



ArcelorMittal

Bold Future 2007

Annual Report



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MANAGEMENT REPORT

COMPANY PROFILE

ArcelorMittal (the 'Company' or the 'Group') is the world's largest and most global integrated steel company, with 311,000 employees in more than 60 countries.

As the number one supplier to all major market sectors, including automotive, construction, household appliances and packaging, ArcelorMittal has an industrial presence in 20 countries across Europe, Asia, Africa and the Americas. This exposes it to all the key steel markets, from emerging to mature – an exposure it continues to enhance through its three dimensional growth strategy of product diversity, geographical reach and vertical integration.

Innovation plays a key role at ArcelorMittal. Not only is the Group the largest steelmaker by volume, but it also offers the broadest range of steel grades, advanced products, steel solutions and cutting-edge technologies. Its investment in Research and Development (R&D) is substantial and continuous. Close cooperation with customers – involving mutual trust, an open-minded approach and permanent exchanges of personnel – further drives innovation and assists in the development of products and solutions that sustain their competitive edge.

2007 was the first full year following the merger of Arcelor and Mittal Steel. The combined Company has been integrated successfully, building a company focused on leading the transformation of the steel industry towards a sustainable future. With crude steel production of 116 million tonnes, representing around 10 per cent of world steel output, ArcelorMittal generated revenues of \$105.2 billion in 2007. It continued to explore growth opportunities in 2007, with 35 acquisition transactions that were agreed upon and identifying organic growth projects that will expand output by 20 million tonnes by 2012.

ArcelorMittal understands that with its leadership position comes responsibility. By playing its part in consolidating the steel industry it is helping create a more sustainable operating environment. Consistent with its objective of 'transforming tomorrow', ArcelorMittal is committed to be a good corporate citizen. This means building a stable, global institution – one with the resources to deliver the products its customers want, that creates sustainable value for all its stakeholders, including the communities in which it operates, and that respects the highest standards in areas such as health, safety and the environment.

In 2008, the first priority for the Group remains Health and Safety. ArcelorMittal operates in a wide variety of countries, from the developing to the most developed. It recognises that its decision impact not only its employees and the wider communities in which it operates, such as suppliers, customers and investors.

ArcelorMittal's ambition is not only to be the undisputed leader of its sector, but also to become recognised as one of the world's truly great companies, demonstrating excellence in every area of its operations and consistently delivering high quality and results to all of its stakeholders. ArcelorMittal will continue to 'transform tomorrow' and guide the evolution of steel to secure the best future for the company, the stakeholders and the industry more broadly, now and for generations to come.

GLOBAL STRATEGY AND MONTHLY HIGHLIGHTS

ArcelorMittal's success has been built on a consistent strategy that emphasises size and scale, vertical integration, product diversity, continuous growth in higher value products and a strong customer focus. The Group has unique geographical and product diversification which reduces exposure to risk and cyclicality and responds to one of our core values: Sustainability. ArcelorMittal intends to continue to play a leading role in the consolidation of the global steel industry and to be the global leader in the steel industry, in particular through this comprehensive business strategy.

In 2007, the Group announced 35 transactions, of which 14 were completed for a capital outlay of \$12.3 billion including the assumption of debt. Key milestones during the year 2007 were as follow.

January 2007

ArcelorMittal sells Huta Bankowa, located in the South of Poland, to Alchemia SA Capital Group, as part of Mittal Steel's commitment to the European Commission during the merger process.

February 2007

ArcelorMittal contracts a joint venture agreement with the Bin Jarallah Group for a seamless tube mill in Saudi Arabia. The mill will have a capacity of 500,000 tonnes per year; the major part of tubes produced will be used in the oil industry and the remainder for pipelines.

March 2007

ArcelorMittal builds a new Steel Service Centre in Krakow (Poland). This facility will have a processing capacity of about 450,000 tonnes per year and will strengthen the existing de-coiling and slitting facilities in Huta Sendzimir and in Bytom.

ArcelorMittal holds its Investor Day in New York and Lázaro Cárdenas on March 27-28, 2007. President and CEO, Lakshmi Mittal, introduces the three dimensional growth strategy for reduced risk (sustainability) and continued growth consisting of product, value chain and distribution.

April 2007

ArcelorMittal finalises the acquisition of Sicartsa, from Grupo Villacero, leading to the creation of Mexico's largest steel producer. Sicarsta is a fully integrated producer of long steel, with an annual production capacity of about 2.7 million tonnes and with facilities in Mexico and Texas (United States). ArcelorMittal has also entered into a 50/50 commercial joint venture with Grupo Villacero.

June 2007

ArcelorMittal launches its new global brand. Reflecting the company's aspirations, the brand's vision 'transforming tomorrow' is supported by three main values: Sustainability, Quality and Leadership. The brand launch is an essential part of the integration process, creating a common bond for all employees. ArcelorMittal also launches its 'boldness changes everything' global advertising campaign.

ArcelorMittal starts a share buy-back programme to repurchase class A common shares up to a maximum aggregate amount of \$590 million, or up to a maximum of 27 million class A common shares, to be used either for supporting potential corporate opportunities or for cancellation.

July 2007

ArcelorMittal is granted concessions to develop mining, transportation and logistics activities by the Republic of Senegal in the Faleme region (South East Senegal). This integrated mining project will encompass the development of the mine in four locations, comprising both hematite and magnetite deposits, the building of a new port in Bargny near Dakar and the development of approximately 750 km rail infrastructure to link the mine to the port.

The European Works Council (EWC) of ArcelorMittal is installed. The ArcelorMittal EWC represents all employees from within the EU27, 130,000 employees in total, and has 54 members.

ArcelorMittal acquires two steel tube businesses from Vallourec (France). Both companies enjoy strong positions in the European steel tubes market. This acquisition underlines ArcelorMittal's strategy to expand its business in the automotive sector, and further strengthens the Company's pipes and tubes business.

August 2007

A landmark delivery of 580 tonnes of steel, milled in ArcelorMittal Differdange (Luxembourg), is used in the construction of the World Trade Centre Memorial in New York City. The jumbo beams represent approximately 20% of the steel used for the project.

ArcelorMittal and RAG Beteiligungs-AG sign an agreement concerning the acquisition of the 76.88% stake directly held by RAG in Saar Ferngas AG Saarbrücken. Saar Ferngas is the largest gas distribution company in Saarland and Rhineland-Palatinate in Germany. This agreement is an opportunity to increase synergies with ArcelorMittal's regional energy network.

ArcelorMittal and Noble International Ltd., North America's largest producer of laser-welded steel products, complete the transaction to combine their laser-welded tailored blanks businesses, for the benefit of their global automotive customers.

September 2007

ArcelorMittal expands its position in Turkey by acquiring 51% of Rozak, the main Turkish steel stockholding company. Rozak has five sites in Turkey and is specialised in H-profiles, sheet and plates.

ArcelorMittal invests \$18 million in a new cut length line for hot rolled coils in Ostrava (Czech Republic). The new Steel Service Centre will benefit from significant logistics and cost competitiveness, while being in line with ArcelorMittal's development strategy in Central and Eastern Europe. This facility has a processing capacity of 250,000 tonnes per year and will start operating in mid-2008.

ArcelorMittal owns 100% of Arcelor Brasil after having completed the acquisition of all its outstanding shares.

ArcelorMittal holds its Investor Day in Paris and South Africa on September 11-13 2007.

October 2007

ArcelorMittal and Borusan, one of Turkey's leading steel producers, announce a 50/50 joint venture partnership, consisting in a \$500 million investment in the construction of a new hot mill in Gemlik. This facility will offer high grade products for the Turkish market and is planned to start operating by 2010 with a capacity of 4.8 million tonnes.

ArcelorMittal acquires a 70% in Carminati Distribuzione S.r.l, one of the leading steel distributors in Northern Italy, which sold over 75,000 tonnes in 2006 with a turnover of €50 million.

November 2007

The Extraordinary General Meetings of shareholders of ArcelorMittal and Arcelor approve the merger of ArcelorMittal into Arcelor, to be renamed ArcelorMittal. This merger is the second step in the two-step merger process between Mittal Steel and Arcelor, and is effective on November 13, 2007.

ArcelorMittal purchases a 100% stake in Galvex OÜ, the Estonian privately owned steel galvanizing line. In 2006, Galvex produced 190,000 tonnes of hot dip galvanised steel, mainly for the construction sector, with sales totalling €125 million.

ArcelorMittal is awarded two gold medals for new products it unveiled at the Batimat construction fair. The Golden Innovation Medal is granted to the solar panel Arsolar®, and the Golden Design Medal to the Angelina® beam.

ArcelorMittal signs a Memorandum of Cooperation with the Republic of Mozambique, which aims to develop synergies and plan further investment in the steel industry, and in the mining of raw materials. ArcelorMittal plans to build a new bar rolling mill with a yearly capacity of 400,000 tonnes. ArcelorMittal also announces a joint venture partnership with the Mozambique-registered company Black Gold Mining (Moc) Lda. The Group acquires a 35% stake in the joint venture company, Rio Minjova Mining and Exploration Company, at an initial cost of \$2.5 million.

ArcelorMittal and Kalagadi Manganese, a South African manganese development company, start a 50/50 joint venture which will see the development of a manganese mine, beneficiation plant, sinter complex and a smelter complex in Coega. The project, due to start in 2010, overlies the Kalagadi Manganese Basin, a world-renowned source of manganese ore containing 80% of the world's known manganese resources.

ArcelorMittal invests in Greenfield Longitudinal Submerged Arc Welded pipe mill in Nigeria with a capacity of 300,000 tonnes per year. This investment, welcomed by Nigerian National Petroleum Corporation (NNPC), gives ArcelorMittal access to a major oil and gas market. The construction of the mill is due to begin in early 2008, with production due to start in 2010.

ArcelorMittal acquires a 12.6% equity stake in General Moly, Inc. for a total consideration of \$70 million. General Moly, Inc. is a US based molybdenum mineral development, exploration and mining company.

December 2007

With the aim to increase its commercial presence in the UK, ArcelorMittal acquires NSD Ltd., a leading UK steel distribution company specializing in the sale of heavy sections and tubes.

ArcelorMittal purchases Slovak ferro-alloys manufacturer OFZ, which manufactures a wide range of ferro-alloys and cored wires. This facility has an operating capacity of 150,000 tonnes per year.

ArcelorMittal acquires 28% equity interest in China Oriental Group Company Ltd. for \$644 million. ArcelorMittal becomes the second largest shareholder of this company, which manufactures and sells steel products such as billets, strips, H-beams, cold rolled and galvanised strip. ArcelorMittal also signs a landmark agreement with China Oriental, with the aim to transform the company into a leading producer of heavy sections in China thanks to technology sharing, technical expertise and know-how.

ArcelorMittal acquires M.T Majdalani y Cia. S.A, the leading stainless Steel Service Centre and distributor in Argentina, and consolidates its position in the South American stainless distribution market. This company is specialised in flat stainless steel products with cut to length and slitting facility.

ArcelorMittal signs a Greenfield project with the administration of the Tver region in Russia. The Group will build a steel complex, with a capacity of one million tonnes of steel and two bar mills.

ArcelorMittal acquires 100% of the shares of the Austrian steel distribution company Eisen Wagner GmbH. With its 60,000 tonnes of steel products sold in 2007, Eisen Wagner is one of the leading steel distribution companies in Austria.

In order to strengthen its stainless steel business in South America, ArcelorMittal purchases Cinter S.A., an important stainless steel tube producer in Uruguay. With 200 employees and 3 sites, Cinter develops specialties that complement its stainless business.

ArcelorMittal plans to build a \$380 million beam mill in Contrecoeur (Canada) with a capacity of 800,000 tonnes. Flat carbon steel production will be consolidated in Hamilton and long carbon production in Contrecoeur.

Recent Developments

On January 8, 2008, ArcelorMittal announced the signature of a Memorandum of Understanding with Société Nationale Industrielle et Minière (“SNIM”), Mauritania. Under the terms of the Memorandum of Understanding, SNIM and ArcelorMittal will jointly develop a large iron ore mining project, using the El Agareb iron ore resource in Mauritania. In the first phase of project development, ArcelorMittal will conduct exploratory works and a feasibility study. Onward project execution will be carried out by a joint venture company to be created by SNIM and ArcelorMittal. At the exploratory and prospecting stage, ArcelorMittal's share will be 30% with an option to increase its share to 70% once project execution begins.

On January 9, 2008, ArcelorMittal announced that it had signed a definitive agreement to acquire Unicon, the leading manufacturer of welded steel pipes in Venezuela. The purchase forms part of ArcelorMittal's strategy to strengthen its welded steel pipes business in South America. Unicon supplies the oil and gas and industrial and construction sectors both domestically and overseas. Total shipments for the year ended March 2007 were 552,000 tonnes. Unicon employs 2,445 people across six pipe making facilities in Venezuela. The transaction is subject to customary closing conditions, which are in progress.

On January 11, 2008, ArcelorMittal announced that an accident had occurred at its Abaiskaya mine in Kazakhstan with a loss of 30 lives. Emergency planning procedures in place at the mine were immediately implemented. A full investigation of the accident has been carried out and as a result the Company is working with the government of Kazakhstan on a programme of additional investments to improve and further modernise the mines.

On January 16, 2008, ArcelorMittal initiated informational sessions and consultations with employee representatives regarding a reorganisation plan for its wire rod operations in Gandrange (Lorraine, France) and in other European locations. At a meeting with the Select Committee of the European Works Council in Luxembourg, the Company outlined its analysis of its wire rod activities in northern Europe and presented a plan to improve the Gandrange plant and optimise this business segment, which is part of the ArcelorMittal group's European long carbon steel activities. The project, presented to the staff representatives, aimed to strengthen the specialisation of the currently loss-making Gandrange site in the wire rod rolling processes to enhance its future results. This project would be part of ArcelorMittal's vision for the steel industry in Lorraine, aimed at making it a profitable and sustainable industry. In a separate meeting, ArcelorMittal confirmed its commitment to the neighbouring Florange operations in Lorraine (flat carbon steel) and announced further investments. The Gandrange project presented has two aspects: development of the wire rod and bar mill, which would process billets supplied from other steel plants, in particular from Germany (ArcelorMittal Duisburg-Ruhrort) and Luxembourg (ArcelorMittal Schiffflange), thereby enhancing the competitiveness of the overall wire rod business; and closure of the steel plant and billet mill. ArcelorMittal Gandrange intends to fully honour its social responsibilities during the implementation of this reorganisation project. The Company, through dialogue with employee representatives, will give priority to the relocation of employees to its other sites (in particular in Florange and in Luxembourg). At Florange, ArcelorMittal has decided to increase its capital investment budget for 2008 by more than 60%, to a total of €65 million (approximately \$96 million). These investments will allow to extend the viability and effectiveness of steelmaking operations of this major integrated flat carbon steel production site.

On January 24, 2008, ArcelorMittal inaugurated Arceo, its industrial prototype vacuum plasma steel coating line, in Liège, Belgium. The technology behind this prototype was developed by the Company's research and development department in partnership with the Walloon region of Belgium in order to provide new uses for flat steel products and to expand the Company's product range. In addition to being environmentally friendly, the vacuum steel process enhances many properties of steel and can endow it with an anti-bacterial, self-cleaning or anti-corrosive properties.

On January 28, 2008, ArcelorMittal, through its steel service centre subsidiary SSC Sverige, and BE Group finalised details on the creation of a 50/50 processed flat carbon steel joint venture in Sweden. The deal is subject to review by the competition authorities. This joint venture between ArcelorMittal SSC Sverige, located in Karlstad, and the BE Group facility, in Borlänge, will form the third largest producer on the Swedish market, with a market share of 20%, shipments of 120,000 tonnes and a turnover of more than €80 million. ArcelorMittal SSC Sverige is a facility processing 60,000 tonnes of cut-to-length and slitted products for general industry, the automotive industry, construction and stockists. BE Group is a leading steel, stainless and aluminum trading and service company in Northern Europe, which processes annually 60,000 tonnes of cut-to-length and slitted products for general industrial purposes. This project is subject to regulatory clearance.

On January 31, 2008, ArcelorMittal announced that it had signed agreements to acquire three coal mines and associated assets in Russia for a total consideration of \$720 million. The Company will acquire a 97.59% stake in the Berezovskaya Mine together with a 99.35% stake in the Pervomayskaya Mine from OAO Severstal ("Severstal") in Russia. Both mines produce coking coal and are located in the Kemerovo region in Russia. As part of the agreement ArcelorMittal will acquire the exploration and mining rights to the Zhemovskaya-3 coal deposit, which is a subsidiary of the Pervomayskaya Mine. It will also acquire the Severnaya Coal Preparation Plant which is part of the Berezovskaya Mine and three companies that provide the mines with associated services and 100% of the Anzherskoye mine. All the transactions are subject to regulatory approval. Annual production from the three operating mines, which combined are estimated capacity of more than 140 million tonnes, was 3 million tonnes run of mill in 2007.

On February 1, 2008, ArcelorMittal announced the results of its cash tender offer to acquire the 35.5% of outstanding shares in Acindar Industria Argentina de Aceros S.A. ("Acindar") it did not already own which resulted in; a total of 35.0% of Acindar's capital stock being tendered. On February 14, 2008, the closing date, ArcelorMittal paid the tendering Acindar shareholders \$552 million. As of January 31, 2008, ArcelorMittal was the holder of 99.5% of Acindar's capital stock (including the 64.5% interest in Acindar it held through ArcelorMittal Brasil). Acindar is the largest publicly traded steel company in Argentina and has been listed on the Buenos Aires Stock Exchange since 1948.

On February 1, 2008, ArcelorMittal announced that it had agreed to a solution proposed by the federal and regional governments of Belgium regarding the CO₂ quota allocation and will consequently prepare for the relaunch of the Seraing (Liège, Belgium) blast furnace number 6. ArcelorMittal is currently planning the actions needed to relaunch the Liège blast furnace with a view to start producing hot steel, starting in first quarter 2008.

On February 4, 2008, ArcelorMittal announced that it had acquired from Clarion Del Norte (Pujol Group) the 50% interest in Laminadora Costarricense S/A and Trefileria Colima S/A, the only major long carbon steel company in Costa Rica, that it did not already own. The other 50% stake was already owned by ArcelorMittal Brasil. Laminadora Costarricense S/A has a rolled products capacity of 400,000 tonnes per year of rebars and MBQ (merchant bar quality) steel, and Trefileria Colima S/A has a wire products capacity of 60,000 tonnes per year. Both entities employ around 400 people, and mainly serve the construction market in Central America and the Caribbean.

On February 5, 2008, ArcelorMittal announced the completion of its general offer to shareholders in China Oriental Group Company Limited ("China Oriental"). On December 7, 2007, ArcelorMittal had previously announced it had entered into a business cooperation agreement with China Oriental and its subsidiaries. In addition, ArcelorMittal entered into a shareholders' agreement with the controlling shareholders of China Oriental regarding their shareholdings in and the management of China Oriental. On December 14, 2007, ArcelorMittal launched a mandatory cash tender offer to acquire all of China Oriental's outstanding share capital. The transaction is subject to formal governmental approval. Prior to the offer, ArcelorMittal, together with its concert parties, held approximately 73% of the existing issued share capital of China Oriental. At the completion of the offer, ArcelorMittal, together with its concert parties, increased their aggregate holding to approximately 92.1%. In consequence, China Oriental's public float fell below the 25% minimum public float requirement of the Hong Kong Stock Exchange listing rules. Pending restoration to the required levels, trading in the shares of China Oriental on the Hong Kong Stock Exchange was suspended on February 5, 2008.

On February 6, 2008, ArcelorMittal announced that it had been awarded a license from the Industrial Development Authority ("IDA") of Egypt's Ministry of Trade and Industry to construct a steel plant in Egypt. The license was auctioned in a competitive bidding process and ArcelorMittal's winning bid was approximately \$60 million. Under the terms of the license, the plant will produce 1.6 million tonnes of steel using DRI technology, and 1.4 million tonnes of billets through the electric arc furnace. Construction of the plant, which will be located close to the northern Red Sea coast, is expected to start in 2009.

On March 6, 2008, ArcelorMittal announced that Romain Zaleski had resigned from its Board of Directors. Mr. Zaleski joined the Board of Directors of ArcelorMittal in October 2006. Mr. Zaleski indicated his sole reason for resigning was to pursue other commercial interests in the steel sector.

On March 7, 2008, the Brazilian mining company Vale, the world's largest iron ore producer, announced that it had agreed with ArcelorMittal to price increases of 65 percent for iron ore, as well as a premium for higher-quality Carajas ore, in line with price increases agreed with other steel makers. Vale cited the continuing very tight conditions prevailing in the global iron market as the reason for this increase.

On March 13, 2008, ArcelorMittal announced that it had commenced a legal action in the Ontario Superior Court in order to require U.S. Steel Canada and Cleveland Cliffs to comply with their commitments to sell their respective interests in Wabush Mines to Dofasco, which held a right of first refusal over such interests. As noted above, ArcelorMittal had previously entered into an agreement with U.S. Steel Canada and Cleveland Cliffs for the sale of their interests in Wabush Mines but on March 4 2008, both sellers announced they had repudiated the sale agreement.

On March 17, 2008, ArcelorMittal announced that the price offered in the delisting tender offer for all shares of Arcelor Mittal Inox Brasil would be reduced to reflect the interim dividends declared by ArcelorMittal Inox Brasil in a notice to shareholders dated March 14, 2008. The price initially offered by ArcelorMittal was R\$100.00 per common share and R\$100.00 per preferred share of ArcelorMittal Inox Brasil, and, after the subtraction of the interest on equity already declared on December 19, 2007 and the declaration of interim dividends discussed above, the offer price will be R\$94.55 per common share and R\$94.00 per preferred share, plus interest at the rate of the Brazilian base savings account rate plus 6% per year from February 28, 2008 until the offer auction date, April 4, 2008. At the current exchange rate, this transaction will represent a cash disbursement of up to approximately \$1.8 billion.

On March 25, 2008, ArcelorMittal announced that it had provided Noble International, the world's largest producer of laser-welded steel products, with a \$50 million convertible subordinated loan. The proceeds of this financing will be used by Noble to reduce Noble's North American senior debt and to support its operations. In addition the Group has also acquired an additional 10.31% of shares of Noble from Robert J. Skandalaris, Noble's chairman and founder. This will increase ArcelorMittal's shareholding in Noble to approximately 49.95%. The agreement is subject to satisfaction of certain conditions.

On March 26, 2008, ArcelorMittal confirmed that the Court appointed divestiture trustee has entered into an agreement to sell ArcelorMittal's Sparrows Point steel mill to OAO Severstal for \$810 million, net of debt and is expected to close in the second quarter of 2008. Joseph G. Krauss, the divestiture trustee, was required to seek the sale of the mill by a consent decree entered on May 23, 2007 in the United States District Court for the District of Columbia in order to comply with an anti-trust ruling concerning the approval of the merger between Mittal Steel and Arcelor SA in 2006. Sparrows Point had EBITDA of US\$25 million in 2007. The sale is subject to customary closing conditions, including approval by the United States Department of Justice.

In April 2008, the Board of Directors completed a review of certain provisions of the Memorandum of Understanding dated 25 June 2006 and amended on 5 November 2006 (the "MoU"), to adapt the MoU to the Company's needs in the post-merger and post-integration phase. In particular, the Board has decided to create the role of Lead Independent Director. The Lead Independent Director will replace the role of President and his/her function will be to (i) co-ordinate the activities of the independent directors, (ii) liaise between the Chairman of the Board of Directors and the independent directors, (iii) call meetings of the independent directors when necessary and appropriate, and (iv) perform such other duties as may be assigned to him by the Board from time to time. Furthermore, the Board of Directors has decided to remove references in the MoU to the size and composition of the Board and the distinction between former Arcelor and Mittal directors. Finally, the Board of Directors has decided that the Audit Committee and the Appointments, Remuneration and Corporate Governance Committee will be composed of a minimum of three independent directors.

OPERATIONAL REVIEW

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides a summary of sales at ArcelorMittal by operating segment for the year ended December 31, 2007 as compared to the year ended December 31, 2006:

<u>Segment⁽²⁾</u>	Sales for the Year ended December 31⁽¹⁾		Changes in		
	2006 (in \$ millions)	2007 (in \$ millions)	Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Flat Carbon Americas	17,585	22,895	30.2	16.3	3.5
Flat Carbon Europe	14,366	34,562	140.6	97.8	17.7
Long Carbon Americas and Europe	13,120	23,830	81.6	44.8	18.4
AACIS	14,388	18,229	26.7	5.9	17.8
Stainless Steel ⁽³⁾	3,261	9,349	186.7	127.4	19.1
Steel Solutions and Services ⁽³⁾	5,221	16,241	211.1	178.1	13.0

(1) Amounts are prior to inter-company eliminations and include non-steel sales.

(2) Includes results of operations of Arcelor from August 1, 2006.

(3) The results of the Stainless Steel and Steel Solutions and Services segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

ArcelorMittal had sales of \$105.2 billion for the year ended December 31, 2007, representing an increase of 78.7% over sales of \$58.9 billion for the year ended December 31, 2006. The increase is due to the acquisition of Arcelor.

ArcelorMittal had steel shipments of 109.7 million tonnes for the year ended December 31, 2007, representing a 39.0% increase over steel shipments of 78.9 million tonnes for the year ended December 31, 2006. The increase is primarily due to the acquisition of Arcelor.

Average steel selling price increased 20.2% for the year ended December 31, 2007 as compared to the year ended December 31, 2006. This increase was due in part to increases in input costs and a strong demand for our products as well as the product mix effect of Arcelor acquisition.

Flat Carbon Americas

Sales in the Flat Carbon Americas segment reached \$22.9 billion for the year ended December 31, 2007, representing 21.8% of total consolidated sales in 2007, as compared to \$17.6 billion, or 29.9% of total consolidated sales, for the year ended December 31, 2006.

Total steel shipments reached 27.9 million tonnes for the year ended December 31, 2007, representing 25.5% of total consolidated steel shipments in 2007, as compared to 24.0 million tonnes, or 30.4% of total consolidated steel shipments, for the year ended December 31, 2006.

Average steel selling price increased 3.5% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to due to increases in input costs. The steel environment in the United States and Canada remained challenging due to the slowdown in their economies and reduction in steel demand. However, the business environment in Mexico and South America remained strong.

Flat Carbon Europe

Sales in the Flat Carbon Europe segment reached \$34.6 billion for the year ended December 31, 2007, representing 32.8% of total consolidated sales in 2007, as compared to \$14.4 billion, or 24.4% of total consolidated sales, for the year ended December 31, 2006.

Total steel shipments reached 34.4 million tonnes for the year ended December 31, 2007, representing 31.3% of total consolidated steel shipments in 2007, as compared to 17.4 million tonnes, or 22.0% of total consolidated steel shipments, for the year ended December 31, 2006.

Average steel selling price increased 17.7% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to increases in input costs and strong demand for our products.

Long Carbon Americas and Europe

Sales in the Long Carbon Americas and Europe segment reached \$23.8 billion for the year ended December 31, 2007, representing 22.6% of total consolidated sales, as compared to \$13.1 billion, or 22.3% of total consolidated sales, for the year ended December 31, 2006.

Total steel shipments reached 24.6 million tonnes for the year ended December 31, 2007, representing 22.4% of total consolidated steel shipments, as compared to 17.0 million tonnes, or 21.5% of total consolidated steel shipments, for the year ended December 31, 2006.

Average steel selling price increased 18.4% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to increases in input costs, strong demand for our products, particularly in Europe and South America and exchange rate effect.

AACIS

Sales in the AACIS segment reached \$18.2 billion for the year ended December 31, 2007, representing 17.3% of total consolidated sales, as compared to \$14.4 billion, or 24.4% of total consolidated sales, for the year ended December 31, 2006.

Total steel shipments reached 20.9 million tonnes for the year ended December 31, 2007, representing 19.0% of total consolidated steel shipments, as compared to 19.7 million tonnes, or 25.0% of total consolidated steel shipments, for the year ended December 31, 2006.

Average steel selling price increased 17.8% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to increases in input costs and strong demand for our products.

Stainless Steel

The results of the stainless steel segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

Sales in the Stainless Steel segment reached \$9.3 billion for the year ended December 31, 2007, representing 8.9% of total consolidated sales, as compared to \$3.3 billion, or 5.5% of total consolidated sales for the year ended December 31, 2006.

Total steel shipments reached 1.9 million tonnes for the year ended December 31, 2007, representing 1.8% of total consolidated steel shipments, as compared to 0.9 million tonnes, or 1.1% of total consolidated steel shipments, for the year ended December 31, 2006.

Average steel selling price increased 19.1% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to higher nickel prices, particularly in the first half of 2007.

Steel Solutions and Services

The results of the Steel Solutions and Services segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

Sales in the Steel Solutions and Services segment reached \$16.2 billion for the year ended December 31, 2007, as compared to \$5.2 billion, for the year ended December 31, 2006.

Total steel shipments reached 15.9 million tonnes for the year ended December 31, 2007, as compared to 5.7 million tonnes for the year ended December 31, 2006.

Average steel selling price increased 13.0% for the year ended December 31, 2007, as compared with the year ended December 31, 2006, primarily due to increase in price of steel and exchange rate impact.

Operating Income

The following table provides a summary of the operating income and operating margin of ArcelorMittal for the year ended December 31, 2007, as compared with the year ended December 31, 2006:

	Operating Income		Operating Margin	
	Year ended December 31,			
	2006 ⁽¹⁾	2007	2006 ⁽¹⁾	2007
	(in \$ millions)	(in \$ millions)	(%)	(%)
Segments⁽²⁾				
Flat Carbon Americas	1,912	2,987	10.9	13.0
Flat Carbon Europe	1,005	4,149	7.0	12.0
Long Carbon Americas and Europe	1,797	3,896	13.7	16.3
AACIS	2,584	3,184	18.0	17.5
Stainless Steel ⁽³⁾	353	876	10.8	9.4
Steel Solutions and Services ⁽³⁾	171	579	3.3	3.6

(1) As required by International Financial Reporting Standards (IFRS), the 2006 information has been adjusted retrospectively for the finalisation of the allocation of purchase price of Arcelor (see Note 3 to the ArcelorMittal Consolidated Financial Statements).

(2) Includes results of operations of Arcelor from August 1, 2006.

(3) The results of the Stainless Steel and Steel Solutions and Services segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

As a result of the various factors described above, in particular the inclusion of Arcelor from August 1, 2006, our operating income amounted to \$14.8 billion for the year ended December 31, 2007, representing an increase of 97% over operating income of \$7.5 billion for the year ended December 31, 2006.

Flat Carbon Americas

In the Flat Carbon Americas segment, operating income reached \$3.0 billion for the year ended December 31, 2007, representing 20.1% of total consolidated operating income, compared to \$1.9 billion, or 25.4% for the year ended December 31, 2006.

Flat Carbon Europe

In the Flat Carbon Europe segment, operating income reached \$4.1 billion for the year ended December 31, 2007, representing 28.0% of total consolidated operating income, compared to \$1.0 billion, or 13.3% for the year ended December 31, 2006.

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, operating income reached \$3.9 billion for the year ended December 31, 2007, representing 26.3% of total consolidated operating income, compared to \$1.8 billion, or 23.9% for the year ended December 31, 2006.

AACIS

In the AACIS segment, operating income reached \$3.2 billion for the year ended December 31, 2007, representing 21.5% of total consolidated operating income, compared to \$2.6 billion, or 34.3% for the year ended December 31, 2006.

Stainless Steel

The results of the Stainless Steel segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

In the Stainless Steel segment, operating income was \$876 million for the year ended December 31, 2007, representing 5.9% of total consolidated operating income, compared to \$353 million, or 4.7% for the year ended December 31, 2006.

Steel Solutions and Services

The results of the Steel Solutions and Services segment correspond solely to the operations of Arcelor, whose results are included from August 1, 2006.

In the Steel Solutions and Services segment, operating income was \$579 million for the year ended December 31, 2007, representing 3.9% of total consolidated operating income, compared to \$171 million, or 2.3% for the year ended December 31, 2006.

Financing Costs

Net financing costs were 41.7% higher for the year ended December 31, 2007 at \$927 million, as compared with net financing costs for the year ended December 31, 2006 of \$654 million. Net financing costs consist of, among others, interest, foreign exchange and derivative transactions. Net interest expense amounted to \$1,262 million in 2007 as compared to \$873 million in 2006. Net interest expense was higher primarily due to the fact that Arcelor's net interest expense was included in the consolidated financial statements for 2006 only as from August 1. In addition, net financing costs were affected by increases in euro interest rates. Other financing charges, including derivative transactions, for the year ended December 31, 2007 were lower, primarily due to increases in mark-to-market gains on financial instruments.

Income Tax

ArcelorMittal recorded a consolidated tax expense of \$3,038 million for the year ended December 31, 2007, as compared to \$1,122 million for the year ended December 31, 2006. The effective tax rate increased to 20.4% for the year ended December 31, 2007, as compared to 15.5% for the year ended December 31, 2006, on income before taxes of \$14,888 million and \$7,228 million, respectively. For additional information on our income taxes in 2007, see Note 19 to the ArcelorMittal Consolidated Financial Statements.

Minority Interest

Minority interest in income of subsidiaries was \$1,482 million for the year ended December 31, 2007, as compared with \$859 million for the year ended December 31, 2006.

Net Income Attributable to Equity Holders of the Parent

ArcelorMittal's net income attributable to equity holders of the parent for the year ended December 31, 2007 increased to \$10,368 million from \$5,247 million for the year ended December 31, 2006, for the reasons discussed above.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006 on a Pro Forma basis (unaudited)

The following unaudited pro forma financial information of ArcelorMittal gives effect to the following transactions as if they occurred on January 1, 2006:

- the acquisition by Mittal Steel of 94.2% of the share capital (on a diluted basis) of Arcelor and all of the outstanding OCEANEs (convertible bonds) of Arcelor.
- the acquisition by Arcelor of Dofasco and Sonasid.

	2006 ArcelorMittal Historical⁽¹⁾	Arcelor Historical (January 1 to July, 31 2006)⁽²⁾	Pro Forma Adjustments	2006 Pro Forma Combined ArcelorMittal
Sales	\$58,870	\$28,659	\$1,047 ⁽³⁾	\$88,576
Operating income	7,532	3,018	1,307 ⁽⁴⁾	11,857
Financing costs—net	(654)	(451)	(223) ⁽⁵⁾	(1,328)
Income tax expense	(1,122)	34	(579) ⁽⁶⁾	(1,667)
Minority interest	859	426	202 ⁽⁷⁾	1,487
Net income attributable to equity holders of the parent	5,247	2,103	644 ⁽⁸⁾	7,994

Notes to the unaudited pro forma financial information are as follows:

1. Represents the historical condensed consolidated income statement of Mittal Steel for the year ended December 31, 2006, as adjusted retrospectively for the finalisation of the allocation of purchase price of Arcelor as required by IFRS3.
2. Represents the historical condensed consolidated statement of income of Arcelor for the period from January 1, 2006 through July 31, 2006 translated from Euros into US dollars using an average exchange rate of 1 to \$1.2343.
3. Represents the historical sales of Dofasco for the period from January 1, 2006 to March 1, 2006 and Sonasid for the period from January 1, 2006 to June 1, 2006.
4. Represents the sum of the incremental amortisation of favourable and unfavourable contracts recognised with the acquisition of Arcelor for the seven months ended July 31, 2006 (\$56 million), the elimination of the fair value of the inventory acquired in the acquisition of Arcelor and recognised as expense in the ArcelorMittal historical statement of income for the year ended December 31, 2006 in an amount of \$1.1 billion and the historical operating income of Dofasco for the period from January 1, 2006 to March 1, 2006 and Sonasid for the period from January 1, 2006 to June 1, 2006, the respective dates of their acquisition, in a total amount of \$151 million.
5. Represents the incremental interest expense related to the borrowings for the acquisition of Arcelor.
6. Represents the tax impact of the above adjustments assuming a 25% blended statutory rate.
7. Represents the reallocation of the net income attributable to minority interests to net income attributable to equity holders of the parent for the minority interest in Arcelor and Sonasid.
8. Represents the sum of the adjustments above and elimination of the costs incurred by Arcelor relating to the acquisition that were expensed during the seven months ending July 31, 2006 (\$341 million).

The unaudited 2006 pro forma financial data are presented for illustrative purposes only and are not necessarily indicative of the operating results or financial condition of the combined entities that would have been achieved had the transactions been consummated on the dates used as the basis for the preparation of the pro forma financial data. They are not necessarily indicative of the future results or financial condition of the Company. Nonetheless, because the unaudited 2006 pro forma financial information provides information that we believe is useful in analyzing trends in our business, we have used it as the basis for the comparison of the 2006 and 2007 results of operations below.

Sales, Steel Shipments and Average Steel Selling Prices

The following table provides a summary of sales at ArcelorMittal by operating segment for the year ended December 31, 2007 as compared to the year ended December 31, 2006 (the latter on a pro forma basis):

Segment	Sales for the Year ended December 31 ⁽¹⁾		Changes in		
	2006 (pro forma)	2007	Sales	Steel Shipments	Average Steel Selling Price
	(in \$ millions)	(in \$ millions)	(%)	(%)	(%)
Flat Carbon Americas	21,878	22,895	4.6	(6.8)	4.7
Flat Carbon Europe	27,567	34,562	25.4	3.8	19.2
Long Carbon Americas and Europe	18,544	23,830	28.5	(1.2)	20.1
AACIS	14,745	18,229	23.6	2.8	17.2
Stainless Steel	7,251	9,349	28.9	(13.1)	40.9
Steel Solutions and Services	11,882	16,241	36.7	11.4	17.2

(1) Amounts are prior to inter-company eliminations and include non-steel sales.

