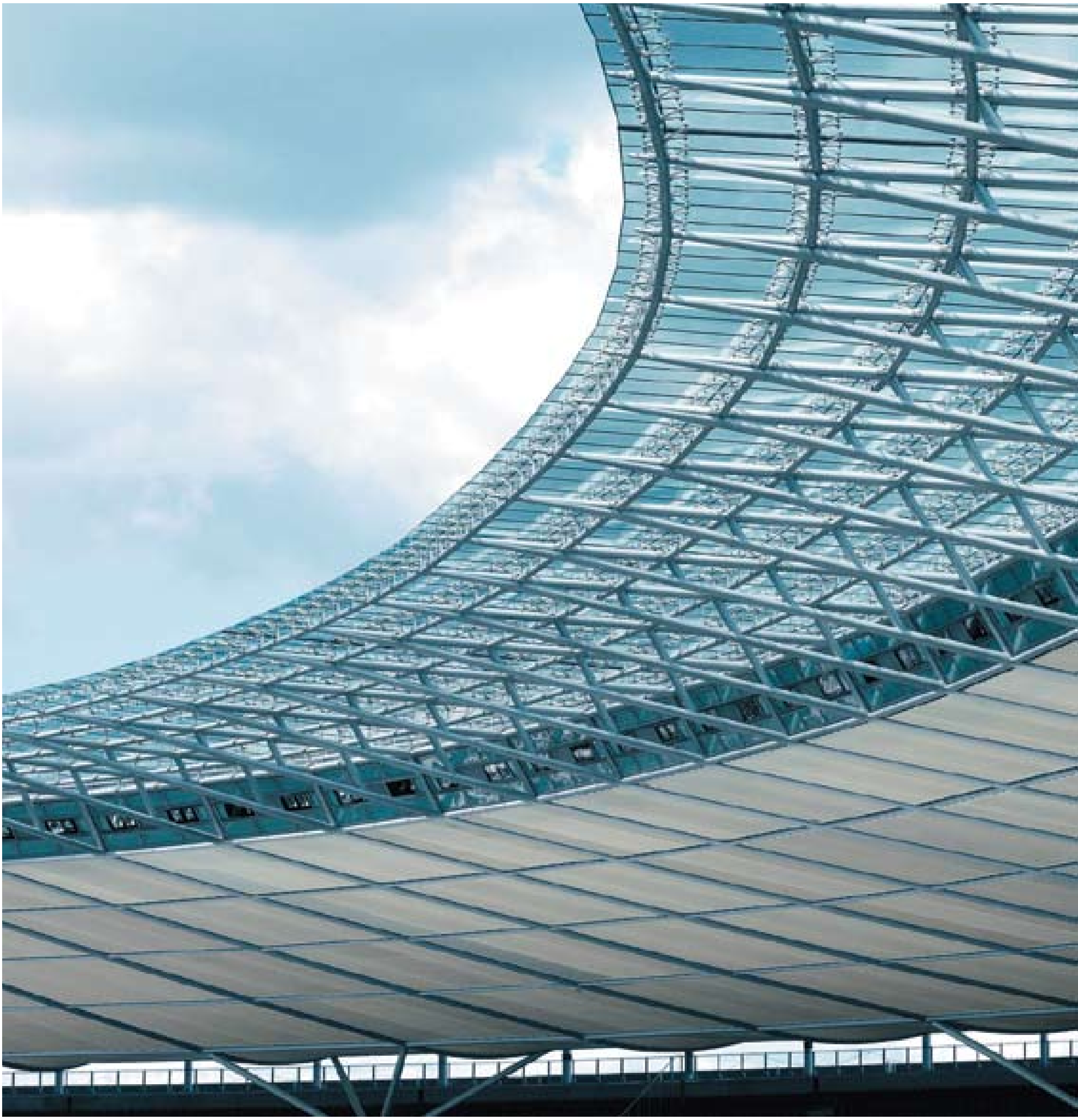
The integration process is on schedule and set to deliver the anticipated synergy gains within the forecasted time-frame.

US $1.6 billion

annualised worth of planned merger synergies by 2008.

Construction

By combining Arcelor's range of stainless and carbon steel with Mittal Steel's strengths in rebars, the merged Group now offers the fullest possible range of products to its construction industry customers. Arcelor Mittal is the world leader in supplying steel to the construction market, delivering around 35 million tonnes of products a year to the building and construction industries. It also offers some of the most advanced building solutions around – including jumbo beams for skyscrapers, heavy plates for bridges, thin sheets for facades and roofs and stainless steel for decorative and other uses.



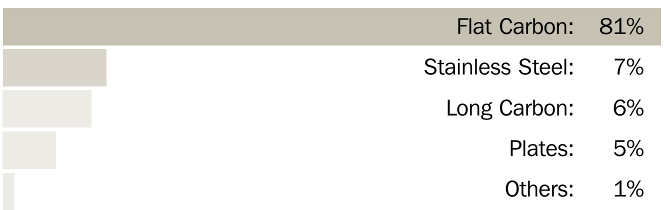

35

Technology and Innovation

Research and Development plays a key role in Arcelor Mittal's strategy to lead innovation in the world of steel. The Group employs 1,200 researchers in 13 research centres around the world. In 2006, US$185 million was spent on research. Two-thirds of this amount was focused on the development of new products and solutions for the Group's customers.

The Research and Development taskforce set up 14 working groups to integrate the two companies' impressive R&D capabilities – each one co-headed by a Mittal Steel and an Arcelor researcher. They covered the full spectrum of process and product research.

Where the R&D budget was allocated:



The merger has added a new dimension to the R&D effort by widening the range of potential applications for existing technical know-how and permitting the better use of this expanded R&D resource in order to accelerate project work. In 2006, a number of cooperation projects were initiated between the Arcelor and Mittal Steel R&D teams throughout the world. One example: in the automotive field, hot stamping steel is now being produced in the US while martensitic steel - used in key safety-critical applications - is being transferred to Europe.

Process R&D

In 2006, process research focused on:

- The development of models for optimising the use of raw materials and energy;
- The modelling of the Group's processes from raw materials to finished products to improve industrial performance;
- Improved recycling of by-products such as sludge, dust and steel slag. Special attention is being paid to the recovery of expensive zinc;
- The use of ground tyres as a carbon additive in electric furnaces. Now validated, the process makes the electric furnace an even cleaner production process than before;
- The start of the second phase of the ULCOS (Ultra Low CO_2 Steelmaking) programme. Co-financed by the European Union and the 48 partners engaged in the programme, ULCOS is aimed at finding new production processes that drastically reduce emissions of CO_2 and other greenhouse gases. Five technologies were selected for Phase II experimentation.

Automotive R&D

The automotive industry constantly seeks to reduce cost, improve passive safety, reduce vehicle weight and increase durability through even better corrosion resistance. The combined efforts of Arcelor Mittal have achieved a number of advances in these areas:

- The range of high strength and high deformability steel has been improved and extended – through, for instance, Dual Phase, TRIP (Transformation Induced Plasticity), and hot stamping steel. Major research has been carried out on new metallurgical concepts, carbon steel and stainless steel, making it possible to consider marketing steel – in the short and medium term – with very high elasticity and plasticity, and capable of the very high energy absorptions necessary for crash test qualification.
- In the field of corrosion resistance, the first tests of ultra high surface quality zinc coating by hot galvanizing for use on visible parts have aroused considerable customer interest.
- In the field of mufflers, Ugine & Alz has worked to develop F18 MNb, a new type of stainless steel providing better resistance to oxydation at high temperatures, necessary as a result of increased exhaust gas temperatures. F18 MNb facilitates good catalysis.
- In long products, new steel for truck crankshafts and valve springs have been developed, with high mechanical properties and improved fatigue resistance, in order to increase performance and achieve a lighter weight.

