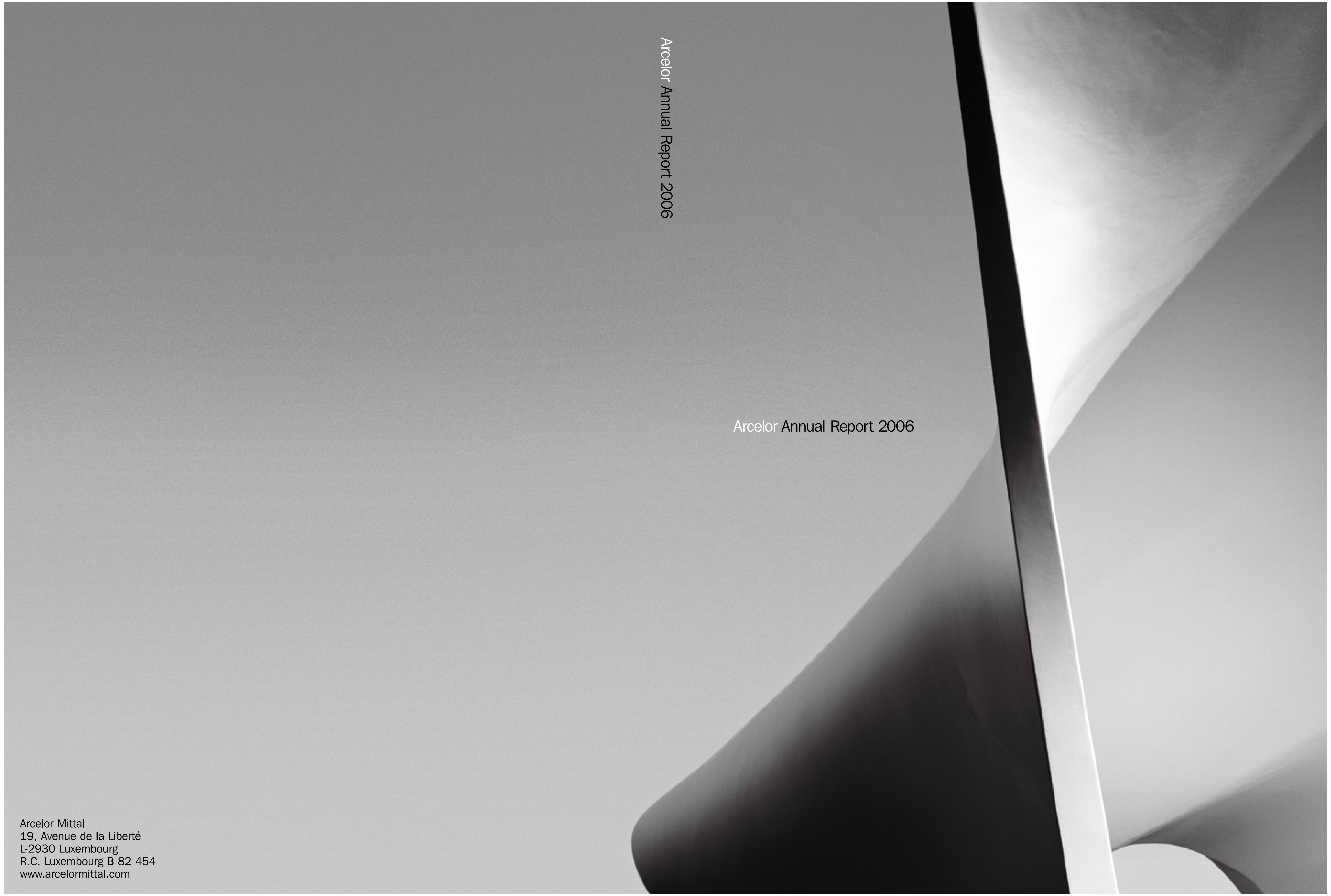

Arcelor Annual Report 2006

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Contents

Portrait of the Group in 2006

Arcelor has continued its process of growth and consolidation throughout 2006. The company strengthened its position as global steel leader, providing high value-added steel and innovative steel solutions.

Arcelor was created in February 2002 by combining three steelmaking companies, Aceralia (Spain), Arbed (Luxembourg) and Usinor (France), and operates worldwide in six main business segments: Flat Carbon Steel Europe; Asia, Africa and CIS (AACIS); Flat Carbon Steel Americas; Long Carbon Steel; Stainless Steel; and Steel Solutions and Services (AM3S).

In 2006, with 104,000 employees in more than 60 countries, Arcelor generated revenues of €40.6 billion and produced 53.5 million tonnes of crude steel.

Since its creation, Arcelor has strengthened its position in the production and supply of high value-added steel and innovative steel solutions that meet the increasing requirements of steel users. These advances helped Arcelor to become a leading steel supplier to all its main markets. In particular, the Group has bolstered its positions in Flat Carbon and automotive steel. It has successfully captured new sources of growth in North and South America and China.

North America is the world's largest automotive market, and Arcelor's acquisition in early 2006 of the Canadian steelmaker Dofasco has strengthened the Group's industrial presence in this region and confirmed its priorities as indisputable leader in the automotive steel market. Arcelor's long carbon steel businesses generate strong and sustainable margins, and Arcelor Brasil, Latin America's largest steel company, combining the Group's businesses in Brazil and Argentina has a total production capacity of 11 million tonnes across 27 sites. In Europe, Arcelor has a solid industrial base from which it supplies customers with high-quality steel. With the inauguration in February 2006 of Carinox in Belgium, Arcelor has strengthened its position in flat stainless steel production. The Group's position in worldwide steel distribution is unique in the steel industry sector.

Arcelor has entered a new stage of growth and consolidation by merging with Mittal Steel, which created the global leader in the steel industry. The new Group is well-positioned to forge the ultimate phase of consolidation for more sustainability.

Arcelor Mittal is now the world's number one steel company, with 320,000 employees in more than 60 countries. Arcelor Mittal is the leader in all major global markets, including automotive, construction, household appliances and packaging, with leading R&D and technology, as well as sizeable captive supplies of raw materials and outstanding distribution networks. An industrial presence in 27 European, Asian, African and American countries positions the company in all the key steel markets, from emerging to mature. Arcelor Mittal will be looking to expand its global reach by developing a presence in the high-growth Chinese and Indian markets.

Arcelor Mittal 2006 key pro forma financials show combined revenues of €70.5 billion, with a crude steel production of 118 million tonnes, representing around 10 per cent of world steel output.

Key Figures

40.6 billion euros

Revenues generated by Arcelor in 2006.

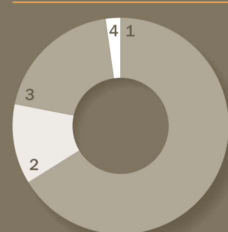
Revenues (in million euros)

EBITDA (in million euros)

Arcelor 2006 employees by segment

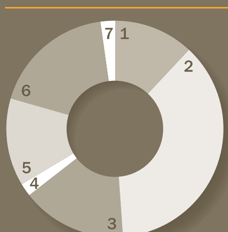
1. Flat Carbon Americas	16,366
2. Flat Carbon Europe	39,970
3. Long Carbon Steel	21,148
4. Africa, Asia, CIS	906
5. Stainless	11,790
6. AM3S	10,559
7. Other	3,196

Arcelor 2006 employees by geographic zone



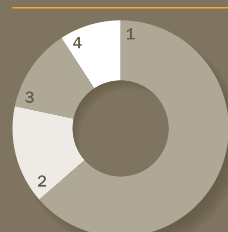
1. Europe (EU 25)	69,335
2. North America	12,346
3. South America	20,920
4. Other	1,334

Arcelor 2006 revenues (in million euros) by segment (*)



1. Flat Carbon Americas	5,018
2. Flat Carbon Europe	15,076
3. Long Carbon Steel	6,504
4. Africa, Asia, CIS	310
5. Stainless	5,291
6. AM3S	7,576
7. Other	836

Arcelor 2006 revenues (in million euros) by geographic zone



1. Europe (EU 25)	25,936
2. North America	5,958
3. South America	5,111
4. Other	3,606

(*) After elimination of inter-sector sales.

Chairman's Statement

Dear Shareholders, Ladies and Gentlemen,

It would not be an exaggeration to say that 2006 can be regarded as an historic year for your company and for the global steel industry.

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 the fields of innovation, quality, sustainable development and social dialogue. Its financial results have continually improved, thanks mainly to the rapid formation of synergies, to a policy favouring profit margins over volumes and to the consolidation of its industrial and balance sheet structure. These advantages give Arcelor an enormous and universally acknowledged potential for growth.

Wishing to remain a driving force in the integration of a steelmaking sector that remained largely fragmented in global terms, Arcelor has developed numerous contacts with a view to forging lasting and value-creating industrial partnerships for its shareholders. The slow growth in European steel consumption and the dazzling progress of emerging nations such as China and Brazil have necessitated the rapid deployment of an expansion strategy underpinned by a sound financial approach.

With the growth in world demand for increasingly high-performance steels, Arcelor has rapidly established itself as the leading high-quality steel supplier to its main markets, namely automobile, construction and household goods. The Group's technological edge over its competitors has been made possible by significant investment and by teams of engineers and technicians focused on the research and development into new products and intelligent steel solutions.

Outside Europe, this strategy based on the consolidation of longstanding assets within the Group has led to the creation of Arcelor Brasil and to the full integration of CST in this new entity that represents one of that country's most important market capitalisations. At the same time, the restructuring of Acesita, South America's leading stainless steel producer, is permitting the initial benefits to be reaped of an activity in the midst of a boom. Parallel to this, negotiations are underway with a view to taking a first step into the Chinese market, a market which, it should be remembered, is now producing and consuming more than one third of the world's steel. With the acquisition of Canada's Dofasco, one of the most efficient and best located steelmakers in the NAFTA region, Arcelor has decisively strengthened its industrial presence in North America and confirmed its position as undisputed leader in the automotive steel sheet market. The Group has also developed its position in North Africa's long carbon products sector by acquiring a majority share in Sonasid in Morocco, thereby anticipating the strong growth of the construction market expected in this region.

The financial results for 2006 underline the excellence of the management of your company, which generated revenue of €40.6 billion, steel production of 53.5 million tonnes and an after-tax group share of the net result of €3 billion. The profits for the year allow the Annual Shareholders' Meeting to propose the distribution of a gross dividend of US$1.30 per share (*).

(*) US$ will be converted in Euro at the applicable rate at the dividend payment date.

This result has been achieved courtesy of the first-rate motivation and commitment of all of the Group's teams of staff, to whom I would like to extend my warmest thanks. I urge them to continue in the same vein.

In early 2006, global steel manufacturing groups were reflecting strategically on the sector's consolidation and on the need for a presence on the high steel-consuming emerging markets such as China, India and Brazil.

Consequently, in January 2006, Mittal Steel made a bid for Arcelor's shares and proposed a joint approach for the two groups which would lead to the creation of a new global steel-producing champion. This resulted in an intense five-month period of analysis, discussion and studies of alternative solutions, all aimed at defending and promoting the interests of every shareholder. In June 2006, these reflections and negotiations finally culminated – after the implementation of a joint business plan and the development of a tailored management system – in a merger agreement between equals, of Mittal Steel and Arcelor based on business values and benefiting from wide support among the shareholders.

Just over 94% of Arcelor's shares were tendered into Mittal Steel's offer, permitting work to commence immediately on the new entity's formation.

Rapidly, Arcelor Mittal's management structures were defined, the integration process was launched and some ambitious management objectives were set in order to be able to realise the legal creation of the new entity by the summer of 2007. The initial growth targets have been achieved, such as the acquisition of Mexico's Sicartsa finalised in December 2006, or agreements for the exploitation of iron ore mines in Liberia and more recently in Senegal, in a continuation of the strategy aimed at securing supplies of iron ore against a background of continuously rising raw material prices.

As a result, we can today turn our gaze firmly towards the future in order to continue developing the largest steelmaking company in the world. A company that views itself as exemplary in terms of the health and safety of its employees, the way it is run, product quality, customer services, innovation, and sustainable development. A company close to its multicultural workforce and respectful of all the communities within which it conducts its activities. A company that continues to focus on cost reductions, courtesy of the ongoing systematic exchange of best practices and a permanent concern for the best possible level of production.

In 2006, the Arcelor Mittal group produced over 118 million tonnes of steel and generated revenue of €70.5 billion. It directly employs more than 320,000 people in over 60 countries and is rightly regarded as the undisputed leader in its core businesses. The Arcelor Mittal share (trading name used for Mittal Steel Company N.V.) 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. The rapid progression of various investment projects and the realisation of several takeovers testify to this. These achievements support our analysis of the key role of the corporate spirit of the founding companies of Arcelor Mittal and the view that the trend in global steel industry is towards consolidation. 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 making 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.

Joseph Kinsch
Chairman of the Board of Directors

Corporate Governance

The principles of corporate governance set out in this report are in line with international best practice.

Arcelor undertakes to adhere to corporate governance principles aimed at ensuring proper reporting to shareholders and market transparency.

1. Objectives

Arcelor is committed to adopting best practices in terms of corporate governance in its dealings with its shareholders. In particular, Arcelor ensures good corporate governance by rigorously applying rules concerning transparency, quality of reporting and the balance of powers.

The principles of corporate governance set out in this report are in line with international recommendations. Against a constantly changing regulatory background, Arcelor has maintained its efforts to achieve transparency and improve the quality of its reporting in order to:

- enhance market transparency and efficiency;
- protect shareholders' rights and make it easier to exercise these rights;
- ensure the timely reporting of accurate information about significant issues affecting the Group.

To meet the expectations of shareholders and investors, Arcelor has a section of its website (www.arcelor.com) dedicated entirely to corporate governance. As well as the subjects covered in this report, the website gives regular updates on information such as changes to the articles of association, the share ownership structure and the share capital.

2. Principles of organisation

Arcelor is a company incorporated in Luxembourg and governed by Luxembourg law, in particular the law of 10 August 1915 relating to commercial companies, subsequently amended. Detailed information on this subject can be found in the corporate governance section of the Arcelor website.

In order to optimise management processes and make them fully transparent to all stakeholders, the Board of Directors and the Management Board have established internal rules intended to define the Group's operating procedures, establishing an appropriate balance between the Board of Directors and the Management Board.

The organisation of Arcelor's corporate governance has been altered in accordance with the principles laid down in the Memorandum of Understanding, signed on 25 June 2006 by Arcelor and Mittal Steel, which seals the merger agreement between the two groups. This agreement implements certain corporate governance principles aimed at integrating Arcelor and Mittal Steel over a three-year transitional period, which commenced on the day following the signing of the mentioned agreement. During this transitional period, and until the new company Arcelor Mittal has been incorporated, the decision-making bodies of the two groups shall be identical, both in terms of their composition and their activities.

3. General Meeting of Shareholders

The company's duly formed General Meeting represents all shareholders. It has the broadest powers to order, implement and approve all actions relating to the company's operations.

The General Meeting of Shareholders is chaired by the Chairman of the Board of Directors or, in his/her absence, by another member duly designated.

Arcelor's Annual General Meeting of Shareholders is held in Luxembourg, at the headquaters, or at any other place in the city of Luxembourg specified in the convening notice of meeting, on the last Friday of the month of April at 11.00 am.

All shareholders have the right to attend the General Meeting or be represented by the Chairman (with or without voting instructions) or by any person of their choice as their proxy, to address the General Meeting and to exercise their voting rights in compliance with the company's articles of association.

No minimum number of shares is required to take part in the General Meeting of Shareholders. Every share carries an entitlement to one vote.

The formalities to be observed in order to be able to attend the General Meeting in person or by proxy are described at length on the www.arcelor.com website.

To Arcelor's knowledge, no shareholder pacts exist at company level.

To attend the General Meeting in person or by proxy:

- shareholders personally registered in Arcelor's share register receive at their place of residence all documents relating to the General Meeting and, in particular, the notice of General Meeting together with the agenda and the proposed resolutions, as well as a form that allows them to indicate their intention to attend the General Meeting in person or by proxy;
- shareholders not personally registered in Arcelor's share register must contact the financial intermediary through which their shares are held.

The Annual General Meeting has a quorum irrespective of the number of shareholders in attendance and the shares they represent. Resolutions are passed with a simple majority of the votes validly cast by the shareholders present in person or represented.

Arcelor undertakes to adhere to the corporate governance principles aimed at ensuring proper reporting to shareholders and market transparency.

Fifteen days before the Annual General Meeting, shareholders may inspect the following documents at the company's head office:

- the parent company and consolidated financial statements, as well as the list of directors and the list of statutory auditors;
- the list of public funds, shares, bonds and other company securities that make up the portfolio;
- the management report;
- documents issued by the auditors, whose report to the registered shareholders is required by law.

The management report, the parent company and consolidated financial statements and the aforementioned documents issued by the auditors are sent to the registered shareholders at the same time as the notice of meeting. All shareholders have the right, upon presentation of their share certificate, to receive, free of charge and fifteen days before the General Meeting, a copy of the above-mentioned documents.

After approving the parent company and consolidated financial statements, the General Meeting shall hold a special vote on granting discharge to the directors for the performance of their duties.

4. The Board of Directors and its Committees

4.1. The Board of Directors

The Board of Directors is made up of eighteen directors appointed by the Annual General Meeting of Shareholders, three of whom are employee representatives. Among other things, the Board of Directors is characterised by its international nature as it comprises six different nationalities.

If a director's position becomes vacant, the remaining directors may, by a majority of the validly cast votes, elect a director who shall temporarily fill this position until the next General Meeting of Shareholders.

The directors act in the social interests of the company.

Should a conflict of interest arise with regard to an operation submitted for the approval of the Board of Directors, the director concerned must inform the Chairman of the Board in advance, insofar as this is possible. He/She must also inform the Board of Directors. He/She shall not take part in the discussion or vote on this operation. Any such conflict of interest is recorded in the minutes of the meeting. The General Meeting of Shareholders is informed of such conflicts of interest in accordance with the law.

The Board of Directors includes a sufficient number of independent directors to give them a significant influence over the decision-making processes. The independent directors are independent from the company and its principal shareholders, which means that:

- they do not hold an executive position within the company;
- they do not have any family relationship with members of the Management Board that could influence their independent judgment;
- they do not represent a shareholder who owns at least 2% of the company's share capital;
- they do not provide to the company any goods or services that, in the opinion of the Board of Directors, would be likely to influence their judgment.

Composition

The composition of Arcelor S.A.'s Board of Directors changed during the course of the year, which must be divided into two separate periods with the pivotal date being the signing of the Memorandum of Understanding on 25 June 2006. The Memorandum of Understanding stipulates that the two companies, Arcelor S.A. and Mittal Steel Company N.V., shall henceforth be administered by the same number of directors – i.e. eighteen – six of whom represent Arcelor and Mittal Steel respectively, three of whom represent the major shareholders[1], and, finally, three of whom represent the salaried personnel. Mr. Joseph Kinsch, the current Chairman of Arcelor's Board of Directors, became "Chairman" of Arcelor and "President" of the Board of Directors of Mittal Steel. So that this "mirror" organisation is perfectly observed, Mr. Lakshmi N. Mittal is still "Chairman" of Mittal Steel and has become the "President" of Arcelor's Board of Directors.

[1] *i.e. the State of Luxembourg, Corporación JMAC and Carlo Tassara.*

Corporate Governance

The Board of Directors includes a sufficient number of independent directors to give them a significant influence over the decision-making processes.

At 1 January 2006, Arcelor's Board of Directors comprised the following members:

N.B.: Only mandates at listed companies are stated	Date of birth	Nationality	End of term of office (AGM)
Joseph Kinsch Chairman of the Board of Directors, Luxembourg	2 May 1933	Luxembourg	2006
José Ramón Álvarez Rendueles Vice-Chairman of the Board of Directors, Madrid, Spain Director Gestavisión Telecinco S.A.	17 June 1940	Spanish	2006
HRH Prince Guillaume of Luxembourg Luxembourg	1 May 1963	Luxembourg	2006
John Castegnaro Honorary Chairman of OGB-L, Luxembourg	3 November 1944	Luxembourg	2006
Jean-Yves Durance Chief Executive Officer of MARSH, Paris, France	28 July 1942	French	2006
Noël Forgeard Chairman and CEO of EADS, Toulouse, France	8 December 1946	French	2009
Jean-Pierre Hansen Vice-Chairman of the Executive Board of Suez, Brussels, Belgium Director Abgar Distrigaz Electrabel Fluxys	25 April 1948	Belgium	2006
Ulrich Hartmann Chairman of the Supervisory Board, E-ON AG, Dusseldorf, Germany Supervisory Board Member IKB Industriebank AG (Chairman) Münchener Rückversicherungsgeselleschaft AG Deutsche Lufthansa AG Director Henkel KgaA	7 August 1938	German	2006
Corporación JMAC B.V Represented by Ramón Hermosilla	-	-	2006
Hedwig De Koker Chairman of the Board of Directors of Van der Veken Vastgoed PLC, Brussels, Belgium Director Accentis N.V.	28 December 1955	Belgium	2006
Manuel Fernández López Secretary-General of the Metal, Construcción y Afines de UGT union, Federación Estatal (M.C.A.-U.G.T.), Madrid, Spain	8 June 1947	Spanish	2006
Michel Marti Former secretary of the CFDT union, Broye, France	6 July 1947	French	2009
Daniel Melin Chairman (EMEA South), EDS, Paris, France	29 May 1944	French	2006
Edmond Pachura Chairman, UNAS, Paris, France	31 January 1934	French	2006
Francisco Javier de la Riva Garriga Executive Vice-President, Fertiberia S.A., Madrid, Spain	28 August 1945	Spanish	2006
Sergio Silva de Freitas Senior Vice-President, Banco Itaù S.A., Sao Paulo, Brazil	16 January 1943	Brazilian	2006
Georges Schmit Principal Government Advisor, Luxembourg Director S.E.S. Global S.A. ARES S.A.	19 April 1953	Luxembourg	2006
Fernand Wagner Former CEO of ARBED, Luxembourg	24 February 1938	Luxembourg	2006

As at 31 December 2006, the eighteen members of Arcelor's Board of Directors are currently the following, subject to their approval by the Annual General Meeting of Shareholders:

	Date of birth	Nationality	End of term of office (AGM)
Joseph Kinsch Chairman of the Board of Directors	2 May 1933	Luxembourg	2008
Lakshmi N. Mittal[2] President of the Board of Directors	15 June 1950	Indian	2011
Vanisha Mittal Bhatia[3]	23 August 1980	Indian	2010
HRH Prince Guillaume of Luxembourg	1 May 1963	Luxembourg	2011
José Ramón Álvarez Rendueles	17 June 1940	Spanish	2010
John Castegnaro	3 November 1944	Luxembourg	2010
Jean-Pierre Hansen	25 April 1948	Belgian	2009
Corporación JMAC B.V Represented by Antoine Spillmann	-	-	2011
Lewis Kaden[4]	24 March 1942	American	2008
Manuel Fernandez Lopez	8 June 1947	Spanish	2010
Michel Marti	6 July 1947	French	2009
Edmond Pachura	31 January 1934	French	2008
François Pinault[5]	21 August 1936	French	2009
Wilbur L. Ross[6]	28 November 1937	American	2009
Georges Schmit	19 April 1953	Luxembourg	2011
Sergio Silva de Freitas	16 January 1943	Brazilian	2009
Narayanan Vaghul[7]	4 August 1936	Indian	2009
Romain Zaleski[8]	7 February 1933	French	2008

i. At 1 January 2006

At the Annual General Meeting held on 28 April 2006, the following directors were reappointed (term of office in brackets): Mr. Ulrich Hartmann (2 years), Mr. Joseph Kinsch (2 years), Mr. Edmond Pachura (2 years), Mr. Fernand Wagner (2 years), Mr. Hedwig De Koker (3 years), Mr. Jean-Pierre Hansen (3 years), Mr. Daniel Melin (3 years), Mr. Sergio Silva de Freitas (3 years), Mr. John Castegnaro (4 years), Mr. Manuel Fernández López (4 years), Mr. Francisco Javier de la Riva Garriga (4 years), Mr. José Ramón Alvarez Rendueles (4 years), Corporación JMAC B.V. (represented by Mr. Antoine Spillman) (5 years), Mr. Jean-Yves Durance (5 years), HRH Prince Guillaume de Luxembourg (5 years), Mr. Georges Schmit (5 years).

The reappointment of Mr. Noël Forgeard and Mr. Michel Marti, who were appointed to the Board of Directors at the Annual General Meeting of 30 April 2004, and whose term of office ends in 2009, was not put to the vote.

At the meeting of the Board of Directors held following the Annual General Meeting of 28 April 2006, Joseph Kinsch and Ramón Alvarez Rendueles were reappointed as the President and Vice-President respectively.

ii. At 31 December 2006

The composition of Arcelor's Board of Directors was adjusted during the fourth quarter of 2006 in order to integrate the principles laid down in the Memorandum of Understanding signed by Arcelor S.A. and Mittal Steel Company N.V. on 25 June 2006.

At its meeting on 10 October 2006, Arcelor's Board of Directors acknowledged the resignations of the following directors: Mr. Hedwig De Koker, Mr. Francisco de la Riva Garriga, Mr. Jean-Yves Durrance, Mr. Noël Forgeard, Mr. Ulrich Hartmann, Mr. Daniel Melin and Mr. Fernand Wagner.

At the same meeting, the Board of Directors decided to co-opt the following persons as directors: Mr. Lakshmi N. Mittal, Mrs. Vanisha Mittal, Mr. Wilbur Ross, Mr. Lewis Kaden, Mr. François Pinault, Mr. Narayanan Vaghul and Mr. Romain Zaleski.

The Secretary of the Board of Directors is Mr. Henk Scheffer, Arcelor's "Company Secretary", who is Dutch.

[2] Mr. Lakshmi N. Mittal replaces Mr. Jean-Yves Durance

[3] Mrs. Vanisha Mittal Bhatia replaces Mr. Francisco de la Riva Garriga

[4] Mr. Lewis Kaden replaces Mr. Fernand Wagner

[5] Mr. François Pinault replaces Mr. Noël Forgeard

[6] Mr. Wilbur L. Ross replaces Mr. Daniel Melin

[7] Mr. Narayanan Vaghul replaces Mr. Hedwig De Koker

[8] Mr. Romain Zaleski replaces Mr. Ulrich Hartman

Corporate Governance

continued

Role and powers of the Board of Directors

Within the limits laid down by law and the articles of association, the Board of Directors has the broadest powers to administer and manage the Company and achieve its corporate purpose.

The Board of Directors appoints the members of the Management Board and the Chief Executive Officer.

Without prejudice to the duties it is required by law to perform, the Board of Directors, on the proposal of the Chief Executive Officer, draws up the general business plan for the parent company and the Group, approves the allocation of resources for achieving its objectives and the Group's strategy, oversees the implementation of the general business plan, oversees the operation of the parent company and Group, and reports to shareholders.

On the proposal of the Management Board, it draws up in particular:

- the parent company's financial statements and the proposed appropriation of earnings;
- the consolidated Group financial statements;
- the consolidated budget estimates;
- the reports to be submitted to the General Meeting of Shareholders.

It approves all major investments and all strategic operations.

Operating procedures

The Board of Directors elects a Chairman from among its members. The Chairman's powers are those laid down by the articles of association and those given to him/her by the Board. He/She represents the Board of Directors with respect to the outside world. He/She chairs the meetings of the Board of Directors.

The Chairman maintains an ongoing contact with all major Arcelor shareholders in conjunction with the Chief Executive Officer.

Among his/her responsibilities, the Chairman of the Board of Directors must evaluate the major issues submitted by the Management Board to the Board of Directors in order to form his/her own opinion. To this end, he/she maintains or develops the necessary knowledge and understanding of the issues, challenges, developments and opportunities in Arcelor's various sectors through periodic consultation with the Management Board and the CEO.

The Board of Directors meets seven times a years, and meetings are convened by the Chairman. Additional meetings may be convened if the interests of the company so require.

If the Chairman cannot attend, the Board is chaired by the "President" or the most senior director by age.

The agenda for the meetings is established by the Chairman of the Board of Directors in consultation with the CEO.

The Board of Directors is assisted by a Secretary appointed by the Board of Directors. The Secretary of the Board attends the meetings of the Board of Directors, helps to prepare the meetings and writes the minutes. He/She does not have a vote.

Information provided to the Board of Directors

It is the duty of the Chairman, assisted by the Secretary of the Board of Directors, to provide the directors with the appropriate information prior to each meeting, according to the circumstances and the items on the agenda.

The Chairman of the Board of Directors ensures that the directors are provided with the main information regarding the Group, particularly financial analysis reports and press releases.

Insider information and operations affecting Arcelor shares

At the beginning of each year, the directors are informed of the rules concerning insider trading and the "blackout" periods during which they must not undertake any transactions in Arcelor shares.

Since 2005, AMF, the French markets supervisory authority, has been informed about transactions in Arcelor shares carried out by directors and members of the Management Board when their value exceeds €5,000 per calendar year.

Confidentiality of information

Directors and any other person called to attend the meetings of the Board of Directors are bound by secrecy regarding any information of a confidential nature of which they become aware as a result of their attendance at said meetings.

This duty of confidentiality remains in force even after they have left their positions.

Activity report

In 2006, the Board of Directors held seven ordinary meetings and fifteen extraordinary meetings. The average attendance rate of the Directors was 87%.

At each of the "ordinary" meetings, the Board of Directors devoted one item on its agenda to Health and Safety on all the Group's sites by analysing the frequency and severity rate of accidents and serious accidents.

The Board of Directors devoted its first meeting to examining the budget for 2006. It drew up the annual financial statements for 2005, as well as the quarterly and half-yearly financial statements for 2006 at three other meetings. The Directors were also informed of the blackout periods for transactions in Arcelor shares in 2006. The Board approved the stock-option plan for 2006.

The major part of the Board's activity in 2006 was devoted to discussions and guidelines on strategy following the offer made by Mittal Steel on 27 January 2006, and to the examination of this offer and the successive amended offers. These analyses finally led to the signing of an agreement that resulted in an amicable partnership between the two groups. At its extraordinary meetings, other value-creating proposed industrial and financial partnerships were also examined.

In addition to these works of an exceptional nature, the Board of Directors discussed the major Group acquisitions and disposals. It also approved major investments.

The Board of Directors discussed various subjects relating to the Group's general operating environment, sustainable development, the consequences of the introduction in Europe of a system for trading greenhouse gas emission permits, human resources, R&D, the macro-economic environment and the steel market.

4.2. The Audit Committee and the Appointments and Remuneration Committee

In line with corporate governance principles, the Board of Directors has two committees.

4.2.1. The Audit Committee

Mission

The mission of the Audit Committee is to assist the Board of Directors in its role as controller of the company and the Group. It also examines the yearly, half-yearly and quarterly financial statements for the parent company and the Group, and comments on accounting principles and rules and on the valuation rules used by the company when compiling these financial statements.

It also examines the internal control procedures relating to the Group's financing, Management Control, and the processing of accounting and financial information.

The mission and the composition of the Audit Committee have also been affected by the signing of the Memorandum of Understanding with Mittal Steel and they have been adjusted in order to comply with the provisions of this agreement. The Audit Committee now comprises four members appointed from among the independent directors and it operates in accordance with internal rules reported on the www.arcelor.com website.

Composition

i. At 1 January 2006, the Audit Committee comprised the following members:

- José Ramón Álvarez Rendueles, Chairman
- Hedwig De Koker, member
- Jean-Yves Durance, member
- Georges Schmit, member

ii. As a result of the change in the composition of the Board of Directors in October 2006, following the resignations of certain members of the Board of Directors, at 31 December 2006 the Audit Committee comprised the following members:

- Narayanan Vaghul, Chairman
- José Ramón Álvarez Rendueles, member
- Edmond Pachura, member
- Wilbur Ross, member

The Secretary of the Audit Committee is Arvind Chopra, who is the head of internal audit.

Operating procedures

Audit Committee meetings are convened by the Chairman at least four times a year, or more if necessary. As improvements in communications and transparency are an important part of its mission, the Audit Committee shall meet at least once a year with the members of the Management Board, the Head of Internal Audit and the external auditors in order to discuss any matters which, in the opinion of the Audit Committee, require a separate meeting.

The agenda of meetings is drawn up by its Chairman.

The Audit Committee has at its disposal the Internal Audit work schedule and it can request any document and any information it deems useful or necessary for fulfilling its mission.

The work of the Audit Committee is documented in minutes drawn up by the Secretary and signed by the four members of the Audit Committee and its Secretary.

Activity Report

The Audit Committee met six times in 2006. All its members attended each meeting of the Audit Committee.

At these meetings, the Audit Committee in particular:

- analysed the financial statements for 2005, including the principal non-recurring items that affected the consolidated income for that year, as well as the quarterly and half-yearly financial statements for 2006;
- examined the consolidated budget for 2006.

The Audit Committee also proposed specific blackout periods to the Board of Directors relating to the publication of results during 2006.

It also reviewed the financing activities of the Arcelor Group carried out via Arcelor Finance and Arcelor Treasury, as well as the Group's insurance policy. The Audit Committee also paid particular attention to the hedging of the currency risk relating to purchases of coal, coke, ore and transportation, and to the accounting treatment of greenhouse gas emission rights.

It also examined the 2006 programme of the Business Risk Control unit along with a detailed report by this unit relating, in particular, to the Group's risk mapping, which lists the major risks identified within Arcelor. It also examined a summary of the audit reports produced in 2005, including recommendations on optimising the internal control procedures.

At the end of each Audit Committee meeting, its Chairman gave an oral report to the Board of Directors, which was included in the minutes of the Board meeting.

Corporate Governance

In accordance with the Memorandum of Understanding signed on 25 June 2006 by Arcelor and Mittal Steel, the Management Board was reorganised.

At 1 January 2006, the Management Board comprised the following members:

	Position	Date of birth	Nationality
Guy Dollé	President of the Management Board, CEO	31 October 1942	French
Michel Wurth	Vice-President of the Management Board	17 April 1954	Luxembourg
Roland Junck	Member of the Management Board	10 November 1955	Luxembourg
Gonzalo Urquijo	Member of the Management Board and CFO	17 September 1961	Spanish

As at 5 November 2006, Arcelor's Management Board comprises the following members:

	Position	Date of birth	Nationality
Lakshmi N. Mittal	President of the Management Board, CEO	15 June 1950	Indian
Roland Junck	Member of the Management Board	10 November 1955	Luxembourg
Aditya Mittal	Member of the Management Board and CFO	22 January 1976	Indian
Malay Mukherjee	Member of the Management Board	26 January 1948	Indian
Gonzalo Urquijo	Member of the Management Board	17 September 1961	Spanish
Michel Wurth	Member of the Management Board	17 April 1954	Luxembourg

Each member of the Management Board has the following responsibilities:

	Position
Lakshmi N. Mittal	President of the Management Board, CEO
Aditya Mittal	CFO, M&A, Member of the Management Board in charge of Flat Products for North America
Roland Junck	Member of the Management Board in charge of China, International Affairs, Sustained Growth, Continuous Improvement and Commercial Coordination
Malay Mukherjee	Member of the Management Board in charge of Asia, Africa and the CIS, Mining and Stainless Steels
Gonzalo Urquijo	Member of the Management Board in charge of Long Products and AM3S
Michel Wurth	Member of the Management Board in charge of Flat Products for Europe, Automotive, Plates and Research and Development

4.2.2. The Appointments and Remuneration Committee

Mission

The principal mission of the Appointments and Remuneration Committee is to submit proposals to the Board of Directors on the remuneration of the Management Board members, and on the appointment of new directors and Management Board members. It is also kept informed by the Chief Executive Officer of the Group's remuneration policy for its top managers.

Its mission and its composition, along with its name, were changed in order to adopt the principles laid down in the Memorandum of Understanding. This Committee is now called the "Appointments, Remuneration and Corporate Governance Committee", and it comprises four independent directors. The "Appointments, Remuneration and Corporate Governance Committee" operates in accordance with internal rules reported on the www.arcelor.com website. Its responsibilities have been extended to matters relating more specifically to corporate governance, i.e. developing and regulating the principles of governance relating to the company.

Composition

i. At 1 January 2006, the Appointments and Remuneration Committee comprised the following members:

- Joseph Kinsch, Chairman
- José Ramón Álvarez Rendueles, member
- Jean-Pierre Hansen, member
- Edmond Pachura, member

ii. As a result of a change in the composition of the Board of Directors in October 2006, following the resignations of certain members of the Board of Directors, at 31 December 2006 the Appointments, Remuneration and Corporate Governance Committee comprised the following members:

- Lewis Kaden, Chairman
- Joseph Kinsch, member
- Jean-Pierre Hansen, member
- Sergio Silva de Freitas, member

Operating procedures

The Appointments, Remuneration and Corporate Governance Committee meets three times a year. It can work in collaboration with the Chief Executive Officer, the Head of Human Resources, or any other person whose contribution it considers useful.

Activity Report

In 2006, the Appointments, Remuneration and Corporate Governance Committee met eight times, and all its members attended each meeting.

At these meetings, the Appointments, Remuneration and Corporate Governance Committee, among other things:

- drew up proposals for the Board of Directors on the remuneration of the Management Board members, in terms of both fixed salary and bonuses, and stock options;
- submitted a proposal to the Board of Directors on the fee to be paid to the members of the Board of Directors for 2005, which, having been approved by the Board of Directors, was ratified by the General Meeting of Shareholders on 28 April 2006;
- monitored the classification of the Board of Directors members according to the independence criteria adopted by the company;
- adapted the stock-options payment, subject to approval by the Board of Directors;
- gave an opinion on the composition of the company's new Management Board.

At the end of each meeting of the Appointments and Remuneration Committee, its Chairman gave an oral report to the Board of Directors, which was included in the minutes of the Board meeting.

5. The Management Board

Composition

The Chief Executive Officer and the members of the Management Board are appointed by the Board of Directors, on the proposal of the Appointments, Remuneration and Corporate Governance Committee.

On 25 September 2006, in accordance with the Memorandum of Understanding signed on 25 June 2006 by Arcelor and Mittal Steel, the Management Board was reorganised, with the result that, following consultations with the Appointments, Remuneration and Corporate Governance Committee, three new members were appointed to the Management Board:

- Mr. Aditya Mittal, Member of the Management Board in charge of mergers and acquisitions and Flat Products for America, and CFO;
- Mr. Malay Mukherjee, Member of the Management Board in charge of Asia, Africa and the CIS, Stainless Steels and Mining;
- Mr. Davinder Chugh, Member of the Management Board in charge of shared services.

Mr. Roland Junck was appointed Chairman of the Management Board.

On 5 November 2006, as Mr. Roland Junck had resigned as Chairman of the Management Board, the Board of Directors unanimously appointed Mr. Lakshmi N. Mittal as the new Chairman of the Management Board in his place. Moreover, Mr. Davinder Chugh retained his operational duties but left his position as a Member of the Management Board in order to comply with the composition of the Management Board laid down in the Memorandum of Understanding.

Powers

The powers of the Management Board are laid down by the Board of Directors. Based on a delegation of powers by the Board of Directors, the Management Board has the following powers:

- the laying down and monitoring of the strategic objectives and general business plan of the parent company and Group, to be submitted to the Board of Directors for approval after consultation with the Chairman of the Board of Directors;
- the laying down of the policies and resources for the implementation of this strategy, with decisions other than those relating to ordinary management being submitted to the Board of Directors for approval;
- the enforcement and control of decisions and the monitoring of performance and results.

Code of conduct

The members of the Management Board adhere to the strictest ethical and professional standards and assist one another in achieving the objectives set.

Corporate Governance

continued

Amounts allocated to the Management Board for 2006

	Gross annual remuneration in euros	Gross annual bonus in euros	Number of stock options granted
Guy Dollé (*)	525,000	562,500	50,000
Other members (**)	1,330,000	1,280,000	120,000

Furthermore, allocation of stock options for the 2006 plan is broken down in the table below:

	Total number of options granted	Strike price	Exercise period
Guy Dollé (*)	50,000	34.43	from 1 July 2009 to 30 June 2013
Other members (**)	120,000		

(*) 9 months.
(**) Comprising of M. Wurth, R. Junck and G. Urquijo.

6. Remuneration

6.1. Board of Directors and Committees

Remuneration principles for the Board of Directors and the Committees

Each year, with the approval of the Annual Shareholders Meeting, the Board of Directors is allocated a lump sum of the amounts paid by way of a dividend to the shareholders. This sum – which constitutes the directors' fees – may not be less than €1 million or more than €2 million. If the dividend distribution is insufficient, some or all of the €1 million is allocated to expenses.

This sum is divided up between the members so that each director receives one share, the former Vice-Chairman receives one and a half shares and the Chairman two shares.

Furthermore, the Board of Directors is allocated a lump sum of €36,000 for each of its meetings to pay attendance fees. This sum is allocated to expenses.

The specific remuneration of the members of the Audit Committee and the Appointments, Remuneration and Corporate Governance Committee is as follows:

- €3,000 per member per meeting;
- €4,500 per meeting for the Chairman of the Committee in question.

These payments are allocated to expenses.

Amounts allocated for 2006

Total Remuneration[9] for 2006:

€2,501,500

- Of which €1,600,000 as the aggregate Board fees (subject to approval of the General Meeting of Shareholders);
- and €901,500 as attendance fees.

The Chairman of the Board of Directors did not participate in the company's 2006 stock-option plan.

6.2. Management Board

The remuneration paid to the Chairman and the members of Arcelor's Management Board is set by the Board of Directors following a proposal made by the Appointments, Remuneration and Corporate Governance Committee.

Principles of remuneration

The remuneration paid to the Chairman and the members of the Management Board consists of:

- a fixed annual salary;
- a performance-related bonus;
- stock options.

All the attendance fees and directors' fees paid to the Chairman and the members of the Management Board in respect of Arcelor mandates have been paid back to the company.

Fixed annual salary

Up to 31 December 2005, fixed annual salaries were determined on a net basis after social security charges and standardised taxes, in order to take into account the countries in which the members of the Management Board operated and resided.

As of 1 January 2006, fixed annual salaries are determined on a gross basis.

Bonus

The bonus paid to the Chairman and the members of the Management Board is distributed according to the following rules:

- a third from the earnings for the year according to the financial indicators ROCE (Return on Capital Employed) and FCF (Free Cash Flow), paid in cash;
- a third from the earnings for the year according to the financial indicators ROCE and FCF, converted into Arcelor shares at the average share price during the 30 calendar days prior to the Annual Shareholders Meeting[10];
- a third from the moving average of the earnings for the current year and the two previous years, according to the ROCE and FCF indicators.

The maximum amount of the bonus, before applying the individual performance coefficient of 0.8 – 1.2, is 75% of the net annual salary.

Stock-options

The Chairman and the members of the Management Board participated in the 5-year stock-option plan approved by the General Meeting of Shareholders of 25 April 2003, which was introduced by the Board of Directors on 15 May 2003. The number of options granted each year is decided on by the Board of Directors.

The employment contracts of the six new members of the Management Board have been modified with effect from 1 August 2006, so that they are consistent with new responsibilities.

7. Dual-signature principle

Arcelor has adopted a dual-signature system for purposes of legal representation. Without prejudice to the power of representation granted to the Board of Directors by law, the Company is only committed to third parties through the joint signature of two authorised representatives. All authorised representatives are appointed by the Board of Directors which also determines the scope of their powers.

8. External auditor

In accordance with Luxembourg commercial company law, consolidated and parent company financial statements must be certified by an external auditor who examines the accounts, the methods used to compile them and the Group's internal control procedures.

Following an open invitation to tender, the General Meeting of Shareholders of 26 April 2002 – on the proposal of the Board of Directors – appointed KPMG Audit as Arcelor's external auditor for a term expiring on the occasion of the General Meeting of Shareholders that voted on the 2004 financial statements.

On the proposal of the Board of Directors, the General Meeting of Shareholders of 29 April 2005 extended KPMG Audit's mandate to audit the financial statements of the Arcelor company and the consolidated financial statements of the Arcelor Group until the Annual General Meeting of Shareholders that votes on the 2005 financial statements.

On the proposal of the Board of Directors, the General Meeting of Shareholders of 28 April 2006 extended KPMG Audit's mandate to audit the financial statements of the Arcelor company and the consolidated financial statements of the Arcelor Group until the Annual General Meeting of Shareholders that votes on the 2006 and 2007 financial statements.

The fees paid by the Group to the external auditor and the members of its network amounted to €19.6 million. The non-audit services provided by KPMG accounted for €3.3 million.

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[9] *Including that paid to members of the Board of Directors.*

[10] *These shares must be held for at least 4 years.*

Internal Control Procedures

Internal control is an integral part of the Arcelor Group's corporate governance strategy. This report draws, as a framework reference, on the internal control system published in May 2006 by the market-wide working group set up in January 2005 by the AMF (the French Financial Market Authorities).

1. Definition of internal control

Internal control is an integral part of the Arcelor Group's corporate governance strategy.

The purpose of internal control is to ensure:

- compliance with laws, regulations, internal rules and contracts;
- the enforcement of instructions and guidelines laid down by the Arcelor Group's Management Board;
- the protection and preservation of the Group's assets;
- optimal control over the sectors and companies within the Group;
- the reliability and integrity of the accounting system and of financial and operational information;
- the achievement and optimisation of the Arcelor group's objectives;
- the prevention and management of risks that might prevent the achievement of these objectives.

As a result, internal control determines the fulfilment of the Arcelor group's objectives in terms of performance and profitability.

2. Internal control structure

The Arcelor group's internal control applies to all the companies which make up the Group. However, the basic principles are adapted to the characteristics of the various subsidiaries.

3. The internal control components

3.1. Organisation

The Arcelor group's organisation is based on the principle of subsidiarity. The Management Board formalises and communicates its vision for the company and oversees its implementation. It is assisted by the Corporate departments in its strategy, management and governance functions.

The responsibility for devising and implementing internal control systems and procedures rests with the Management Board, as delegated by the Board of Directors. Furthermore, the adaptation, enforcement and monitoring of these internal control procedures are the responsibility of the business entities.

The various Corporate departments draw up the rules, internal directives and the procedures for their respective areas and update them regularly.