ArcelorMittal had sales of \$105.2 billion for the year ended December 31, 2007, representing an increase of 18.8% over pro forma sales of \$88.6 billion for the year ended December 31, 2006. Sales were higher due to higher selling prices and stronger demand for our products.

ArcelorMittal had steel shipments of 109.7 million tonnes for the year ended December 31, 2007, representing a 0.7% decrease over pro forma steel shipments of 110.5 million tonnes for the year ended December 31, 2006, primarily due to reduction in production and shipments during the year in line with a reduction in market demand, particularly in North America. Stainless Steel production and shipments were also reduced in line with market demand.

Average steel selling price increased 16.1% for the year ended December 31, 2007 as compared to pro forma average steel selling prices for the year ended December 31, 2006, due to a healthy market environment and steel demand.

Flat Carbon Americas

In the Flat Carbon Americas segment, sales were \$22.9 billion for the year ended December 31, 2007, a rise of 4.6% over pro forma sales for the year ended December 31, 2006. Sales were higher mainly due to higher prices due to our ability to pass on higher input costs.

Total steel shipments were 27.9 million tonnes for the year ended December 31, 2007, a decrease of 6.8% over pro forma shipments for the year ended December 31, 2006. This decrease results primarily from a change in scope of consolidation; a U.S. subsidiary of Dofasco was proportionally consolidated until August 1, 2006 and accounted for under the equity method thereafter. In addition, shipments were lower in the U.S. operations of ArcelorMittal due to weak market demand, partially offset by higher shipments at CST following its capacity expansion project.

Average steel selling price increased 4.7% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006, primarily due to the improved market for our products, particularly in South America, as well as our ability to pass on increased input costs to our customers, and favourable exchange rate, in South America.

Flat Carbon Europe

Sales in the Flat Carbon Europe segment were \$34.6 billion for the year ended December 31, 2007, an increase of 25.4% over pro forma sales for the year ended December 31, 2006, mainly due to higher selling prices, higher shipments and exchange rate effect, offset by an increase in input prices.

Total steel shipments reached 34.4 million tonnes for the year ended December 31, 2007, a rise of 3.8% over pro forma steel shipments for the year ended December 31, 2006, mainly due to favourable demand.

Average steel selling price increased 19.2% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006. Average selling prices increased due to favourable demand as well as our ability to pass on increased input costs to our customers and exchange rate impact.

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, sales reached \$23.8 billion for the year ended December 31, 2007, an increase of 28.5% over pro forma sales for the year ended December 31, 2006. Sales were higher mainly due to increased average selling prices in Europe and South America.

Total steel shipments were 24.6 million tonnes for the year ended December 31, 2007, a decrease of 1.2% over pro forma steel shipments for the year ended December 31, 2006, mainly due to lower demand in Europe offset by higher shipments in South America.

Average steel selling price increased 20.1% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006, driven by price increases due to improved market conditions for our products, along with a favourable exchange rate impact in Europe and South America and increased domestic sales in Brazil and Argentina.

AACIS

In the AACIS segment, sales reached \$18.2 billion in 2007, an increase of 23.6% over pro forma sales for the year ended December 31, 2006. The main reason for the sales increase was an increase in average selling prices particularly in operations in Ukraine, Kazakhstan and South African operations.

Total steel shipments reached 20.9 million tonnes for the year ended December 31, 2007, an increase of 2.8% over pro forma steel shipments for the year ended December 31, 2006. This increase resulted primarily from improved volumes at our Ukrainian and Kazakhstan operations, particularly in the second and third quarters of 2007, offset by production issues at our South African operations due to the relining of a blast furnace.

Average steel selling price increased 17.2% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006, driven by high demand for our products and domestic price increases in South Africa.

Stainless Steel

Sales in the Stainless Steel segment reached \$9.3 billion for the year ended December 31, 2007, an increase of 28.9% over pro forma sales for the year ended December 31, 2006. This increase is mainly due to higher selling prices induced by high but unstable nickel prices, that we passed on to customers.

Total steel shipments were 1.9 million tonnes for the year ended December 31, 2007, a decrease of 13.1% from pro forma steel shipments for the year ended December 31, 2006. This fall is mainly due to low demand in the third quarter of 2007, as customers delayed purchases in anticipation of price decreases of stainless steel resulting from the falling nickel price.

Average steel selling price increased 40.9% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006, mainly due to higher nickel prices in the first half of 2007, which fell in the second half of 2007.

Steel Solutions and Services

In the Steel Solutions and Services segment, sales reached \$16.2 billion for the year ended December 31, 2007, an increase of 36.7% over pro forma sales for the year ended December 31, 2006, driven by higher selling prices and increased shipments, offset by higher input costs.

Total steel shipments were 15.9 million tonnes for the year ended December 31, 2007, an increase of 11.4% over pro forma steel shipments for the year ended December 31, 2006 due to favourable demand, as well as the inclusion of the trading and international sales activity of ArcelorMittal International.

Average steel selling price increased 17.2% for the year ended December 31, 2007, as compared with pro forma average steel selling prices for the year ended December 31, 2006, driven by favourable market demand for our products and increase in the purchase price of steel and the favourable exchange rate impact.

Operating Income

The following table provides a summary of the operating income and operating margin of ArcelorMittal for the year ended December 31, 2007, as compared with the pro forma operating income and operating margin for the year ended December 31, 2006 (the latter on a pro forma basis):

Segments ⁽¹⁾	Operating Income		Operating Margin	
	Year ended December 31,			
	2006 (pro forma)	2007	2006	2007
	(in \$ millions)	(in \$ millions)	(%)	(%)
Flat Carbon Americas	2,610	2,987	11.9	13.0
Flat Carbon Europe	2,817	4,149	10.2	12.0
Long Carbon Americas and Europe	2,988	3,896	16.1	16.3
AACIS	2,640	3,184	17.9	17.5
Stainless Steel ⁽²⁾	731	876	10.1	9.4
Steel Solutions and Services ⁽²⁾	466	579	3.9	3.6

(1) Amounts are prior to inter-company eliminations and include non-steel sales.

(2) Includes results of operations of Arcelor from August 1, 2006.

As a result of the various factors described above, our operating income amounted to \$14.9 billion for the year ended December 31, 2007, representing an increase of 25.1% over pro forma operating income of \$11.9 billion for the year ended December 31, 2006.

Flat Carbon Americas

In the Flat Carbon Americas segment, operating income reached \$3.0 billion for the year ended December 31, 2007, an increase of 14.4% over pro forma operating income for the year ended December 31, 2006 due to the reasons described above. Operating income was affected by impairment expenses of \$82 million recorded in relation to a restructuring of our operations in Contrecoeur, Canada.

Flat Carbon Europe

In the Flat Carbon Europe segment, operating income reached \$4.1 billion for the year ended December 31, 2007, an increase of 47.3% over pro forma operating income for the year ended December 31, 2006, driven by positive price effects, and a positive exchange rate impact.

Long Carbon Americas and Europe

In the Long Carbon Americas and Europe segment, operating income reached \$3.9 billion for the year ended December 31, 2007, a rise of 30.4% as compared with pro forma operating income for the year ended December 31, 2006, due to the factors explained above. During the fourth quarter, operating income was affected by impairment expenses of \$50 million recorded in relation to a restructuring of our operations at ArcelorMittal Gandrange. In addition, impairment expenses of \$43 million were recorded at our Canadian wire-drawing operations.

AACIS

In the AACIS segment, operating income reached \$3.2 billion for the year ended December 31, 2007, an increase of 20.6% over pro forma operating income for the year ended December 31, 2006 due to the reasons explained above. Operating income in 2007 includes \$97 million in voluntary retirement plan costs at our Ukrainian and Algerian operations.

Stainless Steel

In the Stainless Steel segment, operating income was \$876 million for the year ended December 31, 2007, an increase of 19.8% over pro forma operating income for the year ended December 31, 2006 for the reasons explained above.

Steel Solutions and Services

In the Steel Solutions and Services segment, operating income reached \$579 million for the year ended December 31, 2007, an increase of 24.2% over pro forma operating income for the year ended December 31, 2006 for the reasons explained above.

Financing Costs

Net financing costs were 30.2% lower for the year ended December 31, 2007 at \$927 million, as compared with pro forma net financing costs for the year ended December 31, 2006 of \$1.3 billion. Net financing costs consist of, among others, interest, foreign exchange and derivative transactions. Net interest expense was essentially flat at \$1,262 million in 2007 as compared to pro forma net interest expense of \$1,254 million in 2006. Interest charges were higher in 2007 due to higher base euro interest rates. In 2006, the Company took a one-time charge in connection with the reimbursement of the Arcelor Convertible bonds (OCEANes). Other financing charges, including derivative transactions, for the year ended December 31, 2007 were lower, primarily due to increases in mark-to-market gains on financial instruments.

Income Tax

ArcelorMittal recorded a consolidated tax expense of \$3,038 million for the year ended December 31, 2007 as compared to pro forma income tax expense of \$1,667 million for the year ended December 31, 2006. The effective tax rate increased to 20.4% for the year ended December 31, 2007, as compared to pro forma effective tax rate of 15.0% for the year ended December 31, 2006, on income before taxes and pro forma income before taxes of \$14,888 million and \$11,148 million, respectively. The increase in effective tax rate is mainly due to higher income in higher-tax jurisdictions in 2007. The increase also reflects 2006 base effect the 2006 effective tax rate was decreased due to the approval of the Mexican federal court of a petition to utilise a \$668 million loss against operating income at ArcelorMittal Lázaro Cárdenas. Since the loss was incurred in 2004 and was denominated in Mexican Pesos, fluctuations in currency exchange rates along with annual inflationary adjustments resulted in an increase in the U.S. dollar equivalent value of the loss from \$668 million to \$729 million. Accordingly, a deferred tax asset of \$211 million was recognised in 2006. In 2007, there was no such item.

For additional information related to ArcelorMittal's income taxes, see Note 19 to the ArcelorMittal Consolidated Financial Statements.

Minority Interest

Minority interest in income of subsidiaries was \$1,482 million for the year ended December 31, 2007, as compared with pro forma minority interest of \$1,487 million for the year ended December 31, 2006. This was the result of offsetting factors. First, minority interests were reduced by the buyout of the minority shareholders in ArcelorMittal Brasil (minority interest in ArcelorMittal Brasil amounted to \$246 million for the five month-period ended May 31, 2007), and the merger of ArcelorMittal and Arcelor in which Arcelor minority shareholders received ArcelorMittal shares (minority interest in Arcelor amounted \$308 million for the ten month-period ended October 31, 2007). These reductions were nearly offset by increased income in various subsidiaries with minority shareholders, principally ArcelorMittal South Africa, ArcelorMittal Ostrava, ArcelorMittal Kryviy Rih, ArcelorMittal Annaba, ArcelorMittal Poland, ArcelorMittal Inox Brasil and Acindar, as well as Arcelor prior to completion of the merger.

Net Income Attributable to Equity Holders of the Parent

ArcelorMittal's net income attributable to equity holders of the parent for the year ended December 31, 2007 increased to \$10,368 million from \$7,994 million for pro forma net income attributable to equity holders of the parent for the year ended December 31, 2006, for the reasons discussed above.

HUMAN RESOURCES

The Human Resources (HR) function focuses its activities on three key areas:

- Develop and recruit talents and offer challenging and rewarding careers in the dynamic and growing steel and mining industries;
- Enable employees at all levels to contribute to the best of their ability to the objectives and success of the Group's business and ensure a sufficient talent pool for the future leadership of the Group;
- Build and maintain good relations with the employees and their representatives.

ArcelorMittal is committed to giving internal candidates priority whenever job vacancies arise. To make the process transparent and encourage internal recruitment, an interactive website, JobMarketOnline, was launched in March 2007, advertising vacancies.

Through the Business Leaders Resourcing Programme, 58 MBA and 15 Master graduates in Finance were monitored in 2007. The programme was relaunched to include an Executive Career Panel to manage recruits' development needs and provide mentoring.

A Group Engineering and Technical Programme was introduced in 2007 with the aim of creating a global pool of engineers and technical specialists. The goal is to recruit up to 300 high achievers every year – over and above local recruitment needs – from key institutions in countries such as Romania, Brazil, Ukraine, Poland or Czech Republic.

Since its launch in 2007, the Corporate University has been the primary source of development opportunities within ArcelorMittal. All programmes are tailored to the ArcelorMittal vision, mission and brand values, and are designed to be delivered through local training centres.

The Group's Knowledge Management Programme (KMP) was expanded in 2007. The KMP is designed to speed the flow of best practices and techniques around the Group by bringing together all the key people involved in a given function, technical area or business unit, and gives added impetus to the Group's continuous improvement drive. In all, approximately 20 different KMP events were held in the course of 2007.

The Group places great emphasis on international mobility through short-term assignments, allowing employees to progress through multiple functions, countries and regions.

The performance management process provides a means of aligning individual behaviour with Group values and competencies and recognising the contributions, strengths and development needs of employees in every location. At its core is the Global Executive Development Programme (GEDP), which provides an annual, four-step process for managing an individual's performance. The process is transparent, with regular feedback and coaching to support development and boost motivation. The GEDP ensures a systematic approach to performance management, training and development, succession planning and bench strength, as well identifying those with high potential.

To help develop the crucial leadership skills needed for the future, consistent across the Group, ArcelorMittal has developed a Competency Framework involving eight competencies that characterise desirable performance among its people.

There are five key competencies:

- Change management
- Decision making
- Results orientation
- Strategic thinking
- Teamwork

They are supported by three additional competencies used for building organisation performance:

- Stakeholder orientation
- Effective communication
- Learning and development

A renewed bonus scheme was set up in 2007 and covers the Group's top 500 executives. It will be extended to cover more than 2,000 employees in 2008. It is complemented by local rewards systems that cover the wider employee population.

A workforce planning process was put in place in all the Group's operations in 2007. Its objective is to provide a reference framework and follow-up tools in relation to organisation, workforce development and the skills required for each process area. This will aid profitability, sustainability and the further development of know-how – allowing permanent and break-through productivity gains. The planning process is aligned with the Group's mission, included in the budget cycle and will be maintained as a continuous improvement initiative.

Employees

ArcelorMittal had approximately 311,000 employees as of December 31, 2007. The table below sets forth the total number of employees by operating segment for the past three years.

Segment	2006	2007
Flat Carbon Americas ⁽¹⁾	36,700	35,491
Flat Carbon Europe	67,238	68,000
Long Carbon Americas and Europe	40,893	56,462
AACIS	148,291	123,526
Stainless Steel	11,542	11,570
Steel Solutions and Services	11,560	13,086
Other activities	3,354	3,331
Total	319,578	311,466

(1) Includes Dofasco for Arcelor in 2006.

ArcelorMittal employees in various sites throughout the world are represented by trade unions, and ArcelorMittal is a party to collective bargaining agreements with employee organisations at various sites. The following description summarises the status of certain of these agreements and relationships.

On April 19, 2007, ArcelorMittal employee representatives and management agreed on the principle of a newly combined European Works Council ("EWC"). This agreement replaces the EWC agreements that previously existed in both Mittal steel and Arcelor prior to their merger and represents a major additional step in the integration of ArcelorMittal. The agreement was signed and the EWC was inaugurated on July 10, 2007.

The collective bargaining agreement between the United Steelworkers of America (USWA) and ArcelorMittal USA will expire on September 1, 2008, following which a new agreement will be negotiated. The previous agreements were ratified in 2005 by the predecessor entity to ArcelorMittal USA. Under the terms of a 2004 collective bargaining agreement, the parties agreed to negotiate successor agreements without resorting to strikes or lockouts.

The Company and the IMF (International Metalworkers Federation), EMF (European Metalworkers Federation) and USW (United Steelworkers Union) are in the process of concluding a Global Health and Safety agreement.

The National Collective Bargaining Agreement in Belgium will expire on December 31, 2008, and plant-level negotiations will follow the establishment of new national and sectoral agreements. Negotiations at plant level are expected to be concluded by March 2009.

Collective bargaining agreements in Germany were finalised on March 4, 2008, covering the period from February 2008 to April 2009.

Salary agreements were also concluded in respect of Kryviy Rih and Kazakhstan - Coal and Steel unions for the period September 2007 to September 2008.

Share Ownership by Directors and Senior Managers

As of December 31, 2007, the aggregate beneficial share ownership of ArcelorMittal directors and senior management (39 individuals) was 2,106,308 ArcelorMittalShares (excluding shares owned by ArcelorMittal's Significant shareholder¹ and including options to acquire 550,338 ArcelorMittal common shares that are exercisable within 60 days of December 31, 2007), being 0.15% of the total issued share capital of ArcelorMittal. Excluding options to acquire ArcelorMittal common shares, these 39 individuals beneficially own 1,575,970 ArcelorMittal common shares.

Other than the Significant shareholder, each director and member of senior management beneficially owns on an individual basis less than 1% of ArcelorMittal's common shares. The percentage of total common shares in the possession of the Significant shareholder (including-treasury stock) decreased from 44.79% prior to November 13, 2007 to 43.05% after that date as a result of the second step of the merger between Mittal Steel and Arcelor. The number of Mittal Steel options granted to directors and senior management (including the Significant shareholder) in 2005 was 370,024 at an exercise price of \$28.75, the number of Mittal Steel options granted to directors and senior management (including the Significant shareholder) in 2006 was 472,553 at an exercise price of \$33.75 and the number of ArcelorMittal options granted to directors and senior management (including the Significant shareholder) in 2007 was 714,000 at an exercise price of \$64.30. No Mittal Steel options were granted during 2004. These options vest either rateably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant. The option term expires 10 years after the grant date. In 2006, Arcelor granted 217,146 options to its senior management at an exercise price of €34.43.

The following table summarises the history of share options granted to senior management of Mittal Steel and ArcelorMittal, as its successor (in 2001, 2003 and 2004, no options were granted to members of Mittal Steel's senior management):

	Options* granted 1999	Options* granted 2000	Options* granted 2002	Options* granted 2005	Options* granted 2006	Options* granted 2007	Total **	Average weighted exercise price**
Senior Managers (including the Significant shareholder)	87,500	87,500	105,000	370,024	472,553	714,000	2,053,713	\$46.46
Exercise price	\$11.94	\$8.57	\$2.26	\$28.75	\$33.76	\$64.30		
Term (in years)	10	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	August 2, 2017	—	—

* Options awarded under ArcelorMittalShares.

** The options granted by Arcelor (noted above) have been included (at a conversion rate of €1 = \$1.3705) have been included in the total number of options and the average weighted exercise price.

In accordance with the Luxembourg Stock Exchange's Ten Principles of Corporate Governance, independent non-executive members of ArcelorMittal's Board of Directors do not receive share options.

¹ "Significant shareholder" are Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal, who together own approximately 44% of Mittal Steel's outstanding voting equity as at December 31, 2007

RESEARCH & DEVELOPMENT

ArcelorMittal invests heavily in Research and Development (R&D), employing more than 1,400 researchers in 14 research centres in Europe, the US, Canada and Brazil.

ArcelorMittal works closely with its customers to develop next-generation solutions that will sustain their competitiveness. Co-engineering programmes, long a feature of the Group's relationship with the worldwide automotive industry, are progressively being extended to OEMs (Original Equipment Manufacturers) in the appliances field. In 2007, the Group's relentless innovation extended and improved its range of offerings in every product area.

Automotive - With engineering teams resident in customers' plants, ArcelorMittal works with OEMs from the design stage of new product launches, helping to create vehicles that are lighter, stronger, safer and more attractive to end-purchasers. In 2007, a global technical partnership programme was implemented with individual OEMs aimed at applying the best ArcelorMittal steel solutions in terms of cost and performance to new vehicle designs. This unique, global approach has been received by automotive manufacturers.

In **appliances**, the focus in 2007 was on anticipating new legal and regulatory requirements and developing environmentally friendly solutions through the Cr6-free passivation and Easyfilm product lines. The latter will be completed in 2008 with the addition of conductive easy film – a Chromium-free product with enhanced conductivity properties for LCD screens and DVD players.

Adapted hot rolled dual phase steels were developed in 2007 for **metal processing** applications. A new steel gas cylinder, only about half the weight of a traditional gas cylinder, was developed in collaboration with gas bottle supplier Liotard and was runner-up in the Swedish Steel Prize 2007. A steel solution developed jointly with Alstom for the rail transportation industry achieves shorter assembly times while maintaining flexibility.

In **packaging**, a drawn, shaped and microwavable food container with a peel-off lid made out of Creasteel – a very soft and thin tinplate – was developed in partnership with Impress and won the gold award in the field of prototypes at the Can of the Year summit in Chicago.

In the **construction** and civil engineering markets, the Group works to develop new products and solutions that will improve safety and comfort, reduce cost or construction time, extend durability, improve architectural quality and, increasingly, reduce environmental impacts. ArcelorMittal's innovative approach in this sector was recognised at the biannual Batimat fair which took place in Paris in November 2007. The Golden Innovation Medal was awarded to Arsolar, a solar panel designed by Arval. Besides, the Golden Design Medal was awarded to the Angelina™ beam, created in response to a proposal from the leading architect, Claude Vasconi. The result is a sleek, open and versatile beam which offers a new architectural dimension within an environmentally friendly approach.

A new partnership between ArcelorMittal and five leading companies supplying commercial design software for the construction market was established to improve the dissemination of the Group's software programmes.

In **stainless**, new ferritic grades – K43X and K44X – were developed to reduce the Group's exposure to the nickel price. R&D also supported the development of ferritic stainless in new applications ranging from decorative tubes and chairs to water supply systems and sugar cans. A new 200-series austenitic grade with 4.5% nickel, but demonstrating almost identical properties to the 304 grade (containing 8.5% nickel), was launched.

ArcelorMittal is taking part in the development of new energy-saving technologies. The year 2007 saw the start of production of new, fully processed grades of **electrical steel**. The new grades significantly reduce energy loss and have particular applications for high-efficiency and high-frequency transformers. They have attracted the interest of a number of automotive manufacturers.

Nine new products, offering improved properties or reduced cost, were launched in 2007, maintaining ArcelorMittal's leading position in a number of niches within the **specialty plate** market. One example was a lean duplex stainless steel with a reduced nickel content but with higher strength and corrosion-resistant properties than the standard grade. This will now be proposed for storage tank, construction and pulp and paper industry applications.

R&D contributed strongly to the synergies realised in 2007 by transferring process knowledge between all parts of the Group. A notable example was the implementation in North America of clogging reduction technology developed in Europe. In the development area, significant emphasis was placed in 2007 on raw materials, environmental improvements, energy and quality.

ArcelorMittal continued to progress its work on the European Union's Ultra Low CO₂ Steelmaking (ULCOS) project. Phase II, involving pilot-scale trials on the four technical routes chosen from among 70 studied in Phase I, commenced in 2007. The first trial of top gas recycling technology on an experimental blast furnace in Lulea, Sweden, delivered promising results.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Board of Directors

ArcelorMittal continues to put a strong emphasis on corporate governance. It has 13 independent directors on its Board of Directors. The independence of the directors is assessed on annual basis using New York Stock Exchange (NYSE) Listed Company Manual's Rule 303A.01 (Independent Directors) and Rule 303A.02 (Independence Tests), both available on www.nyse.com under "Information", in section "For Listed Companies -- Listed Company Manual", and "303A.00 Corporate Governance Standards". This applied a higher standard than the independence criteria set out in the 10 Corporate Governance Principles of the Luxembourg Stock Exchange. The members of the ArcelorMittal Board of Directors as of December 31, 2007 are as set forth below:

Name	Age⁽⁵⁾	Date Joined Board⁽⁶⁾	End of Term at AGM to be held in	Position within ArcelorMittal
Joseph J. Kinsch ⁽²⁾⁽³⁾	74	October 2006	2008	Chairman of ArcelorMittal's Board of Directors
Lakshmi N. Mittal	57	May 1997	2011	President of ArcelorMittal's Board of Directors and Chief Executive Officer
Vanisha Mittal Bhatia	27	December 2004	2010	Member of ArcelorMittal's Board of Directors
Narayanan Vaghul ⁽¹⁾⁽³⁾	71	July 1997	2009	Member of ArcelorMittal's Board of Directors
Wilbur L. Ross ⁽¹⁾⁽³⁾	70	April 2005	2009	Member of ArcelorMittal's Board of Directors
Lewis B. Kaden ⁽²⁾⁽³⁾	65	April 2005	2008	Member of ArcelorMittal's Board of Directors
François H. Pinault ⁽³⁾	71	June 2006	2009	Member of ArcelorMittal's Board of Directors
José Ramón Álvarez Rendueles ⁽¹⁾⁽³⁾	67	October 2006	2010	Member of ArcelorMittal's Board of Directors
Sergio Silva de Freitas ⁽²⁾⁽³⁾	64	October 2006	2009	Member of ArcelorMittal's Board of Directors
Georges Schmit	54	October 2006	2011	Member of ArcelorMittal's Board of Directors
Edmond Pachura ⁽¹⁾⁽³⁾	73	October 2006	2008	Member of ArcelorMittal's Board of Directors
Michel Angel Marti ⁽³⁾	60	October 2006	2009	Member of ArcelorMittal's Board of Directors
Manuel Fernández López ⁽³⁾	61	October 2006	2010	Member of ArcelorMittal's Board of Directors
Jean-Pierre Hansen ⁽²⁾⁽³⁾	59	October 2006	2009	Member of ArcelorMittal's Board of Directors
John Castegnaro ⁽³⁾	62	October 2006	2010	Member of ArcelorMittal's Board of Directors
Corporación JMAC (represented by Antoine Spillmann)	44	October 2006	2011	Member of ArcelorMittal's Board of Directors
HRH Prince Guillaume de Luxembourg ⁽³⁾	44	October 2006	2011	Member of ArcelorMittal's Board of Directors
Romain Zaleski ⁽⁴⁾	74	October 2006	2008	Member of ArcelorMittal's Board of Directors

- (1) Audit Committee
(2) Appointments, Remuneration and Corporate Governance Committee
(3) Non-executive and independent director
(4) Mr. Zaleski resigned from the Board of Directors on March 5, 2008
(5) Age as of December 31, 2007
(6) Of ArcelorMittal or its predecessor Mittal Steel

The business address of each of the members of ArcelorMittal's Board of Directors is ArcelorMittal's offices at 19, avenue de la Liberté, L-2930 Luxembourg, G.D. of Luxembourg.

Joseph Kinsch, born on May 2, 1933, is the Chairman of ArcelorMittal's Board of Directors. At the helm of Luxembourg-based steelmaker Arbed, he has been one of the key consolidators of the world steel industry of the last decades, first by reshaping Arbed's strategy and steering its growth, notably in Europe and Brazil, then by assuming a significant role in the three-way merger of European steel companies which resulted in Arcelor, and recently by negotiating a merger of equals between Arcelor and Mittal Steel. Mr Kinsch joined Arbed in 1961 at its Burbach (Saar, Germany) plant. A year later, he moved to the company's headquarters in Luxembourg. There, he held various financial (accounting and finance) and industrial (steel processing) positions. Mr Kinsch was a member of the Arbed Group's Management Board from 1980 to 1991, became CEO in 1992 and Chairman of its Board of Directors in 1993. In 2002, at the creation of Arcelor, he was chosen to chair the Board of Directors of the new company. Joseph Kinsch holds a Master's degree in Economics and is a Doctor of Laws h.c. He is the Honorary Consul of Brazil in Luxembourg. His merits as an entrepreneur have been widely recognised throughout the world.

Lakshmi N. Mittal, born on June 15, 1950, is the President of the Board of Directors and Chief Executive Officer of ArcelorMittal. Mr Mittal founded Mittal Steel Company in 1989 and guided its strategic development, culminating in its merger with Arcelor, agreed in 2006, to found the world's largest steel maker. He is widely recognised for the leading role he has played in restructuring the steel industry towards a more consolidated and globalised model. Mr Mittal began his career working in his family's steel-making business in India, and has over 30 years experience working in steel and related industries. In addition to setting the pace of industry consolidation, he has also championed the development of integrated mini-mills and the use of DRI as a scrap substitute for steelmaking. Following the combination of Ispat International and LNM Holdings to form Mittal Steel in December 2004, together with the simultaneous announcement of the acquisition of International Steel Group in the United States to form the world's then-leading steel producer, Mr Mittal was awarded Fortune magazine's "European Businessman of the Year 2004". In 1996, Mr Mittal was awarded "Steelmaker of the Year" by New Steel in the United States and in June 1998, the "Willy Korf Steel Vision Award" from American Metal Market and PaineWebber's World Steel Dynamics, for outstanding vision, entrepreneurship, leadership and success in global steel development. Following the creation of ArcelorMittal, Mr Mittal was named "Business Person of 2006" by the Sunday Times, "International Newsmaker of the Year 2006" by Time Magazine and "Person of the Year 2006" by the Financial Times for his outstanding business achievements. In January 2007, Mr Mittal was presented with a Fellowship from King's College London, the college's highest award. He also received the 2007 Dwight D. Eisenhower Global Leadership Award, the Grand Cross of Civil Merit from Spain and was named AIST Steelmaker of the Year. In January 2008, Mr Mittal was awarded the Padma Vibhushan, India's second highest civilian honour, by the President of India. Mr Mittal is an active philanthropist and a member of various trusts. Under his guidance, ArcelorMittal is a significant contributor to local community and welfare activities for employees in countries where the ArcelorMittal group operates. Mr Mittal is a member of the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the Presidential International Advisory Board of Mozambique, the World Economic Forum's International Business Council and the International Iron and Steel Institute's Executive Committee. He is a Director of EADS and of ICICI Bank Limited, and sits on the Advisory Board of the Kellogg School of Management in the United States and on the International Advisory Board of Citigroup. Mr Mittal was born in Sadulpur in Rajasthan, India on June 15, 1950, and graduated from St. Xavier's College in Kolkata, where he received a Bachelor of Commerce degree. Mr Mittal is married to Usha Mittal, and has a son, Aditya Mittal, and a daughter, Vanisha Mittal Bhatia.

Vanisha Mittal Bhatia, born on August 23, 1980, was appointed as a member of the LNM Holdings Board of Directors in June 2004. Mrs Vanisha Mittal Bhatia was appointed to Mittal Steel's Board of Directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School and has completed corporate internships at Mittal Shipping, Mittal Steel Hamburg GmbH and with an Internet-based venture capital fund. She is the daughter of Mr Lakshmi N. Mittal.

Narayanan Vaghul, born on August 4, 1936, has 50 years of experience in the financial sector and has been the Chairman of Industrial Credit and Investment Corporation of India for 16 years and of ICICI Bank Ltd for the last two years. Prior to that, he was Chairman of the Bank of India and Executive Director of the Central Bank of India. He was chosen as the Businessman of the Year in 1992 by Business India, a leading Indian publication, and has served as a consultant to the World Bank, the International Finance Corporation and the Asian Development Bank. Mr Vaghul was also a visiting Professor at the Stern Business School at New York University. Mr Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a Board member of various other

companies, including Wipro Limited, Mahindra & Mahindra Limited, Nicholas Piramal India Limited, Apollo Hospitals Limited and Himatsingka Seide Limited.

Wilbur L. Ross, Jr., born on November 28, 1937, has served as the Chairman of the ISG Board of Directors since ISG's inception. Mr Ross is also the Chairman and Chief Executive Officer of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment, Nippon Investment Partners and Absolute Recovery Hedge Fund. Mr Ross is also Chairman of Ohizumi Manufacturing Company in Japan, Chairman of International Textile Group, International Coal Group and of Marquis Who's Who Inc. in the United States, and Chairman of Insuratex Ltd in Bermuda. Mr Ross is a Board member of the Turnaround Management Association, Nikko Electric Co. in Japan, Tong Yang Life Insurance Co. in Korea, and of Syms Corp., Clarent Hospital Corp. and News Communications Inc. in the United States. He is also Director of IAC Acquisition Corporation Ltd in the United Kingdom, Compagnie Européenne de Wagons SARL in Luxembourg, Oxford Automotive in Denmark and Safety Components International in the United States. He is Director of the Japan Society and of the Yale School of Management. Mr Ross is also a member of the Business Roundtable. Previously, Mr Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000.

Lewis B. Kaden, born on March 24, 1942, has more than 38 years of experience in corporate governance, dispute mediation, labour and employment law, and economic policy. He is currently Vice Chairman and Chief Administrative Officer of Citigroup Inc. Prior to that, he was a partner at the law firm of Davis Polk & Wardwell and served as Counsel to the Governor of New Jersey, as a Professor of Law at Columbia University and as Director of Columbia's Centre for Law and Economic Studies. He has served as a Director of Bethlehem Steel Corporation for ten years and is currently Chairman of the Board of Directors of the Markle Foundation. He is a member of the Council on Foreign Relations and the moderator of the Business-Labour Dialogue. Mr Kaden is a *magna cum laude* graduate of Harvard College and of Harvard Law School. He was the John Harvard Scholar at Emmanuel College, Cambridge University.

François H. Pinault, born on August 21, 1936, is the founder and former President of the Artemis Group and PPR. The Artemis Group is a €25 billion global investment holding company including 42% of the listed company PPR. PPR includes retail brands, such as FNAC, La Redoute, Le Printemps, Conforama, and luxury brands, such as Gucci Group, which includes Gucci, Bottega Veneta, Yves Saint Laurent, Boucheron and Balenciaga. Artemis also owns Chateau Latour vineyard in France and Christie's auction house. In addition, Mr Pinault has insurance and media businesses and holds minority shares in the French Group Bouygues. Mr Pinault serves on the Board of Directors for Financière Pinault and Artemis.

José Ramón Álvarez Rendueles, born on June 17, 1940, has extensive experience in the financial, economic and industrial sectors. He was former Governor of the Bank of España and President of the Bank Zaragozano. He is President of the Board of Directors of ArcelorMittal España, Peugeot España and Pirelli España. He is professor of public Finance at the Universidad Autónoma de Madrid, the President of the Prince of Asturias Foundation and Director of Gestavisión Telecinco S.A.

Sergio Silva de Freitas, born on January 16, 1943, has 40 years of experience in the financial sector. He is President of the Board of Directors and of the Audit, Appointments and Remunerations Committee of ArcelorMittal Brasil. After several years spent in high-ranking positions in important financial institutions in London and in Washington, he became Senior Vice President of Banco Itaú and is now member of the International Advisory Board of Banco Itaú, Sao Paulo, Brazil. He has a Bachelor's degree in Electrical Engineering from Escola Nacional de Engenharia da Universidade Brasil.

Georges Schmit, born on April 19, 1953, is a member of the Board of Directors of ArcelorMittal as a representative of the Luxembourg State. He is Director General at the Ministry of the Economy and Foreign Trade and a Member of the Board of Economic Development of the Grand-Duchy of Luxembourg. He is also Vice Chairman of the Société Nationale de Crédit et d'Investissement (SNCI) and of the « Entreprise des Postes et Télécommunications », Luxembourg and Director of SES Global S.A., of Banque et Caisse d'Epargne de l'Etat, Luxembourg and of Paul Wurth S.A. Since 2000, he has been the representative of Luxembourg on the Enterprise Policy Group, an advisory body to the European Commission. Mr Schmit holds a Master of Arts degree in Economics from the University of Michigan.

Edmond Pachura, born on January 31, 1934, has 40 years of experience in the industrial sector. He is Chairman of the Union des Négociants en Aciers Spéciaux (UNAS), Paris. Previously, he was Director of Renault and CEO

of Sollac. Mr Pachura has also been a member of the Board of Directors of Charbonnages de France since 1997 and of the SNCF (Société Nationale des Chemins de Fer) since 1998.

Michel Marti, born on July 6, 1947, is a representative of the employees. He is former Secretary of the Confédération Française Démocratique du Travail (CFDT) union, Broye, France.

Manuel Fernández López, born on June 8, 1947, is a representative of the employees. He is also Secretary General of the Metal, Construcción y Afines de UGT union, Federación Estatal (M.C.A.-U.G.T.), Madrid, Spain.

Jean-Pierre Hansen, born on April 25, 1948, is Vice-Chairman of the Executive Committee and Senior Executive Vice President of Suez, with responsibility for Operations. He entered the electricity and gas sector in 1975. Since January 1, 2005, Mr Hansen has been Vice Chairman and CEO of Electrabel, a role he previously held from 1992 to March 1999. Since March 1999, he has been holding the position of Chairman of the Executive Committee of Electrabel. He is also CEO of Suez-Tractebel, Chairman of Fabricom and Director of Distrigas, Fluxys, AGBAR and ACEA, Vice Chairman of the Federation of Enterprises in Belgium, and associate professor of Economics at the UCL and at the Ecole Polytechnique (Paris). Mr Hansen holds a Master's degree in Electrical Engineering, a degree in Economics and a Doctorate in Engineering.

John O. Castegnaro, born on November 3, 1944, is a representative of the employees. He is a member of the Luxembourg Parliament and Honorary Chairman of trade-union Onhofhängege Gewerkschaftsbond Lëtzebuerg (OGB-L).

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

H.R.H. Prince Guillaume de Luxembourg, born on May 1, 1963, worked at the International Monetary Fund in Washington D.C., US and spent two years at the European Commission in Brussels. He studied at Oxford University and graduated from Georgetown University in the United States.

Romain Zaleski, 74, is a managing director of the Carlo Tassara group and of Banca Lombarda. He resigned from the Board of Directors of ArcelorMittal on March 5, 2008.