Further R&D is focused on industrial applications – most notably flat carbon steel, electrical steel, special plates and stainless steel – and construction and civil engineering.

Integration Quick Wins in R&D

The Research and Development taskforce set up 14 working groups to integrate the two companies' impressive R&D capabilities – each one co-headed by a Mittal Steel and an Arcelor researcher. They covered the full spectrum of process and product research. About 20 "quick wins" have already been identified, the following four of which are particularly significant:

- Production of Usibor, an Arcelor development for hot stamping which offers top-of-range strength-to-weight characteristics and corrosion resistance, is to commence in the US following trials early last year. Usibor has a number of applications in the automotive field – particularly for bumper and door beams, A-pillars and B-pillars.
- Production of martensitic grades developed by Mittal Steel in Chicago, deployed by the auto industry in key safety-critical applications such as roll bars, will commence in Europe this year.
- Outifo software developed in Europe to optimise the design of stamping tools – reducing the need for customers to engage in long and costly test cycles – is being implemented in the US. The software gives a competitive advantage if they use Arcelor Mittal materials.
- Process improvements designed by the former Arcelor process facilities are being transferred to former Mittal Steel plants. They include, for instance, processes to reduce clogging in the continuous caster – thereby improving quality and delivering performance.

HR Policy and Skills Development

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 response to these challenges, Arcelor Mittal is investing heavily in the fostering and developing of internal talent through a multi-pronged Leadership Development Programme.

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 the duty of any good employer. It also makes good business sense.

As the leader of the steel industry, Arcelor Mittal has added incentive to identify and encourage talent from within, and develops programmes to reach its objective to attract and retain talent. With its 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.

In response to these challenges, Arcelor Mittal has been investing 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.

HR Policy and Skills Development

Nurturing the skills of the workforce is a key priority for the new Group. The Arcelor Mittal University is one of the ways that these skills are being captured, along with Leadership Development, Partnership with Employees and their Representatives and Voluntary Retirement/Separation Schemes.

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.

Arcelor Mittal University

One of the key priorities in the wake of the merger was the establishment of the Arcelor Mittal 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 practices.
- 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 Maizières-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 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 the 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 segments 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 10 to 15 key positions in each business segment, identifying two successors for each position, and between 5 and 15 'Hipos'. For each successor or 'Hipo' a personal development plan is created and it picks out those considered 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 to 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.

To that end, Arcelor Mittal has negotiated a new combined European Works Council to replace the existing two separate European Works Councils within both former individual companies. This combined European Works Council will represent employees from both former companies and will form an integral part of Arcelor Mittal's overall social dialogue. The new agreement is expected to be in place shortly. The Group will also expand the scope of the existing Arcelor International Framework Agreement to the extended perimeter of the merged Group and design a partnering programme for unions, management and HR in all business segments in developing markets. During the Employee Relations Knowledge Management Programmes, it is customary to involve employee representatives in debates on specific topics that further improve understanding and strengthen partnership relations.

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 continue throughout 2007. Through benchmarking and knowledge transfer, overall employment efficiency will be continuously improved and with that the viability of individual plants strengthened.

Environment

For Arcelor Mittal, continuous improvement in its environmental performance is a key element in its commitment towards Sustainable Development. In order to achieve this, the company has put in place a management system to take care of Arcelor Mittal's impact on the environment, so as to ensure that environmental aspects comply with legislation, monitor performance and develop more environmentally-friendly methods of production.

The Group Environment Department works closely in collaboration with the regional production facilities to ensure a consistent and coordinated approach to Arcelor Mittal environmental performance across all operations.

In 2006, focus during the integration phase has been on:

- Coordinating environmental reporting and analysis;
- Implementing common policies and action plans;
- Developing and implementing an environmental framework and guidance to regional production facilities;
- Supporting environmental compliance activities; and
- Undertaking benchmarking and trend analysis.

Investment

In 2006, more than US$120 million was invested in environmental projects around the Group, many of which are ongoing. Examples include:

- In South Africa, the Vanderbiljpark facility implemented a central waste water treatment resulting in a zero discharge operation and drastically reducing the fresh water intake by 60%.
- Arcelor Mittal USA launched a windmill farm project at a former steel production facility in Lackawana, New York. The first phase will involve the erection of eight 2.5MW windmills for a production capacity of around 57,000 MWh/y.
- In France, a flue gas flow treatment at the sinter plant in Fos sur Mer was successfully implemented. The process reduces dust, sulphur dioxide (SO_2) and dioxins emissions.
- In Spain, the facilities in Olaberria, Zumárraga and Bergara focused on reducing their non-recovered residues. The Electric Arc Furnace (EAF) slag had previously been sent to landfill. Joint work with the administration was developed to change the standards for use of EAF slag in road construction and investment was made in a unique slag treatment plant for the three facilities for slag preparation for use in road construction. This will be operational in 2007 and will result in a substantial reduction in non-recovered residues.

Many of these investments and process efficiencies have resulted in Arcelor Mittal's production facilities receiving recognition for their environmental performance. Examples include:

- Arcelor Mittal Gent, Belgium was awarded the Environmental Charter of East Flanders granted to companies who demonstrate a continuous improvement of their environmental performance and often go beyond existing legislation.
- ACB in Bizkaia, Spain was one of 12 companies nominated for the European Business Awards for the Environment. The prize, awarded by the European Commission every two years, acknowledges companies for outstanding contributions to sustainable development.

Raising standards

Group operations comply with local and legal regulatory requirements and every effort is made to anticipate new legislation by investing ahead of its implementation. Any breaches are recorded diligently and dealt with promptly. Many operations are accredited to ISO 14001 and Arcelor Mittal is committed to achieving 100% certification. To deliver this commitment, the Group has issued mandatory application of ISO 14001 certification for all production facilities. The Group is currently reworking the compliance verification procedure building on the strengths of the Arcelor and Mittal Steel approaches. Going forward, this compliance methodology will be integrated into the global environmental database that is currently being developed to capture Group-wide data on air emissions, water quality, CO_2 and residues.

A process of identifying projects and experts to boost Clean Development Mechanism / Joint Implementation initiatives through the Group was started in 2006 and common development strategy and guidelines are now being established.

In addition, the second phase of the Ultra Low CO_2 Steelmaking (ULCOS) programme has started. Co-financed by the European Union and the 48 partners engaged in the programme, ULCOS aims at finding new production processes that drastically reduce emissions of CO_2 and other greenhouse gases. Five technologies have been selected for the Phase II experimentation.

During 2006, Arcelor Mittal has been actively engaging in developing mechanisms to ensure knowledge sharing across the Group. A number of working groups have been set up to ensure managers are exposed to and transfer, current best practice approaches. Examples include:

- A monitoring campaign focusing on diffuse dust was initiated in 2006 in order to quantify building diffuse dust emissions in sinter plants, blast furnaces and steelmaking plants. The objective of the campaign is to improve the knowledge on diffuse dust emissions and to move facilities to take these emissions into account in their progress plans.
- A biodiversity working group was created to build on the best practice work of many of our Brazilian and Western European facilities. The objectives are to better understand the Arcelor Mittal contribution and impact on biodiversity, to compile a database on biodiversity, and to recommend a Group-wide response to the findings.
- The creation of an e-based information exchange tool which will provide up-to-date information to environmental managers across global operations on Environmental legal framework; measurements; best process techniques; cleaner production; Biodiversity and studies.

In March 2007, environmental managers from all regional operations will meet as part of Arcelor Mittal's internal Knowledge Management Programme (KMP). The focus will be on drafting a Group-wide Environment policy which will be published later in the year and the development of key environmental objectives.