3.2. Circulation

Besides hard copies, these instructions are circulated by the various departments via the Arcelor group's intranet by sending notification to the various employees in question, and this applies to all the companies within the Arcelor group.

3.3. Inventory of risks

In addition to the programmes for drawing up an inventory of risks, as part of the obligations imposed by law such as, for example, the enforcement of the SEVESCO directive, the securing of certifications, such as OHSAS 18001, engineering audits of fire safety and the risk of machinery breakdown, and all the other voluntary measures adopted, the Business Risk Control unit is responsible for developing an Enterprise Risk Management-type process that is integrated into the organisation and executed by operational management.

This process covers:

- the identification of future events that may have an impact on Arcelor's objectives;
- the assessment of risks and the resulting opportunities;
- decisions regarding risk control measures to be adopted in order to maintain the desired level of risk;
- the regular monitoring of the system.

At the business unit level, the BRC has, since 2002, set up a series of initiatives to assist line managers in risk management, principally by initiating the risk mapping of business units. Major risk maps are drawn up, based mainly on reporting through workshops, individual interviews and self-assessments. These risk maps are used to determine action plans and schedules, before being discussed and approved by the management bodies of the business unit in question, and are used as the basis for the Group's risk map.

3.4. Internal control relating to the processing of financial and accounting information

Following the decision to merge with Mittal Steel Company N.V., the Arcelor group will be subject to the American "Sarbanes Oxley Act" in 2007.
The Group's compliance project, managed by the financial reporting department, was launched in September 2006.

3.5. Monitoring and regular examination of the internal control activities

The Business Risk Control unit evaluates the relevance of the internal control procedures and compliance with these procedures.

The internal audit activity is carried out according to a single annual Group Audit Plan, which is drawn up on the responsibility of the head of the Business Risk Control unit on the basis of a procedure that, inter alia, takes the following factors into account:

- the analysis and conclusions of risk mapping results;
- the analysis of key performance indicators;
- the results of previous internal audits;
- requests from the Group's Management Board and the heads of the business units;
- the experience of the internal auditors;
- the identification of specific needs via interviews with staff and line managers.

The Audit Plan aims to cover the internal control of the Group's main processes over a three-year period.

The proposed annual Audit Plan is submitted for approval to the Management Board and the Board of Directors' Audit Committee.

Audits carried out during the year are based, in principle, on the initial annual audit plan. However, this plan is reviewed and modified with the approval of the Management Board and the Audit Committee in the light of audit results, specific requests (ad hoc and/or emergency audits), or risk assessment changes.

Audits give rise to reports which are sent to the audited entities and their managers. The aim of the recommendations contained therein is to improve risk management by proposing the best internal control practices and, therefore, by creating added value.

There are various types of audits:

- audits of entities: evaluation of the internal control of the largest risks and the most exposed processes;
- audits of processes: evaluation of the internal control of the main risks identified;
- ad hoc audits: specially requested by management and/or emergency audits;
- follow-up audits: auditing the implementation of previous audit recommendations.

Audits may be carried out at different levels: Group, region or business unit level.

The BRC unit reports on a quarterly basis to the Audit Committee of the Board of Directors on the progress made and the main problems encountered.

The head of the BRC unit reports to the Audit Committee on the major discrepancies discovered during internal audits, on the resources implemented by the BRC unit, and on the progress of the Audit Plan during meetings of the Audit Committee devoted to reviewing the BRC's activities.

At the end of 2006, it was announced that the BRC unit was to be amalgamated with the Internal Assurance unit of Mittal Steel Company N.V.

3.6. Internal control limits

As well devised and applied as it is, internal control cannot, however, be considered to provide absolute guarantees as to the attainment of the company's objectives.

Monthly Highlights for 2006

2006 has been the year of worldwide growth and consolidation for Arcelor. Innovation, leadership skills and Sustainable Development have been widely recognised.

January 2006

Arcelor sells its steel service centre Flachform Stahl located in Schwerte (Ruhr, Germany) to German steelmaker Salzgitter. With this operation, Arcelor SSC (Arcelor Steel Service Centre) optimises its capacity in the region. The current production at Flachform will gradually be moved to other existing Arcelor SSCs in Germany. The total output of processed flat products for the German market will remain unchanged.

Dofasco and Arcelor sign an agreement for Arcelor to make a revised all-cash offer to acquire all of Dofasco's outstanding common shares in a supported, all-cash transaction for total consideration of approximately C$5.6 billion (€4.126 billion), or C$71.00 per common share. Dofasco's Board of Directors unanimously recommends Arcelor's offer to Dofasco's shareholders.

Mittal Steel launches an offer to the shareholders of Arcelor to create the world's first 100 million tonne steel producer. The offer values each Arcelor share at €28.21 in cash, or at an equity value of €18.6 billion on a fully diluted basis. Arcelor's Board of Directors rejects the offer as initially announced.

For the second year in a row, Arcelor is listed in the Global 100 list of the world's 100 most sustainable corporations. This list was launched for the first time during the World Economic Forum in Davos on 28 January 2005.

February 2006

Arcelor receives an inaugural "Best of European Business" award, since the Group is one of the nine most competitive companies doing business in Europe. The company especially outperformed in leadership skills and innovative capabilities.

Carinox, the new stainless plant in Charleroi (Belgium), is inaugurated. Yearly production capacity is around 1 million tonnes of steel.

Arcelor acquires a 38.41% stake in Laiwu Steel Corporation, in China. This acquisition is aligned with the long-term growth strategy and should create multiple synergies. It is a key operational platform to better serve Chinese clients. Laiwu Steel Corporation is China's largest producer of sections and beams, and will benefit from the technology and innovation leadership, powerful sourcing and extensive global commercial network of Arcelor to further boost its operational excellence. The partnership is still awaiting approval with the Beijing authorities.

March 2006

After the signature of the support agreement between Dofasco and Arcelor in January 2006, 98.5% of Dofasco's common shares are deposited to Arcelor's offer. Arcelor therefore acquires the remaining Dofasco common shares by means of a statutory compulsory acquisition procedure.

Arcelor's first worldwide Health and Safety day is held on 29 March. The aim is to reinforce prevention on a global scale. 700 Arcelor sites are mobilised for this special day in order to focus on strong improvements in Health and Safety.

April 2006

A new structure called "Strategic Steel Stichting" is set to ensure the integration of Dofasco within Arcelor. Arcelor transfers its shares in Dofasco to this independent Dutch foundation and retains full control over Dofasco, including decision-making power and all economic interest related to the Canadian steelmaker, with the exception of any decision to sell Dofasco.

Installations of IUP Jindal Metals & Alloys are inaugurated. In particular, a newly created joint venture is created and based in New Delhi (India). Its common know-how will serve customers. This investment of about €14 million should have a capacity of around 1,500 tonnes per month.

The new joint galvanizing line "Severgal" is inaugurated by Arcelor and Severstal in Cherepovets (Russia). This joint venture is set to produce high-end coated steel for the Russian automotive market.

Arcelor and Mitsui set up a joint service centre in South Africa, mainly targeting the automotive industry, called AMSA Steel Service Centre Pty Ltd and located in the Durban area. Operations are to start in the second quarter of 2007 and the new company should process 120,000 tonnes of slit products, rectangular and shaped blanks per year. Through this cooperation, customers will benefit from the combined experience and best practices of Arcelor and Mitsui in the processing and distribution of steel.

May 2006

Arcelor increases its stakes in Acesita to 57.3%. Following this acquisition, Arcelor holds directly or indirectly 95% of the common shares and 38.1% of the preferred shares of Acesita.

Arcelor contributes to the first anti-seismic school building in Izmit (Turkey), where a school building had been destroyed by an earthquake in 1999. This school, sponsored by Arcelor, has been realised by the European Convention for Constructional Steelwork (ECCS) and the Turkish Constructional Steelwork Association (TUCSA).

June 2006

Arcelor employees become shareholders of the company. Following a programme launched in 12 countries, called AESOPE, around 50% of Arcelor's employees in these countries subscribed.

Arcelor rewards innovation within its teams. Indeed, the first 2006 prize is awarded to ARCEO projects in Wallonia, focused on plasma vacuum coatings of steel products.

Arcelor's Board of Directors unanimously recommends the improved Mittal Steel offer. The Mittal Steel offer has been significantly improved compared to the initial offer on 27 January, and consists of a merger proposal by way of mixed share and cash offer that will be followed by the merger of Mittal Steel with Arcelor. The combined Group, domiciled and headquartered in Luxembourg, will be named Arcelor Mittal.

Demonstrating the commitment to extend markets in developing nations, a strategic partnership between the Arcelor Mittal Group and SNI (Société Nationale d'Investissement) is concluded concerning the development of Sonasid. This consolidates and develops the position of Sonasid in 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.

July 2006

Arcelor and Bamesa (Spain) set up a steel centre in Romania, located in the Topoloveni region. It will supply high-quality steel for specific applications in the automotive and domestic appliances industries. Featuring leading-edge technology, the SSC will have an annual production capacity of 300,000 tonnes. It will enable growth opportunities in Central and Eastern European markets.

August 2006

Arcelor Mittal participates in Borçelik's investment for a third galvanizing line in Turkey. This makes Borçelik the largest and most modern producer of galvanized steel in Turkey, and will increase the exposure of Arcelor Mittal to the Turkish market for high added-value steel products.

Following the expiration of Mittal Steel's offer for Arcelor securities on 13 July 2006, in Belgium, France, Luxembourg, Spain and the United States, 93.7% of Arcelor shares were tendered.

October 2006

Further strengthening its position in the global automotive market, Arcelor Mittal combines its laser welding activity with Noble International, North America's largest producer of laser-welded steel products.

After the decision of the Comissão de Valores Mobiliários on September 25, Arcelor Mittal announces the filing of a request for registration with respect to a public offer for all remaining outstanding shares in Arcelor Brasil that are not yet owned by Arcelor or any other affiliate of Arcelor Mittal.

December 2006

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

Arcelor Mittal and the Government of Liberia conclude the review of the Mining Development Agreement. With this agreement, which gives access to an iron ore mine yielding 15 million tonnes a year, the Liberian Government and Arcelor Mittal will be partners in jumpstarting economic recovery and development for Liberia. The €800 million 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 steel making operations in the Keonijhar District. The integrated steel plant should have a total annual capacity of 12 million tonnes. This will 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.

Recent Events

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. With an expected investment of approximately €1.75 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.

Information on Equity Capital of Arcelor S.A.

Stock market information

Following the offer of Mittal Steel on Arcelor, Mittal Steel owns around 94% of Arcelor's shares.

Arcelor shares, which are still on the market, are listed on the stock exchanges of Luxembourg, Euronext Brussels, Euronext Paris, as well as on the Spanish stock exchanges of Madrid, Barcelona, Bilbao and Valencia.

The rule-144A ADR (American Depositary Receipt) programme, operational in the USA, with Bank of New York as custodian bank, ended on 27 November 2006.

Ownership Structure (Position at 31/12/2005)

Ownership structure	Number of securities	% of capital	% of voting rights
Free float	539,933,861	84.39%	87.09%
Treasury stock[11]	19,771,296	3.09%	0.00%
Luxembourg state	35,967,997	5.62%	5.80%
J.M.A.C. B.V. (Aristrain)	22,730,890	3.55%	3.67%
Wallonia region	15,351,973	2.40%	2.48%
Flanders region	0	0.00%	0.00%
Employees	6,018,310	0.94%	1.0%
Total	639,774, 327	100%	100%

Ownership Structure (Position at 31/12/2006)

Ownership structure	Number of securities	% of capital	% of voting rights
Mittal Steel	631,226,643	94.24%	94.26%
Free float	38,429,505	5.74%	5.74%
Treasury stock[11]	157,260	0.02%	
Total	669,813,408	100%	100%

Share Price Performance

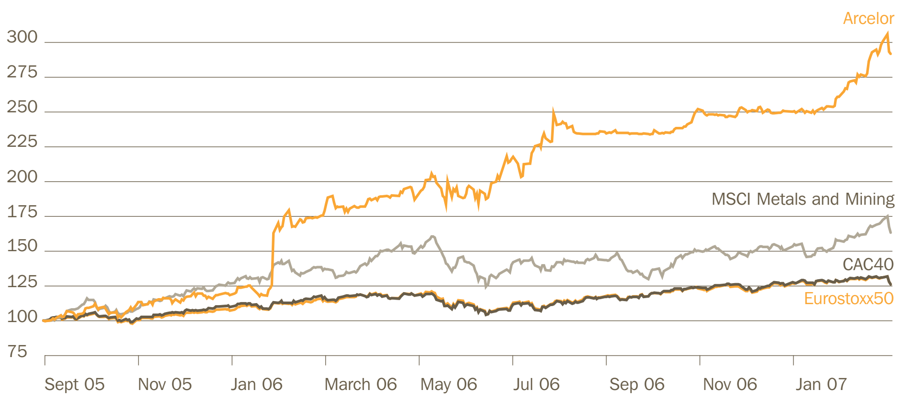
	Average closing price	Highest closing price	Lowest closing price	Average daily trading volume (shares)	Average daily trading volume (thousands of euros)
September 2005	18.54	19.46	17.79	4,018,695	74,512
October 2005	19.12	19.93	18.25	4,785,108	91,505
November 2005	20.25	20.64	19.76	4,085,483	82,742
December 2005	20.94	21.27	20.55	2,638,738	55,266
January 2006	22.61	29.75	20.86	8,289,584	187,431
February 2006	30.12	31.31	29.23	6,590,458	198,478
March 2006	31.89	33.05	31.09	5,110,348	162,967
April 2006	33.24	34.11	32.50	4,573,077	151,989
May 2006	33.91	35.76	32.00	9,599,303	325,499
June 2006	34.66	37.80	32.10	10,148,209	351,686
July 2006	38.89	43.00	35.29	5,793,457	225,321
August 2006	40.83	42.00	40.50	1,259,704	51,439
September 2006	40.62	40.99	40.45	189,565	7,700
October 2006	41.60	43.55	40.60	273,434	11,375
November 2006	42.97	43.76	42.56	210,670	9,053
December 2006	43.29	43.77	43.01	92,627	4,009
January 2007	44.02	46.05	43.05	153,555	6,759
February 2007	49.17	52.65	46.75	445,290	21,896

[11] *Luxembourg commercial company law states that only shares owned by the company itself and by direct subsidiaries should be taken into account in calculating compliance with the 10% limit on ownership of the company's own capital. Own shares held by indirect subsidiaries are not taken into account in this calculation. Voting rights on shares held as treasury stock are suspended.*

Annual share price information 2005–2006

	2005	2006
Highest price (€)	21.27	43.77
Lowest price (€)	15.12	20.86
Average during the period (€)	17.97	36.22
Period-end share price (€)	20.95	43.10
Period-end number of shares	639,774,327	669,813,408
Period-end market capitalisation (€m)	11,497	28,869
Average daily trading volume during the period (shares)	4,137,036	4,328,890
Earning per share (€)	6.26	4.71

Indexes



Indexes

The graph shows Arcelor share price performance from 1st September 2005 to February 2007. On 27 January 2006, Arcelor's shares rose significantly following the announcement of a public tender offer by Mittal Steel for Arcelor's shares. Mittal Steel's offer was recommended by Arcelor Board of Directors on 25 June 2006.

Other securities providing access to capital

On 14 November 2006, Arcelor announced the early redemption of Arcelor's 3% 2017 bonds convertible and/or exchangeable into new and/or existing Arcelor shares (the "O.C.E.A.N.E."), since the number of outstanding O.C.E.A.N.E. is less than 10% of the original number of O.C.E.A.N.E. issued. This early redemption was completed on 15 December 2006 in accordance with the terms and conditions of the O.C.E.A.N.E. set forth in the prospectus approved by the Luxembourg Commission de Surveillance du Secteur Financier on 28 June 2002, at a price in cash equal to the principal amount of the O.C.E.A.N.E. plus the interest amounting to €0.27055 per O.C.E.A.N.E., remaining to be paid between the last interest payment date and the actual early redemption date of 15 December 2006.

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Consolidated Group Management Report

Arcelor has continued its process of growth and consolidation throughout 2006. The company strengthened its position as the global leader in the steel industry. With the growth in world demand for increasingly high-performance steels, Arcelor has established itself as the leading high-quality steel supplier, offering innovative steel solutions, to its main markets, namely automobile, construction and household goods.

Economic Environment

A strong global economy drives growth in the steel business, as the industry moves towards greater consolidation.

The global economy recorded strong GDP growth in 2006, at 3.9% in real terms; over the preceding decade, this was bettered only in 2000 and 2004. This strong performance was due to a recovery in Euro area growth after five years of stubbornly slow growth and a continuation of the boom times in emerging markets. The US began to slow down in the second half of 2006 as monetary policy tightening took effect, yet GDP growth at 4% remained strong.

High oil prices continued to benefit the major oil-exporting countries of the Commonwealth of Independent States (CIS) and the Middle East, while high commodity prices supported growth in both Africa and Latin America. Eastern Europe benefited from the recovery in the Euro area through increased exports; China and India continued to underpin strong GDP growth in emerging Asia of around 7.5% in 2006.

2006 was also a year of strong manufacturing output, with global growth of 4.5%, the best since 2000, buoyed by increased investment and global trade. Output has been particularly strong in the mature economies. Germany saw a 6% growth in industrial production, and double digit growth was recorded in the larger eastern European countries. China led the world, with manufacturing growth around 20% in 2006.

Global monetary tightening began towards the end of 2006, in response to historically high global liquidity and a pick-up in inflation. However, averaging 3.2% in the US and 2.1% in the EU, inflation continued to be relatively subdued in part due to emerging Asian economies continuing to exert downward pressure on prices and consumer goods in particular.

The dollar averaged US$1.26:€1 in 2006 weighed down by concerns over the US current account deficit. Towards the end of the year, the US dollar had fallen to a low of US$1.33:€1 as the US led the global slowdown and interest rate differentials moved against the currency.

In 2006, world crude steel production totalled about 1,240 million tonnes, an increase of 8.6% compared to 2005. Regional trends contrasted sharply; most of this growth came from Chinese steelmakers, which increased production by 17.7% to 419 million tonnes. As a result, China accounted for 33.7% of the world total production as opposed to 31% in 2005. Asia produces more than half of the world's steel (53.7%).

In 2006, world steel demand was strong in developing countries. Steel demand was supported by strong economic growth, continuous growth in capital spending and a rising replenishment of stocks in the US and European markets.

Business conditions have been more supportive of investment. Capital spending (+6% year-on-year on a global level) has been a major engine of world growth, largely owing to growth in developing countries. High raw material and energy revenues have allowed developing economies, being large suppliers of these commodities, to finance large infrastructure projects, commercial buildings and industrial development. Capital spending growth in CIS reached 8.9%, 13% in China, 7.8% in India and 9.7% in Latin America.

There has been a clear acceleration of apparent steel consumption in 2006 in all main regions. Investment growth has provided a boost for the manufacturing sector. This upsurge in activity, stronger orders and higher confidence in the industry (in mature economies) have supported robust steel demand during 2006.

From the perspective of the steel using industries, the year 2006 has been very solid. Steel demand has been driven by demand in machinery, metal goods and transport equipment. Furthermore, the rising strength of building and infrastructure investment has translated into high demand for construction steels. With the world economy growing, all steel consuming sectors have grown significantly, albeit at different rates in different regions.

Import competition has dramatically increased in the US and European markets. In EU 25, the import penetration ratio (Imports/Market supply) reached its highest level in Q3-2006 (over 19%). This is due to a massive increase in imports – up by about 50% – much of it coming from China.

In the US, imports have historically played a larger role than in the EU. Finished steel imports (33mt) were as strong as those from Asia, with Chinese imports rising an impressive 133% to become the 2nd largest importer after Canada.

In 2006, the steel industry experienced the initial effects of consolidation. More discipline has contributed to a strong reduction in supply thanks to a pro-active production cut by a more consolidated industry in the US and in Europe. The amplitude of the steel stock cycle in the US and EU 15 is looking less dramatic compared with the huge overstocking of 2004 and the sharp destocking of 2005. A number of factors are contributing to this:

- Robust global GDP and industrial production growth environment;
- Growing steel demand in mature markets as well as booming emerging countries;
- Increasing use of advanced technologies in steel products;
- More services provided to the clients (distribution network/just-in-time deliveries, R&D, specific steel solutions);
- Greater widespread use of annual contracts with inherently less price variation;
- More discipline due to steel market consolidation (production cuts when necessary).

In 2006, world steel demand was strong in developing countries. Steel demand was supported by strong economic growth, continuous growth in capital spending and a rising replenishment of stocks in the US and European markets.

Commentary on 2006

The different activities are presented in accordance with the way the business is managed internally by Arcelor Mittal. The comparative figures for 2005 have been restated accordingly.

Arcelor has continued its process of growth and consolidation throughout 2006. The company strengthened its position as the global leader in the steel industry. In the context of rising world demand for increasingly high-performance steels, Arcelor has established itself as the leading high-quality steel supplier, offering innovative steel solutions to its main markets, namely automobile, construction and household goods.

In particular, the Group has bolstered its positions in flat carbon and automotive steel. In 2006, the sector experienced high levels of activity, which gave room for a positive price evolution throughout the year. Strong demand for steel also came from Eastern Europe. Major investments commissioned in Europe, included adaptation of production capacities, reorganisation of production lines reducing production costs as well as improvements of production flows increasing productivity.

The Group has successfully captured new sources of growth in North and South America and China. After the full integration of Brazil's CST in 2005, the company's expansion project to 7.5 million tonnes was launched during the year. Design output capacity will be reached during 2007. The project also includes a large coke complex, a new blast furnace, new steelmaking and continuous casting capacity as well as improvements in infrastructure.

Further investments are planned to expand downstream capacity in Brazil, including hot strip mill capacity, finishing and coating capacity at Vega do Sul. With the acquisition in early 2006 of the Canadian steelmaker Dofasco, one of the most efficient and best located steelmakers in the NAFTA region, Arcelor has decisively strengthened its industrial presence in North America and confirms its position as undisputed leader in the automotive steel sheet market.

Arcelor's long steel products segment offers the broadest product mix in the marketplace. In Europe, the sector has a solid industrial base from which it supplies customers with high-quality steel. Sales from Arcelor Long Carbon steel activity increased in 2006. Profits grew on the back of expanded volumes and higher prices. Together with Arcelor Brasil, Latin America's largest steel company, combining the Group's businesses in Brazil and Argentina, the sector generated strong and sustainable margins in 2006.

In North Africa, Arcelor developed its position by acquiring a majority share in Sonasid in Morocco, thus anticipating the strong growth of the construction market expected in this region. In alignment with the Group's long-term growth strategy, Arcelor acquired a 38.41% stake in Laiwu Steel Corporation, China's largest producer of sections and beams. Through Arcelor's operational excellence, Laiwu will benefit from technology and innovation, of powerful sourcing and from Arcelor's extensive global commercial network. This partnership is still to be approved by the Beijing authorities.

In the Wire-drawing sector, the Group will pursue its strategy of consolidation that has started in Europe and focus on growth in Asia, with projects that reinforce its position as a global solution provider with superior R&D and innovation.

Recovery in demand for stainless steel was extremely strong in 2006, with worldwide consumption rising strongly despite a surging nickel price. Demand was particularly firm in Europe, the US and Brazil, which led to price rises over the first nine months of the year. Supply remained tight, despite a strong rise in Chinese output. In February 2006, Arcelor inaugurated Carinox, the new steelworks at Charleroi, Belgium.

The new stainless steel plant, which represents an investment of a total of €241 million, has a production capacity of 1 million tonnes per year. In Brazil, both demand and base price increased in the domestic market, due to growing industrial activity and very good market conditions. Thanks to the high levels in consumption, Acesita was able to raise its market share in its home markets. In India, Arcelor Stainless, inaugurated in India, the installations of IUP Jindal Metals & Alloys Ltd, a joint-venture company between Jindal Saw Limited and Arcelor's owned subsidiary IUP (Imphy Ugine Precision). This new plant, with works at Bahadurgarh, Haryana, India, has a capacity of around 1,500 tonnes per month and is dedicated to precision rolling of stainless steel and alloy strips. The rapid growth of the Indian market makes this an important milestone for Arcelor's stainless activities.

For AM3S, market conditions were favourable in most of its markets in 2006, with the exception of Southern Europe, which suffered increased penetration by Asian imports in the second half of the year. Arcelor's position in worldwide steel distribution is unique in the steel industry. Its operations span a worldwide network of distribution centres, steel service centres, construction and foundation solutions for infrastructure projects. As a customer-focused organisation, the distribution and transformation sector is organised through its stockholding network to foster availability and short lead time deliveries to all its clients. It delivers to all markets: automotive and mechanical industries, construction and civil works, and stockists.

Many initiatives taken in 2006 led to improve the Group's position in its markets through customer-focused branding and organisation. Capital expenditure of over €100 million was expended on growth projects, on productivity and safety measures. Investments were chosen in accordance with the Group's strategy to anticipate customer developments and to create growth opportunities.

Group key figures

In million euros	*2006*	*2005(*)*
Revenue	40,611	32,611
EBITDA	5,903	5,682
EBIT	4,454	4,417
Net Profit	3,007	3,873
Earnings per share (in euros)	4.71	6.31

(*) restated

AM3S acquired the majority of Devillers and lifted its stake in the Alliance Metal Group. Steel Service Centres, previously operated by the Flat Carbon business in Germany and Italy, were integrated. A sixth service centre was acquired in Casablanca, Morocco.

Revenue and Earnings

Consolidated Group revenues were €40,611 million in 2006, up from €32,611 million in 2005, an increase of 24.5% or 14.5% at comparable scope. The main scope inclusions during the year were: Dofasco (10 months, +€2.9 billion), Acesita which was fully consolidated for 12 months in 2006 (3 months only in 2005: +€0.9 billion) and Sonasid (7 months, +€0.3billion). The main scope exits were Ugitech (-€0.3billion), the Spanish Long Carbon Steel entities together known as "Corrugados" (-€0.4billion) and various disposals within AM3S (total effect: -€0.4billion). Also, year-on-year, shipments increased 20.9% or 10.4% at comparable scope.

Group consolidated EBITDA was €5,903 million in 2006, up from €5,682 million, an increase of 3.9%. The aforementioned acquisitions and disposal added a net €0.4 billion to EBITDA relative to 2005. Renewed increases in raw material costs (iron core, coking coal, zinc etc.) were the main drivers of the 1.9% reduction in EBITDA margin at comparable scope.

Group consolidated EBIT was €4,454 million in 2006, up from €4,417 million in 2005, an increase of 0.8%.

Net financing costs amounted to €696 million in 2006, up from €254 million in 2005. This includes a one-time break-up fee of €140 million payable to Severstal as well as a €295 million charge relating to the restatement to fair value of the equity conversion option of the O.C.E.A.N.E. 2017 debenture loan.

Equity income amounted to €363 million, up from €317 million in 2005. The loss of equity income due to the full consolidation of Acesita in 2006 was offset by an increased contribution from DHS.

Commentary on 2006

continued

After a tax charge of €462 million and minority interest of €652 million, consolidated net profit was €3,007 million, down from €3,873 million in 2005.

The tax charge of €462 million gives an effective tax rate of 11.2%. The current tax charge of €605 million was reduced by deferred tax income of €143 million. This deferred tax income resulted from the usage of tax losses assessed annually on the basis of the positive outlook included in the Group's business plan, in accordance with IFRS.

Net Debt

The Group's net debt increased by €3,453 million in 2006, from €1,257 million at 31 December 2005 to €4,710m at 31 December 2006.

This increase was mainly caused by financing requirements arising from the acquisitions of Dofasco and Sonasid and a significant year-on-year increase in dividend payment, Operating Cash Flow and Capex both having displayed smaller year-on-year movements.

Gearing (net debt as a proportion of shareholders' equity including minority interests) was 21% at 31 December 2006 against 7% a year earlier. This is lower than the cycle-average target of 35-50%.

Capital expenditure

Arcelor's capital expenditure was €2,269 million in 2006, an increase of 12% relative to 2005.

Capital expenditure in *Flat Carbon Steels* totalled €1,541 million. Thereof €646 million was spent in South America in 2006 including €243 million for the new SOL coking plant. Coqueria Tuberão is owned by CST (62%), Belgo Mineira (73%) and Sun Coal & Coke Company (1%). The investments in CST for €394 million include the expenditures for the extension of its steel plant to reach an annual production of 7.5 million.

The total spent in France of €390 million includes €234 million spent in Arcelor Atlantique and Lorraine for the relining of the Blast furnace Nr 3, the revamping and transformation of the first continuous casting line and the rebuild of a new RH (vacuum treatment) amongst others. The investments in Arcelor Méditerrannée of €140 million were principally spent for the relining of the Blast furnace Nr 1 and the injection of Pulverized Coal.

In Spain, the capital expenditure amounts to €102 million resulting mainly from smaller investments aiming to maintain the facilities or to reduce costs.

In *Long Carbon Steel*, capital investments amount to €452 million. Thereof €267 million was spent in Europe and €185 million in South America.

In Luxembourg, €96 million was spent, of which €20 million results from the revamping of the Grey mill in Differdange and the modernisation of the rolling mill in Rodange.

In Spain the Zaragoza plant move to outside the city led to capital expenditures of almost €63 million. For the new Rebar and merchant mill in Poland about €20 million was expended.

In Brazil, €82 million was spent by Belgo for a many small cost savings and maintenance projects. €19 million was spent on maintaining the eucalyptus forests. Acindar in Argentina spent €56 million mainly on its expansion project.

Capex in *Stainless and Alloys* was €147 million. In 2006, about €56 million was spent on the Carinox project during its ramp-up phase. The increase of capacity of electrical steel in Acesita and maintenance of the eucalyptus trees constitute the major part of €59 million spent in 2006 in Brazil.

In 2006, *AM3S* Capital expenditure amounted to €96 million. The new European logistics centre, situated in Luxembourg comprising 17 halls for long products represents €18 million in 2006. For an investment in a new sheet pile cold rolling mill in Malaysia about €5 million was spent.

In the USA, Skyline spent €6 million on building a new plant for producing large foundation tubes.

Capex in Arcelor's *Other activities* totalled €33 million.

Investments in improving quality, enhancing staff safety, environmental protection, as well as development and adapting equipments, were also made across the Group.

Acquisition of intangible fixed assets: Expenditure of intangible fixed assets in 2006 totalled €29 million, consisting mainly of purchases of licences, patents and similar rights.

Revenues by geographic zone

Revenues in South America fell slightly. Revenues in North America accounted for 15% of the total revenues in 2006, as opposed with 9% in 2005. The acquisition of Dofasco helped boost revenues in North America.

Workforce

The Group had 103,935 employees at 31 December 2006 as opposed to 97,695 at the end of December 2005.

The acquisition of Dofasco in March 2006 by Arcelor led to an increase in the number of employees by 11,516 persons in the Flat Carbon Americas segment. The segment with the larger number of employees is Flat Carbon Europe, representing 38% of the total number of employees working in Arcelor.

Arcelor's North America workforce now accounts for 12% of the Group's headcount.

Net debt and gearing

In million euros	2006	2005 (*)
Shareholders' equity (**)	22,086	17,430
Net debt	4,710	1,391
Net debt / shareholders' equity	21 %	8 %

Capital expenditure by segment (***)

In million euros	2006	2005	% of total
Flat Carbon Steels	1,541	1,391	68 %
Long Carbon Steels	452	334	20 %
Stainless Steels and Alloys	147	180	6 %
AM3S	96	86	4 %
Other businesses	33	49	1 %
TOTAL	2,269	2,040	100 %

Capital expenditure by geographic zone (***)

In million euros	2006
Belgium	172
France	485
Spain	255
Brazil	836
Luxembourg	133
Germany	51
Other	337
TOTAL	2,269

Breakdown of revenues by geographic zone

In million euros	2006	%	2005 (*)	%
European Union (EU 25)	25,936	64	23,228	71
North America (****)	5,958	15	2,955	9
South America	5,111	12	3,530	11
Other	3,606	9	2,898	9
TOTAL	40,611	100	32,611	100

Breakdown of consolidated workforce by sector

Headcount	2006	2005	Change
Flat Carbon Americas	16,366	4,790	+ 11,576
Flat Carbon Europe	39,970	44,413	- 4,443
Long Carbon Americas and Europe	21,148	20,248	+ 900
Africa, Asia, CIS	906	-	+ 906
Stainless	11,790	13,908	- 2,118
Arcelor Steel Solutions and Services (AM3S)	10,559	11,207	- 648
Other activities	3,196	3,129	+ 67
TOTAL	103,935	97,695	+ 6,240

Breakdown of consolidated workforce by geographic zone

Headcount	2006	%	2005	%
European Union (EU 25)	69,335	67	76,221	78
North America (****)	12,346	12	1,118	1
South America	20,920	20	20,018	21
Other	1,334	1	338	0
TOTAL	103,935	100	97,695	100

(*) Restated. (**) Including minority interests. (***) Excl. intangible fixed assets. (****) Including Mexico.

Business Segment Review

Arcelor's crude steel production increased from 46.7 million tonnes in 2005 to 53.5 million tonnes in 2006. During the same period, Arcelor generated revenues of €40.6 billion, and an after tax group share of the net result of €3 billion. The company recorded capital expenditure of €2.3 billion, compared with €2.1 billion in 2005.

53.5 million tonnes

Crude steel production for Arcelor in 2006.

The performance of activities stated and the related financial figures are for Arcelor standalone – except when mentioned otherwise.

Business Segment Review

Flat Carbon Steel

The merger of Arcelor and Mittal Steel led to the creation of the business area called "Flat Europe", by far the largest flat steel producer in Europe, with operations that range from West (Spain) to East (Romania), and covering the flat carbon steel product portfolio in all major countries and markets.

From a structural point of view, the first priority in 2006 was to set up a unique commercial organisation, applying a common commercial policy across all of Europe. This was achieved towards the end of the year. As a first step, separate organisations continue to exist in Western and Eastern Europe with intensive exchanges between them in order to align the operational performances across the various plants.

Flat Carbon Steel Europe

General market conditions

In 2006, most market participants, especially in Southern Europe, faced strong pressure from the new Chinese capacity. This predominantly generated a "wait and see" behaviour amongst steel buyers during the whole period. The high level of activity gave room for positive price evolution throughout 2006. Strong demand for steel also came from Eastern Europe.

Raw material prices increased steadily, especially for iron ore and zinc. In coated products, Arcelor has transferred the booming price of zinc to the market thanks to pricelist corrections.

In the automotive industry, the European light vehicle market showed continuous growth, (+1.2% in 2006), which came mostly from Eastern Europe. The household appliances market showed an overall activity increase in Europe, with strong dynamism particularly in Eastern Europe. The construction market grew about 6% 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. The demand for high grade electrical steel – power generation applications – increased following the growth of automotive and appliances. An important outlet for European steel product continues to be the distribution market. This market, as well as the metal processing market, was the most affected by the increase of imports.

Arcelor Performance in 2006

In Western Europe, Arcelor's flat steel production and total shipments increased significantly, even though volumes were cut intentionally during the second and third quarters in order to adjust supply to a negative apparent consumption trend.

Shipment volume in 2006 (26.1 million tonnes) increased substantially, compared with 2005 (23.9 million tonnes). All finished products volumes, except packaging, were higher in 2006. Due to the high demand of the European market, business export has been reduced to the minimum. Delivery of industry and automotive products to export countries amounted to 4.7% in 2006, and remained stable in each quarter. In 2005, export deliveries totalled 1.5 million tonnes, or 6.8%. Long-term contracts versus quarterly contracts remained stable.

Despite a higher slabs production of 27.3 million tonnes in 2006 (+1.2 million tonnes versus 2005), the flat carbon market in Western Europe supply could not entirely satisfy market demand, due to a slabs production bottleneck. This lack of metal resource was partly compensated by inventory reductions, as well as by the purchasing of external slabs and hot rolled coils.

The cost of energy increased by 33% in 2006, due to price and volume increases. Driven more by price increases (for zinc, coal for coke and iron ore fines) than by volumes, cost of raw materials increased. Fixed costs increased slightly, mainly due to inflation effects.

Revenues increased around 15% in 2006, at comparable scope with 2005, but due to cost increases, EBITDA dropped in comparison to the previous year. Arcelor's total capital expenditure in Western Europe reached the same levels as 2005.

Main operational developments in 2006

The Flat West European production system is organised into upstream and downstream segments. The upstream segment supplies hot rolled coil to the downstream segment with its cold-rolling, galvanizing and electro-galvanizing, organic coating and tin-plating lines.

Flat Carbon Western Europe safety results are excellent with a frequency rate of 1.6 and a severity rate of 0.16 in 2006.

Major investments commissioned in 2006 include:

- the relining of two blast furnaces, in Aviles (Spain) and Dunkerque (France);
- the coupling of the pickling and cold rolling lines in Mardyck (France) and Liège (Belgium), leading to reduced production costs;
- the revamping of a continuous caster in Dunkerque at the end of the year;
- in Fos (France), the coke plant extension and installation of a new grinder for PCI and a heavy coiler at the hot steel mill;
- in Liège, the installation of a new entry laser welder at the pickling line no.2, including a full electrical revamping.

In order to adapt production flows, packaging activity of Mardyck (France) was transferred to other packaging locations in Europe, thus optimising the supply chain for cold rolling and annealing activities between Mardyck and Montataire, as part of the former Arcelor Apollo Plan. The cold rolling reversible mill in Bremen was closed, whereas the continuous cold rolling mill has been enlarged.

In the field of automotive products, a Memorandum of Understanding was concluded with Noble International Company and will lead to the divestment of Tailored Blank activities. The Arcelor Mittal Group will keep 40% of the future company.

Business Segment Review

Flat Carbon Steel continued

In 2006, several initiatives were launched to accelerate progress, maintain high competitiveness and prepare for future social and industrial trends. Included in these initiatives is the OTIF programme (On-Time-In-Full). Considerable effort was dedicated to the improvement of service performance and on-time delivery to clients. The goals set for 2007 are even more ambitious.

Structural cost-cutting programmes, improving productivity and generating cost reductions, were launched in several plants, such as ARCO in Aviles (Spain) and ZUG in Eisenhüttenstadt (Germany). The FIT programme in the Bremen plant was successfully completed in 2006, providing significant costs benefits. The Fos plant in France launched the ACCEL project, and Dunkerque started the DK2012 project to improve their respective position in terms of cost benchmarking.

Beside these projects aiming at positioning costs to the best-in-class, all plants were involved in ambitious management gains activities at all production levels, generating €359 million savings in 2006.

TPM (Total Productive Maintenance) remains the main pillar of the company's continuous improvement system. AGORA communities, now well established, have led to the creation of a vibrant network of experts, exchanging best practices on a very frequent basis.

Throughout 2006, demand for plate products was extremely robust in all major segments, and available capacity was fully utilised.

Major investments realised in 2006 were targeted at increasing the capacity of high quality plates. In Gijón, a new AGC was installed. With Arcelor Mittal, significant synergies can be achieved through leveraging common R&D activities, benchmarking operations and selling all special products through a unique worldwide network.

Flat Carbon Americas

In Brazil, a more favourable political environment and a stronger commitment to infrastructure investments pushed 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, with ample opportunity to expand capacity to meet growing regional demand.

During 2006, the Brazilian operations enjoyed strong and stable markets. Arcelor Brasil achieved record output with a total annual flat steel production increase to 5.2 million tonnes – up 18% as compared to 2005. Lower production in 2005 was mainly due to an incident, which had occurred at the CST's blast furnace, in the 1st half of 2005.

Higher sales revenues were driven by flat steel shipments, mainly to home markets. Despite relative stability, prices had high variances during the quarters with strong fluctuations in the different countries.

Operational costs on sales per tonne in the Flat Carbon Americas segment were higher for the year under review due to raw material price increases for iron ore, coal, coke, ferroalloys, among others. This was allied to higher maintenance costs, which were offset by higher productivity and management gains, as well as by lower fixed costs, thanks to higher production and shipments during the year.

The start up of the CST's expansion project for 7.5 million tonnes was postponed until the second quarter 2007. The project will provide CST with a large, environmentally benign coke complex, a new blast furnace, new steelmaking and continuous casting capacity and ancillary improvements in infrastructure.

Related investments are planned to expand downstream capacity in Brazil, boosting hot strip mill capacity, while also substantially increasing finishing and coating capacity at Vega do Sul.

In Latin America, the strong local demand for CST's products experienced in 2006 is expected to continue in 2007, with consumption likely to rise further. The market for slabs is expected to maintain its momentum.

Dofasco

Dofasco, the Canadian market leader in terms of quality and value-added, represents a major component in Flat Carbon Americas portfolio. As a result of Mittal Steel's consent decree with the US Department of Justice (following the merger with Arcelor), Dofasco operated under a hold-separate arrangement from August 2006. Integration now offers the opportunity to capture substantial synergies, particularly between the Canadian and US operations. This will enable the Canadian operations to strengthen their position in value-added markets while also dealing with cost pressures generated by a strong Canadian dollar.

Business Segment Review

Long Carbon Steel

The Long Products new division of Arcelor Mittal operates in Europe, CIS, Asia, Africa and in America, enjoying a particularly strong footprint in the growing markets of Eastern Europe and South America. It offers the broadest product mix in the market place. Production consists of blooms and billets, bars and rebars, wire rod and wire products, beams, angles, channels, sheet piles and rails.

Arcelor Performance in 2006

The main market is the EU, and 2006 witnessed strong economic growth, especially in the construction industry, leading to higher demand for products. Due to good infrastructure activities, selling prices have increased substantially for beams and merchant bars. The increase in scrap prices were passed on to the customers as prices in major markets coupled with a scrap surcharge.

European shipments of sheet piles and rails were strong. Significant investments are being made in the European railway infrastructure, which has been lacking in the last 10 years. Demand for beams, wire rod and bars was also strong. High quality wire rods and bars for automotive and engineering industry have maintained stable prices.

In Europe, sales from Arcelor Long Carbon steel activity and EBITDA increased in 2006. Profits grew on the back of expanded volumes and higher prices, partly offset by increases in scrap and other input prices. The business increased its results thanks to strong sales prices and to the application of the scrap surcharge policy, allowing sales prices to at least follow the scrap price evolution.

Excluding the non-recurrent results on the gain of the sale of Corrugados in 2005, EBITDA for Arcelor Long Carbon steel activities in Europe was even higher compared to 2005. This was mainly driven by positive volume effect with higher margins over factor costs, management gains through improvements in productivity and reductions in energy consumption.

In 2006, scrap costs for Europe have on average considerably increased, compared to 2005.

Sections

Economic activity continued to develop in most parts of the world and more specifically in Asia.

Arcelor Commercial Sections is active on a worldwide basis through its own European sales agencies and relies on the Arcelor International network for export business.

Compared to 2005, shipments increased by 14%. At the end of 2005, stock volumes in most European countries had returned to normal levels and real consumption had picked up since the start of the year, continuing at a strong pace throughout 2006. The situation was comparable in all major export markets, where project activity experienced particularly high growth (North America and the Middle East).

Arcelor Mittal sales policy and network integration started immediately after the merger in the second half of 2006, resulting in a “one face to the customer” sales organisation.

Rebars

2006 began with low stocks on the customer side, but with prices not far above cost level. Worldwide rebar consumption remained good throughout the year. During second half of 2006, rebar demand in EU 5 dropped, due to high prices and increasing import volumes adding further pressure on the sales prices.

Wire Rods

Wire rods market experienced recovery in demand. This recovery was stronger during the first half of the year, slowing down slightly during the second half of 2006.

Sheet Piles

The sheet piles market was good in 2006. Compared to 2005, results have strongly increased due mainly to increase in sales, despite price pressure in all markets. Numerous projects are in discussion and further booking prospects for Europe and for export markets remain good.

Merchant Bars

All European merchant bars producers registered stronger bookings during the second half of 2006. Imports coming from Turkey and China are still affecting European core markets.

Rails

Market dynamics in rails are positive. 2006 results turned out to be higher than those of 2005 due to sales and price increases.

Outlook

In Europe, there is continuing strong demand in many market sectors.
In rails and special profiles, prices have strengthened and the outlook is good. There are good levels of activity in sheet piles and sections, and a firming in prices for rebar. There are signs that wire rod mesh prices have bottomed out following falls since October 2006.

Business Segment Review

Long Carbon Steel continued

Long Carbon South America

Performance in 2006

GDP growth in Brazil is expected to be around 3.7% for 2006, a very timid growth compared to other developing countries. The civil construction sector had a better performance with a growth rate of over 5%, ensuring a good demand for long products.

Long Carbon activity was characterised by higher shipments in the export market, with lower margins. Volumes reached record highs, with crude steel production reaching 4.9 million tonnes, the Group all time record, and 7% higher than 2005. Production of rolled products reached 4.8 million tonnes, also a record and 11% higher than 2005. Production was driven by strong demand in the domestic markets of Brazil and Argentina, especially from the civil construction sector. Other sectors such as industrial, automotive and agriculture also demonstrated a healthy level of demand. The new entities acquired in Costa Rica added 190,000 tonnes.

Another record was the volume of exports from Brazil, which reached 1.5 million tonnes. As a result of the strong demand in the domestic market in Argentina, Acindar sales in the domestic market increased substantially.

Results of the Long Carbon Steel activity were affected by a price cost squeeze and lower selling prices. EBITDA was higher due to a larger volume of shipments, better prices when measured in dollar terms, management gains, and to other factors that include the non-recurrent impact of the sale of Acindar's tube business.

Outlook

In South America the domestic market demand remains generally strong. Acindar has implemented a price increase that will take full effect from the second quarter of 2007.

Wire Drawing

Arcelor is a global leader for wire drawing, and offers a diversified range of products. Our strategy is to pursue the consolidation that has started in Europe and to grow in Asia, focusing on projects that reinforce our position as a global solution provider with superior R&D and innovation capability.

Arcelor Performance in 2006

Price pressures led many of the wire drawing operations to prioritise margins over volume in 2006. Demand for steelcord continued to shift from both Western Europe and North America to Central Europe and Asia where tire production expands.

Concrete reinforcement fibers benefited in 2006 from the high level of activity in construction. Market prices for PVC coated fence were lower than in the previous year because of Chinese imports and severe competition in the do-it-yourself sector. Demand on industrial wires remained good, though the prices could suffer significant cuts.