Senior Management

The members of ArcelorMittal's senior management as of December 31, 2007 are set forth below:

Name	Age ⁽¹⁾	Position
Bhikam Agarwal	56	Executive Vice President, Responsible for Financial Controlling and Reporting
Vijay Bhatnagar	60	Executive Vice President, Responsible for Flat Eastern Europe
Jose Armando Campos	59	Executive Vice President, Responsible for Flat South America
Narendra Chaudhary	63	Executive Vice President, Responsible for Carbon Steel Asia, Mediterranean, Black Sea Basin
Davinder Chugh	51	Senior Executive Vice President, Responsible for Shared Services
Christophe Cornier	55	Executive Vice President, Responsible for Flat Western Europe
Philippe Darmayan	55	Executive Vice President, Responsible for Arcelor Mittal Steel Solutions & Services (AM3S)
Bernard Fontana	46	Executive Vice President, Responsible for Human Resources
Jean-Yves Gilet	51	Executive Vice President, Responsible for Stainless Steel Worldwide
Pierre Gugliermina	56	Executive Vice President, Chief Technology Officer, Responsible for Health and Safety, Operational Excellence and the Environment
Sudhir Maheshwari	44	Executive Vice President, Responsible for Finance and M&A
Aditya Mittal	31	Chief Financial Officer, Member of the Group Management Board, Responsible for Finance, M&A, Strategy, Flat Products Americas
Lakshmi N. Mittal	57	Chief Executive Officer, Member of the Group Management Board
Malay Mukherjee ⁽²⁾	59	Member of the Group Management Board, Responsible for Asia, Africa, CIS, Stainless, Pipes and Tubes, Mining
Carlo Panunzi	58	Executive Vice President, Responsible for Long Americas
Michael Pfitzner	58	Executive Vice President, Responsible for Marketing and Commercial Coordination
Gerhard Renz	60	Executive Vice President, Responsible for Long Europe
Michael Rippey	50	Executive Vice President, Responsible for USA
Lou Schorsch	58	Executive Vice President, Responsible for Flat Americas
Bill Scotting	49	Executive Vice President, Responsible for Performance Enhancement
Gonzalo Urquijo	46	Member of the Group Management Board, Responsible for Long Products, Steel Solutions and Services, Corporate Responsibility
André van den Bossche	64	Executive Vice President, Responsible for Associations, Mandates and Steel Contact Groups
Michel Wurth	53	Member of the Group Management Board, Responsible for Flat Products Europe, Products Development and R&D, Global Customers

(1) Age as of December 31, 2007.

(2) Mr. Mukherjee's has informed the Board of Directors of his intention to retire from executive duties. The Board of Directors will propose to the annual general meeting on May 13, 2008 Mr. Mukherjee's election to the Board of Directors.

Compensation of Board of Directors and Senior Management

Cash compensation

The total annual compensation of the members of ArcelorMittal's Board of Directors paid in 2006 and 2007 was as follows:

(Amounts in \$ thousands except option information)	Year ended December 31,	
	2006	2007
Base salary and/or directors fees	\$3,760	\$4,334
Short-term performance-related bonus	3,288	2,181
Long-term incentives (number of options)	175,000	60,000

The annual compensation paid to the members of ArcelorMittal's Board of Directors for services in all capacities in 2006 and 2007 was as follows:

(Amounts in \$ thousands except option information)	2006	2007 ⁽¹⁾	2006 Short-term Performance Related	2007 Short-term Performance Related	2006 Long-term Number of Options	2007 Long-term Number of Options
Lakshmi N. Mittal	2,005	2,001	1,677	2,181	100,000	60,000
Aditya Mittal ⁽²⁾	942	—	1,611	—	75,000	—
Vanisha Mittal Bhatia	23	—	—	—	—	—
Narayanan Vaghul	139	—	—	—	—	—
Ambassador Andrés Rozental ⁽³⁾	142	—	—	—	—	—
Muni Krishna T. Reddy ⁽⁴⁾	119	—	—	—	—	—
René Lopez ⁽⁵⁾	82	—	—	—	—	—
Wilbur L. Ross, Jr.	105	—	—	—	—	—
Lewis B. Kaden	123	—	—	—	—	—
François H. Pinault ⁽⁶⁾	80	—	—	—	—	—
Joseph Kinsch ⁽⁷⁾	—	338	—	—	—	—
José Ramón Álvarez Rendueles ⁽⁸⁾	—	297	—	—	—	—
Sergio Silva de Freitas ⁽⁹⁾	—	181	—	—	—	—
Georges Schmit ⁽¹⁰⁾	—	197	—	—	—	—
Edmond Pachura ⁽¹¹⁾	—	213	—	—	—	—
Michel Angel Marti ⁽¹²⁾	—	180	—	—	—	—
Manuel Fernández López ⁽¹³⁾	—	163	—	—	—	—
Jean-Pierre Hansen ⁽¹⁴⁾	—	200	—	—	—	—
John Castegnaro ⁽¹⁵⁾	—	180	—	—	—	—
Corporacion JMAC (Antoine Spillmann) ⁽¹⁶⁾	—	163	—	—	—	—
HRH Prince Guillaume de Luxembourg ⁽¹⁷⁾	—	184	—	—	—	—
Romain Zaleski ⁽¹⁸⁾	—	37	—	—	—	—
Total	3,760	4,334	3,288	2,181	175,000	60,000

- (1) The compensation that was paid in 2007 to the former Arcelor Board Members was for their services to Arcelor in 2006. No compensation was paid to the former Mittal Steel Board Members on the ArcelorMittal Board in 2007. Compensation with respect to 2007 will be paid after shareholder approval at the AGM to be held on May 13, 2008. Attendance fees for 2007 were approximately \$0.4 million, which was paid in February 2008.
- (2) Mr. A. Mittal resigned from ArcelorMittal's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of ArcelorMittal. His compensation as a Director is included only for the period from January 2006 to October 2006. Mr. A. Mittal did receive compensation, a bonus and options in 2007, however he was no longer a member of the Board of Directors.
- (3) Mr. Rozental resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (4) Mr. Reddy resigned from ArcelorMittal's Board of Directors on October 30, 2006.

- (5) Mr. Lopez resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (6) Mr. Pinault was elected to ArcelorMittal's Board of Directors on June 30, 2006.
- (7) Mr. Kinsch was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Kinsch was paid as Chairman of Arcelor's Board of Directors in 2006.
- (8) Mr. Álvarez Rendueles was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Álvarez Rendueles was paid as Vice-Chairman of Arcelor's Board of Directors in 2006.
- (9) Mr. Silva de Freitas was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Silva de Freitas was paid as an Arcelor Board Member in 2006.
- (10) Mr. Schmit was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Schmit was paid as an Arcelor Board Member in 2006.
- (11) Mr. Pachura was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Pachura was paid as an Arcelor Board Member in 2006.
- (12) Mr. Marti was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Marti was paid as an Arcelor Board Member in 2006.
- (13) Mr. Fernández López was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Fernández López was paid as an Arcelor Board Member in 2006.
- (14) Mr. Hansen was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Hansen has was as an Arcelor Board Member in 2006.
- (15) Mr. Castegnaro was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Castegnaro was paid as an Arcelor Board Member in 2006.
- (16) Mr. Spillmann was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (17) HRH Prince Guillaume de Luxembourg was elected to ArcelorMittal's Board of Directors on October 30, 2006. HRH Prince Guillaume de Luxembourg was paid as an Arcelor Board Member in 2006.
- (18) Mr. Zaleski was elected to ArcelorMittal's Board of Directors on October 30, 2006, and resigned on March 5, 2008.

As of December 31, 2006 and 2007, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors and it had not given any guarantees for the benefit of any member of its Board of Directors.

Remuneration Policy

Board of Directors and Committees

Each year, with the approval of the annual meeting of shareholders, the Board of Directors is allocated a lump sum subtracted from the amounts paid as dividend to the shareholders. This sum constitutes the directors' fees and 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 shared equally among the members of the Board of Directors so that each director receives one share, except that the Chairman receives two shares.

In addition, the Board of Directors was allocated a lump sum of €36,000 for attendance fees per meeting of the Board of Directors. This sum is allocated to expenses.

The remuneration of the members of the Board of Directors who sit on the Audit Committee and on the Appointments, Remuneration and Corporate Governance Committee for their service on the relevant committee comprises a fee of €3,000 per member per meeting and, for the Chairmen, a fixed fee of €4,500. These payments are located to expenses.

The proposed remuneration of the Board of Directors for 2007 is approximately \$6,515,000 or €4,426,291 excluding stock options allocated, of which the aggregate Board fees and attendance fees amounted to \$4,334,000 or €2,944,519.60, based on the December 31, 2007 exchange rate.

The chairman of the Board of Directors did not participate in the Company's 2007 Stock Option Plan.

Group Management Board

The remuneration paid to the members of the Group Management Board ("GMB"), including the Chief Executive Officer, is set by the Board of Directors based on a proposal made by the Appointments, Remuneration and Corporate Governance Committee.

The remuneration of the members of the GMB comprises a fixed annual salary, a performance-based bonus, and stock options.

All attendance fees and director's fees paid to the members of the GMB in respect of ArcelorMittal mandates are paid back to the Company.

The GMB members participate in the stock option plan for Directors, Senior Management and Key Employees as described below.

Total annual compensation for ArcelorMittal's senior management

The total annual compensation for ArcelorMittal's senior management was \$17 million in base salary and \$ 23 million in short-term performance related bonuses. As of December 31, 2007, approximately \$2 million was accrued by ArcelorMittal to provide pension benefits to its senior management. As of December 31, 2006, and during 2007 no loan or advance to senior management was outstanding.

Stock Options

The following table provides a summary of the options outstanding and the exercise of the options granted to the members of ArcelorMittal's Board of Directors. It should be noted that in 2001, 2003 and 2004, no options were granted to them.

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Granted in 2006	Granted in 2007	Total	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	100,000	60,000	500,000	23.86
Aditya Mittal ⁽¹⁾	7,500	7,500	25,000	75,000	75,000		190,000	25.78
Vanisha Mittal Bhatia	—	—	—	—	—	—	—	—
Narayanan Vaghul ⁽³⁾	—	—	—	—	—	—	—	—
Ambassador Andrés Rozenal ⁽⁴⁾⁽⁵⁾	—	—	—	—	—	—	—	—
Muni Krishna T. Reddy ⁽⁸⁾	—	—	—	—	—	—	—	—
René Lopez ⁽⁶⁾	—	—	—	—	—	—	—	—
Wilbur L. Ross	—	—	—	—	—	—	—	—
Lewis B. Kaden	—	—	—	—	—	—	—	—
François H. Pinault ⁽⁷⁾	—	—	—	—	—	—	—	—
Joseph Kinsch ⁽⁸⁾	—	—	—	—	—	—	—	—
José Ramón Álvarez Rendueles ⁽⁹⁾	—	—	—	—	—	—	—	—
Sergio Silva de Freitas ⁽¹⁰⁾	—	—	—	—	—	—	—	—
Georges Schmit ⁽¹¹⁾	—	—	—	—	—	—	—	—
Edmond Pachura ⁽¹²⁾	—	—	—	—	—	—	—	—
Michel Angel Marti ⁽¹³⁾	—	—	—	—	—	—	—	—
Manuel Fernández López ⁽¹⁴⁾	—	—	—	—	—	—	—	—
Jean-Pierre Hansen ⁽¹⁵⁾	—	—	—	—	—	—	—	—
John Castegnaro ⁽¹⁶⁾	—	—	—	—	—	—	—	—
Antoine Spillmann ⁽¹⁷⁾	—	—	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg ⁽¹⁸⁾	—	—	—	—	—	—	—	—
Romain Zaleski ⁽¹⁹⁾	—	—	—	—	—	—	—	—
Total	87,500	87,500	105,000	175,000	175,000	60,000	690,000	24.39
Exercise price (\$)	11.94	8.57	2.26	28.75	33.75	64.30	—	—
Term (in years)	10	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	August 2, 2017	—	—

- (1) Mr. A. Mittal resigned from ArcelorMittal's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of ArcelorMittal. Mr. A Mittal did receive options in 2007 but was no longer a member of the Board of Directors.
- (2) Mr. Vaghul exercised all his vested options in 2005.
- (3) Mr. Rozenal resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (4) Mr. Rozenal exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002 which were exercised in 2006.
- (5) Mr. Reddy resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (6) Mr. Lopez resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (7) Mr. Pinault was elected to ArcelorMittal's Board of Directors on June 30, 2006.
- (8) Mr. Kinsch was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (9) Mr. Álvarez Rendueles was elected to ArcelorMittal's Board of Directors on October 30, 2006.

- (10) Mr. Silva de Freitas was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (11) Mr. Schmit was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (12) Mr. Pachura was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (13) Mr. Marti was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (14) Mr. Fernández López was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (15) Mr. Hansen was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (16) Mr. Castegnaro was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (17) Mr. Spillmann was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (18) HRH Prince Guillaume de Luxembourg was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (19) Mr. Zaleski was elected to ArcelorMittal's Board of Directors on October 30, 2006, and resigned from the Board on March 5, 2008.

In 2006, Arcelor granted 217,146 options to its senior management at an exercise price of €34.43. All of these options have been converted into options under the ArcelorMittal Global Stock Option Plan. Options were granted to senior management for 2006 in accordance with the Arcelor Stock Option Plan and in 2006 and 2007 in accordance with the ArcelorMittal Global Stock Option Plan, both described below. Future stock options will be granted under the ArcelorMittal Stock Option Plan which is expected to be rolled out before the end of 2008.

Stock Option Plan for Directors, Senior Management and Key Employees

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

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

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

On August 2 and December 11, 2007, ArcelorMittal granted, respectively, 5,965,200 and 13,000 options to a group of key employees at an exercise price of 64.30 and 74.535, respectively. The options expire on August 2, 2017, and on December 11, 2017.

In addition, Arcelor had stock option plans (grants for 2003, 2004, 2005, 2006) with 1,346,160 options outstanding prior to step-two of the two-step merger.

In connection with step-two of the two-step merger process described above, each Arcelor stock option was provided the right to purchase or subscribe, as applicable, a number of shares equal to seven pre-capital restructuring options to purchase underlying shares in exchange for eight post-capital restructuring options to purchase underlying shares. No other modifications to the initial Arcelor stock option grants were made. This resulted in the issuance of 1,538,469 options to purchase common stock of ArcelorMittal, with an exercise price ranging from \$12.46 to \$44.35 per option.

The Company determines the fair value of the options at the date of grant using the Black-Scholes model. The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of income over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting.

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

	Year of grant	
	2006	2007
Exercise price	\$33.76	\$64.30 - 74.535
Dividend yield	1.45%	2.03%
Expected annualised volatility	60%	142%
Discount rate - bond equivalent yield	4.63%	4.91%
Weighted average share price	33.76	64.30 - 74.535
Expected life in years	6	6
Fair value of options (per share)	30	52

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

The compensation expense recognised for stock option plans was 28 and 108 for each of the years ended December 31, 2006 and 2007, respectively.

Option activity with respect to ArcelorMittalShares is summarised below as of and for each of the years ended December 31, 2006, and 2007:

	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2005	5,057,306	2.26 – 28.75	22.92
Granted	3,999,223	33.76	33.76
Exercised	(523,304)	2.26 – 28.75	17.83
Cancelled	(4,000)	8.57 – 11.94	10.26
Forfeitures	(78,257)	33.76	33.76
Outstanding, December 31, 2006	8,450,968	2.26 – 33.76	28.27
Granted	5,978,200	64.30 – 74.535	64.32
Exercised	(2,129,255)	2.26 – 33.76	25.94
Cancelled	(222,566)	28.75 – 33.76	32.20
Forfeitures	(36,378)	11.94 – 33.76	30.61
Effect of legal merger	1,538,469	12.46 – 44.35	43.28
Outstanding, December 31, 2007	13,579,438	2.26 – 74.535	46.15
Exercisable, December 31, 2007	2,595,164	2.26 – 64.30	24.49
Exercisable, December 31, 2006	2,062,787	2.26 – 28.75	17.27

The following table summarises information about stock options as of December 31, 2007:

Options Outstanding			
Exercise Prices (\$)	Number of options	Weighted average contractual life (in years)	Options exercisable (number of options)
74.535	13,000	9.95	-
64.30	5,965,200	9.59	10,000
44.35	1,480,045	5.50	-
33.76	3,193,503	8.68	785,069
28.75	2,188,747	7.65	1,072,581
20.83	11,429	4.50	-
16.89	29,373	3.50	29,373
12.46	17,622	2.50	17,622
11.94	212,499	1.71	212,499
8.57	199,200	2.42	199,200
2.26	268,820	4.27	268,820
2.26-74.535	<u>13,579,438</u>	8.26	<u>2,595,164</u>

CORPORATE GOVERNANCE

The following summarises aspects of ArcelorMittal's Board Practices and corporate governance practices. For recent proposed changes to the MOU (as defined below) please refer to 'Recent Developments' on pages 5 to 8.

Mittal Steel / Arcelor Memorandum of Understanding

On June 25, 2006, Mittal Steel, the Significant shareholder and Arcelor signed a binding Memorandum of Understanding (the "Memorandum of Understanding" or "MOU") on the basis of which Arcelor's Board of Directors recommended Mittal Steel's offer for Arcelor and pursuant to which, among other things, the parties agreed on certain corporate governance matters relating to ArcelorMittal. In particular, the Memorandum of Understanding includes certain special governance mechanisms designed to promote the integration of ArcelorMittal during an initial three-year transitional period beginning August 1, 2006, referred to as the Initial Term. Mittal Steel and Arcelor agreed to change and unify their respective corporate governance structures and rules until the merger of Mittal Steel into Arcelor in accordance with the MOU (the "Merger").

Following the resignation of Mr. Roland Junck as Chief Executive Officer of Mittal Steel and Arcelor on November 5, 2006, the Boards of Directors of Mittal Steel and Arcelor unanimously agreed upon certain amendments to the principles set forth in the MOU, in order to enable the appointment of Mr. Lakshmi N. Mittal as Chief Executive Officer of Mittal Steel and Arcelor. ArcelorMittal's corporate governance structure has been established on the same basis as those of Arcelor and Mittal Steel, in accordance with the MOU. Since the implementation of the Memorandum of Understanding, Arcelor and Mittal Steel (which, through a two-step process, merged into Arcelor and was then renamed ArcelorMittal) have been governed by a Board of Directors and a Group Management Board, which were identical in composition. Since the Merger, ArcelorMittal is governed similarly. In conformity with Luxembourg law, certain provisions of the MOU relating to corporate governance aspects have been incorporated into the Articles of Association of ArcelorMittal as approved by the extraordinary general meeting of shareholders on November 5, 2007.

Board of Directors, Group Management Board and Management Committee of ArcelorMittal

The Memorandum of Understanding provides that ArcelorMittal will be governed by a Board of Directors and a Management Board. The Management Board was subsequently renamed the Group Management Board.

The Memorandum of Understanding, as amended on November 5, 2006, further provides that during the Initial Term, the Board of Directors of ArcelorMittal will have the following characteristics:

- The Board of Directors would be composed of 18 non-executive members, the majority of whom would be independent, except that the Chief Executive Officer of the Company may be a member of the Company Board of Directors.
- Six members would be nominated by (the then-existing) Mittal Steel, three of whom would be independent.
- Six members would be from the (then-existing) Arcelor Board of Directors.
- Three members would be from the (then-existing) Arcelor Board of Directors representing then-existing Arcelor major shareholders.
- An additional three members would be employee representatives.

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

Mr. Joseph J. Kinsch is currently the Chairman of the Board of Directors of ArcelorMittal, while Mr. Lakshmi N. Mittal is currently the President of the Board of Directors and CEO of ArcelorMittal.

The Memorandum of Understanding further provides that upon the retirement of Mr. Joseph Kinsch, Mr. Lakshmi N. Mittal would become the Chairman of ArcelorMittal and Mr. Joseph Kinsch would propose the successor President.

On December 4, 2007, ArcelorMittal announced that Mr. Joseph Kinsch would step down at the end of his mandate as Chairman of the Board of Directors at ArcelorMittal's annual general meeting of shareholders on May 13, 2008 and would not seek another term. The Board of Directors has unanimously nominated Mr. Lakshmi N. Mittal to be appointed by the Board of Directors as the new Chairman on May 13, 2008. Mr. Mittal will also continue as Chief Executive Officer, as noted below.

With respect to the Group Management Board, the MOU provides that it would include the four then-current members of Arcelor's Management Board and three members to be nominated by the then-current Mittal Steel Board of Directors, that is, seven members in total. The parties agreed that if the then-current CEO of Arcelor withdrew or resigned, the new CEO would be appointed by the relevant Board of Directors further to a proposal made by Mr. Joseph Kinsch and approved by Mr. Lakshmi N. Mittal.

Following the resignation of Mr. Roland Junck as Chief Executive Officer of Mittal Steel and Arcelor on November 5, 2006, Mr. Lakshmi N. Mittal was, on the same date, appointed a member of the Group Management Board and Chief Executive Officer of Mittal Steel. Effective November 5, 2006, Mr. Mittal resigned as a member of the Appointments, Remuneration and Corporate Governance Committee, and Mr. Sergio Silva de Freitas was appointed by the Board of Directors as Mr. Mittal's successor on the Appointments, Remuneration and Corporate Governance Committee. As a consequence, from January 1, 2007 the Group Management Board had six members; following the resignation of Mr. Roland Junck effective July 31, 2007, the Group Management Board had five members. In addition, as a consequence of the changes above, the Board of Directors includes one executive director, instead of being composed exclusively of non-executive directors.

The proposal to appoint Mr. Mittal as Chief Executive Officer of Mittal Steel and Arcelor was unanimously approved by the Boards of Directors of Mittal Steel and Arcelor. The general meeting of shareholders of Mittal Steel ratified this appointment at the annual general meeting of shareholders held on June 12, 2007. The Significant shareholder did not participate in the vote.

The Board of Directors is in charge of the overall management of ArcelorMittal. It is responsible for the performance of all acts of administration necessary or useful in furtherance of the corporate purpose of ArcelorMittal, except for those matters that are expressly reserved by Luxembourg law or the Articles of Association of ArcelorMittal for the general meeting of shareholders. The Articles of Association provide that the Board of Directors is composed of a minimum of 3 and a maximum of 18 members, all of whom except the Chief Executive Officer shall be non-executive and that none of the members of the Board of Directors, except for the Chief Executive Officer, shall have an executive position or executive mandate within ArcelorMittal or any entity controlled by ArcelorMittal. Currently, the Board of Directors is comprised of 17 non-executive directors and one executive director. The Chief Executive Officer of ArcelorMittal, Mr. Lakshmi N. Mittal, is the sole executive director.

The Articles of Association provide that the directors are elected and removed by the general meeting of shareholders by a simple majority of votes cast. Except as specifically described below, no shareholder has special rights to nominate, elect or remove directors. All directors are elected by the general meeting of shareholders for three-year terms (with respect to appointments made after November 13, 2007, except in the event of the replacement of a member of the Board of Directors during his or her mandate). Following the Initial Term, and subject to the ArcelorMittal's Articles of Association, the Significant shareholder will be entitled to representation on ArcelorMittal's Board of Directors in proportion to its shareholding.

The Group Management Board is entrusted with the day-to-day management of ArcelorMittal. Mr. Lakshmi N. Mittal, the Chief Executive Officer, is the Chairman of the Group Management Board. The members of the Group Management Board are appointed and dismissed by the Board of Directors. As the Group Management Board is not a corporate body created by Luxembourg law or ArcelorMittal's Articles of Association, the Group Management Board exercises only the authority granted to it by the Board of Directors.

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

The Group Management Board is assisted by a Management Committee comprised of the members of the Group Management Board and 18 other senior executives. The Management Committee discusses and prepares group decisions on matters of group-wide importance, integrates the geographical dimension of the group, ensures in-depth discussions with ArcelorMittal's operational and resources leaders and shares information about the situation of the group and its markets.

Operation of the Board of Directors

In accordance with the provisions of the MOU, the required quorum for meetings of the Board of Directors is a majority of the directors, including at least the Chairman, the President and a majority of the independent directors present or represented.

Each director has one vote and none of the directors, including the Chairman of the Board of Directors, has a casting vote. Decisions of the Board of Directors are made by a majority of the directors present and represented at a quorate meeting, except as otherwise required by Luxembourg law.

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

Separate Meeting of Non-Executive Directors

The non-executive members of the Board of Directors may schedule meetings outside the presence of management. There is no minimum number of meetings that the non-executive directors must hold per year. During 2007, the non-executive directors of ArcelorMittal held one meeting where the executive director did not attend.

Significant Shareholder Right of Opposition and Right of Board Representation

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

The Memorandum of Understanding further provides that during the Initial Term, and subject to the Significant shareholder owning or controlling at least 15% of the outstanding share capital of ArcelorMittal, the Significant shareholder is entitled to elect to ArcelorMittal's Board of Directors a maximum of six directors, including three directors who are affiliated (directly or indirectly) with the Significant shareholder and three independent directors. Following the Initial Term, and subject to any applicable provisions of ArcelorMittal's Articles of Association, the Significant shareholder will be entitled to representation on ArcelorMittal's Board of Directors in proportion to its shareholding.

Board of Directors Committees

The Board of Directors has two committees: an Audit Committee and an Appointments, Remuneration and Corporate Governance Committee.

Audit Committee

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

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

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

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

- serve as an independent and objective party to monitor ArcelorMittal's financial reporting process and internal controls system;
- review and appraise the audit efforts of ArcelorMittal's independent auditors and internal auditing department;
- provide an open avenue of communication among the independent auditors, senior management, the internal audit department and the Board of Directors;
- approve the appointment and fees of the independent auditors; and
- monitor the independence of the independent auditors.

The members of the Audit Committee are: Messrs. Narayanan Vaghul, José Ramón Álvarez Rendueles, Wilbur L. Ross and Edmond Pachura, all of whom are independent under ArcelorMittal's Corporate Governance guidelines and the NYSE standards. The Chairman of the Audit Committee is Mr. Vaghul, who has significant experience and financial expertise. Mr. Vaghul is the Chairman of ICICI Bank Ltd., a company that is listed on the NYSE and the Mumbai Stock Exchange. Mr. Álvarez Rendueles, a former Governor of the Banco de España and former President of the Banco Zaragozano, also has significant experience and financial expertise. Both Mr. Ross and Mr. Pachura have considerable experience in managing companies' affairs.

According to its charter, the Audit Committee is required to meet at least four times a year. During 2007, the Audit Committee met 11 times, six of which were physical meetings and five of which were held by teleconference.

Appointments, Remuneration and Corporate Governance Committee

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

The Board of Directors has established the Appointments, Remuneration and Corporate Governance Committee to:

- determine, on its behalf and on behalf of the shareholders within agreed terms of reference, ArcelorMittal's remuneration and compensation framework, including stock options for the Chief Executive Officer and the Chief Financial Officer of ArcelorMittal, the members of the Group Management Board and the members of the Management Committee;
- consider any candidate for appointment or reappointment to the Board of Directors at the request of the Board of Directors;
- provide advice and recommendations to it regarding the same; and
- develop, monitor and review corporate governance principles applicable to ArcelorMittal.

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

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

The Appointments, Remuneration and Corporate Governance Committee is required by its charter to meet at least twice a year. During 2007, this committee met five times.

Governance Following the Initial Term

The Memorandum of Understanding provides that upon expiration of the Initial Term, ArcelorMittal's corporate governance rules described above will be reviewed in order to reflect the best standards of corporate governance for comparable companies and, in particular, have them conform with the corporate governance aspects of the NYSE listing standards applied to non-U.S. companies and the applicable Luxembourg corporate governance code or similar document. The Chairman and the President shall consult in the year prior to the end of the Initial

Term with a view to determining the identity of the directors to be recommended to the Appointments, Remuneration and Corporate Governance Committee.

Other Corporate Governance Practices

ArcelorMittal is committed to adopt best practice standards in terms of corporate governance in its dealings with shareholders.

In particular, ArcelorMittal aims to ensure good corporate governance by applying rules on transparency, quality of reporting and the balance of powers. ArcelorMittal continually monitors U.S., European Union and Luxembourg legal requirements and best practices in make adjustments to its corporate governance controls and procedures when necessary. In this regard, ArcelorMittal aims to comply with the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange.

Process for Handling Complaints About Accounting Matters

As part of the procedures of the Board of Directors for handling complaints or concerns about accounting, internal controls and auditing issues, ArcelorMittal's Code of Business Conduct encourages all employees to bring such issues to the Audit Committee's attention on a confidential basis. In accordance with ArcelorMittal's Whistleblower Policy, concerns with regard to possible irregularities in accounting, auditing or banking matters or bribery within the business of ArcelorMittal and its subsidiaries may also be communicated through the Corporate Governance - Whistleblower section of the ArcelorMittal website at www.arcelormittal.com where ArcelorMittal's Whistleblower Policy is also available.

During 2007, employees reported no significant complaints of this nature.

Internal Assurance

ArcelorMittal has an Internal Assurance function. It is the responsibility of the Head of Internal Assurance of ArcelorMittal, who reports to the Audit Committee. The function is staffed by full-time professional staff located at each of the principal operating subsidiaries and at the corporate level. Recommendations and matters relating to internal control and processes are made by the Internal Assurance function, and their implementation is regularly reviewed by the Audit Committee.

Independent Auditors

The appointment and determination of fees of the independent auditors is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining at least once a year a written statement from the independent auditors that their independence has not been impaired. The Audit Committee has also obtained a confirmation from the principal independent auditors that none of its former employees is in a position with ArcelorMittal that may impair the principal auditors' independence.

Ethics and Conflict of Interest

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

Measures to Prevent Insider Dealing and Market Manipulation

The Board of Directors of ArcelorMittal adopted the currently applicable Insider Dealing Regulations ("IDR") on August 20, 2007. The IDR is available on ArcelorMittal's website www.arcelormittal.com under "Investors & Shareholders – Corporate Governance – Insider Dealing Regulations."

The IDR applies to the worldwide operations of ArcelorMittal. The Company regularly reviews the IDR to ensure they reflect applicable legal requirements and are properly enforced throughout ArcelorMittal. The secretary to the Board of Directors of ArcelorMittal is acting as compliance officer for the purposes of the IDR

and answers questions that members of senior management, the Board of Directors, or employees may have about the IDR's interpretation. The compliance officer may assist senior executives and directors with the filing of notices with the CSSF (*Commission de Surveillance du Secteur Financier*) required under the Luxembourg Market Abuse Law of May 16, 2006. Furthermore, he has the power to conduct investigations in connection with the application and enforcement of the IDR in which any employee or member of senior management or, of the Board of Directors is required to cooperate.

Selected new employees of ArcelorMittal are required to participate in a training course about the IDR upon joining ArcelorMittal and every three years thereafter. The persons who must participate in the IDR training are the members of senior management, the employees who work in finance, legal, sales, mergers and acquisitions and other areas that the Company may determine from time to time. In addition, ArcelorMittal's Code of Business Conduct contains a section on "Trading in the Securities of the Company" that emphasises the prohibition to trade on the basis of inside information. All new employees of ArcelorMittal must acknowledge the Code of Business Conduct in writing upon joining and are periodically trained about the Code of Business Conduct in each worldwide location where ArcelorMittal operates.

Major Shareholders and Related Party Transactions

Major Shareholders

As of December 31, 2007, the authorised share capital of ArcelorMittal consisted of 1,470,000,000 common shares without nominal value. At December 31, 2007, 1,448,826,347 common shares (December 31, 2006: 934,818,280 class A common shares and 457,490,210 class B common shares) were issued and 1,421,570,646 common shares (December 31, 2006: 927,778,733 class A common shares and 457,490,210 class B common shares) were outstanding. All issued and outstanding shares are fully paid-up.

The following table sets forth information as of December 31, 2007 with respect to the beneficial ownership of ArcelorMittal common shares by each person who is known to be the beneficial owner of more than 5% of the shares and all directors and senior management as a group. At December 31, 2007 and to date, no shareholder other than the Significant shareholder owns more than 5% of ArcelorMittal's shares.

	ArcelorMittal Common shares ⁽¹⁾	
	Number	%
Significant shareholder ⁽²⁾	623,665,000	43.05
Treasury Stock ⁽³⁾	26,465,219 ⁽⁴⁾	1.83
Other Shareholders	798,696,128	55.13
Total	1,448,826,347	100.00
Directors and Senior Management ⁽⁵⁾	2,106,308 ⁽⁶⁾⁽⁷⁾	0.15

(1) For purposes of this table a person or group of persons is deemed to have beneficial ownership of any ArcelorMittal common shares as of a given date which such person or group of persons has the right to acquire within 60 days after December 31, 2007 upon exercise of vested portions of stock options. The first third of the stock options granted on September 1, 2006 and the first and second third of the stock options granted on August 23, 2005 have vested on August 23, 2006, and all stock options of the previous grants have vested. None of the stock options granted on August 2, 2007 have vested, the first third, however, will vest on August 2, 2008.

(2) Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, have direct ownership of ArcelorMittal common shares and indirect ownership of holding companies that own ArcelorMittal common shares. Ispat International Investments S.L. is the owner of 98,250,000 ArcelorMittal common shares. Mittal Investments S.à r.l., a limited liability company organised under the laws of Luxembourg, is the owner of 525,000,000 ArcelorMittal common shares. Mr. Mittal is the direct owner of 30,000 ArcelorMittal common shares and holds options to acquire an additional 500,000 ArcelorMittal common shares of which 340,000 are, for the purposes of this table, deemed to be beneficially owned by Mr. Mittal due to the fact that those options are exercisable within 60 days. Mrs. Mittal is the direct owner of 5,000 ArcelorMittal common shares and holds options to acquire an additional 40,000 ArcelorMittal common shares of which all 40,000 options are, for the purposes of this table, deemed to be beneficially owned by Mrs. Mittal due to the fact that those options are exercisable within 60 days. Mr. Mittal and Mrs. Mittal share equally beneficial ownership of 100% of Ispat International Investments S.L. and share equally beneficial ownership of 100% of Mittal Investments S.à r.l. Accordingly, Mr. Mittal is the beneficial owner of 623,620,000 ArcelorMittal common shares and Mrs. Mittal is the beneficial owner of 623,295,000 common shares.

- Excluding options, Mr. Lakshmi Mittal and Mrs. Usha Mittal, together directly and indirectly through intermediate holding companies, own 623,285,000 ArcelorMittal common shares.
- (3) Represents ArcelorMittal common shares repurchased by ArcelorMittal pursuant to the previously announced share repurchase programmes of ArcelorMittal.
 - (4) Consisting of 27,375,557 ArcelorMittal common shares purchased between November 13, 2007 and December 31, 2007 and excluding (i) 119,856 options that were exercised during the November 13, 2007 – December 31, 2007 period, (ii) 530,338 stock options that can be exercised by directors and senior management (other than the Significant shareholder) and (iii) 380,000 stock options that can be exercised by the Significant shareholder, in each case within 60 days of December 31, 2007.
 - (5) Excludes shares beneficially owned by the Significant shareholder.
 - (6) These 2,106,308 ArcelorMittal common shares are included in shares owned by public shareholders indicated above.
 - (7) During 1998, ArcelorMittal awarded 198,750 common shares to certain members of senior management of ArcelorMittal in connection with ArcelorMittal's initial public offering undertaken in 1997 and also awarded 54,390 common shares to certain senior executives as bonus shares in connection with ArcelorMittal's stock bonus plan.

The ArcelorMittal common shares may be held in registered form only. Registered shares may consist of (i) shares traded on the NYSE, or New York Shares, which are registered in a register kept by or on behalf of ArcelorMittal by its New York transfer agent, (ii) shares traded on Euronext Amsterdam by NYSE Euronext, Euronext Brussels by NYSE Euronext, Euronext Paris by NYSE Euronext, the regulated market of the Luxembourg Stock Exchange and the Spanish Stock Exchanges (Madrid, Bilbao, Valencia and Barcelona), which are registered in ArcelorMittal's shareholders register, or ArcelorMittal European Registry Shares, which are registered in a local shareholder registry kept by or on behalf of ArcelorMittal by ABN AMRO Bank N.V., or directly on ArcelorMittal's Luxembourg shareholder registry without being held on ArcelorMittal's local Dutch shareholder registry. Under Luxembourg law, the ownership of registered shares is evidenced by the inscription of the name of the shareholder, the number of shares held by him or her and the amount paid up on each share in the shareholder registry of ArcelorMittal.

At December 31, 2007, there were 2,398 shareholders other than the Significant shareholder holding an aggregate of 41,403,606 ArcelorMittal common shares registered in ArcelorMittal's shareholders register, representing approximately 3% of the common shares issued (including treasury shares).

At December 31, 2007, there were 33 U.S. shareholders holding an aggregate of 75,086,431 New York Shares, representing approximately 10% of the common shares issued (including treasury shares). ArcelorMittal's knowledge of the number of New York Shares held by U.S. holders is based solely on the records of its New York transfer agent regarding registered ArcelorMittal common shares.

At December 31, 2007, there were 696,347,786 ArcelorMittal common shares being held through the Euroclear/Iberclear clearing system in The Netherlands, France, Luxembourg and Spain.

Shareholder's Agreement

The Significant shareholder, a holding company owned by the Significant shareholder and ArcelorMittal, have entered into a shareholder and registration rights agreement (the "Shareholder's Agreement") dated August 13, 1997. Pursuant to the Shareholder's Agreement, subject to the terms and conditions thereof, ArcelorMittal shall, upon the request of certain holders of restricted ArcelorMittal common shares, use its reasonable efforts to register under the United States Securities Act of 1933, as amended, the sale of ArcelorMittal common shares intended to be sold by those holders. By its terms, the Shareholder's Agreement may not be amended, other than for manifest error, except by approval of a majority of the ArcelorMittal shareholders (other than the significant shareholder and certain permitted transferees) at a general shareholders' meeting.

