MITTAL STEEL CO N.V.
Form 20-F/A
June 29, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2006

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-14666

MITTAL STEEL COMPANY N.V.

(Exact name of Registrant as specified in its charter)

MITTAL STEEL COMPANY N.V.

(Translation of Registrant s name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

Hofplein 20, 3032 AC Rotterdam

The Netherlands

(Address of Registrant s principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Shares	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Class A Common Shares, par value EUR 0.01 per share

934,818,280

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ¨ Item 18 x

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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EXPLANATORY NOTE

This Form 20-F/A is being filed by Mittal Steel Company N.V. (Mittal Steel) as Amendment No. 1 to its Annual Report on Form 20-F for the fiscal year ended December 31, 2006, filed with the Securities and Exchange Commission on April 17, 2007 (the Form 20-F), for the sole purpose of amending the disclosure on page F-14 to remove the references in its purchase accounting policy note to the use of valuation experts, and to make a corresponding change in Item 5.

This Form 20-F/A consists of a cover page, this explanatory note, Item 5A, Item 18, Item 19, the signature page and Exhibits 12.1, 13.1, 15.1, 15.2, 15.3 and 15.4.

Other than as expressly set forth above, this Form 20-F/A does not, and does not purport to, amend, update or restate the information in any other item of the Form 20-F filed on April 17, 2007 or reflect any events that have occurred after the Form 20-F was filed on April 17, 2007.

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PART I

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

Mittal Steel is the world s largest and most global steel producer, with an annual production capacity of approximately 138 million tonnes of crude steel in 2006. Mittal Steel has steel-making operations in 26 countries on four continents, including 64 integrated, mini-mill and integrated mini-mill steel-making facilities. Mittal Steel is the largest steel producer in the Americas, Europe and Africa, and it has a growing presence in Asia. As of December 31, 2006, Mittal Steel had approximately 320,000 employees.

In 2006, Mittal Steel increased its size significantly by acquiring Arcelor, which, at the time of its acquisition, was the world s second-largest steel producer by production volume. On a pro forma basis after giving effect to its acquisition of Arcelor as if the acquisition occurred on January 1, 2006, Mittal Steel had sales of approximately $88.6 billion and steel shipments of approximately 110.5 million tonnes for the year ended December 31, 2006.

Mittal Steel produces a broad range of high-quality finished and semi-finished steel products. Specifically, Mittal Steel produces flat products, including sheet and plate, long products, including bars, rods and structural shapes, and stainless steel products. Mittal Steel also produces pipes and tubes for various applications. Mittal Steel sells its products primarily in local markets and through its centralized marketing organization to a diverse range of customers in approximately 187 countries, including the automotive, appliance, engineering, construction and machinery industries.

Key Factors Affecting Results of Operations

The steel industry has historically been highly cyclical and is affected significantly by general economic conditions and other factors, such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. As the steel industry has recently begun to consolidate, uptrends and downtrends are expected to become less pronounced. Over the last three to five years, the steel industry has been experiencing a cyclical uptrend, primarily driven by the continued increase in Chinese production and consumption of steel products. This trend, combined with the upward pressure on the costs of key production inputs, primarily metals, energy, and transportation and logistics, presents an increasing challenge for steel producers. The key drivers for maintaining a competitive position and positive financial performance in this challenging environment are product differentiation, geographic diversification, vertical integration, customer service, and cost reduction.

Mittal Steel s revenues are predominantly derived from the sale of flat steel products, long steel products and stainless steel products. Prices of steel products, in general, are sensitive to changes in worldwide and local demand, which in turn are affected by worldwide and country-specific economic conditions and to available production capacity. Unlike other commodities, steel is not completely fungible due to wide differences in shape, chemical composition, quality, specifications and application, all of which impact prices. Accordingly, there is no exchange trading of steel or uniform pricing. Commodity spot prices may vary, and, therefore, export sales revenue fluctuates as a function of worldwide balance of demand and supply conditions at the time such sales are made.

Although steel prices typically follow trends in raw material prices, the percentage changes may not be proportional, and price increases in steel may lag price increases in production costs. Increases in production costs are driven by supply-demand balance and demand from alternative markets. Steel price surcharges are often implemented on contracted steel prices to recover increases in input costs. However, spot market steel prices and short-term contracts are driven by market prices.

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Economic Environment

The global economy recorded strong growth in 2006, with gross domestic product (GDP) increasing, 4.0% in real terms; over the preceding decade, only 2000 and 2004 experienced higher rates of GDP growth. This increase was due to a recovery in the European Union after five years of slow growth and a continuation of the strong growth in emerging markets, such as China, India and other Asian countries, South America, central and eastern Europe. Economic growth in the United States began to slow during the second half of 2006 as a tightening monetary policy began to take effect; however, the United States experienced 3.3% real GDP growth in 2006.

High oil and natural gas prices continued to benefit the major oil and natural gas-exporting countries of the Commonwealth of Independent States (CIS) and the Middle East, while high commodity prices supported growth in both Africa and Latin America. Eastern Europe benefited from the recovery in the European Union, which lifted exports. India continued to underpin strong real GDP growth in Asia of approximately 7.5% in 2006.

Global manufacturing output increased 4.5% during 2006, the strongest performance since 2000, buoyed by robust investment and an increase in global trade. Output has been particularly strong in the more mature economies of the United States, Japan and Western Europe.

This economic growth, and with it the continuous growth in capital spending, led to strong worldwide steel demand, especially in developing countries and emerging markets.

Steel Production

In 2006, world crude steel production increased 9.4% to 1.2 billion tonnes as compared with 1.1 billion tonnes in 2005.[1] This total represented the highest level of crude steel production in history and marked 2006 as the third consecutive year in which crude steel production had exceeded 1 billion tonnes. The increase in production in 2006 was led primarily by China, which increased production by 68 million tonnes, or 19%, to 421 million tonnes. In North America, steel production increased by 5.7 million tonnes, or 4.6%, to 132 million tonnes. Steel production in the European Union increased 6% to 198 million tonnes during 2006.

Trade and Import Competition

Import competition has increased in the United States and European markets. In the European Union, the import penetration ratio (imports/market supply) reached 16% during 2006. The increase in imports impacted the steel pricing environment.

Historically in the United States, imports have played a significant role. With an import penetration ratio of approximately 30% for 2006, total imports into the United States of approximately 41 million tonnes were a historic record. Finished steel imports of 33 million tonnes increased 43% over 2005. During certain periods in 2006, domestic mills reduced production to address inventory overhang and maintain the demand and supply balance.

Consolidation in the Steel Industry

There has been significant recent consolidation in the global steel industry, including a growing trend of inter-regional consolidation, which has been the primary focus of Mittal Steel.

Within the past few years, the U.S. steel industry has consolidated significantly, primarily led by ISG, United States Steel Corporation (US Steel), Nucor and Steel Dynamics. ISG was formed as a result of the acquisition of, among others, LTV, Bethlehem, Acme, Weirton and Georgetown. US Steel acquired National Steel and more recently Lonestar Technology; Nucor acquired Birmingham Steel and Trico; and Steel Dynamics acquired Qualitech Steel and GalvPro.

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[1] Source: International Iron and Steel Institute.

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In Europe, consolidation occurred with the formation of Arcelor, which is a combination of Aceralia Corporación Siderúrgica, S.A., Arbed and Usinor, three large European companies. Recently, Mittal Steel acquired assets in Romania, Czech Republic, Poland, Macedonia, Ukraine and Bosnia.

Consolidation is also expected to take place in China. The government of China has publicly stated that it expects consolidation of the Chinese steel industry and the top 10 producers to account for 50% of national production over a period of time. In addition, the Chinese government has also announced the rationalization of steel production using obsolete technology such as open-hearth furnaces.

Inter-regional consolidation, which has been Mittal Steel s focus, has occurred with Mittal Steel s acquisitions and investments in Ukraine, Mexico and China, Arcelor s acquisitions in Brazil and Canada, Tata Steel s acquisitions in India, the United Kingdom and The Netherlands, and US Steel s acquisitions in Slovakia and Serbia.