EBITDA was impacted by raw materials price increases, mostly zinc for Low Carbon.

In 2006, Wire Drawing activity in South America pursued its growth, facing however more imports from Asia.

Outlook

While demand remains good, the short-term outlook is for continued margin pressure.

Business Segment Review

Stainless Steel

Arcelor, now Arcelor Mittal, is a world leader in Stainless steel and Nickel alloys.

General Market Conditions

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% rise in Chinese output which increased the self-sufficiency of China from 60% to 70%.

In Europe, demand growth rates in 2006 were particularly strong. Driven by healthy end-user demand, re-stocking and supply constraints, European base prices increased almost on a month-by-month basis, hitting the highest levels of recent years.

The end of the year recorded a slow-down in activities and an increase of imports from Asia, benefiting from an increasing price gap between Asia and Europe and growing new production capacity in China.

In Brazil, both demand and base price increased in the domestic market, thanks to the growth of Brazilian industrial activity and very good market conditions. Thanks to the high levels in Brazilian consumption, Acesita was able to raise its market share in its home markets, and withdraw progressively from the highest competitive areas in Asia and the Middle East.

In the US, stainless steel demand remained at a good level on the year average. Base price continued to rise until mid-2006, but then buying and re-stocking activities slowed down towards the year's end.

In Asia, demand grew, but at a slower pace than in Europe and the US. Prices increased, supported by rising demand and high nickel prices. Stainless steel output in China is expanding rapidly.

While re-stocking slowed down towards the end of the year, base prices for stainless steel hit new all-time highs. The European price of extra alloys rose by more than 40% on the previous year. The price of nickel reached its 2006 record high in December with prices over €27,800 per tonne and was on average €7,500 per tonne higher in comparison to 2005.

Arcelor Performance in 2006

While Carinox (Belgium) was experiencing some difficulties raising output in the new melt shop during the first half of the year, output was nearing capacity by end of the year, thanks to the Group's internal resource expertise. The Acesita (Brazil) and Genk (Belgium) plants operated at a very good performance level. Globally, activities benefited from the effect of higher volumes and improved sales mix.

Total shipments rose from 1.6 million tonnes to 2.2 million tonnes. This represents a growth of 38%, taking into account the acquisition of an increased shareholding in Acesita (3 months of consolidation in 2005 vs. 12 months in 2006) and the disposal of Ugitech mid-June 06. On the same basis revenues of €5.4 billion represented a 32% increase on the previous year. EBITDA increased to €745 million, on the increase of €572 million.

This exceptional improvement in results is explained by a positive price squeeze, efficiency gains and higher volumes, which offset the substantial negative impact of raw materials costs due to high nickel prices.

Outlook

While raw material prices even broke 2006's records in early 2007, the increase of imports will put high pressure on stainless steel prices. 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.

Business Segment Review

Arcelor Mittal Steel Solutions and Services (AM3S)

AM3S – formerly A3S at Arcelor – is a comprehensive group of joined Arcelor and Mittal businesses, marketing standard and processed steel and offering steel solutions worldwide.

The operations of AM3S span a worldwide network of distribution centres, steel service centres, construction and foundation solutions for infrastructure projects. AM3S operates over 500 facilities in 32 countries and has an outstanding distribution network, based on the philosophy of staying close to its 200,000 customers. It offers a full portfolio of flat and long products, tubes and stainless steel, adding value through further processing and through the provision of technical, engineering and consultancy support. AM3S also manages the sales network for the Arcelor Mittal Group's worldwide exports.

An entirely customer focused organisation, AM3S is organised through its stockholding network to foster availability and short lead time deliveries to all its clients, as well as through its processing operations to satisfy key customers' needs for all steel usage.

AM3S delivers to all markets: automotive and mechanical industries, construction and civil works, and stockists.

AM3S is organised into five Operational Units, according to their specialty:

- ***Arcelor Mittal Distribution (AMD):*** A regional network able to supply small customers locally and to meet the complex needs of industrial key accounts. The products range includes available commodities of flat, long, and tubes, small lots in stock, global solution and tailor-made offerings.

  More than 200 distribution centres in over 30 countries; 5,000 employees

- ***Arcelor Mittal Steel Service Centres (AMSSC):*** The major unit of Arcelor Mittal in the flat carbon steel processing and logistics for automotive and industrial markets. Tailor-made offerings include shaped and punched blanks, on time deliveries, ready-to-use dimensions and quantities.

  44 plants in 9 countries; 3,700 employees

- ***Arcelor Mittal Construction (AMC):*** Able to offer light steel-based solutions of profiles and sandwich panels, for cladding, roofing and floors, and building solutions for contemporary architecture. AMC is a beacon of innovation and progress for construction applications, and also provides technical support and assistance for projects.

  52 manufacturing sites in 25 European, American, Asian and African countries; 3,000 employees.

- ***Arcelor Mittal Foundation Solutions (AMFS):*** Designs and supplies solutions for large infrastructure projects, like piled foundations, marine works, waterfront structures, landfill and waste disposal; pipe and sheet pile manufacturing. AMFS is present in Europe, NAFTA countries through Skyline, and Asia through Oriental Sheet Piling (OSP).

  Manufacturing plants in the Netherlands and USA; 400 employees

- ***Arcelor Mittal International (AMI):*** Sales network for Arcelor Mittal exports with a worldwide presence, through a network of more than 50 offices on 5 continents.

  350 employees

The AM3S ambition is to optimise its efficiency through a close partnership with the Group's Flat and Long Business Units, particularly in the fields of product offering and supply chain.

Innovation in products and services

Many initiatives were taken in 2006 to improve the position of AM3S in its markets through customer focused branding and organisation.

Arcelor Mittal Construction has divided its product range in to three different brands, each focused on specific customer or market expectations.

- **ARCLAD** is the brand dedicated to standard cladding profiles and panels for construction. The focus of the ACLAD offer is on short lead times, on-time deliveries and competitive pricing for the largest standard product range.
- **ARVAL** is dedicated to architect and engineering firms and their many diversified requirements. All colour, shape or steel quality cladding is developed in the ARVAL product range. 2006 saw the development of the Cofradal® concept, a floor in steel for buildings, allowing faster construction lead times and an architectural breakthrough.
- **ARMAT** is focused on residential houses. Offering roof tiles, wall panels in steel, and reinforced doors, ARMAT is creating a full product range of steel products.

In 2006, AM3S capital expenditure amounted to €96 million, expended on growth projects, on productivity and safety measures. Investments were chosen in accordance with the AM3S strategy to anticipate customer developments and to create growth opportunities.

Business Segment Review

Arcelor Mittal Steel Solutions and Services (AM3S) continued

Arcelor Mittal Distribution has created a new organisation called TOP (Total Offer Provider) aimed at offering a complete range of products and services for its key customers. Following the acquisition of Devillers and Alliance Metal, TOP is now able to extend this global offer in Central Europe and China and serve its customers with delocalised strategies.

Arcelor Mittal Service Centres has initiated the same type of segmented organisation. For general industry markets, a regional organisation has been set up, with the merger of all SSCs within each country and the creation of a regionally integrated sales network and centralised supply chain. For the automotive industry, SSC is developing its blanking activity through new capacity in Germany and Slovakia.

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 the majority of Devillers and lifted its stake in the Alliance Metal Group to 66%. These acquisitions form the core of the TOP operation, to serve customers in the machine tool, yellow goods and other manufacturing industries.

Arcelor Mittal Steel Service Centres integrated five services centres in Germany and Italy previously operated by the Flat Carbon business. It acquired a sixth, in Casablanca, Morocco. Downstream activities were expanded 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 raised its holding in Perfilor, its Brazilian profiling company, to 51%.

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.

Arcelor 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 the AM3S markets in 2006. Shipments increased to 14.3 million tonnes, compared with 13.7 million tonnes in 2005. AM3S achieved in 2006 an EBITDA of €384 million (2005: €328 million) and operational results of €316 (2005: €254 million).

Synergies of €115 million expected from the merger of Arcelor and Mittal Steel will mainly be generated from volume growth in Central and Eastern Europe, through the partnership of Mittal Steel mills and Arcelor Service Centres and Distribution network.

The international networks of both companies have been integrated to form a single trading unit, Arcelor Mittal International (AMI). As a result, AMI now has sales offices in all continents with operating hubs in Dubai, Luxembourg, Singapore and Chicago. Restructuring will be fully achieved mid-2007. The goal is to triple selling volumes in 2007, of both specialty and commodity products.

In 2006, AM3S capital expenditure amounted to €96 million, expended on growth projects, on productivity and safety measures. Investments were chosen in accordance with the AM3S strategy to anticipate customer's development and to create growth opportunities.

Outlook

The AM3S strategy will focus on extending the range of services to anticipate customer developments, targeting more value-added products and seeding its business model outside 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.

Business Segment Review

Other activities

Paul Wurth

Paul Wurth is an engineering company offering a comprehensive range of technological solutions, mainly in the primary phase of iron-making.

In 2006, there was a marked upturn in Paul Wurth's activities, its order book reaching a record €720.5 million for the entity, up 49% on 2005. The companies controlled by Paul Wurth S.A. reported sales of €341.6 million in 2006 (up 17% on 2005).

This trend reflects the auspicious increase in capital expenditure in the steelmaking industry the world over. However, the company's improved performance is also the consequence of earlier strategic decisions backed by Arcelor, such as the development of an international network of subsidiaries, the transfer of its manufacturing activities and the acquisition of targeted entities, which were harmoniously integrated into the Paul Wurth group.

Paul Wurth's specialisation in blast furnaces has enabled it to become the world leader in this market. Awarded two key orders for the construction of three complete blast furnace facilities by an established steelmaker in 2006, Paul Wurth has thus confirmed its ability to transform itself from a modest supplier of specialised equipment into a recognised player capable of taking on large-scale projects.

Another key commercial success of the year was the first-time sale of a Primus® recycling plant to a client in Taiwan not associated with Paul Wurth. This innovative technology, developed by Paul Wurth and implemented on an industrial scale for the first time by Primorec, recycles all iron and steelmaking residues and recovers valuable metallic content.

Alongside its operating activities, Paul Wurth pursued its Research and Development programme to preserve its technological lead in its range of products.

Circuit Foil

Circuit Foil's business in 2006 was marked by a sharp increase in demand on the one hand, and by escalating prices of raw materials on the other. The price of copper has practically doubled over the last two years. After peaking at US$8,800 in May 2006, prices fell back to around US$6,200 per tonne at the year's end. Thanks to sustained demand, this rise in the market was reflected in a much higher average selling price in 2006 than in 2005.

Since Circuit Foil exports three-quarters of its output in the dollar zone to the United States and Asia, the weak dollar weighed heavily on the Group's financial performance and competitiveness, more particularly in Asia.

The industry-wide consolidation trend followed its course. 2006 saw a competitor close down its plant in the United States and an alliance between rolling-mill customers and printed circuit manufacturers, while favourable market conditions fuelled increases in capacity downstream.

This year should see satisfactory growth in the sector, albeit not as high as in 2006.

Industeel

The Industeel Group produces specialised stainless and alloy plates which can reach very heavy weights. It also provides its clients with kits to be assembled into tanks, toothed racks for jack up rigs, chemical tankers, protection kits and hot formed elements.

In 2006, Industeel pursued its partnership strategy by providing niche products to its different markets which are the energy sector (petrol, gas, nuclear, hydraulic), petrochemical industry, de-pollution (FGD), desalination, automotive industry, protection and mining industry.

Industeel produced 377,000 tonnes of specialised plates in 2006, at similar levels to those of previous years. It also delivered 75,000 tonnes of special grade slabs and ingots.

In addition, the Group managed to extend its worldwide sales network (more than 50% of its sales are delivered outside of Europe) and has consolidated its position as world leader in certain specialties, such as cryogenic steel plates, special stainless steel and extra-heavy plates.

Its efforts in R&D allowed it to develop new grades of stainless and mold steel.

In 2006, Industeel invested more than US$30 million, improving its tools and equipment, in order to follow market evolutions. Sales amounted to US$1,443 million, increasing by 15%, and EBITDA reached US$245 million, rising by 60% compared to 2005.

Own Shares

The Ordinary General Meeting of Shareholders held on 29 April 2005 authorised the Board of Directors, in accordance with the conditions established by the Luxembourg law regarding commercial companies ("the Law"), to acquire the company's own shares or to have the shares acquired by other companies of the Group as provided for in Article 49-2 of the Law.

Sales

	31/12/2005	31/12/2006	Change
Arcelor Luxembourg SA	17,142,996	-	-17,142,996
Arcelor France SA	583,001	38,639	-544,362
Arcelor Steel Belgium NV	1,791,811	-	-1,791,811
Arcelor SA	253,488	118,621	-134,867
TOTAL	19,771,296	157,260	-19,614,036

This authorisation replaced a similar authorisation dated 30 April 2004.
The 29 April 2005 authorisation is valid for 18 months, unless renewed before expiry. It allows Arcelor to purchase its own shares at prices of between €10 and €30 per share, provided that the company at no time holds shares equal to more than 10% of its capital as determined by articles 49-2 and 49bis of the Law.

On 28 April 2006, the Ordinary General Meeting of Shareholders has renewed this authorisation to the Board of Directors for a new period of 18 months and for a maximum purchase price of €55 per share.

On 27 April 2007, a proposal will be made to the Ordinary General Meeting of Shareholders to renew the authorisation given on 28 April 2006 with specific terms and conditions.

At 31 December 2006, Arcelor SA directly owned 118,621 of its own shares.

At 31 December 2006, the Arcelor group held 157,260 of its own shares, representing 0.02% of the total number of shares in issue and book value of €786,300. Voting rights are suspended on all the 157,260 shares owned by the Group.

During the 2006 financial year, the Group executed the following transactions in relation to its own shares:

Purchases

- 113,155 shares purchased as part of the stock options plan of Arcelor France at an average price of €40.54.
- 2,069,529 shares purchased in the frame of liquidity contracts at an average price of €29.46.

Sales

- 2,798,320 shares delivered by Arcelor S.A. to employees, as part of the A.E.S.O.P.E. share ownership plan of which 2,198,865 subscribed at €25.30 and 599,455 delivered for free.
- 4,495,683 shares delivered as part of the stock option plans of which 969,950 delivered by Arcelor France S.A. at a price of €15.24 and 3,525,733 delivered by Arcelor S.A. at prices ranging between €9.67 and €17.17.
- 11,954,087 shares delivered by Arcelor S.A. following the conversion of convertible bonds O.C.E.A.N.E. 2017.

Consequently, the Group acquired 2,069,529 own shares in 2006 representing total book value of 10,347,645 and 0.3% of its subscribed capital at 31 December 2006. It also sold 21,683,565 own shares in 2006, representing total book value of 108,417,825 and 3.2% of its subscribed capital at 31 December 2006. Overall, therefore, it sold a net 19,614,036 own shares, representing book value of €98,070,180 and 2.93% of its subscribed capital as of 31 December 2006.

Sustainable Development

Arcelor respects high standards in Sustainable Development and is committed to responsible practice in environment and energy use. Sustainable Development is guided by the Group Management Board and implemented by a Sustainable Development Division.

Climate change, CO_2 emissions and other environmental impacts of industrial activity are global issues. Arcelor research is geared specifically towards the Group's environmental policy: reduced consumption of energy and raw materials, less polluting discharges from plants and development of products that comply with future environmental standards.

In 2006, the Group continued to implement its environmental policy; almost all operations are accredited ISO 14001 and Arcelor is committed to achieving 100% certification to all production facilities.

Arcelor is taking part in various projects regarding environmental issues, including the ULCOS (Ultra Low CO_2 Steelmaking) project amongst others. It aims at drastically reducing CO_2 emissions, and other greenhouse gases.

With regards to innovation, the company is at the forefront of industry thanks to a programme of R&D, including thirteen major research centres in Europe, US and Canada, and thanks to 1,200 researchers.

Arcelor is member of the European Steel Technology Platform, created in 2004. This platform is focused on identifying ways to boost research and innovation and developing new and cleaner processing methods.

Arcelor is committed to Health and Safety, which is a priority at all times. Indeed, Health and Safety days were organised on 29 March 2006 and on 6 March 2007, in order to increase awareness amongst all employees.

For the second year in a row, Arcelor was listed in the Global 100 Most Sustainable Company in the World, in February 2006.

Outlook

The latest IISI Short Range Outlook finalised on Friday 2 March forecasts a slowing of global steel demand growth from 8.5% in 2006 to 5.9% in 2007, but rebounding to 6.1% in 2008. Asia, from being the weakest region in terms of Apparent Steel Use (ASU) growth in 2006 becomes the strongest this year with Chinese consumption rising 13% as inventories are re-stocked. World growth excluding China will fall to only 2.5% this year, down significantly from over 8% in 2006 but an improvement on the 0.4% decline recorded in the 2005 downturn.

After an almost 12% increase in 2006, the US apparent steel use is expected to fall by 4.4% in 2007 as high steel service centre stocks and weak demand force cuts in inventories in the first half of the year. Steel demand in Mexico will continue to rise this year, while demand in Canada is expected to follow the US and decline by 3% in 2007.

Despite a very strong ASU growth of over 11% in the EU 27 last year, the forecast is for continued expansion of 1.5% in 2007 with EU 15 demand estimated to grow by 0.7% given the strength of EU manufacturing over the short-term.

Growth in Asian ASU is expected to accelerate in 2007 after growing below the global average in 2006 as low growth in Japan and falling demand in Thailand, Singapore and Indonesia meant ASU grew by only 6.2% across the region. However, in all three countries, ASU growth is forecast to rebound this year, coupled with accelerating market supply in both China and India growth in ASU of 9.3% is anticipated.

Apparent Steel Use, IISI Spring 07 Forecast

	2006		2007		2008	
	mn tonnes	% Change	mn tonnes	% Change	mn tonnes	% Change
EU 15	156	10.2 %	157	0.7 %	159	1.3 %
EU 27	185	11.2 %	187	1.5 %	191	1.9 %
Russia	36	18.4 %	39	7.1 %	42	7.5 %
CIS	48	12.9 %	51	6.1 %	54	6.0 %
US	120	11.7 %	114	-4.4 %	119	3.8 %
NAFTA	155	11.1 %	150	-3.1 %	157	4.3 %
Brazil	19	10.2 %	20	6.5 %	21	6.9 %
South America	36	11.7 %	38	6.1 %	40	6.0 %
Africa	22	9.7 %	23	6.9 %	25	7.8 %
Middle East	37	10.3 %	40	9.1 %	44	8.4 %
China	356	9.0 %	403	13.0 %	443	10.0 %
India	43	9.9 %	48	10.2 %	53	11.2 %
Japan	79	1.3 %	80	1.3 %	80	0.1 %
Asia	595	6.2 %	650	9.3 %	700	7.6 %
World (*)	1113	8.5 %	1179	5.9 %	1251	6.1 %
World ex China	757	8.3 %	776	2.5 %	808	4.1 %

(*) Includes Other Europe and Oceania not tabulated

Post-balance Sheet Events

On 26 January 2006, Mittal Steel and ThyssenKrupp AG entered into letter agreement which provided that if Mittal Steel was successful in its tender offer for Arcelor and was able to exert management control "with the ability to sell Dofasco," Mittal Steel would cause Arcelor to sell Dofasco to ThyssenKrupp.

During March and April 2006, Arcelor acquired 100% of the shares of Dofasco. On 3 April 2006, Arcelor transferred 89% of the shares of Dofasco to the Strategic Steel Stichting ("S3"), an independent Dutch foundation, thereby removing Arcelor's ability to sell or otherwise dispose of such shares without S3's consent.

On 25 June 2006, Mittal Steel and Arcelor agreed to the terms of a recommended offer, pursuant to which Mittal Steel has acquired approximately 94% of the share capital of Arcelor.

On 1 August 2006, the U.S. Department of Justice (the "DOJ") required with a consent decree the divestiture of Dofasco or, if Mittal Steel were unable to sell Dofasco, the divestiture of either Mittal Steel's Sparrows Point Facility in Maryland or Mittal Steel's Weirton facility in West Virginia. The consent decree provided that the DOJ in its sole discretion would choose which plant would be sold. It was stipulated that Dofasco would be maintained as a separate business, independent of the other businesses of Mittal Steel and Arcelor, until Dofasco was divested or the DOJ made its selection of the alternative plant to be divested.

After the consent decree was filed in court, the Boards of both Mittal Steel and Arcelor requested the directors of S3 to dissolve the foundation in order to allow the sale of Dofasco. On 10 November 2006, however, S3's directors unanimously decided not to dissolve the foundation and to retain the Dofasco shares, thereby continuing to prevent their sale.

On 22 December 2006, ThyssenKrupp initiated summary legal proceedings against Mittal Steel in the District Court in Rotterdam alleging that Mittal Steel had breached the letter agreement by failing to cause Arcelor to initiate litigation against S3 to force S3 to transfer the Dofasco shares to Arcelor so as to permit their sale to ThyssenKrupp. On 23 January 2007, the District Court in Rotterdam denied ThyssenKrupp's petition for an order.

On 20 February 2007, the DOJ informed Mittal Steel that the DOJ has selected the Sparrows Point steel mill located near Baltimore, Maryland for divestiture under the consent decree filed by the DOJ in August 2006. According to the decree, any such divestiture must take place within ninety days from 20 February 2007, subject to possible extensions by the Department of Justice.

On 25 September 2006, the Comissão de Valores Mobiliários (the "CVM"), the Brazilian securities regulator, ruled that, as a result of Mittal Steel's acquisition of Arcelor, Mittal Steel was required to carry out a public offer to acquire all the outstanding shares in Arcelor Brasil not owned by Arcelor or any other affiliate of Mittal Steel. Arcelor Brasil is a majority owned subsidiary of Arcelor.

On 26 October 2006, Mittal Steel filed with the CVM a request for registration with respect to such an offer, and filed an amended request on 11 January 2007. As per the amended request for registration filed by Mittal Steel, the value to be offered per Arcelor Brasil share is €12.12 (which may be accepted in the form of cash or a mixture of cash and shares, at the option of the holder), for a total value of approximately €2.6 billion for all Arcelor Brasil shares.

On 12 February 2007, the CVM issued a letter stating that, according to the CVM's interpretation of the applicable rules, the value Mittal Steel should offer per Arcelor Brasil share should be €4.57 in cash and 0.3942 Arcelor Mittal common shares, subject to a number of adjustments.

Additional Information About Arcelor S.A.

Arcelor S.A., a company incorporated under Luxembourg law, is the parent company of the Arcelor Group. Arcelor generated earnings of 3,964 million euros.

The General Meeting of Shareholders to be held on 27 April 2007 will be asked to approve the distribution of a gross dividend of €1.00 per share with respect to 2006, compared with €1.20 per share for 2005.

In case of change of control or merger following a takeover bid, the company has undertaken to retain certain of its employees for a specific period of time depending on their position in the Group, except in case of gross negligence. Neither of such employees is a member of the Board of Directors or of the Group Management Board.

The company has inter alia undertaken not to change the position, the functions or the scope of responsibility of the employees concerned, without their prior agreement.

In case within the applicable period and following a change of control, the company breaches these undertakings or the relevant employee resigns, he will be entitled to a global and fixed indemnity payment.

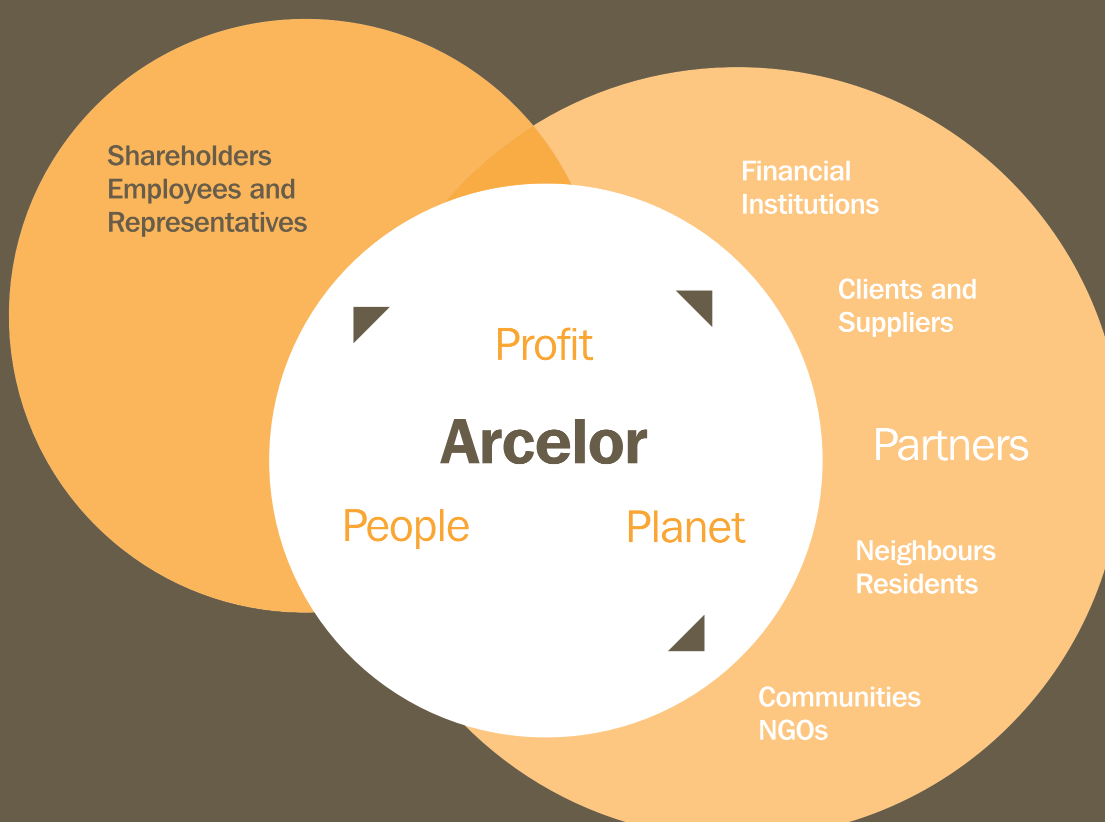
The maximum amount of the company's obligations hereunder is twenty million euros.

Arcelor Sustainable Development Strategy

"Development that meets the needs of the present without compromising the ability of future generations to meet their own needs" the Bruntland report (1987)

Arcelor's sustainable development strategy is fully compliant with this definition of sustainable development. Arcelor's management team has customised this definition, based on the 4 Ps: *Profit*, without it there is no development; *People*, it is the men and women who make the company; *Planet*, the preservation of the environment is a priority for any responsible company; and *Partners*, it is the creation of value for all partners that will ensure Arcelor's long-term success.

Arcelor's sustainable development strategy



Arcelor has developed eight priority areas of actions based on the 4 Ps:

1. Profitable growth through producing and marketing steel products;
2. Management of risk and safety, including the safety of products and employees health;
3. Protection of the environment and preservation of scarce resources;
4. Open dialogue with all partners;
5. Skills development around common values of quality and efficiency;
6. Innovation to create value and support sustainable development;
7. Strict compliance with corporate governance rules;
8. Responsible citizenship.

During the merger between Arcelor and Mittal Steel that led to the creation of Arcelor Mittal, the sustainable development and social model of Arcelor was maintained by the new Group's Management Board and has been applied to the whole portfolio.

Arcelor's commitments

Arcelor's sustainable development approach is based on various commitments and charters, which define the Group's missions and values and those of its entities, along with the obligations of each employee. Arcelor applies sustainable development standards in all countries in which it operates.

2002
- Definition of the Arcelor Environmental Policy
- Adoption of the Arcelor Health and Safety charter

2003
- Signature of the United Nations Global Compact
- Adoption of the Arcelor Principles of Responsibility, based on the United Nations Global Compact
- Update of Arcelor's General Purchasing Terms and Conditions, with the inclusion of clauses concerning the compliance of Group suppliers and subcontractors with the United Nations Global Compact and Arcelor's sustainable development principles

2004
- Definition of the Panhealth Policy

2005
- Adoption of the Arcelor Code of Ethics
- Signature of a Worldwide Agreement on Principles of Corporate Social Responsibility with the International Metalworkers' Federation (IMF) and the European Metalworkers' Federation (EMF), covering Arcelor's social and sustainable development principles
- Signature of a strategic partnership in China with the United Nations Development Programme (UNDP) to promote energy efficiency and environmental protection.

Giving sustainable development responsibility to all staff

Giving each Arcelor employee responsibility for sustainable development is central to the policy adopted by Arcelor's Management Board. Sustainable development must enable employees worldwide to apply best practice in the economic, employee-relations, environmental and social fields, and enable Group entities to share the same procedures and standards.

Sustainable development is guided by the Group's Management Board and implemented by a Sustainable Development Division. This Division works in close collaboration with all Group functions and departments, including the Group Management Board, Finance, Investor Relations, Environment, Health and Safety, Business Risk Control, Human Resources, Innovation and Research, Procurement, Communication, General Secretariat, Legal and Ethics. The aim of this collaboration is to make sustainable development an integral part of the organisation, information systems, behaviour and objectives of each Arcelor unit.

Each year, quantitative and qualitative targets are set by the Management Board for each component of the Group sustainable development strategy, and progress is monitored by scorecards.

To increase the awareness and involvement of all staff, there is a strong emphasis on sustainable development in the training provided by Arcelor University, in the Group's sector and trade conventions, on the intranet, in internal newsletters, and in the programme of site visits by the Management Board.

Arcelor Sustainable Development Strategy

Both the European Union and United Nations aim to ensure a high level of protection for human health and the environment. Arcelor views this globally-shared intention as an opportunity, since it corresponds with its commitment to making safe products.

THE GLOBAL COMPACT

Arcelor and the United Nations Global Compact

Arcelor joined 2,500 companies around the world by signing the United Nations Global Compact in September 2003.

The Global Compact (www.unglobalcompact.org) was launched in 2000 by the UN Secretary-General. It aims to incorporate a set of fundamental values relating to the Universal Declaration of Human Rights, international labour standards, environmental protection and the fight against corrupted business practices.

Signatory companies commit individually to applying the Global Compact's ten principles and to promoting their diffusion among all stakeholders.

Human rights

Principle 1: Business should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: The elimination of all forms of forced and compulsory labour;

Principle 5: The effective abolition of child labour; and

Principle 6: The elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Business should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Business should work against all forms of corruption, including extortion and bribery.

Arcelor's sustainable development strategy and Principles of Responsibility are fully in line with the Global Compact's ten principles. Arcelor's eight sustainable development principles, defined by the Group, reflect its determination to reconcile its economic (*Profit*), social (*People*) and environmental (*Planet*) strategies, for the greater good of all its *Partners*.

A key aspect of Arcelor's commitment to the Global Compact is the promotion of the ten principles among the Group's subcontractors and suppliers. In 2004, the Arcelor Purchasing Division introduced a set of elementary obligations for suppliers concerning human rights, labour standards and environmental protection. The Sustainable Purchasing programme now allows Arcelor's Purchasing Division to evaluate suppliers using a scorecard that checks compliance with each of Arcelor's commitments and values in terms of sustainable development and of the Global Compact.

To support the adoption of the tenth Global Compact principle, Arcelor adopted a Code of Ethics in 2005. This Code defines the behaviour required of each Group employee, in particular with regard to combating corruption (alongside its Principles of Responsibility), and an early warning / whistleblowing procedure.

Arcelor Sustainable Development Indicators

Sustainable development is at the core of Arcelor Mittal strategy, and several indicators facilitate the measurement of performance in terms of sustainable growth, health and safety, environment, dialogue with stakeholders, skill development and common values, innovation, corporate governance, and responsible citizenship.

However, due to the recent merger between Arcelor and Mittal Steel, indicators are currently being revised, in order to achieve a new system, common to the new Group. These indicators should be released later in the year.

Sustainable development is at the core of Arcelor – and now Arcelor Mittal's – strategy, and several indicators facilitate the measurement of performance in terms of sustainable growth, health and safety, environment, dialogue with stakeholders, skill development and common values, innovation, corporate governance, and responsible citizenship.

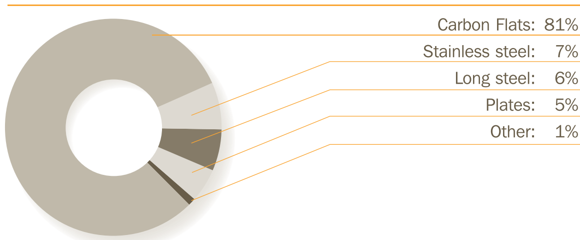
Research and Development

Arcelor has always considered innovation a core business activity. Also, Research and Development (R&D) will play a key role in Arcelor Mittal's strategy to lead innovation in the world of steel.

147 million euros

Research and Development investment made by Arcelor Mittal in 2006.

Global R&D budget allocation



Carbon Flats benefited most from the R&D budget with 81% of the global budget allocated in this area. The remaining 19% was almost equally utilised for Stainless steel, Long steel and Plates.

Arcelor Mittal employs 1,200 researchers in 13 research centres around the world. In 2006, €147 million were spent on research. Two-thirds of this amount was focused on developing new products and solutions for the new Group's customers.

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 an 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 to widen the product range throughout the world.

Process research in 2006 focused on:

- the modelling of the Group's processes from raw materials and energy to finished products to improve industrial performance;
- improving recycling of by-products such as sludge, dust and steel slag, as well as the recovery of expensive zinc;
- the use of ground tyres as a carbon additive in electric furnaces;
- 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.

The automotive industry constantly seeks to reduce cost, improve passive safety, reduce vehicle weight and increase durability through better corrosion resistance. The combined automotive R&D efforts of the Group have achieved a number of advances in:

- high strength and high deformability steels, which have been improved and extended through Dual Phase, TRIP (Transformation Induced Plasticity) and hot stamping steels. Major research has been carried out on new metallurgical concepts, carbon steels and stainless steels, developing marketing steels with very high elasticity and plasticity, capable of the very high energy absorptions necessary for crash test qualification;
- corrosion resistance, where the first tests of ultra high surface quality zinc coating by hot galvanizing for use on visible parts have aroused considerable customer interest;
- the field of mufflers, where R&D has been working with Ugine & ALZ 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.

R&D leadership for Industrial Applications

Flat Carbon Steel

- With the launch of HFE (High Forming Environment) Easyfilm for hot rolling. HFE simplifies the customer's forming process and almost completely reduces the consumption of stamping oil, thereby improving safety;
- Reaching a production of 1 million tonnes of coated galvanized steel using E-passivation. This treatment eliminates the use of chromates and contributes to environmental protection;
- Achievement of gas cylinder weight reductions of about 50% in 2006, through the design of steel solutions using Dual Phase steel. These weight-reductions improved the competitiveness of steel as a material compared to other composites used for this application.

Electrical steel

Acesita developed a new range of magnetic steels, including the 0.23 mm-thick grain-oriented grade GO M3, and non-grain oriented E 100 (M230-50), with improved magnetic properties at saturation, improved thermal conductivity and magnetic permeability. These products improve the efficiency of transformers and electric motors, thus contributing to energy saving.

Special Plates

R&D efforts in the field of special stainless steel plates concentrated on the development of new Duplex grades with improved weldability, as well as the extension of the Duplex range towards grades with even better corrosion resistance (hyperduplex) and towards economic grades (Lean Duplex) that will have to compete with standard 304 and 316 type grades.

In the field of special alloyed steel plates, practical results were achieved in three different market sectors:

- The refining and petrochemical market needs to invest heavily in more reliable installations in order to meet strong demand for refined oil products. Steel grades with 2% of Chromium-Vanadium with higher strength properties developed during recent years have satisfied new requirements for thick plates of up to 280mm;
- The energy and thermal power plants markets are demanding steel with improved performance at high temperatures for energy efficiency reasons. R&D is now focused on delivering solutions using grades with 9% Cr–W with even higher performance within three to five years;
- In the plastic injection moulding market, where Industeel is the world leader, R&D has continued its efforts to broaden the range towards high grade steels with better machinability and polishability.

Stainless Steel

An enlarged product offer has been carried out in 2006 with the development of a new ferritic grade with 20% chromium and corrosion resistance equivalent to AISI 304.

Other grades have been developed:

- austenitic with fewer nickel content;
- ferritic; and
- martensitic grades, with 13% chromium and improved mechanical properties.

This larger product offer enables new applications such as structure parts for trucks, buses and construction, and deep-drawn parts.

Construction

For Flat Carbon steel, significant progress was made in 2006 in manufacturing processes for coils with solvent-free organic coating. Industrial tests in 2007 should validate this green process.

The first commercial applications of the Physical Vapor Deposition project were made using the Arceo industrial line. A range of reflecting products, to substitute aluminium in lighting, and coloured stainless steel for use in architectural applications, was developed in 2006. Ongoing developments suggest this technology is very promising and should lead to innovative functions of surfaces and anti-corrosion coatings with exceptional properties.

Civil Engineering

Positive tests on the Roxan® sheet pile water tightness system developed for the Venice lagoon rehabilitation project have confirmed better behaviour than competing solutions. Aid with design (in forecasting the long-term corrosion behaviour of sheet pile walls) and installation support confirmed Arcelor Mittal's leadership in the sheet pile business.

Partnerships

The Group's expanded size has helped to increase the number of research partnerships in which it is involved. Partnerships with world-class scientific and technical universities have been extended and contractual relationships strengthened. Common research work on projects dealing with automotive steel and manufacturing processes through the Global Strategic Alliance with Nippon Steel has continued.

Human Resources and Skills Development

Developing the skills of all personnel is key to Arcelor Mittal's industrial and sales performance. Local training policies tailored to specific needs and opportunities are implemented everywhere in the Group.

The primary focus of Human Resources (HR) is talent management. Harnessing and developing the skills of its 320,000 employees is an integral part of the Arcelor Mittal vision. Enabling employees at all levels to contribute to the best of their ability is a duty of any good employer.

In the case of the steel industry, there is an added incentive to identify and encourage talent from within. With its difficult history, the industry finds itself with a shortage of leaders at both executive and general management levels. Demographic trends suggest all industries will find it harder to find and keep top management talent in the coming years. Along with many international companies, there is huge competition to develop and attract talented people with multi-country experience. 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.

Arcelor social model – Compliance with main international principles

Observance of the Universal Declaration of Human Rights and the ILO (International Labour Organisation) declaration of principles and fundamental rights is at the heart of Arcelor's Principles of Responsibility. The company intends to promote the wellbeing of its employees, respect the cultural diversity of its teams, and reject all forms of discrimination. This commitment can be seen through Arcelor's signing of the United Nations Global Compact. In 2005, Arcelor also signed a Worldwide Agreement on Principles of Corporate Social Responsibility with the International Metalworkers' Federation (IMF), European Metalworkers' Federation (EMF) and the European Federation of Managers in the Steel Industry (FEDEM).

These agreements demonstrate Arcelor's commitment to applying high social standards in all its operations. It is an official statement of Arcelor's commitment to fundamental employee rights, such as freedom of choice of work (no forced or compulsory work), non-discrimination, banning of child labour, freedom of association and the right to collective bargaining. This agreement is applicable to all Arcelor subsidiaries. In addition, Arcelor encourages its commercial partners (subcontractors and suppliers) to comply with the principles of this agreement.

Multiculturalism is an everyday fact in the Group, with no less than 60 nationalities represented. The mobility cells operating at Group level and the job listings on the Arcelor intranet promote cultural mixing and experience-sharing within the various Group entities.

Skills development

Developing the skills of all personnel is fundamental to Arcelor's industrial and sales performance. Local training policies tailored to specific needs and opportunities are implemented everywhere in the company. Needs are defined on the basis of industrial and commercial projects, as well as on personnel expectations as they emerge, for example, in personal interviews.

Skills development is increasingly tied to the deployment of best practice within the company. It is not only a question of training. It also depends on work organisation, with the implementation of independent teams and greater responsibilities for each person at every level.

Skills development also produces staff that are better qualified and more adaptable. These attributes are very valuable in preparing them for career progression and mobility within a Group that is expanding internationally.

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 practice;
- Allow themselves to be intellectually stretched and challenged;
- Develop a 'bottom-up' flow of ideas – so proposals for changes 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 ranges from the 'Open Your Steel', 'Young Managers' and 'Young Operations Managers' programmes traditionally run by the former Arcelor University to more advanced modules on change management and strategic marketing. The distance learning courses will be used to help introduce new technologies rapidly and effectively.

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. Enabling employees at all levels to contribute to the best of their ability is a duty of any good employer.

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 board, it is designed to accelerate leadership development and capability, engage employees in career planning, and strengthen the Group's position as an employer of choice.

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

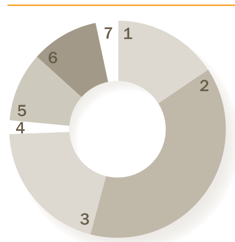
As part of the process of encouraging mobility, Arcelor Mittal is committed to making its internal job market as transparent as possible. A preliminary Intranet site – Job Offers for Managers – was launched in December 2006. It allows anyone within the new perimeter of the Group to apply for a vacancy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

Arcelor – geographic breakdown of workforce in 2006

Headcount	2006	%
European Union (EU 25)	69,335	67
North America (*)	12,346	12
South America	20,920	20
Other	1,334	1
TOTAL	103,935	100

(*) including Mexico

Arcelor 2006 employees by segment



1. Flat Carbon Americas	16,366
2. Flat Carbon Europe	39,970
3. Long Carbon Steel	21,148
4. Africa, Asia, CIS	906
5. Stainless	11,790
6. AM3S	10,559
7. Other	3,196

Environment

Steel is the material of choice for environmental protection. Not only is it environmentally friendly, but it also outperforms other materials in terms of recyclability.

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 must manage the environment with a management system: 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.

Arcelor develops, produces and sells steel in all its various forms and grades, along with processed steel products and associated products, to the satisfaction of its customers, while respecting the environment. It aims to add value by harnessing the intrinsic properties of steel.

Steel is the material of choice for environmental protection. Not only is it environmentally friendly, but also it outperforms other materials in terms of recyclability. Environmental excellence is promoted by implementing key sustainable, energy efficient, environmental and social responsibility principles.

Awareness and commitment to these principles is a priority at all levels of the company, and is communicated in a transparent way to all stakeholders.

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.

The Group's production sites are implementing a growing number of projects to improve the process for producing steel from iron ore, in order to reduce CO_2 emissions.

Arcelor Mittal is in favour of decreasing greenhouse gas emissions, in compliance with the principles of the Kyoto Protocol. In the long-term, only a global approach to reducing greenhouse gas emissions will allow the reductions requested by the scientific community to be obtained while ensuring the continued existence of the European steel industry.

A global CO_2 database is being established, to set up worldwide Arcelor Mittal CO_2 emission accounting. A process of identifying projects and experts to boost clean development mechanisms and joint implementation initiatives throughout the Group is underway, and common development strategies and guidelines are also being established. To create a network of experts worldwide, the Environment Department organised its first Knowledge Management Programme on environment from March 28 to 30, 2007.

The future of the steel industry will hinge on its capacity to change its processes – in particular those for producing iron from ore – to reduce CO_2 emissions significantly and meet the expectations of society in 2030-2050.

Since its creation, Arcelor has set up a think-tank as part of an ambitious project to develop breakthrough technologies. This project is coordinated by the International Iron and Steel Institute (IISI) and is based on regional initiatives. In Europe, Arcelor Mittal heads the ULCOS (Ultra Low CO_2 Steelmaking) project, which brings together around 48 partners, consisting of: companies, research centres and universities. ULCOS aims to find new production processes that drastically reduce emissions of CO_2 and other greenhouse gases. It is evaluating all feasible techniques such as gas recycling in blast furnaces, the use of hydrogen and biomass, and ways for separating and storing CO_2 in suitable geological structures. The second phase of the ULCOS programme has started, with five technologies being selected for experimentation.

Steel is different from other materials: it is not only the most recycled material in the world, with collection rates of up to 90% depending on usage (for example food packaging and beverage cans), but can also, once collected, be indefinitely recycled. The use of lighter steel in car manufacturing means that fuel consumption and polluting emissions can be lowered and also means there are dry construction sites.

Arcelor Sustainable Development: Key Environment Performance Indicators

		2003	2004	2005	2006
Air Pollution	Ducted dust (kg/tonne steel)	0.27	0.25	0.27	0.25
Air Pollution	SO_2 Emissions (kg/tonne steel)	1.05	1.17	1.17	1.18
Air Pollution	NOx Emissions (kg/tonne steel)	1.16	1.11	1.14	1.08
Air Pollution	CO_2 Emissions (t/t steel)	1.50	1.55	1.56	1.59
Water	Water discharge (outflow) (m^3/tonne steel)	4.15	3.74	5.89	5.54
Water Quality	Chemical oxygen demand COD (g/tonne steel)	190	190	179	138
Water Quality	Suspended matter (g/tonne steel)	118	93	155	150
Residues	Residues eliminated through discharge or incineration (kg/tonne steel)	42.6	31.6	32.0	30.8
Residues	Stored residues (kg/tonne steel)	46.8	33.5	33.5	46.9

Health and Safety

The Arcelor Mittal ambition is to become a world class leader in the management of Health and Safety for all its partners.

Health and Safety (H&S) is a key priority for Arcelor Mittal. The H&S department advises and assists the Group Management Board and the various business units to maintain a safe and healthy workplace. From the first days of the integration phase between Arcelor and Mittal Steel, a unique H&S model has been implemented across the whole organisation, which enables to define and follow-up targets and results of the various business units.

In order to raise awareness of H&S issues amongst the 320,000 employees, Arcelor Mittal decided to organise a worldwide Health and Safety day on 6 March 2007, with the help of employee representatives. Arcelor Mittal puts their people before the job and understands the cycle between work and home, and how they affect each other. The principle is to generate a worldwide mobilisation day of the Group's entire workforce, including subcontractors, on the topic of H&S. This event allowed to focus on H&S and to point out priorities given by the action plans in place, both corporate and local, to provide renewed focus for H&S, and to stimulate collaboration and sharing of know-how and best practices.

A strong commitment to Health and Safety

Arcelor has drawn up a Safety Charter that applies to all consolidated companies. It covers the fields of Health, Safety, Industrial Security and Product Safety, and concerns not only Group personnel, but also subcontractors working on sites, persons living near facilities, customer personnel working with Arcelor products, and consumers. The staff representative bodies that co-signed this charter are closely involved in its distribution and implementation among both Arcelor and subcontractor staff.