Repurchase of Shares from Entity related to a Director

On February 19, 2008, ArcelorMittal repurchased 25 million shares from Carlo Tassara International, an entity controlled by the Zygmunt Lubicz-Zaleski Foundation, a Dutch foundation (*Stichting*), at a price of €46.60 per share for a total consideration of €1.165 billion (approximately \$1.8 billion). Mr. Zaleski was a member of the ArcelorMittal Board of Directors at the time of such transaction. Mr. Zaleski resigned from the Board of Directors of ArcelorMittal on March 6, 2008.

OWN SHARES

On April 2, 2007, ArcelorMittal announced the start of a share buy-back programme designed to achieve the 30% distribution pay-out commitment described above. This share buy-back programme was completed on September 4, 2007 as the \$590 million limit was reached. ArcelorMittal purchased an aggregate of 9,513,960 Mittal Steel Class A common shares and ArcelorMittal shares under the programme.

On June 12, 2007, ArcelorMittal announced the start of a share buy-back programme for up to 27 million shares, for cancellation in due course. This share buy-back programme was designed to offset the issuance of 27 million shares in connection with ArcelorMittal's mandatory offer for ArcelorMittal Brasil. This share buy-back programme was completed on December 13, 2007. The shares were repurchased at an average price of €50.15 (\$72.39) per share and for a total amount of €1,354 million (\$1,954).

On November 5, 2007, ArcelorMittal announced the start of a share buy-back programme valid for a period of 18 months or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to the expiration of the 18-month period. This programme was completed on February 20, 2008 with the acquisition of 14.6 million shares from Carlo Tassara International S.A. ("Carlo Tassara") at a price of €46.60 (\$68.70) per share for a total amount of €680 million (\$1,003). Carlo Tassara is controlled by the Zygmunt Lubicz-Zaleski Foundation. Mr. Romain Zaleski was a member of the ArcelorMittal Board of Directors at the time of this transaction.

On December 12, 2007, ArcelorMittal announced the start of a share buy-back programme for up to 44 million shares. This programme has a two year term and shares bought under this programme may be used in potential future corporate opportunities or for cancellation. The Company acquired approximately 130,000 shares under this programme through December 31, 2007, for a total amount of €9 million at an average price of \$70.38 per share.

On February 19, 2008, ArcelorMittal purchased 10.4 million shares (out of a total of 25 million shares repurchased to date) under the 44 million share buy-back programme from Carlo Tassara at a price of €46.40 (\$68.70) per share.

As of December 31, 2007, the Company held 17,173,201 of its own shares, representing 1.2% of the total issued share capital.

ADDITIONAL INFORMATION ABOUT ARCELORMITTAL

ArcelorMittal, incorporated under the law of Luxembourg, is the parent company of the ArcelorMittal Group and is expected to continue this role over the coming years. The Company has no branch offices. ArcelorMittal generated earnings of \$7,611 million in 2007, primarily from revenues from its holdings including a gain of \$6,381 million following a legal restructuring of its investments in affiliated undertakings in Germany.

The annual general meeting of shareholders to be held on May 13, 2008 will be asked to approve the payment of a quarterly base dividend of \$0.375 per share, representing an increase over the prior amount of \$0.325. The base dividend is designed to provide a minimum payout per year to shareholders and will result in a total annualised cash dividend per share of \$1.50. In addition to the base dividend, ArcelorMittal's Board of Directors has approved an ongoing share buy-back programme in 2007 to achieve the commitment to return to shareholders an amount equal to 30% of the previous year's net profit, which programme is ongoing. For periodically updated information on the share buy-back programme, see "Investors & Shareholders – Share Information – Share Buy-back" on www.arcelormittal.com.

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all the members of the Board of Directors of ArcelorMittal and on the Significant shareholder. The claimants request, among other things (i) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for 7 Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (ii) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of EUR180 million.

2007 CONSOLIDATED FINANCIAL STATEMENTS

ARCELORMITTAL AND SUBSIDIARIES (successor entity of Mittal Steel Company N.V.)

Consolidated Balance Sheets

	December 31,	
	2006*	2007
	(millions of U.S. dollars)	
ASSETS		
Current assets:		
Cash and cash equivalents	6,020	7,860
Restricted cash	120	245
Short-term investments	6	—
Assets held for sale (note 4)	1,316	1,296
Trade accounts receivables (note 5 and note 12)	8,769	9,533
Inventories (note 6)	19,240	21,750
Prepaid expenses and other current assets (note 7)	3,942	4,644
Total current assets	39,413	45,328
Non-current assets:		
Goodwill and intangible assets (note 8)	11,040	15,031
Property, plant and equipment (note 9)	54,573	61,994
Investments accounted for using the equity method (note 10)	3,456	5,887
Other investments (note 11)	1,151	2,159
Deferred tax assets (note 19)	1,789	1,629
Other assets	1,259	1,597
Total non-current assets	73,268	88,297
Total assets	112,681	133,625

* As required by International Financial Reporting Standards (IFRS), the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

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

Consolidated Balance Sheets, continued

	December 31,	
	2006*	2007
	(millions of U.S. dollars, except share data)	
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt and current portion of long-term debt (note 13)	4,922	8,542
Trade accounts payable and other (note 12)	11,342	13,991
Short-term provisions (note 20)	569	1,144
Liabilities held for sale (note 4)	239	266
Accrued expenses and other liabilities (note 21)	6,954	7,275
Income tax liabilities (note 19)	534	991
Total current liabilities	24,560	32,209
Non-current liabilities:		
Long-term debt, net of current portion (note 13 and note 14)	21,645	22,085
Deferred tax liabilities (note 19)	7,252	7,927
Deferred employee benefits (note 18)	5,531	6,244
Long-term provisions (note 20)	2,040	2,456
Other long-term obligations	1,425	1,169
Total non-current liabilities	37,893	39,881
Total liabilities	62,453	72,090
Commitments and contingencies (note 22 and note 23)		
Equity (note 16):		
Common shares (no par value, 1,470,000,000 shares authorized, 1,448,826,347 shares issued and 1,421,570,646 shares outstanding at December 31, 2007)	—	9,269
Class A common shares, (EURO 0.01 par value per share, 5,000,000,000 shares authorized, 934,818,280 shares issued and 927,778,733 outstanding at December 31, 2006)	11	—
Class B common shares, (EURO 0.01 par value per share, 721,500,000 shares authorized, 457,490,210 shares issued and outstanding at December 31, 2006)	6	—
Treasury stock (7,039,547 class A common shares at December 31, 2006 and 27,255,701 common shares at December 31, 2007, at cost)	(84)	(1,552)
Additional paid-in capital	25,566	20,309
Retained earnings	14,995	23,552
Reserves	1,654	5,107
Equity attributable to the equity holders of the parent	42,148	56,685
Minority interest	8,080	4,850
Total equity	50,228	61,535
Total liabilities and equity	112,681	133,625

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

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

Consolidated Statements of Income

	Year ended December 31,	
	2006*	2007
	(millions of U.S. dollars)	
Sales	58,870	105,216
(Including 3,847 in 2006 and 4,767 in 2007 of sales to related parties)		
Cost of sales (including depreciation and impairment of 2,324 in 2006 and 4,570 in 2007)	48,378	84,953
(Including 1,740 in 2006 and 2,408 in 2007 of purchases from related parties)		
Gross margin	10,492	20,263
Selling, general and administrative	2,960	5,433
Operating income	7,532	14,830
Other income—net	49	—
Income from equity method investments	301	985
Financing costs—net (note 17)	(654)	(927)
Income before taxes	7,228	14,888
Income tax expense (note 19)	1,122	3,038
Net income (including minority interest)	6,106	11,850
Attributable to:		
Equity holders of the parent	5,247	10,368
Minority interest	859	1,482
Net income (including minority interest)	6,106	11,850

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

The information above for the year ended December 31, 2006 is derived from the consolidated financial statements of the Company and includes the results of Arcelor from August 1, 2006 onwards.

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

Consolidated Statements of Income, continued

	<u>Year ended December 31,</u>	
	<u>2006*</u>	<u>2007</u>
Earnings per common share (in U.S. dollars)		
Basic: Common shares		7.41
Class A common shares	5.31	
Class B common shares	5.31	
Diluted: Common shares		7.40
Class A common shares	5.30	
Class B common shares	5.30	
Weighted average common shares outstanding (in millions) (note 16)		
Basic: Common shares		1,399
Class A common shares	531	
Class B common shares	457	
Total	<u>988</u>	
Diluted: Common shares		1,401
Class A common shares	533	
Class B common shares	457	
Total	<u>989</u>	

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

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

Consolidated Statements of Changes in Equity

	Shares**	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Reserves				Equity attributable to the equity holders of the parent	Minority interest	Total Equity
						Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities				
(millions of U.S. dollars, except share and per share data)												
Balance at December 31, 2005	704	60	(111)	2,239	10,270	610	(4)	222	13,286	2,171	15,457	
Items recognized directly in equity						826	(16)	16	826	(37)	789	
Net income					5,247				5,247	859	6,106	
<i>Recognized income and expenses</i>					5,247	826	(16)	16	6,073	822	6,895	
Recognition of share based payments		(52)		29					29		29	
Voting right reduction				52								
Issuance of shares in connection with Arcelor acquisition	680	9		23,231					23,240	5,225	28,465	
Treasury Stock (note 16)	1		27	15	(522)				42		42	
Dividend (0.50 per share)									(522)	(138)	(660)	
Balance at December 31, 2006*	1,385	17	(84)	25,566	14,995	1,436	(20)	238	42,148	8,080	50,228	
Items recognized directly in equity						3,220	(336)	569	3,453	1,046	4,499	
Net income					10,368				10,368	1,482	11,850	
<i>Recognized income and expenses</i>					10,368	3,220	(336)	569	13,821	2,528	16,349	
Recognition of share based payments	2			52					163	2	165	
Treasury Stock (note 16)	(36)								(2,553)		(2,553)	
Dividend (1.30 per share)									(1,826)	(443)	(2,269)	
Issuance of shares in connection with the acquisition of ArcelorMittal Brasil minority interest	27			1,713					1,713	(2,760)	(1,047)	
Issuance of shares in connection with the acquisition of Arcelor SA minority interest	44***	9,252	974	(7,022)	15				3,204	(2,592)	612	
Other movements									15	35	50	
Balance at December 31, 2007	1,422	9,269	(1,552)	20,309	23,552	4,656	(356)	807	56,685	4,850	61,535	

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3)

** Excludes treasury shares

*** Includes 12 million treasury shares

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

Consolidated Statements of Cash Flows

	Year ended December 31,	
	2006*	2007
	(millions of U.S. dollars)	
Operating activities:		
Net income	6,106	11,850
Adjustments to reconcile net income to net cash provided by operations and payments:		
Depreciation and impairment	2,324	4,570
Interest expense	1,124	1,839
Interest paid	(867)	(1,494)
Income tax expense	938	3,038
Taxes paid	(1,083)	(2,563)
Negative goodwill released to income	—	—
Other non-cash operating expenses (net)	(794)	(1,501)
Changes in operating assets and liabilities, net of effects from acquisitions:		
Trade accounts receivable	(128)	548
Inventories	(584)	(690)
Trade accounts payable	854	565
Other working capital movements	(768)	370
Net cash provided by operating activities	<u>7,122</u>	<u>16,532</u>
Investing activities:		
Purchase of property, plant and equipment	(2,935)	(5,448)
Acquisition of net assets of subsidiaries and minorities, net of cash acquired of 4,599 and 24, respectively	(5,842)	(6,052)
Investments in companies accounted for under equity method	—	(1,196)
Other investing activities (net)	201	787
Net cash used in investing activities	<u>(8,576)</u>	<u>(11,909)</u>
Financing activities:		
Proceeds from short-term debt	959	5,848
Proceeds from long-term debt, net of debt issuance costs	29,910	3,034
Payments of short-term debt	(5,906)	(1,126)
Payments of long-term debt	(18,820)	(6,321)
Purchase of treasury stock	—	(2,553)
Sale of treasury stock for stock option exercises	8	55
Dividends paid (includes 138 and 443 of dividends paid to minority shareholders in 2006 and 2007, respectively)	(660)	(2,269)
Other financing activities (net)	(46)	(85)
Net cash provided by (used in) financing activities	<u>5,445</u>	<u>(3,417)</u>
Effect of exchange rate changes on cash	(6)	634
Net increase in cash and cash equivalents	<u>3,985</u>	<u>1,840</u>
Cash and cash equivalents:		
At the beginning of the year	<u>2,035</u>	<u>6,020</u>
At the end of the year	<u>6,020</u>	<u>7,860</u>

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

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

Notes to the Consolidated Financial Statements

ARCELORMITTAL AND SUBSIDIARIES (successor entity of Mittal Steel Company N.V.)
(millions of U.S. dollars, except share and per share data)

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

Nature of business

ArcelorMittal (“ArcelorMittal” or “Mittal Steel” or the “Company”), together with its subsidiaries, is a manufacturer of steel and steel related products. ArcelorMittal owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa. These manufacturing facilities, each of which includes its respective subsidiaries, are referred to in these consolidated financial statements as the “Operating Subsidiaries”.

On August 1, 2006, Mittal Steel acquired 91.9% of the share capital of Arcelor SA (“Arcelor”). From that date Arcelor’s results of operations have been included in Mittal Steel’s consolidated financial statements. Through subsequent transactions, Mittal Steel increased its ownership to 94.2% of the shares of Arcelor. In connection with the acquisition, Mittal Steel agreed it would merge into its newly acquired subsidiary Arcelor and that the combined entity would be incorporated, domiciled and headquartered in Luxembourg.

As a first step in a two-step merger process on May 2, 2007, Mittal Steel and its wholly owned subsidiary, Verger Investment SA (“Verger”), a company domiciled in Luxembourg, entered into a merger agreement, which provided that Mittal Steel would merge into Verger, by way of absorption by Verger of Mittal Steel and without liquidation of Mittal Steel. After a vote of the shareholders of Mittal Steel at an extraordinary general meeting held on August 28, 2007, this merger became effective on September 3, 2007 and the combined company was named “ArcelorMittal”. In the second-step of the merger, ArcelorMittal merged into Arcelor and shareholders of ArcelorMittal became shareholders of Arcelor, which has been renamed “ArcelorMittal”. This merger was effective on November 13, 2007.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for available for sale financial assets and derivative financial instruments, which are measured at fair value. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and are presented in U.S. dollars with all amounts rounded to the nearest million, except for share and per share data. The Company made certain reclassifications in the 2006 comparative information to be consistent with 2007 presentation.

Adoption of new IFRS standards and interpretations applicable in 2007

Effective January 1, 2007, the Company adopted IFRS 7, “Financial Instruments: Disclosures” (“IFRS 7”). IFRS 7 requires more quantitative and qualitative disclosures regarding financial instruments, their significance on the Company’s financial position and performance and the risks that arise from financial instruments including how such risks have been managed. Comparative disclosure information has been provided for the year prior to the Company’s adoption of this standard. As a result, note 2 “Summary of Significant Accounting Policies” as it relates to financial instruments, note 5 “Trade Receivables” and note 15 “Financial Instruments and Credit Risk” of the consolidated financial statements of the Company have been modified to comply with IFRS 7. The adoption of the other new and revised standards and interpretations did not have a significant impact on the Company’s financial statements.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its Operating Subsidiaries, and its respective interest in associated companies and jointly controlled entities. Subsidiaries are fully consolidated from the date of acquisition, the date the Company obtains control until the date control ceases. Control is defined as the power to govern the financial and operating policies of an entity, so as to obtain benefits derived from its activities. Control is presumed to exist, when the Company holds more than half of the voting rights.

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions which are not Operating Subsidiaries. Significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement. The consolidated financial statements include the Company’s share of the total recognized gains and losses of associates and jointly controlled entities on an equity accounted basis from the date that significant

influence commences until the date significant influence ceases, adjusted for any impairment loss. Adjustments to the carrying amount may also be necessary for changes in the investor's proportionate interest in the investee arising from changes in the investee's equity that have not been recognized in the investee's profit or loss. The investor's share of those changes is recognized directly in the Company's equity.

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

Intra-company balances and transactions, including income, expenses and dividends, are eliminated in the preparation of the consolidated financial statements. Gains and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and critical accounting judgments

The preparation of financial statements in conformity with IFRS recognition and measurement principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and of revenues and expenses. Management reviews its estimates on an ongoing basis using currently available information. Changes in facts and circumstances may result in revised estimates, and actual results could differ from those estimates. The critical accounting judgments and significant estimates made by management in the preparation of these financial statements are provided below.

Purchase Accounting

Accounting for acquisitions requires ArcelorMittal to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, the Company undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact results of operations. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management.

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

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

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

Determining the estimated useful lives of tangible and intangible assets acquired, requires judgment, as different types of assets will have different useful lives and certain intangible assets may be considered to have indefinite useful lives.

If the fair value of the net assets acquired exceeds their acquisition cost, the excess is recognized immediately as a gain in the statement of income.

Deferred Tax Assets

ArcelorMittal records deferred tax assets and liabilities based on the differences between the financial statement and the tax base amounts of assets and liabilities. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. ArcelorMittal reviews the deferred tax assets in the different jurisdictions in which it operates periodically to assess the possibility of realizing such assets based on projected earnings, the expected timing of the reversals of existing temporary differences, the carry forward period of temporary differences and tax losses carried forward and the implementation of tax-planning strategies. Based on the aforementioned factors, management deems it probable that the total deferred tax assets of 1,629 recognized as of December 31, 2007 will be fully utilized. The amount of future taxable income required to be generated by ArcelorMittal's Operating Subsidiaries to utilize the total deferred tax assets is approximately 5,072.

For each of the years ended December 31, 2006 and 2007, these Operating Subsidiaries generated approximately 43% and 29%, respectively, of the Company's income before tax of 7,228 and 14,888, respectively. Historically, the Company has been able to generate taxable income in sufficient amounts to permit it to utilize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements.

At December 31, 2007, the Company had total estimated net tax loss carry forwards of 7,179. This amount includes net operating losses of 2,478 primarily related to ArcelorMittal's Operating Subsidiaries in Canada, Mexico, Romania, Spain and the United States which expire as follows:

<u>Year Expiring</u>	<u>Amount</u>
2008	65
2009	40
2010	97
2011	40
2012	63
Thereafter	2,173

The remaining tax loss carry forwards of 4,701 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, France, Germany, Luxembourg and Trinidad and Tobago.

ArcelorMittal had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 1,116 as of December 31, 2007 (1,211 as of December 31, 2006). As per December 31, 2007, most of these temporary differences relate to tax loss carry forwards attributable to Operating Subsidiaries in Belgium, Brazil, Luxembourg, Mexico and the United States. The utilization of tax loss carry forwards is, however, restricted to the taxable income of the subsidiary or the tax consolidation it belongs.

Provisions for Pensions and Other Post Employment Benefits

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

- Discount rates. The discount rate is based on several high quality corporate bond indexes in the appropriate jurisdictions (rated AA or higher by a recognized rating agency). Nominal interest rates vary worldwide due to exchange rates and local inflation rates. The weighted average assumed discount rate for ArcelorMittal's worldwide defined benefit plans and other post employment benefit plans was 5.17%-10.77% and 2.94%-10.77%, respectively, at December 31, 2007.
- Rate of compensation increase. The rate of compensation increase reflects actual experience and the Company's long-term outlook, including contractually agreed upon wage rate increases for represented hourly employees.

- Expected return on plan assets. The expected return on plan assets is derived from detailed periodic studies, which include a review of asset allocation strategies, anticipated long-term performance of individual asset classes, risks (standard deviations), and correlations of returns among the asset classes that comprise the plans' asset mix.
- Health care cost trend rate. The healthcare cost trend rate is based on historical retiree cost data, near-term health care outlook, including appropriate cost control measures implemented by us, and industry benchmarks and surveys.
- Mortality and retirement rates. Mortality and retirement rates are based on actual and projected plan experience.

In accordance with IFRS, actuarial gains or losses resulting from experience and changes in assumptions are recognized in ArcelorMittal's income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plans. Such accumulated unrecognized losses amounted to 597 for pensions and 165 for other post-employment benefits as of December 31, 2007.

The following information illustrates the sensitivity to a change in certain assumptions for pension plans. As of December 31, 2007 the defined benefit obligation ("DBO") for pension plans was 9.4 billion:

(in millions of U.S. dollars) Change in assumption	Effect on 2008 Pre-Tax Pension Expense (sum of service cost and interest cost)	Effect on December 31, 2007 DBO
100 basis point decrease in discount rate	(22)	1,058
100 basis point increase in discount rate	11	(945)
100 basis point decrease in rate of compensation	(39)	(368)
100 basis point increase in rate of compensation	38	334
100 basis point decrease in expected return on plan assets	65	—
100 basis point increase in expected return on plan assets	(65)	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal's Other Post Employment Benefits plans ("OPEB"). As of December 31, 2007 the DBO for OPEB was 2.8 billion:

(in millions of U.S. dollars) Change in assumption	Effect on 2008 Pre-Tax OPEB Expense (sum of Service cost and interest cost)	Effect on December 31, 2007 DBO
100 basis point decrease in discount rate	(11)	341
100 basis point increase in discount rate	8	(303)
100 basis point decrease in healthcare cost trend	(11)	(145)
100 basis point increase in healthcare cost trend	13	171

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

Environmental and Other Contingencies

ArcelorMittal is currently engaged in the investigation and remediation of environmental contamination at a number of its facilities. All of these are legacy obligations arising from acquisitions. ArcelorMittal is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. ArcelorMittal recognizes a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated. Environmental liabilities assumed in connection with the acquisition of steel facilities and other assets are recorded at the present value of the estimated future payments. There are numerous uncertainties over both the timing and the ultimate costs that ArcelorMittal expects to incur with respect to this work. Significant judgment is required in making these estimates and it is reasonable that others may come to different conclusions. If, in the future, ArcelorMittal is

required to investigate and remediate any currently unknown contamination and waste on properties that it owns, ArcelorMittal may record significant additional liabilities. As estimated costs to remediate change, the Company will reduce or increase the recorded liabilities through credits or charges in the income statement. ArcelorMittal does not expect these environmental issues to affect the utilization of its plants, now or in the future.

The estimates of loss contingencies for environmental matters are based on various judgments and assumptions. These estimates typically reflect judgments and assumptions relating to the likelihood, nature, magnitude and timing of assessment, remediation and/or monitoring activities and the probable cost of these activities. In some cases, judgments and assumptions are made relating to the obligation or willingness and ability of third parties to bear a proportionate or allocated share of cost of these activities, including third parties who sold assets to ArcelorMittal or purchased assets from it subject to environmental liabilities. ArcelorMittal also considers, among other things, the activity to date at particular sites, information obtained through consultation with applicable regulatory authorities and third-party consultants and contractors and its historical experience with other circumstances judged to be comparable. Due to the numerous variables associated with these judgments and assumptions, and the effects of changes in governmental regulation and environmental technologies, both the precision and reliability of the resulting estimates of the related contingencies are subject to substantial uncertainties.

Valuation and impairment of non current assets

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

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

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

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

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

Based on its impairment review during 2007, the Company recorded 193 and 43 of impairment losses for long-lived assets and goodwill respectively. At December 31, 2007, the Company had 15,031 of intangible assets, of which 12,663 represented goodwill. An impairment to intangible assets could result in a material, non-cash expense in the consolidated statement of income.

Translation of financial statements denominated in foreign currency

The functional currency of each of the major Operating Subsidiaries is the local currency, except for ArcelorMittal SA, OJSC ArcelorMittal Kryviy Rih, ArcelorMittal Steel Lázaro Cárdenas S.A. de C.V., Companhia Siderurgia de Tubarão (“CST”), ArcelorMittal Galati S.A. and ArcelorMittal Temirtau, whose functional currency is the U.S. Dollar. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the consolidated statements of income.

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

Business combinations

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

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. Interests previously held in that entity are re-valued on the basis of the fair values of the identifiable assets and liabilities at the date control is obtained. The contra posting for this revaluation is recorded as goodwill when the cost exceeds the net value and immediately as a gain in the statement of income when the net value exceeds the cost. Subsequent purchases, after the Company has obtained control, are treated as the acquisitions of shares from minority shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded as goodwill or immediately as a gain in the statement of income when the difference is negative.

Cash and cash equivalents

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

Restricted cash

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

Trade accounts receivable

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

ArcelorMittal maintains an allowance for doubtful accounts at an amount that it considers to be a sufficient estimate of losses resulting from the inability of its customers to make required payments. An allowance is recorded and charged to expense when an account is deemed to be uncollectible. In judging the adequacy of the allowance for doubtful accounts, ArcelorMittal considers multiple factors including historical bad debt

experience, the current economic environment and the aging of the receivables. Recoveries of trade receivables previously reserved in the allowance for doubtful accounts are credited to income.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method and average cost method, which approximates FIFO. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight, shipping and handling costs. Net realizable value represents the estimated selling price at which the inventories can be realized in the normal course of business after allowing for the cost of conversion from their existing state to a finished condition and for the cost of marketing, selling, and distribution.

Goodwill and negative goodwill

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

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

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

Intangible assets

Intangible assets are recognized only when it is probable that the expected future economic benefits attributable to the assets will accrue to the Company and the cost can be reliably measured. Intangible assets acquired separately by ArcelorMittal are initially measured at cost. These primarily include the cost of technology and licenses purchased from third parties. The cost of intangible assets acquired in a business combination is recorded at fair value at the date of acquisition. Intangible assets acquired separately and in business combinations are amortized on a straight-line basis over their estimated economic useful lives which typically does not exceed five years.

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

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any recognized impairment loss. Cost includes professional fees, and, for assets constructed by the Company, any related works to the extent

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

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

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

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.

Investment in associates, joint ventures and other entities

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

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

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

Assets held for sale

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

Deferred employee benefits

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

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

Within the Company, early retirement plans primarily correspond to the practical implementation of social plans or are linked to collective agreements signed with certain categories of employees. Early retirement plans are those plans that primarily correspond to terminating an employee's contract before the normal retirement date or to encouraging voluntary redundancy. Early retirement plans are considered effective when the affected employees have formally been informed and when liabilities have been determined using an appropriate actuarial calculation. Liabilities relating to the early retirement plans are calculated annually on the basis of the effective number of employees likely to take early retirement and are discounted using an interest rate which corresponds to that of highly-rated bonds that have maturity dates similar to the terms of the Company's early retirement obligations.

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

Provisions and accruals

ArcelorMittal recognizes provisions for liabilities and probable losses that have been incurred when it has a present legal or constructive obligation as a result of past events as of the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financing cost.

Environmental costs

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

Asset retirement obligations

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

Income taxes

The provision for income taxes includes income taxes currently payable or receivable and those deferred. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the estimated future effects of tax loss carry forwards. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income. Deferred tax assets and liabilities are measured using substantively enacted statutory tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the income statement in the period in which the changes are enacted or substantively enacted. Current and deferred tax are recognized as expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity or when they arise from the initial accounting in a business combination. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Non derivative financial instruments

Non derivative financial instruments comprise investment in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowing, and trade and other payables. Non derivative financial instruments are classified into the following specified categories:

- Financial assets as at fair value through profit or loss, mainly financial assets that are held for trading;
- Held to maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized on an effective yield basis;
- Available-for-sale (“AFS”) financial assets. Gains and losses arising from changes in fair value are recognized directly in equity (AFS reserve) with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in the income statement for the period;
- Loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial; and
- Other non derivative financial instrument. Other non derivative financial instruments (in principle financial liabilities) are measured at amortized cost using the effective interest method, less any impairment losses when applicable.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognized and derecognized on the trade date. Financial assets are initially measured at fair value, net of transaction costs, except for those financial assets classified at fair value through the income statement.

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derivative financial instruments

The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest rates, exchange rates and the price of raw materials, energy and emission rights allowances. Derivative financial instruments are measured at fair value and subsequently restated at their fair value. Changes in fair value are recognized depending on the nature of the item being hedged, for qualifying hedge relationships.

Hedge of cash flows

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

When the firm commitment or forecasted transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective part of any gain or loss and any gains or losses arising from the time value of the derivative financial instrument are recognized in the income statement.

When a hedging instrument expires, is sold, terminated or exercised, the cumulated unrealized profit or loss on the hedging instrument is maintained in equity until the forecasted transaction occurs. If the hedged transaction is no longer probable, the cumulative net gain or loss, which had been recognized 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 recognized receivable or payable, any resulting gain or loss on the hedging instrument as well as the fair value in respect of the risk being hedged is recognized in the income statement.

Hedge of a net investment in a 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 U.S. dollars and other currencies are recognized 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 recognized in equity; the gain or loss relating to the ineffective portion is recognized immediately in the income statement.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods:

Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purpose only.

Derivatives

The fair value of forward exchange contracts is based on their market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price based on broker quotes for the residual maturity at the contract using a risk-free interest rate. The fair value of interest rate swaps is based on broker quotes. The fair value of commodities swaps and forwards is based on the equivalent listed market price, if available. If a listed market price is not available, the fair value is based on broker quotes. The fair value of option contracts is calculated using Black-Scholes formula or one of its variants. The market parameters of this formula are the underlying asset price, implied volatility and risk-free interest rate.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate is determined by reference to similar lease agreements.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the contractual rights to receive the cash flows of the financial assets. When the Company retains the contractual rights to receive the cash flows from an asset, but assumes a contractual

obligation to pay those cash flows to one or more entities, the Company treats the transaction as a transfer of a financial asset.

Emission rights

ArcelorMittal's industrial sites regulated by the European Directive on CO₂ emission rights, effective as of January 1, 2005, are located primarily in Germany, Belgium, Spain, France and Luxembourg. The emission rights allotted to the Company on a no-charge basis pursuant to the annual national allocation plan, are recorded on the balance sheet at nil value. Allowances purchased are recorded at cost. Gains and losses from the sale of excess allowances are recognized in the income statement. If at the balance sheet date the Company is short of allowances, it will record a provision through the income statement.

Revenue recognition

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

Shipping and handling costs

ArcelorMittal classifies all amounts billed to a customer in a sale transaction for shipping and handling costs as sales and the related shipping and handling costs incurred as cost of sales.

Financing costs

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

Earnings per common share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to shareholders and assumed conversion by the weighted average number of common shares and potential common shares from convertible debt and outstanding stock options. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options.

The following table provides a reconciliation of the denominators used in calculating basic and diluted net income per share for the years ended December 31, 2006 and 2007:

	Year ended December 31,	
	2006*	2007
Net income	5,247	10,368
Plus: Interest on Pension Benefit Guaranty Corporation ("PBGC") note, net of tax	—	—
Income available to shareholders and assumed conversion	<u>5,247</u>	<u>10,368</u>
Weighted average common shares outstanding (in millions)	988	1,399
Plus: Incremental shares from assumed conversions		
Stock options (in millions)	1	2
6% PBGC note (in millions)	—	—
Weighted average common shares assuming conversions (in millions)	<u>989</u>	<u>1,401</u>

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

Diluted weighted average shares outstanding excludes nil and nil potential common shares from stock options outstanding for the years ended December 31, 2006 and 2007, respectively, because the exercise prices of such stock options would be anti-dilutive.

Stock option plan/share-based payments

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

Segment reporting

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

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

New IFRS standards and interpretations applicable from 2008 onward

IFRS 8—Operating Segments

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

IFRIC 12—Service Concession Arrangements

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

IFRIC 14—The Limit on a Defined Benefit Asset

In July 2007, IFRIC issued Interpretation 14 IAS 19—"The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". This interpretation provides general guidance on how to determine the limit in IAS 19 Employee Benefits on the amount of a pension fund surplus that can be recognized as an asset. IFRIC 14 is effective for annual periods beginning on or after January 1, 2008. The Company is in the process of assessing whether there will be any material changes to its financial statements upon the adoption.

IAS 23—Borrowing Costs

In March 2007, the IASB issued a number of amendments to IAS 23 “Borrowing costs”. The amendments require that borrowing costs relating to the acquisition, construction or production of a qualifying asset be capitalized as part of the cost of the asset. All other borrowing costs should be expensed as incurred. The revised Standard is effective for annual periods beginning on or after January 1, 2009, with early application permitted. Retrospective application is not required. As the Company does not follow the eliminated available option, it believes that its adoption will have no impact on its financial statements.

IAS 1 (revised)—Presentation of Financial Statements

In September 2007, the IASB issued a revised IAS 1 “Presentation of Financial Statements”. The Company does not expect that the revised Standard will have a significant impact on its financial statements. The revised Standard is effective for annual periods beginning on or after January 1, 2009, with early application permitted.

IFRS 3 (revised)—Business Combinations and IAS 27 (revised)—Consolidated and Separate Financial Statements

In January 2008, the IASB issued IFRS 3 (revised) and IAS 27 (revised) effective from January 1, 2010. Among other changes, the new Standards will require the acquirer to expense direct acquisition costs as incurred; to revalue to fair value any pre-existing ownership in the acquired company at the date on which it takes control, and record the resulting gain or loss in profit or loss; to record in profit or loss adjustments to contingent consideration which occur after completion of the purchase price allocation; to record directly in equity the effect of transactions after taking control of the acquiree which increase or decrease the acquirer’s interest but do not affect control; to revalue upon divesting control any retained shareholding in the divested company at fair value and record the resulting gain or loss in profit or loss; and to attribute to non-controlling shareholders their share of any deficit in the equity of a non wholly-owned subsidiary. Earlier application is permitted. The Company is in the process of assessing whether there will be any material changes to its financial statements upon their adoption.

IAS 32 (revised)—Financial Instruments: Presentation and IAS 1 (revised) Presentation of Financial Statements

In February 2008, the IASB issued amendments to IAS 32, “Financial Instruments: Presentation” and IAS 1, “Presentation of Financial Statements”. The amendments are relevant to entities that have issued financial instruments that are (i) puttable financial instruments, or (ii) instruments, or components of instruments, which impose on the entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only upon liquidation. Under the revised IAS 32, subject to specified criteria being met, these instruments will be classified as equity whereas, prior to these amendments, the instruments would have been classified as financial liabilities. The amendments are effective for annual periods beginning on or after January 1, 2009. The Company believes that the adoption of these amendments will not have a significant impact on its financial statements.

NOTE 3: ACQUISITIONS

Significant acquisitions made during the years ended December 31, 2006 and 2007 include:

Arcelor

On August 1, 2006, the former Mittal Steel acquired 91.9% of the share capital of Arcelor. Through subsequent transactions it increased its ownership to 94.2% of the issued and outstanding shares of Arcelor and 19.9 million of Arcelor’s convertible bonds.

The total purchase price, including acquisition costs, was 33,675, which was funded through a combination of cash and 680 million newly issued Mittal Steel Class A common shares. Total cash consideration for the transactions was 10,435 (5,841 net of 4,594 of cash acquired). The fair value of the Class A common shares issued was determined based on the market price of Mittal Steel’s Class A common shares at the date of the acquisition.

Intangible assets recognized as a result of purchase accounting amount to 1,565. They include favorable supply contracts on raw materials and energy that are being amortized over the term of the associated contracts ranging from two to five years for a total amount of 540. They also relate to customer relationships, trade mark and technology for a total amount of 1,025. The acquired liabilities also include 668 assigned to unfavorable sales contracts that are being amortized over the term of the associated contracts ranging from half a year to nine years.

The acquisition of Arcelor resulted in the consolidation of total assets of 65,288 and total liabilities of 36,884, excluding minority interest. The fair value of the net assets acquired (net of cash acquired) amounts to 23,179, excluding minority interest. The resulting goodwill is 5,902 at the acquisition date. The Company finalized the purchase price allocation for Arcelor in 2007.

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

Sicartsa

On April 20, 2007, ArcelorMittal acquired 100% of the outstanding common shares of Siderúrgica Lázaro Cárdenas Las Truchas, S.A. de C.V. ("Sicartsa") from Grupo Villacero. Sicartsa is a Mexican fully integrated producer of long steel. The acquisition also includes Metave, a mini-mill, Sibasa and Camsa, two rolling-mills located in Mexico, as well as Border Steel, a mini-mill in the US. Finally, through the acquisition of Sicartsa, Sersiinsa, a 50/50 joint-venture between Sicartsa and ArcelorMittal Lázaro Cárdenas S.A. de C.V., is fully consolidated.

Sicartsa was acquired for a total cash consideration of 1,436 (1,427 net of 9 of cash acquired) consisting of 526 for its shares and 910 related to a debt assumption. The acquisition has been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their estimated fair values as of the date of acquisition. The allocation of the total purchase price is preliminary as at December 31, 2007. Iron ore mines were revalued by 138 and property, plant & equipment was stepped down by 138. The acquisition of Sicartsa and Sersiinsa resulted in the consolidation of total assets of 1,990 and total liabilities of 1,652. The preliminary goodwill related to Sicartsa amounts to 274. The allocation of the purchase price will be finalized in 2008.

Acquisitions of minority interests

The Company acquired significant minority interests during 2007.

Arcelor Brasil

As a result of the acquisition of Arcelor, the Company made a mandatory tender offer to acquire all of the outstanding shares in Arcelor Brasil not owned by Arcelor or any other affiliate of ArcelorMittal.

On June 5, 2007, the Company publicly announced the results of its mandatory tender offer for the shares it did not hold in Arcelor Brasil. In the aggregate, the Company acquired 29.5% of the total share capital and 89.7% of the free float of Arcelor Brasil as of June 5, 2007, thereby increasing its current 67.1% shareholding in Arcelor Brasil to 96.6%. The Company paid for the shares with 3,694 in cash and approximately 27 million Mittal Steel Class A common shares, representing a total consideration of 5,407. Following the auction and after a general Arcelor Brasil shareholders' meeting held on August 8, 2007 approving the redemption of the remaining shares, the Company acquired the remaining 3.4% for a total cash consideration of 497. On September 12, 2007, the Company announced that it held 100% of Arcelor Brasil. Total consideration for the transaction was 5,879, of which 4,191 paid in cash. The goodwill related to this acquisition amounts to 3,119 and the reduction in minority interests to 2,760.