The importance of raising awareness on environmental issues extends beyond the production facilities and in 2006, Arcelor Mittal announced its US$2 million sponsorship of the China Environmental Awareness Programme (CEAP), launched 18 December in Beijing by the United Nations Development Programme (UNDP) and the Chinese government. One of the programmes in the partnership will contribute to the provision of capacity building in Clean Development Mechanism (CDM) initiatives in 12 provinces in China, as part of the implementation of the Millennium Development Goals (MDG). The three-year campaign will raise awareness about environmental issues through media campaigns built around high-profile national events such as the 2008 Beijing Olympics and the Shanghai Expo in 2010.

2007 Priorities

Moving into 2007, Arcelor Mittal will continue to focus on completion of the 2006 priority areas and in addition will focus on:

- Ensuring all Arcelor Mittal production facilities are anticipating and responding to upcoming environmental legislation most effectively. A Group-wide legislation watch including Europe, USA and China will be implemented to make sure local issues and initiatives are handled appropriately and supported by knowledge of the most environmentally efficient governments;
- Developing a Group-wide communication strategy to handle local issues and needs in regard to regulations, process techniques, measurements, cleaner production;
- Analysing the performance results from environmental reporting to detect potential improvement opportunities and conduct benchmarking and trend analysis.

Communities

For Arcelor Mittal, communities are essential to delivering its business strategy. Acting responsibly does not simply mean donating goods and services, or time, to specific projects – although this is happening everywhere that the Group operates. It also implies that Arcelor Mittal has a wider duty to ensure that the communities in which it operates prosper. As a result, the Group must not only ensure the economic wellbeing of those communities, but also develop adequate infrastructure, health care and education.

Social Investment

During 2006, Arcelor Mittal business segments continued to engage in a wide range of social investment initiatives, providing extensive support in education, healthcare, sports, enterprise and cultural activities.

In 2006, Arcelor Mittal contributed US$47 million in charitable contributions, sponsorship and to social investment projects. An additional US$2.6 million was contributed in the form of in-kind contributions – products and employee-time.

Examples of social investment in 2006 include:

- In Brazil, an ambitious target set in 2004 to register 250,000 people as bone marrow donors was not only met but exceeded in 2006. By the end of the year, the number of donors on the REDOME register topped 334,000. Many thousands of people at the Group's Belgo, Vega do Sul and Acesita plants are among those who have volunteered in the last two-and-a-half years. The Group's support for bone marrow transplant programmes goes back to 1988. It has since contributed to the development of stem cell donor registers in France, Spain, Italy, Belgium and Luxembourg.
- In the US, the Cleveland Ohio plant continued to play a large role in the local community. Financial help for a variety of causes –from the United Way to Harvest for Hunger – was supported by countless hours of voluntary work by employees. Other projects ranged from supporting the Boys & Girls Clubs of Cleveland (through a combination of money and employee volunteering) to improving the Cuyahoga River Valley environment.
- In China, the first set of scholarships was granted in May 2006 under a new scholarship programme for students at Hunan Province's Central South University. The scholarships, aimed at promoting creativity and innovation, supports 80 scholars a year in undergraduate and post-graduate programmes and a further 40 engaged in doctoral and post-doctoral research.
- In Kazakhstan, extensive and broad ranging social investment continued in 2006, this included the donation of 40 ambulances to the Karaganda Ambulance Centre and sponsorship of a wide range of sports and cultural events for the City of Temirtau.
- In Europe, Arcelor Mittal continued its support for a range of locally driven initiatives. This included support given to sports and youth development initiatives in Spain; funding of medical equipment in the Czech Republic and development of an educational multi-media laboratory in Poland.

Case Study
Science And Education Centre – South Africa

In order to address the country-wide shortage of skills in the engineering fields and to instill an interest in the science disciplines, Arcelor Mittal South Africa developed an innovative concept to provide centralised facilities in a Science Centre of Excellence for the teaching of mathematics and science to learners and educators in the Vaal region.

The project was developed in partnership with the Gauteng Department of Education. Currently 1250 grade 10 learners from 12 different schools and 30 teachers attend mathematics and science classes at the Centre. The learners and teachers are transported to the Science Centre daily, which is equipped with ultra modern classrooms, laboratories and an interactive science exhibit centre, where learners are given the opportunity to learn "hands on" under the guidance of highly skilled and experienced educators.

The Centre opened in July 2006 and after 15 weeks of lessons astounding results have been achieved. For example, a school that achieved 6.8% average in the initial assessment test obtained 69.8% in the final test. Of more significance is the fact that the majority of learners are showing a genuine interest in the subjects and are really enjoying the classes.

The project will be expanded during 2007 to include an additional 600 learners and 45 teachers from 15 new schools. Including the refurbishment of the facilities, an amount of R8.5 million (US$1.1 million) was invested in the project during 2006.

US$47

Charity contribution in 2006 (millions).

Communities

continued

Arcelor Mittal Foundation

The scale of Arcelor Mittal's business also means operating across a spectrum of economic environments. Arcelor Mittal recognises its responsibility to support social and educational projects that can help build capacity, accelerate development and improve the quality of life of local communities.

As a consequence, and in order to provide added focus to this diverse programme of activities, Arcelor Mittal has decided to create a Foundation to be called "Arcelor Mittal Foundation". It will coordinate the Group's social projects and ensure a consistent approach to social investment worldwide. Its mission will be to promote Arcelor Mittal's commitment to society and sustainable development, focusing in particular on the communities where it operates.

The Foundation's role will be to define the core strategy for the Group's social engagement activities, lay down criteria for the business segments to follow, monitor spending and evaluate the impact of each project. As a first step, all current activities are being identified and assessed.

The new approach has a number of objectives. It will generate a programme of activities that is more closely aligned and coherent. By developing specific competence in certain fields, the Foundation will bring added impact to the programme – which will more identifiably bear the imprint of Arcelor Mittal. It will also help to ensure maximum efficiency in the use of funds. As part of the process, the Foundation will seek to develop partnerships with Non-Government Organisations (NGOs) to drive the programme forward.

It is recognised that local needs and priorities differ. For that reason, most ideas for new programmes will continue to be generated locally – either by the local business segments or communities. Some may evolve through contact with NGOs or other foundations. Each business segment has a nominated 'correspondent' whose function will be to liaise with the Foundation – both in generating ideas and carrying out the programmes.

Candidate projects will be analysed according to clearly set criteria. Those that are accepted will then be continuously monitored and evaluated for their effectiveness. There is likely to be a heavy emphasis on projects aimed at 'self-sustainability'.

Recycling

Steel is indefinitely recyclable and may be considered as a “green” material. In some applications, 90% of the steel used is recycled. Arcelor Mittal develops increasingly innovative and eco-friendly steel, from the perspectives of both production and use by customer in the automotive, packaging and construction sectors.


90%

Corporate Governance

Mittal Steel and Arcelor entered into a Memorandum of Understanding on 25 June 2006 through which the two parties agreed on certain corporate governance matters relating to the combined Group. In particular, the agreement includes special governance mechanisms designed to promote the integration of Mittal Steel and Arcelor.

A. Directors and Senior Management

The members of the Mittal Steel Board of Directors as of 31 December 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
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

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

[1] Audit Committee.
[2] Appointments, Remunerations and Corporate Governance Committee.
[3] "Non-executive" and independent director.
[4] Age as of 31 December 2006.