Arcelor Mittal is committed to the sustainable development of steel in a socially responsible way. This global concern includes all aspects of human life and extends beyond the boundaries of the company.

Wearing seatbelts

In 2005, Arcelor made wearing seatbelts and harnesses a priority. The simple act of fastening a belt or putting on a harness can save lives, and must become second nature.

The wearing of seatbelts is required of all staff, inside and outside plants. Awareness-raising and poster campaigns, along with seatbelt checks within sites and at site exits, were introduced across all sites in 2005.

At the same time, initiatives to raise awareness about the wearing of safety harnesses were introduced in production plants, and specific Group-wide charters were drawn up in 2005. The aim was to reduce the number of falls, which are responsible for a third of all fatal accidents within the Group.

Safety of production facilities

The safety teams are extremely focused at all sites. A precise inventory of all persons involved in crisis management has been drawn up. This allows each person to be mobilised and to coordinate their actions in the event of a serious accident. Precise directives have been published to manage crisis communication, and to support Arcelor Mittal University in teaching all site managers how to set up a crisis centre and build a multi-skilled team to handle a crisis.

Product safety

Steel does not constitute a health hazard. It does not emit hazardous, volatile or allergenic substances. It does not have its own electric or magnetic field, and some treatments even make it fit for food use. Unlike other competing materials, steel – and more particularly its main component of iron – is officially recognised by the European Commission as being environmentally friendly, i.e. not constituting a particular threat to the environment in any form (iron, soluble or insoluble oxides and salts).

Financial and Legal Information

Arcelor has entered a new stage of growth and consolidation by merging with Mittal Steel, which created the global leader in the steel industry. The new Group is well-positioned to forge the ultimate phase of consolidation for more sustainability.

Consolidated Financial Statements

Annual Accounts – Arcelor S.A.

Consolidated Financial Statements

Consolidated Income Statement

(Amounts in EUR million, unless otherwise stated)

In EUR million	2006	2005*
Revenue (Note 28)	**40,611**	**32,611**
Other operating income	760	707
Own work capitalised and increase and decrease in finished and unfinished goods	81	352
Cost of raw materials and goods for resale	- 22,692	- 15,991
Other external expenses	- 6,648	- 6,761
Staff costs (Note 22)	- 5,418	- 4,858
Impairment, depreciation and amortisation expenses	- 1,460	- 1,294
Negative goodwill	11	29
Other operating expenses	- 791	- 378
Operating result (Note 28)	**4,454**	**4,417**
Net financing costs (Note 23)	- 696	- 254
Share of profit in companies accounted for using the equity method (Note 6)	363	317
PROFIT BEFORE TAX	**4,121**	**4,480**
Tax expense (Note 24)	- 462	- 175
PROFIT FOR THE YEAR	**3,659**	**4,305**
Net profit – Group share	3,007	3,873
Net profit – Minority interest	652	432
Earnings per share in EUR (Note 15)		
– basic	4.71	6.31
– diluted	4.71	5.94

(*) To facilitate meaningful year–on–year comparisons, 2005 figures have been adjusted to account for revised accounting policies (see note 1).

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

Consolidated Financial Statements
Consolidated Balance Sheet
(Amounts in EUR million, unless otherwise stated)

Assets

In EUR million, as at 31 December	2006	2005*
Non-current assets		
Intangible assets (Note 4)	1,634	193
Property, plant and equipment (Note 5)	16,770	13,767
Investments accounted for using the equity method (Note 6)	1,793	1,415
Other investments and financial assets available for sale (Note 7)	658	653
Receivables and other financial assets (Note 8)	1,132	739
Deferred tax assets (Note 24)	1,327	1,378
TOTAL NON-CURRENT ASSETS	**23,314**	**18,145**
Current assets		
Inventories (Note 9)	9,084	7,580
Trade receivables (Note 10)	4,712	3,716
Current tax assets	183	268
Other receivables (Note 11)	4,936	1,510
Cash and cash equivalents (Note 12)	2,345	4,645
Assets classified as held for sale (Note 13)	265	-
TOTAL CURRENT ASSETS	**21,525**	**17,719**
TOTAL ASSETS	**44,839**	**35,864**

(*) To facilitate meaningful year–on–year comparisons, 2005 figures have been adjusted to account for revised accounting policies (see note 1).

Consolidated Financial Statements
Consolidated Balance Sheet continued
(Amounts in EUR million, unless otherwise stated)

Equity and Liabilities

In EUR million, as at 31 December	2006	2005*
Shareholders' equity		
Subscribed capital	3,349	3,199
Share premium	5,819	5,397
Consolidated reserves	10,681	6,163
Translation reserve	- 659	149
Equity attributable to equity holders of the parent (Note 14)	**19,190**	**14,908**
Minority interest (Note 16)	**2,896**	**2,522**
TOTAL EQUITY	**22,086**	**17,430**
Non-current liabilities		
Interest-bearing liabilities (Note 17)	5,553	4,341
Employee benefits (Note 18)	2,438	1,617
Provisions for termination benefits (Note 19)	762	852
Other long-term provisions (Note 20)	972	943
Deferred tax liabilities (Note 24)	1,124	537
Other liabilities	72	140
TOTAL NON-CURRENT LIABILITIES	**10,921**	**8,430**
Current liabilities		
Trade payables	6,128	5,228
Interest-bearing liabilities (Note 17)	1,757	1,623
Tax payable	195	312
Other amounts payable (Note 21)	3,374	2,567
Provisions for termination benefits (Note 19)	11	30
Other provisions (Note 20)	289	244
Liabilities classified as held for sale (Note 13)	78	-
TOTAL CURRENT LIABILITIES	**11,832**	**10,004**
TOTAL EQUITY AND LIABILITIES	**44,839**	**35,864**

(*) To facilitate meaningful year–on–year comparisons, 2005 figures have been adjusted to account for revised accounting policies (see note 1).

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

Consolidated Financial Statements
Consolidated Statement of Cash Flows
(Amounts in EUR million, unless otherwise stated)

In EUR million	2006	2005*
Operating activities		
Profit for the year after tax	3,659	4,305
Profit of companies accounted for using the equity method, net of dividends	- 244	- 222
Amortisation, depreciation, impairment and negative goodwill	1,449	1,265
Net movement in provisions	- 25	- 148
Net profit on disposal of assets	- 241	- 63
Dividends received	70	51
Changes in working capital	- 186	- 615
Other items	- 202	- 109
CASH FLOWS FROM OPERATING ACTIVITIES **	**4,280**	**4,464**
Investing activities		
Acquisition of tangible and intangible assets	- 2,298	- 2,070
Acquisition of subsidiary companies, net of cash acquired (Note 3)	- 4,102	57
Acquisition of financial fixed assets	- 330	- 331
Disposal of tangible and intangible assets	348	82
Disposal of subsidiary companies, net of cash disposed of (Note 3)	151	331
Disposal of financial fixed assets	150	120
Proceeds and repayment of loans	- 188	205
CASH FLOWS FROM INVESTING ACTIVITIES	**- 6,269**	**- 1,606**
Financing activities		
Other net contributions to shareholders’ equity	8	12
Dividends paid	- 1,473	- 560
Proceeds from borrowings	7,158	499
Repayment of borrowings	- 6,384	- 2,086
Repayment of pension funds	-	- 254
CASH FLOWS FROM FINANCING ACTIVITIES	**- 691**	**- 2,389**
Effect of exchange rate fluctuations on cash held	380	133
Net increase in cash and cash equivalents	**- 2,300**	**602**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**4,645**	**4,043**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**2,345**	**4,645**

(*) To facilitate meaningful year–on–year comparisons, 2005 figures have been adjusted to account for revised accounting policies (see note 1).

(**) Including taxes paid in an amount of EUR 482 million (2005: EUR 405 million) and net interest paid in an amount of EUR 195 million (2005: EUR 107 million).

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Consolidated Statement of Changes in Shareholders' Equity

(Amounts in EUR million, unless otherwise stated)

In EUR million	Subscribed capital Arcelor	Share premium Arcelor	Own shares	Revaluation reserves relating to derivative instruments (Note 25)	Revaluation reserves relating to securities available for sale (Note 7)	Other consolidated reserves	Foreign currency translation	Shareholders' equity – Group share (Note 13)	Share-holders' equity – Minority interest	Total Share-holders' equity
31 December 2004	**3,199**	**5,397**	**- 364**	**28**	**-**	**2,955**	**- 403**	**10,812**	**1,415**	**12,227**
PROFIT AND LOSS										
Profit for the year 2005	-	-	-	-	-	3,846	-	3,846	432	4,278
Cash flow hedging	-	-	-	75	-	-	-	75	-	75
Securities available for sale (Note 7)	-	-	-	-	24	-	-	24	-	24
Foreign exchange differences	-	-	-	-	-	-	552	552	236	788
DISTRIBUTIONS AND TRANSACTIONS WITH SHAREHOLDERS										
Dividends paid	-	-	-	-	-	- 399	-	- 399	- 161	- 560
Acquisition of Acesita	-	-	-	-	-	42	-	42	-	42
Utilisation of and profit on the sale of own shares	-	-	97	-	-	-	-	97	-	97
Cost of equity-settled share-based payments	-	-	-	-	-	4	-	4	-	4
Acquisitions and repurchase of minority interest	-	-	-	-	-	-	-	-	602	602
Other adjustments	-	-	-	-	-	56	-	56	-	56
31 December 2005	**3,199**	**5,397**	**- 267**	**103**	**24**	**6,504**	**149**	**15,109**	**2,524**	**17,633**
Adoption IAS 19 revised	-	-	-	-	-	- 201	-	- 201	- 2	- 203
1 January 2006	**3,199**	**5,397**	**- 267**	**103**	**24**	**6,303**	**149**	**14,908**	**2,522**	**17,430**
PROFIT AND LOSS										
Profit for the year 2006	-	-	-	-	-	3,007	-	3,007	652	3,659
Cash flow hedging (Note 23)	-	-	-	- 119	-	-	-	- 119	-	- 119
Securities available for sale (Note 7)	-	-	-	-	-	-	-	-	4	4
Conversion option O.C.E.A.N.E. 2017 (Note 17)	-	-	-	-	-	326	-	326	-	326
Foreign exchange differences	-	-	-	-	-	-	- 808	- 808	- 97	- 905
DISTRIBUTIONS AND TRANSACTIONS WITH SHAREHOLDERS										
Dividends paid	-	-	-	-	-	- 1,149	-	- 1,149	- 324	- 1,473
Acquisition of Mittal Steel Gandrange (Note 3)	-	-	-	-	-	155	-	155	-	155
Disposal of Arcelor Germany holding and its subsidiaries (Note 3)	-	-	-	-	-	1,980	-	1,980	87	2,067
Utilisation of and profit on the sale of own shares	-	-	265	-	-	41	-	306	-	306
Cost of equity-settled share-based payments	-	-	-	-	-	11	-	11	-	11
Capital increase	150	422	-	-	-	-	-	572	-	572
Acquisitions and repurchase of minority interest	-	-	-	-	-	-	-	-	52	52
Actuarial gains/losses	-	-	-	-	-	-72	-	-72	-	-72
Other adjustments	-	-	-	-	-	73	-	73	-	73
31 DECEMBER 2006	**3,349**	**5,819**	**- 2**	**- 16**	**24**	**10,675**	**- 659**	**19,190**	**2,896**	**22,086**

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

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

(Amounts in EUR million, unless otherwise stated)

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

Pursuant to the Regulation (EC) No 1606/2002 of 19 July 2002, the consolidated financial statements of the Arcelor Group for the year ended 31 December 2006 are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union on 31 December 2006.

The exclusion of certain provisions relating to hedge accounting, pursuant to the adoption of IAS 39 by the European Union, has no impact on the Group's consolidated financial statements.

NOTE 1 – GENERAL

Arcelor S.A. was incorporated under Luxembourg Law on 8 June 2001 in the context of the proposed business combination of Aceralia, Arbed and Usinor; which was completed on 28 February 2002. Mittal Steel Company N.V. has completed the acquisition of Arcelor S.A. on 1 August 2006 and holds 94.24% of the outstanding shares of Arcelor S.A. as at 31 December 2006.

The Arcelor group is included in the consolidated financial statements of Mittal Steel Company N.V., forming the largest body of undertakings of which the Arcelor group forms part. The registered office of the company is located 15th floor, Hofplein 20, 3032 AC Rotterdam The Netherlands and the consolidated accounts are available at this address.

The consolidated financial statements as at 31 December 2006 present the financial position of the Company and of its subsidiaries (hereafter "the Group"), as well as the interests of the Group in associated companies and jointly controlled entities.

The Board of Directors approved the consolidated financial statements as at and for the year ended 31 December 2006 on 21 February 2007 and authorised the publication of said consolidated financial statements on 23 March 2006. These financial statements will not be final until approved at the annual general meeting of shareholders.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the European Union. This implies that the Group makes some estimates and assumptions having an impact on the balance sheet and on the income statement for the period. Changes in facts and circumstances may lead the Group to change these estimates.

To improve disclosure of the gradual externalisation of its pension commitments, the Group recognises, starting from 1 January 2006, actuarial gains and losses immediately to shareholders' equity, in accordance with IAS 19 revised. The recognition of net actuarial gains and losses was previously done applying the corridor policy.

First time adoption of this new accounting policy has led to a transfer of net unrecognised actuarial gains and losses at the end of the year ended 31 December 2005 to shareholders' equity. Impacts on the balance sheet and income statement are as follows:

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

CONSOLIDATED INCOME STATEMENT

In EUR million	2005 as published	IAS 19 revised	2005 restated
Operating result	4,376	41	4,417
of which staff costs	*- 4,899*	*41*	*- 4,858*
PROFIT BEFORE TAX	**4,439**	**41**	**4,480**
Tax expense	- 161	- 14	- 175
PROFIT FOR THE YEAR	**4,278**	**27**	**4,305**
Net profit – Group share	3,846	27	3,873
Net profit – Minority interest	432	-	432
Earnings per share in EUR			
– basic	6.26	-	6.31
– diluted	5.90	-	5.94

CONSOLIDATED BALANCE SHEETS

Assets

In EUR million, as at 31 December	2005 as published	IAS 19 revised	2005 restated
TOTAL NON-CURRENT ASSETS	18,196	- 51	18,145
TOTAL CURRENT ASSETS	17,720	- 1	17,719
TOTAL ASSETS	**35,916**	**- 52**	**35,864**

Equity And Liabilities

In EUR million, as at 31 December	2005 as published	IAS 19 revised	2005 restated
TOTAL SHAREHOLDERS' EQUITY	17,633	- 203	17,430
TOTAL NON-CURRENT LIABILITIES	8,279	151	8,430
of which employee benefits	*1,431*	*186*	*1,617*
of which deferred tax	*571*	*- 35*	*536*
TOTAL CURRENT LIABILITIES	10,004		10,004
TOTAL EQUITY AND LIABILITIES	**35,916**	**- 52**	**35,864**

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

NOTE 2 – ACCOUNTING POLICIES

1) Statement of compliance

The consolidated financial statements are prepared in accordance with international standards on financial information or "International Financial Reporting Standards" ("IFRS") as adopted by the European Union.

2) Presentation of the consolidated financial statements

The consolidated financial statements are prepared in euro ("EUR"), rounded to the nearest million.

The consolidated financial statements of the Group are prepared on the basis of the historical cost convention with the exception of the following assets and liabilities which are stated at their fair values: derivative financial instruments, investments held for trading and investments available for sale. In qualifying fair value relationships, hedged assets and liabilities are stated at their fair value with respect to the risks hedged.

Assets and liabilities held for sale are carried at lower of cost or fair value.

Assets intended to be disposed of or consumed during the Group's normal course of operations, assets held with a view to being sold in the twelve months following the year-end date as well as cash and cash equivalents are considered current. All other assets are considered non-current.

Liabilities falling due during the Group's normal course of operations, or in the twelve months following the year-end date, are considered current. All other liabilities are considered non-current.

3) Consolidation principles

SUBSIDIARIES

Subsidiaries are companies controlled by the Group. Control exists when the Group has direct or indirect control over the financial and operating policies of a company so as to obtain benefits derived from its activities. Control generally exists where the Group holds more than half of the voting rights.

The financial statements of the significant subsidiaries are included in the consolidated financial statements from the date when effective control starts until the date when effective control ends.

Investments in non-significant subsidiaries are recorded as non-current assets. They are classified as being available-for-sale and are stated at fair value when the fair value can be reliably measured. When the fair value can not be reliably measured, they are carried at cost less impairment loss.

Gains and losses resulting from this valuation procedure are recorded in equity.

ASSOCIATED COMPANIES

Associated companies are companies in which the Group has a significant influence, but no control, over the financial and operating policies. Significant influence is generally assumed where the Group holds at least 20% or more of the voting rights.

The financial statements of associated companies are included in the consolidated financial statements using the equity method, according to which the Group records its share in the net assets of the associated company in its balance sheet from the date when significant influence starts until the date when significant influence ends.

JOINTLY CONTROLLED ENTITIES

Jointly controlled entities are companies in which the Group holds joint control over their activities under a contractual agreement.

The financial statements of jointly controlled entities are included in the consolidated financial statements using the equity method, according to which the Group records its share in the net assets of the jointly controlled entity in its balance sheet from the date when joint control starts until the date when joint control ends.

TRANSACTIONS ELIMINATED THROUGH CONSOLIDATION

Intra-group balances and transactions, as well as unrealised gains resulting from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses resulting from intra-group transactions are only eliminated to the extent that there is no indication of impairment.

Unrealised gains resulting from transactions with associated companies and jointly controlled entities are eliminated to the extent of the Group's interest in such companies or entities, against the investment amount of the associated company or jointly controlled entity. Unrealised losses are only eliminated to the extent that there is no indication of impairment.

A complete listing of the main subsidiaries and the companies accounted for using the equity method, as at 31 December 2006, is shown in Note 32.

4) Business combinations

GOODWILL

A positive difference between the cost of an acquisition and the acquirer's interest in the fair value of the identifiable assets, liabilities or contingent liabilities acquired, is accounted for as goodwill and is reported as an asset. Goodwill balances are considered at each financial reporting date in order to identify a possible impairment (see paragraph 8 regarding the impairment of assets).

A negative difference between the cost of an acquisition and the acquirer's interest in the fair value of the identifiable assets, liabilities or contingent liabilities (negative goodwill) acquired, is recorded directly in the result for the period.

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

STEPPED ACQUISITIONS

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity the interests previously held in that entity are re-valued on the basis of the fair values of the identifiable assets and liabilities at that date. The contra posting for this revaluation is recorded directly in shareholders' equity.

Subsequent purchases, after the Group has obtained control, are treated as the acquisitions of shares from minority shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded directly in shareholders' equity.

MINORITY INTEREST

The interests of minority shareholders are recorded on the basis of their proportionate interest in the net value of the entity acquired.

BUSINESS COMBINATIONS INVOLVING ENTITIES UNDER COMMON CONTROL

The assets and liabilities acquired through a business combination arising from transfer of interests in entities that are under the control of the shareholder that controls the Group are recognised at the carrying amount recognised previously in the Group's controlling shareholder's consolidated financial statements. Any cash paid for the acquisition is recognised directly in equity

5) Foreign currency translation

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions denominated in foreign currencies are converted to EUR at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted at the foreign exchange rate ruling at that date. Foreign exchange differences arising on conversion are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, recorded at historical cost, are converted at the foreign exchange rate prevailing at the date of the transaction.

FINANCIAL STATEMENTS DENOMINATED IN FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies, including goodwill and fair value adjustments arising on consolidation, are converted to EUR at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of foreign currency operations are converted to EUR at the average rate calculated for the period. Foreign exchange differences arising on conversion are recognised directly in shareholders' equity.

Upon the sale of an entity, any exchange differences in equity relating to that entity, are recorded through the income statement.

6) Intangible assets

RESEARCH AND DEVELOPMENT

Expenditure on research activities, undertaken with a view to acquire new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Expenditure on development activities, where research findings are applied for the production of new or substantially improved products and processes, is capitalised if the product or the process is considered to be technically and commercially viable and the Group has sufficient resources to complete the development programme.

The expenditure thus capitalised includes the cost of materials, direct labour costs and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised in the income statement as incurred.

OTHER INTANGIBLE ASSETS

Other intangible assets, acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the income statement when incurred.

Intangible assets other than goodwill primarily include the cost of technology, customer relationships and licences purchased from third parties. These intangible assets are amortised on a straight-line basis over a maximum period of ten years.

SUBSEQUENT EXPENDITURE

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits of the specific asset to which it relates and when this cost can be measured and attributed to the asset in a reliable manner. All other expenditure is recognised as an expense when incurred.

AMORTISATION

Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

– patents and trademarks	5 years
– capitalised development costs	5 years
– customer relationships	10 years

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

7) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset created by the Group includes the cost of materials, direct labour costs and an appropriate proportion of overheads. Borrowing costs on loans used to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset until such time that the asset is ready for its intended use.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation less any impairment losses.

Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

The cost of the periodic relining of blast furnaces is capitalised and depreciated over the expected production period.

Maintenance and repair costs are recognised as expenses in the period in which they are incurred.

Government grants that assist the Group in the acquisition of property, plant and equipment are deducted from the carrying amount of the related asset and released to the income statement on a straight-line basis over the expected useful life of the associated asset.

SUBSEQUENT EXPENDITURE

Expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off.

Other subsequent expenditure on property, plant and equipment is only recognised as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

All other subsequent expenditure is recognised in the income statement as an expense in the period in which it is incurred.

DEPRECIATION

Depreciation is accounted for as an expense on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.

Property, plant and equipment acquired before 1 January 2001 are depreciated over their useful lives, which range from 12 to 20 years for buildings and industrial installations and from 5 to 12 years for other property, plant and equipment.

For other property, plant and equipment the estimated useful lives are as follows:

As a consequence of the business combination between Arcelor and Mittal, remaining useful lives of tangible assets were however reassessed in the framework of the purchase accounting adjustments as at 1 August 2006. Depreciation charge was adjusted accordingly for the period between 1 August 2006 and 31 December 2006.

All property, plant and equipment except hard are depreciated over useful lives varying from 10 to 50 years for buildings and improvements and 2 to 45 years for machinery and equipment.

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

The Group recognises the fair value of a future asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that results from the acquisition, construction, development, and/or normal use of the assets. The Group concurrently recognises a corresponding increase in the carrying amount of the related long-lived asset that is depreciated over the life of the asset. The key assumptions on which the fair value of the asset retirement obligations are based include the estimated future cash flows, the timing of those cash flows and the credit-adjusted risk-free rate or rates on which the estimated cash flows have been discounted. Subsequent to the initial measurement the liability is accreted over time through periodic charges to earnings. The amount of the liability is subject to re-measurement at each reporting period if there has been a change to certain of the key assumptions.

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Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

LEASES

Where the Group is the lessee

Leases with respect to significant assets where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the income statement over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation policy of capitalised leased assets is similar to that applied to owned property, plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term.

Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the income statement of the period.

Agreements containing a lease

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

8) Impairment of assets

The carrying amounts of the Group's assets, other than inventories, deferred tax assets, and assets related to employee benefit plans, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill arising on the acquisition of companies is allocated to cash generating units which may benefit from synergy effects related to the acquisition.

If any such indication exists for an asset, or for the cash-generating unit to which it belongs, the recoverable amount is estimated.

For intangible assets that are not yet available for use, their recoverable amount is estimated at each balance sheet date.

An impairment loss is recorded immediately where the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in the income statement.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of an asset is the higher of its net selling price and its value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Cash flows on short-term receivables are not discounted.

REVERSAL OF AN IMPAIRMENT LOSS

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

Impairment losses recognised for goodwill are not reversed.

9) Investments in debt and equity securities

Investments held for trading are classified as current assets and are stated at fair value, with any resulting gain or loss being recognised in the income statement. Investments with a fixed maturity date after more than one year, that the Group has the positive intent and ability to hold to maturity, are included in non-current assets and are stated at amortised cost using the effective yield method less impairment losses.

Other investments held by the Group are classified as being available-for-sale and are stated at fair value when it can be reliably measured. In accordance with IAS 39 revised applicable as of 1 January 2005, any resulting gain or loss is recognised directly in shareholders' equity.

The fair value of investments held for trading and investments available-for-sale is taken as the quoted bid price at the balance sheet date. For unquoted securities, a value determined from discounted future cash flows is used.

10) Trade and other receivables

Trade and other receivables are stated at cost less value adjustments for losses.

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Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

11) Inventories

CONSTRUCTION WORK IN PROGRESS
Construction work in progress is stated at contract cost increased by the related profit recognised to date less provisions for foreseeable losses and progress billings. Cost includes all expenditure directly related to the projects and an allocation of fixed and variable overheads incurred in the Group's contract activities.

OTHER INVENTORIES
Raw materials and supplies are stated at the lower of cost (using either the average cost method or the first in first out method) or net realisable value. Finished goods and work-in-progress are stated at the lower of production cost or net realisable value.

Production cost includes direct raw material and labour costs and a portion of overhead costs, excluding general and administrative expenses. The market value of raw materials and other inventories is based on the net realisable value, including a provision for slow-moving items where appropriate.

12) Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments with a maturity of less than three months from the acquisition date. Short-term investments are valued at market value at the end of each period.

13) Assets and liabilities held for sale

Assets and liabilities whose carrying amount will be recovered principally through a sale transaction rather than through continuing use are classified as held for sale and remeasured at the lower of its carrying value and fair value less costs to sell.

14) Equity

REPURCHASE OF SHARE CAPITAL
When share capital is repurchased, the amount of consideration paid, including attributable costs, is recognised as a change in equity. Repurchased / treasury shares are deducted from total shareholders' equity under the caption 'Treasury shares', until they are cancelled.

DIVIDENDS
Dividends are recorded as a liability in the period when they are approved by a general meeting of shareholders.

15) Convertible debenture loans

Debenture loans convertible into share capital at the option of the holder, where the number of shares issued does not change with fluctuations in their fair value, are accounted for as compound financial instruments, net of attributable transaction costs. The equity component of the convertible debenture loans is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the prevailing market rate for a similar liability that does not have an associated equity component. The interest expense recognised in the income statement is calculated using the effective interest rate method.

16) Interest-bearing borrowings

Interest-bearing borrowings are recorded at initial cost, less direct attributable transaction costs. They are then recorded at amortised cost with any difference between amortised cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

17) Employee benefits

TYPES OF PENSION PLANS

Defined contribution plans

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

Within the Group, defined contribution plans exclusively relate to pension plans. They are, primarily, additional pension plans that serve to complement local legal pension schemes in respect of which the Group pays contributions to social organisations and which are accounted for in the same manner as wages and salaries.

Defined benefit plans

Defined benefit plans are arrangements that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. This guarantee of benefits represents a future commitment of the Group and, as such, a liability is calculated. The provision is calculated by estimating the benefits accumulated by employees in return for services rendered during the period and during prior periods. The calculation takes into account demographic assumptions relating to the future characteristics of the previous and current personnel (mortality, personnel turnover etc.) as well as financial assumptions relating to future salary levels or the discount rate applied to services rendered.

Benefits are discounted in order to determine the present value of the future obligation resulting from this type of plan. They are shown in the balance sheet after the deduction of the fair value of the assets that possibly serve to cover them.

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Notes to the Consolidated Financial Statements continued
(Amounts in EUR million, unless otherwise stated)

The discount rate applied is the yield, at the balance sheet date, on AA credit rated bonds that have maturity dates similar to the terms of the Group's pension obligations. A qualified actuary performs the underlying calculations annually, using the projected unit credits method.

The actuarial assumptions (both demographic and financial) are reviewed and adapted at year end, giving rise to actuarial gains or losses.

As from the 1st January 2006, the Group replaced the "corridor policy" by the new option, permitted by the amendment to IAS 19, of recognising actuarial gains and losses in the period in which they occur. These actuarial gains and losses are recognised in equity.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

When a defined benefit plan is changed, the increase in benefits earned relating to past services rendered is recognised as an expense on a linear basis in line with the average remaining period to be covered until the corresponding rights are acquired. In case the rights are immediately acquired, the expense is directly charged to the income statement.

Within the Group, defined benefit plans relate to complementary retirement schemes, departure indemnities, work medals and health insurance arrangements.

NATURE OF COMMITMENTS OF DEFINED BENEFIT PLANS

Complementary retirement schemes

These schemes are provided in addition to the legal minimal pension in respect of which Group companies contribute directly into social organisations and which are accounted for in the same manner as wages and salaries.

Termination payments

Termination payments are generally associated with collective agreements with employees under which indemnities are paid upon normal retirement as well as upon voluntary or involuntary retirement.

Work medals

Work medal programmes are sometimes established under agreements at individual company level. These arrangements represent long-term service award programmes made to employees with certain levels of seniority with their employers.

Health insurance

Health insurance schemes relate exclusively to the North American subsidiaries of the group ("post retirement medical care").
For European entities, health insurance is in place by way of obligatory contributions to state health insurance schemes. These contributions are accounted for in the same manner as wages and salaries.

ASSETS COVERING COMMITMENTS RELATING TO DEFINED BENEFIT PLANS

The commitments in respect of certain retirement plans are wholly, or in part, covered by life insurance policies or pension funds, depending on the regulations in place in the country in which the benefits are awarded (the concept of "funded obligations").

Externalised commitments are evaluated by independent specialists.

REMUNERATION BY WAY OF SHARE OPTIONS

The Group grants share option plans to certain members of senior management.

In accordance with the transitional provisions of IFRS 2, applicable since January 1 2005, the accounting treatment of these share option plans is linked to the date of grant: those granted on or before 7 November 2002 (one remaining plan of Usinor S.A. as at 31 December 2005) do not give rise to any recognition in the income statement. When the options are exercised, cash received less transaction costs are credited to subscribed capital and share premium.

Plans granted after 7 November 2002 (four plans as at 31 December 2006) are accounted for using the fair value of the option at the date of grant, the effects of which will be amortised on a straight-line basis over the period through to the exercise date giving rise to a remuneration charge. The contra entry is recorded directly in shareholders' equity of Arcelor S.A, the company granting the stock options.

18) Provisions for termination benefits

The Group recognises an obligation for termination benefits when it is demonstrably committed either to terminating an employee's contract before the normal retirement date or to encouraging voluntary redundancy. Such termination benefits do not bring future economic benefits (services rendered by employees) to the Group and are immediately recognised in the income statement.

Within the Group, provisions for termination benefits fall into two categories:

SOCIAL PROVISIONS IN THE CONTEXT OF RESTRUCTURING PLANS

Provisions are recorded when the Group has announced to the entity and the affected employees or to their representatives a social plan that is detailed and formalised in accordance with the requirements of IAS 37. Such social plans either translate into redundancy or early retirement measures.

Benefits are calculated as a function of the approximate number of people whose employment contracts will be terminated. If such benefits are claimable more than twelve months after the end of the period, they are discounted using an interest rate, which corresponds to that of AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

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(Amounts in EUR million, unless otherwise stated)

18) Provisions for termination benefits continued

EARLY RETIREMENT PLANS

Within the Group, early retirement plans primarily correspond to the practical implementation of social plans. Such early retirement plans are considered effective when the affected employees have been formally informed and when liabilities have been determined using an appropriate actuarial calculation. Early retirement plans can also be linked to collective agreements signed with certain categories of employees.

Liabilities in respect of both of the above scenarios are calculated on the basis of the effective number of employees likely to take early retirement, in accordance with IAS 19. An independent actuary performs the calculation annually. Liabilities are discounted using an interest rate which corresponds to that of AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

19) Other provisions

A provision is accounted for when the Group has a present obligation (legal or constructive) as a result of a past event, whose amount can be reliably estimated, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

TECHNICAL WARRANTIES

A provision for technical warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

RESTRUCTURING

A provision for restructuring is accounted for when the Group has approved a detailed formal restructuring plan, and has raised a valid expectation that it will carry out the restructuring by commencing the implementation of the plan or announcing its main features to those affected by it.

ENVIRONMENT

The Group generally estimates provisions related to environmental issues on a case-by-case basis, taking into account applicable legal requirements. A best estimate, based on available information, is calculated, provided that the available information indicates that the loss is probable and can be estimated in a sufficiently reliable manner.

ONEROUS CONTRACTS

A provision for onerous contracts is recognised when the expected economic benefits to be received by the Group under a contract are lower than the unavoidable costs of meeting its obligations under it.

20) Trade and other payables

Trade and other payables are recorded at cost.

21) Deferred taxes

Deferred taxes are calculated for each taxable entity, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities, as determined in accordance with the tax rules in force in the countries in which the Group conducts its operations, and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are netted when authorised by local tax authorities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Therefore, taking into account the cyclical nature of the business, deferred tax assets may be recognised by companies that have incurred tax losses over the previous periods.

22) Revenue recognition, interest and dividend income

SALES OF GOODS AND SERVICES

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the related transaction at the balance sheet date. The stage of completion is assessed according to the work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the amount due, associated costs or the possible return of goods.

CONSTRUCTION CONTRACTS

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed according to the work performed.

Anticipated losses on a contract are recognised immediately in the income statement.

INTEREST AND DIVIDEND INCOME

Interest income is recognised in the income statement on a pro-rata basis, taking into account the effective yield rate.

Dividend income is recognised in the income statement on the date the general meeting approves the dividend payment.

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(Amounts in EUR million, unless otherwise stated)

23) Financial risk management

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments, interest rate swaps and forward foreign exchange contracts to hedge its exposure to risks related to foreign exchange and interest rates and arising from operating, financing and investment activities.

Derivative financial instruments are initially recognised at cost and subsequently restated at their fair value. Unrealised gains or losses are recognised depending on the nature of the item being hedged, for qualifying hedge relationships.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter-parties.

The fair value of forward foreign exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price or forward rate.

HEDGE OF CASH FLOWS

When a derivative financial instrument hedges the variation in cash flows of a firm commitment or a forecast transaction, the effective part of any resultant gain or loss on the derivative financial instrument is recognised directly in shareholders' equity.

When the firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and enters into the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

The ineffective part of any gain or loss is recognised in the income statement. Any gain or loss arising from the time value of the derivative financial instrument is recognised in the income statement.

When a hedging instrument expires, is sold, terminated or exercised, the cumulated unrealised profit or loss on the hedging instrument is maintained in equity for as long as the expected transaction does not occur and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative net gain or loss, which had been recognised in equity, is reported immediately in the income statement.

HEDGE OF FAIR VALUE

Where a derivative financial instrument hedges the variability in fair value of a recognised receivable or payable, any resulting gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at its fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

The fair value of the hedged items, in respect of the risk being hedged, is their carrying amount at the balance sheet date translated to EUR at the foreign exchange rate ruling at that date.

HEDGE OF NET INVESTMENT IN FOREIGN OPERATION

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability to EUR are recognised directly in equity. Where the hedging instrument is a derivative, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Where the hedging instrument is not recognised, the related profit or loss is recognised in the income statement.

24) Emission rights

The Group's industrial sites concerned by the European Directive on CO_2 emission rights, effective as of 1 January 2005, are located in Germany, Belgium, Spain, France and Luxembourg.

The emission rights allotted to the Group on a no charge basis pursuant to the annual national allocation plan, are recorded in the balance sheet at nil value.

The Group continuously monitors rights that have expired and that will have to be surrendered. The number of rights to be surrendered is equal to the total emissions over a given period. These emissions are submitted to an annual certification, done by a certified external expert in accordance with applicable national regulation.

Any difference between available rights and actual emissions to be surrendered is subject to provisioning at market value.

Excess allowances sold on the allowance market are recognised in the income statement. Allowance purchases or sales are recorded at cost.

25) Segment reporting

New segment reporting follows Mittal Steel segment reporting. A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's primary segment is defined as the 'business segment', while its secondary segment is the 'geographical segment'.

Segment assets are operational assets used by the sector in the context of its operating activities. They include attributable goodwill, intangible assets and property, plant and equipment, as well as current assets used in the operating activities of the sector. They do not include deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are shown under the caption 'Unallocated assets'.

Sector liabilities are liabilities resulting from the activities of a sector, which can either be directly attributed to this sector or can be attributed to it reasonably. They include current and non-current liabilities. They exclude financial debt and deferred tax liabilities. Such liabilities are shown under the caption 'Unallocated liabilities'.

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NOTE 3 – SCOPE OF CONSOLIDATION

As at 31 December 2006, the scope of consolidation of the Arcelor Group includes, in addition to Arcelor S.A., 352 fully consolidated companies (31 December 2005: 371 fully consolidated companies). Furthermore, the Group accounts for 184 companies using the equity method (31 December 2005: 173 companies using the equity method). The reduction in the number of fully consolidated companies is primarily associated with a number of acquisitions and disposals, the principal transactions being as follows:

3.1. – Acquisitions and disposals

3.1.1. – Acquisitions

Ewald Giebel

Arcelor finalised on 1 January 2006 the acquisition of 100% of E. Giebel (Luxembourg, Flat carbon Europe).

Laminadora Costarricense and Trefileria Colima

Arcelor, through its Brazilian subsidiary Belgo Mineira, acquired 50% of the companies Laminadora Costarricense and Trefileria Colima (Costa Rica, Long Carbon) on 31 January 2006. The 2 companies are fully consolidated since then given that Arcelor has the power to appoint a majority of members in the Board of Directors of both companies.

Dofasco

On 21 February 2006, Arcelor acquired 88.38% of Dofasco (Canada, Flat Carbon Americas) at the price of CAD 71 per share. Following the extension of Arcelor's offer until 7 March 2006, Arcelor's total ownership increased to 98.5%.On 5 April 2006, Arcelor acquired the remaining 1.5%. Dofasco is thus fully integrated in the consolidated Group accounts.

On 3 April 2006, Arcelor transferred all its shares in Dofasco to an independent Dutch foundation named "Strategic Steel Stichting"(S3) and in place for at least five years unless the S3 Board decides to dissolve it. Arcelor retains full control over Dofasco, including all decision-making power and all economic interest relating to Dofasco, with the exception of any decision to sell Dofasco.

Sonasid

On 31 May 2006, several shareholders, including Arcelor, transferred 1,631,167 shares representing 41.82% (of which 7.5% held by Arcelor) of the capital and voting rights of Sonasid (Morocco, AACIS, Tubes and Mining) to the holding company NSI ("Nouvelles Sidérurgies Industrielles").

Following this transfer, a capital increase, entirely subscribed by Arcelor, which raised its shareholding to 50% in NSI, enabled the holding company to acquire 898,177 additional shares in Sonasid. Thus NSI acquired a controlling stake of 64.86% in Sonasid.

As a result of the shareholders' agreement signed on 31 May 2006 between Arcelor and NSI ("Nouvelles Sidérurgies Industrielles"), which holds the other 50% in NSI, Arcelor acquired the power to govern the financial and operating policies of Sonasid via the holding NSI.

Sonasid is thus fully consolidated in the Group accounts since 1 June 2006 at the rate of 32.43%.

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Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

The fair value and cash flows from acquisitions are the following:

In EUR million	Dofasco	Sonasid	Other	2006	2005
Intangible assets	383	134	-	517	14
Property, plant and equipment	3,560	176	76	3,812	1,065
Interests in companies accounted for using the equity method	241	-	1	242	7
Other investments	-	4	-	4	27
Debtors and financial assets (commercial and other)	568	104	53	725	379
Inventories	1,050	83	44	1,177	280
Cash and cash equivalents	120	60	12	192	176
Net deferred tax liabilities	- 740	- 67	- 1	- 808	- 91
Interest-bearing loans	- 848	-	- 58	- 906	- 465
Provisions for pensions and similar benefits	- 866	-	- 1	- 867	- 2
Other provisions	- 119	- 9	- 2	- 130	- 58
Creditors (suppliers and others)	- 315	- 94	- 51	- 460	- 243
Minority interest	- 32	- 253	- 15	- 300	- 589
Fair value of net assets acquired	3,002	138	58	3,198	500
Elimination of the contribution of companies previously accounted for using the equity method (Note 6)	-	- 10	- 20	- 30	- 204
Net goodwill	1,124	17	4	1,145	11
Revaluation of interests previously held	-	- 18	-	- 18	- 71
Total acquisition costs	4,126	127	42	4,295	236
Cash and cash equivalents acquired	- 120	- 60	- 12	- 192	- 176
Amounts to be paid in subsequent periods	-	-	-	-	- 117
OUTFLOW (+) / INFLOW (-) RESULTING FROM ACQUISITIONS	**4,006**	**67**	**30**	**4,103**	**- 57**

With respect to Dofasco, the determination of the fair value of the identifiable assets and liabilities acquired was completed at the time of the full integration of Dofasco (1 March 2006). However, the fair value exercise is not complete as at 31 December 2006 and remains subject to potential modification until 28 February 2007. The fair value of the net assets acquired is EUR 3,002 million. This resulted in a goodwill of EUR 1,124 million.

In order to reconcile the cash flows associated with the acquisition, the consideration paid by the Group in 2006 associated with Dofasco was EUR 4,006 million. This is determined on the basis of the acquisition price of EUR 4,126 million and the net cash acquired in Dofasco of EUR 120 million.

With respect to Sonasid, the fair value of the identifiable assets and liabilities acquired on 1 June 2006 amounts to EUR 138 million less the acquisition price (EUR 127 million) and the amount previously accounted for under the equity method (EUR 10 million at the end of May 2006). This resulted in a goodwill of EUR 17 million as well as an equity impact of EUR 18 million due to the revaluation of the historical participation (7.5%).

In order to reconcile the cash flows associated with the acquisition, the consideration paid by the Group in 2006 associated with Sonasid was EUR 67 million. This is determined on the basis of the acquisition price of EUR 127 million and the net cash acquired in Sonasid of EUR 60 million.

The total net goodwill of EUR 1,145 million includes a negative goodwill of EUR 11 million related to the acquisition of Ewald Giebel.

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(Amounts in EUR million, unless otherwise stated)

3.1.2. – Disposals

Traxys

On 11 January 2006 Arcelor sold 40% out of its 50% stake in Traxys (Arcelor Steel Solutions and Services, Luxembourg,) to the management of the company together with 2 investment funds.

Ugitech

On 27 April 2006, Arcelor signed an agreement for the sale of 100% of the shares in Ugitech (Stainless steel, France) to Schmolz+Bickenbach. The sale was effective as at 30 June 2006.

Flachform Stahl

On 14 June 2006, the Group completed the sale of its steel service center Flachform Stahl GmbH (Germany, Arcelor Steel Solutions and Services) to Salzgitter's Hövelmann & Lueg GmbH.

The carrying amount of the net assets disposed of is the following:

In EUR million	2006	2005
Intangible assets	7	-
Tangible assets	93	184
Interests in companies accounted for using the equity method	27	-
Other participations	4	1
Debtors and financial assets (commercial and other)	131	157
Inventories	115	61
Cash and cash equivalents	5	76
Net deferred tax asset (+) / liabilities (-)	12	- 13
Interest-bearing loans	- 39	- 28
Provisions for pensions and similar benefits	- 33	- 3
Other provisions	- 23	- 5
Creditors (suppliers and others)	- 124	- 189
Carrying amount of assets disposed of (2)	**175**	**241**
DISPOSAL PRICE (1)	**172**	**331**
PROFIT ON DISPOSAL (1)-(2)	**- 3**	**90**
Cash and cash equivalents disposed of	**- 5**	**-**
INFLOW RESULTING FROM DISPOSALS	**167**	**331**

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(Amounts in EUR million, unless otherwise stated)

3.2. – Acquisitions and disposals of entities under common control

3.2.1. – Acquisitions

Arcelor acquired Mittal Steel Gandrange on 20 November 2006. The acquisition led to the recognition of a change of EUR 155 million recognised in equity.