Arcelor

On November 13, 2007, as a result of the legal merger between the former ArcelorMittal and Arcelor, the 5.76% remaining minority interests in Arcelor were cancelled. The transaction was recorded as if ArcelorMittal had been the acquirer. Total consideration was 3,204 (44 million, including 12 million treasury shares, with shares of the former ArcelorMittal shares valued at \$72.65 per share) and resulting goodwill was 612.

ArcelorMittal Poland

On July 20, 2007, ArcelorMittal announced that it had reached an agreement with the Polish government to acquire its outstanding 25.2% shares in ArcelorMittal Poland, which were held by the Polish state and treasury ministry. The additional consideration was 181. These shares were accounted for as an acquisition in 2004 in conjunction with the acquisition of a controlling interest in ArcelorMittal Poland as there was an irrevocable commitment to transfer operational and economic control of these remaining shares to the Company.

ArcelorMittal Kryviy Rih

During 2007, the Company's ownership in ArcelorMittal Kryviy Rih increased from 93.77% to 94.66%. The reduction in minority interests is 49 and the resulting goodwill amounts to 5.

Finalization of purchase price allocation

International Steel Group (“ISG”)

On April 15, 2005, the former Mittal Steel acquired 100% of the outstanding common shares of International Steel Group Inc. (“ISG”) (renamed ArcelorMittal USA Inc.). The aggregate purchase price was approximately 3,833 including cash of 2,128 (1,472 net of cash acquired and 56 of acquisition cost) and Class A common shares valued at 1,705. The fair value of the 60,891,883 Class A common shares was determined based on the market-price of the former Mittal Steel’s Class A common shares on the date of acquisition. Intangible assets identified as a result of purchase accounting relate to 4 assigned to patents and 384 assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years or two years on a weighted average basis. Intangible liabilities consist of 1,095 assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years or 3.2 years on a weighted average basis. The Company recognized 122 of income during 2007 (383 of income during 2006) related to the net amortization of these intangibles. The Company finalized the purchase price allocation for ISG in 2006.

Kryvorizhstal

On November 25, 2005, the former Mittal Steel acquired 93.02% of the outstanding common stock of OJSC Krivorizky Ore Mining Company and Steel Works Kryvorizhstal (renamed ArcelorMittal Kryviy Rih) from the government run State Property Fund of Ukraine. ArcelorMittal Kryviy Rih was acquired for 4,908 in cash (4,635 net of cash acquired). In connection with the acquisition, the Company has committed to make capital expenditures of 500 until 2010. The Company finalized the purchase price allocation for Kryvorizhstal in 2006. The Company increased its interest in ArcelorMittal Kryviy Rih to 93.77% in 2006 and to 94.66% in 2007. Based on the purchase price allocation for ArcelorMittal Kryviy Rih, the Company has identified 1,323 of excess purchase price over the fair value of the assets acquired.

Summary of significant acquisitions

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

	2006		2007	
	Arcelor ⁽²⁾	Sicartsa ^{(1),(3)}	Acquisition of minority interests	Others ^{(1),(3)}
Current assets	22,354	524	—	612
Property, plant & equipment	34,124	1,349	—	134
Other assets	8,810	117	—	2
Total assets acquired	65,288	1,990	—	748
Current liabilities	16,178	963	—	561
Long-term loan	8,910	548	—	37
Other long-term liabilities	6,521	20	—	8
Deferred tax liabilities	5,275	121	—	6
Minority interest	3,464	—	2,809	—
Total liabilities assumed	40,348	1,652	2,809	612
Total net assets	24,940	338	2,809	136
Minority interest	1,761	—	2,591	20
Net assets acquired	23,179	338	5,400	116
Fair value of shares issued	23,240	—	4,917	—
Cash paid, net	5,841	1,427	4,401	224
Debt assumption	—	(910)	—	—
Equity investment	—	95	—	—
Purchase price, net	29,081	612	9,318	224
Goodwill (Negative goodwill)	5,902	274	3,918	108

(1) Historical IFRS information as of the date of acquisition was not available for the acquired entities.

(2) During 2007, the Company finalized the purchase price allocation for Arcelor. See the table below for adjustments. Prior period information has been adjusted retrospectively.

(3) Based on a preliminary purchase price allocation, which is subject to change.

The total purchase price for Arcelor and Sicartsa consists of the following:

	Arcelor	Sicartsa
Cash paid to stockholders, gross	10,247	1,434
Transaction related fees	188	2
ArcelorMittal shares issued	23,240	—
Total purchase price, gross	33,675	1,436
Debt assumed	—	(910)
Cash acquired	(4,594)	(9)
Equity investments acquired	—	95
Total purchase price, net	29,081	612

Finalization of purchase price allocation of Arcelor

The table below summarizes the finalization of the purchase price allocation of Arcelor:

	Preliminary allocation	Adjustments	Final allocation
Current assets	22,352	2	22,354
Property, plant & equipment	34,250	(126)	34,124
Other assets	7,963	847	8,810
Total assets acquired	64,565	723	65,288
Current liabilities	16,178	—	16,178
Long-term loan	8,910	—	8,910
Other long-term liabilities	6,231	290	6,521
Deferred tax liabilities	5,305	(30)	5,275
Minority interest	3,447	17	3,464
Total liabilities assumed	40,071	277	40,348
Total net assets	24,494	446	24,940
Minority interest	1,761	—	1,761
Net assets acquired	22,733	446	23,179
Purchase price, net	29,081	—	29,081
Goodwill	6,348	(446)	5,902

The purchase price allocation of Arcelor has been finalized in 2007, therefore the comparative information for 2006 have been accordingly adjusted for purchase price allocation adjustments and other reclassifications made to align with the 2007 presentation:

Consolidated Balance Sheet	2006 as reported	Adjustments and reclassifications	2006 as adjusted
Current assets	39,362	51	39,413
Non current assets	72,804	464	73,268
Total assets	112,166	515	112,681
Current liabilities	24,560	—	24,560
Non current liabilities	37,415	478	37,893
Total liabilities	61,975	478	62,453
Total equity	50,191	37	50,228
Total liabilities and equity	112,166	515	112,681

Consolidated Statement of Income	2006 as reported	Adjustments and reclassifications	2006 as adjusted
Income before tax	7,195	33	7,228
Income tax expense	1,109	13	1,122
Net Income (including minority interests)	6,086	20	6,106
Attributable to the holders of the Parent company	5,226	21	5,247
Minority interests	860	(1)	859
Net Income (including minority interests)	6,086	20	6,106

Pro Forma Results

The following pro forma financial information presents the combined results of operations of ArcelorMittal for 2007, including Sicartsa, as if its acquisition had occurred as of the beginning of the periods presented. The 2006 pro forma information also includes the results of operations of Arcelor on the same basis. The pro forma financial information is not necessarily indicative of what our consolidated results of operations would have been had we completed the acquisitions at the dates indicated. In addition, the pro forma financial information does not purport to project the future results of operations of the combined company.

	Unaudited Pro Forma for the year ended December 31,	
	2006	2007
Sales	88,576	105,456
Net income	7,994	10,372
<i>Per share amounts</i>		
Basic earnings per common share	5.78	7.14
Diluted earnings per common share	5.78	7.13

NOTE 4: ASSETS AND LIABILITIES HELD FOR SALE

Following the competition concerns in certain steel production segments expressed by the European Commission as a result of the business combination between Mittal Steel and Arcelor, the disposal of certain entities in the Long Carbon Europe segment was completed during the first quarter of 2007. In June 2007, the Company sold Huta Bankowa Polska z.o.o. and Travi e Profilati di Pallanzeno. In March 2007, the disposal of Stahlwerk Thüringen GmbH was completed. The total consideration received in cash is 840.

On February 20, 2007, the U.S. Department of Justice (“the DOJ”) informed the Company that the DOJ had selected the Sparrows Point (Flat Carbon Americas) steel mill located near Baltimore, Maryland for divestiture under a consent decree filed by the DOJ in August 2006. As a consequence, the assets and liabilities of Sparrows Point were classified as held for sale. The DOJ appointed a trustee to handle the sale process, which is expected to be completed in 2008.

On August 31, 2007, ArcelorMittal merged its European laser-welded tailored blanks business (Flat Carbon Europe) with Noble International Limited. The total consideration received amounts to 289 and includes cash of 102 and a 40% stake in Noble International Limited.

	December 31,	
	2006*	2007
Assets classified as held for sale:		
Property, plant and equipment	1,094	670
Trade and other receivables	65	597
Inventories	129	—
Other assets	28	29
Total	1,316	1,296
Liabilities classified as held for sale:		
Trade and other payables	181	173
Other liabilities	58	93
Total	239	266

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

NOTE 5: TRADE RECEIVABLES

The trade receivables balances are the following:

	December 31,	
	2006	2007
Gross amount	9,197	9,950
Allowance for doubtful accounts	(428)	(417)
Total	8,769	9,533

Exposure to credit risk by business segment

The maximum exposure to credit risk for trade receivables by segment is as follows:

	December 31,	
	2006	2007
Flat Carbon Americas	856	1,018
Flat Carbon Europe	1,899	1,866
Long Carbon Americas and Europe	1,976	2,210
AM3S	1,677	2,378
Asia, Africa & CIS and Stainless Steel	1,315	964
Other activities	1,046	1,097
Total	8,769	9,533

Exposure to credit risk by geography

The maximum exposure to credit risk for trade receivables by geography is as follows:

	December 31,	
	2006	2007
Europe	5,451	5,876
North America	1,840	1,562
South America	867	1,151
Africa and Asia	446	563
Middle East	165	381
Total	8,769	9,533

Ageing of trade receivables

The aging of trade receivables is as follows:

	December 31, 2007	
	Gross	Allowance for doubtful accounts
Not past due	6,866	(98)
Past due 0-30 days	1,995	(55)
Past due 31-120 days	695	(37)
More than 120 days	394	(227)
Total	9,950	(417)

Allowance for doubtful accounts

The movement in the allowance for doubtful accounts is as follow:

Balance at December 31, 2005	Additions	Deductions/ Releases	Others	Balance at December 31, 2006
241	241	(238)	184	428
428	14	(75)	50	417

Balance at December 31, 2006	Additions	Deductions/ Releases	Others	Balance at December 31, 2007
428	14	(75)	50	417

NOTE 6: INVENTORIES

Inventory, net of allowance for slow-moving, excess, or obsolete inventory, of 359 and 556 as of December 31, 2006 and 2007, respectively, is comprised of the following:

	December 31,	
	2006	2007
Finished products	7,131	8,108
Production in process	3,914	4,582
Raw materials	6,491	6,739
Manufacturing supplies, spare parts and other	1,704	2,321
Total	<u>19,240</u>	<u>21,750</u>

The amount of inventory pledged as collateral was 148 and 217 as of December 31, 2006 and 2007, respectively.

The movement in the allowance for obsolescence is as follow:

Balance at December 31, 2005	Additions	Deductions/ Releases	Others	Balance at December 31, 2006
269	230	(140)	—	359
Balance at December 31, 2006	Additions	Deductions/ Releases	Others	Balance at December 31, 2007
359	483	(407)	121	556

NOTE 7: PREPAID EXPENSES AND OTHER CURRENT ASSETS

The prepaid expenses and other current assets are the following:

	December 31,	
	2006	2007
Advance payments to public authorities	1,692	2,277
Other	2,250	2,367
Total	<u>3,942</u>	<u>4,644</u>

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisition	Concessions, patents and licences	Favourable contracts	Other	Total
Cost					
At December 31, 2005	1,391	34	384	192	2,001
Acquisition of Arcelor*	5,902	426	569	2,221	9,118
Other acquisitions	67	17	—	60	144
Disposals	—	(11)	—	—	(11)
Foreign exchange differences	205	4	30	30	269
Transfers and other movements	9	18	—	5	32
At December 31, 2006	7,574	488	983	2,508	11,553
Acquisitions	4,300	26	—	17	4,343
Disposals	—	(23)	—	(1)	(24)
Foreign exchange differences	1,092	51	44	174	1,361
Transfers and other movements	—	127	(4)	(815)	(692)
At December 31, 2007	12,966	669	1,023	1,883	16,541
Accumulated amortization and impairment losses					
At December 31, 2005	—	7	162	26	195
Disposals	—	(11)	—	—	(11)
Impairment	—	11	—	(1)	10
Amortization charge*	—	89	116	92	297
Foreign exchange differences	—	23	2	(4)	21
Transfers and other movements	—	1	—	—	1
At December 31, 2006	—	120	280	113	513
Disposals	—	(17)	—	—	(17)
Impairment	43	—	—	—	43
Reduction of goodwill	260	—	—	—	260
Amortization charge	—	82	332	184	598
Foreign exchange differences	—	35	22	56	113
At December 31, 2007	303	220	634	353	1,510
Carrying amount					
At December 31, 2006	7,574	368	703	2,395	11,040
At December 31, 2007	12,663	449	389	1,530	15,031

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

Goodwill acquired in business combinations are as follows:

	Net value December 31, 2006	Acquisitions (including minority interest)	Exchange rate differences and other movements	Impairment and other reductions	Net value December 31, 2007
Arcelor Mittal Kriviy Rih	1,332	5	—	—	1,337
<i>Flat Carbon Europe</i>	2,197	219	319	(34)	2,701
<i>Flat Carbon Brazil</i>	967	98	114	(220)	959
<i>Flat Carbon Americas</i>	81	8	9	—	98
<i>Long Carbon Europe</i>	1,017	102	120	—	1,239
<i>Long Carbon Americas</i>	358	36	42	—	436
AACIS	52	5	6	—	63
<i>Stainless⁽¹⁾</i>	740	74	87	(2)	899
AM3S	694	70	82	(4)	842
Total Arcelor ⁽²⁾	6,106	612	779	(260)	7,237
<i>Flat Carbon Brazil</i>	—	2,266	213	—	2,479
<i>Long Carbon Americas</i>	—	853	85	—	938
Total Arcelor Brasil	—	3,119	298	—	3,417
Sicartsa ⁽³⁾	—	274	2	—	276
AM Poland	—	181	—	—	181
Others	136	109	13	(43)	215
TOTAL	7,574	4,300	1,092	(303)	12,663

(1) Includes Acesita, with a net value of 257 as of December 31, 2007

(2) Includes all subsidiaries, mainly located in Europe and South America

(3) Subject to change upon finalization of purchase price allocation

ArcelorMittal tests goodwill annually, in the fourth quarter, for impairment or more frequently if there are indications that goodwill might be impaired. As a result of tax restructuring in the second half of 2007, and after purchase price allocation of Arcelor was completed, deferred tax assets amounting to 260 were recognized with respect to net operating losses previously not capitalized. As a consequence, goodwill is reduced for the same amount.

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

ArcelorMittal prepares cash flow derived from the most recent financial budgets and extrapolates cash flows for the following three years based on an estimated growth rate. This rate does not exceed the average long-term rate for the relevant markets.

Research and development costs are expensed and included in cost of goods sold. These costs amounted to 96, and 214 in the years ended December 31, 2006, and 2007, respectively.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	<u>Land, buildings and improvements</u>	<u>Machinery and equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Cost				
At December 31, 2005	4,019	19,805	905	24,729
Additions	477	721	1,737	2,935
Acquisitions through business combinations	8,669	21,989	3,466	34,124
Foreign exchange differences	503	1,067	(66)	1,504
Disposals	(306)	(544)	(194)	(1,044)
Other movements	982	1,131	(1,388)	725
At December 31, 2006*	14,344	44,169	4,460	62,973
Additions	440	1,964	3,044	5,448
Acquisitions through business combinations	499	896	88	1,483
Foreign exchange differences	2,403	7,096	245	9,744
Disposals	(174)	(1,030)	(22)	(1,226)
Other movements	1,658	2,005	(4,036)	(373)
At December 31, 2007	19,170	55,100	3,779	78,049
Accumulated depreciation and impairment				
At December 31, 2005	1,032	4,650	2	5,684
Depreciation charge for the year*	633	1,503	7	2,143
Impairment	3	38	—	41
Disposals	(96)	(403)	—	(499)
Foreign exchange differences	201	573	—	774
Other movements	105	153	(1)	257
At December 31, 2006	1,878	6,514	8	8,400
Depreciation charge for the year	567	3,235	5	3,807
Impairment	3	178	12	193
Disposals	(42)	(819)	—	(861)
Foreign exchange differences	884	3,919	43	4,846
Other movements	(38)	(272)	(20)	(330)
At December 31, 2007	3,252	12,755	48	16,055
Carrying amount				
At December 31, 2006	12,466	37,655	4,452	54,573
At December 31, 2007	15,918	42,345	3,731	61,994

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

During the period, the Company carried out a review of the recoverable amount of its manufacturing plants and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use. As a result of the assessment, the Company determined that the recoverable amount for certain of its plant, property and equipment was less than its carrying amount. Accordingly, a 193 (2006: 41) impairment loss was recognized immediately as an expense as part of operating income in the income statement.

The Company has pledged 1,146 and 671 in land and buildings as of December 31, 2006 and 2007, respectively, to secure banking facilities granted to the Company. These facilities are further disclosed in note 14.

NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

Investee	Location	Ownership % At December 31, 2007	Net asset value at December 31,	
			2006 ⁽⁴⁾	2007
DHS Group ⁽¹⁾	Germany	51.30%	998	1,598
Hunan Valin ⁽²⁾	China	29.19%	382	442
China Oriental Group Company Ltd ⁽³⁾	China	28.02%	—	644
Gestamp	Spain	35%	238	361
Gonvarri Industrial Consolidated	Spain	35%	276	423
Other	Various	—	1,562	2,419
Total			3,456	5,887

⁽¹⁾ The Company owns a 51.3% interest in Dillinger Hutte Saarstahl AG ("DHS"). The Company does not exercise control over DHS as it is unable to appoint a majority of the members of the supervisory board of DHS and decisions voted on by shareholders are required to be approved with at least a 70% affirmative vote.

⁽²⁾ In November 2007, the conversion of certain convertible bonds occurred and, as a result, the shareholdings of the Company were diluted to 29.19%. As of December 31, 2007, the investment had a market value of 1,058 (357 in 2006).

⁽³⁾ On November 8, 2007, ArcelorMittal purchased approximately 820,000,000 China Oriental shares for a total consideration of 644 (HK\$ 5.02 billion), or a 28.02% equity interest in the Company. On December 13, 2007 the Company entered into a shareholder's agreement which enabled ArcelorMittal to become the majority shareholder of China Oriental and to raise eventually its equity stake in the China Oriental to 73.13%. As of December 31, 2007 the investment had a market value of 670.

⁽⁴⁾ During 2007, the Company finalized the purchase price allocation for Arcelor. Prior period information has been adjusted retrospectively.

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

	Years ended December 31,	
	2006	2007
Condensed statement of income data		
Gross revenue	8,734	28,696
Net income	533	1,806
Condensed balance sheet data		
Total assets	12,148	27,518
Total liabilities	6,797	14,551

NOTE 11: OTHER INVESTMENTS

The Company holds the following other investments:

	December 31,	
	2006	2007
Available-for-sale securities	505	1,839
Investments accounted for at cost	646	320
Total	1,151	2,159

The change in fair value of available-for-sale securities for the period (unrealized gain of 569 (2006: 16), net of income tax and minority interests) is recorded directly in equity.

NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Transactions	Year ended December 31,		December 31,	
	2006	2007	2006	2007
	Sales		Trade receivables	
Macsteel Int'l Holding & Subsidiaries	1,084	941	26	45
I/N Kote	380	408	13	6
Polski Koks	376	445	64	81
Coils Lamiere Nastri (CLN) SPA	221	645	143	107
Gonvarri Industrial SA	207	275	49	1
WDI	205	175	18	3
Zaklad Przetworstwa	150	169	20	21
Stalprofil S.A.	105	111	8	13
Sorevco	72	—	8	—
Lamines Marchands Europeens SA	55	168	28	37
Borcelik Celik Sanayii Ticaret AS	52	214	20	39
Florin Centrum	50	47	12	7
Gouvauto SA	—	145	—	12
Berg Steel Pipe Corp	—	110	—	—
ArcelorMittal Gonvarri SSC Slovakia	—	92	—	12
Gestamp Servicios	—	71	—	7
Gonvarri Productos Siderurgicos SA	—	67	—	11
Bamesa Celik Servis Sanayii Ticaret AS	—	66	—	19
Hierras Aplanaciones SA	—	65	—	9
Gonvarri Brasil SA	—	62	—	22
Noury SA	—	50	—	5
Other	890	441	300	110
Total	3,847	4,767	709	567

Transactions	Year ended December 31,		December 31,	
	2006	2007	2006	2007
	Purchases of raw material & others		Trade payables	
Polski Koks	258	623	56	72
E.I.M.P	255	282	—	—
Forges et Acieries de Dillingen	186	330	27	56
I/N Tek (Tolling charges)	166	136	10	31
Mac Steel Int'l Holding & Subsidiaries	106	—	—	—
Peña Colorada	66	70	27	41
PCI Associates (Tolling Fees)	65	45	—	—
Eko Recycling GmbH	62	—	17	—
Borcelik Celik Sanayiii Ticaret AS	—	198	—	40
ArcelorMittal Gonvarri SSC Slovakia	—	64	—	8
ATIC Services	—	164	—	22
Dillinger Hutte Saarstahl AG	—	103	—	24
Cia Hispano Brasileira de Pelotizacao SA	—	60	—	12
Lindsay International (Pvt) Ltd.	36	30	3	4
Orind Refractories & Subsidiaries	35	21	3	1
Other	505	282	376	135
Total	1,740	2,408	519	446

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated in consolidation and are not disclosed in this note. Refer to note 25 for disclosure of transactions with key management personnel.

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

Name of Subsidiary	Abbreviation	Country
Flat Carbon Americas		
ArcelorMittal USA Inc.	ArcelorMittal USA	USA
Companhia Siderúrgica de Tubarão S.A.	CST	Brazil
ArcelorMittal Dofasco Inc.	Dofasco	Canada
ArcelorMittal Lázaro Cárdenas S.A. de C.V.	ArcelorMittal Lázaro Cárdenas	Mexico
Flat Carbon Europe		
Aceria Compacta de Bizkaia S.A.	Aceria Compacta de Bizkaia	Spain
Arcelor Produits Plats Wallonie	Arcelor Produits Plats Wallonie	Belgium
Arcelor Steel Belgium N.V.	Arcelor Steel Belgium	Belgium
ArcelorMittal Atlantique et Lorraine SAS	ArcelorMittal Atlantique et Lorraine	France
ArcelorMittal Bremen GmbH	ArcelorMittal Bremen	Germany
ArcelorMittal Eisenhüttenstadt GmbH	ArcelorMittal Eisenhüttenstadt	Germany
ArcelorMittal España S.A.	ArcelorMittal España	Spain
ArcelorMittal Flat Carbon Europe S.A.	AMFCE	Luxembourg
ArcelorMittal Galati S.A.	ArcelorMittal Galati	Romania
ArcelorMittal Méditerranée SAS	ArcelorMittal Méditerranée	France
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Packaging S.A.	ArcelorMittal Packaging	France
ArcelorMittal Piombino S.p.a.	ArcelorMittal Piombino	Italy
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
Cockerill Sambre S.A.	Cockerill Sambre	Belgium
Industeel Belgium S.A.	Industeel Belgium	Belgium
Industeel France S.A.	Industeel France	France
Long Carbon Americas and Europe		
Acindar Industria Argentina de Aceros S.A.	Acindar	Argentina
Arcelor Huta Warszawa Sp.z.o.o.	Arcelor Huta Warszawa	Poland
ArcelorMittal Belval & Differdange S.A.	ArcelorMittal Belval & Differdange	Luxembourg
ArcelorMittal Bergara, S.A.	ArcelorMittal Bergara	Spain
ArcelorMittal Brasil S.A.	ArcelorMittal Brasil	Brazil
ArcelorMittal Commercial Sections S.A.	ArcelorMittal Commercial Sections	Luxembourg
ArcelorMittal Hamburg GmbH	ArcelorMittal Hamburg	Germany
ArcelorMittal Hochfeld GmbH	ArcelorMittal Hochfeld	Germany
ArcelorMittal Madrid, S.L.	ArcelorMittal Madrid	Spain
ArcelorMittal Olaberria, S.L.	ArcelorMittal Olaberria	Spain
ArcelorMittal Ostrava a.s.	ArcelorMittal Ostrava	Czech Republic
ArcelorMittal Point Lisas Ltd.	ArcelorMittal Point Lisas	Trinidad and Tobago
ArcelorMittal Poland S.A.	ArcelorMittal Poland	Poland
ArcelorMittal Rodange & Schifflange S.A.	ArcelorMittal Rodange	Luxembourg
ArcelorMittal Ruhrort GmbH	ArcelorMittal Ruhrort	Germany
ArcelorMittal USA Inc.	ArcelorMittal USA	USA
Mittal Canada Inc.	Mittal Canada	Canada
ArcelorMittal las Truchas, S.A. de C.V.	Sicartsa	Mexico
Asia, Africa and CIS (AACIS)		
ArcelorMittal Annaba Spa	ArcelorMittal Annaba	Algeria
ArcelorMittal South Africa Ltd.	ArcelorMittal South Africa	South Africa
ArcelorMittal Temirtau JSC	ArcelorMittal Temirtau	Kazakhstan

<u>Name of Subsidiary</u>	<u>Abbreviation</u>	<u>Country</u>
Mittal Steel Liberia Limited	Mittal Steel Liberia	Liberia
OJSC ArcelorMittal Kryviy Rih	ArcelorMittal Kryviy Rih	Ukraine
Société Nationale de Sidérurgie, S.A.	Sonasid	Morocco

Stainless Steel

ArcelorMittal Inox Brasil S.A.	Acesita or ArcelorMittal Inox Brasil	Brazil
ArcelorMittal Stainless Belgium	AMSB	Belgium
ArcelorMittal Stainless France	AMSF	France

Arcelor Mittal Steel Solutions and Services (AM3S)

ArcelorMittal Construction France S.A.	ArcelorMittal Construction France	France
Arcelor International America, LLC	Arcelor International America	USA
ArcelorMittal Auto Processing France SAS	ArcelorMittal Auto Processing France	France
ArcelorMittal International FZE	ArcelorMittal International FZE	United Arab Emirates
ArcelorMittal Stahlhandel GmbH	ArcelorMittal Stahlhandel	Germany

NOTE 13: SHORT-TERM DEBT

Short-term debt, including the current portion of long-term debt, consisted of the following:

	<u>At December 31,</u>	
	<u>2006</u>	<u>2007</u>
Short term bank loans and other credit facilities	1,229	3,653
Current portion of long-term debt (see note 14)	3,663	4,832
Lease obligations (see note 14)	30	57
Total	<u>4,922</u>	<u>8,542</u>

Short-term debt includes short term loans, overdrafts and commercial paper.

Commercial paper

The Company runs a commercial paper program enabling borrowings of up to €2,000 million (2,944).

NOTE 14: LONG-TERM DEBT

Long-term debt is comprised of the following as of December 31:

	<u>Year of maturity</u>	<u>Type of Interest</u>	<u>Interest Rate⁽¹⁾</u>	<u>2006</u>	<u>2007</u>
Corporate					
3.2 billion Credit Facility	2010	Floating	5.2% – 5.5%	2,100	2,700
€17 billion Credit Facility	2011 – 2012	Floating	5.2% – 5.4%	15,828	16,357
EBRD loans	2009 – 2013	Floating	5.6% – 5.9%	250	216
Debenture loans	2008 – 2015	Fixed	3.4% – 6.4%	2,622	2,917
Other loans	2008 – 2035	Floating	3.2% – 5.3%	774	1,583
Other loans	2008 – 2015	Fixed	3.5% – 6.5%	412	372
Total Corporate				<u>21,986</u>	<u>24,145</u>
Americas					
Senior secured notes	2014	Fixed	9.75%	420	420
Senior unsecured notes	2008 – 2017	Fixed		391	—
Senior unsecured note	2014	Fixed	6.5%	500	500
Asset acquisition loans	2008 – 2018	Fixed	5% – 11.1%	633	813
Other loans	2008 – 2014	Fixed	6.0% – 11.4%	230	101
Other loans	2008 – 2018	Floating	4.7% – 15.2%	343	380
Total Americas				<u>2,517</u>	<u>2,214</u>
Europe, Asia & Africa					
Government loan	2011	Fixed	5%	150	—
Other loans	2008 – 2010	Fixed	4.8% – 22%	390	259
Other loans	2008 – 2010	Floating	6.1% – 7.58%	159	16
Total Europe, Asia & Africa				<u>699</u>	<u>275</u>
Total				<u>25,202</u>	<u>26,634</u>
Less current portion of long-term debt				<u>3,663</u>	<u>4,832</u>
Total long-term debt (excluding lease obligations)				21,539	21,802
Revaluation of interest rate hedge instruments (note 15)				6	18
Lease obligations ⁽²⁾				<u>100</u>	<u>265</u>
Total long-term debt, net of current portion				<u>21,645</u>	<u>22,085</u>

(1) Rates applicable to balances outstanding at December 31, 2007. The effective rate of the €17 billion Credit Facility amounts to 5.12% in 2007.

(2) Net of current portion of 30 in 2006 and 57 in 2007.

Corporate

3.2 billion Credit Facility

On April 7, 2005, Mittal Steel and certain subsidiaries signed a five-year 3,200 credit facility (1,700 term loan and 1,500 RCF) with a consortium of banks. On February 6, 2007 an amendment deed was signed in order to align the documentation with the documentation of the €17 billion credit facility. On December 10, 2007, this credit facility was transferred to ArcelorMittal Finance. ArcelorMittal provided an unconditional guarantee securing the debt. 2,700 was outstanding at December 31, 2007.

€17 billion Credit Facility

On January 30, 2006, the Company entered into a €5 billion credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs (“Acquisition Facility”) and a €3.0 billion credit agreement to refinance the 2005 Bridge Facility (“Refinancing Facility”). On May 23, 2006, the Company entered into a €2.8 billion agreement with a group of lenders to finance the cash portion of the increased offer for Arcelor along with related transaction costs (“Acquisition Facility”).

On November 30, 2006, the Company entered into a €17 billion credit agreement (which is comprised of a €12 billion term loan facility and a €5 billion revolving credit facility) with a group of lenders to refinance Mittal Steel's Refinancing Facility and Acquisition Facilities, along with Arcelor's €4,000 million term loan facility and €3,000 million revolving credit facility agreement. All of these refinanced facilities were repaid and cancelled in December 2006. The €12 billion term loan facility started its repayments as foreseen in the agreement and on November 30, 2007, an equivalent amount of €2.4 billion was repaid. The €5 billion revolving credit facility remains available and has been used from time to time in 2007. At December 31, 2007, 2,200 had been drawn under this facility. On October 30, 2007, the maturity of the €5 billion revolving credit facility was extended in agreement with the lenders for one additional year, to November 30, 2012. On December 10, 2007, ArcelorMittal transferred the total credit facility to ArcelorMittal Finance. ArcelorMittal provided an unconditional guarantee securing the debt. The outstanding amount under €17 billion credit facility at December 31, 2007 was 16,357.

EBRD Loans

This secured loan is for capital expenditures and working capital requirements at ArcelorMittal Galati. The loan is guaranteed by the Company and certain of its subsidiaries. The outstanding amount of the loan is 33 as of December 31, 2007.

On April 4, 2006, the former Mittal Steel signed a 200 loan agreement with the European Bank for Reconstruction and Development for on-lending to ArcelorMittal Kryviy Rih. The outstanding amount of the loan was 183 as of December 31, 2007.

On June 15, 2007, the former Mittal Steel signed a 100 loan agreement with the European Bank for Reconstruction and Development for on-lending to ArcelorMittal Temirtau in order to finance the overall modernization of the coal mines operated by ArcelorMittal Temirtau in the region of Karaganda with the aim to bring them in line with international best practice in terms of productivity and health and safety. The outstanding amount under this agreement at December 31, 2007 was nil.

Debenture loans

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

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

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

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

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

Debenture loans denominated in € represent a total amount of 2,797. Other debenture loans are denominated in U.S. dollar.

Other facilities

On June 29, June 30, 2007 and December 13, 2007, ArcelorMittal Finance entered into bilateral credit facilities totaling €1.5 billion. These bilateral lines of credit have remained unutilized and are fully available to ArcelorMittal. Their proceeds may be used for general corporate purposes.

On July 24, 2007, ArcelorMittal Finance, together with a subsidiary, signed a five year €500 million bilateral facility due 2012.

Americas

Senior Secured Notes

On March 25, 2004, Ispat Inland ULC issued senior secured notes with an aggregate principal amount of 800: 150 of floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010 and 650 of fixed rate notes bearing interest at 9.75% (issued at 99.212% to yield 9.875%) due April 1, 2014 (the "Senior Secured Notes"), of which 420 (net of 3 of discount) are outstanding as of December 31, 2007.

The Senior Secured Notes are secured by First Mortgage Bonds (relating to certain assets of the former Ispat Inland Inc.) originally totaling 800 and by a second position lien on the inventory of Mittal Steel USA (renamed ArcelorMittal USA). As further credit enhancement, the Senior Secured Notes are fully and unconditionally guaranteed by ArcelorMittal USA, certain of its subsidiaries as well as by ArcelorMittal and certain other subsidiaries. The terms of the Senior Secured Notes place certain limitations on the ability of ArcelorMittal USA and its subsidiaries to incur additional indebtedness, pay dividends or make other distributions and various other activities. The indenture also contains limited covenants that are applicable to ArcelorMittal. These limitations are subject to a number of exceptions and qualifications. ArcelorMittal USA was in compliance with all covenants at December 31, 2007. The Senior Secured Notes became investment grade rated as of January 19, 2006. As a result, many of the above limitations were suspended, including restrictions on paying dividends or making other distributions to shareholders.

Senior Unsecured Notes

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

On October 1, 2001, Dofasco (renamed ArcelorMittal Dofasco) issued Canadian dollar ("CAD") 125 million of 7.55% unsecured, non-callable notes maturing October 1, 2008. On June 15, 2005, ArcelorMittal Dofasco issued CAD 250.0 million of 4.961% Series A Medium Term Notes. The notes were repaid on May 15, 2007.

Asset Acquisition Loans

In May 2005, ArcelorMittal USA took ownership of a coke oven battery at Burns Harbor that was previously leased under a capital lease. The related loan amounts to 118 as of December 31, 2007. CST, Vega do Sul and Belgo Mineira contracted loans mainly with Banco Nacional de Desenvolvimento and Banco Bradesco S.A. for a total amount of 695 in order to finance their expansion of capacity. Together the outstanding as at December 31, 2007 was 813 including accrued interest.

Other loans

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

Europe, Asia & Africa

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

In 2007, Rongcheng acquisition incorporated 66 principal amount of loan maturing between 2008 and 2010 of which 40% bearing fixed interest rates and 60% interest rates are based on 6 months LIBOR.

In 2007, the Rozak acquisition incorporated 267 principal amount of loan maturing between 2008 and 2010 bearing fixed interest rates.

Other

Certain debt agreements of the Company or its subsidiaries contain covenants requiring certain consent from lenders in specified circumstances, to declare or pay any dividends, make certain restricted payments, incur additional indebtedness, make certain investments, create liens, guarantee indebtedness, sell or acquire assets with certain exceptions, and enter into any merger or consolidation or reorganization. Certain of these agreements also require compliance with financial maintenance tests, including financial ratios and minimum levels of net worth. The Company is in compliance with the financial covenants contained within the (amended) agreements related to all of its borrowings.

Scheduled maturities of long-term debt including lease obligations at December 31, 2007 are as follows:

Year ended December 31,	
2008	4,889
2009	4,216
2010	7,577
2011	4,016
2012	3,190
Subsequent years	3,068
Total	<u>26,956</u>

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments is:

	<u>December 31, 2006</u>		<u>December 31, 2007</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Instruments payable bearing interest at fixed rates	4,664	4,756	4,596	4,683
Instruments payable bearing interest at variable rates	20,674	20,674	22,360	22,315

NOTE 15: FINANCIAL INSTRUMENTS AND CREDIT RISK

The Company uses derivative financial instruments to hedge its exposure to fluctuations in interest rates, exchange rates and the price of raw materials, energy and emission rights allowances and arising from operating, financing and investment activities.

Fair values versus carrying amounts

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates.

Cash and cash equivalents, restricted cash, short term investments and trade receivables are included in the "Loans and receivables" category, which is measured at amortized cost. Other current assets comprise derivative instruments for 593 and 303 as of December 31, 2006 and 2007, respectively, which are included in "Financial assets at fair value through profit or loss" category. Other investments are classified in "Available-for-sale" category at fair value through equity. Other assets are included in "Financial assets at fair value through profit or loss" category.

Except for derivatives instruments, amounting to 532 and 674 as of December 31, 2006 and 2007, respectively, which are included in the "Financial liabilities at fair value through profit or loss" category, financial liabilities are included in "Financial liabilities measured at amortized cost" category.