Senior Management

The members of Mittal Steel's senior management as of 31 December 2006 are as set forth below:

Name	Age [1]	Position
Bhikam Agarwal	54	Executive Vice President, Responsible for Financial Controlling and Reporting
Roeland Baan	49	Executive Vice President, Responsible for South and Central Africa and Pipes and Tubes
Gilles Biau	61	Executive Vice President, Group Human Resources Co-Head
Alain Bouchard	60	Executive Vice President, Responsible for Purchasing function on Worldwide basis
José Armando Campos	58	Executive Vice President, Responsible for Flat South America
Narendra Chaudhary	62	Executive Vice President, Responsible for Carbon Steel Asia, Mediterranean, Black Sea Basin and Balkans
Davinder Chugh	50	Senior Executive Vice President, Responsible for Shared Services
Christophe Cornier	54	Executive Vice President, Responsible for Flat Europe
Philippe Darmayan	54	Executive Vice President, Responsible for Arcelor Mittal Steel Solutions & Services (AM3S)
Bernard Fontana	45	Executive Vice President, Responsible for Automotive Worldwide
Jean-Yves Gilet	50	Executive Vice President, Responsible for Stainless Steel Worldwide
Roland Junck	51	Member of the Group Management Board, Advisor to the CEO
Sudhir Maheshwari	43	Executive Vice President, Responsible for Finance and M&A
Aditya Mittal	30	Chief Financial Officer, Member of the Group Management Board, Flat Products Americas
Lakshmi N. Mittal	56	Chief Executive Officer, Member of the Group Management Board
Malay Mukherjee	58	Member of the Group Management Board, Stainless, Mining, Asia & Africa
Carlo Panunzi	57	Executive Vice President, Responsible for Long Americas
Michael Pfitzner	57	Executive Vice President, Responsible for Commercial Coordination
Gerhard Renz	59	Executive Vice President, Responsible for Long Europe
Michael Rippey	49	Executive Vice President, Responsible for USA
Lou Schorsch	57	Executive Vice President, Responsible for Flat Americas
Bill Scotting	48	Executive Vice President, Responsible for Performance Enhancement
Gonzalo Urquijo	45	Member of the Group Management Board, Long Products and Distribution
André van den Bossche	63	Executive Vice President, Responsible for Marketing
Inder Walia	48	Executive Vice President, Responsible for Human Resources
Michel Wurth	52	Member of the Group Management Board, Flat Products Europe

[1] *Age as of 31 December 2006.*

Corporate Governance

continued

B. Compensation

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

(All amounts in US$ thousands except option information)	Year Ended 31 December 2005	2006[1]
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

[1] Mr. A. Mittal resigned from Mittal Steel's Board of Directors on 30 October 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 12 April 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 30 October 2006.

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

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

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

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

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

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

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

[20] HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on 30 October 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 30 October 2006.

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

(All amounts in US$ 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**

The Compensation for the members of the Board of Directors for the year 2006 who were nominated from Arcelor will be paid after its approval by shareholders in the Annual General Meeting of Arcelor which will be held on 27 April 2007.

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

Corporate Governance

continued

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 Average Exercise Price (USD)
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 (USD)	11.94	8.57	2.26	28.75	33.755	—	—
Term (in years)	10	10	10	10	10	—	—
Expiration date	14 September 2009	1 June 2010	5 April 2012	23 August 2015	1 September 2016	—	—

The total annual compensation of Mittal Steel's senior management for 2006 was US$16 million in base salary and US$21 million in short-term performance related bonuses. As of 31 December 2006, approximately US$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 31 December 2005, US$0.2 million of such loans was outstanding, which was also the maximum amount outstanding during 2005.

Options were granted to senior management for 2005 and 2006 in accordance with the Mittal Steel Global Stock Option Plan described in the following page.

[1] *Mr. A. Mittal resigned from Mittal Steel's Board of Directors on 30 October 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 12 April 2005, but continued in his role as Chief Operating Officer of Mittal Steel and subsequently was appointed to the Group Management Board.*

[3] *Mr. Vaghul exercised all his vested options in 2005.*

[4] *Mr. Rozental resigned from Mittal Steel's Board of Directors on 30 October 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 12 April 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 30 October 2006.*

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

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

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

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

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

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

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

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

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

[18] *Mr. Marti was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[19] *Mr. Fernández López was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[20] *Mr. Hansen was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[21] *Mr. Castegnaro was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[22] *Mr. Spillmann was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[23] *HRH Prince Guillaume de Luxembourg was elected to Mittal Steel's Board of Directors on 30 October 2006.*

[24] *Mr. Zaleski was elected to Mittal Steel's Board of Directors on 30 October 2006.*

Corporate Governance

continued

Stock Option Plan

In 1999, Mittal Steel 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 affiliates 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 date of grant, 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 23 August 2005, Mittal Steel granted 3,908,773 options to a group of key employees at an exercise price of US$28.75. Of this option grant, 520,566 options (including 100,000 for Significant shareholder) were allocated to senior management. The options expire on 23 August 2015.

On 1 September 2006, Mittal Steel granted 3,999,223 options to a group of key employees at an exercise price of US$33.755. Of this option grant, 550,300 options (including 100,000 for Significant shareholder) were allocated to senior management. The options expire on 1 September 2016.

Pursuant to the transitional provisions of IFRS 2, "Share-Based Payments", only options granted after 7 November 2002 were recognised as an expense at their fair value. Mittal Steel 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 income statement over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting.

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

The fair value of each option grant of Mittal Steel class A common shares is estimated on the date of grant using the Black-Scholes Model with the following weighted-average assumptions used:

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

The status of MittalShares as of 31 December 2006 is summarised below:

	Number of options	Range of Exercise Prices (USD)	Weighted Average Exercise Price (USD per option)
Outstanding, December 31, 2003	3,339,334	2.26 - 11.94	7.32
Exercised	(1,384,118)	2.26 - 11.94	7.76
Forfeitures	(244,000)	2.26 - 11.94	9.07
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)	33.76	33.76
(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
Exercisable, December 31, 2004	1,321,721	2.26 - 11.94	8.03

The following table summarises information about stock options at 31 December 2006:

		Options Outstanding	
Exercise Price in USD	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	8.66	2,062,787

At 31 December 2006 the stock options granted under the MittalShares are exercisable as follows:

Year	Options	Average Exercise Price (USD) [1]
2007	2,062,787	17.27
2008	4,692,660	26.01
2009	7,180,807	27.86
2010	8,235,098	29.32
2011	7,971,773	30.00

[1] *Based on exercise prices of USD 11.94, USD 8.57, USD 2.26 and USD 28.75 and USD 33.76 for 1999, 2000, 2002, 2005 and 2006 respectively.*

Corporate Governance

continued

C. Board Practices

The following summarises aspects of Mittal Steel's Board Practices and corporate governance practices more generally.

Mittal Steel/Arcelor Memorandum of Understanding

Mittal Steel, the Significant shareholder and Arcelor entered into a Memorandum of Understanding on 25 June 2006 (the "Memorandum of Understanding" or "MOU"), on the basis of which Arcelor's Board of Directors recommended Mittal Steel's offer for Arcelor and pursuant to which, among other things, the parties agreed on certain corporate governance matters relating to the combined group. In particular, the Memorandum of Understanding includes certain special governance mechanisms designed to promote the integration of Mittal Steel and Arcelor during an initial three-year transitional period beginning as from 1 August 2006, which period is referred to herein as the Initial Term. Mittal Steel and Arcelor agreed to change and unify their respective corporate governance structures and rules until Mittal Steel is merged into Arcelor in accordance with the MOU, following which the surviving entity, which will be the parent company of the group, will be renamed. It is currently expected that the surviving entity will be renamed "Arcelor Mittal", and this name is used in the summary herein. Since the implementation of the Memorandum of Understanding, Mittal Steel 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's 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 Mittal Steel

The Memorandum of Understanding provides that each of Mittal Steel, Arcelor and Arcelor Mittal will be governed by a "Board of Directors"and a "Management Board", subsequently renamed "Group Management Board".

The Memorandum of Understanding further provides that during the Initial Term, the Board of Directors of each of Arcelor, Mittal Steel and Arcelor Mittal will have the following characteristics:

- Each initial Board of Directors would be composed of 18 non-executive members, the majority of whom would be independent.
- Six members would be nominated by Mittal Steel, three of whom would be independent.
- Six members would be from the (then-existing) Arcelor Board of Directors.
- Three members would be from the (then-existing) Arcelor Board of Directors representing then-existing Arcelor major shareholders.
- An additional three members would be employee representatives.