The carrying amount of the net assets acquired is presented below:

In EUR million	2006
Property, plant and equipment	71
Debtors and financial assets (commercial and other)	99
Inventories	103
Cash and cash equivalents	1
Net deferred tax assets	72
Interest-bearing loans	- 21
Provisions for pensions and similar benefits	- 25
Other provisions	- 1
Creditors (suppliers and others)	- 144
Carrying amount of net assets acquired	155
Increase in equity (-)	- 155
Total acquisition costs	-
Cash and cash equivalents acquired	1
INFLOW RESULTING FROM ACQUISITIONS	**- 1**

3.2.2. – Disposal

As at 15 December 2006, Arcelor sold Arcelor Germany Holding including 23 German subsidiaries and shares in other German subsidiaries to Mittal Steel Germany Holding, a wholly-owned subsidiary of Mittal Steel Company N.V. for a total price of EUR 2,617 million (of which a receivable of EUR 2,602 million) leading to a net increase in equity of EUR 1,980 million. The carrying amount of the net assets disposed of is presented below:

In EUR million	2006
Intangible assets	7
Property, plant and equipment	517
Other participations	22
Debtors and financial assets (commercial and other)	53
Inventories	347
Cash and cash equivalents	16
Net deferred tax assets	81
Provisions for pensions and similar benefits	- 64
Other provisions	- 30
Creditors (suppliers and others)	- 311
Minority interests	- 1
Carrying amount of assets disposed of (2)	**637**
DISPOSAL PRICE (1)	**2,617**
NET INCREASE IN EQUITY	**1,980**

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NOTE 4 – INTANGIBLE ASSETS

In EUR million, as at 31 December 2006	Goodwill on acquisition	Concessions, patents, licenses and similar rights	Other	TOTAL
Gross opening balance	290	258	278	826
Acquisitions	-	20	9	29
Acquisitions through business combinations	1,156	258	259	1,673
Disposals	-	- 2	- 2	- 4
Disposals of subsidiaries	-	- 7	-	- 7
Changes in scope of consolidation	- 2	- 7	-	- 9
Foreign exchange differences	- 138	- 26	- 12	- 176
Transfer to assets held for sale (Note 13)	-	- 3	-	- 3
GROSS CLOSING BALANCE	**1,306**	**491**	**532**	**2,329**
Opening cumulative amortisation	- 234	- 190	- 209	- 633
Amortisation charge	-	- 47	- 21	- 68
Foreign exchange differences	1	2	1	4
Transfer to assets held for sale (Note 13)	-	2	-	2
CLOSING CUMULATIVE AMORTISATION	**- 233**	**- 233**	**- 229**	**- 695**
OPENING NET BOOK VALUE	**56**	**68**	**69**	**193**
CLOSING NET BOOK VALUE	**1,073**	**258**	**303**	**1,634**

In EUR million, as at 31 December 2005	Goodwill on acquisition	Concessions, patents, licenses and similar rights	Other	TOTAL
Gross opening balance	265	227	257	749
Acquisitions	33	21	9	63
Disposals	-	- 6	- 1	- 7
Changes in consolidation scope	-	14	6	20
Foreign exchange differences	- 8	5	1	- 2
Transfers and other movements		- 3	6	3
GROSS CLOSING BALANCE	**290**	**258**	**278**	**826**
Opening cumulative amortisation	- 242	- 168	- 182	- 592
Acquisitions and disposals	-	6	1	7
Changes in consolidation scope	-	-	- 2	- 2
Amortisation charge	-	- 29	- 11	- 40
Foreign exchange differences	8	1	- 1	8
Transfers and other movements	-	-	- 14	- 14
CLOSING CUMULATIVE AMORTISATION	**- 234**	**- 190**	**- 209**	**- 633**
OPENING NET BOOK VALUE	**23**	**59**	**75**	**157**
CLOSING NET BOOK VALUE	**56**	**68**	**69**	**193**

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ANALYSIS OF NET POSITIVE GOODWILL ON ACQUISITIONS 2006

In EUR million	Net value 2005	Change in consolidation scope	Foreign exchange difference	Other	Net value 2006
Usinor / S3P	8	-	-	-	8
Arcelor Profil	3	-	-	-	3
Galtec	3	-	-	- 3	-
Haironville Portugal	2	-	-	-	2
Belgo Siderurgica / Dedini	5	-	- 1	- 4	-
Arcelor Projects Spiral Mill	1	-	-	-	1
Acesita	29	-	- 13	-	16
Asturia de Perfiles	3	-	-	-	3
Acindar	-	-	-	1	1
Laminadora Costarricense	-	5	-	-	5
Synergie Interactive Industrielle	-	5	-	-	5
Devillers Oxycoupage	-	4	-	-	4
Sonasid	-	17	-	-	17
Dofasco	-	1,124	- 123	-	1,001
Guille	-	-	-	4	4
Industrias Zarra	-	1	-	-	1
Other	2	-	-	-	2
TOTAL	**56**	**1,156**	**- 137**	**- 2**	**1,073**

ANALYSIS OF NET POSITIVE GOODWILL ON ACQUISITIONS 2005

In EUR million	Net value 2004	Acquisitions	Net value 2005
Usinor / S3P	8	-	8
Arcelor Profil	3	-	3
Galtec	3	-	3
Haironville Portugal	2	-	2
Belgo Siderurgia / Dedini	5	-	5
Arcelor Projects Spiral Mill	-	1	1
Acesita	-	29	29
Asturia de Perfiles	-	3	3
Other	2	-	2
TOTAL	**23**	**33**	**56**

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NOTE 5 – PROPERTY, PLANT AND EQUIPMENT

In EUR million, as at 31 December 2006	Land and buildings	Plants and machinery	Prepayments and fixed assets under construction	Mining assets	Other	Total
Gross opening balance	4,186	16,999	2,086	-	815	24,086
Acquisitions	64	165	1,990	6	44	2,269
Disposals	- 137	- 397	- 7	-	- 101	- 642
Acquisition through business combination (Note 3)	869	2,462	80	367	34	3,812
Acquisition and disposal under common control (Note 3)	- 97	- 734	- 19	-	- 56	- 906
Disposal of subsidiaries outside the group (Note 3)	- 62	- 158	- 10	-	- 9	- 239
Foreign exchange differences	- 222	- 941	- 143	- 40	- 18	- 1,364
Reclassification assets held for sale (Note 13)	- 51	- 218	- 4	-	- 15	- 288
Transfers	130	1,051	- 1,460	-	217	- 62
GROSS CLOSING BALANCE	**4,680**	**18,229**	**2,513**	**333**	**911**	**26,666**
Opening cumulative depreciation and impairment	- 1,310	- 8,475	-	-	- 534	- 10,319
Disposals	96	341	-	-	81	518
Acquisition and disposal under common control (Note 3)	52	372	-	-	36	460
Disposal of subsidiaries outside the group (Note 3)	42	97	-	-	7	146
Depreciation charge	- 101	- 1,026	-	- 20	- 84	- 1,231
Impairment	- 15	- 124	- 22	-	-	- 161
Foreign exchange differences	83	427	-	1	12	523
Reclassification assets held for sale (Note 13)	9	113	-	-	5	127
Other	17	103	1	-	- 80	41
CLOSING CUMULATIVE DEPRECIATION AND IMPAIRMENT	**- 1,127**	**- 8,172**	**- 21**	**- 19**	**- 557**	**- 9,896**
OPENING NET BOOK VALUE	**2,876**	**8,524**	**2,086**	**-**	**281**	**13,767**
CLOSING NET BOOK VALUE	**3,553**	**10,057**	**2,492**	**314**	**354**	**16,770**

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NOTE 5 – PROPERTY, PLANT AND EQUIPMENT CONTINUED

In EUR million, as at 31 December 2005	Land and buildings	Plants and machinery	Prepayments and fixed assets under construction	Other	Total
Gross opening balance	3,510	15,219	1,024	736	20,489
Acquisitions	47	139	1,825	29	2,040
Disposals	- 62	- 263	-5	- 112	- 442
Changes in consolidation scope	323	386	9	- 18	700
Foreign exchange differences	205	811	105	36	1,157
Transfers	163	707	- 872	144	142
GROSS CLOSING BALANCE	**4,186**	**16,999**	**2,086**	**815**	**24,086**
Opening cumulative depreciation and impairment	- 1,123	- 7,675	- 1	- 460	- 9,259
Disposals	23	224	-	113	360
Changes in consolidation scope	40	124	-	18	182
Depreciation charge	- 1	96	1	-19	77
Impairment	- 128	- 1,063	-	-75	- 1,266
Foreign exchange differences	- 57	-286	-	-19	- 362
Other	- 64	105	-	-92	- 51
CLOSING CUMULATIVE DEPRECIATION AND IMPAIRMENT	**- 1,310**	**- 8,475**	**-**	**- 534**	**- 10,319**
OPENING NET BOOK VALUE	**2,387**	**7,544**	**1,023**	**276**	**11,230**
CLOSING NET BOOK VALUE	**2,876**	**8,524**	**2,086**	**281**	**13,767**

As at 31 December 2006 the gross value of capitalised finance leases is EUR 213 million (2005: EUR 178 million) and the net value of finance leases amounted to EUR 144 million (2005: EUR 120 million).

Tangible fixed assets with a carrying value of EUR 212 million have been pledged as guarantees of financial debt (2005: EUR 279 million).

As a consequence of the extension of the remaining useful lives from 31 July 2006 onwards following the business combination between Arcelor and Mittal Steel, the depreciation charge is reduced by EUR 199 million for the period between 31 July 2006 and 31 December 2006.

The acquisitions of EUR 2,269 million in 2006 include assets with a cost of EUR 73 million with the exclusive objective of preventing, reducing or repairing damage to the environment. These environmental investments relate primarily to the reduction of emissions to the atmosphere (dust and gas).

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NOTE 5 – PROPERTY, PLANT AND EQUIPMENT CONTINUED

a) Analysis by country and nature of the investment

In EUR million	Market Development	Product Development	Cost reduction	Replacement and restoration	Environment	Professional safety	Industrial safety	Total
Belgium	6	47	57	49	12	8	5	184
Spain	33	12	27	141	22	10	12	257
France	126	29	72	229	9	16	9	490
Luxembourg	5	3	47	59	4	10	6	134
Germany	9	3	22	14	1	2	1	52
Canada	33	-	52	82	7	5	0	179
Argentina	39	-	5	6	1	1	2	54
Brazil	641	21	46	87	17	11	7	830
Other	17	41	5	25	-	-	1	89
TOTAL	**909**	**156**	**333**	**692**	**73**	**63**	**43**	**2,269**

b) Analysis by country and nature of the environmental investment

In EUR million	Protection of ambient air and climate	Noise and vibration abatement (excluding the working environment)	Effluent management	Waste management	Protection and remediation of soil, groundwater and surface water	Total
Spain	14	4	1	3	-	22
Brazil	12	1	-	-	4	17
Belgium	6	2	1	2	1	12
France	8	-	-	1	-	9
Canada	1	1	3	2	-	7
Luxembourg	4	-	-	-	-	4
Germany	1	-	-	-	-	1
Argentina	1	-	-	-	-	1
TOTAL	**47**	**8**	**5**	**8**	**5**	**73**

NOTE 6 – INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD

In EUR million	Value accounted for using the equity method
BALANCE AT 31 DECEMBER 2005	**1,415**
Acquisitions through business combinations (Note 3)	242
Disposals of equity investments through disposal of subsidiaries	- 54
Profit for the year	363
Dividends paid	- 119
Changes in the percentage of interest	- 88
Foreign exchange differences	- 48
Increase in capital	78
Adjustment through equity of fair value of financial assets	14
Reclassification to assets held for sale (Note 13)	- 10
BALANCE AT 31 DECEMBER 2006	**1,793**

Changes in the consolidation percentage include the change of method for Dosol Galva, Ewald Giebel, Inox Tubos, Sonasid and Cimaf Cabos which are fully consolidated as at 31 December 2006.

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NOTE 6 – INVESTMENTS IN COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD CONTINUED

The primary investments in associated companies and jointly controlled entities are as follows:

In EUR million	% holding at year end 2006	Total assets as at 31 December 2006	Share in profit as at 31 December 2006	% holding at year end 2005	Total assets as at 31 December 2005	Share in profit as at 31 December 2005
Associated companies						
FLAT CARBON EUROPE						
DHS Group (Germany)	51.3 %	688	211	51.3 %	500	161
Gestamp (Spain)	35.0 %	181	19	35.0 %	169	18
CLN (Italy)	35.0 %	115	2	35.0 %	84	2
Borcelik (Turkey)	40.3 %	63	11	40.3 %	60	3
Cia Hispano-Brasileira de Pelotização (Brazil)	49.1 %	30	12	49.1 %	30	22
FLAT CARBON AMERICAS						
Dosol Galva (Canada)	-	-	-	20.0 %	28	11
STAINLESS STEEL						
Acesita (Brazil)	-	-	-	-	-	47
LONG CARBON AMERICAS AND EUROPE						
LME (France)	34.0 %	32	20	34.0 %	12	- 10
Usina Hidrelectrica Guilman Amorim (Brazil)	51.0 %	14	7	51.0 %	14	11
San Zeno Acciai–Duferco (Italy)	-	-	-	49.9 %	9	-
A3S (ARCELOR STEEL SOLUTIONS AND SERVICES)						
Gonvarri Industrial (Spain)	35.0 %	133	27	35.0 %	115	22
Holding Gonvarri SRL (Spain)	35.0 %	77	2	35.0 %	79	-
ASIA, AFRICA, CIS						
Société Nationale de Sidérurgie (Morocco)	-	-	-	7.5 %	10	1
OTHER ACTIVITIES						
CFL Cargo	33.3 %	47	- 2	-	-	-
Groupe Atic (France)	42.4 %	31	5	42.4 %	27	5
Soteg (Luxembourg)	20.0 %	27	3	20.0 %	25	2
Various associated companies	-	49	7	25 - 45.9 %	76	6
Jointly controlled entities						
FLAT CARBON AMERICAS						
Gallatin	50.0 %	146	30	-	-	-
DJ Galv	50.0 %	16	3	-	-	-
Wabush Resources	28.6 %	14	- 2	-	-	-
Baycoat	50.0 %	10	3	-	-	-
LONG CARBON AMERICAS AND EUROPE						
Trefil ARBED Kiswire (Korea)	50.0 %	101	4	50.0 %	96	5
A3S (ARCELOR STEEL SOLUTIONS AND SERVICES)						
Traxys SA (Luxembourg)	-	-	-	50.0 %	34	8
Various jointly controlled entities	-	19	1	25 - 50 %	47	3
TOTAL		**1,793**	**363**		**1,415**	**317**

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NOTE 7 – OTHER INVESTMENTS AND FINANCIAL ASSETS AVAILABLE FOR SALE

	Shares in affiliated companies			Participating interests			Other securities			Total		
In EUR million	Gross value	Imp.	Net value	Gross value	Imp.	Net value	Gross value	Imp.	Net value	Gross value	Imp.	Net value
BALANCE AT 31 DECEMBER 2005	**555**	**- 257**	**298**	**100**	**- 42**	**58**	**357**	**- 60**	**297**	**1,012**	**- 359**	**653**
Acquisitions	31	-	31	7	-	7	-	-	-	38	-	38
Disposals	- 28	23	- 5	-	-	-	- 11	-	- 11	- 39	23	- 16
Increase / decrease in capital	16	-	16	4	-	4	- 5	-	- 5	15	-	15
Changes in consolidation scope	- 31	- 18	- 49	20	- 3	17	7	3	10	- 4	- 18	- 22
Impairment	-	- 19	- 19	-	1	1	-	- 3	- 3	-	- 21	- 21
Foreign exchange differences	-	-	-	-	-	-	- 2	-	- 2	- 2	-	- 2
Other movements	28	- 8	20	- 31	12	- 19	4	8	12	1	12	13
BALANCE AT 31 DECEMBER 2006	**571**	**- 279**	**292**	**100**	**- 32**	**68**	**350**	**- 52**	**298**	**1,021**	**- 363**	**658**

The main acquisitions of the year include a EUR 9 million investment in Group Alliance Metal and a EUR 6 million stake in Bamesa Otel (Shares in affiliated companies).

The main liquidation of the year relates to Financière Mistral (EUR 7 million, Shares in affiliated companies) and Safet (EUR 2 million, Shares in affiliated companies).

The capital increase of the year relates mainly to the companies ARCELOR Logistics Belgium (EUR 9 million, shares in affiliated companies) and ARCELOR Services and Solutions Maroc (EUR 6 million, shares in affiliated companies).

The most significant changes in the scope of consolidation are:

– the disposal of non-consolidated subsidiaries of Arcelor Germany Holding to Mittal Group (impact of EUR - 24 million);
– a remaining 10% stake (shares in affiliated companies for an amount of EUR 7 million) after the disposal of 40% of Traxys previously accounted for under the equity method;
– the entry of Longometal Armatures (EUR 4 million) following the acquisition and consolidation of Sonasid;

Finally, other movements include the revaluation of other investments and financial assets available for sale at fair value. The main change in fair value relates to the Erdemir shares (EUR- 20 million).

The breakdown of movements by type of portfolio (shares and participating interests at cost, shares and participating interests at fair value) is as follows:

In EUR million	Dec. 31, 2005	Acq. – . Disp	Increase in capital	Changes in consolid. scope	Net depr.	Fair value adjustments	Foreign exchange diff.	Other	Dec. 31, 2006
Shares and participating interests at cost	**475**	**22**	**15**	**- 28**	**- 21**	**-**	**- 1**	**8**	**470**
Gross value	834	- 1	15	- 10		-	- 1	- 4	833
Imp.	- 359	23	-	- 18	- 21	-	-	12	- 363
Shares and participating interests at fair value	**178**	**-**	**-**	**6**	-	**7**	**- 1**	**- 2**	**188**
Aços Villares	19	-	-	-	-	16	- 1	- 2	32
Erdemir	138	-	-	-	-	- 20	-	-	118
Fortis	21	-	-	-	-	7	-	-	28
Kiswire	-	-	-	1	-	-	-	-	1
Mittal Steel	-	-	-	5	-	4	-	-	9
TOTAL	**653**	**22**	**15**	**- 22**	**- 21**	**7**	**- 2**	**6**	**658**

The change in the revaluation reserve relating to securities available for sale is nil after tax and minority interests.

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NOTE 8 – RECEIVABLES AND OTHER FINANCIAL ASSETS

In EUR million	Gross value	Impairment	Net value
BALANCE AT 31 DECEMBER 2005	**846**	**- 107**	**739**
Increase	879	-	879
Repayments	- 697	-	- 697
Net Impairment	-	7	7
Changes in consolidation scope	525	- 3	522
Other movements	- 301	2	- 299
Foreign exchange differences	- 21	2	- 19
BALANCE AT 31 DECEMBER 2006	**1,231**	**- 99**	**1,132**

In EUR million	2006	2005*
Mittal Steel loans (Note 25)	487	-
Siderùrgica Añon loans	-	18
Allegheny Technologies loans	28	29
Mendes Junior credit	37	37
Carsid loans	22	36
Sodisid loans	11	15
Guarantee deposits	162	200
Revaluation of interest rate hedge instruments (Note 26)	10	63
Revaluation of raw materials hedge instruments (Note 26)	13	38
Net assets related to funded obligations (Note 18)	22	14
Others	340	289
TOTAL	**1,132**	**739**

* restated

NOTE 9 – INVENTORIES

In EUR million	2006	2005
Raw materials and consumables	2,869	3,030
Work in progress	1,983	1,587
Finished goods	3,492	2,375
Contracts in progress	113	98
Spares	585	463
Advances and prepayments on orders	42	27
TOTAL	**9,084**	**7,580**

In 2006, raw materials, consumables, changes in finished goods and work in progress recognised as cost of sales amounted to EUR 881 million (2005: EUR 380 million).

The cumulated write-down made in order to value inventories at their fair value less costs to sell amount to EUR 589 million as at 31 December 2006 (2005: EUR 618 million). The reversal of write-downs was EUR 18 million for the year 2006 (2005: write-down of EUR 61 million). The carrying amount of inventories pledged as security for liabilities is EUR 37 million (2005: -).

NOTE 10 – TRADE RECEIVABLES

In EUR million	2006	2005
Gross amount	4,851	3,862
Provision for doubtful accounts	- 139	- 146
TOTAL	**4,712**	**3,716**

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NOTE 11 – OTHER RECEIVABLES

In EUR million	2006	2005*
Other advance payments to public authorities	806	535
Revaluation of foreign exchange rate hedge instruments (Note 26)	320	172
Revaluation of raw material hedge instruments (Note 26)	53	56
Mittal Steel loans (Note 25)	307	-
Other financial loans	566	111
Receivables from sale of financial assets	2,608	6
Prepaid expenses	100	57
Other receivables	176	573
TOTAL	**4,936**	**1,510**

* restated

The receivables from sale of financial assets include mainly the receivable related to the disposal of Arcelor Germany Holding (EUR 2,602 million).

NOTE 12 – CASH AND CASH EQUIVALENTS

In EUR million	2006	2005
Money market funds	94	2,654
Cash at bank and in hand	1,536	1,481
Short-term bank deposits	715	510
TOTAL	**2,345**	**4,645**

NOTE 13 – ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES DIRECTLY ASSOCIATED WITH NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

Following Mittal Steel's bid for Arcelor, the European commission identified competition concerns in certain steel production segments. In response, the Company announced, on 13 December 2006, that it had agreed to sell its wholly-owned subsidiary Travi e Profilati di Pallanzeno as well as its 49.9% stake in San Zeno Acciai – Duferco, to Duferco for an enterprise value of EUR 117 million. The transaction closed in January 2007. At 31 December 2006, the disposal group comprises assets of EUR 102 million and liabilities of EUR 42 million.

On 16 March 2007, Mittal Steel and Noble signed a definitive agreement for the combination of their laser-welded tailored blanks businesses. Under the terms of the transaction, Mittal Steel, will sell its laser-welded blanks business in western and eastern Europe, China, India and United States ("TBA") for aggregate consideration of USD 300 million, which will consist of approximately USD 131 million in a combination of cash, a note receivable, and assumption of certain TBA financial obligations by Noble and 9,375,000 shares of Noble common stock (with an agreed value of USD 18 per share). Upon completion, Mittal Steel will become the largest stockholder of Noble, owning approximately 40% of the issued and outstanding common shares. Arcelor will also obtain four of nine seats on Noble's board of directors. Completion of the transaction is expected to occur in June 2007, and is subject to a number of conditions, including Noble shareholder approval, receipt by Noble of not less than USD 165 million in debt financing, anti-trust clearance in the United States, Canada and Europe and other customary conditions. In addition, Arcelor and Noble will seek to include in the transaction as soon as practicable the tailored blanks business operated by Powerlasers, a subsidiary of Dofasco, Inc., for additional consideration to be determined based upon the 2006 financial performance of Powerlasers, estimated at USD 50 million. The common shares of Dofasco are held in a Dutch trust, the trustees of which control any decision to sell Dofasco assets. At 31 December 2006, the disposal group comprises assets of EUR 163 million and liabilities of EUR 36 million.

Assets classified as held for sale

In EUR million	2006
Intangible assets	1
Property, plant and equipment (Note 5)	161
Investments accounted for under the equity method (Note 6)	10
Other investments	7
Receivables	8
Deferred tax assets	3
Inventories	51
Trade receivables	16
Other receivables	8
TOTAL	**265**

Liabilities classified as held for sale

In EUR million	2006
Interest-bearing liabilities	8
Employee benefits	3
Deferred tax liabilities	2
Trade payables	53
Other amounts payable	11
Provisions	1
TOTAL	**78**

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NOTE 14 – EQUITY

14.1 – Issued capital and share premium

At 31 December 2006, subscribed capital comprises 669,813,408 ordinary shares without face value, issued, fully paid up and representing EUR 3,349,067,040. The share premium amounts to EUR 5,818,878,442.

30,039,081 ordinary shares were issued and 11,954,087 own shares were delivered in 2006 following the conversion of 38,961,038 convertible bonds O.C.E.A.N.E. 2017. Subscribed capital increased by EUR 150,195,405 and share premium by EUR 422,274,381.

The authorised share capital comprises 1,000,000,000 shares and amounts to EUR 5,000,000,000.

Evolution of the number of shares in issue	Number of shares
31 December 2004	**639,774,327**
31 December 2005	**639,774,327**
Capital increase	30,039,081
31 DECEMBER 2006	**669,813,408**

14.2 – Foreign currency translation reserve

The movements in exchange differences of EUR - 808 million (2005: EUR 552 million) are primarily due to the depreciation of the US Dollar and Canadian Dollar compared to the EUR.

14.3 – Other consolidated reserves

Other consolidated reserves amount to EUR 10,681 million (2005: EUR 6,163 million) and mainly contain the profit attributable to the equity holders of the parent company of EUR 3,007 million (2005: EUR 3,846 million).

14.4 – Share option plan

Arcelor has established four share option plans, the features of which are as follows :

	First plan established on 30 June 2003	Second plan established on 30 June 2004	Third plan established on 30 June 2005	Fourth plan established on 30 June 2006
Number of shares outstanding at 31 December 2006	51,396	51,397	10,000	1,335,000
Number of shares granted by type of plan	1,320,863	1,202,663	1,135,500	1,335,000
Exercise price (in EUR)	9.67	13.11	16.17	34.43
Maturity date	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Price of the underlying at the date of grant (in EUR)	9.81	13.35	16.22	37.74
Historical volatility (in %)	46.2	31.8	35.25	25.26
Dividends (in EUR)	0.4	0.4	0.6	0.6
Interest rate (in %)	3.5	4.1	2.925	4.145

The option pricing model used for these four plans is the binomial model.

Furthermore, the beneficiaries of the Usinor share option plan established on 7 March 2000 and covering 2,380,000 shares have the possibility of converting their Usinor shares into Arcelor shares. The maturity date of this plan is 7 April 2007. The exercise price is EUR 15.24 and the number of options issued as at 31 December 2006 is 37,600.

The movements in the number of outstanding share options during the year were as follows:

(Number of share options)	2006	2005
Options at the beginning of year	4,675,676	4,723,824
Options granted during year	1,385,000	1,145,000
Options forfeited during year	- 50,000	- 10,000
Options exercised during year	- 4,495,683	- 974,950
Options expired during year	- 29,600	- 208,198
OPTIONS AT THE END OF YEAR	**1,485,393**	**4,675,676**

In accordance with the standard IFRS 2 Share-based payments, plans granted after 7 November 2002 are subject to specific valuations by the Group since 1 January 2005. The charge to the result in 2006 associated with the four plans granted on 30 June 2003, 30 June 2004, 30 June 2005 and 30 June 2006 amounts to EUR 11.06 million.

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14.5 – Own shares

	Number of shares	Value (in EUR million)
31 December 2004	**26,802,407**	**367**
Acquisitions	8,189,502	147
Disposals	- 15,220,613	- 247
31 December 2005	**19,771,296**	**267**
Acquisitions	38,639	1
Disposals	- 19,652,675	- 266
31 DECEMBER 2006	**157,260**	**2**

14.6 – Dividends

The Board of Directors will propose a gross dividend of EUR 1.00 per share which will be paid up to 50% on 15 June 2007, 25% in September 2007 and 25% in December 2007. These financial statements do not reflect this dividend which is subject to the approval of the shareholders at the annual general meeting to be held on 27 April 2007.

14.7 – Disposal of Arcelor Germany Holding and subsidiaries

The result on disposal of Arcelor Germany Holding and 23 subsidiaries to Mittal Steel amounts to EUR 1,980 million and was recorded in equity as the transaction relates to entities under common control. Minority interests increase by EUR 87 million as a result of the disposal of some minority investments held by Arcelor Germany Holding.

14.8 – Acquisition of Mittal Steel Gandrange

The equity increase related to the acquisition of Mittal Steel Gandrange amounts to EUR 155 million.

NOTE 15 – EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the net profit (Group share) by the weighted average number of shares in issue during the period, excluding the average number of ordinary shares purchased and held by the Group.

	2006	2005*
Net profit (Group share in EUR million)	3,007	3,873
Number of ordinary shares in issue	647,377,502	639,774,327
Weighted average number of own shares	- 9,359,037	- 25,707,728
Weighted average number of shares used for the calculation of basic earnings per share	638,018,465	614,066,599
EARNINGS PER SHARE (IN EUR)	**4.71**	**6.31**

* restated

The diluted earnings per share are calculated by taking the financial instruments giving access to the capital of the Company, whether they are issued by the Company itself or by one of its subsidiaries. The dilution is calculated, instrument-by-instrument, taking into account the conditions existing at the balance sheet date, and excluding anti-diluting instruments. Furthermore, the net profit is adjusted so as to eliminate the financing charge net of tax corresponding to the diluting instruments.

When funds are collected in the context of the exercise of rights (subscription coupons and options) they are first applied to the purchase of shares at market price if this is above the exercise price of the right.

In each case, funds are taken into account on a pro-rata basis in the year of issue of the diluting instrument and on the first day of the following financial year.

	2006	2005*
Net profit (Group share in EUR million)	3,007	3,873
Elimination of interest expense, net of tax, of convertible debt instruments (O.C.E.A.N.E.)	64	19
Elimination of charge associated to stock option plans, net of tax	4	3
Net profit used for the calculation of diluted earnings per share (in EUR million)	3,075	3,895
Weighted average number of shares outstanding	638,018,465	614,066,599
Adjustment for assumed conversion of convertible debt instruments (O.C.E.A.N.E.) and for assumed exercise of stock option plans	15,115,301	41,051,425
Weighted average number of shares in issue, used for the calculation of diluted earnings per share	653,133,766	655,118,024
DILUTED EARNINGS PER SHARE (IN EUR)	**4.71**	**5.94**

* restated

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NOTE 16 – MINORITY INTERESTS

In the year ended 31 December 2006 minority interests increased by EUR 374 million. The minority share of the 2006 result contributed to an increase in the minority interest of EUR 652 million. Dividends paid to minority interests amounted to EUR 324 million.

Changes in the scope of consolidation led to an increase of EUR 139 million. Following the public offer made to the minority shareholders in Acesita, minority interests decreased by EUR 154 million as Arcelor acquired an additional 15.7% stake in the company as at 27 April 2006. The acquisition of Sonasid led to an increase of minority interests by EUR 253 million.

In the year ended 31 December 2005 minority interests increased by EUR 1,109 million, including EUR 617 million relating to changes in the consolidation scope, in particular Acesita (EUR 568 million). The minority share of the 2005 result contributed to an increase in the minority interest of EUR 432 million.

NOTE 17 – INTEREST-BEARING LIABILITIES

In EUR million	2006	2005
Convertible debenture loans	6	709
Non-convertible debenture loans	2,290	2,090
Amounts owed to credit institutions	1,220	1,016
Amounts owed to public institutions	183	-
Amounts owed on fixed assets held under finance leases	140	126
Fair value of conversion option relating to convertible debenture loan (Note 26)	-	168
Fair value of interest rate hedge instruments (Note 26)	5	-
Borrowings and other financial debt	1,709	232
of which towards Mittal Steel (Note 25)	*1,630*	-
LONG-TERM BORROWINGS	**5,553**	**4,341**
Short-term element of non-convertible debenture loans	36	130
Amounts owed to credit institutions	136	331
Amounts owed to public institutions	48	-
Commercial paper	99	504
Current bank borrowings	276	92
Amounts owed on fixed assets held under finance leases	13	15
Accrued interest payable	74	62
Borrowings and other financial debt	1,075	489
of which towards Mittal Steel (Note 25)	*442*	-
SHORT-TERM BORROWINGS	**1,757**	**1,623**

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NOTE 17 – INTEREST-BEARING LIABILITIES CONTINUED

17.1 – Convertible debenture loans

On 14 March 2006, Arcelor has officially irrevocably waived its option to redeem in cash the convertible bond O.C.E.A.N.E. 2017. As a consequence, the fair value (EUR 463 million or EUR 326 million after tax) of the option has been reclassified to equity, such that the conversion right will not be marked-to-market any longer.

On 6 November 2006, the 19,916,184 bonds held by Mittal Steel N.V. as a result of its offer for Arcelor securities were converted into 21,469,646 shares of Arcelor S.A.

As at 31 December 2006, all O.C.E.A.N.E. 2017 bonds were converted into Arcelor S.A. shares or repaid.

17.2 – Breakdown by currency (excluding short-term debt)

In EUR million	2006	%	2005	%
EUR	4,336	78	3,497	81
US dollar	511	9	568	13
Brazilian Real	384	7	263	6
Canadian dollar	321	6	-	-
Other	1	-	13	-
TOTAL	**5,553**	**100**	**4,341**	**100**

17.3 – Breakdown by maturity (excluding short-term debt)

In EUR million	2006	2005
2007	-	336
2008	1,026	839
2009	438	286
2010	909	780
2011	1,859	-
After more than 5 years	1,321	2,100
TOTAL	**5,553**	**4,341**

17.4 – Interest rates

Variable interest rates on borrowings are primarily indexed to EURIBOR and LIBOR. When hedging instruments are in place to convert fixed to variable rates the borrowings are recorded as variable rate loans.

17.5 – Fair value of interest-bearing liabilities

In EUR million	2006 Carrying amount	Fair value	2005 Carrying amount	Fair value
Convertible debenture loans	6	6	709	709
Non-convertible debenture loans	2,326	2,354	2,220	2,287
Amounts owed to credit institutions	1,356	1,379	1,347	1,433
Amounts owed to public institutions	231	229	-	-
Amounts owed on fixed assets held under finance leases	153	153	141	141
Commercial paper	99	99	504	504
Current bank borrowings	276	276	92	92
Borrowings and other financial debt	2,784	2,784	721	721
Fair value of conversion option relating to convertible debenture loan	-	-	168	168
Fair value of interest rate hedge instruments	5	5	-	-
Accrued interest payable	74	74	62	62
TOTAL	**7,310**	**7,359**	**5,964**	**6,117**

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***17.6** – Detail of main individual long-term loans*

In EUR million	2006	2005
Arcelor Finance		
Debenture loan 6.385 % 2003 / 2015 (USD 120 million)	91	103
Debenture loan 3.395 % 2004 / 2009 (EUR 100 million)	100	100
Debenture loan 5.125 % 2003 / 2010 (EUR 600 million)	596	619
Debenture loan 6.125 % 2001 / 2008 (EUR 600 million)	607	625
Debenture loan 5.50 % 2004 / 2014 (EUR 100 million)	103	108
Debenture loan 4.625 % 2004 / 2014 (EUR 500 million)	495	495
Debenture loan 2005 / 2020 (USD 11 million)	8	8
EURIBOR loan 3 months 2005 / 2011 (EUR 97 million)	96	97
Loan 3.94 % 2005 / 2009 (EUR 53 million)	51	53
EURIBOR loan 3 months 2005 / 2010 (EUR 30 million)	30	30
EURIBOR loan 3 months 2005 / 2010 (EUR 35 million)	35	35
Loan 4.67 % 2001 / 2011 (EUR 47 million)	25	31
Loan 5.36 % 2002 / 2012 (EUR 73 million)	49	58
Loan 5.01 % 2002 / 2010 (EUR 5 million)	3	3
Loan 4.01 % 2003 / 2011 (EUR 5 million)	3	4
Loan 5.56 % 1995 / 2009 (EUR 25 million)	6	9
Loan 5.45 % 1995 / 2009 (EUR 25 million)	6	9
Loan 6.4 % 2001 / 2011 (EUR 58 million)	25	32
Issue of transferable securities - EURIBOR 3 months 2003 / 2008 (EUR 80 million)	80	79
Loan 4.06 % 2003 / 2008 (EUR 35 million)	7	14
EURIBOR loan 3 months 2000 / 2013 (EUR 100 million)	71	83
LIBOR 3 months 2006 / 2011 (EUR 2,000 million)	1,600	-
Debenture loan 5.52 % 2006 / 2013 (USD 85 million)	55	-
EURIBOR 3 months 2006 / 2015 (EUR 125 million)	125	-
LIBOR 6 months 2006 / 2008 (USD 20 million)	3	-
LIBOR 6 months 2006 / 2012 (USD 69 million)	38	-
Other loans	20	36
SUB-TOTAL	**4,328**	**2,631**

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17.6 – Detail of main individual long-term loans continued

In EUR million	2006	2005
Arcelor S.A.		
Convertible debenture loan 3 % 2002 / 2017	-	836
Arcelor Luxembourg		
EURIBOR loan 2000 / 2007	-	20
Belgo Siderurgía		
TJLP debenture loan 1998 / 2010 (BRL 109 million) – BMP	13	23
TJLP debenture loan 1997 / 2009 (BRL 13 million)	-	5
TJLP debenture loan 1997 / 2009 (BRL 26 million)	2	7
IGPM debenture loan 1999 / 2018 (BRL 22 million)	6	5
CST		
TJLP loan 2000 / 2010 (BRL 270 million)	48	65
TJLP loan 2003 / 2012 (BRL 101 million)	24	23
LIBOR loan 2005 / 2017 (USD 81 million)	62	42
LIBOR loan 2005 / 2016 (USD 70 million)	50	57
LIBOR loan 2005 / 2017 (USD 11 million)	-	9
Debenture loan 8 % 2005 / 2014 (USD 19 million)	14	15
TJLP debenture loan 2006 / 2018 (BRL 405 million)	144	-
TJLP debenture loan 2006 / 2018 (USD 21 million)	16	-
LIBOR 6 months 2006 / 2017 (USD 18 million)	9	-
Debenture loan 6 % 2006 / 2017 (USD 10 million)	4	-
Vega do Sul		
LIBOR loan 2002 / 2014 (USD 50 million)	27	35
TJLP loan 2002 / 2011 (BRL 280 million)	54	82
Acesita		
"Pre-Export" loan 2003 / 2010 (USD 50 million)	-	36
"Pre-Export" loan 2003 / 2011 (USD 50 million)	27	41
"Pre-Export" loan 2003 / 2007 (USD 15 million)	-	9
"Pre-Export" loan 2004 / 2007 (USD 10 million)	-	8
"Pre-Export" loan 2004 / 2009 (USD 14 million)	12	12
"Pre-Export" loan 2004 / 2007 (USD 10 million)	-	8
TJLP loan 2005 / 2010 (BRL 32 million)	7	9
TJLP loan 2006 / 2013 (BRL 23 million)	8	-
TJLP loan 2006 / 2013 (BRL 10 million)	3	-
TJLP loan 2006 / 2013 (BRL 89 million)	31	-
Acindar		
Convertible debenture loan 2004 / 2012 (USD 47 million)	6	41
Dofasco		
Debenture loan 7.55 % 2001 / 2008 (CAD 125 million)	82	-
Debenture loan 4.961 % 2005 / 2017 (CAD 250 million)	164	-
Debenture loan 9.81 % due 2009 (CAD 35 million)	23	-
Revolving debenture loan 2006 / 2009	22	-
Arcelor Persebras		
Loan linked to Put / Call option on repurchase of minority interests in ACB	57	-
Other loans	**310**	**322**
TOTAL	**5,553**	**4,341**

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NOTE 18 – EMPLOYEE BENEFITS

18.1 – Introduction
The majority of the companies included in the Arcelor consolidation scope are European, Brazilian and Canadian entities. According to the laws and regulations in effect in these countries, additional benefits can be granted to staff.

When complementary benefits provided to employees give rise to a future commitment of the Group, a provision is calculated based on actuarial valuation methodology. The Group uses independent actuaries to calculate the amounts of these commitments. Moreover, an independent firm is responsible for the coordination and supervision of all these actuarial calculations for the Group.

In order to reflect the evolution of the expected rate on debenture loan return in 2006, the Group decided to maintain its discount rate for the euro area at 4.5%.

In order to improve disclosure of the gradual externalisation of its pension commitments, the Group recognised actuarial gains or losses immediately to shareholders' equity starting 1 January 2006, in accordance with IAS 19 revised, and thus replace the corridor policy allowing deferred recognition of net actuarial gains or losses.

This change in accounting policy has affected long-term benefits granted to staff (complementary pension plans, retirement benefits and medical insurance for pensioners), with the single exception of work medals. The Group does not apply the corridor policy to work medals and their valuation is subject to a different level of uncertainty compared to the remaining long-term benefits.

First-time adoption of this new accounting policy lead to a transfer of net unrecognised actuarial gains or losses as at 1 January 2006 to shareholders' equity. The impact on balance sheet provisions is as follows :

In EUR million	Closing balance 2005	Actuarial gains or losses	Opening balance 2006
Complementary pension plans	979	258	1,237
Leaving indemnities	374	- 77	297
Medical insurance	25	5	30
Work medals	53	-	53
TOTAL EMPLOYEE BENEFITS	**1,431**	**186**	**1,617**

Some subsidiaries have determined to cover partly or completely their retirement obligations through contracts with external insurance providers where such hedging is compulsory (funded obligations).

External policies are evaluated by independent actuaries.

The difference between the current value of such commitments and that of the external insurance policies designed to cover such commitments (EUR 465 million in total, including all benefits) represents the net liability of the Group in relation to such benefit schemes. This does not represent an overall funding shortfall, but rather, in almost all cases, financing options entered into by the subsidiaries.

18.2 – Financial information

18.2.1 – Detail of the provisions by type of commitment
Pre-retirement plans have been reclassified to the balance sheet caption "Provisions for termination benefits" (Note 19).

Provisions for pension and other benefits are analysed as follows:

In EUR million	2006	2005
Complementary pension plans	1,478	979
Leaving compensation	270	374
Private medical insurance	633	25
Work medals	57	53
TOTAL PROVISION FOR PENSION PLANS AND SIMILAR BENEFITS	**2,438**	**1,431**

Charges in the year associated with these additional benefits granted to staff (excluding the interest charge linked to the discounting of commitments and to the discounted return on assets) are disclosed within the caption "Staff costs" in the income statement, as detailed at Note 22.

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18.2.2 – Pensions

In EUR million	France 2006	France 2005	Belgium 2006	Belgium 2005	Germany 2006	Germany 2005	Luxembourg 2006	Luxembourg 2005	Brazil 2006	Brazil 2005	Canada 2006	Canada 2005	Others 2006	Others 2005	Total 2006	Total 2005
Financial assets																
Opening balance	30	19	306	284	9	7	1	1	411	221	-	-	84	69	841	601
Actual return on plan assets	- 2	2	11	15	-	-	-	-	58	84	86	-	6	3	159	104
Actuarial (gains) / losses	- 1	1	1	7	-	-	-	-	- 2	4	-	-	3	3	1	15
Additional funding	6	8	26	27	1	2	-	-	14	11	32	-	6	-	85	48
Benefits paid out	-	-	- 36	- 25	-	-	-	-	- 17	- 13	- 50	-	- 4	- 5	- 107	- 43
Acquisitions / disposals / settlements	- 1	-	- 9	- 2	- 10	-	-	-	-	- 7	1,209	-	- 16	-	1,173	- 9
Changes in consolidation scope	-	-	-	-	-	-	-	-	-	61	-	-	-	12	-	73
Exchange differences	-	-	-	-	-	-	-	-	- 9	50	- 81	-	-	2	- 90	52
Closing balance	32	30	299	306	-	9	1	1	455	411	1,196	-	79	84	2,062	841
Actuarial value of commitments																
Opening balance	555	781	390	375	382	374	209	199	347	208	-	-	117	88	2,000	2,025
Current service cost	16	39	12	10	4	4	6	5	7	6	41	-	2	3	88	67
Interest cost	26	42	18	18	16	18	9	10	41	19	63	-	5	6	178	113
Actuarial (gains) / losses	- 4	37	6	14	3	9	- 2	8	23	55	62	-	-	6	88	129
Staff funding	-	-	-	-	-	-	-	-	5	4	-	-	1	-	6	4
Disbursements	- 41	- 278	- 38	- 28	- 26	- 25	- 18	- 22	- 17	- 13	- 50	-	- 4	- 5	- 194	- 371
Acquisitions / disposals / settlements	- 7	- 62	- 8	- 2	- 27	-	-	-	-	- 6	1,427	-	- 14	-	1,371	- 70
Obligation transfer	- 2	-	-	- 1	-	-	-	8	-	-	-	-	-	-	-2	7
Change in pension plan	-	-	16	4	-	2	1	-	-	-	-	-	1	-	18	6
Changes in consolidation scope	32	- 4	-	-	- 23	-	3	1	-	30	-	-	- 3	17	9	44
Exchange differences	-	-	-	-	-	-	-	-	- 8	44	- 97	-	-	2	- 105	46
Closing balance	575	555	396	390	329	382	208	209	398	347	1,446	-	105	117	3,457	2,000
Balance sheet provision																
Present value of funded obligations	126	126	369	361	-	12	3	3	398	347	1,446	-	103	114	2,445	963
Fair value of plan assets	- 32	- 30	- 299	- 306	-	- 9	- 1	- 1	- 455	- 411	-1,196	-	- 79	- 84	-2,062	- 841
Sub-total: Net present value of funded obligation	*94*	*96*	*70*	*55*	-	*3*	*2*	*2*	*- 57*	*- 64*	*250*	-	*24*	*30*	*383*	*122*
Present value of unfunded obligations	449	429	27	29	329	370	205	206	-	-	-	-	2	3	1,012	1,037
Unrecognised actuarial gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrecognised service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total: Net commitments	*543*	*525*	*97*	*84*	*329*	*373*	*207*	*208*	*- 57*	*- 64*	*250*	-	*26*	*33*	*1,395*	*1,159*
Net assets related to funded obligations	-	-	2	2	-	-	-	-	61	64	14	-	6	-	83	66
Balance sheet provision	543	525	99	86	329	373	207	208	4	-	264	-	32	33	1,478	1,225
Breakdown of charge for the period																
Current service cost	16	39	12	10	4	4	6	5	7	6	41	-	2	3	88	67
Interest cost	26	42	18	18	16	18	9	10	41	19	63	-	5	6	178	113
Expected return on assets	- 1	- 1	- 10	- 12	-	-	-	-	- 52	- 27	- 72	-	- 5	- 6	- 140	- 46
Amortisation of past service cost	-	-	16	4	-	4	1	2	-	-	-	-	1	-	18	10
Curtailments and settlements	- 4	- 62	1	-	-	-	-	-	-	1	-	-	2	-	- 1	- 61
Expenses recognised in the income statement	37	18	37	20	20	26	16	17	- 4	- 1	32	-	5	3	143	83
Movements in balance sheet provision																
Opening provision	525	762	86	93	373	367	208	196	-	- 1	-	-	33	19	1,225	1,436
Changes in consolidation scope	32	- 4	-	-	- 23	-	3	1	-	-	-	-	- 3	5	9	2
Exchange differences	-	-	-	-	-	-	-	-	1	- 1	- 16	-	-	-	- 15	- 1
Variation of net assets related to funded obligations	-	-	-	-	-	-	-	-	- 3	-	14	-	6	-	17	-
Change in equity - SORIE	-	35	4	4	3	9	- 2	8	19	11	48	-	- 4	6	68	73
Acquisition/Divestiture/Obligation transfer	- 4	-	-	- 1	- 17	- 2	-	8	-	-	218	-	-	-	197	5
Disbursements	- 47	- 286	- 28	- 30	- 27	- 27	- 18	- 22	- 9	- 8	- 32	-	- 5	-	- 166	- 373
Expenses recognised in the income statement	37	18	37	20	20	26	16	17	- 4	- 1	32	-	5	3	143	83
Closing provision	543	525	99	86	329	373	207	208	4	-	264	-	32	33	1,478	1,225
Main actuarial assumptions																
Discount rate (%)	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	10.96%	7.12%	5.00%	-	-	-	-	-
Expected return on plan assets (%)	5.00%	5.00%	3.55%	4.06%	-	4.00%	4.00%	4.00%	12.76%	9.64%	7.16%	-	-	-	-	-
Average rate of salary increase (%)	2.84%	2.84%	3.37%	3.58%	2.37%	2.49%	4.57%	4.57%	6.66%	2.86%	3.40%	-	-	-	-	-
Inflation rate (%)	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	4.68%	0.96%	2.50%	-	-	-	-	-
Defined contribution plan																
Contributions during the period	-	-	4	11	-	-		1	8	-	-	-	-	1	12	21

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18.2.3 – Leaving Indemnities

	France		Others		Total	
In EUR million	2006	2005	2006	2005	2006	2005
Financial assets						
Opening balance	8	8	-	-	8	8
Actual return on plan assets	1	-	-	-	1	-
Actuarial (gains) / losses	-	-	-	-	-	-
Additional funding	-	-	-	-	-	-
Benefits paid out	-	-	-	-	-	-
Acquisitions / disposals / settlements	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Closing balance	9	8	-	-	9	8
Actuarial value of commitments						
Opening balance	267	274	32	30	299	304
Current service cost	8	9	1	1	9	10
Interest cost	11	13	1	2	12	15
Actuarial (gains) / losses	- 7	- 4	- 1	2	- 8	- 2
Staff funding	-	-	-	-	-	-
Benefit paid out	- 20	- 16	- 5	- 3	- 25	- 19
Acquisitions / disposals / settlements	-	- 3	-	-	-	- 3
Changes in pension plan	-	- 5	-	-	-	- 5
Changes in consolidation scope	- 5	- 1	- 8	-	- 13	- 1
Exchange differences	-	-	-	-	-	-
Closing balance	254	267	20	32	274	299
Balance sheet provision						
Present value of funded obligations	12	12	-	-	12	12
Fair value of plan assets	- 9	- 8	-	-	- 9	- 8
Sub-total: Net present value of funded obligations	3	*4*	-	-	3	*4*
Present value of unfunded obligations	242	255	20	32	262	287
Unrecognised actuarial gains / (losses)	-	-	-	-	-	-
Unrecognised past service costs	5	6	-	-	5	6
Balance sheet provision	250	265	20	32	270	297
Breakdown of charge for the period						
Current service cost	8	9	1	1	9	10
Interest cost	11	13	1	2	12	15
Amortisation of past service cost	- 1	- 1	-	-	- 1	- 1
Curtailments and settlements	-	- 3	1	-	1	- 3
Expenses recognised in the income statement	18	18	3	3	21	21
Movement in balance sheet provision						
Opening provision	265	268	32	30	297	298
Changes in consolidation scope	- 5	- 1	- 8	-	- 13	- 1
Change in equity - SORIE	- 8	- 4	- 2	2	- 10	- 2
Disbursements	- 20	- 16	- 5	- 3	- 25	- 19
Expenses recognised in the income statement	18	18	3	3	21	21
Closing provision	250	265	20	32	270	297
Main actuarial assumptions						
Discount rate	4.50%	4.50%	-	-	-	-
Expected return on plan assets	5.75%	5.75%	-	-	-	-
Average rate of salary increase	2.97%	2.97%	-	-	-	-
Inflation rate	2.00%	2.00%	-	-	-	-

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18.2.4 – Other benefits (medical insurance, work medals)

	France		Belgium		Canada		Others		Total	
In EUR million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Financial assets										
Opening balance	-	-	2	3	-	-	-	-	2	3
Actuarial (gains) / losses	-	-	-	- 1	-	-	-	-	-	- 1
Actual return on plan assets	-	-	-	-	-	-	-	-	-	-
Additional funding	-	-	1	2	-	-	-	-	1	2
Benefits paid out	-	-	- 1	- 2	-	-	-	-	- 1	- 2
Acquisitions / disposals / settlements	-	-	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-	-	-	-	-
Closing balance	**-**	**-**	**2**	**2**	**-**	**-**	**-**	**-**	**2**	**2**
Actuarial value of commitments										
Opening balance	36	35	35	34	-	-	14	14	85	83
Current service cost	1	1	-	-	10	-	1	1	12	2
Interest cost	2	2	1	2	27	-	1	1	31	5
Actuarial (gains) / losses	4	4	1	1	27	-	-	-	32	5
Staff funding	-	-	-	-	-	-	-	-	-	-
Benefit paid out	- 6	- 7	- 2	- 2	- 16	-	- 2	- 2	- 26	- 11
Acquisitions / disposals / settlements	-	-	-	-	605	-	-	-	605	-
Changes in pension plan	1	1	- 8	-	-	-	-	-	- 7	1
Changes in consolidation scope	-	-	-	-	-	-	2	-	2	-
Exchange differences	-	-	-	-	- 44	-	-	-	- 44	-
Closing balance	**38**	**36**	**27**	**35**	**609**	**-**	**16**	**14**	**690**	**85**
Balance sheet provision										
Present value of funded obligations	-	-	20	27	-	-	-	-	20	27
Fair value of plan assets	-	-	- 2	- 2	-	-	-	-	- 2	- 2
Sub-total: Net present value of funded obligations	-	-	*18*	*25*	-	-	-	-	*18*	*25*
Present value of unfunded obligations	38	36	7	8	609	-	16	14	670	58
Unrecognised actuarial gains / (losses)	-	-	-	-	-	-	-	-	-	-
Unrecognised past service costs	-	-	2	-	-	-	-	-	2	-
Balance sheet provision	**38**	**36**	**27**	**33**	**609**	**-**	**16**	**14**	**690**	**83**
Breakdown of charges for the period										
Current service cost	1	1	-	-	10	-	1	1	12	2
Interest cost	2	2	1	2	27	-	1	1	31	5
Expected return on assets	-	-	-	-	-	-	-	-	-	-
Actuarial (gains) / losses recognised in the period	4	4	-	-	-	-	-	-	4	4
Amortisation of past service cost	1	1	- 6	-	-	-	-	-	- 5	1
Curtailments and settlements	-	-	-	-	-	-	-	-	-	-
Expenses recognised in the income statement	**8**	**8**	**- 5**	**2**	**37**	**-**	**2**	**2**	**42**	**12**
Movement in balance sheet provision										
Opening provision	36	35	33	31	-	-	14	14	83	80
Changes in consolidation scope	-	-	-	-	605	-	2	-	607	-
Exchange differences	-	-	-	-	- 44	-	-	-	- 44	-
Disbursements	- 6	- 7	- 2	- 2	- 16	-	- 2	- 2	- 26	- 11
Change in equity - SORIE	-	-	1	2	27	-	-	-	28	2
Expenses recognised in the income statement	8	8	- 5	2	37	-	2	2	42	12
Closing provision	**38**	**36**	**27**	**33**	**609**	**-**	**16**	**14**	**690**	**83**
Main actuarial assumptions										
Discount rate	4.50%	4.50%	4.50%	4.50%	5.01%	-	-	-	-	-
Expected return on plan assets	-	-	5.00%	5.00%	-	-	-	-	-	-
Average rate of salary increase	3.11%	2.86%	-	-	3.41%	-	-	-	-	-
Health care cost trend rate	-	-	2.03%	2.50%	7.89%	-	-	-	-	-
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.50%	-	-	-	-	-

18.3. – Financial assets

Plan assets consist of the following:

In EUR million	2006	%
Bonds	1,153	56%
Equity securities	767	37%
Real Estate	1	0%
Others	152	7%
TOTAL	**2,073**	**100%**

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18.4 – Other informations

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit or loss.