This wave of consolidation should enable steel producers, and the steel industry generally, to maintain consistent performance through steel cycles by achieving greater efficiency and economies of scale, particularly in response to the effective consolidation undertaken by raw material suppliers and consumers of steel products. Mittal Steel has begun to realize efficiencies of its major acquisitions.

Moreover, steel-industry consolidation should result in fewer duplicate investments, both nationally and internationally. In addition, consolidation among steel producers provides increased bargaining power with both suppliers and customers. The wave of consolidation has followed the lead of its suppliers, where, for example, there are only three primary iron-ore suppliers, and scrap suppliers are beginning to form larger and stronger groups, such as the Sims-Neu merger, in order to maintain a stronger bargaining position with steel producers. There is a similar trend towards greater concentration among steel customers, such as the automobile manufacturers.

Raw Materials

Mittal Steel consumes large amounts of raw materials. Its primary raw material inputs are iron ore, coke, scrap, natural gas and base metals. The increased global demand for steel, primarily as a result of the continuous strong demand from China, has resulted in significant upward price pressure for these raw materials during the period under review. While the impact on costs at Mittal Steel is partially mitigated by its ownership of various mining assets and strategic contracts for iron ore, rapid cost increases nonetheless adversely affected its results for 2006.

Iron Ore

Seaborne iron ore prices increased by 19% in 2006 as compared to 2005 due to tightness in the seaborne ore market. This increase was in addition to a 71.5% price increase in that market in 2005. Approximately half of Mittal Steel s iron ore purchases are made in the seaborne ore market. Price of iron ore also increased steeply elsewhere. During 2006, Chinese steel producers increased iron ore imports by 18% to 325 million tonnes as compared to 2005.[2] This has required China to import iron ore not only from Australia and Brazil, but also from countries such as North Korea, Ukraine and India. China s 2006 ore purchases represent approximately 43% of the seaborne market.[3]

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2 Source: International Iron and Steel Institute.
3 Source: AME/MB / BRS.

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Coking Coal

Prices for coal settlements also increased over the past two years. In 2005, international settlement prices were approximately $125 per tonne free on board (FOB) on average for premium coking coal from Australia compared to $55 per tonne FOB on average in 2004. In 2006, international settlement prices eased slightly to $115 per tonne FOB on average due to a larger than anticipated growth in the supply of seaborne coal. The Chinese coke prices for 12.5% ash content rose steadily from $125 per tonne FOB in January 2006 to $173 per tonne FOB in December 2006.

Natural Gas

Natural gas prices continued to remain volatile during 2006, particularly in North America, primarily due to increased demand from the electric generation industry and declines in the North American natural gas resource base and inventory fluctuations. Prices ranged from approximately $6.00 to $9.00 per mmbtu during 2006. A mild winter during 2006, and slightly higher inventories caused natural gas prices to decrease slightly at the end of 2006.

Scrap

Prices for #1 Heavy Metal Scrap (HMS) grade scrap increased steadily during the first half of 2006, reaching a high of $266 per tonne in July 2006, and then eased during the second half of the year to $246 per tonne by December 2006. The average price of #1 HMS grade scrap during 2006 increased to $242 per tonne as compared to an average price of $212 per tonne during 2005. In addition, the scrap market continued to consolidate during 2006.

Base Metals

Key base metals used by Mittal Steel are zinc for galvanizing and nickel for manufacturing stainless steel. Mittal Steel generally hedges its exposure to its base metal inputs in accordance with its risk management policies. During 2006, primarily due to the shortage of concentrates, zinc metal output was limited while worldwide zinc consumption was rising and zinc stocks were decreasing to their lowest historical levels (less than 100,000 tonnes in November in London Metals Exchange (LME) warehouses). As a consequence, zinc LME cash prices increased steadily from $1,912 per tonne in January 2006 to a historic high of $4,600 per tonne on December 5, 2006. In 2006, nickel prices rose from $13,900 per tonne in January 2006 to $33,325 per tonne on December 31, 2006, due to strong demand and weak supply. This strong demand caused LME nickel stocks to decline from 35,994 tonnes on January 3, 2006 to 6,594 tonnes on December 29, 2006. In 2006, no significant new nickel production was started, and several nickel producers could not perform at full capacity due to technical problems or strikes.

Ocean Freight

Ocean freight rates remained strong and volatile throughout 2006, with prices higher in the second half of 2006 compared to the first half of 2006. The primary reasons for this strength include the strong demand in China, which in 2006 increased its iron ore imports by 18% compared to 2005 and became a net importer of coal. In addition, port congestion in Australia, where waiting time increases for loading turns, led to a shortage of ships. It is expected that freight rates may remain strong over the next several years as, in addition to the foregoing demand, the world fleet has a high percentage of old tonnage that is overdue for scrapping.

Mittal Steel attempts to meet its shipping needs with long-term contracts and currently has long-term contracts for over 65% of its raw material import needs. Mittal Steel expects to increase its own fleet (including long-term charter) of Capesize and Panamex vessels to cover its shipping needs. Capesize ships are very large bulk carriers with deadweight exceeding 100,000 tons. Such ships are unable to go through the Panama Canal and therefore have to sail via the Cape of Good Hope. Panamex ships are large ships capable of transiting the Panama Canal and have deadweight of 55,000 80,000 tons.

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Impact of Exchange Rate Movements

Because a substantial portion of Mittal Steel s assets, liabilities, sales and earnings are denominated in currencies other than the U.S. dollar (its reporting currency), Mittal Steel has exposure to fluctuations in the values of these currencies relative to the U.S. dollar. These currency fluctuations, especially the fluctuation of the value of the U.S. dollar relative to the euro, the Canadian dollar, Brazilian real and South African rand, as well as fluctuations in the currencies of the other countries in which Mittal Steel significant operations and/or sales, could have a material impact on its results of operations.

Mittal Steel faces transaction risk, where its businesses generate sales in one currency but incur costs relating to that revenue in a different currency. For example, Mittal Steel s non-U.S. subsidiaries purchase raw materials, including iron ore, in U.S. dollars, but make sales of finished steel products in other currencies. Consequently, a general rise in the value of the U.S. dollar will increase the cost of raw materials and decrease the value of our sales, thereby shrinking our operating margins. In particular, Mittal Steel South Africa purchases most of its raw materials in U.S. dollars and makes most of its sales in South African rands. Consequently, an increase of the value of the U.S. dollar against the South African rand will make Mittal Steel South Africa s inputs more costly and decrease the value of its revenue.

Mittal Steel also faces translation risk, which arises when Mittal Steel translates the income statements of its subsidiaries into U.S. dollars for inclusion in the Mittal Steel Consolidated Financial Statements. In particular, a significant portion of the sales of Mittal Steel s subsidiaries are denominated in euros, Canadian dollars, Brazilian real and South African rand. Consequently, a rise in the value of the U.S. dollar against these currencies will result in a translation loss.

In 2006, the U.S. dollar weakened against more currencies of the jurisdictions in which Mittal Steel operates than it did in 2005. The US dollar weakened against the Central and Eastern European currencies (including Polish zloty, Czech koruna, Romanian leu, and Kazakh tenge), Canadian dollar and Euro. The U.S. dollar strengthened against the South African rand while the Mexican peso remained relatively flat in 2006 as compared to 2005.

Mittal Steel manages foreign exchange risk through specific hedges to the extent management considers appropriate. Mittal Steel does not engage in any speculative foreign exchange trading. See Item 11 Quantitative and Qualitative Disclosures About Market Risk .

Critical Accounting Policies and Use of Judgments and Estimates

Management s discussion and analysis of Mittal Steel s operational results and financial condition is based on Mittal Steel s consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of these financial statements requires Mittal Steel s management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year-end and the reported amounts of revenues and expenses during the year. Management regularly evaluates these estimates, including those related to the carrying value of property, plant and equipment, valuation allowances of receivables and inventories, the realization of deferred tax assets, liabilities of deferred income taxes, potential tax deficiencies, environmental obligations, potential litigation claims and settlements, and assets and obligations related to employee benefits. These estimates and assumptions are based on historical experience, available facts and various other assumptions that are believed to be reasonable under the circumstances. Management believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

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Management believes that the following are the more significant judgments and estimates used in preparing the financial statements.