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

Portfolio of Derivatives

The Company manages the counter-party risk associated with its instruments by centralizing 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 Company does not generally grant to or require from its counter-parties guarantees over the risks incurred. Allowing for exceptions, the Company'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 portfolio associated with derivative financial instruments as of December 31, 2006 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average Rate	Notional amount	Fair value	Average Rate
Interest rate swaps- fixed rate borrowings/ loans	1,054	12	4.99%	850	(5)	4.64%
Interest rate swaps- fixed rate variable/ variable	264	1	1.35%	589	(2)	3.31%
Total Interest rate instruments		<u>13</u>			<u>(7)</u>	
Exchange rate instruments						
Forward purchase of contracts	522	3		7,454	(412)	
Forward sale of contracts	12,202	408		205	(1)	
Currency swap	80	1		—	—	
Exchange option purchases	—	—		593	(13)	
Exchange options sales	593	10		—	—	
Total Exchange rate instruments		<u>422</u>			<u>(426)</u>	
Raw materials (base metal), freight, energy, emission rights						
Term contracts sales	27	2		102	(12)	
Term contracts purchases	612	156		672	(87)	
Options Sale/ Purchase	29	—		—	—	
Total Raw materials (base metal), freight, energy, emission rights		<u>158</u>			<u>(99)</u>	
Total		<u>593</u>			<u>(532)</u>	

* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.

The portfolio associated with derivative financial instruments as at December 31, 2007 is as follows:

	Assets			Liabilities		
	Notional amount	Fair value	Average Rate	Notional amount	Fair value	Average Rate
Interest rate swaps- fixed rate borrowings/ loans	1,311	4	4.31%	1,108	(16)	3.83%
Interest rate swaps- fixed rate variable/ variable	—	—		143	(2)	
Total Interest rate instruments		<u>4</u>			<u>(18)</u>	
Exchange rate Instruments						
Forward purchase of contracts	304	32		9,672	(218)	
Forward sale of contracts	3,246	45		1,409	(16)	
Exchange option purchases	8,720	111		—	—	
Exchange options sales	—	—		5,682	(258)	
Total Exchange rate instruments		<u>188</u>			<u>(492)</u>	
Raw materials (base metal), freight, energy, emission rights						
Term contracts sales	199	20		82	(4)	
Term contracts purchases	554	89		1,229	(151)	
Options Sale/ Purchase	69	2		121	(9)	
Total Raw materials (base metal), freight, energy, emission rights		<u>111</u>			<u>(164)</u>	
Total		<u>303</u>			<u>(674)</u>	

* The average rate is determined for fixed rate instruments on the basis of the U.S. dollar and foreign currency rates and for the variable rate instruments generally on the basis of Euribor or Libor.

Interest rate risk

The Company makes use of certain instruments for the management of interest rate risk in order to optimize its financial results. Interest rate contracts allow the Company to borrow long-term at fixed or variable rates, and to swap the rate of this debt either from the start or during the period of the loan. The Company and its counterparty 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.

Interest rate derivatives used by the Company to cover variations in the value of fixed rate loans qualify as fair value hedges. The assets and liabilities associated with interest rate instruments are not significant.

Exchange rate risk

The Company is mainly exposed to variations in value arising from exchange rate fluctuations on raw materials, energy and freight. Normally, the Company invoices its customers in the functional currency of its Operating Subsidiaries.

The Company uses forward purchases and sales of foreign currency, "plain vanilla" options, and foreign currency swaps to hedge foreign currency transactions at the majority of its subsidiaries. The Company also uses these instruments at corporate level to hedge debt recorded in foreign currency or the balance sheet risk incurred on certain monetary assets denominated in foreign currency.

The general policy of the Company is to hedge its exposure to exchange rate risk transactions. However, as an exception to this general policy, for certain currencies and for risks and amounts that are clearly identified and authorized by management, the Company may either hedge in anticipation of future transactions or not hedge transactional risks.

To hedge the above exposure to exchange rate risk, the Company had 10.8 billion of long positions in forward contracts and option arrangements against other currencies as of December 31, 2007.

Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2007					
	Carrying amount	Contractual Cash Flows	Less than 1 Year	1-2 Years	2-5 Years	More than 5 Years
Non-derivative financial liabilities						
Bonds / notes over 100	(3,839)	(4,875)	(1,111)	(169)	(1,299)	(2,296)
Loans over 100	(20,216)	(22,476)	(6,454)	(4,158)	(11,864)	—
Trade and other payables	(13,991)	(13,991)	(13,991)	—	—	—
Other non derivative financial liabilities	(7,903)	(9,074)	(2,890)	(923)	(3,923)	(1,338)
Total	<u>(45,949)</u>	<u>(50,416)</u>	<u>(24,446)</u>	<u>(5,250)</u>	<u>(17,086)</u>	<u>(3,634)</u>
Derivative financial liabilities						
Interest rate instruments used for hedging	(18)	(18)	(5)	(5)	(8)	—
Foreign exchange contracts used for hedging	(492)	(492)	(426)	(35)	(31)	—
Other commodities contracts	(164)	(164)	(156)	(6)	(2)	—
Total	<u>(674)</u>	<u>(674)</u>	<u>(587)</u>	<u>(46)</u>	<u>(41)</u>	<u>—</u>

The following table presents the periods in which cash flows hedges are expected to mature.

	December 31, 2006				
	(liabilities)	(outflows)/inflows			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 Years
Forward exchange contracts	(102)	(61)	(34)	(7)	—
Commodities	(54)	(39)	(19)	(14)	18
Total	<u>(156)</u>	<u>(100)</u>	<u>(53)</u>	<u>(21)</u>	<u>18</u>

	December 31, 2007				
	(liabilities)	(outflows)/inflows			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 Years
Forward exchange contracts	(420)	(305)	(53)	(27)	(35)
Commodities	(86)	(50)	(21)	(16)	1
Total	<u>(506)</u>	<u>(355)</u>	<u>(74)</u>	<u>(43)</u>	<u>(34)</u>

The following table presents the periods in which cash flows hedges are expected to impact the income statement:

	December 31, 2006				
	(liabilities)	(expenses)/income			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 Years
Forward exchange contracts	(102)	(59)	(35)	(8)	—
Commodities	(54)	(29)	(24)	(19)	18
Total	<u>(156)</u>	<u>(88)</u>	<u>(59)</u>	<u>(27)</u>	<u>18</u>

	December 31, 2007				
	(liabilities)	(expenses)/income			
	Carrying amount	3 months and less	3-6 months	6-12 months	1-2 Years
Forward exchange contracts	(420)	(102)	(79)	(74)	(165)
Commodities	(86)	(38)	(30)	(21)	3
Total	<u>(506)</u>	<u>(140)</u>	<u>(109)</u>	<u>(95)</u>	<u>(162)</u>

Raw material, freight, energy risks and emission rights

The Company uses financial instruments (forward purchases, options and swaps on commodities) in order to reduce the volatility risk of certain raw materials and energy. The Company is exposed to risks on raw materials (including base metals such as zinc, nickel, aluminum, pewter and copper) and energy both through the purchase of raw materials and through sales contracts.

Fair values of raw material instruments are as follows:

	December 31,	
	2006	2007
Base metals, freight	129	(79)
Energy (oil, gas, electricity)	(69)	12
	<u>60</u>	<u>(67)</u>
Assets associated with raw material, energy and freight	155	91
Liabilities associated with raw material, energy and freight	(95)	(158)
Total	<u>60</u>	<u>(67)</u>

Emission rights

Pursuant to the application of the European Directive 2003/87/EC of October 13, 2003 establishing a scheme for emission allowance trading, the Company enters into certain types of derivatives (cash purchase and sale, forward transactions and options) in order to implement its management policy for associated risks. As of December 31, 2006 and 2007, the Company had a net notional position of 1 with a net fair value of (1) and a net notional position of 29 with a net fair value of 14, respectively.

Sensitivity analysis

Foreign currency sensitivity

The following table details the Company's derivatives sensitivity to a 10% strengthening and a 10% weakening in the U.S. dollar against the other currencies to which the Company is exposed. The sensitivity analysis does not include non-derivative foreign currency-denominated monetary items. A positive number indicates an increase in profit or loss and other equity where a negative number indicates a decrease in profit or loss and other equity.

	December 31, 2006		December 31, 2007	
	Income	Other Equity	Income	Other Equity
10% strengthening in U.S. dollar	(126)	269	129	933
10% weakening in U.S. dollar	126	(273)	(40)	(995)

Cash Flow Sensitivity Analysis for variable rate instruments

A change of 100 basis points in interest rates during the period would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2006.

	December 31, 2006		
	Variable rate Instrument	Interest rate Swaps/FRAs	Cash Flows Sensitivity (net)
100 bp Increase	(158)	(22)	(180)
100 bp Decrease	158	22	180
	December 31, 2007		
	Variable rate Instrument	Interest rate Swaps/FRAs	Cash Flows Sensitivity (net)
100 bp Increase	(179)	1	(178)
100 bp Decrease	179	1	178

Base metals, energy, freight, emissions rights

The following table details the Company's sensitivity to a 10% increase and decrease in the price of the relevant base metals, energy, freight, and emissions rights. The sensitivity analysis includes only outstanding, un-matured

base metal derivative instruments both held for trading as fair value through income statement and those designated in hedge accounting relationships.

	December 31, 2006		December 31, 2007	
	Other equity Cash flow		Other equity Cash flow	
	Income	Hedging reserves	Income	Hedging reserves
+10% in prices	16	104	41	112
-10% in prices	(16)	(104)	(41)	(112)

NOTE 16: EQUITY

As of December 31, 2006, the authorized common shares of Mittal Steel consisted of 5,000,000,000 Class A common shares, with par value of €0.01 per share, and 721,500,000 Class B common shares, par value of €0.01 per share. At December 31, 2006, 934,818,820 Class A common shares and 457,490,210 Class B common shares were issued and 927,778,733 Class A common shares (excluding treasury shares) and 457,490,210 Class B common shares were outstanding.

In September 2006, the nominal value of Class B common shares changed from €0.10 per share to €0.01 per share and the voting rights associated therewith were reduced from 10 votes to 1 vote per share. This was approved by the shareholders during the June 30, 2006 shareholders' meeting and resulted in a reduction of share capital of 52.

On August 28, 2007, at the extraordinary general meeting of Mittal Steel the shareholders approved the merger of Mittal Steel into the former ArcelorMittal, a wholly-owned subsidiary of Mittal Steel. This merger was effective on September 3, 2007 and was the first step in the two-step merger process between Mittal Steel and Arcelor. Holders of Mittal Steel shares automatically received one newly issued share of the former ArcelorMittal for every one Mittal Steel share on the basis of their respective holdings. The Mittal Steel Class A common shares and the Mittal Steel Class B common shares have disappeared in this merger.

On November 5, 2007, at the extraordinary general meeting of ArcelorMittal and Arcelor shareholders approved the merger of former ArcelorMittal into Arcelor effective on November 13, 2007. In this second step in the two-step merger process, a holder of the former ArcelorMittal shares received one newly issued Arcelor share for every one former ArcelorMittal share (the "Exchange Ratio"). This Exchange Ratio followed the completion of a share capital restructuring of Arcelor pursuant to which each seven pre-capital restructuring shares of Arcelor were exchanged for eight post-capital restructuring shares of Arcelor. After the second step merger Arcelor was renamed ArcelorMittal.

In addition, a new share capital was approved of €6,439 million, representing 1,470 million shares, without nominal value, for a period ending on November 5, 2012. This new share capital results in issued corporate capital of €6,346 million (9,269) represented by approximately 1,449 million shares, without nominal value, of which approximately 1,422 million shares were outstanding as of December 31, 2007.

Dividends

Calculations to determine the amounts available for dividends are based on ArcelorMittal's Luxembourg statutory accounts, which are different from its consolidated accounts. ArcelorMittal has no significant manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of (new) common shares. Dividends are declared in U.S. dollars and are payable in either U.S. dollars or in euros.

On September 27, 2006, Mittal Steel announced that its Board of Directors had agreed upon, and the shareholders subsequently approved, a new dividend and cash distribution policy. The new policy aimed to return 30% of Mittal Steel's prior year annual net income to shareholders annually through an annual base dividend, supplemented by share buy-backs. The annual base dividend was \$1.30 per share.

The dividend for 2007 amounted to 1,826 (\$1.30 per share) and was paid quarterly (\$0.325 cents per share) on March 15, 2007, June 15, 2007, September 17, 2007 and December 17, 2007.

On November 14, 2007, ArcelorMittal announced its Board of Directors had recommended increasing the Company's base dividend by 20 cents from \$1.30 to \$1.50 per share. The policy reconfirms a mechanism that

will allow ArcelorMittal to honor its commitment of returning 30% of net income to shareholders through an annual base dividend, supplemented by additional share buy-backs. Based on the annual net income attributable to equity holders of the parent for the year ended December 31, 2007 of 10.4 billion, ArcelorMittal will return a total of 3.1 billion to shareholders by paying a cash dividend of approximately 2.1 billion and implementing a 1.0 billion share buy-back. This distribution policy was implemented as of January 1, 2008.

The 1.0 billion share buy-back was completed on February 20, 2008 with the acquisition of 14.6 million shares (out of 25 million shares repurchased) from Carlo Tassara International S.A. at a price of €46.60 (\$68.70) per share.

On March 17, 2008, an interim dividend was declared of \$0.375 cents per share. New quarterly dividend payments will take place on June 16, 2008, September 15, 2008 and December 15, 2008.

Treasury stock

On April 2, 2007, ArcelorMittal announced the start of a share buy-back program designed to achieve the 30% distribution pay-out commitment described above. This share buy-back program was completed on September 4, 2007 as the \$590 million limit was reached. ArcelorMittal purchased an aggregate of 9,513,960 Mittal Steel Class A common shares and ArcelorMittal shares under the program.

On June 12, 2007, ArcelorMittal announced the start of a share buy-back program for up to 27 million shares, for cancellation in due course. This share buy-back program was designed to offset the issuance of 27 million shares in connection with ArcelorMittal's mandatory offer for ArcelorMittal Brasil. This share buy-back program was completed on December 13, 2007. The shares were repurchased at an average price of €50.15 (\$72.39) per share and for a total amount of €1,354 million (1,954).

On November 5, 2007, ArcelorMittal announced the start of a share buy-back program valid for a period of 18 months or until the date of its renewal by a resolution of the general meeting of shareholders if such renewal date is prior to such period. This program was completed on February 20, 2008 with the acquisition of 14.6 million shares from Carlo Tassara International S.A. ("Carlo Tassara") at a price of €46.60 (\$68.70) per share for a total amount of €680 million (1,003). Carlo Tassara is controlled by the Zygmunt Lubicz-Zaleski Foundation. Mr. Romain Zaleski was a member of the ArcelorMittal Board of Directors at the time of this transaction.

On December 12, 2007, ArcelorMittal announced the start of a share buy-back program for up to 44 million shares. This program has a two year term, and shares bought under this program may be used in potential future corporate opportunities or for cancellation. The Company acquired approximately 130,000 shares under this program through December 31, 2007, for a total amount of 9 at an average price of \$70.38 per share.

On February 19, 2008, ArcelorMittal purchased 10.4 million shares (out of a total of 25 million shares repurchased) under the 44 million share buy-back program from Carlo Tassara at a price of €46.40 (\$68.70) per share.

Share Retention Agreements

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

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

The Company has pledged 78.5% of its shareholding in ArcelorMittal Tubular Products Iasi to AVAS with respect to its investment commitment for 2007-2008.

The Company has entered into a share pledge agreement with AVAS for 100% of its shareholding in ArcelorMittal Tubular Products Roman's share capital with respect to its investment commitment from 2003 to February 1, 2014.

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

The Company is required to establish a registered pledge in favor of the State Treasury of Poland for the number of the Company's shares of ArcelorMittal Poland equal to the difference between: (i) the number of shares in the Company held by Mittal Steel Holdings AG and (ii) 50% of the Company's shares plus one share. As a result, the number of the shares to be pledged equals to 130,549,058 shares, which constitutes about 49% of the entire Company's share capital and about 49.5% of all shares/capital held by the Company.

Stock Option Plan

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

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

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

On August 2 and December 11, 2007, ArcelorMittal granted, respectively, 5,965,200 and 13,000 options to a group of key employees at an exercise price of 64.30 and 74.535, respectively. The options expire on August 2, 2017, and on December 11, 2017.

In addition, Arcelor had stock option plans (grants for 2003, 2004, 2005, 2006) with 1,346,160 options outstanding prior to step-two of the two-step merger.

In connection with step-two of the two-step merger process described above, each Arcelor stock option was provided the right to purchase or subscribe, as applicable, a number of shares equal to seven pre-capital restructuring options to purchase underlying shares in exchange for eight post-capital restructuring options to purchase underlying shares. No other modifications to the initial Arcelor stock option grants were made. This resulted in the issuance of 1,538,469 options to purchase common stock of ArcelorMittal, with an exercise price ranging from \$12.46 to \$44.35 per option.

The Company determines the fair value of the options at the date of grant using the Black-Scholes model. The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of income over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting.

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

	Year of grant	
	2006	2007
Exercise price	33.76	64.30 – 74.535
Dividend yield	1.45 %	2.03 %
Expected annualized volatility	60 %	142 %
Discount rate—bond equivalent yield	4.63 %	4.91 %
Weighted average share price	33.76	64.30 – 74.535
Expected life in years	6	6
Fair value of options (per share)	30	52

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

The compensation expense recognized for stock option plans was 28 and 108 for each of the years ended December 31, 2006, and 2007, respectively.

Option activity with respect to ArcelorMittalShares is summarized below as of and for each of the years ended December 31, 2006, and 2007:

	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2005	5,057,306	2.26 – 28.75	22.92
Granted	3,999,223	33.76	33.76
Exercised	(523,304)	2.26 – 28.75	17.83
Cancelled	(4,000)	8.57 – 11.94	10.26
Forfeitures	(78,257)	33.76	33.76
Outstanding, December 31, 2006	8,450,968	2.26 – 33.76	28.27
Granted	5,978,200	64.30 – 74.535	64.32
Exercised	(2,129,255)	2.26 – 33.76	25.94
Cancelled	(222,566)	28.75 – 33.76	32.20
Forfeitures	(36,378)	11.94 – 33.76	30.61
Effect of legal merger	1,538,469	12.46 – 44.35	43.28
Outstanding, December 31, 2007	13,579,438	2.26 – 74.535	46.15
Exercisable, December 31, 2007	2,595,164	2.26 – 64.30	24.49
Exercisable, December 31, 2006	2,062,787	2.26 – 28.75	17.27

The following table summarizes information about stock options as of December 31, 2007:

Options Outstanding				
<u>Exercise Prices</u>	<u>Number of options</u>	<u>Weighted average contractual life (in years)</u>	<u>Options exercisable (number of options)</u>	
74.535	13,000	9.95	—	
64.30	5,965,200	9.59	10,000	
44.35	1,480,045	5.50	—	
33.76	3,193,503	8.68	785,069	
28.75	2,188,747	7.65	1,072,581	
20.83	11,429	4.50	—	
16.89	29,373	3.50	29,373	
12.46	17,622	2.50	17,622	
11.94	212,499	1.71	212,499	
8.57	199,200	2.42	199,200	
2.26	268,820	4.27	268,820	
2.26 – 74.535	<u>13,579,438</u>	8.26	<u>2,595,164</u>	

NOTE 17: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2006 and 2007 is as follows:

	<u>2006</u>	<u>2007</u>
Recognized in profit and loss		
Interest expense	(1,124)	(1,839)
Interest income	251	577
Net gain on disposal of available-for-sale financial assets transferred from equity	—	34
Net foreign exchange result	340	191
Revaluation of derivatives instruments	(11)	423
Other net financing costs	(110)	(313)
Total	<u>(654)</u>	<u>(927)</u>
Recognized in equity		
Net change in fair value of available for sale financial assets	16	569
Effective portion of changes in fair value of cash flow hedge	(16)	(336)
Foreign currency translation differences for foreign operations	826	3,220
Total	<u>826</u>	<u>3,453</u>

NOTE 18: PENSIONS AND OTHER POST-EMPLOYMENT PLANS

ArcelorMittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer post-employment benefits, including post-employment health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheets are based on a number of assumptions and factors such as the discount rate, expected compensation increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect recognized expense and the recorded obligation in future periods. The total accumulated unrecognized actuarial loss amounted to 597 for pensions and 165 for other post retirement benefits as of December 31, 2007.

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

Americas

U.S.

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

Canada

The primary pension plans are those at Hamilton and QCM. The Hamilton pension plan is a hybrid plan providing the better of a defined benefit and defined contribution pension. The defined contribution component is financed by both employer and employee contributions. The employer also contributes a percentage of profits in the defined contribution plan. The QCM defined benefit plan provides salary related benefit for non-union employees and a flat dollar pension depending on employee length of service.

Brazil

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

Europe

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

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

Plan Assets

The weighted-average asset allocations for the Funded Pension Plans by asset category are as follows:

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

	December 31, 2007				
	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	63 %	54 %	10 %	17 %	45 %
Fixed Income (including cash)	23 %	38 %	88 %	64 %	48 %
Real Estate	5 %	—	—	—	—
Other	9 %	8 %	2 %	19 %	7 %
Total	100 %	100 %	100 %	100 %	100 %

These assets do not contain any direct investment in ArcelorMittal or in property or other assets occupied or used by ArcelorMittal. This does not exclude ArcelorMittal shares being included in mutual fund investments. The invested assets produced an actual return of 278 in 2007.

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

	December 31, 2007				
	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	63 %	60 %	20 %	20 %	49 %
Fixed Income (including cash)	23 %	40 %	80 %	80 %	38 %
Real Estate	14 %	—	—	—	—
Other	—	—	—	—	13 %
Total	100 %	100 %	100 %	100 %	100 %

Pension Plans

	December 31, 2006					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Change in benefit obligation						
Benefit obligation at beginning of the period	3,663	2,965	561	—	69	68
Business combinations	4,762	19	2,165	461	2,117	—
Service cost	103	38	41	4	17	3
Interest cost	319	168	84	20	42	5
Plan amendments	(1)	3	(1)	—	(3)	—
Plan participants' contribution	3	—	1	1	—	1
Curtailments and settlements	(14)	(14)	—	—	—	—
Actuarial loss	151	114	27	1	6	3
Benefits paid	(382)	(218)	(69)	(11)	(82)	(2)
Foreign currency exchange rate differences	(12)	—	(79)	5	62	—
Benefit obligation at end of the period	<u>8,592</u>	<u>3,075</u>	<u>2,730</u>	<u>481</u>	<u>2,228</u>	<u>78</u>
Change in plan assets						
Fair value of plan assets at beginning of the period	2,611	2,161	348	—	—	102
Business combinations	2,828	12	1,771	520	525	—
Expected return on plan assets	338	206	87	27	9	9
Actuarial gain (loss)	154	123	39	3	1	(12)
Employer contribution	181	64	83	5	28	1
Plan participants' contribution	3	—	1	1	—	1
Curtailments and settlements	(13)	(13)	—	—	—	—
Benefits paid	(326)	(218)	(69)	(11)	(26)	(2)
Foreign currency exchange rate differences	(47)	—	(67)	6	14	—
Fair value of plan assets at end of the period	<u>5,729</u>	<u>2,335</u>	<u>2,193</u>	<u>551</u>	<u>551</u>	<u>99</u>
(Unfunded) funded status of the plans	(2,863)	(740)	(537)	70	(1,677)	21
Unrecognized net actuarial loss (gain)	901	891	5	(3)	4	4
Unrecognized past service cost	(70)	—	—	(70)	—	—
Employer contribution after measurement date	6	—	6	—	—	—
Net amount recognized	<u>(2,026)</u>	<u>151</u>	<u>(526)</u>	<u>(3)</u>	<u>(1,673)</u>	<u>25</u>
Net assets related to funded obligations	<u>246</u>	<u>193</u>	<u>24</u>	<u>2</u>	<u>2</u>	<u>25</u>
Balance sheet liabilities	<u>(2,272)</u>	<u>(42)</u>	<u>(550)</u>	<u>(5)</u>	<u>(1,675)</u>	<u>—</u>

December 31, 2007

	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Change in benefit obligation						
Benefit obligation at beginning of the period	8,592	3,075	2,730	481	2,228	78
Service cost	176	39	73	10	45	9
Interest cost	501	167	152	60	107	15
Plan amendments	13	—	3	—	10	—
Plan participants' contribution	5	—	1	2	1	1
Curtailments and settlements	96	—	48	—	—	48
Actuarial (gains) loss	(552)	(201)	(311)	10	(62)	12
Benefits paid	(455)	(2)	(141)	(34)	(209)	(69)
Foreign currency exchange rate differences and other movements	1,067	—	479	110	366	112
Benefit obligation at end of the period	<u>9,443</u>	<u>3,078</u>	<u>3,034</u>	<u>639</u>	<u>2,486</u>	<u>206</u>
Change in plan assets						
Fair value of plan assets at beginning of the period	5,729	2,335	2,193	551	551	99
Expected return on plan assets	507	221	176	76	24	10
Actuarial gain (loss)	(229)	(184)	(54)	—	5	4
Employer contribution	419	257	106	13	42	1
Plan participants' contribution	5	—	1	2	1	1
Benefits paid	(242)	(2)	(141)	(34)	(63)	(2)
Foreign currency exchange rate differences and other movements	612	—	426	123	63	—
Fair value of plan assets at end of the period	<u>6,801</u>	<u>2,627</u>	<u>2,707</u>	<u>731</u>	<u>623</u>	<u>113</u>
(Unfunded) funded status of the plans	(2,642)	(451)	(327)	92	(1,863)	(93)
Unrecognized net actuarial loss (gain)	597	808	(195)	9	(45)	20
Unrecognized past service cost	(2)	—	(1)	—	—	(1)
Prepaid due to unrecoverable surpluses	(103)	—	—	(103)	—	—
Net amount recognized	<u>(2,150)</u>	<u>357</u>	<u>(523)</u>	<u>(2)</u>	<u>(1,908)</u>	<u>(74)</u>
Net assets related to funded obligations	419	357	29	4	3	26
Balance sheet liabilities	<u>(2,569)</u>	<u>—</u>	<u>(552)</u>	<u>(6)</u>	<u>(1,911)</u>	<u>(100)</u>

Asset Ceiling

The amount not recognized in the fair value of plan assets due to the asset ceiling was 5 and 103 at December 31, 2006 and 2007, respectively.

The following tables detail the components of net periodic pension cost

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

	December 31, 2007					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Net periodic cost (benefit)						
Service cost	176	39	73	10	45	9
Interest cost	501	167	152	60	107	15
Expected return on plan assets	(507)	(221)	(176)	(76)	(24)	(10)
Charges due to unrecoverable surpluses	16	—	—	16	—	—
Curtailments and settlements	118	—	72	—	(2)	48
Amortization of unrecognized past service cost	13	—	3	—	10	—
Amortization of unrecognized actuarial (gain) loss	71	68	4	—	(1)	—
Total	388	53	128	10	135	62

Post-employment benefits

ArcelorMittal's principal Operating Subsidiaries in the U.S., Canada and Europe provide post-employment benefits, including medical benefits and life insurance benefits, to retirees. Substantially all of the U.S. Operating Subsidiary employees are covered under post-employment life insurance and medical benefit plans that require deductible and co-insurance payments from retirees. The post-employment life insurance benefit formula used in the determination of post-employment benefit cost is primarily based on applicable annual earnings at retirement for salaried employees and specific amounts for hourly employees. The U.S. Operating Subsidiary does not pre-fund most of these post-employment benefits. Effective January 1, 1994, a Voluntary Employee Benefit Association Trust was established for payment of health care benefits to United Steel Workers of America. Funding of the Trust is made as claims are submitted for payment.

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

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

	December 31, 2007					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Change in post-employment benefit obligation						
Benefit obligation at beginning of period	2,614	1,169	935	6	474	30
Service cost	62	9	19	—	16	18
Interest cost	139	64	52	1	22	—
Plan amendment	47	44	—	—	3	—
Actuarial loss (gain)	(181)	(12)	(158)	(1)	(10)	—
Benefits paid	(195)	(70)	(34)	(1)	(51)	(39)
Curtailments and settlements	18	11	10	—	(3)	—
Acquisition (divestitures)	15	—	—	—	(4)	19
Foreign currency exchange rate changes and other movements	286	—	159	1	75	51
Benefits obligation at end of period	2,805	1,215	983	6	522	79
Fair value of assets	49	34	—	—	15	—
Funded (unfunded) status of the plans	(2,756)	(1,181)	(983)	(6)	(507)	(79)
Unrecognized net actuarial loss (gain)	165	322	(144)	—	(13)	—
Unrecognized past service cost (benefit)	8	13	(2)	—	(3)	—
Net amount recognized	(2,583)	(846)	(1,129)	(6)	(523)	(79)

The net periodic post-employment cost:

	December 31, 2006					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Components of net periodic cost (benefit)						
Service cost	25	9	9	—	5	2
Interest cost	91	55	27	—	7	2
Expected return on plan assets	(2)	(2)	—	—	—	—
Amortization of unrecognized past service cost	(8)	(8)	—	—	—	—
Amortization of unrecognized actuarial (gain) loss	12	12	—	—	—	—
Total	118	66	36	—	12	4

	December 31, 2007					
	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
Components of net periodic cost (benefit)						
Service cost	62	9	19	—	16	18
Interest cost	139	64	52	1	22	—
Expected return on plan assets	(3)	(2)	—	—	(1)	—
Curtailements and settlements	20	11	13	—	(4)	—
Amortization of unrecognized past service cost	4	—	—	—	4	—
Amortization of unrecognized actuarial (gain) loss	23	27	—	(1)	(3)	—
Total	245	109	84	—	34	18

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

	Pension Plan		Other Post-employment Benefits	
	2006	2007	2006	2007
Discount rate	4.43% – 10.97%	5.17% – 10.77%	4.5% – 8.75%	2.94% – 10.77%
Rate of compensation increase	2.22% – 7.5%	2% – 8%	3% – 7.5%	1% – 8%
Expected long-term rate of return on plan assets	3.54% – 12.71%	3.54% – 11.25%	5% – 10%	4.5% – 5%

Health Care Cost trend

	December 31,	
	2006	2007
Health care cost trend rate assumed for next year	2.03% – 10.7%	2.50% – 6.31%

Cash Flows

In 2008, the Company expects benefits payments, including contributions, to amount to 799.

Total long-term deferred employee benefits

The long-term deferred employee benefits are as follows:

	December 31,	
	2006	2007
Pension plan benefit	2,272	2,569
Other post-employment benefit	2,215	2,583
Early retirement benefit	610	780
Other long-term employee benefits	434	312
Total	5,531	6,244

Sensitivity analysis

The following information illustrates the sensitivity to a change in certain assumptions for pension plans (as of December 31, 2007, the defined benefit obligation (“DBO”) for pension plans was 9,443):

(in millions of U.S. dollars)	Effect on 2008 Pre-Tax	Effect of December 31,
Change in assumption	Pension Expense	2007 DBO
Change in assumption	(sum of service cost and interest cost)	2007 DBO
100 basis point decrease in discount rate	(22)	1,058
100 basis point increase in discount rate	11	(945)
100 basis point decrease in rate for compensation	(39)	(368)
100 basis point increase in rate of compensation	38	334
100 basis point decrease in expected return on plan assets	65	—
100 basis point increase in expected return on plan assets	(65)	—

The following table illustrates the sensitivity to a change in the discount rate assumption related to ArcelorMittal’s OPEB plans (as of December 31, 2007 the DBO for post-employment benefit plans was 2.756):

(in millions of U.S. dollars)	Effect on 2008 Pre-Tax	Effect of December 31,
Change in assumption	OPEB Expense	2007 DBO
Change in assumption	(sum of Service cost and interest cost)	2007 DBO
100 basis point decrease in discount rate	(11)	341
100 basis point increase in discount rate	8	(303)
100 basis point decrease in healthcare cost trend	(11)	(145)
100 basis point increase in healthcare cost trend	13	171

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

NOTE 19: INCOME TAX

Income tax expense

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2006 and 2007, respectively, is summarized as follows:

	Year ended December 31,	
	2006*	2007
Total current income tax expense	1,267	2,544
Total deferred tax expense (benefit)	(145)	494
Total income tax expense	<u>1,122</u>	<u>3,038</u>

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

	Year ended December 31,	
	2006*	2007
Net income:	5,247	10,368
Minority interest	859	1,482
Income from equity method investments	(301)	(985)
Income tax expense	1,122	3,038
Income before tax and income from equity method investments:	<u>6,927</u>	<u>13,903</u>
Tax at the domestic rates applicable to profits in the countries	1,669	3,926
Permanent items	56	(318)
Benefit arising from interest in partnership	(34)	(51)
Rate changes	6	(209)
Net change in measurement of deferred tax assets	(43)	103
Re-characterization of capital loss to ordinary loss	(211)	—
Benefit of tax holiday	(14)	(27)
Effects of foreign currency translation	(51)	(297)
Tax deduction	(42)	(105)
Tax credits	(41)	(14)
Other taxes	31	67
Others	(204)	(37)
Income tax expense	<u>1,122</u>	<u>3,038</u>

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

Permanent items of (318) result from deemed deductions on taxable income of 347, income tax expense of 98 on intercompany dividends and share transfers, and other taxable income of 69 relating to other permanent items.

The tax benefit from rate changes of (209) results from the decrease of corporate income tax rates in Canada, Czech Republic, Germany and Morocco.

The net change in measurement of deferred tax assets of 103 primarily consists of a tax benefit of 260 for acquired deferred tax assets, a tax expense of 192 for unrecognized net operating losses relating to the legal merger of Arcelor and Mittal Steel and other net tax expense of 171, mainly relating to deferred tax assets not recognized for losses of the year.

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

At ArcelorMittal Lázaro Cárdenas, the Mexican federal court approved a petition in 2006 to utilize a 668 loss against operating income. Since the loss was incurred in 2004 and was denominated in Mexican pesos, fluctuations in currency exchange rates along with annual inflationary adjustments resulted in an increase in the

U.S. dollar equivalent value of the loss from 668 to 729. Accordingly, a deferred tax asset of 211 was recognized in 2006.

The effects of foreign currency translation of (297) pertain to certain entities with the U.S. dollar as functional currency and the local currency for tax purposes.

The tax deduction in 2006 and 2007 relates to federal governmental incentives granted to CST in Brazil as part of a program to promote the development of the Brazilian northeast region.

The 2006 tax credits are attributable to our Operating Subsidiaries in Spain. They relate to credits claimed on capital gain reinvested in fixed assets and research and development credit.

Other taxes include Secondary Taxation on Companies (“STC”), which is a tax levied on dividends declared by South African companies. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. If the South African Operating Subsidiary distributed all of its undistributed retained earnings of 2,267 and 3,013 in 2006 and 2007, respectively, it would be subject to additional taxes of 252 and 274, respectively. STC on dividends declared in 2006 and 2007 were 24 and 67, respectively.

Others of (37) consists of a tax expense of 110, due to a change in Mexican tax law, a tax expense of 92 for deferred tax liabilities recorded on investments, a tax benefit of 193 due to a release of tax liabilities following the finalization of tax audits, and other tax benefits of 46.

Tax agreements

Certain agreements relating to acquisitions and capital investments undertaken by the Company, provides reduced tax rates, or, in some cases exemption from income tax. Such arrangements expire over various fiscal years through 2014.

The net deferred tax benefit recorded directly to equity was 286 as of December 31, 2007 (43 as of December 31, 2006).

The origin of deferred tax assets and liabilities is as follows:

	<u>Assets</u>		<u>Liabilities</u>		<u>Net</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006*</u>	<u>2007</u>
Intangible assets	121	45	(691)	(665)	(570)	(620)
Property, plant and equipment	528	493	(9,394)	(10,027)	(8,866)	(9,534)
Inventories	222	287	(318)	(364)	(96)	(77)
Available-for-sale	—	—	(28)	(52)	(28)	(52)
Financial instruments	15	222	(41)	(62)	(26)	160
Other assets	201	172	(91)	(151)	110	21
Provisions	1,736	1,828	(450)	(446)	1,286	1,382
Other liabilities	465	651	(99)	(60)	366	591
Tax losses carried forward	2,234	1,659	—	—	2,234	1,659
Tax credits	133	214	—	—	133	214
Untaxed reserves	—	—	(6)	(42)	(6)	(42)
Deferred tax assets / liabilities	<u>5,655</u>	<u>5,571</u>	<u>(11,118)</u>	<u>(11,869)</u>	<u>(5,463)</u>	<u>(6,298)</u>
Deferred tax assets					1,789	1,629
Deferred tax liabilities					(7,252)	(7,927)

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

Deferred tax assets not recognized by the Company as of December 31, 2006 are as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	9,019	3,079	2,234	845
Tax credits	133	133	133	—
Other tax credits (long-term depreciation)	498	75	—	75
Other temporary differences	13,092	3,579	3,288	291
Total		<u>6,866</u>	<u>5,655</u>	<u>1,211</u>

Deferred tax assets not recognized by the Company as of December 31, 2007 are as follows:

	Gross amount	Total deferred tax assets	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses carried forward	7,179	2,373	1,659	714
Tax credits	292	292	214	78
Other temporary differences	12,853	4,022	3,698	324
Total		<u>6,687</u>	<u>5,571</u>	<u>1,116</u>

Unrecognized deferred tax assets of 75 on other tax credits (long-term depreciation) as of December 31, 2006 corresponded to long-term depreciation and net capital loss on sale of participations in France. Due to a change in legislation, the tax rate of 15% applied in 2006 decreased to 0% as from January 1, 2007.

ArcelorMittal had unrecognized deferred tax assets relating to tax loss carry forwards and other temporary differences, amounting to 1,116 as of December 31, 2007 (1,211 as of December 31, 2006). As per December 31, 2007, most of these temporary differences relate to tax loss carry forwards attributable to our Operating Subsidiaries in Belgium, Brazil, Luxembourg, Mexico and the United States. The majority of unrecognized tax losses have no expiration date. The utilization of tax loss carry forwards is, however, restricted to the taxable income of the subsidiary or tax consolidation it belongs.