In addition, during the Initial Term, the Board of Directors will appoint one director as Chairman and one director as President of the Board of Directors.

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 Arcelor Mittal and Mr. Mittal shall be the President of the Board of Directors and CEO of Arcelor Mittal.

In addition, the Memorandum of Understanding provides that upon the retirement of Mr. Joseph Kinsch, Mr. Lakshmi N. Mittal would become the Chairman of Arcelor Mittal and Mr. Joseph Kinsch would propose the successor President, who shall be an independent director or a former employee of Arcelor. The proposed successor President will serve as President for so long as he or she is a director and the Significant shareholder has agreed to vote for his or her renewal as a director, except in case of gross negligence or willful misconduct in the exercise of his or her functions as director or in the event that the Appointments, Remuneration and Corporate Governance Committee vetoes his or her nomination. Moreover, upon retirement, death or incapacity of Mr. Lakshmi N. Mittal, he shall be replaced by any other representative designated by the Significant shareholder from time to time.

On 5 November 2006, Mr. Roland Junck resigned as Chief Executive Officer of Mittal Steel in the interest of Mittal Steel and its stakeholders. Mr. Junck has since remained a member of the Group Management Board. On the same date, Mr. Lakshmi N. Mittal was appointed a member of the Group Management Board and Chief Executive Officer of Mittal Steel and Mr. Mittal resigned as a member of the Appointments, Remuneration and Corporate Governance Committee. Mr. Mittal has remained as Chairman of the Board of Directors. Effective the same date, Mr. Sergio Silva de Freitas was appointed by the Board of Directors as Mr. Mittal's successor on the Appointments, Remuneration and Corporate Governance Committee. The proposal to appoint Mr. Mittal as Chief Executive Officer of Mittal Steel and Arcelor was unanimously approved by the Boards of Directors of Mittal Steel and Arcelor. As a consequence, the Board of Directors has one "executive" director, instead of being composed exclusively of "non-executive" directors. The General Meeting of Shareholders of Mittal Steel will be asked to ratify this appointment at the first General Meeting of Shareholders to be held in 2007.

The Board of Directors is in charge of the overall management of Mittal Steel. The Board of Directors is currently comprised of 17 "non-executive" directors and one "executive" director. The Chairman and Chief Executive Officer of Mittal Steel, Mr. Lakshmi N. Mittal, is the sole "executive" director.

The Memorandum of Understanding provides that the directors will be elected and removed by the General Meeting of Shareholders, by a simple majority of votes cast. Except as specifically described below, no shareholder will have special rights to nominate, elect or remove directors. All directors will be elected by the General Meeting of Shareholders for three-year terms. Following the Initial Term, and subject to the provisions of Arcelor Mittal's Articles of Association, the Significant shareholder will be entitled to representation on Arcelor Mittal's Board of Directors in proportion to its shareholding.

The Group Management Board is entrusted with the day-to-day management of Mittal Steel. 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 Mittal Steel's Articles of Association, the Group Management Board exercises only the authority granted to it by the Board of Directors. Any references in Mittal Steel's Articles of Association to the "managing board" are references to its Board of Directors.

In establishing Mittal Steel's strategic direction and corporate policies, Mr. Lakshmi N. Mittal is supported by members of our senior management, who have substantial professional and worldwide steel industry experience. Some of the members of our senior management team are also 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 Mittal Steel'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, 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.

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 Mittal Steel. 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 Mittal Steel 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 Mittal Steel's website at http://www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable.

Significant Shareholder Right of Opposition and Right of Board Representation

The Memorandum of Understanding provides that 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.

The Memorandum of Understanding further provides that during the Initial Term, and subject to the Significant shareholder owning or controlling at least 15% of the outstanding share capital of Mittal Steel or Arcelor Mittal, the Significant shareholder is entitled to elect to Mittal Steel's or Arcelor Mittal's Board of Directors, as the case may be, up to (and not more than) six directors, including three directors who are affiliated (directly or indirectly) with the Significant shareholder and three independent directors. Following the Initial Term, and subject to the provisions of Mittal Steel's or Arcelor Mittal's Articles of Association, as the case may be, the Significant shareholder will be entitled to representation on Mittal Steel's or Arcelor Mittal's Board of Directors, as the case may be, in proportion to its shareholding.

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.

Corporate Governance

continued

Audit Committee

The Audit Committee is composed of four independent directors, with independence defined as set out above and also in Rule 10A-3 under the Exchange Act. 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 Mittal Steel to any governmental body or the public;
- Mittal Steel's system of internal control regarding finance, accounting, legal compliance and ethics that the Board of Directors and members of management have established; and
- Mittal Steel'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 Mittal Steel's financial reporting process and internal controls system;
- review and appraise the audit efforts of Mittal Steel's independent accountants and internal auditing department;
- 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 Mittal Steel's Corporate Governance guidelines, the 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 30 October 2006, the Board of Directors had a Nomination Committee and a Remuneration Committee. As of 30 October 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 Mittal Steel's framework of remuneration and compensation, including stock options for the Chief Executive Officer and the Chief Financial Officer of Mittal Steel, the members of the Group Management Board and the members of the Management Committee;
- consider any appointment or reappointment to the Board of Directors at the request of the Board of Directors;
- provide advice and recommendations to the Board of Directors on such appointment; and
- develop, monitor and review corporate governance principles applicable to Mittal Steel.

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 Mittal Steel.

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 Mittal Steel'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.comInvestor+Relations/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.

Governance Following the Initial Term

The Memorandum of Understanding provides that upon expiration of the Initial Term, the parties to the MOU will review Arcelor Mittal's corporate governance rules described above in order to reflect the best standards of corporate governance for comparable companies and, in particular, have them conform with the corporate governance aspects of the NYSE listing standards applied to non-US companies and the applicable Luxembourg corporate governance code or similar document. The Chairman and the President shall consult in the year prior to the end of the Initial Term with a view to determining the identity of the directors that could be recommended to the Appointments, Remuneration and Corporate Governance Committee.

Dutch and US Corporate Governance

In June 2001, Mittal Steel adopted corporate governance guidelines in line with best practices on corporate governance. Mittal Steel has since continued to monitor diligently new, proposed and final US 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. Mittal Steel 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 9 December 2003. During the Mittal Steel Annual General Meeting of Shareholders held on 5 May 2004, the implications of the Dutch Corporate Governance Code were discussed with its shareholders and certain proposed changes to Mittal Steel's Articles of Association to bring them in line with the requirements of the Dutch Corporate Governance Code were approved by the shareholders.

Finally, Mittal Steel's General Meeting of Shareholders, in which 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 Mittal Steel's Chairman and Chief Executive Officer. Because this deviation was approved by the General Meeting of Shareholders, Mittal Steel is in compliance with the Dutch Corporate Governance Code and the relevant provisions of Book 2 of the Dutch Civil Code.

At the Mittal Steel Annual General Meeting of Shareholders held on 26 May 2005, the shareholders approved an amendment to Mittal Steel'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, as described above) and shareholders. In addition, the Mittal Steel 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 30 June 2006, the General Meeting of Shareholders of Mittal Steel resolved to amend Mittal Steel'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 7 September 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.

Process for Handling Complaints about Accounting Matters

As part of the procedures of the Board of Directors for handling complaints or concerns about Mittal Steel's financial accounting, internal controls and auditing issues, Mittal Steel'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 Mittal Steel website at http://www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable.

During 2006, employees reported no complaints of this nature.

Internal Assurance

Mittal Steel has an Internal Assurance function. Until 19 December 2006, the function was solely the responsibility of the Director Internal Assurance, who reported to the Audit Committee. Since 19 December 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.

Independent recognised public accounting firm Independence

The appointment and determination of fees of the independent recognised public accounting firm is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining annually a written statement from the independent recognised public accounting firms that their independence has not been impaired. The Audit Committee has also obtained a confirmation from the principal independent recognised public accounting firm that none of its former employees is in a position with Mittal Steel that may impair the principal independent recognised public accounting firm's independence.