Purchase Accounting

Accounting for acquisitions requires Mittal Steel to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, Mittal Steel undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. Estimated fair values are based on information available near the acquisition date and 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, we typically use the income method . This method starts with our forecast of all of the expected future net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include: the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows (weighted average cost of capital); the assessment of the asset s life cycle; and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

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

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

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

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

Deferred Tax Assets

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

For each of the years ended December 31, 2005 and 2006, these operating subsidiaries generated approximately 62% and 43%, respectively, of Mittal Steel s consolidated taxable income of $4,676 million and $7,196 million, respectively. Historically, Mittal Steel has been able to generate taxable income in sufficient amounts to permit it to realize tax benefits associated with net operating loss carry forwards and other deferred tax assets that have been recognized in its consolidated financial statements.

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

Year Expiring	**(millions of US$)**
2007	60
2008	70
2009	44
2010	82
2011	40
Thereafter	2,129

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

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

Provisions for Pensions and Other Post-Employment Benefits

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

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

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

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

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

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

In accordance with IFRS, actual gains or losses resulting from changes in actuarial assumptions are recognized in Mittal Steel s income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plan. Such accumulated unrecognized costs amounted to $831 million for pensions and $351 million for other post-employment benefits as of December 31, 2006. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Mittal Steel s pension and other postretirement obligations and future expense.

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

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

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

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

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

Environmental and Other Contingencies

Mittal Steel 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. Mittal Steel 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. Mittal Steel 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 Mittal Steel 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, Mittal Steel is required to investigate and remediate any currently unknown contamination and waste on properties that it owns, Mittal Steel may record significant additional liabilities. Also, if Mittal Steel estimates the cost to remediate currently known contamination and waste change, it will reduce or increase the recorded liabilities through credits or charges in the income statement. Mittal Steel 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 Mittal Steel or purchased assets from it subject to environmental liabilities. Mittal Steel 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. Mittal Steel regularly monitors environmental matters and estimated exposure to loss contingencies, reporting changes to the appropriate individuals and agencies, and modifying any disclosure of such matters and contingencies.

Valuation of Long-Lived Assets, Intangibles and Goodwill

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

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

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

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

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

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

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

A. *Operating Results*

The following discussion and analysis should be read in conjunction with the Mittal Steel Consolidated Financial Statements included in this annual report.

Prior to its acquisition of Arcelor in August 2006, Mittal Steel reported the results of its operations based on their geographic location (Americas, Europe and Asia/Africa). Following the acquisition, Mittal Steel restructured its operations to generally align them with the structure in place at Arcelor and the combined group s new management structure. Mittal Steel now reports its operations in six operating segments: Flat Carbon Americas, Flat Carbon Europe, Long Carbon Americas and Europe, Asia, Africa and CIS (AACIS), Stainless Steel and AM3S (trading and distribution).

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Key Indicators

The key performance indicators that Mittal Steel s management uses to analyze operations are sales revenue, average steel selling prices, steel shipments and operating income. Management s analysis of liquidity and capital resources is driven by operating cash flows.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Acquisitions and Divestments

The following acquisitions had a significant effect on Mittal Steel s results of operations during the period:

- the acquisition of Arcelor, whose results of operations were included in the consolidated results of operations from August 1, 2006;

- the acquisition of Mittal Steel Kryviy Rih, whose results of operations were included in the consolidated results of operations from November 26, 2005; and

- the acquisition of Mittal Steel USA ISG Inc., whose results of operations were included in the consolidated results of operations from April 15, 2005.

The following discussion and analysis distinguishes between Mittal Steel s consolidated results of operations including and excluding the effect of these significant acquisitions.

The results of operations of the former subsidiaries of Stelco acquired by Mittal Canada are included in Mittal Steel s consolidated results of operations from February 1, 2006.

Sales, Steel Shipments and Average Steel Selling Prices

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

	Sales for the Year ended December 31[1]		Changes in		
	2005	2006	Sales	Steel Shipments	Average Steel Selling Price
	(in $ millions)	(in $ millions)	(%)	(%)	(%)
Segment[2]					
Flat Carbon Americas	11,241	17,585	56	49	7
Flat Carbon Europe	3,676	14,366	291	175	26
Long Carbon Americas and Europe	7,676	13,120	71	73	13
AACIS	9,909	14,388	45	60	(6)
Stainless Steel[3]	NA	3,261	NA	NA	NA
AM3S[3]	NA	5,221	NA	NA	NA

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

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The following table provides a summary of sales at Mittal Steel by operating segment for the year ended December 31, 2006 as compared to the year ended December 31, 2005, excluding the results of operations of Arcelor, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih:

	Sales for the Year ended December 31[1]		Changes in		
	2005 (in $ millions)	2006 (in $ millions)	Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Segments					
Flat Carbon Americas	5,340	5,005	(6)	(1)	0
Flat Carbon Europe	3,676	4,198	14	3	6
Long Carbon Americas and Europe	7,076	8,174	16	14	7
AACIS	9,743	11,614	19	10	5
Stainless Steel[2]	NA	NA	NA	NA	NA
AM3S[2]	NA	NA	NA	NA	NA

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

(2) The results of the Stainless Steel and AM3S segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. Consequently, there are no comparable business operations for the Stainless Steel and AM3S segments for 2005.

Mittal Steel s sales more than doubled to $58.9 billion for the year ended December 31, 2006 from $28.1 billion for the year ended December 31, 2005, primarily due to the inclusion of Arcelor, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih. Excluding the effects of these acquisitions, Mittal Steel s sales increased 14% to $24.5 billion for the year ended December 31, 2006 from $21.5 billion for the year ended December 31, 2005. This increase was a result of increases in both shipments and average steel selling prices.

Mittal Steel s steel shipments nearly doubled to 78.9 million tonnes for the year ended December 31, 2006 from 44.6 million tonnes for the year ended December 31, 2005, primarily due to the inclusion of Arcelor, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih. Excluding the effects of these acquisitions, steel shipments increased 7% to 38.0 million tonnes for the year ended December 31, 2006 from 35.3 million tonnes for the year ended December 31, 2005. Market demand for our products remained strong in the Long Carbon Americas and Europe and AACIS segments, stable in Flat Carbon Europe and weak in Flat Carbon Americas where shipments decreased by 1% due to the weak market environment in North America.

Average steel selling price increased 14% for the year ended December 31, 2006 as compared to the year ended December 31, 2005. Excluding the effects of the acquisitions of Arcelor, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih, average steel selling price increased 5% for the year ended December 31, 2006 as compared to the year ended December 31, 2005. Average steel selling prices were higher in all segments except Flat Carbon Americas where average steel selling prices declined marginally.

Flat Carbon Americas

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

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

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

Flat Carbon Europe

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

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

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

Long Carbon Americas and Europe

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

Total steel shipments in the Long Carbon Americas and Europe segment increased 73% to 17.0 million tonnes for the year ended December 31, 2006 from 9.8 million tonnes for the year ended December 31, 2005, primarily due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, shipments increased 14% to 10.5 million tonnes for the year ended December 31, 2006 from 9.2 million tonnes for the year ended December 31, 2005. This increase was primarily due to an improved market demand for our products, particularly wire rod and bars.

Average steel selling price in the Long Carbon Americas and Europe segment increased 13% for the year ended December 31, 2006 as compared to the year ended December 31, 2005, primarily

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due to the acquisitions of Arcelor and Mittal Steel USA ISG Inc. Excluding the effects of these acquisitions, average steel selling price increased 7% from 2005 to 2006. This increase was primarily due to a strong demand, especially from the construction industry, and the ability to pass along increased scrap prices to customers.