A one percentage point change in assumed healthcare cost trend rates would have the following effects:

In EUR million	One percentage point increase	One percentage point decrease
Effect on the aggregate service and interest cost	10	(7)
Effect on defined benefit obligation	114	(96)

The Group expects to pay 79M EUR in contributions to defined benefit plans in 2007.

NOTE 19 – PROVISIONS FOR TERMINATION BENEFITS

The provisions for termination benefits reflect social commitments that the Group has made in the context of its restructuring plans announced prior to the year-end (which may subsequently become early retirement plans) or early retirement plans linked to collective agreements signed with certain categories of employees.

In EUR million	Social provisions	Early retirement plans	Total
Opening balance at 1 January 2006	**411**	**471**	**882**
Increase in provision	60	51	111
Utilisation and reversal	- 58	- 105	- 163
Reclassifications (social plans transformed into early retirement plans during the year)	- 21	21	-
Other reclassifications, changes in consolidation scope and foreign exchange variations	- 29	- 28	- 57
CLOSING BALANCE AS AT 31 DECEMBER 2006	**363**	**410**	**773**

Charges for the period relating to social provisions are recorded in “Other operating charges” in the income statement. Charges for the period relating to early retirement plans are recorded in “Staff costs” in the income statement as detailed in Note 22.

19.1 – Social provisions

Social provisions at the year-end include estimated indemnities under the following restructuring plans (amounts in EUR million):

- Flat Carbon Steel sector (2006: 306; 2005: 324): primarily the social plan related to the reorganisation of the hot phase in Liège (2006: 176; 2005: 184) and the increase of the social provisions in Spain within the context of the ARCO project (2006: 113; 2005: 109).
- Stainless Steel sector (2006: 36; 2005: 59)
- A3S sector (2006: 14 ; 2005: 17).

19.2 – Early retirement plans

An actuary reviews the early retirement plans, which are either part of restructuring measures or collective agreements. The main assumptions and the movements during the year are summarised in the following table.

	Belgium		Germany		Luxembourg		Others		Total	
In EUR million	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Balance sheet provision										
Present value of unfunded obligation	358	378	19	53	2	2	31	38	410	471
Unrecognised actuarial gains / (losses)	-	-	-	-	-	-	-	-	-	-
Balance sheet provision	**358**	**378**	**19**	**53**	**2**	**2**	**31**	**38**	**410**	**471**
Breakdown of charges for the period										
Current service cost	-	31	3	7	-	-	1	2	4	40
Interest cost	15	17	2	2	-	-	1	2	18	21
Actuarial (gains) / losses recognised in the period	16	19	7	1	-	- 3	1	- 2	24	15
Amortisation of past service cost	1	5	2	-	2	1	-	- 1	5	5
Expenses recognised in the income statement	**32**	**72**	**14**	**10**	**2**	**- 2**	**3**	**1**	**51**	**81**
Movement in balance sheet provision										
Opening provision	378	373	53	63	2	13	38	47	471	496
Changes in consolidation scope	-	-	- 1	-	-	-	-	-	- 1	-
Exchange differences	-	-	-	-	-	-	-	-	-	-
Acquisition / disposal	-	-	- 27	-	-	-	-	- 1	- 27	- 1
Obligation transfer	21	4	-	-	-	- 8	-	-	21	- 4
Disbursements	- 73	- 71	- 20	- 20	- 2	- 1	- 10	- 9	- 105	- 101
Expenses recognised in the income statement	32	72	14	10	2	- 2	3	1	51	81
Closing provision	**358**	**378**	**19**	**53**	**2**	**2**	**31**	**38**	**410**	**471**
Main actuarial assumptions										
Discount rate	4.11%	4.14%	4.00%	4.03%	4.00%	4.00%	-	-	-	-
Average rate of salary increase	2.00%	2.00%	2.50%	2.51%	2.00%	2.00%	-	-	-	-
Inflation rate	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	-	-	-	-

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NOTE 20 – OTHER PROVISIONS

In EUR million	Restructuring costs	Commercial risks	Environnemental risks	Other risks	TOTAL
Opening balance	**97**	**61**	**228**	**801**	**1,187**
Increase in provisions	24	30	58	317	429
Utilisation and reversal	- 37	- 22	- 35	- 294	- 388
Reclassifications, changes in consolidation scope and exchange differences	- 37	7	26	37	33
CLOSING BALANCE	**47**	**76**	**277**	**861**	**1,261**

In EUR million	2006	2005
Other long-term provisions	972	943
Other short-term provisions	289	244
TOTAL OTHER PROVISIONS	**1,261**	**1,187**

20.1 – Provisions for restructuring

Provisions recorded under this heading do not include social commitments which are separately disclosed under "Provisions for termination benefits" as detailed in Note 19.

Provisions for restructuring comprise provisions established in respect of charges for the dismantling and the restoration of sites.

By sector, restructuring provisions are analysed as follows:

- Flat Carbon Europe: EUR 26 million (2005: EUR 42 million)
- Long Carbon America and Europe: EUR 8 million (2005: EUR 8 million)
- Stainless: EUR - million (2005: EUR 33 million)
- A3S : EUR 9 million (2005: EUR 6 million)
- Other: EUR 4 million (2005: EUR 8 million)

20.2 – Commercial risks

Commercial risks primarily include litigation with customers, bad debts, losses on contracts and termination losses as well as guarantees and other items.

20.3 – Environmental risks

Provisions for environmental risks, analysed by geographic zones, are as follows:

In EUR million	2006	2005
Belgium	108	100
France	66	68
Luxembourg	67	53
Canada	31	-
Other	5	7
TOTAL	**277**	**228**

The provisions cover the anticipated costs relating to both protection and remediation of soil, ground water and surface water (2006: EUR 184 million; 2005: EUR 135 million), waste management (2006: EUR 35 million; 2005: EUR 35 million) and other environmental measurements (2006: EUR 58 million, 2005: EUR 58 million). The provisions are calculated in accordance with local and national legal standards and regulations.

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20.4 – Other risks

Other provisions cover the following risks:

In EUR million	2006	2005
Litigations	329	308
Tax risks	118	235
Social risks	21	21
Other risks	393	237
TOTAL	**861**	**801**

Provisions for tax risks include provisions booked within the context of disputes with local and/or national tax authorities.

Provisions for litigations comprise non-tax related claims.

The provisions for social risks include provisions recorded which are not included under the heading of "Employee benefits".

NOTE 21 – OTHER AMOUNTS PAYABLE

In EUR million	2006	2005
Fixed asset and other suppliers	422	406
Prepayments on orders	239	217
Revaluation of foreign currency hedge instruments (Note 26)	318	32
Revaluation of raw materials hedge instruments (Note 26)	14	72
Remuneration, tax and social security	1,629	1,334
Dividends payable	81	5
Other creditors	482	451
Deferred income	189	50
TOTAL	**3,374**	**2,567**

NOTE 22 – STAFF COSTS

In EUR million	2006	2005*
Wages and salaries	3,731	3,352
Social charges	1,090	1,082
Contributions to defined contribution pension schemes (Note 18)	12	21
Charges for the year in respect of additional employee benefits giving rise to provisions (not including interest charges) (Note 18)	125	42
Charges for the year in respect of provisions for early retirement (not including interest charges) (Note 19)	33	60
Employee profit-sharing scheme	134	103
Cost of equity-settled share-based payments	10	4
Other	283	194
TOTAL	**5,418**	**4,858**

* restated

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NOTE 23 – FINANCIAL INCOME AND EXPENSE

Recognised in profit and loss

In EUR million	2006	2005
Interest income	236	229
Interest charges	- 568	- 336
Discounting interest charges	- 113	- 128
• of which interest charges relating to the discounting of employee benefits provisions (Note 18)	- 81	- 87
• of which interest charges relating to the discounting of early retirement provisions (Note 19)	- 18	- 21
Dividends received	70	51
Foreign exchange result	346	120
Restatement to fair value of the equity conversion option relating to the O.C.E.A.N.E. 2017 debenture loan	- 295	- 44
Net change in fair value for derivatives	- 12	9
Impairment of financial assets	- 17	- 3
Result on the disposal of financial assets	6	28
Merger costs	- 271	-
Other	- 78	- 180
TOTAL	**- 696**	**- 254**

Interest charges include the accelerated amortisation of the O.C.E.A.N.E. 2017 debenture loan following the early redemption of the loan for EUR 64 million.

The result on foreign exchange includes a gain of EUR 354 million related to the revaluation of a foreign exchange CAD/EUR swap.

The merger costs include the break fees related to the termination of the Strategic Alliance Agreement between Arcelor and Severstal (EUR 140 million).

Other net financing costs include banking charges and commissions for EUR 64 million (2005: EUR 48 million).

Recognised in equity

In EUR million	2006	2005
Net change in fair value of available for sale financial assets	-	24
Effective portion of changes in fair value of cash flow hedge	- 119	75
Transfer to equity of O.C.E.A.N.E. 2017 liability component	326	-
Gain on sale of own shares	41	-
Disposal of Arcelor Germany Holding and subsidiaries (Note 14.7)	1,980	-
Acquisition of Mittal Steel Gandrange (Note 14.8)	155	-
Foreign currency translation differences on foreign operations	- 808	552
TOTAL	**1,575**	**651**

The change in cash flow hedge by type of derivative instrument is as follows:

In EUR million	2006	2005
Foreign exchange rate hedge instruments	- 90	115
Raw material hedge instruments	- 29	- 40
TOTAL	**- 119**	**75**

As a consequence of the cancellation of the cash settlement option related to the O.C.E.A.N.E. 2017 convertible debenture loan, the cumulative value of the equity conversion option was transferred from interest-bearing liabilities to equity (EUR 326 million after tax).

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NOTE 24 – TAXATION

Tax Charge

Tax analysis:

In EUR million	2006	2005*
Current tax	- 605	- 396
Deferred tax	143	221
TOTAL TAXATION	**- 462**	**- 175**

* restated

Reconciliation between the tax charge and the result before tax:

In EUR million	2006	2005
Net profit	3,007	3,873
Minority interest	652	432
Result from companies accounted for using the equity method	- 363	- 317
Tax charge	462	175
Profit before tax	**3,758**	**4,163**
Theoretical tax charge (34.39% in 2005, 33.80% in 2005)	- 1,292	- 1,407
Reconciliation:		
Permanent differences	117	123
Movements in unrecognised deferred tax assets	- 21	220
Variation in tax rates	80	- 4
Tax deduction «Adene» (Brazil)	52	82
Tax deduction on MJS acquisition (Brazil)	-	117
Variations in deferred tax liabilities related to foreign exchange movements on non-monetary assets and liabilities denominated in foreign currencies	77	71
Deferred tax assets related to tax losses carried forward	385	574
Foreign exchange loss on Canadian dollar currency swap	75	-
Reversal of impairment on forests at CAF Santa Barbara	28	-
Tax credits	37	-
Other taxes	-	49
EFFECTIVE TAX CHARGE	**- 462**	**- 175**

Permanent differences are primarily due to the following:

In EUR million	2006	2005
Impairment	-	- 8
Goodwill and surplus amortisation	3	9
Result exempt from tax	95	80
Other charges and income, not deductible / not taxable	19	42
TOTAL	**117**	**123**

Deferred Tax

Movements in deferred tax liabilities are analysed as follows:

In EUR million	2006	2005
Balance as at January 1	537	605
Expense (income) for the period	- 174	74
Deferred tax assets related to losses carried forward	- 51	- 109
Variations in deferred tax liabilities related to foreign exchange movements on non-monetary assets and liabilities denominated in foreign currencies	-	- 71
Reclassification in Liabilities held for sale	- 4	-
Effects of the variations in exchange rates, consolidation scope and re-classifications	869	32
Deferred tax booked directly to shareholders' equity	- 53	6
BALANCE AS AT 31 DECEMBER	**1,124**	**537**

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NOTE 24 – TAXATION CONTINUED

Movements in deferred tax assets are analysed as follows:

In EUR million	2006	2005
Balance as at 1 January	1,378	1,300
Income (expense) for the period	- 30	- 85
Deferred tax assets related to losses carried forward	351	465
Utilisation of deferred tax assets related to losses carried forward	- 463	- 226
Deferred tax asset adjustments relating to prior periods	- 17	-
Variations in deferred tax assets related to foreign exchange movements on non-monetary assets and liabilities denominated in foreign currencies	77	-
Reclassification in assets held for sale	- 3	-
Effects of the variations in exchange rates, consolidation scope and re-classifications	8	- 60
Deferred tax booked directly to shareholders' equity	26	- 16
BALANCE AS AT 31 DECEMBER	**1,327**	**1,378**

Origin of deferred tax assets and liabilities:

	Assets		Liabilities		Net	
In EUR million	2006	2005	2006	2005	2006	2005
Intangible assets	91	9	- 131	- 3	- 40	6
Property, plant and equipment	193	261	- 1,585	- 941	- 1,392	- 680
Inventories	170	120	- 41	- 27	129	93
Financial instruments	11	36	- 31	- 117	- 20	- 81
Other assets	99	267	- 70	- 151	29	116
Provisions:	862	580	- 274	- 147	588	433
of which pensions	*513*	*270*	*- 16*	*- 11*	*497*	*259*
of which other social provisions	*207*	*157*	*-*	*- 1*	*207*	*156*
of which other provisions	*142*	*153*	*- 257*	*- 135*	*- 115*	*18*
other liabilities	120	131	- 49	- 111	71	20
Tax losses carried forward	742	934	-	-	742	934
Tax credits	123	-	-	-	123	-
Untaxed reserves	-	-	- 5	-	- 5	-
Other tax credits linked to Mendes Junior	-	-	- 22	-	- 22	-
Deferred tax assets / (liabilities)	**2,411**	**2,338**	**- 2,208**	**- 1,497**	**203**	**841**
Deferred tax assets					1,327	1,378
Deferred tax liabilities					- 1,124	- 537
NET BALANCE					**203**	**841**

As at 31 December 2006, the Group's carried forward tax losses have the following maturity:

In EUR million	2006	2005
2006	-	27
2007	9	41
2008	-	30
2009	-	26
2010	4	-
2010 and beyond	-	273
2011 and beyond	268	-
No maturity date	4,490	5,833
TOTAL	**4,771**	**6,230**
Other tax credits (long-term depreciation)	378	1,105

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NOTE 24 – TAXATION CONTINUED

Deferred tax assets not recognised by the Group apply to the following elements as at 31 December 2006:

In EUR million	Gross amount	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax losses carried forward	4,771	1,578	742	836
Tax credits	123	123	123	-
Other tax credits (long-term depreciation)	378	57	-	57
Property, plant and equipment	1,257	434	193	241
Other	4,169	1,429	1,353	76
TOTAL		**3,621**	**2,411**	**1,210**

Deferred tax assets not recognised by the Group apply to the following elements as at 31 December 2005:

In EUR million	Gross amount	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax losses carried forward	6,230	2,106	934	1,172
Other tax credits (long-term depreciation)	1,105	166	-	166
Property, plant and equipment	1,381	476	261	215
Other	3,574	1,207	1,143	64
TOTAL		**3,955**	**2,338**	**1,617**

NOTE 25 – RELATED PARTY DISCLOSURE

The consolidated financial statements include transactions carried out by the Group in the normal course of business with its non-consolidated entities and entities accounted for using the equity method. Transactions are booked at market prices.

At 31 December 2006, the transactions with related parties also include all transactions with the principal shareholder Mittal Steel Company N.V. and all its subsidiaries and associated companies.

25.1** – **Transactions with Mittal Steel

The sales and purchases of goods and services between the Group and Mittal Steel Group amount respectively to EUR 114 million and EUR 171 million for the financial year. As at 31 December 2006, the receivables and payables between the Group and Mittal Steel Group amount respectively to EUR 3,439 and 2,353 million.

The receivables include mainly the receivables related to the disposal of Arcelor Germany Holding and its subsidiaries (EUR 2,602 million) to Mittal Steel Germany Holding. This receivable matures on 28 February 2007 and does not include any interest. After maturity date and until final settlement, the receivable bears an interest rate based on the legal rate defined in Germany in accordance with paragraph 247 BGB plus a spread of 5%. They also include current and non-current financial loans granted by Arcelor Finance SCA to Mittal Steel Company N.V. The payables include mainly financial loans granted by Mittal Steel Company N.V. to Arcelor Finance SCA.The interest rate on such loans is floating (Euribor + spread) and the maturity is comprised between September 2007 and December 2009.

In EUR million	2006
Sales	114
Purchases	171
Receivables	3,439
of which non-current financial loans (Note 8)	*487*
of which current financial loans (Note 11)	*307*
of which receivable from sale of Arcelor Germany Holding and subsidiaries (Note 11)	*2,602*
Payables	2,353
of which financial loans (Note 17)	*2,072*

25.2 - Loans and guarantees given

In EUR million	2006	2005
Loans (including short-term loans) to non-consolidated companies	373	55
Guarantees granted to non-consolidated companies	148	161

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NOTE 25 – RELATED PARTY DISCLOSURE CONTINUED

25.3 – Purchases and sales of goods and services

In EUR million	2006	2005
Sales	1,917	1,444
Purchases	809	758

25.4 – Remuneration of the Board of Directors and General Management

In EUR million	2006	2005
Board of Directors and General Management	6.2	8.9

NOTE 26 – FINANCIAL INSTRUMENTS AND DERIVATIVES

The Group uses financial instruments and derivatives to hedge its exposure to fluctuations in interest rates, exchange rates and the price of raw materials, energy and emission rights quota.

The Group manages the counter-party risk associated with these instruments by centralising its commitments and by applying procedures which specify, for each type of transaction and underlying, risk limits and/or the characteristics of the counter-party. The Group does not generally grant to or require from its counter-parties guarantees over the risks incurred. Allowing for exceptions, the Group's counter-parties are part of its financial partners and the related market transactions are governed by framework agreements (mainly of the ISDA type allowing netting in case of counter-party default).

The parent company centrally manages the risks of all the Group entities, with the exception of the North and South American companies. These entities manage their risks according to Group policy, and in agreement with the parent company.

INTEREST RATE RISK

The Group uses several types of instruments for the management of interest rate risk in order to optimise its financial expenses or income, to hedge exchange risk related to loans and borrowings in foreign currencies and to manage the split between fixed and variable rate loans.

Interest rate exchange contracts ('swaps') allow the Group to borrow long-term at variable rates, and to swap the rate of this debt either from the start or during the period of the loan. The Group and its counter party exchange, at predefined intervals, the difference between the agreed fixed rate and the variable rate, calculated on the basis of the notional amount of the swap.

Similarly, swaps may be used for the exchange of variable rates against other variable rates.

FRAs ('forward rate agreements') and futures contracts on interest rates are primarily used by the Group to hedge the rates paid on loans and variable rate financial instruments or, in particular cases, on existing or future loans. Similarly, futures contracts are used by the Group to hedge the difference in the rates between two currencies in particular cases and within the framework of exchange risk management. These contracts are either commitments to buy (or sell) a financial instrument at a future date and at an agreed price, or to receive (or pay) at a future date the difference between two given rates. Certain instruments can be settled in cash, others can be settled through delivery of the underlying asset or in cash. The Group will generally only commit itself to highly liquid term contracts, such as EURIBOR or Eurodollar futures.

Interest rate derivatives used by the Group to cover variations in the value of fixed rate loans are qualified as fair value hedges according to IAS 39. These derivatives are re-valued at the balance sheet date and have an impact on the net profit or loss. This impact is neutralised by the hedged part of the associated loans.

As at December 31, 2006, the Group does not own interest rate derivatives that are not qualified as hedging instruments according to IAS 39.

EXCHANGE RATE RISK

The Group uses forward purchases and sales of foreign currency and other derivatives to hedge foreign currency transactions of the majority of its subsidiaries.

Swaps might also be used to exchange a currency with another one, within the framework of exchange risk management.

The group is mainly exposed to variations in value arising from exchange rate fluctuations on raw materials and energy supply as well as on freight.

The common practice of the Group is to invoice clients in their own currency.

The Group also uses these instruments at consolidation level to hedge debt recorded in foreign currency or the balance sheet risk incurred on certain assets.

The general policy of the Group is to hedge exchange risk on transactions completely. However, as an exception to this general policy, for certain currencies and for risks and amounts that are clearly identified and authorised by management, the Group may either hedge in anticipation or not hedge transactional risks.

In this context, the Group has set up macro-economic management for a part of its purchases (mainly for its future raw materials and associated consumptions [iron, ore, coal and freight]), enabling it to reprocess part or all of the related variations in value to shareholders' equity. This accounting treatment is allowed in order to account for cash flow hedges.

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NOTE 26 – FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

RAW MATERIAL RISK
The Group uses financial instruments (forward purchases, options and swaps on commodities) in order to reduce the volatility risk of certain raw materials and energy. The Group is exposed to risks on raw materials and energy both via the purchase of its own raw materials and via sales contracts.

EMISSION RIGHTS
Pursuant to the coming into effect of the European Directive 2003/87/EC of 13 October 2003 establishing a scheme for emission allowance trading, the Group employs several types of derivatives (cash purchase/sale, forward transactions, options) in order to implement its management policy for associated risks.

TRADING RISK
If there are open positions, duly governed by limit tracking procedures (defined by the nature of the risk: autorised nominal amount, maximum level of loss/profit, fixed maturities), the Group carries out trading operations on the basis of the risks associated with interest rates, exchange rates, raw material and energy prices, as well as with greenhouse gas emission rights. Open positions are not significant with respect to the volume of hedging operations dealt or the general rate risk.

FOLLOWING UP ON RISKS
The types of instruments, the products and currencies which may be used, as well as the maximum risk exposure are determined at management level. Each risk is monitored, on a daily basis and intra-day basis, by a dedicated and independent team, who can report directly to the Audit Committee of the Group, if necessary. In 2006 and 2005, the net profit or loss on trading operations was not significant to the Group's results.

The portfolio of assets associated with derivative financial instruments as at 31 December 2006 is as follows:

	2006			2005		
In EUR million	Notional amount	Market value	Average rate*	Notional amount	Market value	Average rate*
Interest rate instruments						
INTEREST RATE SWAPS – FIXED RATE BORROWINGS						
– Foreign currency	-	-	-	254	3	2.74%
INTEREST RATE SWAPS – FIXED RATE LOANS						
– EUR	800	9	4.99%	1,353	55	4.59%
– USD	-	-	-	356	3	5.51%
Interest rate swaps - variable / variable	-	-	-	115	-	2.94%
FRA contracts - purchases	-	-	-	1,050	2	2.24%
Cap purchases	100	1	-	-	-	-
Floor purchases	-	-	-	100	-	2.55%
Floor sales	100	-	2.70%	200	-	2.70%
TOTAL ASSETS (NOTE 8)		**10**			**63**	
Exchange rate instruments						
Forward purchase of foreign currency	396	2	-	2,722	65	-
Forward sale of foreign currency	9,265	310	-	111	-	-
Currency swap	-	1	-	-	-	-
Exchange options – Purchases	-	-	-	1,296	73	-
Exchange options – sales	450	7	-	1,875	34	-
TOTAL ASSETS (NOTE 11)		**320**			**172**	
Raw Materials						
Term contracts - sales	24	3	-	26	1	-
Term contracts - purchases	289	59	-	242	61	-
Swaps using raw materials pricing index	-	-	-	1	1	-
Options - sales	12	4	-	62	2	-
Options - purchases	95	-	-	120	29	-
TOTAL ASSETS		**66**			**94**	
of which non-currentt (Note 8)		***13***			***38***	
of which current (Note 11)		***53***			***56***	

* Average fixed rates are determined on the basis of the EUR and foreign currency rates. Variable rates are generally based on Euribor or Libor.

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NOTE 26 – FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

In EUR million	2006 Notional amount	2006 Market value	2006 Average rate*	2005 Notional amount	2005 Market value	2005 Average rate*
Interest rate instruments						
INTEREST RATE SWAPS – FIXED RATE BORROWINGS						
– EUR	553	- 3	4.59 %	50	-	4.24 %
– Foreign currency	93	- 1	4.93 %	-	-	-
FRA contracts – sales	250	-	3.40 %	1,000	-	2.52 %
Interest rate swaps – variable / variable	97	- 1	3.14 %	-	-	-
Cap purchases	100	-	3.25 %	200	-	2.70 %
O.C.E.A.N.E. 2017 option	-	-	-	838	- 168	4.22 %
TOTAL LIABILITIES (NOTE 17)		**- 5**			**- 168**	
Exchange rate instruments						
Forward purchase of foreign currency	5,638	- 305	-	18	- 2	-
Forward sale of foreign currency	156	- 1	-	1,870	- 17	-
Currency Swap	-	- 2	-	-	-	-
Exchange options – purchases	- 450	- 10	-	275	- 2	-
Exchange options – sales	-	-	-	750	- 11	-
TOTAL LIABILITIES (NOTE 21)		**- 318**			**- 32**	
Raw materials						
Term contracts – sales	- 79	- 10	-	129	- 26	-
Term contracts – purchases	- 167	- 8	-	57	- 2	-
Swaps using raw materials pricing index	-	- 2	-	8	- 6	-
Options – sales	-	-	-	205	- 35	-
Options – purchases	-	-	-	86	- 3	-
TOTAL LIABILITIES		**- 20**			**- 72**	
of which current (NOTE 21)		***- 14***			***- 72***	

* Average fixed rates are determined on the basis of the EUR and foreign currency rates. Variable rates are generally based on Euribor or Libor.

The assets and liabilities associated with interest rate instruments are distributed according to the following maturity dates:

In EUR million	2006	2005
< 1 year	1	7
1 – 5 years	6	55
> 5 years	- 2	1
TOTAL	**5**	**63**
Assets associated with interest rate instruments	10	63
Liabilities associated with interest rate instruments	- 5	-
TOTAL	**5**	**63**

The exchange rate instruments are reported in the following currencies:

In EUR million	Purchased currencies					2006	2005
Sold currencies	USD	CAD	EUR	JPY	PLN		
USD		1	12			13	14
EUR	-37	-278				-315	135
CAD			305			305	-9
PLN			-1			-1	-
2006	-37	-277	316	-	-	2	
2005	127	8	7	-2	-		140

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NOTE 26 – FINANCIAL INSTRUMENTS AND DERIVATIVES CONTINUED

Raw material instruments concern the following underlying materials:

In EUR million	2006	2005
Base metals	41	14
Gas	-	- 2
Oil	-	2
CO_2	-	-
Electricity	5	8
TOTAL	**46**	**22**
Assets associated with raw material instruments	66	94
Liabilities associated with raw material instruments	- 20	- 72
TOTAL	**46**	**22**

Hedging instruments concerning base metals (zinc, nickel, aluminium, pewter and copper) and oil are negotiated in USD, whereas instruments concerning gas and electricity are negotiated in GBP and in EUR.

NOTE 27 – COMMITMENTS GIVEN AND RECEIVED

Commitments detailed in this note do not include the commitments mentioned in Note 26.

Commitments given

In EUR million	2006	2005
Guarantees on third-party financial loans and credit lines	188	133
Other guarantees	704	614
Property pledged and guarantees	439	684
Discounted bills (not yet at maturity)	-	266
Commitments to buy or dispose of fixed assets	672	896
Other commitments given	161	184
TOTAL COMMITMENTS GIVEN	**2,164**	**2,777**

Commitments received:

In EUR million	2006	2005
Endorsements and guarantees received from non-consolidated companies	343	268
Other commitments received	221	191
TOTAL COMMITMENTS RECEIVED	**564**	**459**

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

Other guarantees include pledges, first claim guarantees, documentary credits, letters of credit and other similar letters.

Property guarantees mainly consist of mortgages for an amount of EUR 296 million (2005: EUR 212 million).

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

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NOTE 28 – SEGMENT REPORTING

28.1 Breakdown by Activity

Sales between activities are calculated at market price. The operating result is shown after eliminations. The different activities are presented in accordance with the breakdown applied by Arcelor Mittal. The comparative figures for 2005 have been restated accordingly.

2006 (Figures in EUR million, except for the number of employees)	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas and Europe	Africa, Asia, CIS	Stainless steel	Arcelor Mittal Steel Solutions and Services	Other Activities	Eliminations	Total
Income statement									
Revenue	5,291	18,524	7,696	310	5,422	8,437	1,507	- 6,576	40,611
Inter-sector sales	- 273	- 3,448	- 1,192	-	- 131	- 861	- 671	6,576	-
TOTAL	**5,018**	**15,076**	**6,504**	**310**	**5,291**	**7,576**	**836**	**-**	**40,611**
Gross operating profit	1,137	2,159	1,631	63	745	384	- 203	- 13	5,903
Depreciation	- 384	- 454	- 192	- 20	- 142	- 68	- 38	-	- 1,298
Impairment charges	-	- 240	76	2	-	-	-	-	- 162
Operating profit (before goodwill)	753	1,465	1,515	45	603	316	- 241	- 13	4,443
Negative goodwill	-	11	-	-	-	-	-	-	11
Operating profit	753	1,476	1,515	45	603	316	- 241	- 13	4,454
Share of results in companies accounted for using the equity method	33	255	34	-	1	32	8	-	363
Balance sheet									
Segment assets	4,514	9,987	5,467	472	3,011	2,488	23,314	- 9,324	39,929
Property, plant and equipment	6,461	4,854	2,805	169	1,730	543	208	-	16,770
Investments in companies accounted for using the equity method	191	1,089	172	-	-	229	112	-	1,793
Unallocated assets	-	-	-	-	-	-	-	-	3,117
TOTAL CONSOLIDATED ASSETS	**4,705**	**11,076**	**5,639**	**472**	**3,011**	**2,717**	**23,426**	**- 9,324**	**44,839**
Segment liabilities	1,708	6,607	2,115	153	1,632	1,917	2,351	- 2,242	14,241
Unallocated liabilities	-	-	-	-	-	-	-	-	8,512
TOTAL CONSOLIDATED LIABILITIES	**1,708**	**6,607**	**2,115**	**153**	**1,632**	**1,917**	**2,351**	**- 2,242**	**22,753**
ACQUISITIONS OF TANGIBLE AND INTANGIBLE FIXED ASSETS	837	718	445	7	155	99	37	-	2,298
Other information									
Number of employees (average)	16,366	39,970	21,148	906	11,790	10,559	3,196	-	103,935

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NOTE 28 – SEGMENT REPORTING CONTINUED

28.1 Breakdown by Activity continued

2005 (Restated) (Figures in EUR million, except for the number of employees)	Flat Carbon Americas	Flat Carbon Europe	Long Carbon Americas and Europe	Africa, Asia, CIS	Stainless steel	Arcelor Mittal Steel Solutions and Services	Other Activities	Eliminations	Total
Income statement									
Revenue	1,928	17,085	6,618	-	4,028	8,656	1,008	- 6,712	32,611
Inter-sector sales	- 88	- 3,779	- 1,146	-	- 84	- 973	- 642	6,712	-
TOTAL	**1,840**	**13,306**	**5,472**	**-**	**3,944**	**7,683**	**366**	**-**	**32,611**
Gross operating profit	847	2,944	1,371	-	173	328	16	3	5,682
Depreciation	- 177	- 678	- 277	-	- 124	- 84	- 31	-	- 1,371
Impairment charges	-	34	- 1	-	44	-	-	-	77
Operating profit (before goodwill)	670	2,300	1,093	-	93	244	- 15	3	4,388
Negative goodwill	-	1	18	-	-	10	-	-	29
Operating profit	670	2,301	1,111	-	93	254	- 15	3	4,417
Share of results in companies accounted for using the equity method	-	218	14	-	47	30	8	-	317
Balance sheet									
Segment assets	3,923	15,070	5,578	-	4,171	3,707	8,944	- 9,713	31,680
Property, plant and equipment	3,191	5,310	2,632	-	1,877	542	215	-	13,767
Investments in companies accounted or using the equity method	-	954	203	-	7	245	6	-	1,415
Unallocated assets	-	-	-	-	-	-	-	-	2,769
TOTAL CONSOLIDATED ASSETS	**3,923**	**16,024**	**5,781**	**-**	**4,178**	**3,952**	**8,950**	**- 9,713**	**35,864**
Segment liabilities	221	6,956	1,720	-	1,476	1,766	2,817	- 3,023	11,933
Unallocated liabilities	-	-	-	-	-	-	-	-	6,501
TOTAL CONSOLIDATED LIABILITIES	**221**	**6,956**	**1,720**	**-**	**1,476**	**1,766**	**2,817**	**- 3,023**	**18,434**
ACQUISITIONS OF TANGIBLE AND INTANGIBLE FIXED ASSETS	735	694	334	-	183	88	36	-	2,070
Other information									
Number of employees (average)	4,790	44,413	20,248	-	13,908	11,207	3,129	-	97,695

28.2 – Geographical Breakdown

2006 (Figures in EUR million, except for the number of employees)	European Union (EU 25)	North America*	South America	Other	Total
Revenue	25,936	5,958	5,111	3,606	40,611
Segment assets	28,890	4,191	6,291	557	39,929
Property, plant and equipment	7,707	3,216	5,662	185	16,770
Gross operating profit	3,386	440	1,995	82	5,903
Operating profit	2,448	236	1,709	61	4,454
Acquisition of property, plant and equipment, and intangible assets	1,163	201	897	37	2,298
Number of employees (average)	69,335	12,346	20,920	1,334	103,935

* North America, including Mexico

2005 (Restated) (Figures in EUR million, except for the number of employees)	European Union (EU 25)	North America*	South America	Other	Total
Revenue	23,228	2,955	3,530	2,898	32,611
Segment assets	22,684	685	8,178	133	31,680
Property, plant and equipment	8,188	67	5,499	13	13,767
Gross operating profit	3,936	68	1,659	19	5,682
Operating profit	3,042	55	1,303	17	4,417
Acquisition of property, plant and equipment, and intangible assets	1,145	15	910	-	2,070
Number of employees (average)	76,221	1,118	20,018	338	97,695

* North America, including Mexico

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NOTE 29 – EVENTS AFTER THE BALANCE SHEET DATE

On 26 January 2006, Mittal Steel and ThyssenKrupp AG entered into letter agreement which provided that if Mittal Steel was successful in its tender offer for Arcelor and was able to exert management control "with the ability to sell Dofasco," Mittal Steel would cause Arcelor to sell Dofasco to ThyssenKrupp. During March and April 2006, Arcelor acquired 100% of the shares of Dofasco. On 3 April 2006, Arcelor transferred 89% of the shares of Dofasco to the Strategic Steel Stichting ("S3"), an independent foundation under Dutch law, thereby removing Arcelor's ability to sell or otherwise dispose of such shares without S3's consent. On 25 June 2006, Mittal Steel and Arcelor agreed to the terms of a recommended offer, pursuant to which Mittal Steel has acquired approximately 94% of the share capital of Arcelor.

On 1 August 2006, the U.S. Department of Justice (the "DOJ") announced that it had concluded that the acquisition by Mittal Steel of Arcelor was likely to substantially lessen competition in the market for tin mill products in the Eastern United States and filed in the U.S. District Court in Washington, D.C. a consent decree that Mittal Steel had previously signed with the DOJ on 11 May 2006. The consent decree required the divestiture of Dofasco or, if Mittal Steel were unable to sell Dofasco, the divestiture of either Mittal Steel's Sparrows Point Facility in Maryland or Mittal Steel's Weirton facility in West Virginia. The consent decree provided that the DOJ in its sole discretion would choose which plant would be sold. The consent decree also included a Hold Separate Stipulation and Order that provided that Dofasco would be maintained as a separate business, independent of the other businesses of Mittal Steel and Arcelor, until Dofasco was divested or the DOJ made its selection of the alternative plant to be divested.

After the consent decree was filed in court, the boards of both Mittal Steel and Arcelor requested the directors of S3 to dissolve the foundation in order to allow the sale of Dofasco. On 10 November 2006, however, S3's directors unanimously decided not to dissolve the foundation and to retain the Dofasco shares, thereby continuing to prevent their sale.

On 22 December 2006, ThyssenKrupp initiated summary legal proceedings against Mittal Steel in the District Court in Rotterdam alleging that Mittal Steel had breached the letter agreement by failing to cause Arcelor to initiate litigation against S3 to force S3 to transfer the Dofasco shares to Arcelor so as to permit their sale to ThyssenKrupp. The suit sought, among other things, a court order directing Mittal Steel to cause Arcelor to commence summary proceedings in the Dutch courts to force S3 to return the Dofasco shares to Arcelor. On 23 January 2007, the District Court in Rotterdam denied ThyssenKrupp's petition for an order.

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

On 25 September 2006, the Comissão de Valores Mobiliários (the "CVM"), the Brazilian securities regulator, ruled that, as a result of Mittal Steel's acquisition of Arcelor, Mittal Steel was required to carry out a public offer to acquire all the outstanding shares in Arcelor Brasil not owned by Arcelor or any other affiliate of Mittal Steel. Arcelor Brasil is a majority owned subsidiary of Arcelor. On 26 October 2006, Mittal Steel filed with the CVM a request for registration with respect to such offer, and filed an amended request on 11 January 2007. As per the amended request for registration filed by Mittal Steel, the value to be offered per Arcelor Brasil share is EUR 12.12 (which may be accepted in the form of cash or a mixture of cash and shares, at the option of the holder), for a total value of approximately EUR 2.6 billion for all Arcelor Brasil shares.

On 12 February 2007, the CVM issued a letter stating that, according to the CVM's interpretation of the applicable rules, the value Mittal Steel should offer per Arcelor Brasil share should be EUR 4.57 in cash and 0.3942 Arcelor Mittal common shares, subject to a number of adjustments.

The decision of the CVM is subject to administrative appeal and appeal before the Brazilian courts. Mittal Steel is presently evaluating its options in respect of such decision.

NOTE 30 – EMISSION RIGHTS

For the year 2006, the total volume of the rights available to the Group is 59 million tonnes. Emission volumes rose to 53,4 million tonnes as at 31 December 2006.

4 million tonnes out of the 5,6 million surplus of available rights were sold on the market in 2006, for a total amount of EUR 101 million. This surplus is partially linked to the closing of a certain number of continental factory sites and, on a more general note, to the voluntary reduction in production volumes during the year.