Ethics and Conflict of Interest

Ethics and conflicts of interest are governed by Mittal Steel'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 Mittal Steel in the discharge of their duties. They must always act in the best interests of Mittal Steel and must avoid any situation in which their personal interests conflict, or could conflict, with their obligations to Mittal Steel. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive Mittal Steel of the time or the attention needed to devote to the performance their duties. Any behaviour 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.

Corporate Governance

continued

D. Employees

Mittal Steel had approximately 320,000 employees as of 31 December 2006.

The table below sets forth the total number of employees by operating segment for the past three years:

	As of 31 December		
Segment	2004	2005	2006
Flat Carbon Americas [1]	8,453	21,046	36,700
Flat Carbon Europe	31,619	29,811	67,238
Long Carbon Americas and Europe	19,285	20,050	40,893
AACIS	104,945	153,235	148,291
Stainless Steel [2]	-	-	11,542
AM3S	-	-	11,560
Consolidated [3]	164,393	224,286	319,578

[1] *Includes Dofasco for Arcelor in 2006.*

[2] *The Stainless Steel and AM3S segments correspond solely to the operations of Arcelor which was acquired 1 August 2006.*

[3] *Includes corporate and other employees.*

E. Share Ownership

As of 31 December 2006, the aggregate beneficial share ownership of Mittal Steel directors and senior management (42 individuals) was 2,864,798 Mittal Steel class A common shares (excluding shares owned by Mittal Steel's Significant shareholder and including options to acquire 438,901 Mittal Steel class A common shares that are exercisable within 60 days of December 31, 2006), being 0.21% of the total issued share capital of Mittal Steel. Excluding options to acquire Mittal Steel class A common shares, these 42 individuals beneficially own 2,425,897 Mittal Steel class A common shares. Other than the Significant shareholder, one director and no member of senior management beneficially owns more then 1% of the Mittal Steel common shares. The percentage of total common shares in the possession of the Significant shareholder (including the treasury stock) has decreased from 87.47% prior to 1 August 2006 to 44.79% after that date as a result of the aquisition of Arcelor.

The number of Mittal Steel options granted to directors and senior management (including the Significant shareholder) in 2005 was 520,566 at an exercise price of US$28.75 and the number of Mittal Steel options granted to directors and senior management (including the Significant shareholder) in 2006 was 550,300 at an exercise price of US$33.755. No options were granted during 2003 and 2004. These 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. The option term expires 10 years after the grant date. In 2006, Arcelor granted 375,000 options to its senior management at an exercise price of €34.43.

The following table provides summarised information on the options outstanding and the movements on the options granted to Mittal Steel's senior management (in 2001, 2003 and 2004, no options were granted to members of Mittal Steel's senior management):

	Options* 1999 granted	Options* 2000 granted	Options* 2002 granted	Options* 2005 granted	Options* 2006 granted	Total	Average weighted exercise price
Senior Managers (including Significant Shareholder)	156,000	167,500	245,000	520,566	550,300	1,639,366	22.81
Exercise price (USD)	11.94	8.57	2.26	28.75	33.76	—	—
Term (in years)	10	10	10	10	10	—	—
Expiration date	14 September 2009	1 June 2010	5 April 2012	23 August 2015	1 September 2016	—	—

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

** Options awarded under MittalShares.*

Market Information

With a free float of 55.2%, a market capitalisation of more than US$70 billion and a presence in major indexes (CAC40, AEX…), Arcelor Mittal has the ambition to develop and balance its shareholder base on the major listed markets, and attract new investors.

By implementing high standards of financial information disclosure, and providing clear, regular, transparent and even-handed information to all its shareholders, Arcelor Mittal aims to be the first choice for investors of the sector.

To meet this objective and provide adequate information to the needs of all parties, Arcelor Mittal has decided to implement an active and broad communications policy: roadshows with the financial community, conference calls, plant visits, meetings with retail and private investors, and a website featuring management comments on quarterly and full-year results.

Arcelor Mittal's top Management intends to meet private investors and shareholder associations in fairs. A dedicated toll free number for private investors is available at 00800 4792 4792. Request can also be sent by email at PrivateInvestors@ arcelomittal.com.

As the world's leading steel company and major investment vehicle in the steel sector, Arcelor Mittal constantly seeks to develop relationships with financial analysts and international investors. Depending on their geographical location, investors can use the following e-mails:

InstitutionalsAmericas@arcelormittal.com
InstitutionalsEurope@arcelormittal.com
InstitutionalsUKAsiaAfrica@arcelormittal.com

Socially Responsible Investment

The Investor Relations are also a privileged interlocutor for the growing Socially Responsible Investment community.
The team organises special events on Arcelor Mittal's sustainable development strategy and answers the many requests of information sent to the Group (e-mail: SRI@arcelormittal.com).

Credit and Fixed Income Investors

Credit, Fixed Income Investors and rating agency are followed by a dedicated team of Investor Relations (e-mail: CreditFixedIncome@arcelormittal.com).

Financial Calendar

Financial Results

21st February 2007
Results for 4th quarter 2006 and 12 months 2006

16th May 2007
Results for 1st quarter 2007

1st August 2007
Results for 2nd quarter 2007 and 6 months 2007

14th November 2007
Results for 3rd quarter 2007 and 9 months 2007

Dividend payment

15th March 2007
1st quarterly payment of base dividend

15th June 2007
2nd quarterly payment of base dividend

17th September 2007
3rd quarterly payment of base dividend

17th December 2007
4th quarterly payment of base dividend

To subscribe to Arcelor Mittal releases and results, please visit the subscription page in the press section of www.arcelormittal.com.

Financial Results

21st February 2007
Results for 4th quarter 2006 and 12 months 2006

16th May 2007
Results for 1st quarter 2007

1st August 2007
Results for 2nd quarter 2007 and 6 months 2007

14th November 2007
Results for 3rd quarter 2007 and 9 months 2007

Key Operating Subsidiaries

Subsidiary (full legal name)	Registered Office	Percentage ownership
Flat Carbon Americas		
Companhia Siderúrgica de Tubarão S.A.	Av. Brigadeiro Eduardo Gomes, 930, Jardim Limoeiro, 29163-970 Serra Espirito Santo, Brazil	67.41%
Dofasco Inc.	1330 Burlington Street East, L8N 3J5 Hamilton, Ontario, Canada	100%
Mittal Steel Lázaro Cárdenas S.A. de C.V.	Fco. J. Mujica No. 1-B, Apartado Postal No. 19-A, C.P. 60950	100%
	Cd. Lázaro Cárdenas, Michoacan, Mexico	
Mittal Steel USA Inc.	1 South Dearborn, Chicago, IL 60603, USA	100%

Subsidiary (full legal name)	Registered Office	Percentage ownership
Flat Carbon Europe		
Aceria Compacta de Bizkaia, S.A.	6, Chavarri, 48910 Sestao, Vizcaya, Spain	99.72%
Arcelor Atlantique et Lorraine SAS	1 à 5, rue Luigi Cherubini, 93200 St Denis, France	100%
Arcelor Bremen GmbH	Auf Den Delben 35, D-28237 Bremen, Germany	99.88%
Arcelor Eisenhüttenstadt GmbH	Werkstr. 1, D-15890 Eisenhüttenstadt, Brandenburg, Germany	100%
Arcelor España S.A.	Residencia La Granda, 33418 Gozon, Asturias, Spain	99.72%
Arcelor Méditerranée SAS	1 à 5, rue Luigi Cherubini, 93200 St Denis, France	100%
Arcelor Steel Belgium N.V.	Avenue de l'Yser, 24, 1040 Brussels, Belgium	99.82%
Arcelor Piombino S.p.a.	Via S.Egidio nr.16, 50123 Firenze, Italy	99.79%
Cockerill Sambre S.A.	Rue Trasenster, 21, 4102 Seraing, Belgium	100%
Industeel Belgium S.A.	Rue de Châtelet, 266, 6030 Charleroi, Belgium	100%
Industeel France S.A.	1 à 5, rue Luigi Cherubini, 93200 St Denis, France	100%
Mittal Steel Galati S.A.	Strada Smardan nr. 1, Galati, Romania	99.65%
Mittal Steel Ostrava a.s.	Vratimovska 689, 707 02 Ostrava-Kunčice, Czech Republic	84.47% [1]
Mittal Steel Poland S.A.	Ul. Chorzowska 50, 40-121 Katowice, Poland	99.48% [1]