AACIS

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

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

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

Stainless Steel

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

AM3S

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

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Operating Income

The following table provides a summary of the operating income and operating margin of Mittal Steel for the year ended December 31, 2006, as compared with the year ended December 31, 2005:

	Operating Income			
	Year ended December 31,		Operating Margin	
	2005	2006	2005	2006
	(in $ millions)	(in $ millions)	(%)	(%)
Segments[1]				
Flat Carbon Americas	1,289	1,904	11	11
Flat Carbon Europe	367	959	10	7
Long Carbon Americas and Europe	641	1,805	8	14
AACIS	2,335	2,584	24	18
Stainless Steel[2]	NA	363	NA	11
AM3S[2]	NA	174	NA	3

(1) Includes results of operations of Mittal Steel USA ISG Inc. from April 15, 2005, Mittal Steel Kryviy Rih from November 26, 2005 and Arcelor from August 1, 2006.

(2) The results of the Stainless Steel and AM3S segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. Consequently, there are no comparable business operations for the Stainless Steel and AM3S segments for 2005.

The following table provides a summary of the operating income and operating margin of Mittal Steel for the year ended December 31, 2006, as compared with the year ended December 31, 2005, excluding results of operations of Arcelor, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih:

	Operating Income			
	Year ended December 31,		Operating Margin	
	2005	2006	2005	2006
	(in $ millions)	(in $ millions)	(%)	(%)
Segments				
Flat Carbon Americas	869	632	16	13
Flat Carbon Europe	367	532	10	13
Long Carbon Americas and Europe	624	1,129	9	14
AACIS	2,333	1,883	24	16
Stainless Steel[1]	NA	NA	NA	NA
AM3S[1]	NA	NA	NA	NA

(1) The results of the Stainless Steel and AM3S segments correspond solely to the operations of Arcelor, whose results are included from August 1, 2006. Consequently, there are no comparable business operations for the Stainless Steel and AM3S segments for 2005.

Flat Carbon Americas

Operating income for the year ended December 31, 2006 for the Flat Carbon Americas segment increased 48% to $1.9 billion as compared with $1.3 billion for the year ended December 31, 2005. Excluding the effects of the acquisitions of Arcelor and Mittal Steel USA ISG Inc., operating income decreased 27% to $0.6 billion for the year ended December 31, 2006, as compared with $0.9 billion for the year ended December 31, 2005. This decrease in operating income was primarily the result of higher costs of raw materials; particularly iron ore, alloys, coke and scrap, as well as planned stoppages at various U.S. plants to partly address the excess inventory as at December 31, 2006.

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Flat Carbon Europe

Operating income for the year ended December 31, 2006 for the Flat Carbon Europe segment nearly tripled to $959 million as compared with $367 million for the year ended December 31, 2005. Excluding the effects of the acquisition of Arcelor, operating income increased 45% to $532 million for the year ended December 31, 2006 as compared with $367 million for the year ended December 31, 2005. The increase was primarily due to higher average steel selling prices and steel shipments, offset in part by increased input costs namely iron ore and scrap.

Long Carbon Americas and Europe

Operating income for the year ended December 31, 2006 for the Long Carbon America and Europe segment increased 182% to $1.8 billion, as compared with $0.6 billion for the year ended December 31, 2005. Excluding the effects of the acquisitions of Arcelor and Mittal Steel USA ISG Inc., operating income increased 81% to $1.1 billion for the year ended December 31 from $0.6 billion for the year ended December 31, 2005. The increase in operating income was primarily the result of increased average steel selling prices and increased shipment volumes which were offset in part by increased input costs, particularly iron ore and scrap.

AACIS

Operating income for the year ended December 31, 2006 for the AACIS segment increased 11% to $2.6 billion; as compared with $2.3 billion for the year ended December 31, 2005. Excluding the effects of the acquisitions of Arcelor and Mittal Steel Kryviy Rih, operating income decreased to $1.9 billion for the year ended December 31, 2006, as compared with $2.3 billion for the year ended December 31, 2005. The decrease in operating income was primarily due to steep increase in the costs of raw materials, in particular iron ore, alloys, coke and scrap as well as increases in wages and lower shipment volumes at Mittal Steel Temirtau due to operational problems. This was partly offset by higher selling prices.

Stainless Steel

Operating income for the year ended December 31, 2006 for the Stainless Steel segment was $363 million.

AM3S

Operating income for the year ended December 31, 2006 for the AM3S segment was $174 million.

Financing Costs

Net financing costs was 85% higher for the year ended December 31, 2006, at $654 million, as compared with $353 million for the year ended December 31, 2005. Interest expense increased primarily due to the inclusion of Arcelor and financing for Arcelor as well as a non-cash charge of $367 million relating to the 2017 convertible bonds (the OCEANES). As of March 14, 2006, Arcelor irrevocably waived its cash settlement option included in the OCEANEs. Consequently, a net financing cost of $367 million (approximately 296 million) was accounted for in accordance with the last fair valuation of the conversion option. These increases were partly offset by a gain of $450 million resulting from the unwinding of a currency hedge entered into in connection with Arcelor s financing of its acquisition of Dofasco, due to the weakening of the Canadian dollar against the Euro.

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Income Tax

Mittal Steel recorded a consolidated current tax expense of $1,267 million for the year ended December 31, 2006 as compared to $663 million for the year ended December 31, 2005. Consolidated deferred tax benefit of $(158) million for the year ended December 31, 2006, as compared to an expense of $218 million for the year ended December 31, 2005. The effective tax rate decreased to 15.4% for the year ended December 31, 2006, as compared to 18.8% for the year ended December 31, 2005, on income before taxes of $7,195 million and $4,676 million, respectively.

Several factors have contributed to movements of the effective tax rate. The increase in change in measurement of deferred tax assets primarily caused by the recognition of deferred tax assets related to tax carry forwards attributable to our French operating subsidiaries has decreased the effective tax rate. Further decrease was caused by the favorable impact of foreign currency translations resulting from the depreciation of the U.S. dollar against local currencies. A tax deduction related to governmental incentives granted to one of our operating subsidiary in Brazil along with tax credits related to capital gains reinvested in fixed assets and research and development in our Spanish operating subsidiaries have also contributed to such decrease.

Mittal Steel Temirtau and the Government of Kazakhstan signed an agreement that fixed its corporate income tax payments for the years 2005 through 2009. Under this agreement, Mittal Steel Temirtau is entitled to lower taxes based on certain capital expenditure programs. As of December 31, 2006, Mittal Steel Temirtau had fulfilled the requirement of capital investments.

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

For additional information related to Mittal Steel s income taxes see Note 19 to the Mittal Steel Consolidated Financial Statements.

Minority Interest

Minority interest in income of subsidiaries was $860 million for the year ended December 31, 2006, as compared with $494 million for the year ended December 31, 2005. Higher minority interest is a function of higher income for the year ended December 31, 2006, as compared with the year ended December 31, 2005. This primarily consisted of the shares of minority shareholders in the net income of Arcelor, Mittal Steel South Africa, Mittal Steel Ostrava, Mittal Steel Kryviy Rih, Mittal Steel Annaba and Mittal Steel Poland.

Net Income

Mittal Steel s net income for the year ended December 31, 2006 increased to $5,226 million from $3,301 million for the year ended December 31, 2005, for the reasons discussed above.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Acquisitions and Divestments

The following acquisitions had a significant effect on Mittal Steel s results of operations during the period:

- the acquisition of Mittal Steel Kryviy Rih, whose results of operations were included in the consolidated results of operations from November 26, 2005;

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the acquisition of Mittal Steel USA ISG Inc., whose results of operations were included in the consolidated results of operations from April 15, 2005;

the acquisition of Mittal Steel Zenica, whose results of operations were included in the consolidated results of operations from December 10, 2004;

the acquisition of RZR Ljubija, whose results of operations were included in the consolidated results of operations from August 12, 2004;

the acquisition of Mittal Steel Skopje, whose results of operations were included in the consolidated results of operations from May 7, 2004;

the acquisition of Mittal Steel Hunedoara, whose results of operations were included in the consolidated results of operations from April 5, 2004;

the acquisition of Mittal Steel Poland, whose results of operations were included in the consolidated results of operations from March 5, 2004; and

the acquisition of a controlling interest in Mittal Steel South Africa, whose results of operations were included in the consolidated results of operations from June 9, 2004.