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NOTE 31 – SIMPLIFIED GROUP ORGANISATION CHART

Arcelor

Flat Carbon Europe

- **Arcelor Atlantique & Lorraine** — *France* — IG 100.00% (100.00)
- **Arcelor Méditerranée** (ex Sollac Méditeranée) — *France* — IG 100.00% (100.00)
- **Arcelor Steel Belgium** (ex SIDMAR) — *Belgium* — IG 100.00% (99.82)
- **Arcelor Bremen** (ex STAHLwerke Bremen) — *Germany* — IG 70.00% (67.76)
- **Cockerill Sambre** — *Belgium* — IG 100.00% (100.00)
- **Arcelor España** (ex Arceralia Corp. Siderurgica) — *Spain* — IG 99.72% (99.72)
- **Aceria Compacta Bizkaia** — *Spain* — IG 80.00% (79.78)
- **Arcelor Packaging International** — *France* — IG 100.00% (100.00)
- **Industeel Belgium** — *Belgium* — IG 100.00% (100.00)
- **Industeel France** — *France* — IG 100.00% (100.00)
- **DHS** — *Germany* — EQ 51.25% (51.25)

Flat Carbon Americas

- **CST** — *Brazil* — IG 100.00% (67.41)
- **Vega do Sul** — *Brazil* — IG 100.00 (67.41)
- **Dofasco** — *Canada* — IG 100.00% (100.00)

Long Carbon Americas and Europe

- **Arcelor Profil Luxembourg** (ex ProfilARBED) — *Luxembourg* — IG 100.00% (99.82)
- **Travi e Profilati** — *Italy* — IG 100.00% (100.00)
- **Aceralia Largos Perfiles** — *Spain* — IG 100.00% (99.72)
- **LME (Lam.March. Europ.)** — *France* — EQ 34.00% (27.10)
- **Arcelor Huta Warszawa** — *Poland* — IG 100.00% (100.00)
- **Belgo Siderurgia** — *Brazil* — IG 100.00% (67.41)
- **Acindar** — *Argentina* — IG 66.33% (44.38)
- **Arcelor Bissen** (ex TrefilARBED Bissen) — *Luxembourg* — IG 100.00% (99.82)
- **Arcelor Bettembourg** (ex TrefilARBED Bettembourg) — *Luxembourg* — IG 100.00% (99.82)
- **Arcelor Pine Bluff** (ex TrefilARBED Arkansas) — *USA* — IG 100.00% (79.74)
- **Mittal Steel Gandrange** — *France* — IG 100.00% (100.00)

Asia, Africa, CIS

- **Soc.Nat. Sidérurg.** (Sonasid) — *Morocco* — IG 64.86% (32.34)

Stainless

- **Ugine & Alz Belgium** — *Belgium* — IG 100.00% (99.82)
- **Ugine & Alz France** — *France* — IG 100.00% (100.00)
- **Acesita** — *Brazil* — IG 95.00% (57.32)
- **Imphy Alloys** — *France* — IG 100.00% (100.00)
- **Imphy Ugine Précision** — *France* — IG 100.00% (100.00)
- **Meusienne de Construction** — *France* — IG 100.00% (100.00)

Arcelor Steel Solutions and Services (A3S)

- **Arcelor Distribution** — *France* — IG 100.00% (100.00)
- **PUM Service Acier** — *France* — IG 100.00% (100.00)
- **Arcelor International** — *Luxembourg* — IG 100.00% (99.82)
- **Arcelor Construction** — *France* — IG 100.00% (100.00)
- **Arcelor Projects Spiral Mill** — Netherland — IG 100.00% (99.82)
- **Aceralia Transformados** — *Spain* — IG 100.00% (99.72)
- **Laminados Velasco** — *Spain* — IG 100.00% (99.72)

Other Activities

- **Arcelor Luxembourg** (ex ARBED) — *Luxembourg* — IG 99.82% (99.82)
- **Arcelor France** (ex Usinor) — *France* — IG 100.00% (100.00)
- **Arcelor Brasil** — *Brazil* — IG 67.41% (67.41)
- **Arcelor Finance** — *Luxembourg* — IG 100.00% (99.82)
- **Paul Wurth** — *Luxembourg* — IG 48.10% (48.01)
- **Circuit Foil** — *Luxembourg* — IG 89.98% (89.82)

Legend

- percentages of shareholdings in the % & interest rates in ()
- consolidation method: IG (Global integration), EQ (Equity method)

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006

Consolidation scope:

352 companies fully consolidated (in addition to Arcelor S.A.)
184 companies consolidated using the equity method

Company name	Consolidation method	Country	Percentage of capital held control (%)
Flat Carbon Americas Segment			
CST sub-group comprising the following entities:			
– Companhia Siderúrgica de Tubarão SA (CST), Serra	Full consolidation	Brazil	100.000000
– CST Comercio Exterior SA, Vitória	Full consolidation	Brazil	100.000000
– CST Corporation BV, Amsterdam	Full consolidation	Netherlands	100.000000
– CST Overseas Ltd, Grand Cayman	Full consolidation	Cayman Islands	100.000000
– Skadden Consultadoria e Servicos Lda, Funchal Madeira	Full consolidation	Portugal	100.000000
Dofasco Inc., Hamilton, sub-group comprising 44 entities	Full consolidation	Canada	100.000000
Sol Coqueria Tubarão SA, Serra	Full consolidation	Brazil	99.000000
Solcan Fininvest Inc., Burlinton	Full consolidation	Canada	100.000000
Tailor Steel America Llc, New York	Full consolidation	United States	70.602704
Vega do Sul SA, São Francisco do Sul	Full consolidation	Brazil	99.999996
Flat Carbon Europe Segment			
ACB sub-group comprising the following entities:			
– Acería Compacta de Bizkaia SA, Sestao	Full consolidation	Spain	80.004286
– Acb, Acr Decapado Aie, Sestao	Full consolidation	Spain	100.000000
Aceros URS SA, Viladecans	Equity method	Spain	45.024739
Arcelor Ambalaj Celigi Sanayi ve Ticaret AS, Levent-Istanbul	Full consolidation	Turkey	74.999931
Arcelor Atlantique et Lorraine Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Bremen GmbH, Bremen	Full consolidation	Germany	70.000000
Arcelor Commercial FCSE SA, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor Dudelange SA, Dudelange	Full consolidation	Luxembourg	100.000000
Arcelor España SA, Gozón	Full consolidation	Spain	99.589962
Arcelor Méditerranée Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Packaging SA, Saint Denis	Full consolidation	France	99.999801
Arcelor Packaging Belgique SA, Saint-Nicolas	Full consolidation	Belgium	100.000000
Arcelor Packaging España SL, Gozón	Full consolidation	Spain	100.000000
Arcelor Packaging Italia Srl, Canossa	Full consolidation	Italia	100.000000
Arcelor Piombino sub-group comprising the following entities:			
– Arcelor Piombino Spa, Firenze	Full consolidation	Italia	99.79194
– Societa Mezzi Portuali Piombino Spa, Piombino	Equity method	Italia	50.000000
Arcelor Planos Sagunto SL, Valencia	Full consolidation	Spain	99.999998
Arcelor Research SA, Saint Denis	Full consolidation	France	99.779191
Arcelor Steel Belgium NV, Bruxelles	Full consolidation	Belgium	100.000000
Arcelor Tailored Blank Bremen GmbH, Bremen	Full consolidation	Germany	100.000000
Arcelor Tailored Blank Genk NV, Genk	Full consolidation	Belgium	100.000000
Arcelor Tailored Blank Liège SA, Liège	Full consolidation	Belgium	100.000000
Arcelor Tailored Blank Lorraine SA, Uckange	Full consolidation	France	99.984252
Arcelor Tailored Blank Zaragoza SA, Pedrola	Full consolidation	Spain	100.000000
Borcelik Celik Sanyii Ticaret AS, Istanbul	Equity method	Turkey	40.466215
Bre.M.A Warmwalz GmbH & Co KG, Bremen	Full consolidation	Germany	88.888889
Bregal Bremer Galvanisierungs-GmbH, Bremen	Full consolidation	Germany	75.050000
Cia Hispano-Brasileira de Pelotizacao SA, Vitoria	Equity method	Brazil	49.111101
Cockerill Sambre SA, Seraing	Full consolidation	Belgium	100.000000
Coils Lamiere Nastri Spa, Caselette, sub-group comprising 20 entities	Equity method	Italia	35.000000
Comercial de Hojalata y Metales SA, San Adrian	Equity method	Spain	22.999561
Cortes y Aplanados Siderúrgicos SA, Barcelona	Full consolidation	Spain	100.000000
Daval Sas, Saint Denis	Full consolidation	France	100.000000
Dermach SA, Madrid	Full consolidation	Spain	100.000000
DHS-Dillinger Hütte Saarstahl AG, Dillingen, sub-group comprising 15 entities	Equity method	Germany	51.250000
Ewald Giebel-Luxemburg SA, Dudelange	Full consolidation	Luxembourg	100.000000
Ferramentas e Accessorios Industriais Lda, Agueda	Equity method	Portugal	39.999864
Gestamp Automocion SL, Abadiano, sub-group comprising 58 entities	Equity method	Spain	34.999996

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Industeel Belgium sub-group comprising the following entities:			
– Industeel Belgium SA, Charleroi	Full consolidation	Belgium	100.000000
– Aval Metal Center SA, Charleroi	Full consolidation	Belgium	100.000000
– Charleroi Déroulage SA, Charleroi	Full consolidation	Belgium	100.000000
Industeel France sub-group comprising the following entities:			
– Industeel France SA, Saint Denis	Full consolidation	France	99.999400
– Industeel Creusot Sas, Saint Denis	Full consolidation	France	100.000000
– Industeel Loire Sas, Saint Denis	Full consolidation	France	100.000000
Metalúrgica Asturiana SA, Mieres	Full consolidation	Spain	100.000000
Ocas - Onderzoekscentrum voor Aanwending van Staal NV, Zelzate	Full consolidation	Belgium	100.000000
R.Bourgeois SA, Besançon	Equity method	France	29.996667
Sidstahl NV, Gent	Full consolidation	Belgium	100.000000
Usinor Auto SA, Saint Denis	Full consolidation	France	99.969510
Long Carbon Americas and Europe Segment			
Aceralia Redondos Comercial SA, Azpeitia	Full consolidation	Spain	100.000000
Acindar sub-group comprising the following entities:			
– Acindar Industria Argentina de Aceros SA, Buenos Aires	Full consolidation	Argentina	66.330000
– Acindar do Brasil Ltda, São Paulo	Full consolidation	Brazil	99.999999
– Acindar Pymes SA, Buenos Aires	Equity method	Argentina	50.000000
– Acindar Uruguay Indústria Argentina de Aceros SA, Montevideo	Full consolidation	Uruguay	100.000000
– Agrinsa - Agro Industrial SA, La Rioja	Full consolidation	Argentina	100.000000
– Comercial Bagual Ltda, Santiago	Full consolidation	Chile	100.000000
– Eco Oil SA, Buenos Aires	Equity method	Argentina	16.666667
– Elmec SA, Buenos Aires	Full consolidation	Argentina	99.999950
– I.P.H. Saicf, Buenos Aires	Equity method	Argentina	32.999950
– Performa SA, Buenos Aires	Full consolidation	Argentina	100.000000
Arcelor Bettembourg SA, Bettembourg	Full consolidation	Luxembourg	100.000000
Arcelor Bissen SA, Bissen	Full consolidation	Luxembourg	100.000000
Arcelor Comercial Barras SL, Azpeitia	Full consolidation	Spain	100.000000
Arcelor Commercial RPS Sàrl, Esch s/Alzette	Full consolidation	Luxembourg	100.000000
Arcelor Commercial Sections SA, Esch s/Alzette	Full consolidation	Luxembourg	100.000000
Arcelor Dommeldange Sàrl, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor Fürstenfeld AG, Fürstenfeld	Full consolidation	Austria	96.502722
Arcelor Huta Warszawa Spzoo, Warszawa	Full consolidation	Poland	99.999487
Arcelor Laminados Zaragoza SA, Zaragoza	Full consolidation	Spain	100.000000
Arcelor Perfiles sub-group comprising the following entities:			
– Arcelor Comercial Perfiles España SL, Madrid	Full consolidation	Spain	100.000000
– Arcelor Bergara SA, Bergara	Full consolidation	Spain	100.000000
– Arcelor Commercial Sections Rayleigh Ltd, Rayleigh	Full consolidation	United Kingdom	100.000000
– Arcelor Long Commercial Bordeaux SA, Merignac	Full consolidation	France	98.000000
– Arcelor Long Commercial Torino Srl, Torino	Full consolidation	Italia	100.000000
– Arcelor Madrid SL, Madrid	Full consolidation	Spain	100.000000
– Arcelor Olaberria SL, Olaberria	Full consolidation	Spain	100.000000
– Aristrain Hispano Trade GmbH, Düsseldorf	Full consolidation	Germany	100.000000
– Fercome Trading SL, Valencia	Full consolidation	Spain	100.000000
– Ilsacer 2000 SL, Zaragoza	Equity method	Spain	50.000000
– Kramer and Sons Trading Co, Detroit	Equity method	United States	50.000000
– Servicios Complementarios del Norte SL, Bilbao	Equity method	Spain	49.000000
– Sobrinos De Manuel Cámara SA, Renteria	Equity method	Spain	50.000000
– Triturados Férricos SL, Madrid	Equity method	Spain	33.300000
Arcelor Pine Bluff Inc, Pine Bluff	Full consolidation	United States	62.962963
Arcelor Profil Luxembourg SA, Esch s/Alzette	Full consolidation	Luxembourg	100.000000
Arcelor Rodange SA, Rodange	Full consolidation	Luxembourg	80.467895
Arcelor Sheffield Ltd, Sheffield	Full consolidation	United Kingdom	100.000000
Arcelor Zumárraga SA, Zumárraga	Full consolidation	Spain	100.000000
Asbm Sàrl, Luxembourg	Full consolidation	Luxembourg	100.000000
Belgo Bekaert Arames Ltda, Contagem	Full consolidation	Brazil	55.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Belgo Bekaert Nordeste SA, Feira de Santana	Full consolidation	Brazil	99.031811
Belgo Siderurgia SA, Belo Horizonte	Full consolidation	Brazil	99.999816
Belgo-Mineira Participacão Indústria e Comércio SA, Belo Horizonte	Full consolidation	Brazil	100.000000
Belgo-Mineira Uruguay SA, Montevideo	Full consolidation	Uruguay	100.000000
BelgoPar Ltda, Belo Horizonte	Full consolidation	Brazil	100.000000
Bemex International Ltd, Hamilton	Full consolidation	Bermuda	100.000000
Bmb Belgo-Mineira Bekaert Artefatos de Arame Ltda, Vespasiano	Full consolidation	Brazil	55.499970
Bmf Belgo-Mineira Fomento Mercantil Ltda, Belo Horizonte	Full consolidation	Brazil	100.000000
Caf Santa Bárbara Ltda, Belo Horizonte	Full consolidation	Brazil	100.000000
Cimaf Cabos SA, Osasco	Full consolidation	Brazil	100.000000
Industrias Zarra SA, Galdacano	Full consolidation	Spain	100.000000
Laminadora Costarricense SA, San José	Full consolidation	Costa Rica	50.000000
LME Laminés Marchands Européens SA, Trith Saint Léger, sub-group comprising 3 entities	Equity method	France	33.999260
Mittal Steel Gandrange SA, Gandrange	Full consolidation	France	99.999957
Newco Sàrl, Luxembourg	Full consolidation	Luxembourg	100.000000
Newco Sàrl & Cie Secs, Luxembourg	Full consolidation	Luxembourg	100.000000
Redalsa SA, Valladolid	Equity method	Spain	26.000000
San zeno acciai - Duferco Spa, San Zeno Naviglio	Equity method	Italia	49.900001
Travi e Profilati di Pallanzeno Spa, Pallanzeno	Full consolidation	Italia	100.000000
TrefilArbed Hungary Kft, Szentgotthárd	Full consolidation	Hungary	100.000000
TrefilArbed Kiswire Ltd, Kyung-Nam	Equity method	Rep. of South Korea	50.000000
Trefilería Colima SA, San José	Full consolidation	Costa Rica	50.000000
Usina Hidrelétrica Guilman-Amorim SA, Belo Horizonte	Equity method	Brazil	51.000000
Stainless Segment			
Acesita sub-group comprising the following entities:			
– Acesita SA, Belo Horizonte	Full consolidation	Brazil	94.998913
– Acesita Argentina SA, Buenos Aires	Full consolidation	Argentina	98.000000
– Acesita Centros de Serviços Ltda, Timóteo	Full consolidation	Brazil	100.000000
– Acesita Energética Ltda, Belo Horizonte	Full consolidation	Brazil	100.000000
– Acesita Export and Trade Ltd, Grand Cayman	Full consolidation	Cayman Islands	100.000000
– Acesita International Ltd, Grand Cayman	Full consolidation	Cayman Islands	100.000000
– Acesita Serviços Com. Ind. e Part. Ltda, Timóteo	Full consolidation	Brazil	100.000000
– AP Participacoes SA, Belo Horizonte	Full consolidation	Brazil	100.000000
– Inox Tubos Part. SA, Ribeirão Pires	Equity method	Brazil	43.850000
– Preservar Madeira Reflorestada Ltda, Ipatinga	Equity method	Brazil	50.000000
– Stainless Overseas Ltd, Grand Cayman	Full consolidation	Cayman Islands	(SPE)
AL-Fin NV, Genk	Full consolidation	Belgium	99.996377
Alinox Srl, Milano	Full consolidation	Italia	100.000000
Arcelor Stainless International SA, Saint Denis	Full consolidation	France	99.997909
Arcelor Stainless Processing Llc, New York	Full consolidation	United States	100.000000
Arcelor Stainless USA Llc, New York	Full consolidation	United States	100.000000
Haven Genk NV, Genk	Full consolidation	Belgium	50.000000
Imphy Alloys SA, Saint Denis	Full consolidation	France	99.999829
Imphy Mill Sas, Saint Denis	Full consolidation	France	100.000000
Imphy Service Snc, Saint Denis	Full consolidation	France	100.000000
Imphy Ugine Précision SA, Saint Denis	Full consolidation	France	99.999916
Longtain Aciers Spéciaux et Inoxydables SA, Strepy-Bracquegnies	Full consolidation	Belgium	100.000000
Matthey et Cie SA, Apples	Full consolidation	Switzerland	100.000000
Matthey France Sas, Ancerville	Full consolidation	France	100.000000
Matthey Holding SA, Apples	Full consolidation	Switzerland	100.000000
Matthey Sro, Usti nad Labem	Full consolidation	Czech Republic	100.000000
Mecagis Snc, Saint Denis	Full consolidation	France	100.000000
Meusienne Italia Srl, Milano	Full consolidation	Italia	100.000000
RCC & Weha sub-group comprising the following entities:			
– RCC & Weha GmbH, Erkrath	Full consolidation	Germany	100.000000
– Ugine & Alz Deutschland GmbH, Erkrath	Full consolidation	Germany	100.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Société Meusienne de Constructions Mécaniques SA, Ancerville	Full consolidation	France	99.911328
Société Savoisienne de Métaux Sas, Annecy	Full consolidation	France	100.000000
Ugine & Alz SA, Saint Denis	Full consolidation	France	99.851852
Ugine & Alz Belgium NV, Genk	Full consolidation	Belgium	100.000000
Ugine & Alz France SA, Saint Denis	Full consolidation	France	99.999978
Ugine & Alz France Service Sas, Gonesse	Full consolidation	France	100.000000
Ugine & Alz Iberica SL, Viladecans	Full consolidation	Spain	99.999480
Ugine & Alz Italia Srl, Milano	Full consolidation	Italia	100.000000
Ugine & Alz Luxembourg SA, Rodange	Full consolidation	Luxembourg	100.000000
Uginox Sanayi ve Ticaret AS, Gebze Kocaeli	Full consolidation	Turkey	65.000000
Arcelor Steel Solutions and Services (A3S) Segment			
A3S Purchasing Sas, Reims	Full consolidation	France	100.000000
Aceralia Color Acero SL, Mutilva Alta	Full consolidation	Spain	100.000000
Aceralia Construcción Obras SL, Pamplona	Full consolidation	Spain	100.000000
AMD Sud-Ouest Sas, Langon	Full consolidation	France	100.000000
Arcelor Auto Processing Benelux SA, Flémalle	Full consolidation	Belgium	100.000000
Arcelor Auto Processing France Sas, Montataire	Full consolidation	France	100.000000
Arcelor Auto Processing UK Ltd, Willenhall	Full consolidation	United Kingdom	100.000000
Arcelor Avis SSC Ltd, Manchester	Full consolidation	United Kingdom	100.000000
Arcelor Centre Logistique Européen SA, Pétange	Full consolidation	Luxembourg	100.000000
Arcelor Construcción España SL, Berrioplano	Full consolidation	Spain	100.000000
Arcelor Construction France SA, Rueil Malmaison	Full consolidation	France	99.999059
Arcelor Construction UK Ltd, St Helens	Full consolidation	United Kingdom	100.000000
Arcelor Distribution Sas, Reims	Full consolidation	France	100.000000
Arcelor Distribution Luxembourg SA, Esch s/Alzette	Full consolidation	Luxembourg	100.000000
Arcelor International SA, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor International America Llc, New York	Full consolidation	United States	100.000000
Arcelor International Antwerp SA, Antwerpen	Full consolidation	Belgium	100.000000
Arcelor International Canada Inc., Burlington	Full consolidation	Canada	100.000000
Arcelor International Export SA, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor International Singapore sub-group comprising the following entities:			
– Arcelor International Singapore Plc, Singapore	Full consolidation	Singapore	100.000000
– Arcelor International Malaysia Sdn. Bhd., Kuala Lumpur	Full consolidation	Malaysia	100.000000
Arcelor Profil Sas, Yutz	Full consolidation	France	100.000000
Arcelor Projects NV, Overpelt	Full consolidation	Belgium	100.000000
Arcelor Projects BV, Moerdijk	Full consolidation	Netherlands	100.000000
Arcelor Projects International BV, Rotterdam	Full consolidation	Netherlands	100.000000
Arcelor Projects Spiral Mill sub-group comprising the following entities:			
– Arcelor Projects Spiral Mill BV, Heijningen	Full consolidation	Netherlands	100.000000
– Byard Netherlands BV, Heijningen	Full consolidation	Netherlands	100.000000
– De Boer Spiral Mill BV, Heijningen	Full consolidation	Netherlands	100.000000
– De Boer Spiral Mill Vof, Heijningen	Full consolidation	Netherlands	100.000000
Arcelor SSC Benelux NV, Geel	Full consolidation	Belgium	100.000000
Arcelor SSC Development France Sas, Saint Priest	Full consolidation	France	100.000000
Arcelor SSC España SA, Mutilva Alta	Full consolidation	Spain	100.000000
Arcelor SSC España Salvatierra SL, Salvatierra	Full consolidation	Spain	100.000000
Arcelor SSC France Sas, Reims	Full consolidation	France	100.000000
Arcelor SSC Italia Srl, Milano	Full consolidation	Italia	100.000000
Arcelor SSC Polska Spzoo, Bytom	Full consolidation	Poland	100.000000
Arcelor SSC Sverige AB, Karlstad	Full consolidation	Sweden	100.000000
Arcelor SSC UK Ltd, Willenhall	Full consolidation	United Kingdom	100.000000
Arcelor SSC UK Barking Ltd, Barking	Full consolidation	United Kingdom	100.000000
Arcelor Steel Coat France Sas, Reims	Full consolidation	France	100.000000
Arcelor Steel Service Centres Sas, Saint Ouen l'Aumone	Full consolidation	France	100.000000
Ask Mac Gowan Ltd, Halesowen	Full consolidation	United Kingdom	90.000000
Asturiana de Perfiles SA, Langreo	Full consolidation	Spain	100.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Baechler Sas, Thionville	Full consolidation	France	100.000000
Berton Sicard Produits Métallurgiques Sas, Avignon	Full consolidation	France	100.000000
C.S.T.R. Sas, Reims	Full consolidation	France	100.000000
Chaillous Sas, Nantes	Full consolidation	France	100.000000
Cima Sas, Bertrichamps	Full consolidation	France	100.000000
Cofrastra SA, Fribourg	Full consolidation	Switzerland	100.000000
Color Profil NV, Geel	Full consolidation	Belgium	100.000000
Devillers Oxycoupage Sas, Hericourt	Full consolidation	France	100.000000
Dikema & Chabot Holding BV, Rotterdam	Full consolidation	Netherlands	100.000000
Dikema Staal Nederland sub-group comprising the following entities:			
– Dikema Staal Nederland BV, Rotterdam	Full consolidation	Netherlands	100.000000
– Dikema Projecten BV, Born	Full consolidation	Netherlands	100.000000
Disteel NV, Machelen	Full consolidation	Belgium	100.000000
Etablissement Alfred André Sas, Harfleur	Full consolidation	France	100.000000
Etablissements Jean Letierce et Cie Sas, Bolbec	Full consolidation	France	100.000000
Etilam SA, Saint Dizier	Full consolidation	France	99.989231
Eucosider Commercial SA, Pétange	Full consolidation	Luxembourg	100.000000
Europerfil SA, L'hospitalet	Equity method	Spain	50.000000
Europese Staal Prefabricatie NV, Geel	Full consolidation	Belgium	100.000000
Ferrometalli-Safem Spa, Milano	Full consolidation	Italia	98.397895
Financieringsmaatschappij Dikema BV, Rotterdam	Full consolidation	Netherlands	100.000000
Galva Service Sas, Bazeilles	Full consolidation	France	100.000000
Gonvarri Industrial SA, Madrid, sub-group comprising 18 entities	Equity method	Spain	29.850431
Haironville Austria GmbH, Neuhofen	Full consolidation	Austria	100.000000
Haironville Guyane Sas, Cayenne	Full consolidation	France	100.000000
Haironville Metal Profil SA, Herstal	Full consolidation	Belgium	100.000000
Haironville Portugal SA, Cartaxo	Full consolidation	Portugal	99.988462
Holding Gonvarri Srl, Bilbao	Equity method	Spain	35.000140
Jean Guille Sas, Yutz	Full consolidation	France	100.000000
Konti Steel Hellas AE, Marousi	Full consolidation	Greece	100.000000
Laminados Velasco sub-group comprising the following entities:			
– Laminados Velasco SL, Basauri	Full consolidation	Spain	100.000000
– Aceralia Distribución SL, Basauri	Full consolidation	Spain	100.000000
– Arcelor Distribuçao Portugal Spq, Ribatejo	Full consolidation	Portugal	100.000000
– Arcelor Distribución Levante SL, Valencia	Full consolidation	Spain	100.000000
– Arcelor Distribución Mediterraneo SL, Parets del Valles	Full consolidation	Spain	100.000000
– Calibrados Pradera SA, Miravalles	Equity method	Spain	50.000000
– Grupo Velasco Desarrollo SL, Basauri	Full consolidation	Spain	100.000000
– Laminados Comavesa SA, Basauri	Full consolidation	Spain	100.000000
– Laminados Gonvelsa SL, Lugo de Llanera	Full consolidation	Spain	100.000000
– Laminados Siderúrgicos Duero SA, Basauri	Full consolidation	Spain	90.000000
– Laminados Siderúrgicos Orense SA, San Ciprian de Viñas	Full consolidation	Spain	90.000000
– Laminados Siderúrgicos Sevilla SA, Alcalá de Guadaira	Full consolidation	Spain	100.000000
– SA Productos Empresas Metalúrgicas, Salvatierra	Full consolidation	Spain	100.000000
Lardier et compagnie Sas, Blois	Full consolidation	France	100.000000
Laserflash SA, Eupen	Full consolidation	Belgium	100.000000
Lille Aciers Sas, Lomme	Full consolidation	France	100.000000
Megaço Jma Comercio Siderúrgico Spq, Palmela	Equity method	Portugal	38.666500
Montan Staal BV, Den Haag	Full consolidation	Netherlands	100.000000
Mosacier SA, Liège	Full consolidation	Belgium	100.000000
Oriental Sheet Piling sub-group comprising the following entities:			
– Oriental Sheet Piling Sdn Bhd, Kuala Lumpur	Full consolidation	Malaysia	60.000000
– Oriental Sheet Piling Pte Ltd, Singapore	Full consolidation	Singapore	100.000000
Parements Métalliques d'Architecture Sas, Cerons	Full consolidation	France	100.000000
Plaques et Découpes France SA, Reims	Full consolidation	France	99.9984
Produits d'Usines Métallurgiques Pum-Station Service Acier SA, Reims	Full consolidation	France	99.983629
Produits Métallurgiques des Ardennes Sas, Donchery	Full consolidation	France	100.000000
Produits Sidérurgiques de la Moselle Sas, Yutz	Full consolidation	France	100.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Profil du futur Sas, Horbourg Wihr	Full consolidation	France	100.000000
Profilage de Guadeloupe Sas, Baie Mahault	Full consolidation	France	100.000000
Profilage de la Martinique Sas, Fort-de-France	Full consolidation	France	100.000000
Profilage de la Réunion SA, Le Port	Full consolidation	France	94.203612
ProfilArbed Staalhandel sub-group comprising the following entities:			
– ProfilArbed Staalhandel BV, Born	Full consolidation	Netherlands	100.000000
– AND-Steel NV, Schoten	Full consolidation	Belgium	100.000000
– Borotrans Born BV, Born	Full consolidation	Netherlands	100.000000
– Bouwstaal Nederland BV, Born	Full consolidation	Netherlands	100.000000
– Demanet-Cassart Aciers SA, Sombreffe	Full consolidation	Belgium	100.000000
– Leduc Trading NV, Schoten	Full consolidation	Belgium	100.000000
– Limbustaal BV, Meersen	Full consolidation	Netherlands	100.000000
– Lommaert/Montan Wapeningsstaal BV, Nijmegen	Full consolidation	Netherlands	100.000000
– Lommaert Walserijprodukten BV, Born	Full consolidation	Netherlands	100.000000
– ProfilArbed Staalhandel Nederland BV, Born	Full consolidation	Netherlands	100.000000
– Steelexpress NV, Schoten	Full consolidation	Belgium	100.000000
Profilsteel SA, Bouffioulx	Full consolidation	Belgium	100.000000
Pum Paris-Normandie Sas, Savigny le Temple	Full consolidation	France	100.000000
Pum Sud Est Sas, Lyon	Full consolidation	France	100.000000
Robert Smith Steels Ltd, Mersyside	Full consolidation	United Kingdom	100.000000
Slpm Sas, Denain	Full consolidation	France	100.000000
S2I (Synergie Interactive Industrielle) Sas, Hericourt	Full consolidation	France	68.683329
Savoie Métal Toiture Sas, Saint Jorioz	Full consolidation	France	100.000000
JH Group Sci, Yutz	Full consolidation	France	100.000000
Sirus Sas, Saint Ouen l'Aumone	Full consolidation	France	100.000000
Skyline Steel sub-group comprising the following entities:			
– Skyline Steel Llc, Parsippany	Full consolidation	United States	100.000000
– Arkansas Steel Processing Llc, Parsippany	Full consolidation	United States	100.000000
– Arkansas Steel Processing Llc, Bessemer	Full consolidation	United States	100.000000
– Associated Pile and Fitting Llc, Clifton	Full consolidation	United States	100.000000
– Casteel Llc, Belpre	Full consolidation	United States	100.000000
– Midwest Steel & Tube Llc, Chicago	Full consolidation	United States	100.000000
– PA Pipe Llc, Cartersville	Full consolidation	United States	100.000000
– Sheeting Solutions Llc, Parsippany	Full consolidation	United States	100.000000
– Skyline (Php) Canada Ltd, St Bruno	Full consolidation	Canada	100.000000
– Skyline Canada Holding Inc., Parsippany	Full consolidation	United States	100.000000
– Skyline Steel Pipe Llc, Luka	Full consolidation	United States	100.000000
Slpm Atlantique Sas, Saint Nazaire	Full consolidation	France	100.000000
Société Belge d'Oxycoupage SA, Liège	Full consolidation	Belgium	100.000000
Société de transports de produits d'usines Métallurgiques Sas, Reims	Full consolidation	France	100.000000
Société Industrielle Métallurgique et d'entreprise Sas, La Chapelle Saint Luc	Full consolidation	France	100.000000
Sotracier Sas, Pontcharra	Full consolidation	France	100.000000
Stalobrex Spzoo, Poreba	Full consolidation	Poland	89.000000
Steel Coat Service Centres SA, Alleur	Full consolidation	Belgium	100.000000
Upac Sas, Saint Ouen l'Aumone	Full consolidation	France	100.000000
Africa, Asia, CIS Segment			
Nouvelles Sidérurgies Industrielles SA, Casablanca	Full consolidation	Morocco	50.000000
Société Nationale de Sidérurgie SA, Al Aaroui	Full consolidation	Morocco	64.860000
Other Activities Segment			
ARCELOR SA, Luxembourg		Luxembourg	
4313267 Canada Inc., Montréal	Full consolidation	Canada	100.000000
Arbed Americas sub-group comprising the following entities:			
– Arbed Americas Llc, New York	Full consolidation	United States	100.000000
– Arcelor Internacional México SA, Tlalnepantla	Equity method	Mexico	100.000000
Arcelor Aços Especiais do Brasil Ltda, São Paulo	Full consolidation	Brazil	99.999976
Arcelor Brasil SA, Belo Horizonte	Full consolidation	Brazil	66.72905

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Company name	Consolidation method	Country	Percentage of capital held control (%)
Arcelor Constructalia SL, Berrioplano	Full consolidation	Spain	100.000000
Arcelor Finance and Services Belgium SA, Bruxelles	Full consolidation	Belgium	99.999998
Arcelor Finance Sca, Luxembourg	Full consolidation	Luxembourg	99.999998
Arcelor Finanziara Srl, Piombino	Full consolidation	Italia	100.000000
Arcelor France SA, Saint Denis	Full consolidation	France	99.999976
Arcelor Holding Sàrl, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor Investment SA, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor Investment Services SA, Luxembourg	Full consolidation	Luxembourg	100.000000
Arcelor Italy Holding Srl, Piombino	Full consolidation	Italia	100.000000
Arcelor Luxembourg SA, Luxembourg	Full consolidation	Luxembourg	99.824701
Arcelor Mittal Belgium Holding SA, Antwerpen	Full consolidation	Belgium	100.000000
Arcelor Mittal Purchasing Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Netherlands BV, Amsterdam	Full consolidation	Netherlands	100.000000
Arcelor Persebrás SL, Azpeitia	Full consolidation	Spain	100.000000
Arcelor Real Estate France SA, Hayange	Full consolidation	France	99.999703
Arcelor Recycling Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Spain Holding Srl, Madrid	Full consolidation	Spain	100.000000
Arcelor Steel Trading Netherlands BV, Rotterdam	Full consolidation	Netherlands	100.000000
Arcelor Systems Belgium SA, Flemalle	Full consolidation	Belgium	100.000000
Arcelor Systems France Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Technologies France Sas, Saint Denis	Full consolidation	France	100.000000
Arcelor Treasury Snc, Saint Denis	Full consolidation	France	100.000000
Arcelor USA Holding Inc., New York	Full consolidation	United States	100.000000
Atic Services SA, Paris, sub-group comprising 21 entities	Equity method	France	43.513975
Cfl Canada Investment Inc., Granby	Full consolidation	Canada	100.000000
CFL Cargo SA, Esch s/Alzette	Equity method	Luxembourg	33.333401
Circuit Foil America Secs, Granby	Full consolidation	Canada	100.000000
Circuit Foil Luxembourg Sàrl, Wiltz	Full consolidation	Luxembourg	89.979841
Circuit Foil Service SA, Weidingen/Wiltz	Equity method	Luxembourg	49.000000
Cockerill Forges and Ringmill SA, Seraing	Full consolidation	Belgium	100.000000
Cockerill Mécanique Prestations SA, Seraing	Full consolidation	Belgium	100.000000
Daf Group NV, Gent	Full consolidation	Belgium	100.000000
Esperbras SL, Olaberria	Full consolidation	Spain	100.000000
Finindus NV, Bruxelles	Full consolidation	Belgium	100.000000
Finocas NV, Gent	Full consolidation	Belgium	50.000000
Gecs SA, Saint Denis	Full consolidation	France	99.940000
Groupement de l'Industrie Sidérurgique SA, Saint Denis	Full consolidation	France	99.908537
Groupement Immobilier Scrl, Seraing	Full consolidation	Belgium	100.000000
Immobilière Schlassgoart (Groupe Arbed) Senc, Luxembourg	Full consolidation	Luxembourg	100.000000
Imphy SA, Saint Denis	Full consolidation	France	99.671593
InvestAR Sàrl, Luxembourg	Equity method	Luxembourg	50.000000
July Products sub-group comprising the following entities:			
– July Products Llc, New York	Full consolidation	United States	100.000000
– J&L Speciality Steel International Sales Inc., Christiansted	Full consolidation	United States	100.000000
Paul Wurth SA, Luxembourg	Full consolidation	Luxembourg	48.097230
Sidarfin NV, Gent	Full consolidation	Belgium	99.999979
Sidarsteel NV, Gent	Full consolidation	Belgium	97.430000
Sodisid Sas, Hayange	Full consolidation	France	100.000000
Sofinus SA, Saint Denis	Full consolidation	France	99.997244
Sogepass SA, Hayange	Full consolidation	France	99.800000
Soteg Société de Transport de Gaz SA, Luxembourg	Equity method	Luxembourg	20.000000
Sotel SC, Esch s/Alzette	Full consolidation	Luxembourg	75.000000
Sotel Réseau et Cie Secs, Esch s/Alzette	Full consolidation	Luxembourg	100.000000
Usinor Belgium SA, Seraing	Full consolidation	Belgium	100.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
1) Non-consolidated subsidiaries (346 entities)		
A.M.T. Sas, Trévoux	France	100.000000
A.P.R. Sas, La Boisse	France	100.000000
A.S. Build SA, Liège	Belgium	100.000000
A'Tol Sas, La Ravoire	France	100.000000
Acdo Llc, New-York	United States	100.000000
Aceralia Construcciones SL, Sestao	Spain	100.000000
Aciers Solcan Inc., Burlinton	Canada	100.000000
Agifep, Arbed Group Investors for Electronic Purchasing SA, Luxembourg	Luxembourg	100.000000
Agifesa, Arbed Group Investors for Electronic Sales SA, Luxembourg	Luxembourg	100.000000
Airdix SA, Luxembourg	Luxembourg	100.000000
Ais Finance (Groupe Arbed) Snc, Luxembourg	Luxembourg	100.000000
Alpha Profil SA, Yutz	France	99.760000
Amsa Steel Service Centre Ltd, Johannesburg	South Africa	65.000000
Arbed Building Concepts SA, in process of business discontinuance, Esch s/Alzette	Luxembourg	100.000000
Arc-Air SA, Luxembourg	Luxembourg	100.000000
Arc Detal Spzoo, Ostrowiec	Poland	67.000000
Arcelor Acelkereskedelmi Kft, Kecskemét	Hungary	99.967208
Arcelor Asia Management Services (Shanghai) Co. Ltd, Shanghai	China	100.000000
Arcelor Assekuranz Vermittlungs-GmbH, in process of business discontinuance, Bremen	Germany	100.000000
Arcelor Auto Brasil Ltda, São Paulo	Brazil	99.999882
Arcelor China holding (Luxembourg) Sàrl, Luxembourg	Luxembourg	100.000000
Arcelor Commercial Benelux FCSE BV, Rotterdam	Netherlands	100.000000
Arcelor Commercial Benelux FCSE NV, Merelbeke	Belgium	99.960000
Arcelor Commercial FCSE Greece Epe, Kifissia	Greece	99.666667
Arcelor Commercial Finland FCSE OY, Helsinki	Finland	100.000000
Arcelor Commercial France FCSE SA, Saint Denis	France	99.966666
Arcelor Commercial Italy FCSE Srl, Milano	Italia	100.000000
Arcelor Commercial Long Finland OY, Helsinki	Finland	100.000000
Arcelor Commercial Long Polska Spzoo, Katowice	Poland	100.000000
Arcelor Commercial Poland FCSE Spzoo, Poznan	Poland	100.000000
Arcelor Commercial Rebar SA, Rodange	Luxembourg	100.000000
Arcelor Commercial Sections Benelux BV, Rotterdam	Netherlands	100.000000
Arcelor Commercial Sections France SA, Saint Denis	France	99.990000
Arcelor Commercial Sections Italia Srl, Torino	Italia	100.000000
Arcelor Commercial Sweden FCSE AK, Stockholm	Sweden	100.000000
Arcelor Commercial Switzerland FCSE AG, Wettingen	Switzerland	99.916667
Arcelor Commercial UK FCSE Ltd, Solihull-West	United Kingdom	100.000000
Arcelor Commercial Wire Drawing CZ Sro, Jesenice u Chebu	Czech Republic	100.000000
Arcelor Commercial Wire Drawing UK Ltd, Nantwich	United Kingdom	100.000000
Arcelor Construcción Iberia Srl, Madrid	Spain	100.000000
Arcelor Construction Baltic Uab, Vilnius	Lituania	100.000000
Arcelor Construction Nederland BV, Tiel	Netherlands	100.000000
Arcelor Construction Norge AS, Klofta	Norway	100.000000
Arcelor Consultants SA, Saint Denis	France	99.840000
Arcelor Distribuce - CZ Sro, Praha	Czech Republic	100.000000
Arcelor Distribúcia Slovensko Sro, Kosice	Slovakia	100.000000
Arcelor Distribucija Doo, Beograd	Serbia	100.000000
Arcelor Distribucija Doo, Cakovec	Croatia	100.000000
Arcelor Distributie Srl, Pantelimon	Romania	100.000000
Arcelor Distribution Bulgaria Eood, Sofia	Bulgaria	100.000000
Arcelor Distribution France Sas, Nantes	France	100.000000
Arcelor Distribution Négoce Sas, Reims	France	100.000000
Arcelor Distribution Steel Solutions Sas, Reims	France	100.000000
Arcelor Dystrybucja Polska Spzoo, Katowice	Poland	100.000000
Arcelor FCS Commercial Austria GmbH, Steyr	Austria	100.000000
Arcelor FCS Commercial CZ Sro, Praha	Czech Republic	100.000000

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NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Arcelor FCS Commercial Denmark A/S, Kobenhavn	Denmark	100.000000
Arcelor FCS Commercial Hungary Kft, Budapest	Hungary	100.000000
Arcelor FCS Commercial Iberica SL, Madrid	Spain	99.999999
Arcelor FCS Commercial Luxembourg SA, Dudelange	Luxembourg	100.000000
Arcelor FCS Commercial Norway AS, Oslo	Norway	100.000000
Arcelor FCS Commercial Portugal Sul, Cascais	Portugal	100.000000
Arcelor FCSE Celik Ticaret AS, Istanbul	Turkey	99.998400
Arcelor Holding Mexico SA, Mexico DF	Mexico	100.000000
Arcelor Inoxidables de Mexico SA, Mexico DF	Mexico	99.999971
Arcelor Insurance Belgium NV, Gent	Belgium	100.000000
Arcelor Insurance Consultants SA, Luxembourg	Luxembourg	100.000000
Arcelor Interest France Sas, Saint Denis	France	100.000000
Arcelor International (Proprietary) Ltd, Sandton	South Africa	100.000000
Arcelor International Africa SA, Casablanca	Morocco	99.966102
Arcelor International Algérie Eurl, Alger	Algeria	100.000000
Arcelor International Baltics OÜ, Tallinn	Estonia	100.000000
Arcelor International Celik Dis Ticaret AS, Istanbul	Turkey	99.999999
Arcelor International Nordic AS, Oslo	Norway	100.000000
Arcelor International Steel Trading Shanghai Co. Ltd, Shanghai	China	100.000000
Arcelor International Ukraine Tob, Kyiv	Ukraine	100.000000
Arcelor Investeel France Sas, Saint Denis	France	100.000000
Arcelor IT & IS Italia Srl, Piombino	Italia	100.000000
Arcelor Italia Srl, Piombino	Italia	100.000000
Arcelor Logistics Belgium NV, Antwerpen	Belgium	100.000000
Arcelor Logistics Brazil Ltda, São Paulo	Brazil	90.000000
Arcelor Logistics France SA, Saint Denis	France	99.935135
Arcelor Logistics Italia Srl, Milano	Italia	100.000000
Arcelor Logistics USA Llc, New York	United States	100.000000
Arcelor Long Commercial Austria GmbH, Salzburg	Austria	100.000000
Arcelor Long Commercial Denmark AS, Kobenhavn	Denmark	100.000000
Arcelor Long Commercial Norway AS, Oslo	Norway	100.000000
Arcelor Long Commercial Sweden AB, Stockholm	Sweden	100.000000
Arcelor Metal Endüstri Ve Ticaret AS, Istanbul	Turkey	100.000000
Arcelor Mittal Global Finance SA, Bruxelles	Belgium	100.000000
Arcelor Négoce Distribution - Europe Est SA, Luxembourg	Luxembourg	100.000000
Arcelor Négoce Distribution China Holding Ltd, Wanchai	China	100.000000
Arcelor Packaging Imprimerie Florange Sas, Saint Denis	France	100.000000
Arcelor Packaging Ukraina Tob, Belgorod	Ukraine	100.000000
Arcelor Projects Pte Ltd, Singapore	Singapore	90.000000
Arcelor Projects UK Ltd, Oll Kent	United Kingdom	100.000000
Arcelor Real Estate Belgium SA, Bruxelles	Belgium	100.000000
Arcelor Research Liège Scrl, Liège	Belgium	99.000000
Arcelor RPS Italia Srl, Torino	Italia	100.000000
Arcelor RPS UK Ltd, Solihull	United Kingdom	100.000000
Arcelor Russia Holding (Luxembourg) Sàrl, Luxembourg	Luxembourg	100.000000
Arcelor Sections Commercial Austria GmbH, Salzburg	Austria	100.000000
Arcelor Sections Commercial Schweiz AG, Basel	Switzerland	100.000000
Arcelor Sections Commercial UK Ltd, Birmingham	United Kingdom	100.000000
Arcelor Services et Solutions Aciers Maroc SAs, Casablanca	Morocco	100.000000
Arcelor Servicios SA, Queretaro	Mexico	99.000000
Arcelor Siderail SA, Gozón	Spain	100.000000
Arcelor SSC Development Italia Srl, Avigliana	Italia	100.000000
Arcelor SSC Slovakia Sro, Senica	Slovakia	100.000000
Arcelor Stainless (China) Company Ltd, Tsim Sha Tsui	China	99.900000
Arcelor Stainless Australia Pty Ltd, Southport	Australia	100.000000
Arcelor Stainless Baltics Oü, Tallinn	Estonia	100.000000
Arcelor Stainless Canada Inc., Burlington	Canada	100.000000
Arcelor Stainless India Private Ltd, Mumbai	India	99.999633
Arcelor Stainless International - Korea Branch BO, Seoul	Rep. of South Korea	100.000000