Subsidiary (full legal name)	Registered Office	Percentage ownership
Long Carbon Americas and Europe		
Acindar Industria Argentina de Aceros S.A.	2739, Estanislao Zeballos, B1643 AGY Buenos Aires, Argentina	44.38% [3]
Arcelor Bergara, S.A.	6, C/Ibarra, 20570 Bergara, Spain	99.72%
Arcelor Huta Warszawa Sp.z.o.o.	UL.Kasprowicza 132, 01-949 Warszawa, Poland	100%
Arcelor Madrid, S.L.	Ctra. De Toledo KM 9,200, 28021 Madrid, Spain	99.72%
Arcelor Olaberría, S.L.	Carretera Nacional Madrid – Irun S/N, 20212 Olaberría, Spain	99.72%
Arcelor Profil Luxembourg S.A.	66, rue de Luxembourg, 4221 Esch sur Alzette, Luxembourg	99.82%
Arcelor Rodange S.A.	1, rue de l'Industrie, BP 24, 4801 Rodange, Luxembourg	79.70%
Belgo Siderurgia S.A.	1115, avenida Carandai, 24° Andar, 30130-915 Belo Horizonte- MG, Brazil	67.41%
Mittal Canada Inc.	4000, route des Aciéries, Contrecoeur, Québec J0L 1C0, Canada	100%
Mittal Steel Hamburg GmbH	Dradenaustrasse 33, D-21129 Hamburg, Germany	100%
Mittal Steel Hochfeld GmbH [2]	Wörthstrasse 125, D-47053 Duisburg, Germany	100%
Mittal Steel Ostrava a.s.	Vratimovska 689, 707 02 Ostrava-Kunčice, Czech Republic	84.47% [1]
Mittal Steel Point Lisas Ltd.	Mediterranean Drive, Point Lisas, Couva, Trinidad and Tobago	100%
Mittal Steel Poland S.A.	Ul. Chorzowska 50, 40-121 Katowice, Poland	99.48% [1]
Mittal Steel Ruhrort GmbH [2]	Vohwinkelstrasse 107, D-47137 Duisburg, Germany	100%
Mittal Steel USA Inc.	1 South Dearborn, Chicago, IL 60603, USA	100%

Subsidiary (full legal name)	Registered Office	Percentage ownership
AACIS		
Mittal Steel Annaba Spa	Sidi Amar, El-Hadjar Complex, B.P. 2055 Annaba 23000, Algeria	70%
OJSC Mittal Steel Kryviy Rih	1 Ordzhonikidze Street, Kryviy Rih, 50095 Dnepropetrovsk Oblast, Ukraine	93.77%
Mittal Steel Liberia Limited	401, Ocean View Apartments, UN Drive, Monrovia, Liberia	70%
Mittal Steel South Africa Ltd.	Main Building, Room N3/5, Delfos Boulevard, Vanderbijlpark, 1911, South Africa	52%
JSC Mittal Steel Temirtau	Republic Ave., 1, 101407 Temirtau, Karaganda Region, Republic of Kazakhstan	100%
Société Nationale de Sidérurgie, S.A.	Route Nationale n° 2, Km 18, BP 551, Al Aarroui, Morocco	32.34% [4]

Stainless Steel		
Acesita S.A.	Avenida Joao Pinheiro, 580, Centro, 30130-180 Belo Horizonte, Minas Gerais, Brazil	57.32%
Ugine & Alz Belgium N.V.	Avenue de l'Yser, 24, 1040 Brussels, Belgium	99.82%
Ugine & Alz France S.A.	1 à 5, rue Luigi Cherubini, 93200 St Denis, France	100%

AM3S		
Arcelor Auto Processing France SAS	Route de Saint Leu d'Esserent, 60160 Montataire, France	100%
Arcelor Construction France S.A.	Immeuble Hermès, 20, rue Jacques Daguerre, 92500 Rueil Malmaison, France	100%
Arcelor International America, LLC	350 Hudson Street, 4th floor, New York, New York 10014, USA	100%
Produits d'Usines Métallurgiques Pum-Station Service Acier S.A.	1 & 3, place Max Rousseaux, 51076 Reims Cedex, France	100%
Ravené Schäfer GmbH	Gutenbergstrasse 11, D-33790 Halle, Germany	100%

[1] *Represents the percentage of shares to which Mittal Steel has title or that are subject to an executed agreement providing for their transfer to Mittal Steel at a fixed price and future date.*

[2] *Mittal Steel Ruhrort and Mittal Steel Hochfeld are together referred to as Mittal Steel Duisburg.*

[3] *Acindar Industria Argentina de Aceros S.A. is controlled by Arcelor Brazil, a subsidiary of Mittal Steel.*

[4] *Société Nationale de Sidérurgie, S.A. is controlled by Nouvelles Sidérurgies Industrielles, a subsidiary of Mittal Steel.*

Research and Development

Arcelor Mittal now operates 13 major research centres in Europe, the US and Canada. Between them, they employ more than 1,200 researchers. They were responsible for a record number of new product launches in 2006.


13

Arcelor Mittal Pro Forma Consolidated Statements (unaudited)

Consolidated Statements of Income

(Based on IFRS, in millions of US dollars, except shares, per share, employee and shipment data)

In USD million	Year Ended December 31, 2006	Year Ended December 31, 2005
PRO FORMA STATEMENTS OF INCOME DATA		
Sales	88,576	80,171
Depreciation	3,448	3,311
Operating Income	11,824	11,648
Operating Margin %	*13.3 %*	*14.5 %*
Other income (expense) - net	50	329
Income from equity method investments	569	429
Financing costs - net	(1,328)	(1,257)
Income before taxes and minority interest	11,115	11,149
Income tax expense	1,654	1,403
Income before minority interest	9,461	9,746
Minority interest	(1,488)	(1,483)
Net income	7,973	8,263
Basic earnings per common share	5.76	5.97
Diluted earnings per common share	5.76	5.97
Weighted average common shares outstanding (in millions) [1]	1,383	1,383
Diluted weighted average common shares outstanding (in millions)	1,385	1,385
EBITDA [2]	15,272	14,959
EBITDA Margin %	*17.2 %*	*18.7 %*
OTHER INFORMATION		
Total shipments of steel products [3] (millions of metric tonnes)	110.5	102.9
Employees (000's)	319	334

[1] *The information provided assumes that shares issued in connection with the acquisition of Arcelor were issued at the beginning of the period presented.*
[2] *EBITDA defined as operating income plus depreciation.*
[3] *Some intercompany shipments are not eliminated.*

Arcelor Mittal Pro Forma Consolidated Statements (unaudited)

Consolidated Statements of Cash Flows

(Based on IFRS, in millions of US dollars, except shares, per share, employee and shipment data)

In USD million	Year Ended December 31, 2006
Net cash provided by operating activities	10,285
Investing activities:	
Purchase of property, plant and equipment	(4,638)
Other investing activities (net)	(137)
Net cash used in investing activities	(4,775)
Financing activities:	
Proceeds (payments) from payable to banks and long-term debt	(718)
Dividends paid	(2,480)
Other financing activities (net)	(88)
Net cash used in financing activities	(3,286)
Effect of exchange rate changes on cash	295
Change in cash and cash equivalents	2,519