At December 31, 2007, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deductible temporary differences are anticipated to reverse, management believes it is more likely than not that ArcelorMittal will realize the benefits of the deferred tax assets recognized. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

ArcelorMittal has recorded approximately 35 of deferred income tax liabilities on the undistributed earnings of its foreign subsidiaries for income taxes due if these earnings would be distributed. Investments in our subsidiaries are not expected to reverse in a foreseeable future and therefore capital gains are not anticipated.

Tax loss carry forward

At December 31, 2007, the Company had total estimated net tax loss carry forwards of 7,179.

Such amount includes net operating losses of 2,478 primarily related to Operating Subsidiaries in Canada, Mexico, Romania, Spain and the United States, which expire as follows:

Year expiring	Amount
2008	65
2009	40
2010	97
2011	40
2012	63
Thereafter	2,173
Total	<u>2,478</u>

The remaining tax loss carry forwards of 4,701 are indefinite and primarily attributable to the Company's operations in Belgium, Brazil, Germany, France, Luxembourg and Trinidad and Tobago.

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

NOTE 20: PROVISIONS AND ALLOWANCES

The movements by provision are as follows:

	Balance at December 31, 2005	Additions	Deductions / Releases	Acquisitions	Foreign currency and other movements	Balance at December 31, 2006
Environmental (see note 23)	442	118	(91)	319	39	827
Asset retirement obligations	198	2	(33)	—	2	169
Restructuring	80	48	(41)	130	(8)	209
Litigation (see note 23)	—	177	(129)	705	(47)	706
Commercial agreements and onerous contracts	—	30	23	—	3	56
Other*	—	98	(241)	680	105	642
	<u>720</u>	<u>473</u>	<u>(512)</u>	<u>1,834</u>	<u>94</u>	<u>2,609</u>
Short-term provisions	109					569
Long-term provisions	611					2,040
	<u>720</u>					<u>2,609</u>

	Balance at December 31, 2006	Additions	Deductions / Releases	Acquisitions	Foreign currency and other movements	Balance at December 31, 2007
Environmental (see note 23)	827	134	(62)	4	(14)	889
Asset retirement obligations	169	19	(26)	6	8	176
Restructuring	209	394	(123)	80	5	565
Litigation (see note 23)	706	289	(182)	36	168	1,017
Commercial agreements and onerous contracts	56	96	(36)	—	18	134
Other*	642	442	(328)	28	35	819
	<u>2,609</u>	<u>1,374</u>	<u>(757)</u>	<u>154</u>	<u>220</u>	<u>3,600</u>
Short-term provisions	569					1,144
Long-term provisions	2,040					2,456
	<u>2,609</u>					<u>3,600</u>

* Other includes provisions for technical warranties, guarantees as well as other disputes, including provisions for fines and penalties, with authorities.

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

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

	December 31,	
	2006	2007
Opening	72	80
Cash payments	(35)	(61)
Reassessment	35	—
Foreign currency exchange	8	7
Closing	<u>80</u>	<u>26</u>

NOTE 21: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following:

	December 31,	
	2006	2007
Accrued payroll and employee related expenses	2,238	2,008
Other creditors	4,716	5,267
Total	<u>6,954</u>	<u>7,275</u>

NOTE 22: COMMITMENTS

Operating leases

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

Less than 1 year	88
1-3 years	210
4-5 years	105
More than 5 years	171
Total	<u>574</u>

Rent expense was 226 and 244 for the years ended December 31, 2006 and 2007, respectively.

Commitments given

	December 31,	
	2006	2007
Purchase commitments	31,274	30,046
Capital commitments	3,297	1,907
Property pledged and guarantees	2,927	3,225
Guarantees on third-party financial loans and credit lines	782	190
Other guarantees	1,406	2,998
Other	190	3,358
Total	<u>39,876</u>	<u>41,724</u>

Commitments received

	December 31,	
	2006	2007
Endorsements and guarantees received from non-consolidated companies	486	1,218
Other commitments received	1,839	1,790
Total	2,325	3,008

Purchase commitments

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

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

ArcelorMittal South Africa has long-term supply contracts for the supply of iron ore ending June 2011 through June 2026. Under these agreements 9 million tons of iron ore are supplied to it per year.

In February 2005, ArcelorMittal Duisburg signed an agreement with ThyssenKrupp Stahl AG for the purchase of between 1.3 - 1.5 million tons of hot metal each year for a 20-year term, which started in October 2007. In 2007, ArcelorMittal Duisburg acquired hot metal at a value of approximately 400 and at the end of 2007 still had purchase commitments totaling 8,300 to be realized through 2027, under this agreement.

ArcelorMittal Lázaro Cárdenas has committed through 2010 for the supply of 500,000 tons per year of pellet feed equivalent to approximately 52.

ArcelorMittal Purchasing has entered into contracts through 2012 for the purchase of iron ore (approximately 210 million tons), coking coal (approximately 52.5 million tons), PCI (approximately 10.4 million tons) and coke (approximately 2.5 million tons) at prices to be agreed in accordance with specified formulas, in line with customary international practice for the sale and purchase of these materials.

ArcelorMittal Purchasing has also entered into energy contracts for the purchase of 13.5 TWh based on competitive price formulas as well as freight contracts through 2010 for a total volume of 125 million tons.

Significant Capital Commitments

ArcelorMittal Kryviy Rih has committed to invest at least 500 through 2010, which includes certain innovation, investment and environment-related "undertakings". As of December 31, 2007 the outstanding commitments under this project totaled 231. Other capital commitments outstanding as orders for fixed asset acquisitions as of December 31, 2007 totaled 138.

ArcelorMittal Ostrava has committed to invest 243, including 20 for environmental investment, from 2003 to 2012. At the end of 2007, capital commitments totaling 137 were still outstanding, of which 42 is to be invested during 2008.

ArcelorMittal Galati has committed to invest approximately 80 in capital expenditures from 2008 through 2011.

Mittal Steel Zenica has committed to invest 135 through 2014 in the Fenix project, under which it is proposed to restart an integrated route (including environmental protection). The company has spent 51 through December 31, 2007 and it is planned that another 58 will be invested in 2008. In addition, Mittal Steel Zenica has committed to invest 26 through 2014.

ArcelorMittal Temirtau capital commitments as of December 31, 2007 totaled 44. Amount committed for investments of environmental assessments and site restoration is 28 as at December 31, 2007.

ArcelorMittal South Africa has committed to invest 136 through 2009. As part of its strategy, this includes 12 on environmental projects and 63 on relines of the Corex and Midrex plant as well as a blast furnace.

In addition to these specific capital commitments associated primarily with sale purchase agreements at the time of acquisitions, ArcelorMittal entered into various capital commitments for property, plant and equipment in the ordinary course of business.

Property pledged and guarantees

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

Guarantees on third party financial loans and credit lines

Guarantees on third-party loans consist of guarantees hedging financial loans and credit lines granted to non-consolidated subsidiaries and investments accounted for using the equity method.

In the ordinary course of its business, ArcelorMittal USA Inc has guaranteed certain debt of its affiliated company amounting to 423.

Other guarantees

Other guarantees consist of documentary credits and letters of credit, sureties, first demand and documentary guaranties, as well as guarantees provided to state authorities such as customs.

Other commitments given

Other commitments given comprise commitments incurred for the long-term use of goods belonging to a third party, commitments incurred under operating leases and credit lines confirmed to customers but not drawn, and commitments relating to grants.

Other commitments received

Other commitments received include undrawn letter of credit facilities and letter of guarantees, commitments deriving from bills, sureties and guarantees provided by third parties and promises received to buy tangible assets. On December 30, 2005, the Company entered into a multi-currency revolving letter of credit facility in an aggregate amount equal to 800 with a consortium of lenders. This facility is used by the Company and its subsidiaries for the issuance of letters of credit and financial guarantees. The terms of the letter of credit and financial guarantees contain certain restrictions as to duration.

NOTE 23: CONTINGENCIES

This section discusses the principal environmental liabilities of ArcelorMittal and the principal legal actions to which ArcelorMittal is a party.

ArcelorMittal may be involved in litigation, arbitration or other legal proceedings. Provisions related to legal and arbitral proceedings are recorded in accordance with the principles described in note 2.

Most of these claims involve highly complex issues, actual damages and other matters. Often these issues are subject to substantial uncertainties, and, therefore, the probability of loss and an estimation of damages are difficult to ascertain. Consequently, for a large number of these claims, the Company is unable to make a reasonable estimate of the expected financial effect that will result from ultimate resolution of the proceeding. In those cases, the Company has disclosed information with respect to the nature of the contingency. The Company has not accrued a reserve for the potential outcome of these cases.

In the cases where quantifiable fines and penalties have been assessed, the Company has indicated the amount of such fine or penalties or the amount of provision accrued that is the estimate of the probable loss.

In a limited number of ongoing cases, while the Company is able to make a reasonable estimate of the expected loss or range of possible loss and have accrued a provision for such loss, the Company believes that publication of this information on a case-by-case basis would seriously prejudice the Company's position in the ongoing legal proceedings or in any related settlement discussions. Accordingly, in those cases, the Company has disclosed information with respect to the nature of the contingency but has not disclosed its estimate of the range of potential loss.

Environmental Liabilities

ArcelorMittal's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2007, ArcelorMittal had established reserves of 889 for environmental liabilities, including 521 in provisions relating to Europe, 210 in provisions relating to the United States, 122 in provisions relating to South Africa, and 36 in provisions related to Canada. Previous owners of ArcelorMittal's facilities expended in the past, and ArcelorMittal expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations.

United States

In 1990, ArcelorMittal USA's Indiana Harbor (East) facility was party to a lawsuit filed by the United States Environmental Protection Agency (the "EPA") under the RCRA. In 1993, ArcelorMittal Indiana Harbor (East) entered into a Consent Decree, which, among other things, requires facility-wide RCRA Corrective Action and sediment assessment and remediation in the adjacent Indiana Harbor Ship Canal. ArcelorMittal USA's reserves for environmental liabilities include approximately 14 for RCRA Corrective Action, and 22 for sediment assessment and remediation at this site. Remediation ultimately may be necessary for other contamination that may be present at Indiana Harbor (East), but the potential costs of any such remediation cannot yet be reasonably estimated.

ArcelorMittal USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA Corrective Action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires ArcelorMittal to perform a Remedial Facilities Investigation ("RFI") and ultimately a Corrective Measures Study, to complete corrective measures, and to perform any required post-remedial activities. In 2006, an RFI was conditionally approved by the New York State Department of Environmental Conservation and the EPA. ArcelorMittal USA has executed Orders on Consent to perform certain interim corrective measures while advancing the Corrective Measures Study. The Company expects to execute a Corrective Measure Order on Consent in 2008 for other site remediation activities. The Company has reserved approximately 64 for the undiscounted future cost of performing anticipated remediation and post remediation activities over a period of 15 years or more. The estimate is based on the extent of soil and groundwater contamination identified by the RFI and likely remedial alternative; including excavation and consolidation of containments in an on-site landfill and continuation of groundwater pump and treat systems.

In 1997, Bethlehem Steel, the EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution Consent Decree for investigation and remediation at ArcelorMittal USA's Sparrows Point, Maryland facility. ArcelorMittal USA assumed Bethlehem Steel's ongoing obligations under the Consent Decree. In accordance with the Consent Decree, the Company will continue to address closure and post-closure care matters and implement corrective measures associated at Coke Point Landfill, complete a RCRA Corrective Action (Investigation, Remediation and Post Closure Care) on retained properties, and continue operation and maintenance of a remediation system at a former rod and wire mill. ArcelorMittal USA's reserves for environmental liabilities include 34 for the matters where corrective action costs are probable and can be reasonably estimated. The potential costs, as well as the time frame of possible remediation activities, which ArcelorMittal currently considers probable, relating to the site-wide investigation at Sparrows Point or resulting for a sale of the Sparrows Point Business pursuant to a U.S. Department of Justice Order, cannot be reasonably estimated until more of the investigations and data analysis are completed and the terms and conditions of any sale is defined.

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

On August 8, 2006, the EPA issued ArcelorMittal USA's Burns Harbor, Indiana facility a Notice of Violation ("NOV") alleging that in early 1994 the facility (then owned by Bethlehem Steel, from whom the assets were acquired out of bankruptcy) commenced a major modification of its #2 Coke Battery without obtaining a Prevention of Significant Deterioration ("PSD") permit and has continued to operate without the appropriate PSD permit. ArcelorMittal USA has discussed the allegations with the EPA, but to date there have been no further proceedings. The EPA also has conducted a series of inspections and submitted information requests under the U.S. Clean Air Act relating to the Burns Harbor facility and several other ArcelorMittal facilities located in Indiana and Ohio. ArcelorMittal has held discussions with the EPA and state environmental agencies regarding their concerns, and further discussions are planned.

Europe

Provisions total 521 and are mainly related to investigation and remediation of environmental contamination at current and former operating sites in France (196), Luxembourg (119) and Belgium (157). This remediation work relates to various elements such as decontamination of water discharges, waste disposal, cleaning water ponds as well as certain remediation activities that involve the clean-up of soil and groundwater. These reserves are also related to human health protection measures such as fire prevention and additional contamination prevention measures to comply with local health and safety regulations.

Legal Claims

ArcelorMittal is a party to various legal actions. The principal legal actions are disclosed below.

Environmental Claims

ArcelorMittal is a party to various legacy environmental claims. As of December 31, 2007, ArcelorMittal had not established reserves for the claims disclosed below.

United States

In July 2004, the Illinois Environmental Protection Agency (the "IEPA") notified Indiana Harbor (East) that it had identified that facility as a potentially responsible party in connection with alleged contamination relating to Hillside Mining 135 Co. ("Hillside"), a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940's and then sold the assets of in the early 1950's, in conjunction with the corporate dissolution of that company. The IEPA is requesting that Indiana Harbor (East) and other potentially responsible parties conduct an investigation of certain areas of potential contamination. Indiana Harbor (East) intends to defend itself fully in this matter. As of December 31, 2007, ArcelorMittal is not able to reasonably estimate the amount of liabilities relating to this matter, if any.

Canada

In March 2004, a group of residents in Nova Scotia brought a potential class action in the Supreme Court of Nova Scotia against various parties, including Mittal Canada, alleging various torts for damage allegedly caused by the steel plant and coke ovens formerly owned and occupied by Dominion Steel and Coal Corporation from 1927 to 1967. ArcelorMittal acquired Mittal Canada in 1994, and the plaintiffs are attempting to establish that Mittal Canada thereby assumed the liabilities of the former occupiers. The plaintiffs seek to have the claim approved as a class action, though the court has not yet issued a decision on this matter. As of December 31, 2007, ArcelorMittal is unable to assess the outcome of these proceedings or to reasonably estimate the amount of liabilities relating to this matter, if any.

Tax Claims

ArcelorMittal is a party to various tax claims. As of December 31, 2007, ArcelorMittal has established reserves in the aggregate of approximately 175 for the claims disclosed below.

Brazil

The Brazilian Federal Revenue Service has claimed that ArcelorMittal Brasil owes 113 for IPI (Manufactured Goods Tax) concerning its use of tax credits on the purchase of raw materials that were non-taxable, exempt from tax or subject to a 0% tax rate and the disallowance of IPI credits recorded five to ten years after the relevant acquisition. Recent Brazilian Supreme Court jurisprudence would tend to support the Federal Revenue Service's position.

In 2003, the Brazilian Federal Revenue Service granted CST a tax benefit for certain investments. CST had received certificates from SUDENE, the former Agency for the Development of the Northeast Region of Brazil, confirming CST's entitlement to this benefit. In September 2004, CST was notified of the annulment of these certificates. ArcelorMittal Tubarão has pursued its right to this tax benefit through the courts against both ADENE, the successor to SUDENE, and against the Brazilian Federal Revenue Service. The Brazilian Federal Revenue issued a tax assessment in this regard for 533 in December 2007. In January 2008, ArcelorMittal Tubarão filed its defense to the tax assessment and is waiting for the decision of the administrative tribunal of first instance. While ArcelorMittal Tubarão is unable to assess with any certainty the timing of this decision, it may be rendered before the end of 2008. A further appeal to the administrative tribunal of second instance would then be possible.

In May 2007, the Brazilian Federal Revenue Service issued a 806 tax assessment to ArcelorMittal Brasil to recover taxes primarily related to credit settlements in the context of the 2003 financial reorganization and acquisition of Mendes Júnior Siderurgia S.A. In September 2007, ArcelorMittal Brasil received an administrative decision on the tax assessment pursuant to which it was determined that the amount of tax payable under the assessment should be 16. This decision is subject to mandatory review by an administrative court which may modify the decision and has also been appealed by ArcelorMittal Brasil.

The Brazilian Social Security Administration has claimed that ArcelorMittal Brasil owes certain amounts for social contributions in respect of amounts paid by ArcelorMittal Brasil to employees under its profit sharing scheme for the 1998- 2005 period. In December 2007, it issued a further 11 tax assessments to ArcelorMittal Brasil in respect of the same subject matter, bringing the total amount claimed to 71.2. The various claims are at different stages in the administrative procedure and two cases are in court. ArcelorMittal Brasil is unable reasonably to estimate when any or all of the cases may reach a definitive conclusion.

Spain

Spanish tax authorities have claimed that amortization recorded by the former Siderúrgica del Mediterraneo (currently ArcelorMittal Segunto S.L.) in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 56, including the amount of tax, interest and penalties. The case is pending before the court (the *Audiencia Nacional*), administrative procedures having been exhausted.

South Africa

ArcelorMittal South Africa is involved in a dispute with the South African Revenue Service in respect of the tax treatment of payments made under a Business Assistance Agreement of 88 in 2003 and 105 in 2004. The parties have agreed to participate in an alternative dispute resolution procedure which has not yet reached conclusion.

Kazakhstan

In May and June 2007, the Tax Committee of the Kazakh Ministry of Finance issued two tax assessments against ArcelorMittal Temirtau for (i) adjustment of sales income for related and non-related party sales under transfer pricing law in the sum of 1042 and (ii) the inclusion of income of a subsidiary company domiciled in the United Arab Emirates tax-free zone in the sum of 840, in both cases plus administrative charges. ArcelorMittal Temirtau appealed both tax assessments to the courts. In November 2007, the Astana Court held that the assessment levied by the Tax Committee for 1,042 was not justified and cancelled it, along with related administrative charges of 363. This decision was upheld on appeal to the Kazakh Supreme Court in January 2008. The Tax Committee may appeal this decision within one year, but has not done so to date. In respect of the tax demand for 840, in February 2008, the Karaganda Court found in favor of the Tax Committee, quantifying the amount due as 840 plus administrative charges of 261. ArcelorMittal Temirtau appealed this decision in February 2008 to the Regional Court of Karaganda. Although the Company is unable to estimate with any certainty when the appeal might be determined, appeals in Kazakhstan are usually decided within two to three months. The Company considers it has no liability in respect of either tax assessment, since its obligation to pay income tax is capped under the share purchase agreement and related agreements pursuant to which it acquired ArcelorMittal Temirtau from the government of Kazakhstan. ArcelorMittal Temirtau has paid its income tax in accordance with these agreements.

Competition/Antitrust Claims

ArcelorMittal is a party to various Competition/Antitrust Claims. As of December 31, 2007, Mittal Steel has established reserves of approximately 54 in the aggregate for the claims disclosed below:

Brazil

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including ArcelorMittal Brasil. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council (CADE) issued a decision against ArcelorMittal Brasil that resulted in ArcelorMittal Brasil's having to pay a penalty of 47. ArcelorMittal Brasil has appealed the decision to the Brazilian Federal Court. In September 2006, ArcelorMittal Brasil offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

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

Europe

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

On April 23, 2007, ArcelorMittal received a decision of the Financial Directorate in Ostrava, Czech Republic, in which it ordered ArcelorMittal Ostrava to pay approximately 106 for allegedly abusing its economic position and, as a result, acquiring unjustified profits in respect of prices of blast furnace coke produced by ArcelorMittal Ostrava and delivered in 2004. The Financial Directorate subsequently ordered ArcelorMittal Ostrava to pay an additional fine of 24.7 for the period from January to March 2005. After its previous decision in October 2006 was cancelled by the Czech Ministry of Finance, the matter was returned to the Financial Directorate in Ostrava for new investigation and decision. ArcelorMittal Ostrava received notice on June 14, 2007 that the Ministry of Finance had upheld the Financial Directorate of Ostrava's decision. ArcelorMittal Ostrava filed a petition against the decision with the Municipal Court of Prague on June 29, 2007. Filing the petition had the effect of suspending payment of the fines.

In 2004, *La Direction Générale de la Consommation et de la Repression des Fraudes* (the French competition authority) commenced an investigation into alleged anti-competitive practices in the steel distribution sector in France, including Arcelor Négoce Distribution, a subsidiary of Arcelor. The case has been referred to the *Conseil de la Concurrence* (the French competition council), which is now in charge of the investigation procedure. On March 5, 2008, a Statement of Objections was issued to three subsidiaries of ArcelorMittal (PUM Service d'Acier, Arcelor Profil and AMD Sud/Ouest). ArcelorMittal is currently reviewing the Statement of Objections and evaluating its possible response thereto. Any potential fine that might be imposed will depend on the entity that will ultimately be considered liable for the alleged practices. ArcelorMittal is unable at present to determine the outcome of the investigation or estimate the amount or range of a potential fine that may be imposed.

South Africa

ArcelorMittal South Africa is involved in a dispute with Harmony Gold Mining Company Limited and Durban Roodeport Deep Limited alleging that ArcelorMittal South Africa is in violation of the Competition Act. On March 27, 2007, the Competition Tribunal decided that ArcelorMittal South Africa had contravened Section 8(a) of the Competition Act by charging an excessive price. On September 6, 2007, the Competition Tribunal imposed a penalty on ArcelorMittal South Africa of approximately 97, other behavioral remedies designed to prevent ArcelorMittal South Africa imposing or agreeing with customers any conditions on the resale of flat

steel products and ordered that ArcelorMittal South Africa pay the costs of the case. ArcelorMittal South Africa has appealed the decision of the Competition Tribunal on the merits and its decision on the remedies. In November 2007, the Competition Appeal Court ordered the suspension of the Tribunal's decision on the remedies pending the appeals, which have been fixed for October 2008.

In February 2007, the complaint previously filed with the South African Competition Commission by Barnes Fencing, a South African producer of galvanized wire, alleging that ArcelorMittal South Africa, as a "dominant firm", discriminated in its pricing of low carbon wire rod, was referred to the Competition Tribunal. The complainant seeks, among other sanctions, a penalty of 10% of ArcelorMittal South Africa's sales for 2006 in respect of low carbon wire rod and an order that ArcelorMittal South Africa cease its pricing discrimination. The complaint is under review by the Competition Tribunal. ArcelorMittal is unable to assess the outcome of this proceeding or the amount of ArcelorMittal South Africa's potential liability, if any.

Other Legal Claims

ArcelorMittal is a party to various other legal claims. As of December 31, 2007, ArcelorMittal has established reserves of approximately 39 in the aggregate for the claims disclosed below.

Canada

ArcelorMittal North America Inc. and ArcelorMittal Tubular Products Roman S.A are involved in a dispute with Canadian Natural Resources Limited ("CNRL"). ArcelorMittal has learned that on March 30 and April 3, 2007, CNRL filed complaints in Calgary, Alberta for negligence seeking damages of 56.4 and 25.4 respectively. As of this time, the complaints have not been served on either ArcelorMittal entity. The plaintiff alleges that it purchased defective pipe manufactured by ArcelorMittal Tubular Products Roman and sold by ArcelorMittal Tubular Products Roman and ArcelorMittal North America Inc. ArcelorMittal is unable to reasonably estimate the amount of ArcelorMittal North America Inc.'s and ArcelorMittal Tubular Products Roman's liabilities relating to this matter, if any.

Mexico

Sicartsa is involved in a dispute with Ejido Santa Maria of the Municipality of La Union Guerrero over the payment of materials and related damages under a joint venture agreement between the parties. In October 2006, the Agrarian Unity Tribunal entered a judgment ordering Sicartsa to pay the plaintiff damages of 54. In April 2007, upon appeal by Sicartsa, a higher court set aside the judgment and ordered further expert evidence relating to the matters in dispute. ArcelorMittal and other subsidiaries, as purchasers under the Sicartsa SPA, have served notice on Siderurgica Del Pacifico, S.A. de C.V and Conjunto Siderurgico Del Balsas, S.A. de C.V., as sellers under the Sicartsa SPA seeking indemnity for any damages that may be incurred with respect to this claim, since it was not disclosed in connection with the acquisition, and sellers have agreed to indemnify purchasers subject to certain conditions set out in the SPA. The indemnity is limited to 45.

France

Various retired or present employees of certain French subsidiaries of the former Arcelor have initiated lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security ("Social Security"). Asbestos claims in France initially are made by way of a declaration of a work-related illness by the claimant to the Social Security authorities resulting in an investigation and a level of compensation paid by Social Security. Once the work-related illness is recognized by the Social Security authorities, the claimant, depending on the circumstances, can also claim in an action for "*faute inexcusable*" (inexcusable negligence) additional compensation from the company before a special tribunal. Where procedural errors are made by Social Security, it is required to assume full payment of damages awarded to the claimants. This has generally been the case to date.

The number of claims outstanding for asbestos exposure at December 31, 2007 was 449, as compared to 421 as at December 31, 2006. The range of amounts claimed for the year ended December 31, 2007 was €7,500 to €615,000 (approximately \$11,000 to \$905,000). The aggregate costs and settlements for the five month period ended December 31, 2006 were €230,000 (approximately \$300,000) and \$0, respectively. The aggregate costs and settlements for the year ended December 31, 2007 were €350,141 (approximately \$515,000) and €1,200 (approximately \$2,000) respectively.

The following table provides certain information regarding claims for asbestos exposure:

	in number of cases	
	2007	2006⁽¹⁾
Claims unresolved at beginning of period	421	436
Claims filed	191	17
Claims settled, dismissed or otherwise resolved	(163)	(32)
Claims unresolved at December 31,	449	421

⁽¹⁾ Represents the period from August 1, 2006 (the date of acquisition of Arcelor) to December 31, 2006.

Minority Shareholder Claims Regarding the Exchange Ratio in the Second-Step Merger of ArcelorMittal into Arcelor

Several former minority shareholders of Arcelor or their representatives have brought legal proceedings relating to the exchange ratio in the second-step merger between ArcelorMittal and Arcelor. In proceedings that remain ongoing following the completion of the merger process that are summarized below, the claimants make the following principal allegations:

- The exchange ratio in the second step merger should have been the same as that of the secondary exchange offer component of Mittal Steel's June 2006 offer for Arcelor (i.e., 11 Mittal Steel shares for 7 Arcelor shares), and investors had a legitimate expectation that this would be the case based on Mittal Steel's disclosure and public statements;
- The exchange ratio applied in the second step merger was unfair to minority shareholders of Arcelor, particularly in light of developments since the June 2006 offer;
- Mittal Steel's disclosure regarding the merger of Mittal Steel into Arcelor and specifically the exchange ratio (in the second-step merger) was late, insufficient and misleading;
- The two-step process was detrimental to interests of Arcelor minority shareholders;
- The second step merger did not comply with certain provisions of Luxembourg company law.

ArcelorMittal believes that the allegations made and claims brought by the minority shareholders regarding the exchange ratio applied in the second step merger are without merit and that such exchange ratio complied with the requirements of applicable law, was consistent with previous guidance on the principles that would be used to determine the exchange ratio in the second step merger and was relevant and reasonable to shareholders of both merged entities.

The following summarizes the current status of proceedings brought by minority shareholders in this regard:

- In June and July 2007, two hedge funds that were shareholders of Arcelor wrote to the Netherlands Authority for the Financial Markets (the Stichting Autoriteit Financiële Markten, the "AFM"), the Dutch securities regulator, requesting it to take various measures against Mittal Steel relating in particular to disclosure regarding the proposed exchange ratio, and making in substance the allegations summarized above. On August 17, 2007 the AFM rejected the claimants' demands, and stated in particular that:
 - it had no basis to conclude that the exchange ratio in the second-step merger must be the same as that in the secondary exchange offer component of Mittal Steel's final offer for Arcelor securities announced on June 25, 2006;
 - it was not aware of any facts or circumstances that led it to question the accuracy of the exchange ratio;
 - it had no basis to conclude that Mittal Steel's disclosure and public statements regarding the second-step merger and the exchange ratio were not timely and accurate or withheld price-sensitive information, and therefore were constitutive of market manipulation or otherwise incorrect; and
 - the merger exchange ratio was not contrary to Mittal Steel's public statements on this subject.

On September 20, 2007, the claimants filed formal objections with the AFM against the decision of August 17, 2007, asking the AFM to overturn its decision on the same grounds as those presented in support of their initial

request. On February 4, 2008, the AFM confirmed its decision of August 17, 2007. On March 13, 2008, the claimants lodged an appeal against the AFM's decision with the Rotterdam Court.

- On October 18, 2007 and November 19, 2007, ArcelorMittal (the entity resulting from the first step merger) and Arcelor were notified of an appeal by three former hedge fund shareholders of Arcelor before the administrative court of Luxembourg against the March 2, 2007 decision of the CSSF exempting the Significant shareholder from the obligation (under the Luxembourg law implementing the European Takeover Directive) under specified circumstances to launch a tender offer for all Arcelor shares outstanding after the merger. The CSSF had based its grant of an exemption on the fact that the merger would not result either in an acquisition of shares or in a change of the ultimate control of the company. ArcelorMittal submitted its response to the briefs of the claimants on January 17, 2008.
- On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all the members of the Board of Directors of ArcelorMittal and on the Significant shareholder. The claimants request, among other things (i) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for 7 Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (ii) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of 265 (€180 million).

NOTE 24: SEGMENT AND GEOGRAPHIC INFORMATION

ArcelorMittal has a high degree of geographic diversification relative to other steel companies. During 2007, ArcelorMittal shipped its products to customers in approximately 170 countries, with its largest markets in the Flat Carbon Europe, Flat Carbon Americas and Long Carbon America & Europe segments. ArcelorMittal conducts its business through its Operating Subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As of December 31, 2007, ArcelorMittal employed approximately 311,000 persons.

A segment is a distinguishable component of the Company 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 Company's primary segment is defined as the "business segment", while its secondary segment is the "geographical segment".

Business segmentation

ArcelorMittal reports its operations in six operating segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and Commonwealth of Independent States ("AACIS"), Stainless Steel and AM3S (trading and distribution).

- Flat Carbon Americas represents the flat facilities of the Company located in the American Continent (Canada, Brazil, Mexico and the United-States). Flat Carbon Americas produces slabs, hot-rolled coil, cold-rolled coil, coated steel and plate. These products are sold primarily to customers in the following industries: distribution and processing; automotive, pipe and tubes, construction, packaging, and appliances;
- Flat Carbon Europe is 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. Flat Carbon Europe produces hot-rolled coil, cold-rolled coil, coated products, tinplate, plate and slab. These products are sold primarily to customers in the automotive, general industry and packaging industries;
- Long Carbon Americas and Europe operates in Europe and America. Production consists of sections, wire rod, rebars, billets, blooms and wire drawing;
- AACIS produces a combination of flat and long products and pipes and tubes. Its facilities are located in Asia, Africa and Commonwealth of Independent States ("CIS");
- Stainless Steel produces flat and long stainless steel and alloy products from its plants in Europe and South America; and

- ArcelorMittal Steel Solutions and Services (AM3S) is primarily an in-house trading and distribution arm of ArcelorMittal. It also provides value-added and customized steel solutions through further steel processing to meet specific customer requirements.

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

	<u>Flat Carbon Americas</u>	<u>Flat Carbon Europe</u>	<u>Long Carbon Americas & Europe</u>	<u>Asia & Africa CIS</u>	<u>Stainless Steel</u>	<u>AM3S</u>	<u>Others / Elimination**</u>	<u>Total</u>
Year ended								
December 31, 2006*								
Sales	17,585	14,366	13,120	14,388	3,261	5,221	(9,071)	58,870
Operating income	1,912	1,005	1,797	2,584	353	171	(290)	7,532
Depreciation and impairment	641	642	393	447	99	42	60	2,324
Capital expenditures	759	818	577	537	61	62	121	2,935
Total assets	17,293	27,642	21,459	15,947	4,949	4,071	21,320	112,681
Total liabilities	4,881	9,942	6,154	2,743	2,197	2,719	33,571	62,207
Year ended								
December 31, 2007								
Sales	22,895	34,562	23,830	18,229	9,349	16,241	(19,890)	105,216
Operating income	2,987	4,149	3,896	3,184	876	579	(841)	14,830
Depreciation and impairment	1,064	1,400	798	590	275	138	305	4,570
Capital expenditures	1,297	1,742	974	872	263	222	78	5,448
Total assets	19,945	33,421	22,598	11,923	5,564	5,692	34,482	133,625
Total liabilities	6,626	13,181	8,336	4,145	2,278	3,926	33,598	72,090

* As required by IFRS, the 2006 information has been adjusted retrospectively for the finalization of the allocation of purchase price of Arcelor (see note 3).

** Others / Elimination includes all other operations than mentioned above, together with inter-segment elimination, and/or non-operational items which are not segmented.

Geographical segmentation

Sales (by destination)

	Year ended December 31,	
	2006	2007
Americas		
United States	15,653	19,560
Canada	2,668	4,139
Brazil	2,058	6,628
Argentina	453	1,101
Others	2,562	3,241
Total Americas	23,394	34,669
Europe		
France	4,033	8,989
Spain	3,170	7,843
Germany	4,543	11,629
Romania	1,840	1,330
Poland	3,065	4,355
Belgium	862	2,181
Italy	2,449	5,584
United-Kingdom	926	2,731
Turkey	1,224	2,057
Others	6,444	11,926
Total Europe	28,556	58,625
Asia & Africa		
South Africa	2,891	4,396
Others	4,029	7,526
Total Asia & Africa	6,920	11,922
Total	58,870	105,216

Capital expenditures and segment assets per significant country

	Capital expenditures		Segment assets **	
	For the year ended December 31,		As of December 31,	
	2006	2007	2006*	2007
Americas				
Brazil	347	775	10,803	16,199
United States	414	461	10,620	10,333
Canada	155	298	7,134	7,941
Mexico	49	154	806	3,294
Others	36	150	1,702	1,968
Total Americas	1,001	1,838	31,065	39,735
Europe				
France	361	744	14,745	15,513
Luxembourg	103	192	11,901	14,134
Belgium	100	315	8,370	8,858
Spain	204	285	6,957	7,428
Ukraine	159	295	6,413	6,764
Poland	408	603	4,516	6,155

	Capital expenditures		Segment assets **	
	For the year ended December 31,		As of December 31,	
	2006	2007	2006*	2007
Germany	40	237	5,011	5,744
Czech Republic	43	119	1,879	2,969
Romania	90	155	1,841	1,980
Italy	12	42	839	1,305
Others	19	107	1,936	2,666
Total Europe	1,539	3,094	64,408	73,516
Asia & Africa				
South Africa	197	275	4,190	3,931
Kazakhstan	141	159	1,933	1,945
Others	57	82	1,919	3,232
Total Africa & Asia	395	516	8,042	9,108
Unallocated	—	—	8,651	11,266
Total	2,935	5,448	112,166	133,625

* The 2006 comparative information has been adjusted retrospectively for the finalization of purchase price allocation on Arcelor (see note 3).

** Segment assets are operational assets, which include attributable goodwill, intangible assets and property, plant and equipment, as well as current assets used in the operating activities. 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".

NOTE 25: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

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

	Year ended December 31,	
	2006	2007
Segment		
Flat Carbon Americas	36,700	35,491
Flat Carbon Europe	67,238	68,000
Long Carbon Americas & Europe	40,893	56,462
Asia, Africa, CIS	148,291	123,526
Stainless Steel	11,542	11,570
AM3S	11,560	13,086
Other activities and corporate	3,354	3,331
Total	319,578	311,466

	Year ended December 31,	
	2006	2007
Employee information		
Wages and salaries	6,870	11,221
Pension cost	328	611
Total	7,198	11,832

The total annual compensation of the members of ArcelorMittal's Board of Directors paid in 2006 and 2007 was as follows:

(Amounts in \$ thousands except option information)	Year ended December 31,	
	2006	2007
Base salary and/or directors fees	\$ 3,760	\$ 4,334
Short-term performance-related bonus	3,288	2,181
Long-term incentives (number of options)	175,000	60,000

The annual compensation paid to the members of ArcelorMittal's Board of Directors for services in all capacities in 2006 and 2007 was as follows:

(Amounts in \$ thousands except option information)	2006	2007 ⁽¹⁾	2006	2007	2006	2007
			Short-term Performance Related	Short-term Performance Related	Long-term Number of Options	Long-term Number of Options
Lakshmi N. Mittal	\$ 2,005	\$ 2,001	\$ 1,677	\$ 2,181	100,000	60,000
Aditya Mittal ⁽²⁾	942	—	1,611	—	75,000	—
Vanisha Mittal Bhatia	23	—	—	—	—	—
Narayanan Vaghul	139	—	—	—	—	—
Ambassador Andrés Rozental ⁽³⁾	142	—	—	—	—	—
Muni Krishna T. Reddy ⁽⁴⁾	119	—	—	—	—	—
René Lopez ⁽⁵⁾	82	—	—	—	—	—
Wilbur L. Ross, Jr.	105	—	—	—	—	—
Lewis B. Kaden	123	—	—	—	—	—
François H. Pinault ⁽⁶⁾	80	—	—	—	—	—
Joseph Kinsch ⁽⁷⁾	—	338	—	—	—	—
José Ramón Álvarez Rendueles ⁽⁸⁾	—	297	—	—	—	—
Sergio Silva de Freitas ⁽⁹⁾	—	181	—	—	—	—
Georges Schmit ⁽¹⁰⁾	—	197	—	—	—	—
Edmond Pachura ⁽¹¹⁾	—	213	—	—	—	—
Michel Angel Marti ⁽¹²⁾	—	180	—	—	—	—
Manuel Fernández López ⁽¹³⁾	—	163	—	—	—	—
Jean-Pierre Hansen ⁽¹⁴⁾	—	200	—	—	—	—
John Castegnaro ⁽¹⁵⁾	—	180	—	—	—	—
Corporacion JMAC (Antoine Spillmann) ⁽¹⁶⁾	—	163	—	—	—	—
HRH Prince Guillaume de Luxembourg ⁽¹⁷⁾	—	184	—	—	—	—
Romain Zaleski ⁽¹⁸⁾	—	37	—	—	—	—
Total	3,760	4,334	3,288	2,181	175,000	60,000

⁽¹⁾ The compensation that was paid in 2007 to the former Arcelor Board Members was for their services to Arcelor in 2006. No compensation was paid to the former Mittal Steel Board Members on the ArcelorMittal Board in 2007. Compensation with respect to 2007 will be paid after shareholder approval at the AGM to be held on May 13, 2008. Attendance fees for 2007 amounting to approximately \$0.4 million were paid in February 2008.