Results of Operations

Sales, Steel Shipments and Average Selling Prices

The following table provides a summary of sales at Mittal Steel by operating segment for the year ended December 31, 2005 as compared to the year ended December 31, 2004. There are no comparable business operations for the Stainless Steel and AM3S segments for 2005 and 2004 as these segments correspond solely to the operations of Arcelor.

	Sales for the Year ended December 31[1]		Changes in		
	2004 (in $ millions)	2005 (in $ millions)	Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Segments[2]					
Flat Carbon Americas	5,438	11,241	107	80	21
Flat Carbon Europe	3,608	3,676	2	(18)	6
Long Carbon Americas and Europe	7,894	7,676	(3)	2	6
AACIS	7,544	9,909	31	40	4

(1) Amounts are prior to inter-company eliminations and include non-steel sales.
(2) Includes results of operations of Mittal Steel Poland from March 5, 2004, Mittal Steel Zenica from December 10, 2004, Mittal Steel Hunedoara from April 5, 2004, Mittal Steel Skopje from May 7 2004, Mittal Steel South Africa from June 9, 2004, Ljubija Mines from August 12, 2004, Mittal Steel USA ISG Inc. from April 15, 2005 and Mittal Steel Kryviy Rih from November 26, 2005.

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The following table provides a summary of sales at Mittal Steel by operating segment for the year ended December 31, 2005 compared to the year ended December 31, 2004 excluding the effects of the acquisitions as these segments correspond solely to the operations of Arcelor.

	Sales for the Year ended December 31,(1)		Changes in		
	2004 (in $ millions)	2005 (in $ millions)	Sales (%)	Steel Shipments (%)	Average Steel Selling Price (%)
Segments					
Flat Carbon Americas	5,438	5,340	(2)	(12)	10
Flat Carbon Europe	2,558	2,712	6	(1)	6
Long Carbon Americas and Europe	5,325	4,976	(7)	(18)	13
AACIS	5,356	5,509	3	(8)	9

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

Mittal Steel s sales increased 36% to $28.1 billion for the year ended December 31, 2005 as compared to $20.6 billion for the year ended December 31, 2004, primarily due to the inclusion of Mittal Steel USA ISG Inc., Mittal Steel Kryviy Rih, Mittal Steel Poland, Mittal Steel Skopje, Mittal Steel Hunedoara, Mittal Steel Zenica, Ljubija Mines and Mittal Steel South Africa. Excluding the effects of these acquisitions, Mittal Steel s sales decreased to $14.2 billion for the year ended December 31, 2005, as compared to $14.8 billion for the year ended December 31, 2004. This decrease was primarily due to a 10% reduction in shipments that was partly offset by an increase in average steel selling prices. The steel market softened in 2005 as compared to 2004.

Mittal Steel s shipments increased 27% to 44.6 million tonnes for the year ended December 31, 2005 from 35.1 million tonnes for the year ended December 31, 2004, primarily due to the inclusion of Mittal Steel USA ISG Inc., Mittal Steel Kryviy Rih, Mittal Steel Poland, Mittal Steel Skopje, Mittal Steel Hunedoara, Mittal Steel Zenica, Ljubija Mines and Mittal Steel South Africa. Excluding the effects of these acquisitions, shipments decreased 11% to 23.6 million tonnes for the year ended December 31, 2005 from 26.5 million tonnes for the year ended December 31, 2004, primarily as a result of an 18% reduction in shipments in the Long Carbon Americas and Europe segment and a 12% reduction in shipments in the Flat Carbon Americas segment. The steel market softened in the Long Carbon and Flat Carbon Americas segments in particular, following a strong 2004.

Average steel selling price increased 10% for the year ended December 31, 2005, as compared to the year ended December 31, 2004. Excluding the effects of the acquisitions of Mittal Steel USA ISG Inc., Mittal Steel Kryviy Rih, Mittal Steel Poland, Mittal Steel Skopje, Mittal Steel Hunedoara, Mittal Steel Zenica, Ljubija Mines and Mittal Steel South Africa, average steel selling price increased 10% for the year ended December 31, 2005, as compared to the year ended December 31, 2004. This increase was primarily a result of our ability to pass along to customers the steep increase in the cost of raw materials.

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Flat Carbon Americas

Sales in the Flat Carbon Americas segment more than doubled to $11.2 billion for the year ended December 31, 2005 from $5.4 billion for the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel USA ISG Inc., sales decreased 2% to $5.3 billion for the year ended December 31, 2005 from $5.4 billion for the year ended December 31, 2004, primarily due a 12% reduction in shipments which was offset in part by a 10% increase in average steel selling prices.

Total steel shipments in the Flat Carbon Americas segment increased 80% to 16.2 million tonnes for the year ended December 31, 2005 from 9.0 million tonnes for the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel USA ISG Inc., shipments decreased 12% to 7.9 million tonnes for the year ended December 31, 2005 from 9.0 million tonnes for the year ended December 31, 2004. This decrease was primarily due to reduced shipments at the North American and Mexican operations due to a softening of demand.

Average steel selling price in the Flat Carbon Americas segment increased 21% for the year ended December 31, 2005, as compared with the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel USA ISG Inc., average steel selling price increased 10% from 2005 to 2006. This increase was primarily a result of our ability to pass along to customers part of the steep increase in the cost of raw materials.

Flat Carbon Europe

Sales in the Flat Carbon Europe segment increased 2% to $3.7 billion for the year ended December 31, 2005 from $3.6 billion for the year ended December 31, 2004. Excluding the effect of acquisitions made in 2005, sales increased 6% to $2.7 billion for the year ended December 31, 2005 from $2.6 billion for the year ended December 31, 2004. This increase was primarily due to a 6% increase in average steel selling prices that was partly offset by a decrease in steel shipments.

Total steel shipments in the Flat Carbon Europe segment decreased 18% to 6.3 million tonnes for the year ended December 31, 2005 from 7.7 million tonnes for the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel Poland, total steel shipments remained flat at 4.5 million tonnes for the year ended December 31, 2004 as compared to the year ended December 31, 2005.

Average steel selling price in the Flat Carbon Europe segment increased 6% for the year ended December 31, 2005 as compared with the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel Poland, average steel selling price increased 6% primarily as a result of our ability to pass along to customers part of the steep increase in the cost of raw materials.

Long Carbon Americas and Europe

Sales in the Long Carbon Americas and Europe segment decreased 3% to $7.7 billion for the year ended December 31, 2005, as compared with $7.9 billion for the year ended December 31, 2004. Excluding the acquisitions of Mittal Steel USA ISG Inc., Mittal Steel Poland and Mittal Steel Hunedoara, sales decreased 7% to $5.0 billion for the year ended December 31, 2005, as compared with $5.3 billion for the year ended December 31, 2004. This decrease was primarily due to an 18% reduction in shipments offset in part by a 13% increase in average steel selling prices.

Total steel shipments in the Long Carbon Americas and Europe segment increased 2% to 9.8 million tonnes for the year ended December 31, 2005 as compared with 9.6 million tonnes for the year ended December 31, 2004, primarily due to the acquisitions of Mittal Steel USA ISG Inc., Mittal Steel Poland and Mittal Steel Hunedoara. Excluding the effects of these acquisitions, shipments decreased 18% to 6.3 million tonnes for the year ended December 31, 2005, as compared with 7.7 million tonnes for the year ended December 31, 2004. This decrease was primarily due to weak demand and production cut backs as a result of a steep increase in the input costs.

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Average steel selling price in the Long Carbon Americas and Europe segment increased 6% for the year ended December 31, 2005 compared to the year ended December 31, 2004. Excluding the effects of the acquisitions of Mittal Steel USA ISG Inc., Mittal Steel Poland and Mittal Steel Hunedoara, average steel selling price increased by 13% for the year ended December 31, 2005 compared to the year ended December 31, 2004. This increase in average selling price was primarily a result of our ability to pass along to customers part of the steep increase in the cost of raw materials.