Arcelor Mittal Pro Forma Consolidated Statements (unaudited)

Key Financial and Operational Information

(Based on IFRS, in millions of US dollars, unless otherwise stated)

In USD billion	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas and Europe	AACIS	Stainless Steel	AM3S
FINANCIAL INFORMATION						
Sales	**21.9**	**27.6**	**18.5**	**14.7**	**7.3**	**11.9**
Depreciation	1.0	1.0	0.6	0.5	0.2	0.1
Operating income	**2.6**	**2.8**	**3.0**	**2.6**	**0.7**	**0.5**
Operating margin (as a percentage of sales)	*11.9 %*	*10.2 %*	*16.1 %*	*17.9 %*	*10.1 %*	*3.9 %*
EBITDA	**3.6**	**3.9**	**3.6**	**3.1**	**0.9**	**0.6**
EBITDA margin (as a percentage of sales)	*16.4 %*	*14.0 %*	*19.2 %*	*21.0 %*	*12.9 %*	*4.7 %*
OPERATIONAL INFORMATION						
Crude Steel Production (millions of metric tonnes)	31.5	38.5	24.6	20.8	2.6	-
Steel Shipments (millions of metric tonnes)	30.0	33.1	24.9	20.3	2.2	14.3
Employees (000's)	36.7	67.2	41.0	102.2	11.5	11.6

– *EBITDA is operating income plus depreciation.*
– *Crude steel production is a combination of crude steel at the former Arcelor units and liquid steel at former Mittal Steel units.*
– *Some inter segment and intra segment sales have not been eliminated.*
– *Some intercompany shipments are not eliminated.*
– *AM3S shipments are not consolidated.*
– *Presented on the same basis as in our Annual Report.*

Mittal Steel N.V. Consolidated Financial and Other Information

Consolidated Balance Sheets

(Based on IFRS, in millions of US dollars, except shares, per share, employee and shipment data)

In USD million	As of December 31, 2006	As of December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	6,020	2,035
Restricted cash	120	100
Short-term investments	6	14
Trade accounts receivable – net	8,769	2,287
Inventories	19,238	5,994
Prepaid expenses and other current assets (including assets held for sale)	5,209	925
Total Current Assets	**39,362**	**11,355**
Goodwill and intangible assets	10,782	1,806
Property, plant and equipment	54,696	19,045
Investments accounted for using the equity method	3,492	947
Other investments	1,151	277
Deferred tax assets	1,670	318
Other assets	1,013	119
Total Assets	**112,166**	**33,867**
LIABILITIES AND EQUITY		
Current Liabilities		
Payable to banks and current portion of long-term debt	4,922	334
Trade accounts payable	10,717	2,504
Accrued expenses and other current liabilities	8,921	2,761
Total Current Liabilities	**24,560**	**5,599**
Long-term debt, net of current portion	21,645	7,974
Deferred tax liabilities	7,274	2,174
Other long-term obligations and deferred employee benefits	8,496	2,663
Total Liabilities	**61,975**	**18,410**
Shareholders' Equity	**42,127**	**13,286**
Minority Interest	**8,064**	**2,171**
Total Equity	**50,191**	**15,457**
Total Liabilities and Equity	**112,166**	**33,867**

Mittal Steel N.V. Consolidated Financial and Other Information

Consolidated Statements of Income Data & Other Information

(Based on IFRS, in millions of US dollars, except shares, per share, employee and shipment data)

In USD million	Year Ended December 31, 2006	Year Ended December 31, 2005
STATEMENT OF INCOME		
Sales	58,870	28,132
Depreciation	2,296	1,113
Operating income	7,499	4,729
Other income (expense) – net	49	214
Income from equity method investments	301	86
Financing costs – net	(654)	(353)
Income before taxes and minority interest	7,195	4,676
Income tax expense	1,109	881
Income before minority interest	6,086	3,795
Minority interest	(860)	(494)
Net income attributable to equity holders of the parent	5,226	3,301
Basic earnings per common share	5.29	4.80
Diluted earnings per common share	5.28	4.79
Weighted average common shares outstanding (in millions)	988	687
Diluted weighted average common shares outstanding (in millions)	989	689
OTHER INFORMATION		
Total shipments of steel products [1] (millions of metric tonnes)	78.1	44.6

[1] *Some intercompany shipments are not eliminated.*

Mittal Steel N.V. Consolidated Financial and Other Information

Consolidated Statements of Cash Flows

(Based on IFRS, in millions of US dollars, except shares, per share, employee and shipment data)

	Year Ended	
In USD million	December 31, 2006	December 31, 2005
Operating activities:		
Net cash provided by operating activities	7,122	3,874
Investing activities:		
Purchase of property, plant and equipment	(2,935)	(1,181)
Acquisition of net assets of subsidiaries, net of cash acquired	(5,842)	(6,120)
Other investing activities (net)	201	(211)
Net cash used in investing activities	(8,576)	(7,512)
Financing activities:		
Proceeds from payable to banks and long-term debt	6,143	5,449
Dividends paid	(660)	(2,092)
Other financing activities (net)	(38)	(8)
Net cash provided by (used in) financing activities	5,445	3,349
Effect of exchange rate changes on cash	(6)	(171)
Net increase in cash and cash equivalents	3,985	(460)
Cash and cash equivalents:		
At the beginning of the year	2,035	2,495
At the end of the year	6,020	2,035

Mittal Steel N.V. Consolidated Financial and Other Information
Auditors' Report

To the shareholders of Mittal Steel Company N.V.

AUDITORS' REPORT

Introduction

We have audited whether the Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows of Mittal Steel Company N.V., Rotterdam, as presented on pages 98 to 100 of the Arcelor Mittal Activity Report 2006, have been derived consistently from the audited financial statements of Mittal Steel Company N.V., for the year 2006. In our auditors' report dated 16 April 2007 we expressed an unqualified opinion on these financial statements.

Management is responsible for the preparation of the Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows in accordance with the accounting policies as applied in the 2006 financial statements of Mittal Steel Company N.V.

Our responsibility is to express an opinion on these Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows.

Scope

We conducted our audit in accordance with Dutch law. This law requires that we plan and perform the audit to obtain reasonable assurance that the Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows have been derived consistently from 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

In our opinion, these Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows have been derived consistently, in all material aspects, from the financial statements.

Emphasis of matter

For a better understanding of the company's financial position and results and the scope of our audit, we emphasise that the Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows should be read in conjunction with the unabridged financial statements, from which the Consolidated Balance Sheets, Consolidated Statements of Income Data and Other Information and Consolidated Statements of Cash Flows were derived and our unqualified auditors' report thereon dated 16 April 2007. Our opinion is not qualified in respect of this matter.

Deloitte Accountants B.V.

E.R. Termaten RA

Rotterdam, The Netherlands

30 April 2007

Notes

Notes

Notes

Pictures featured in pages 4 - 24 (except 14-15)
taken by Wolfgang von Brauchitsch (Germany).
Designed and produced by www.thoburns.com (United Kingdom).
Printed by Royle Corporate Print (United Kingdom).

The paper and board used for this Report is manufactured
from wood pulp sourced from sustainable forests. It is manufactured
using Elemental Chlorine Free (ECF) pulp. The printer has ISO 14001
accreditation and is Carbon Neutral certified.

This document is also available in French and Spanish.
Published in May 2007. To receive a copy
of the Activity Report, please contact:

Arcelor Mittal
19, Avenue de la Liberté
L-2930 Luxembourg
T: +352 4792 2360
www.arcelormittal.com

Arcelor Mittal

19, Avenue de la Liberté
L-2930 Luxembourg

Berkeley Square House
Berkeley Square
London W1J 6DA

www.arcelormittal.com