⁽²⁾ Mr. A. Mittal resigned from ArcelorMittal's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of ArcelorMittal. His compensation as a Director is included only for the period from January 2006 to October 2006. Mr. A. Mittal did receive compensation, a bonus and options in 2007, however he was no longer a member of the Board of Directors.

⁽³⁾ Mr. Rozental resigned from ArcelorMittal's Board of Directors on October 30, 2006.

⁽⁴⁾ Mr. Reddy resigned from ArcelorMittal's Board of Directors on October 30, 2006.

⁽⁵⁾ Mr. Lopez resigned from ArcelorMittal's Board of Directors on October 30, 2006.

⁽⁶⁾ Mr. Pinault was elected to ArcelorMittal's Board of Directors on June 30, 2006.

⁽⁷⁾ Mr. Kinsch was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Kinsch was paid as Chairman of Arcelor's Board of Directors in 2006.

⁽⁸⁾ Mr. Álvarez Rendueles was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Álvarez Rendueles was paid as Vice-Chairman of Arcelor's Board of Directors in 2006.

⁽⁹⁾ Mr. Silva de Freitas was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Silva de Freitas was paid as an Arcelor Board Member in 2006.

- ⁽¹⁰⁾ Mr. Schmit was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Schmit was paid as an Arcelor Board Member in 2006.
- ⁽¹¹⁾ Mr. Pachura was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Pachura was paid as an Arcelor Board Member in 2006.
- ⁽¹²⁾ Mr. Marti was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Marti was paid as an Arcelor Board Member in 2006.
- ⁽¹³⁾ Mr. Fernández López was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Fernández López was paid as an Arcelor Board Member in 2006.
- ⁽¹⁴⁾ Mr. Hansen was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Hansen was paid as an Arcelor Board Member in 2006.
- ⁽¹⁵⁾ Mr. Castegnaro was elected to ArcelorMittal's Board of Directors on October 30, 2006. Mr. Castegnaro was paid as an Arcelor Board Member in 2006.
- ⁽¹⁶⁾ Mr. Spillmann was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- ⁽¹⁷⁾ HRH Prince Guillaume de Luxembourg was elected to ArcelorMittal's Board of Directors on October 30, 2006. HRH Prince Guillaume de Luxembourg was paid as an Arcelor Board Member in 2006.
- ⁽¹⁸⁾ Mr. Zaleski was elected to ArcelorMittal's Board of Directors on October 30, 2006, and resigned on March 5, 2008.

As of December 31, 2006 and 2007, ArcelorMittal did not have outstanding any loans or advances to members of its Board of Directors, and, as of December 31, 2007, ArcelorMittal had not given any guarantees for the benefit of any member of its Board of Directors.

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

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Granted in 2006	Granted in 2007	Total	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	100,000	60,000	500,000	\$ 23.86
Aditya Mittal ⁽¹⁾	7,500	7,500	25,000	75,000	75,000	—	190,000	25.78
Vanisha Mittal Bhatia	—	—	—	—	—	—	—	—
Narayanan Vaghul ⁽³⁾	—	—	—	—	—	—	—	—
Ambassador Andrés Rozenal ⁽⁴⁾⁽⁵⁾	—	—	—	—	—	—	—	—
Muni Krishna T. Reddy ⁽⁸⁾	—	—	—	—	—	—	—	—
René Lopez ⁽⁶⁾	—	—	—	—	—	—	—	—
Wilbur L. Ross	—	—	—	—	—	—	—	—
Lewis B. Kaden	—	—	—	—	—	—	—	—
François H. Pinault ⁽⁷⁾	—	—	—	—	—	—	—	—
Joseph Kinsch ⁽⁸⁾	—	—	—	—	—	—	—	—
José Ramón Álvarez Rendueles ⁽⁹⁾	—	—	—	—	—	—	—	—
Sergio Silva de Freitas ⁽¹⁰⁾	—	—	—	—	—	—	—	—
Georges Schmit ⁽¹¹⁾	—	—	—	—	—	—	—	—
Edmond Pachura ⁽¹²⁾	—	—	—	—	—	—	—	—
Michel Angel Marti ⁽¹³⁾	—	—	—	—	—	—	—	—
Manuel Fernández López ⁽¹⁴⁾	—	—	—	—	—	—	—	—
Jean-Pierre Hansen ⁽¹⁵⁾	—	—	—	—	—	—	—	—
John Castegnaro ⁽¹⁶⁾	—	—	—	—	—	—	—	—
Antoine Spillmann ⁽¹⁷⁾	—	—	—	—	—	—	—	—
HRH Prince Guillaume de Luxembourg ⁽¹⁸⁾	—	—	—	—	—	—	—	—
Romain Zaleski ⁽¹⁹⁾	—	—	—	—	—	—	—	—
Total	87,500	87,500	105,000	175,000	175,000	60,000	690,000	—
Exercise price	\$ 11.94	\$ 8.57	\$ 2.26	\$ 28.75	\$ 33.755	\$ 64.30	—	\$24.39
Term (in years)	10	10	10	10	10	10	—	—
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	September 1, 2016	August 2, 2017	—	—

⁽¹⁾ Mr. A. Mittal resigned from ArcelorMittal's Board of Directors on October 30, 2006, but continued in his role as Chief Financial Officer of ArcelorMittal. Mr. A. Mittal did receive options in 2007, but was no longer a member of the Board of Directors.

⁽²⁾ Mr. Vaghul exercised all his vested options in 2005.

⁽³⁾ Mr. Rozenal resigned from ArcelorMittal's Board of Directors on October 30, 2006.

⁽⁴⁾ Mr. Rozenal exercised the majority of his vested options in 2005, except for 3,333 options granted in 2002 which were exercised in 2006.

⁽⁵⁾ Mr. Reddy resigned from ArcelorMittal's Board of Directors on October 30, 2006.

- (6) Mr. Lopez resigned from ArcelorMittal's Board of Directors on October 30, 2006.
- (7) Mr. Pinault was elected to ArcelorMittal's Board of Directors on June 30, 2006.
- (8) Mr. Kinsch was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (9) Mr. Alvarez Rendueles was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (10) Mr. Silva de Freitas was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (11) Mr. Schmit was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (12) Mr. Pachura was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (13) Mr. Marti was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (14) Mr. Fernández López was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (15) Mr. Hansen was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (16) Mr. Castegnaro was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (17) Mr. Spillmann was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (18) HRH Prince Guillaume de Luxembourg was elected to ArcelorMittal's Board of Directors on October 30, 2006.
- (19) Mr. Zaleski was elected to ArcelorMittal's Board of Directors on October 30, 2006, and resigned from the Board on March 5, 2008.

The total annual compensation of ArcelorMittal's senior management for 2007 was 17 in base salary and 23 in short-term performance related bonuses. As of December 31, 2007, approximately 2.0 was accrued by ArcelorMittal to provide pension benefits to its senior management. During 2007, no loans or advances to ArcelorMittal's senior management were outstanding. As of December 31, 2006, no loan was outstanding.

In 2006, Arcelor granted 217,146 options to its senior management at an exercise price of €34.43. All of these options have been converted into options under the ArcelorMittal Global Stock Option Plan. Options were granted to senior management for 2006 in accordance with the Arcelor Stock Option Plan and in 2006 and 2007 in accordance with the ArcelorMittal Global Stock Option Plan. Future stock options will be granted under the ArcelorMittal Stock Option Plan.

NOTE 26: SUBSEQUENT EVENTS

On January 8, 2008, ArcelorMittal announced the signing of a memorandum of understanding with Société Nationale Industrielle et Minière (SNIM), Mauritania, to jointly develop a large iron ore mining project, using the El Agareb iron ore resource in Mauritania.

On January 9, 2008, ArcelorMittal announced that it had entered a definitive agreement to acquire Unicon, the leading manufacturer of welded steel pipes in Venezuela. The purchase forms part of ArcelorMittal's strategy to strengthen its welded steel pipes business in South America. Unicon supplies the Oil & Gas and Industrial & Construction sectors both domestically and overseas. The transaction is subject to regulatory approval.

On January 16, 2008, ArcelorMittal announced it had begun informational sessions and consultations with employee representatives regarding a reorganization plan for its wire rod operations in Gandrange (Lorraine, France) and in other European locations.

On January 31, 2008, ArcelorMittal announced that it had signed agreements to acquire three coal mines and associated assets in Russia for a total consideration of 720. The Company will acquire a 97.59% stake in the Berezovskaya Mine together with a 99.35% stake in the Pervomayskaya Mine from OAO Severstal in Russia. Both mines produce coking coal and are located in the Kemerovo region in Russia. As part of the agreement, ArcelorMittal will also acquire the exploration and mining rights to the Zhernovskaya-3 coal deposit, which is a subsidiary of the Pervomayskaya Mine. Annual production from the three operating mines, which have a combined estimated capacity of more than 140 million tons, is 3.14 million tons RoM in 2007. The Zhernovskaya-3 coal deposit has an additional estimated reserve of 46 million tons. The transaction is subject to regulatory approval.

On February 1, 2008, ArcelorMittal announced the results of its cash tender offer to acquire the 35.5% of outstanding shares in Acindar that it did not already own. ArcelorMittal announced that the cash tender offer for the Acindar shares had achieved a 98.6% participation rate.

On February 4, 2008, ArcelorMittal announced that it had acquired from Clarion Del Norte (Pujol Group) the 50% interest in Laminadora Costarricense S/A and Trefileria Colima S/A, the only major long carbon steel company in Costa Rica, that it did not already own. Laminadora Costarricense S/A has a rolled products capacity of 400,000 tons per year of rebars and merchant bar quality, and Trefileria Colima S/A has a wire products capacity of 60,000 tons per year.

On February 5, 2008, ArcelorMittal announced the completion of its mandatory cash tender offer to shareholders in China Oriental Group Company Limited ("China Oriental"), which it had launched on December 14, 2007. ArcelorMittal had previously entered into a shareholders' agreement with the controlling shareholders of China Oriental regarding their shareholdings in and the management of China Oriental, and in December 2007, ArcelorMittal entered into a business cooperation agreement with China Oriental and its subsidiaries. The

transaction is subject to formal governmental approval. Prior to the offer, ArcelorMittal, together with its concert parties, held approximately 73% of the existing issued share capital of China Oriental. At the completion of the offer, ArcelorMittal, together with its concert parties, increased their aggregate holding to approximately 92.1%. In consequence, China Oriental's public float fell below the 25% minimum public float requirement of the Hong Kong Stock Exchange listing rules. Pending restoration to the required levels, trading in the shares of China Oriental on the Hong Kong Stock Exchange was suspended on February 5, 2008.

On February 6, 2008, ArcelorMittal announced that it had been awarded a license from the Industrial Development Authority of the Egyptian Ministry of Trade and Industry to construct a steel plant in Egypt. Under the terms of the license, the plant will produce 1.6 million tons of steel using DRI technology, and 1.4 million tons of steel using DRI technology and 1.4 million tons of billets through an electric arc furnace route.

On March 6, 2008, ArcelorMittal announced that Romain Zaleski had resigned from its Board of Directors. Mr. Zaleski joined the Board of Directors of ArcelorMittal in October 2006. Mr. Zaleski indicated his sole reason for resigning was to pursue other commercial interests in the steel sector.

On March 7, 2008, the Brazilian mining company Vale, the world's largest iron ore producer, announced that it had agreed with ArcelorMittal to price increases of 65 percent for iron ore, as well as a premium for higher-quality Carajas ore, in line with price increases agreed with other steel makers. Vale cited the continuity of very tight conditions still prevailing in the global iron market as the reason for this increase.

On March 13, 2008, ArcelorMittal announced that it had commenced legal action in the Ontario Superior Court in order to require U.S. Steel Canada and Cleveland Cliffs to comply with their commitments to sell their respective interests in Wabush Mines, an iron ore and pellet producer in northeastern Canada, to Dofasco, which held a right of first refusal over such interests. ArcelorMittal had previously entered into an agreement with U.S. Steel Canada and Cleveland Cliffs for the sale of their interests in Wabush Mines but on March 4, 2008, both sellers announced they had repudiated the sale agreement.

On March 17, 2008, ArcelorMittal announced that the price offered in the delisting tender offer for all shares of ArcelorMittal Inox Brasil would be reduced to R\$94.55 per common share and R\$94.00 per preferred share plus interest at the rate of the Brazilian base savings account rate plus 6% per year from February 28, 2008 until the offer auction date, April 4, 2008. At the current exchange rate, this transaction will represent a cash disbursement of up to approximately \$1.8 billion.

On March 25, 2008, ArcelorMittal announced that it had provided Noble International, the world's largest producer of laser-welded steel products, with a 50 convertible subordinated loan. The proceeds of this financing will be used by Noble to reduce Noble's North American senior debt and to support its operations. In addition the Group has also acquired an additional 10.31% of shares of Noble from Robert J. Skandalaris, Noble's chairman and founder. This will increase ArcelorMittal's shareholding in Noble to approximately 49.95%. The agreement is subject to satisfaction of certain conditions.

On March 26, 2008, ArcelorMittal confirmed that the Court appointed divestiture trustee has entered into an agreement to sell ArcelorMittal's Sparrows Point steel mill to OAO Severstal for 810, net of debt and is expected to close in the second quarter of 2008. Joseph G. Krauss, the divestiture trustee, was required to seek the sale of the mill by a consent decree entered on May 23, 2007 in the United States District Court for the District of Columbia in order to comply with an anti-trust ruling concerning the approval of the merger between Mittal Steel and Arcelor SA in 2006. Sparrows Point had EBITDA of 25 in 2007. The sale is subject to customary closing conditions, including approval by the United States Department of Justice.

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Report of the Réviseurs d'entreprises)

To the shareholders of
ArcelorMittal
(Successor entity of Mittal Steel Company N.V.)
19, avenue de la Liberté
L-2930 Luxembourg

Report on the consolidated financial statements

Following our respective appointments by the General Meetings of the Shareholders held on April 28, 2006 and November 5, 2007 we have audited the accompanying consolidated financial statements of ArcelorMittal, which comprise the consolidated balance sheet as at December 31, 2007, and the consolidated statement of income, consolidated statement of cash flows, and the consolidated statement of changes in equity 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseurs 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 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 consolidated financial statements are free from 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 the judgement of the *réviseurs d'entreprises*, 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, the *réviseurs d'entreprises* 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 policies 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 ArcelorMittal as of December 31, 2007, and of its consolidated 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, which is the responsibility of the board of directors, is consistent with the consolidated financial statements.

Deloitte S.A.
Réviseur d'entreprises
Eric van de Kerckhove (*Partner*)
560, rue de Neudorf
L-2220 Luxembourg
Luxembourg, April 4, 2008

KPMG Audit S.à r.l.
Réviseur d'entreprises
Eric Damotte (*Partner*)
9, allée Scheffer
L-2520 Luxembourg

2007 ANNUAL ACCOUNTS

Balance Sheet

(millions of U.S. dollars)

		December 31,	
		2007	2006 *
ASSETS			
C.	FIXED ASSETS	68,168	20,785
I.	Intangible assets	2	3
	2. Concessions, patents, licences and similar rights	2	3
II.	Tangible assets	11	5
	1. Land and buildings	5	1
	3. Other fixtures and fittings, tools and equipment	5	4
	4. Payment on account and tangible assets under construction	1	-
III.	Financial assets	68,155	20,777
	1. Shares in affiliated undertakings	51,454	20,694
	2. Loans to affiliated undertakings	16,112	-
	3. Participating interests	535	-
	5. Securities held as fixed assets	47	47
	6. Other loans	7	36
D.	CURRENT ASSETS	3,168	102
II.	Debtors becoming due and payable within one year	2,055	96
	1. Trade debtors	7	1
	2. Amounts owed by affiliated undertakings	2,021	86
	4. Other debtors	27	9
III.	Transferable securities	902	6
	2. Own shares	902	6
	(17,173,201 shares issued at an accounting par value of EUR 4.38 (USD 6.40))		
IV.	Cash at bank, cash in postal cheque accounts, cheques and cash in hand	211	-
E.	PREPAYMENTS	5	3
TOTAL ASSETS		71,341	20,890

* 2006 translated from EUR, see note 2

The accompanying notes are an integral part of these annual accounts.

Balance Sheet, continued
(millions of U.S. dollars)

		December 31,	
		2007	2006 *
LIABILITIES			
A.	CAPITAL AND RESERVES	Note 5	
		39,960	19,228
I.	Subscribed capital	9,269	4,411
II.	Share Premium account	17,811	7,663
IV.	Reserves	1,343	235
	1. Legal reserve	441	229
	2. Reserve for own shares	902	6
V.	Profit brought forward	3,926	1,698
VI.	Profit for the financial year	7,611	5,221
B.	PROVISIONS FOR LIABILITIES AND CHARGES	21	21
	1. Provisions for pensions and similar obligations	2	1
	3. Other provisions	19	20
C.	CREDITORS	Note 6 - 7	
		31,360	1,636
	1b. Non Convertible debenture loans becoming due and payable within more than one year	89	-
	2. Amounts owed to credit institutions	239	-
	<i>Becoming due and payable within one year</i>	50	-
	<i>Becoming due and payable within more than one year</i>	189	-
	4. Trade creditors becoming due and payable within one year	-	23
	6. Amounts owed to affiliated undertakings	30,923	1,588
	<i>Becoming due and payable within one year</i>	11,538	1,588
	<i>Becoming due and payable within more than one year</i>	19,385	-
	8. Tax and social security debts becoming due and payable within one year	47	1
	9. Other creditors becoming due and payable within one year	62	24
D.	ACCRUALS AND DEFERRED INCOME	-	5
TOTAL LIABILITIES		71,341	20,890

* 2006 translated from EUR, see note 2

The accompanying notes are an integral part of these annual accounts.

Profit and Loss Account
(millions of U.S. dollars)

		Year ended December 31,	
		2007	2006 *
A. CHARGES			
3.	Staff costs	92	86
	a) Wages and salaries	72	67
	b) Social security costs attributable to wages and salaries	9	5
	c) Supplementary pensions	8	13
	d) Other social security costs	3	1
4.	a) Value adjustments in respect of formation expenses and tangible and intangible fixed assets	4	4
5.	Other operating charges	318	586
6.	Value adjustments in respect of financial assets and of transferable securities held as current assets	-	357
		Note 8	
7.	Interest payable and similar charges	2,188	618
	a) In respect of affiliated undertakings	432	99
	b) Other interest payable and charges	1,756	519
		Note 8	
13.	Profit for the financial year	7,611	5,221
TOTAL CHARGES		10,213	6,872

* 2006 translated from EUR, see note 2

The accompanying notes are an integral part of these annual accounts.

Profit and Loss Account, continued
(millions of U.S. dollars)

	Year ended December 31,	
	2007	2006 *
B. INCOME		
4. Other operating income	461	138
5. Income from participating interests	Note 8	9,043
a) Derived from affiliated undertakings	9,043	6,622
6. Income from other transferable securities and from loans forming part of the fixed assets	Note 8	586
a) Derived from affiliated undertakings	586	-
7. Other interest receivable and similar income	Note 8	123
a) Derived from affiliated undertakings	121	55
b) Other interest receivable and similar income	2	57
TOTAL INCOME	10,213	6,872

* 2006 translated from EUR, see note 2

The accompanying notes are an integral part of these annual accounts.

Notes to the Annual Accounts

(millions of U.S. dollars unless otherwise stated)

NOTE 1: GENERAL

ArcelorMittal (formerly Arcelor) (“the Company”) was incorporated as a “Société Anonyme” under Luxembourg law on June 8, 2001 for an unlimited period.

On November 5, 2007, the extraordinary general meetings of the ArcelorMittal shareholders (the former Mittal Steel Company N.V. (“Mittal Steel”)) approved the merger of ArcelorMittal into the Company effective on November 13, 2007 (“The Merger”).

Pursuant to the Merger agreement, for accounting purposes, the Merger is considered to be a combination of entities under common control as of January 1, 2007. All recorded assets and liabilities of Mittal Steel and the Company have been carried forward at their historical book values, and the net result of the Company includes the net result of Mittal Steel as of January 1, 2007. Further to the Merger the Company has been renamed “ArcelorMittal”.

The registered office of the Company is Luxembourg City and the Company is registered at the Register of Trade and Commerce of Luxembourg under the number B82.454.

The accounting period starts on January 1 and ends on December 31 each year.

The Company publishes IFRS consolidated financial statements in accordance with the requirements of Luxembourg laws and regulations.

NOTE 2: SUMMARY OF ACCOUNTING POLICIES

General

These annual accounts are prepared in accordance with Luxembourg laws and regulations and generally accepted accounting principles.

Certain comparative information has been reclassified to conform with the 2007 presentation.

Currency translation

Following the Merger and taking into account the main markets in which the Company’s main Operating Subsidiaries operate, the Company has defined the U.S. dollar (“USD”) as its reporting currency for its annual accounts from January 1, 2007 onwards.

The 2006 comparative information has been translated from Euro (“EUR”) to USD using the closing rate (1.317) prevailing as at December 31, 2006, as follows:

	December 31,	
	2006	2006
		(EUR millions)
Fixed assets	20,785	15,782
Current assets and prepayments	105	80
Total Assets	<u>20,890</u>	<u>15,862</u>
Capital and reserves	19,228	14,599
Provisions for liabilities and charges	21	16
Creditors, accruals and deferred income	<u>1,641</u>	<u>1,247</u>
Total liabilities	<u>20,890</u>	<u>15,862</u>

	Year ended December 31,	
	2006	2006
		(EUR millions)
Income	6,872	5,218
Charges	<u>1,651</u>	<u>1,254</u>
Profit for the financial year	<u><u>5,221</u></u>	<u><u>3,964</u></u>

Where applicable, from January 1, 2007 onwards, items expressed in currencies other than the USD are valued as follows:

- Tangible fixed assets, creditors due after more than one year and off-balance sheet commitments are translated at historical exchange rates. Unrealized exchange losses considered as permanent are recorded in the profit and loss account.
- Other balance sheet items are translated at the year-end exchange rate and related exchange differences are recorded in the profit and loss account.
- Profit and loss items are translated at the exchange rate prevailing at transaction date.

Financial assets

Shares in affiliated undertakings are recorded in the balance sheet at cost including acquisition costs. At the end of each accounting period, shares in affiliated undertakings are subject to an impairment review. Where a permanent diminution in value is identified, this diminution is recorded in the profit and loss account as a value adjustment. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Loans to affiliated undertakings and other loans are recorded in the balance sheet at their nominal value. At the end of each accounting period value adjustments are recorded on loans 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 value adjustments are recorded on debtors 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. A reversal of the value adjustment is recorded to the extent the factors, which caused its initial recording, have ceased to exist.

Provisions for liabilities and charges

Provisions for liabilities and charges are recorded in the balance sheet for items for which there is a legal or constructive obligation as a result of past events as of the balance sheet date.

Creditors

Creditors are recorded in the balance sheet at their nominal value.

NOTE 3 –TANGIBLE ASSETS

	Land and buildings	Other fixtures and fittings, tools and equipment	Payment on account and tangible assets under construction	Total
Acquisition cost				
Opening balance	5	9	-	14
Additions	4	4	1	9
Closing balance	<u>9</u>	<u>13</u>	<u>1</u>	<u>23</u>
Value adjustments				
Opening balance	(4)	(5)	-	(9)
Charge for the period	-	(3)	-	(3)
Closing balance	<u>(4)</u>	<u>(8)</u>	<u>-</u>	<u>(12)</u>
Net book value				
Opening balance	1	4	-	5
Closing balance	<u>5</u>	<u>5</u>	<u>1</u>	<u>11</u>

NOTE 4 –FINANCIAL ASSETS

	Shares in affiliated undertakings	Participating interests	Loans to affiliated undertakings	Securities held as fixed assets	Other loans	Total
Acquisition costs						
Opening balance	21,052	-	-	47	36	21,135
Effect of Merger	26,708	345	6,544	-	-	33,597
Additions	37,660	190	13,993	-	-	51,115
Disposals	<u>(33,609)</u>	<u>-</u>	<u>(4,425)</u>	<u>-</u>	<u>(29)</u>	<u>(37,335)</u>
Closing balance	<u>51,811</u>	<u>535</u>	<u>16,112</u>	<u>47</u>	<u>7</u>	<u>68,512</u>
Value adjustments						
Opening balance	<u>(357)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357)</u>
Closing balance	<u>(357)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357)</u>
Net book value						
Opening balance	20,694	-	-	47	36	20,777
Closing balance	<u>51,454</u>	<u>535</u>	<u>16,112</u>	<u>47</u>	<u>7</u>	<u>68,155</u>

The main holdings at December 31, 2007 are listed below:

Name and registered office	Carrying amount	Percentage of capital held %	Result for 2007*	Capital and reserves (including result for 2007)*
Arcelor Luxembourg SA, Luxembourg (Luxembourg)	2,299	99.82	2,354	4,974
Arcelor Holding SARL, Luxembourg (Luxembourg)	4,750	100.00	1	5,274
ArcelorMittal Belgium Holding SA, Anvers (Belgium)	268	100.00	368	344
Arcelor Italy Holding SRL, Piombino (Italy)	66	100.00	28	100
Arcelor Spain Holding SL, Madrid (Spain)	2,070	100.00	487	2,331
Arcelor Finance and Services Belgium SA, Bruxelles (Belgium)	9,539	53.11	511	18,146
ArcelorMittal France SA, Saint Denis (France)	4,282	98.66	1,119	2,556
4313267 Canada Inc., Montréal / Québec (Canada) 90 Depositary receipts 4313267 Canada Inc representing 89,11% of the shares in the capital of 4313267 Canada Inc	2,027	10.89	(49)	2,011
ArcelorMittal Holdings AG Zug (Switzerland)	20,515	100.00	938	2,484
Arcelor Netherlands BV Rotterdam (Netherlands)	1,892	100.00	(12)	3,896
Benzona International Ltd Tortola (British Virgin Islands)	1,955	100.00	215	2,388
Mittal Steel International Holding BV Rotterdam (Netherlands)	1,679	100.00	(11)	2,342

* In accordance with local GAAP.

NOTE 5 – CAPITAL AND RESERVES

The movements in capital and reserves are as follows:

	Number of shares	Subscribed capital	Share premium account	Legal reserve	Reserve for own shares	Profit brought forward	Profit for the year	Total
Balance as at January 1, 2007	669,813,408	4,411	7,663	229	6	1,698	5,221	19 228
Allocation of net result	-	-	-	212	-	5,009	(5,221)	-
Profit for the year	-	-	-	-	-	-	7,611	7,611
Directors' remuneration	-	-	-	-	-	(2)	-	(2)
Effect of Merger	779,012,939	4,858	10,148	-	-	(6)	-	15,000
Dividends paid	-	-	-	-	-	(1,877)	-	(1,877)
Reserve for own shares	-	-	-	-	896	(896)	-	-
Balance as at December 31, 2007	1,448,826,347	9,269	17,811	441	902	3,926	7,611	39,960

5.1 – Share capital and share premium account

At December 31, 2007, the subscribed capital comprises 1,448,826,347 ordinary shares, fully paid up and amounting to EUR 6,345,859,400 (USD 9,269,442,373). The authorized capital amounts to EUR 6,438,600,000.

As a result of the Merger, a holder of the former ArcelorMittal shares received one newly issued share of the Company for every one former ArcelorMittal share (the “Exchange Ratio”). This Exchange Ratio followed the completion of a share capital restructuring of the Company pursuant to which each seven pre-capital restructuring shares of the Company were exchanged for eight post-capital restructuring shares of the Company. The Merger resulted in a net capital increase of 779 million shares for an amount of 4,858 and an increase in share premium of 10,148.

To the knowledge of the Board, the shareholding can be specified as follows:

	December 31, 2007
Mittal Investments S.à r.l	36.93%
Ispat International Investment S.L.	6.91%
Other shareholders *	56.16%
Total	<u>100.00%</u>

* including own shares and shares held by affiliated undertakings.

5.2 – Legal Reserve

In accordance with Luxembourg Company law, the Company is required to transfer a minimum of 5% of its net profits for each financial year to a legal reserve. This requirement ceases to be necessary once the balance of the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders.

5.3 – Reserve for own shares

The Board of Directors shall request the upcoming General Meeting of Shareholders to approve the allocation of 896 from the profit brought forward of 4,822 in order to establish a non distributable reserve equivalent to the book value of its own shares in accordance with Luxembourg Company law. As of December 31, 2007, the Company holds 17,173,201 own shares.

NOTE 6 – NON CONVERTIBLE DEBENTURE LOANS

As a result of the Merger, the following non convertible debenture loans are outstanding as of December 31, 2007:

- Indiana Finance Authority Environmental Improvement Revenue Refunding Bond, series 2005 issued on November 22, 2005 for a nominal amount of 51.48 with a maturity dated June 1, 2035. The interest rate is 3.514%.
- Indiana Finance Authority Environmental Improvement Revenue Refunding Bond, series 2006 issued on August 17, 2006 for a nominal amount of 38 with a maturity dated August 1, 2030. The interest rate is 3.5740%.

NOTE 7 – MATURITY OF CREDITORS

	December 31, 2007				December 31, 2006			
	Up to 1 year	From 1 to 5 years	5 years or more	Total	Up to 1 year	From 1 to 5 years	5 years or more	Total
Non convertible debenture loans	-	-	89	89	-	-	-	-
Amounts owed to credit institutions	50	189	-	239	-	-	-	-
Trade creditors	-	-	-	-	23	-	-	23
Amounts owed to affiliated undertakings	11,538	19,385	-	30,923	1,588	-	-	1,588
Tax and social security								
a) Tax	45	-	-	45	-	-	-	-
b) Social security	2	-	-	2	1	-	-	1
Other creditors	62	-	-	62	24	-	-	24
Total	<u>11,697</u>	<u>19,574</u>	<u>89</u>	<u>31,360</u>	<u>1,636</u>	<u>-</u>	<u>-</u>	<u>1,636</u>

Amounts owed to affiliated undertakings comprise mainly the funding from ArcelorMittal Treasury SNC and ArcelorMittal Finance SCA.

NOTE 8 – FINANCIAL RESULT

	Year ended December 31,	
	2007	2006
Dividends received	2,650	3,607
Net result on disposal of financial assets	6,347	3,015
Net interest	(718)	(62)
Result on the exercise of stock options	(60)	(111)
Foreign exchange result	(704)	54
Impairment of financial assets	-	(357)
Others	49	(387)
Total	<u>7,564</u>	<u>5,759</u>

Net interest includes interest received from affiliated undertakings amounting to 672, interest paid to affiliated undertakings for 505 and interest paid to banks for 825.

The Company realized a gain of 6,381 following a legal restructuring of its investments in affiliated undertakings in Germany.

The foreign exchange loss is mainly unrealized and relates to the financial loans denominated in Euro.

NOTE 9 – TAX ON PROFIT

The Company is the head of a tax consolidation and is fully liable for the overall tax liability. Each of the entities included in the tax consolidation is charged with the amount of tax that relates to its individual taxable profit.

As a consequence of the net tax losses within the tax consolidation, no income tax is payable in respect of 2007.

NOTE 10 – OFF-BALANCE SHEET COMMITMENTS

Guarantees given

	December 31,	
	2007	2006
Guarentee on debts	19,800	-
Forward foreign exchange contracts	-	1.879
Other commitments	-	4
Total	19,800	1,883

In 2007, the Company has issued a guarantee of 19,800 on behalf of ArcelorMittal Finance in favour of credit institutions.

The Company is jointly and severally liable for the following entities:

- ArcelorMittal Finance SCA, Luxembourg (Luxembourg)
- ArcelorMittal Treasury SNC, Saint Denis (France).

NOTE 11 – STAFF

Average number of staff	Year ended December 31,	
	2007	2006
Employees	318	258
Workers	31	-
Total	349	258

NOTE 12 – DIRECTORS' REMUNERATION

Members of the Board of Directors are entitled to a total remuneration of 6.5 for the year 2007 (2006: 3.3).

NOTE 13 – STOCK OPTION PLAN

On August 2 and December 11, 2007, ArcelorMittal granted, respectively, 5,965,200 and 13,000 options to a group of key employees at an exercise price of USD 64.30 and USD 74.53, respectively. The options expire on August 2 and on December 11, 2017, respectively.

Allocated share options at December 31, 2007 are as follows:

	Number of shares	Exercise price	Maturity
Plan 1999 (legacy Mittal Steel)	212,499	11.94	14/09/2009
Plan 2000 (legacy Mittal Steel)	199,200	8.57	01/06/2010
Plan 2002 (legacy Mittal Steel)	268,820	2.26	05/04/2012
Plan 2003	17,622	12.46	30/06/2010
Plan 2004	29,373	16.89	30/06/2011
Plan 2005 (legacy Mittal Steel)	2,188,747	28.75	23/08/2015
Plan 2005	11,429	20.83	30/06/2012
Plan 2006 (legacy Mittal Steel)	3,193,503	33.76	01/09/2016
Plan 2006	1,480,045	44.35	30/06/2013
Plan August 2007	5,965,200	64.30	02/08/2017
Plan December 2007	13,000	74.53	11/12/2017

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

<i>Number of shares options</i>	2007	2006
Options outstanding at the beginning of the year	1,447,793	3,658,526
Effect of legal merger	8,541,644	-
Options granted during the year	5,978,200	1,335,000
Options forfeited during the year	(36,378)	(20,000)
Options exercised during the year	(2,129,255)	(3,525,733)
Options expired during the year	(222,566)	-
Options outstanding at the end of the year	13,579,438	1,447,793

NOTE 14 – SUBSEQUENT EVENTS

On January 8, 2008, ArcelorMittal received a writ of summons on behalf of four hedge fund shareholders of Arcelor to appear before the civil court of Luxembourg. The summons was also served on all the members of the Board of Directors of ArcelorMittal and on the Significant shareholder. The claimants request, among other things (i) the cancellation and the amendment of the corporate decisions relating to the second-step merger in order to reflect an exchange ratio of 11 ArcelorMittal (the entity resulting from the first step merger) shares for 7 Arcelor shares (ignoring the impact of the share capital restructuring of Arcelor) accompanied by the allocation by the Significant shareholder or the company of additional shares to the claimants to reflect this revised ratio, and alternatively, (ii) the payment of damages by the defendants (jointly and severally or severally, at the court's discretion), in an amount of EUR 180 million.

AUDITORS' REPORT ON THE ANNUAL ACCOUNTS

(Report of the Réviseurs d'entreprises)

To the shareholders of
ArcelorMittal
(formerly Arcelor)
19, avenue de la Liberté
L-2930 Luxembourg

Report on the annual accounts

Following our respective appointments by the General Meetings of the Shareholders held on April 28, 2006 and November 5, 2007, we have audited the accompanying annual accounts of ArcelorMittal, which comprise the balance sheet as at December 31, 2007 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 réviseurs 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 *réviseurs 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 *réviseurs d'entreprises* consider 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 directors, 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 ArcelorMittal, as of December 31, 2007, 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 consistent with the annual accounts.

Deloitte S.A.
Réviseur d'entreprises
Eric van de Kerckhove (*Partner*)
560, rue de Neudorf
L-2220 Luxembourg
Luxembourg, April 4, 2008


KPMG Audit S.à r.l.
Réviseur d'entreprises
Eric Damotte (*Partner*)
9, allée Scheffer
L-2520 Luxembourg

PROPOSED ALLOCATION OF RESULT FOR 2007

Proposed Allocation of Results and Determination of Dividend

	In U.S. dollars
Profit for the year	7,611,478,151
Profit brought forward (<i>Report à nouveau</i>)	4,822,246,219
Results to be allocated and distributed	12,433,724,370
Transfer to the reserve for own shares	896,108,808
Allocation to the legal reserve	380,593,908
Directors' fees, compensation and attendance fees	3,274,125
Dividend of USD 1,50 (gross) per share for the 2007 financial year *	2,173,239,521
Profit carried forward	8,980,508,008

* On the basis of 1,448,826,347 shares in issue at December 31, 2007. Dividends are paid quarterly, resulting in a total annualised cash dividend per share of USD 1.50. A first instalment of the dividend, USD 0,375 (gross) per share, has been paid out to shareholders on March 17, 2008.



For further information
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