AACIS

Sales in the AACIS segment increased 31% to $9.9 billion for the year ended December 31, 2005 as compared with $7.5 billion for the year ended December 31, 2004, primarily due to the effect of acquisitions made in 2005. Excluding these acquisition, sales increased 3% to $5.5 billion for the year ended December 31, 2005 as compared with $5.4 billion for the year ended December 31, 2004, primarily due to 9% increase in average steel selling prices that was offset in part by a 8% decrease in shipments.

Total steel shipments in the AACIS segment increased 40% to 12.3 million tonnes for the year ended December 31, 2005 as compared with 8.8 million tonnes for the year ended December 31, 2004 primarily due to the effect of acquisitions made in 2005. Excluding these acquisitions, steel shipments decreased 8% to 4.9 million tonnes for the year ended December 31, 2005 as compared with 5.3 million tonnes for the year ended December 31, 2004, primarily due to softer market conditions resulting in particular from weaker demand in China.

Average steel selling price in the AACIS segment increased 4% for the year ended December 31, 2005 as compared to the year ended December 31, 2004 primarily due to the effect of acquisitions made in 2005. Excluding these acquisition, average steel selling price increased 9% for the year ended December 31, 2005 as compared with the year ended December 31, 2004, primarily a result of our ability to pass along to customers part of the steep increase in the cost of raw materials.

Operating Income

The following table provides a summary of the operating income and operating margin of Mittal Steel for the year ended December 31, 2005, as compared with the year ended December 31, 2004:

	Operating Income			
	Year ended December 31,		**Operating Margin**	
	2004	**2005**	**2004**	**2005**
	(in $ millions)	**(in $ millions)**	**(%)**	**(%)**
Segments				
Flat Carbon Americas	1,327	1,289	24	11
Flat Carbon Europe	866	367	24	10
Long Carbon Americas and Europe	1,423	641	18	8
AACIS	2,022	2,335	27	24

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

(2) Includes results of Mittal Steel Poland from March 5, 2004, Mittal Steel Zenica from December 10, 2004, Mittal Steel Hunedoara from April 5, 2004, Mittal Steel Skopje from May 7 2004, Mittal Steel south Africa from June 9, 2004, Ljubija Mines from August 12, 2004, Mittal Steel USA ISG Inc. from April 15, 2005 and Mittal Steel Kryviy Rih from November 26, 2005.

The following table provides a summary of operating income and operating margin at Mittal Steel by operating segment for the year ended December 31, 2005 compared to the year ended December 31, 2004 excluding acquisitions. There are no comparable business operations for the Stainless Steel and AM3S segments for 2005 and 2004 as these segments correspond solely to the operations of Arcelor.

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	Operating Income			
	Year ended December 31,		Operating Margin	
	2004	2005	2004	2005
Segments	(in $ millions)	(in $ millions)	(%)	(%)
Flat Carbon Americas	1,327	869	24	16
Flat Carbon Europe	579	281	23	10
Long Carbon Americas and Europe	819	502	15	10
AACIS	1,321	1,225	25	22

Flat Carbon Americas

Operating income for the year ended December 31, 2005 for the Flat Carbon Americas segment remained flat at $1.3 billion as compared to the year ended December 31, 2004. Excluding the effects of the acquisition of Mittal Steel USA ISG Inc., operating income decreased to $0.9 billion for the year ended December 31, 2005, as compared with $1.3 billion for the year ended December 31, 2004. This decrease was primarily as a result of a steep increase in the cost of input and lower steel shipments which was partly offset by increase average steel selling prices.

Flat Carbon Europe

Operating income for the year ended December 31, 2005 for the Flat Carbon Europe segment decreased to $0.4 billion as compared with $0.9 billion for the year ended December 31, 2004. Excluding the acquisitions, operating income decreased to $0.3 billion for the year ended December 31, 2005, as compared with $0.6 billion for the year ended December 31, 2004. This decrease was primarily as a result of the steep increase in the cost of inputs and marginally lower steel shipments, which were partly offset by an increase in average steel selling prices.

Long Carbon Americas and Europe

Operating income for the year ended December 31, 2005 for the Long Carbon Americas and Europe segment decreased to $0.6 billion, as compared with $1.4 billion for the year ended December 31, 2004. Excluding the effect of acquisitions made in 2005, the operating income for the year ended December 31, 2005 decreased 39% to $0.5 billion as compared to $0.8 billion for the year ended December 31, 2004. The primary reason for the lower operating income was the steep increase in input costs and lower steel shipments, which were partly offset by increase average steel selling prices.

AACIS

Operating income for the year ended December 31, 2005 for the AACIS segment increased to $2.3 billion, as compared with $2.0 billion for the year ended December 31, 2004. Excluding the effects of acquisitions made in 2005, the operating income for the year ended December 31, 2005 decreased to $1.2 billion as compared to $1.3 billion for the year ended December 31, 2004. The primary reason for the lower operating income was the steep increase in input costs and lower shipments which were partly offset by an increase average steel selling prices.

Financing Costs

Net financing cost increased 65% to $353 million for the year ended December 31, 2005, as compared with $214 million for the year ended December 31, 2004. Interest expense increased primarily due to the increased borrowing for the acquisition of, and assumption of debt at, Mittal Steel USA ISG Inc. and Mittal Steel Kryviy Rih, as well as the increase in base interest rates which were partly offset by foreign exchange gains.

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Income Tax

Mittal Steel recorded a consolidated current tax expense of $663 million in the year ended December 31, 2005 as compared to $636 million in the year ended December 31, 2004. Consolidated deferred tax expenses were $218 million in the year ended 2005, as compared to an expense of $331 million in 2004. The effective tax rate increased to 18.8% in the year ended December 31, 2005, as compared to 14.7% in the year ended December 31, 2004, on income before taxes of $4,676 million and $6,592 million, respectively.

This increase in the aggregate tax rate is primarily due to the addition of newly acquired operating subsidiaries that have relatively high tax expenses. Several other factors discussed below have contributed to movements of the rate.

The change in the measurement of deferred tax assets along with the increase in the permanent differences in comparison to the prior year has increased the effective tax rate. Further increase of the tax rate was due to the significant decrease in the benefit of the tax holiday resulting from the amendment of the Mittal Steel Galati share purchase agreement. Mittal Steel signed an amendment to the share purchase agreement leading to the termination of the five-year exemption to pay corporate income tax and other economic incentives previously provided to Mittal Steel Galati. This amendment has an impact beginning on January 1, 2005.

Mittal Steel Temirtau and the Government of Kazakhstan signed an agreement that fixed its corporate income tax payments for the years 2005 through 2009. Under this agreement, Mittal Steel Temirtau is entitled to lower taxes based on certain capital expenditure programs.

For additional information related to Mittal Steel s income taxes see Note 19 to the Mittal Steel Consolidated Financial Statements.

Minority Interest

Minority interest in income of subsidiaries amounted to $494 million for the year ended December 31, 2005, as compared with $415 million for the year ended December 31, 2004. This primarily consisted of the shares of minority shareholders in the net income of Mittal Steel South Africa, Mittal Steel Ostrava, Mittal Steel Poland and Mittal Steel Annaba. Lower minority interest is a function of lower income for the year ended December 31, 2005, as compared with the year ended December 31, 2004.

Net Income

Mittal Steel s net income for the year ended December 31, 2005 decreased to $3.3 billion as compared with $5.2 billion for the year ended December 31, 2004. This decrease was due to lower operating income, higher financing costs and a higher tax charge, partly offset by a lower minority interest, as discussed above.

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PART III

ITEM 18. FINANCIAL STATEMENTS

The following financial statements, together with the reports of Deloitte Accountants B.V., KPMG Audit S. à r. l., Ernst & Young Accountants and KPMG Inc. thereon, are filed as part of this Annual Report.

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ITEM 19. EXHIBITS

Other than the exhibits listed below, no other new exhibits are filed and all other exhibits to the Form 20-F remain unchanged.