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Arcelor Stainless Singapore Pte Ltd, Singapore	Singapore	100.000000
Arcelor Syców Spzoo, Syców	Poland	100.000000
Arcelor Systems España SL, Gozón	Spain	100.000000
Arcelor Tailored Blank Gent NV, Gent	Belgium	100.000000
Arcelor Tailored Blank Senica Sro, Senica	Slovakia	100.000000
Arcelor Technologies Belgium SA, Flémalle	Belgium	100.000000
Arcelor Technologies España SL, Gozón	Spain	95.655994
Arcelor Top Sas, Reims	France	100.000000
Arcelor Turkey Holding (Luxembourg) Sàrl, Luxembourg	Luxembourg	100.000000
Arcelor Wire Drawing Sàrl, Bissen	Luxembourg	100.000000
Arceo SA, Flémalle	Belgium	65.163934
Armar Prestacão de Servicos Ltda, São Paulo	Brazil	99.999996
Armasteel SA, Wavre	Belgium	100.000000
Armatures SA, Pontpierre	Luxembourg	100.000000
Association Coopérative Zélandaise de Carbonisation BV, in liquidation, Terneuzen	Netherlands	100.000000
Assuraciers Snc, Saint Denis	France	100.000000
Auxiliaire de Regroupement Financier d’Arcelor Sas, Saint Denis	France	100.000000
Beijing Arcelor Shougang Steel Construction Co. Ltd, Beijing	China	70.000000
Belgo Trade SA, Luxembourg	Luxembourg	100.000000
Bemex Belgo-Mineira Comercial Exportadora SA, Belo Horizonte	Brazil	100.000000
Blahove BV, Amsterdam	Netherlands	97.500000
Bme Belgo-Mineira Engenharia Ltda, Belo Horizonte	Brazil	100.000000
Bms Belgo-Mineira Sistemas SA, Belo Horizonte	Brazil	100.000000
Brema Warmwalz GmbH, Bremen	Germany	100.000000
C3S Sàrl, Saint Denis	France	100.000000
CDSA SA, Buenos Aires	Argentina	100.000000
Cfa Management Inc., Granby	Canada	100.000000
Changzhou Uginox Products Company Ltd, Jiang Su	China	92.330000
Circuit Foil Asia Pacific (Hongkong) Ltd, Kwai Chung	China	75.000000
Circuit Foil Asia Pacific (Zhangjiagang) Ltd, Zhangjiagang	China	100.000000
Circuit Foil Engineering Sàrl, Weidingen/Wiltz	Luxembourg	100.000000
Circuit Foil Trading USA Inc., Glenside	United States	100.000000
Cofralux SA, Differdange	Luxembourg	100.000000
Coinvest Spzoo, Warszawa	Poland	100.000000
ColorProfil Ltd, Moscou	Russian Federation	100.000000
Considar Private Ltd, Singapore	Singapore	100.000000
Contisteel Ltd, Barking	United Kingdom	100.000000
Contisteel (Holdings) Ltd, Barking	United Kingdom	100.000000
Contisteel (Southern) Ltd, Barking	United Kingdom	100.000000
Cordelia SA, Saint Denis	France	99.998000
Corea SA, Senningerberg	Luxembourg	100.000000
Corporations Efficency Growth Through Information Systems Scrl, Ougrée	Belgium	88.362069
Crois-sens Scrl, Ougrée	Belgium	99.733333
Csn Chrome SA, Liège	Belgium	100.000000
Daval Nederland BV, Amsterdam	Netherlands	100.000000
Dencrest Limited Plc, Nicosia	Cyprus	100.000000
e-Arbed Distribution SA, Esch s/Alzette	Luxembourg	100.000000
EBT – Electron Beam Technology GmbH, Bremen	Germany	100.000000
Efoam SA, Luxembourg	Luxembourg	100.000000
Ekosto NV, Sint Gillis Waas	Belgium	100.000000
Electro Holding Company SA, Luxembourg	Luxembourg	100.000000
Euro Cubage Services Sas, in liquidation, Ennery	France	100.000000
F.P.C. Sas, Montelier	France	100.000000
Fabest Sas, Ludres	France	100.000000
Ferrometalli Plaques et Découpes Srl, Calderara di reno	Italia	100.000000
Fers et Maintenance Industriels Sàrl, Hayange	France	100.000000
Fersthal Sagl, Lugano	Switzerland	99.000000
Fi 2000 Sas, Limas	France	100.000000
Finansider SA, Saint Denis	France	99.999004

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Frecolux SA, Luxembourg	Luxembourg	99.999915
Galva Service Réunion Sas, Saint Paul	France	100.000000
Geopar SA, in liquidation, Couillet	Belgium	50.950604
Gepor Sas, Illange	France	100.000000
Geprolux SA, Luxembourg	Luxembourg	100.000000
Gie Primus®fonte, Luxembourg	Luxembourg	100.000000
Groupe Alliance Métal SA, Arnas	France	66.018226
H & E SA, Rombas	France	99.993600
H & E Wallonie SA, Flémalle	Belgium	100.000000
Haidon Hubin SA, Liège	Belgium	100.000000
Haironville Bohemia Sro, Ceske Budejovice	Czech Republic	100.000000
Haironville Danmark AS, Rodovre	Denmark	100.000000
Haironville do Brasil Industria e Comercio Lta, São Paulo	Brazil	100.000000
Haironville Hungaria Kft, Budapest	Hungary	100.000000
Haironville Nederland BV, Tiel	Netherlands	100.000000
Haironville Polska Spzoo, Poznan	Poland	100.000000
Haironville Slovensko Sro, Bratislava	Slovakia	100.000000
Haironville Sverige AB, Karlstad	Sweden	100.000000
Hughes and Spencer Steel Ltd, Willenhall	United Kingdom	99.992672
Huta Serwis Spzoo, Warszawa	Poland	100.000000
Icpe Immob.du Centre Polyv.de l'Enfance Sàrl, Luxembourg	Luxembourg	100.000000
Imhua Special Metal Co. Ltd, Foshan	China	65.000000
Immobilière Campus Sàrl, Luxembourg	Luxembourg	100.000000
Immobilière Cité Judiciaire 2025 Sàrl, Luxembourg	Luxembourg	100.000000
Immobilière Contourdiff Sàrl, Luxembourg	Luxembourg	100.000000
Immobilière Drai Eechelen Sàrl, Luxembourg	Luxembourg	100.000000
Immobilière Justicia 2026 Sàrl, Luxembourg	Luxembourg	100.000000
Immobilière Tudor Sàrl, Luxembourg	Luxembourg	100.000000
Impeco SA, San Luis	Argentina	99.999898
Imphy Alloys Nevada Inc., New York	United States	100.000000
Imphy Deutschland GmbH, Erkrath	Germany	100.000000
Imphy Far East Co. Ltd, Kowloon	China	99.993103
Imphy Italiana Srl, Torino	Italia	100.000000
Imphy Ugine Precision BV, Amsterdam	Netherlands	100.000000
Imphy Ugine Precision Espana SA, Viladecans	Spain	100.000000
Imphy Ugine Precision Suisse SA, Préverenges	Switzerland	94.000000
Imphy Ugine Precision UK Ltd, Buckinghamshire	United Kingdom	100.000000
Industeel Canada Inc., Montréal	Canada	100.000000
Industeel Deutschland GmbH, Grevenbroich	Germany	100.000000
Industeel Benelux NV, Malines	Belgium	100.000000
Industeel Italia Srl, Milano	Italia	100.000000
Industeel UK Ltd, Worcester	United Kingdom	100.000000
Inspection, Protective Survey and Certification Bureau – Insurec SA, Bruxelles	Belgium	100.000000
Instituto Técnico de la Estructura del Acero SL, Villafranca de Ordizia	Spain	69.750000
Intersteel BV, Rotterdam	Netherlands	100.000000
Isc Holdings Inc., New York	United States	100.000000
Itaúna Siderúrgica Ltda, Itaúna	Brazil	100.000000
IUP Deutschland GmbH, Erkrath	Germany	100.000000
K.I.V. I NV, Genk	Belgium	99.998951
Kontirom Trade Spa, Pantalimon	Romania	99.999642
Krisper Doo, Kranj	Slovenia	100.000000
L'équipement par l'acier inoxydable SA, Saint Denis	France	99.833000
Lapandry Acier Sàrl, Casablanca	Morocco	100.000000
Laser Welded Blanks Ltd, London	United Kingdom	100.000000
Lasram Technology Kft, Szentendre	Hungary	100.000000
Le Fer à Béton Sas, Yutz	France	100.000000
Luxembourg Steel (Si Chuan) Co. Ltd, Chengdu	China	100.000000
Matthey Iberica Comercial Tubo Inoxidable SL, Barcelona	Spain	100.000000
Matthey UK Ltd, Dudley	United Kingdom	100.000000

Consolidated Financial Statements
Notes to the Consolidated Financial Statements continued
(Amounts in EUR million, unless otherwise stated)

NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED
Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Matthey US Llc, New York	United States	100.000000
Mecachim SA, Lusignan	France	99.833333
Memnous SA, Saint Denis	France	99.842932
Metaalzetterij de Betuwe BV, Tiel	Netherlands	100.000000
Metal Presse Sàrl, Saint Denis	France	99.800000
Metalimphy Precision Alloys Inc., Collegeville	United States	100.000000
Midi Aciers Profils Génie Civil SA, Beauzelle	France	99.995872
Mittal Steel Marketing France SA, Amnéville	France	99.986882
Nango SA, Saint Denis	France	99.842932
Norsteel Corp. Inc., New York	United States	100.000000
Orsane SA, Saint Denis	France	99.837838
Osirus SA, Saint Denis	France	99.760000
P.P.Z. Crapex Spzoo, Krakow	Poland	100.000000
P.P.Z. Silscrap Spzoo, Bielsko Biala	Poland	100.000000
Palfroid SA, Carignan	France	99.993879
Paul Wurth AS, Ostrava	Czech Republic	100.000000
Paul Wurth Inc., Canonsburg	United States	100.000000
Paul Wurth Ltd, Burlington	Canada	100.000000
Paul Wurth Belgium SA, Bruxelles	Belgium	100.000000
Paul Wurth de Chile Ltda, Santiago	Chile	100.000000
Paul Wurth de Mexico SA, Monclova	Mexico	99.000000
Paul Wurth do Brasil Tecnologia e Equipamentos Para Metalurgia Ltda, Belo Horizonte	Brazil	100.000000
Paul Wurth Iberica Srl, Gijón	Spain	100.000000
Paul Wurth India Plc, New Delhi	India	100.000000
Paul Wurth International SA, Luxembourg	Luxembourg	100.000000
Paul Wurth Italia Spa, Genova	Italia	100.000000
Paul Wurth Kovrov Ltd, Kovrov	Russian Federation	55.000000
Paul Wurth Metal Technology Co. Ltd, Beijing	China	100.000000
Paul Wurth Refractory & Engineering GmbH, Wiesbaden	Germany	100.000000
Paul Wurth Umwelttechnik GmbH, Essen	Germany	100.000000
PB Transfer Spol Sro, Bohutin	Czech Republic	100.000000
Perfilor SA, São Paulo	Brazil	50.997505
Perry Investments Ltd, Willenhall	United Kingdom	100.000000
Philaeus SA, Saint Denis	France	99.842932
Plaques et Découpes Services SA, Eupen	Belgium	100.000000
Pliage Midi Pyrenees Sas, La Magdeleine sur Tarn	France	100.000000
Plima Sas, Mallemort	France	100.000000
Pre-Finished Steels Ltd, Willenhall	United Kingdom	100.000000
Prekon Spzoo, Starachowice	Poland	100.000000
Primorec SA, Differdange	Luxembourg	100.000000
Profilage de Saint-Martin Sas, Saint Martin	France	100.000000
Profilage Dominicana SA, Santo Domingo	Dominican Republic	87.025547
Rahns Specialty Metals Inc., Collegeville	United States	100.000000
Reca Metal Srl, Bucarest	Romania	100.000000
Retrimeuse Scrl, Seraing	Belgium	76.000000
Rwm Rohrwerke Muldenstein GmbH, in bankruptcy, Muldenstein	Germany	100.000000
Safem Distribuzione Srl, Tavagnacco	Italia	100.000000
Sci des 1 et 3 de la place Max Rousseaux, Reims	France	100.000000
Sci Espace Saint Léonard, Nantes	France	100.000000
Sci Kuntzig, Yutz	France	100.000000
Sci Marly, Yutz	France	100.000000
Sibral Participações Ltda, Belo Horizonte	Brazil	100.000000
Sidlease NV, Gent	Belgium	100.000000
Sidmar Finance (Groupe Arbed) SA, Luxembourg	Luxembourg	100.000000
Sitek Srl, Torino	Italia	100.000000
Skyline Comercial de Mexico SA, Mexico DF	Mexico	100.000000
SLP – Société Lorraine de Plaques SA, Yutz	France	99.760000
Sobesteel SA, Wavre	Belgium	100.000000
Société Carolorégienne de Cokéfaction SA, in liquidation, Liège	Belgium	85.785133

Consolidated Financial Statements
Notes to the Consolidated Financial Statements continued
(Amounts in EUR million, unless otherwise stated)

NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED
Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Société Civile Immobilière du 3 rue de l'industrie à Basse-Yutz, Yutz	France	100.000000
Société de Gestion pour la Protection Sociale SA, Saint Denis	France	99.800000
Société des Mines d'Ottange II Sàrl, in process of business discontinuance, Yutz	France	99.966667
Société des Mines de Sacilor - Lormines SA, Saint Denis	France	100.000000
Société du Train Universel de Longwy SA, Hayange	France	99.999994
Société Immobilière Audunoise SA, Audun le Tiche	France	99.955057
Société Immobilière du Fort Thüngen Sàrl, Luxembourg	Luxembourg	60.000000
Société Métallurgique de Revigny Snc, Revigny sur Ornain	France	100.000000
Société Nouvelle de Participation dans les Produits Plats SA, Saint Denis	France	99.760000
Société pour la Réalisation d'Etudes Techn. et Econom. en Sidérurgie Sàrl, Saint Denis	France	76.300000
Sollac Acos SA, Lisboa	Portugal	99.200000
Somef SA, Liège	Belgium	60.000000
Steel Finance Center NV, Geel	Belgium	100.000000
Steelhold Plc, St Albans	United Kingdom	99.999997
Steelinter (UK) Ltd, St Albans	United Kingdom	100.000000
Société du Train à Fil de Schifflange SA, Esch s/Alzette	Luxembourg	100.000000
Sylar SA, Saint Denis	France	99.837838
Tailor Steel Deutschland GmbH, Bremen	Germany	100.000000
Terrier Sas, Arnas	France	100.000000
Tôlerie Industrielle et Agricole du Centre Sas, Herbault	France	100.000000
TradeArbed España SA, Madrid	Spain	100.000000
TradeArbed France SA, Paris	France	99.900000
Trans Ocean Logistics BV, Ijssel	Netherlands	100.000000
TrefilArbed Benelux BV, s'Hertogenbosch	Netherlands	100.000000
TrefilArbed CR Sro, Cheb	Czech Republic	80.000000
TrefilArbed France SA, Vincennes	France	99.828571
TrefilArbed Greenhouse SA, Bissen	Luxembourg	80.000000
TrefilArbed Grembergen SA, in process of business discontinuance, Luxembourg	Luxembourg	100.000000
TrefilArbed Italia Srl, in liquidation, Milano	Italia	100.000000
Uci SA, Fleurus	Belgium	100.000000
Uf Aciers - Groupe Industeel Sas, Saint Denis	France	100.000000
Ugine & Alz Austria GmbH, Ansfelden	Austria	100.000000
Ugine & Alz Nordic AB, Eskilstuna	Sweden	100.000000
Ugine & Alz Polska Spzoo, Bytom	Poland	100.000000
Ugine & Alz Praha Sro, Praha	Czech Republic	100.000000
Ugine & Alz Suisse SA, Niederhasli	Switzerland	100.000000
Ugine & Alz UK Ltd, Nottingham	United Kingdom	100.000000
Ugine Nederland BV, in liquidation, Amsterdam	Netherlands	100.000000
Ugine Portugal Spq, Lisboa	Portugal	98.000000
Uginox Vietnam Company Ltd, Hung Yen Province	Vietnam	70.000000
Uniba SA, Saint Denis	France	64.000000
Unikonti Steel Llc, Beograd	Serbia	100.000000
Union des Consommateurs de Ferrailles de France SA, Saint Denis	France	99.960000
United Continental Steels Ltd, Hatfield	United Kingdom	100.000000
Usinor Industeel (Iberica) SA, St. Cugat del Valles	Spain	100.000000
Usinor Industeel (USA) Inc., Wilmington	United States	100.000000
Usinor Industeel Nordic AB, Vastra Frolunda	Sweden	100.000000
Usinor UK Ltd, St Albans	United Kingdom	100.000000
Valacier Sas, Reims	France	100.000000
Verwaltungsgesellschaft RAG-Beteiligung mbH, Essen	Germany	65.000000
Vikam Praha AS, Praha	Czech Republic	100.000000
Vulcain Holding SA, Seraing	Belgium	100.000000
Ymos Belgium SA, Seraing	Belgium	100.000000
Zeeland Participatie BV, Terneuzen	Netherlands	100.000000
2) Associated companies not consolidated (63 entities)		
A.S.C. Praha Spo.r.o., Praha	Czech Republic	50.000000
Actinvest Sc, Arnas	France	50.000000
Adfad Cockerill Ltd, Lagos	Nigeria	40.000000
Alberteum Aedes Scientiae SA, in liquidation, Bruxelles	Belgium	45.000000

Consolidated Financial Statements

Notes to the Consolidated Financial Statements continued

(Amounts in EUR million, unless otherwise stated)

NOTE 32 – LISTING OF GROUP COMPANIES AS AT 31 DECEMBER 2006 CONTINUED

Entities not included in the consolidation

Company name	Country	Percentage of capital held control (%)
Arcelor Construction Magreb SA, Ben Arous	Tunisia	49.999000
Arcelor Neel Tailored Blank Private Ltd, New Delhi	India	50.000000
Bamesa Celik Servis Sanayii Ticaret AS, Orhangazi	Turkey	39.990700
Bamesa Otel Spa, Bucarest	Romania	40.000000
Cjsc “Severgal” Ltd, Cherepovets	Russian Federation	25.010000
Compagnie des Fers Sàrl, en sommeil, Lyon	France	50.000000
Comptoir Belge des Cokes Scrl, in liquidation, Bruxelles	Belgium	20.130000
Considar do Brasil Ltda, Belo Horizonte	Brazil	20.000000
Dikema Steel Sdn Bhd, Kuala Lumpur	Malaysia	30.000000
Enersid SA, Paris	France	49.800000
Ensilectric SA, Llanera	Spain	40.000000
Erzkontor Ruhr GmbH, Essen	Germany	33.333023
Espra Sas, Saint Denis	France	35.000000
Euratool SA, Raismes	France	24.901639
Forges Profil AG, Kirchdorf	Switzerland	25.000000
Fti Faserbetontechnik GmbH, St.Florian a/Inn	Austria	33.333333
Global Facilities SA, Luxembourg	Luxembourg	33.333333
Immobilière 2007 Sàrl, Luxembourg	Luxembourg	50.000000
Innovative Gasverwertungs-GmbH, in process of business discontinuance, Bremen	Germany	50.000000
IUP Jindal Metals & Alloys Ltd, New Delhi	India	27.000000
Kanzen Stainless Processors Sdn Bhd, Kuala Lumpur	Malaysia	30.000000
Kr Wertstoffaufbereitungs-GmbH, Bremen	Germany	25.100000
La Filière Bois Scrl, Ougrée	Belgium	33.333333
La Revue de Métallurgie SA, Saint Denis	France	43.044000
Les Haultes Trixhes Scrl, Flémalle	Belgium	22.860838
Luxcontrol SA, Esch s/Alzette	Luxembourg	22.000000
Nord-Chrome Snc, Grande Synthe	France	50.000000
Pbm Picchioni BM Distr. de Tít. e Val. Mobil. SA, Belo Horizonte	Brazil	48.999991
Phenix Rousies SA, Rousies	France	25.565161
Portal NV, in liquidation, Bruxelles	Belgium	39.999988
Profilage Océan Indien SA, Riche Terre	Mauritius	49.000000
Promopanel Srl, Piombino	Italia	50.000000
Retrival Scrl à finalité sociale, Couillet	Belgium	33.311111
Rolanfer Recyclage SA, Yutz	France	40.000000
Shanghai Baosteel & Arcelor Tailor Metal Co. Ltd, Shanghai	China	25.000000
Société de développement AGORA Sàrl, Esch s/Alzette	Luxembourg	50.000000
Société de développement AGORA Sàrl et Cie, Esch s/Alzette	Luxembourg	49.964589
Société de Pose Armatures Travaux Publics Sàrl, Marignane	France	37.500000
Société des Arquebusiers de la Ville de Luxembourg SA, in liquidation, Luxembourg	Luxembourg	33.391710
Société du Canal des Mines de Fer de la Moselle Sas, Metz	France	25.913497
Société du Port Fluvial de Mertert SA, Mertert	Luxembourg	40.000000
Société Liègeoise de Gestion Foncière SA, Liège	Belgium	50.000000
Sodie SA, Paris	France	44.999333
Sorepark SA, Hagondange	France	26.295794
Steel 24- 7 NV, Drogenbos	Belgium	50.000000
Steeltrack SA, Saint Denis	France	33.296296
Telindus SA, Stassen	Luxembourg	35.307000
TMT - Tapping Measuring Technology GmbH, Siegen	Germany	50.000000
TMT - Tapping Measuring Technology Sàrl, Luxembourg	Luxembourg	50.000000
TradeArbed Mexico SA, in process of business discontinuance, Mexico DF	Mexico	49.000000
Tramway Sàrl, in liquidation, Saint Julien lès Metz	France	22.857143
Union pour la promotion des industries de l’Appertisé Sàrl, Paris	France	33.333333
Union pour le service de l’électricité SA, in liquidation, Briey	France	43.300000
United Slitting Services Ltd, Halesowen	United Kingdom	39.000000
Wansey Limited Plc, Limasol	Cyprus	50.000000
– and its subsidiary Ooo TA Rus Ltd, Orel	Russian Federation	19.800000
Weserport GmbH, Bremen	Germany	49.000000
WKS Pty. Ltd, Wollongong	Australia	33.333333
WSA – Warehouses Service Agency Sàrl, Sanem	Luxembourg	25.000000

Consolidated Financial Statements
Auditor's Report

KPMG

To the shareholders of Arcelor S.A.
Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES

Report on the Consolidated Financial Statements

Following our appointment by the General Meeting of the Shareholders dated 28 April 2006, we have audited the accompanying consolidated financial statements of Arcelor S.A. and its subsidiaries ("the Group"), as set out on pages 56 to 123, which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2006, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The consolidated management report, as set out on pages 22 to 49, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

Luxembourg, 23 March 2007

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Eric Damotte

Annual Accounts Arcelor S.A.

Annual Accounts Arcelor S.A.

Balance Sheet – Arcelor S.A.

(Amounts in EUR million, unless otherwise stated)

Assets

In EUR million	31 December 2006	31 December 2005
C. FIXED ASSETS	**15,782**	**11,863**
I. Intangible assets (Note 3)	**2**	**-**
2. Concessions, patents, licences and similar rights	2	-
II. Tangible assets (Note 4)	**4**	**5**
1. Land and buildings	1	1
3. Other fixtures, fittings, tools and equipment	3	3
4. Payment on account and tangible assets in the course of construction	p.m.	1
III. Financial assets (Note 5)	**15,776**	**11,858**
1. Shares in affiliated undertakings	15,713	11,822
5. Securities held as fixed assets	36	36
6. Other loans	27	-
D. CURRENT ASSETS	**77**	**195**
II. Debtors (Note 6)	**73**	**172**
1. Trade debtors	1	1
2. Amounts owed by affiliated undertakings	65	168
3. Amounts owed by undertakings in which the Company has a participating interest	p.m.	p.m.
4. Other debtors	7	3
III. Transferable Securities	**4**	**5**
2. Own shares	4	5
IV. Cash at bank, cash in postal cheque accounts, cheques and cash in hand	**p.m.**	**18**
E. PREPAYMENTS (NOTE 7)	**3**	**6**
TOTAL ASSETS	**15,862**	**12,064**

The accompanying notes form an integral part of these parent company annual accounts.

Annual Accounts Arcelor S.A.

Balance Sheet – Arcelor S.A. continued

(Amounts in EUR million, unless otherwise stated)

Liabilities

In EUR million	31 December 2006	31 December 2005
A. CAPITAL AND RESERVES (NOTE 8)	**14,599**	**11,248**
I. Subscribed capital	**3,349**	**3,199**
II. Share Premium account	**5,819**	**5,397**
IV. Reserves	**178**	**79**
1. Legal Reserve	174	74
2. Reserve for own shares	4	5
V. Profit brought forward	**1,289**	**567**
VI. Profit for the financial year	**3,964**	**2,006**
B. PROVISIONS FOR LIABILITIES AND CHARGES (NOTE 9)	**16**	**22**
1. Provisions for pensions and similar obligations	1	1
3. Other provisions	15	21
C. CREDITORS (NOTES 10 AND 11)	**1,243**	**794**
1a. Convertible debenture loans	-	750
2. Amounts owed to credit institutions	-	p.m.
4. Trade Creditors	18	19
6. Amounts owed to affiliated undertakings	1,206	15
7. Amounts owed to undertakings in which the Company has a participating interest	p.m.	p.m.
8. Tax and social security debts	1	1
9. Other creditors	18	9
D. DEFERRED INCOME	**4**	**-**
TOTAL CAPITAL AND RESERVES AND LIABILITIES	**15,862**	**12,064**

The accompanying notes form an integral part of these parent company annual accounts.

Annual Accounts Arcelor S.A.

Profit and Loss Account for the year ended 31 December 2006

(Amounts in EUR million, unless otherwise stated)

In EUR million	31 December 2006	31 December 2005
A. CHARGES		
Operating charges (Note 12)	**514**	**170**
3. Staff costs	66	42
a) Wages and salaries	51	35
b) Social security costs accruing by reference to wages and salaries	4	3
c) Complementary pensions	10	3
d) Other social security costs	1	1
4. a) Value adjustments in respect of formation expenses and tangible and intangible fixed assets	3	2
5. Other operating charges	445	126
Financial charges (Note 13)	**740**	**35**
6. Value adjustments in respect of financial assets and of transferable securities held as current assets	271	-
7. Interest payable and similar charges	469	35
a) Concerned affiliated undertakings	75	11
b) Other interests payable and charges	394	24
RESULT FOR THE PERIOD		
13. Profit for the financial year	**3,964**	**2,006**
TOTAL CHARGES	**5,218**	**2,211**

The accompanying notes form an integral part of these parent company annual accounts.

Annual Accounts Arcelor S.A.

Profit and Loss Account for the year ended 31 December 2006 continued

(Amounts in EUR million, unless otherwise stated)

In EUR million	31 December 2006	31 December 2005
B. INCOME		
SALES AND SERVICES	**105**	**120**
4. Other operating income	105	120
FINANCIAL INCOME (NOTE 13)	**5,113**	**2,091**
5. Income from participating interests	2,739	2,085
a) Derived from affiliated undertakings	2,739	2,085
6. Income from other transferable securities and from loans forming part of the fixed assets	p.m.	-
b) Other income	p.m.	-
7. Other interest receivable and similar income	2,374	6
a) Derived from affiliated undertakings	2,331	5
b) Other interest receivable and similar income	43	1
TOTAL INCOME	**5,218**	**2,211**

The accompanying notes form an integral part of these parent company annual accounts.

Annual Accounts Arcelor S.A.

Proposed Appropriation of the result for the year

(Amounts in EUR million, unless otherwise stated)

	2006 in EUR	2005 in EUR million
Result for the financial year	3,964,380,389.42	2,006.0
Retained earnings	1,288,288,528.54	572.8
Transfer from / (to) the reserve for own shares	913,358.90	- 5.3
Result available for distribution	5,253,582,276.86	2,573.5
Allocation to the legal reserve	160,979,923.89	100.3
Allocation to other reserves	-	-
Board of Directors' remuneration	1,600,000.00	1.6
Gross dividend of EUR 1.00 per share for the financial year 2006 paid on 669 813 408 shares (*)	669,813,408.00	-
Gross dividend of EUR 1.85 per share for the financial year 2005 paid on 639 774 327 shares (*)	-	1,183.6
Result to be carried forward	4,421,188,944.97	1,288.0

(*) Total number of shares in issue as at 31 December 2006 and as at 31 December 2005

Annual Accounts Arcelor S.A.

Notes to the Annual Accounts

(Amounts in EUR million, unless otherwise stated)

NOTE 1: GENERAL

Arcelor S.A. was incorporated under Luxembourg Law on 8 June 2001 for an unlimited period.

The registered office of the Company is in Luxembourg City and the Company is registered at the Register of Trade and Commerce of Luxembourg under the number B 82.454.

The accounting period starts on 1 January and ends on 31 December each year.

The Company publishes consolidated accounts in accordance with the requirements of Luxembourg laws and regulations.

The Company is included in the consolidated accounts of Mittal Steel Company N.V. forming the largest body of undertakings of which the company forms a part as a subsidiary undertaking. These consolidated accounts are available at the registered office of Mittal Steel Company N.V., Hofplein 20, 3032 AC Rotterdam, The Netherlands.

NOTE 2: ACCOUNTING POLICIES

The annual accounts are prepared in Euro (EUR) and in accordance with Luxembourg laws and regulations and generally accepted accounting principles.

INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible fixed assets are recorded in the balance sheet at cost, including ancillary costs, or at production cost. Depreciation is calculated on a straight-line basis.

FINANCIAL FIXED ASSETS

Investments are recorded in the balance sheet at acquisition cost, plus associated costs.

At the end of each accounting period, all investments are subject to an impairment review. Where a permanent diminution in value is recognised, this diminution is recorded in the income statement as a value adjustment. A reversal of a value adjustment is recorded to the extent that the factors, which caused the initial recording of the value adjustment, have ceased to exist.

Debts and other loans receivable are recorded in the balance sheet at their nominal value. At the end of each accounting period, value adjustments are recorded on debts which appear to be partly or wholly irrecoverable.

DEBTORS

Debtors are recorded in the balance sheet at their nominal value. At the end of each accounting period specific value adjustments are recorded on debts which appear to be partly or wholly irrecoverable.

VALUATION OF TRANSFERABLE SECURITIES

Transferable securities are valued at the lower of cost or market. A value adjustment is recorded when the market price is lower than the acquisition price. Value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

PROVISIONS FOR LIABILITIES AND CHARGES

Provisions are made for liabilities and charges where the crystallisation of a liability considered is probable, based on past or current events, in line with legal requirements.

Provisions for pensions and similar obligations: The Company participates in the financing of an incremental retirement scheme (defined benefit scheme) for the benefit of employees made available by Arcelor Luxembourg (formerly Arbed). Commitments arising from this scheme are covered by appropriate provisions.

The Company's own employees, who are not made available to other Arcelor subsidiaries, are covered by a defined contribution scheme. The Company pays contributions in respect of this scheme to an assurance provider. This scheme does not give rise to a commitment and annual contributions are taken to the profit and loss account, following the same treatment adopted for wages and salaries.

CREDITORS

Creditors are recorded in the balance sheet at their nominal value. Convertible debenture loans are disclosed at their issue value, increased by the interest to be capitalised on 31 December of each accounting year.

TRANSLATION OF FOREIGN CURRENCY ITEMS

Where applicable, items expressed in foreign currency are valued as follows:

- Tangible fixed assets, creditors due after more than one year and off-balance sheet commitments are translated at historic exchange rates. Unrealised losses incurred as a result of this policy are recorded in the profit and loss account for the period.
- Other balance sheet items are translated at the year-end exchange rate and related foreign exchange differences are recorded in the profit and loss account for the period.

Annual Accounts Arcelor S.A.

Notes to the Annual Accounts continued

(Amounts in EUR million, unless otherwise stated)

NOTE 3 – STATEMENT OF INTANGIBLE FIXED ASSETS

Acquisition cost

(in EUR million)	Concessions, patents, licences and similar rights	Total
Opening balance	-	-
Acquisitions during the period	2	2
Disposals and transfers during the period	-	-
CLOSING BALANCE	**2**	**2**

Value adjustments

(in EUR million)	Concessions, patents, licences and similar rights	Total
Opening balance	-	-
Charge for the period	p.m.	p.m.
Closing balance	p.m.	p.m.
OPENING NET BOOK VALUE	**-**	**-**
CLOSING NET BOOK VALUE	**2**	**2**

NOTE 4 – STATEMENT OF TANGIBLE FIXED ASSETS

Acquisition cost

(in EUR million)	Land and Buildings	Other fixtures, fittings, tools and equipment	Payments on account and tangible assets in the course of construction	Total
Opening balance	3	6	1	10
Acquisitions during the period	1	1	-	2
Disposals and transfers during the period	-	-	- 1	- 1
CLOSING BALANCE	**4**	**7**	**-**	**11**

Value adjustments

(in EUR million)	Land and Buildings	Other fixtures, fittings, tools and equipment	Payments on account and tangible assets in the course of construction	Total
Opening balance	- 2	- 3	-	- 5
Charge for the period	- 1	- 1	-	- 2
Closing balance	- 3	- 4	-	- 7
OPENING NET BOOK VALUE	**1**	**3**	**1**	**5**
CLOSING NET BOOK VALUE	**1**	**3**	**-**	**4**

Annual Accounts Arcelor S.A.
Notes to the Annual Accounts continued
(Amounts in EUR million, unless otherwise stated)

NOTE 5 – STATEMENT OF FINANCIAL FIXED ASSETS

Acquisition cost

(in EUR million)	Shares in affiliated undertakings	Securities held as fixed assets	Other loans	Total
Opening balance	11,822	36	-	11,858
Acquisitions and increases during the period	4,943	-	38	4 981
Disposals and decreases during the period	- 781	-	- 11	- 792
CLOSING BALANCE	**15,984**	**36**	**27**	**16,047**

Value adjustments

(in EUR million)	Shares in affiliated undertakings	Securities held as fixed assets	Other loans	Total
Opening balance	-	-	-	-
Charge for the period	- 271	-	-	- 271
Closing balance	- 271	-	-	- 271
OPENING NET BOOK VALUE	**11,822**	**36**	**-**	**11,858**
CLOSING NET BOOK VALUE	**15,713**	**36**	**27**	**15,776**

The principal holdings at 31 December 2006 are listed below:

Name and registered office	Percentage of capital held %	Result for 2006 EUR million	Shareholders' equity (including result for 2006) EUR million
Arcelor Luxembourg SA, Luxembourg (Luxembourg)	99.82	630	2,278
Arcelor Holding SARL, Luxembourg (Luxembourg)	100.00	2	2,310
Arcelor Mittal Belgium Holding SA, Anvers (Belgium)	100.00	(*)	(*)
Arcelor Italy Holding SRL, Piombino (Italy)	100.00	12	62
Arcelor Spain Holding SL, Madrid (Spain)	100.00	287	1,603
Arcelor Finance and Services Belgium SA, Brussels (Belgium)	33.68	150(**)	7,546(**)
Arcelor France SA, Saint Denis (France)	99.04	1,082	1,970
4313267 Canada Inc, Montreal / Quebec (Canada)	10.89	- 100	1,326
90 Depositary receipts 4313267 Canada Inc., representing 89.11% of the shares in the capital of 4313267 Canada Inc			

(*) Company established in December 2006, first closing will be on 31 December 2007

(**) As per closing on 30 June 2006

By the end of Arcelor's public cash offer to acquire all the outstanding ordinary shares of the Canadian steel producer Dofasco Inc., Arcelor had acquired 98.50% of Dofasco's ordinary shares. These shares have been kept at the company 4313267 Canada Inc., at that time an affiliated undertaking at the exclusive ownership of Arcelor. On 3 April 2006 Arcelor transferred 90 shares of the 101 shares making the total capital of 4313267 Canada Inc., to a dutch foundation named "Strategic Steel Stichting" (3S) against the receipt of 90 depositary receipts.

Other movements on financial assets consisted mainly of intragroup transactions on the shares of Arcelor Spain Holding, Arcelor Finance and Services Belgium and particularly the shares of Arcelor Germany Holding which have been transferred to Arcelor Mittal Belgium Holding in the framework of the creation of the Arcelor Mittal group.

Annual Accounts Arcelor S.A.
Notes to the Annual Accounts continued
(Amounts in EUR million, unless otherwise stated)

NOTE 6 – RESIDUAL TERM OF DEBTORS

(in EUR million)	31 December 2006 Up to 1 year	1 to 5 years	Total	31 December 2005 Up to 1 year	1 to 5 years	Total
Trade debtors	1	-	1	1	-	1
Amounts owed by affiliated undertakings	65	-	65	168	-	168
Amounts owed by undertakings in which the Company has a participating interest	p.m.	-	p.m.	p.m.	-	p.m.
Other debtors	7	-	7	3	-	3
TOTAL	**73**	**-**	**73**	**172**	**-**	**172**

ITEMS COVERED BY SEVERAL HEADINGS
At 31 December 2006 amounts owed by affiliated undertakings as well as amounts owed by undertakings in which the Company has a participating interest are made up of trade receivables and receivables in relation with the tax integration.

NOTE 7 – PREPAYMENTS

Prepayments at the end of 2006 primarily comprise the deferred charges relating to the financial contribution to three Chinese development programmes.

NOTE 8 – CAPITAL AND RESERVES

8.1 – Share capital and share premium

At 31 December 2006, the subscibed share capital is made up of 669,813,408 ordinary shares, fully paid up and amounting to EUR 3,349,067,040.

To the knowledge of the Board of Directors the following parties hold the Company's issued share capital:

At 31 December 2006	
Mittal Steel Company N.V.	94.1 %
Other shareholders (*)	5.9 %
TOTAL	**100.0 %**

(*) includes shares held under self-control.

30,039,081 shares were issued in 2006, with a par value of EUR 5 each, due to the exercise of the conversion option into shares by holders of Arcelor 2017 O.C.E.A.N.E.

8.2 – Legal reserve

In accordance with Luxembourg legal requirements, the Company must appropriate annually at least 5% of its net profits to a legal reserve up to a minimum of 10% of the subscribed capital. The legal reserve is not available for distribution.

8.3 – Reserve for own shares

In accordance with legal requirements, the Company set up a non-distributable reserve of an amount equal to the book value of own shares held by the Company. This reserve was set up using retained profits.

Annual Accounts Arcelor S.A.
Notes to the Annual Accounts continued
(Amounts in EUR million, unless otherwise stated)

NOTE 9 – PROVISIONS FOR LIABILITIES AND CHARGES

(in EUR million)	Pensions and similar obligations	Other provisions	Total
Opening balance	1	21	22
Allocation	1	-	1
Utilisation	- 1	- 6	- 7
TOTAL	**1**	**15**	**16**

PENSION OBLIGATIONS
By virtue of an agreement governing the provision of staff by Arcelor Luxembourg (formerly Arbed) to Arcelor, the obligations in relation to additional retirements benefits available to the Arcelor Luxembourg (formerly Arbed) staff have been specifically provided for. The Company's share of the allocation for the year is determined by applying the actuarial financing rate to the total salaries of all Arcelor Luxembourg (formerly Arbed) staff made available. An independent actuary calculates this rate.

For the Company's own employees a defined contribution plan is in place. The Company makes annual contributions to an assurance provider in respect of this plan. The plan does not give rise to commitments and the annual contributions are recorded in the profit and loss account following the same treatment as the one adopted for wages and salaries.

OTHER PROVISIONS
Other provisions are linked to German tax consequences resulting from the creation and organisation of Arcelor Group.

NOTE 10 – FINANCIAL DEBT

CONVERTIBLE DEBENTURE LOANS
In June 2002, Arcelor issued 38,961,038 bonds which are convertible into and/or exchangeable for new or existing shares in Arcelor (O.C.E.A.N.E.) for a nominal amount of EUR 750 million.

These O.C.E.A.N.E. Arcelor 2017 were issued at EUR 19.25 with an original maturity date of 27 June 2017 and with an annual interest rate of 3%. Following the new issue of capital of July 2004, the share attribution rate had been modified from one share for one bond to 1.027 Arcelor share per O.C.E.A.N.E. 2017. As a result of the dividend payment for the financial year 2005 the share attribution rate has been adjusted to 1.078 Arcelor share against one bond with effect for any conversion/exchange request received on or after 29 May 2006.

In the absence of anticipated conversion or amortisation, these bonds were repayable at maturity for a par value of EUR 19.25.

In 2006, 38,958,576 O.C.E.A.N.E. Arcelor 2017 have been converted into 41,993,168 Arcelor shares by using 11,954,087 treasury shares and by issuing 30,039,081 new shares.

As the number of outstanding O.C.E.A.N.E. became less than 10% of the total O.C.E.A.N.E. issued at the origin, the non-converted O.C.E.A.N.E., i.e. 2,462 bonds, have been settled by an anticipated reimbursement in cash on 15 December 2006.

NOTE 11 – RESIDUAL TERM OF CREDITORS

	31 December 2006				31 December 2005			
(in EUR million)	Up to 1 year	1 to 5 years	5 years or more	Total	Up to 1 year	1 to 5 years	5 years or more	Total
Convertible debenture loans	-	-	-	-	-	-	750	750
Amounts owed to credit institutions	-	-	-	-	p.m.	-	-	p.m.
Trade creditors	18	-	-	18	19	-	-	19
Amounts owed to affiliated undertakings	1,206	-	-	1,206	15	-	-	15
Amounts owed to undertakings in which the Company has a participating interest	p.m.	-	-	p.m.	p.m.	-	-	p.m.
Tax and social security debt								
a) Tax debt	p.m.	-	-	p.m.	p.m.	-	-	p.m.
b) Social security debt	1	-	-	1	1	-	-	1
Other creditors	18	-	-	18	9	-	-	9
TOTAL	**1,243**	**-**	**-**	**1,243**	**44**	**-**	**750**	**794**

The Company has not granted any form of tangible security in respect of the debts analysed above.

ITEMS COVERED BY SEVERAL HEADINGS
Amounts owed to affiliated undertakings and amounts owed to undertakings in which the Company has a participating interest include trade debts for an amount of EUR 19 million. The balance is mainly made up of the funding at Arcelor Treasury SNC.

Annual Accounts Arcelor S.A.

Notes to the Annual Accounts continued

(Amounts in EUR million, unless otherwise stated)

NOTE 12 – OPERATING CHARGES

In 2006, operating charges primarily comprise expenses up to an amount of EUR 271 million in connection with Mittal Steel's public mixed cash and exchange offer to the holders of Arcelor shares and convertible bonds.

NOTE 13 – FINANCIAL RESULT

(in EUR million)	2006	2005
Dividends received	2,739	2,085
Net result on the disposal of financial assets	2,289	-
Foreign exchange result	41	p.m.
Impairment of financial assets	- 271	-
Result on the conversion O.C.E.A.N.E. 2017	- 252	-
Result on the exercise of stock options	- 84	-
Result on the disposal and attribution of treasury shares within the Arcelor employee share-ownership plan (AESOPE)	- 42	-
Net interest and other	- 47	- 29
TOTAL	**4,373**	**2,056**

Income from investments primarily comprises dividends received from Arcelor Luxembourg SA, Arcelor France SA, Arcelor Spain Holding SL, Arcelor Germany Holding GmbH, and Arcelor Italy Holding SRL.

Capital gains on the disposal of financial assets are mainly related to the sale of the shares of Arcelor Germany Holding GmbH to Mittal Steel Germany Holding GmbH in the framework of the creation of the Arcelor Mittal group.

Foreign exchange result mainly relates to the financing of the Canadian investment whereas the impairment of financial assets corresponds to the value adjustment on the Arcelor France SA shares due to the share premium reimbursement done by Arcelor France SA in the framework of its dividend distribution for the financial year 2005.

NOTE 14 – TAX ON PROFIT

Arcelor is the parent company of a fiscal integration scope comprising 16 companies.

Companies included in the fiscal integration scope are put into the situation in which they would have been in the absence of fiscal integration.

NOTE 15 – OFF-BALANCE SHEET ITEMS

Guarantees given

(in EUR million)	2006	2005
Guarantees issued on debts	-	52
Forward sale and purchase of foreign currency	1,427	-
Other commitments	3	3
TOTAL	**3**	**55**

Forward sale and purchase of foreign currency are related to the commitments in CAD in the context of the financing of the acquisition of Dofasco Inc.

NOTE 16 – STAFF

Average number of staff	2006	2005
Employees	258	214
Workers	-	-
TOTAL	**258**	**214**

NOTE 17 – DIRECTORS' REMUNERATION

Members of the Board of Directors, the Audit Committee and the Nominations and Remuneration Committee are entitled to a total of EUR 2.5 million for the year 2006.

Annual Accounts Arcelor S.A.
Notes to the Annual Accounts continued
(Amounts in EUR million, unless otherwise stated)

NOTE 18 – STOCK OPTIONS PLANS

The international stock option plan (2003/2007) confers rights to certain employees to acquire or subscribe for shares in the Company. The period of exercise is different according to the specific countries within the plan and has a maximum duration of four years.

Allocated share options at 31 December 2006 are detailed as follows :

	Number of options	Exercise price (in EUR)	Maturity
Plan 2003	51,396	9.67	30/06/2010
Plan 2004	51,397	13.11	30/06/2011
Plan 2005	10,000	16.17	30/06/2012
Plan 2006	1,335,000	34.43	30/06/2013

The movements in the number of outstanding share options during the year were as follows:

Number of share options	2006	2005
Options at the beginning of the year	3,658,526	2,549,224
Options granted during year	1,335,000	1,135,000
Options forfeited accepted during year	- 20,000	- 25,698
Options exercised during year	- 3,525,733	-
Options expired during year	-	-
Options at the end of the year	1,447,793	3,658,526

The beginning of the exercise period for the options granted prior to 25 June 2006 has been advanced to 1 July 2006.

NOTE 19 – OTHER INFORMATION

The company is jointly and severally liable for the following entities:

Arcelor Finance SCA, Luxembourg (Luxembourg)

Arcelor Treasury SNC, Saint Denis (France).

Annual Accounts Arcelor S.A.
Auditor's Report

KPMG

To the shareholders of
Arcelor S.A.
19, avenue de la Liberté
L- 2930 Luxembourg

REPORT OF THE RÉVISEUR D'ENTREPRISES

Report on the annual accounts

Following our appointment by the General Meeting of the Shareholders dated 28 April 2006, we have audited the accompanying annual accounts of Arcelor S.A., which comprise the balance sheet as at 31 December 2006 and the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'Entreprises

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Institut des Réviseurs d'Entreprises. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Réviseur d'Entreprises considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Director as well as evaluating the overall presentation of the annual accounts. 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, the annual accounts give a true and fair view of the financial position of Arcelor S.A. as of 31 December 2006, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

Luxembourg, 23 March 2007

KPMG Audit S.à r.l.
Réviseurs d'Entreprises

Eric Damotte

Annual Accounts Arcelor S.A.
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Annual Accounts Arcelor S.A.
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Printed by Imprimerie Centrale (Luxembourg)

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This document is also available in French and Spanish.
It was published in April 2007. To receive a copy
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