Exhibit **Number**	**Description**
12.1.	Certifications of Mittal Steel Company N.V. s Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act.
13.1.	Certifications of Mittal Steel Company N.V. s Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and Section 1350 of Chapter 63 of Title 18 of the United States Code.
15.1	Consent of Deloitte Accountants B.V.
15.2	Consent of Ernst & Young Accountants
15.3	Consent of KPMG Inc.
15.4	Consent of KPMG Audit S.à r.l.

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2005 and 2006 and

for each of the three years in the period ended December 31, 2006

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Mittal Steel Company N.V. and subsidiaries (the Company) as of December 31, 2005 and 2006, and the related consolidated statements of income, changes in equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the consolidated financial statements of Arcelor S.A. and subsidiaries (Arcelor S.A. , a consolidated subsidiary) (except for Dofasco, Inc., Belgo Siderurgia S.A., Companhia Siderúrgica Tubarão S.A., Sol Coqueria Tubarão S.A., Acindar Industria Argentina de Aceros S.A., Arcelor España S.A., Arcelor Largos Perfiles, and Laminandos Velasco S.L., consolidated subsidiaries of Arcelor S.A., whose financial statements for the period from August 1, 2006 to December 31, 2006 were audited by us) which statements reflect total assets constituting 39% of consolidated total assets as of December 31, 2006 and total revenues constituting 31% of consolidated total revenues for the year ended December 31, 2006. With respect to the consolidated net income information stated on the basis of accounting principles generally accepted in the United States of America as presented in Note 28, we did not audit the consolidated financial statements of Mittal Steel Holdings A.G. (formerly Mittal Steel Holdings N.V., a consolidated subsidiary) for the year ended December 31, 2004 (except for Mittal Steel Poland, S.A., a consolidated subsidiary of Mittal Steel Holdings A.G., whose consolidated financial statements for the year ended December 31, 2004 were audited by us), which statements reflect total revenues of 45% for the year ended December 31, 2004. Such financial statements were audited by other auditors whose reports (which as to the Arcelor S.A. report is qualified because the omission of comparative financial information is not in conformity with International Financial Reporting Standards as adopted by the European Union, the effect of which, in our opinion, is not relevant in relation to the consolidated financial statements) have been furnished to us, and our opinion, insofar as it relates to the amounts included for Arcelor S.A. and Mittal Steel Holdings A.G., is based solely on the reports of such other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of the Mittal Steel Company N.V. and subsidiaries as of December 31, 2005 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in accordance with International Financial Reporting Standards as adopted by the European Union.

International Financial Reporting Standards as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Note 28 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 16, 2007 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting based on our audits.

Deloitte Accountants B.V.

April 16, 2007

Rotterdam, The Netherlands

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Arcelor S.A.:

We have audited the accompanying consolidated balance sheet of Arcelor S.A. and subsidiaries (the Group) as of December 31, 2006, and the related consolidated income statement, statement of cash flows, and statement of changes in shareholders equity for the five months ended December 31, 2006. These financial statements are the responsibility of the Group s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

IAS 34 requires that interim financial statements be presented with comparative financial information. These consolidated interim financial statements have been prepared solely for the purpose of consolidating the Group into the consolidated financial statements of Mittal Steel Company N.V. (Mittal Steel) as of and for the year ended December 31, 2006. Accordingly, no comparative financial information is presented.

In our opinion, except for the omission of comparative financial information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arcelor S.A. and subsidiaries as of December 31, 2006, and the results of their operations and their cash flows for the five months ended December 31, 2006, in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The consolidated financial statements referred to above are based on the historical values of Arcelor S.A.'s assets and liabilities prior to its acquisition by Mittal Steel and, accordingly, do not include the purchase price adjustments to such amounts reflected in the consolidated financial statements of Mittal Steel as a result of such acquisition.

/s/ **KPMG Audit S. à r. l.**

City of Luxembourg
Luxembourg
April 16, 2007

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors of Mittal Steel Company N.V.:

We have audited the consolidated statements of income, comprehensive income, shareholder s equity, and cash flows of Mittal Steel Holdings N.V. (formerly LNM Holdings N.V.) and subsidiaries for the year ended December 31, 2004 (not presented separately herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the consolidated financial statements of Ispat Iscor Limited (formerly Iscor Ltd.) and subsidiaries for the year ended December 31, 2004, a consolidated subsidiary at December 31, 2004, which statements reflect total revenues constituting 26% of the related consolidated totals. These consolidated financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Ispat Iscor Limited and subsidiaries, is based solely on the report of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated results of operations and cash flows of Mittal Steel Holdings N.V. and subsidiaries for the year ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Rotterdam, The Netherlands

February 9, 2005

/s/ Ernst & Young Accountants

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Ispat Iscor Limited

We have audited the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and Consolidated Statement of Comprehensive Income of Ispat Iscor Limited and subsidiaries for the year ended December 31, 2004. These Consolidated Financial Statements are the responsibility of the management and directors of Ispat Iscor Limited. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the aforementioned Consolidated Financial Statements present fairly, in all material respects, the results of operations and cash flows of Ispat Iscor Limited and subsidiaries for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

KPMG Inc.
/s/ KPMG Inc.

Registered Accountants and Auditors
Pretoria, South Africa
February 8, 2005

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Balance Sheets

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

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Balance Sheets, continued

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

Commitments and contingencies (notes 22 and 23)

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Income

	Year Ended December 31,		
	2004*	2005*	2006
	(millions of U.S. Dollars, except share and per share data)		
Sales:	20,612	28,132	58,870
(Including 2,235 in 2004, 2,339 in 2005 and 3,847 in 2006 of sales to related parties)			
Cost of sales (including depreciation and amortization of 734 in 2004, 1,113 in 2005 and 2,296 in 2006)	14,422	22,341	48,411
(Including 1,021 in 2004, 914 in 2005 and 1,740 in 2006 of purchases from related parties)			
Gross margin	6,190	5,791	10,459
Selling, general and administrative	676	1,062	2,960
Operating income	5,514	4,729	7,499
Other income net (including negative goodwill of 1,009 in 2004, 147 in 2005, and nil in 2006)	1,143	214	49
Income from equity method investments	149	86	301
Financing costs net (note 17)	(214)	(353)	(654)
Income before taxes	6,592	4,676	7,195
Income tax expense (note 19)	967	881	1,109
Net income (including minority interest)	5,625	3,795	6,086
Attributable to:			
Equity holders of the parent	5,210	3,301	5,226
Minority interests	415	494	860
Net income (including minority interest)	5,625	3,795	6,086

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Income, continued

	Year Ended December 31, 2004*	2005*	2006
	(millions of U.S. Dollars, except share and per share data)		
Earnings per common share			
Basic:			
Class A common shares	8.10	4.80	5.29
Class B common shares	8.10	4.80	5.29
Diluted:			
Class A common shares	8.10	4.79	5.28
Class B common shares	8.10	4.79	5.28
Weighted average common shares outstanding (in millions)			
Basic:			
Class A common shares	186	230	531
Class B common shares	457	457	457
Total	643	687	988
Diluted:			
Class A common shares	186	232	533
Class B common shares	457	457	457
Total	643	689	989

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

(millions of U.S. Dollars, except share and per share data)	Shares**	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Net income for the year	Foreign Currency Translation Adjustments	Reserves Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities	Equity	Minority interest	Total equity
*Balance at December 31, 2003	643	59	(110)	584	4,372			2	69	4,976	266	5,242
Movement with minority shareholders					2					2	1,194	1,196
Items recognized directly in equity							1,368	4	66	1,438		1,438
Net income						5,210				5,210	415	5,625
Recognized income and expenses						*5,210*	*1,368*	*4*	*66*	*6,648*	*415*	*7,063*
Transfer to retained earnings					5,210	(5,210)						
Treasury Stock (note 16)			(13)	(32)						(45)		(45)
Dividends					(2,385)					(2,385)		(2,385)
*Balance at December 31, 2004	643	59	(123)	552	7,199		1,368	6	135	9,196	1,875	11,071
Movement with minority shareholders					(17)					(17)	(198)	(215)
Items recognized directly in equity							(758)	(10)	87	(681)		(681)
Net income						3,301				3,301	494	3,795
Recognized income and expenses						*3,301*	*(758)*	*(10)*	*87*	*2,620*	*494*	*3,114*
Transfer to retained earnings					3,301	(3, 301)						
Recognition of share based payments				3						3		3
Issuance of shares in connection with ISG acquisition (net of capital duties of 11)	61	1		1,693						1,694		1,694
Treasury Stock (note 16)			12	(9)						3		3
Dividends (0.30 per share)					(213)					(213)		(213)
*Balance at December 31, 2005	704	60	(111)	2,239	10,270		610	(4)	222	13,286	2,171	15,457
Movement with minority shareholders												
Items recognized directly in equity							826	(16)	16	826	5,033	5,859
Net income						5,226				5,226	860	6,086
Recognized income and expenses						*5,226*	*826*	*(16)*	*16*	*6,052*	*5,893*	*11,945*

Transfer to retained earnings					5,226	(5,226)						
Recognition of share based payments				29						29		29
Voting right reduction		(52)		52								
Issuance of shares in connection with Arcelor acquisition	680	9		23,231						23,240		23,240
Treasury Stock (note 16)	1		27	15						42		42
Dividends (0.50 per share)					(522)					(522)		(522)
Balance at December 31, 2006	1,385	17	(84)	25,566	14,974		1,436	(20)	238	42,127	8,064	50,191

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

** Excludes treasury shares.

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2004*	2005*	2006
	(millions of U.S. Dollars)		
Operating activities:			
Net income	5,625	3,795	6,086
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	734	1,113	2,296
Interest expense	259	503	1,124
Interest paid	(256)	(246)	(867)
Income tax expense	785	1,110	925
Taxes paid	(454)	(892)	(1,083)
Negative goodwill released to income	(1,009)	(147)	
Other non-cash operating expenses (net)	(176)	(330)	(733)
Changes in operating assets and liabilities, net of effects from acquisition:			
Trade accounts receivable	(212)	406	(128)
Inventories	(1,374)	33	(584)
Trade accounts payable	165	15	854
Other working capital movements	213	(1,486)	(768)
Net cash provided by operating activities	4,300	3,874	7,122
Investing activities:			
Purchase of property, plant and equipment	(837)	(1,181)	(2,935)
Acquisition of net assets of subsidiaries, net of cash acquired of 45, 816 and 4,599, respectively	67	(6,120)	(5,842)
Other investing activities (net)	114	(211)	201
Net cash used in investing activities	(656)	(7,512)	(8,576)
Financing activities:			
Proceeds from bank borrowings	2,258	1,678	959
Proceeds from long-term debt, net of debt issuance costs	1,185	8,318	29,910
Proceeds from long-term debt from an associate	76		
Payments of payable to banks	(2,578)	(1,807)	(5,906)
Payments of long-term debt	(2,126)	(2,740)	(18,820)
Payments of long-term debt to an associate	(175)		
Purchase of treasury stock	(54)		
Sale of treasury stock for stock option exercises	9	3	8
Dividends paid (includes 27, 245 and 122 of dividends paid to minority shareholders in 2004, 2005 and 2006, respectively)	(713)	(2,092)	(660)
Other financing activities (net)		(11)	(46)
Net cash provided by (used in) financing activities	(2,118)	3,349	5,445
Effect of exchange rate changes on cash	236	(171)	(6)
Net increase in cash and cash equivalents	1,762	(460)	3,985
Cash and cash equivalents:			
At the beginning of the year	733	2,495	2,035
At the end of the year	2,495	2,035	6,020

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

	Year Ended December 31,		
	2004*	2005*	2006
	(millions of U.S. Dollars)		
Supplemental disclosures of cash flow information			
Non-cash activity:			
Issuance of common shares in connection with the acquisition of ISG, net of capital duty of 11		1,694	
Issuance of common shares in connection with the acquisition of Arcelor			23,240

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

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

Nature of business

Mittal Steel Company N.V. (Mittal Steel) or (the Company), together with its subsidiaries, is a manufacturer of steel and steel related products. Mittal Steel owns and operates manufacturing facilities in Europe, North and South America, Asia and Africa.

These manufacturing facilities, each of which includes its respective subsidiaries, are referred to herein as the Operating Subsidiaries .

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

Organization

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

Basis of preparation

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

New IFRS standards and interpretations applicable in 2006

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

Basis of consolidation

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

MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and critical accounting judgements

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

Purchase Accounting

Accounting for acquisitions requires Mittal Steel to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. In connection with each of its acquisitions, the Company undertakes a process to identify all assets and liabilities acquired, including acquired intangible assets. The judgments made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact our results of operations. 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, we typically use the income method . This method starts with our forecast of all of the expected future net cash flows. These cash flows are then adjusted to present value by applying an appropriate discount rate that reflects the risk factors associated with the cash flow streams. Some of the more significant estimates and assumptions inherent in the income method or other methods include: the amount and timing of projected future cash flows; the discount rate selected to measure the risks inherent in the future cash flows (weighted average cost of capital); the assessment of the asset s life cycle and the competitive trends impacting the asset, including consideration of any technical, legal, regulatory, or economic barriers to entry.

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

The fair value of identifiable intangible assets (generally, patents, customer relationships and favorable and unfavorable contracts) is estimated as described above.

Property, plant and equipment is recorded at replacement cost.

The fair value of pension and other post-employment benefits is determined separately for each plan, with the assistance of actuaries, using assumptions valid as of the acquisition date regarding the population of employees involved and the latest market data for the valuation of plan assets.

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The fair value of inventories is estimated based on expected selling prices for inventory on hand at the date of acquisition reduced by an estimate of selling expenses and an appropriate gross margin.

Adjustments are recorded to deferred tax assets and liabilities of the acquiree to reflect purchase price adjustments, other than goodwill.

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

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

Deferred Tax Assets

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

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

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

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

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

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

Provisions for Pensions and Other Post Employment Benefits

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

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

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

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

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

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

In accordance with IFRS, actual gains or losses resulting from changes in actuarial assumptions are recognized in Mittal Steel s income statement only if the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of 10% of the present value of the defined benefit obligation at that date and 10% of the fair value of any plan asset at that date. The fraction exceeding 10% is then recognized over the expected average remaining working lives of the employees participating in the plan. Such accumulated unrecognized costs amounted to 831 for pensions and 351 for other post-employment benefits as of December 31, 2006. While management believes that the assumptions used are appropriate, differences in actual experience or changes in assumptions may affect Mittal Steel s pension and other postretirement obligations and future expense.

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

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

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

(in millions of US Dollars) Change in assumption	Effect on 2007 Pre-Tax OPEB Expense	Effect of December 31, 2006 APBO

100 basis point decrease in discount rate	6	586
100 basis point increase in discount rate	(5)	(365)
100 basis point decrease in healthcare cost trend	(6)	(136)
100 basis point increase in healthcare cost trend	7	160

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

Valuation of Long-Lived Assets, Intangibles and Goodwill

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

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

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

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

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

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

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

Translation of financial statements denominated in foreign currency

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

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

Impairment of non-current assets (excluding goodwill)

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

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

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

Business combinations

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

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

Cash and cash equivalents

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

Restricted cash

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

Trade accounts receivable

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

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

Inventories

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

MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

Goodwill and negative goodwill

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

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

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

Intangible assets

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

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

Research and development costs expensed amounted to 31, 39, and 96 in the years ended December 31, 2004, 2005, and 2006, respectively.

Property, plant and equipment

Property, plant and equipment is recorded at cost less accumulated depreciation and any recognized impairment loss. Cost includes professional fees, and, for assets constructed by the Company, any related works to the extent that these are directly attributable to the acquisition or construction of the asset. All property, plant and equipment except land are depreciated using the straight line method over the useful lives of the related assets, ranging from 10 to 50 years for buildings and improvements and 2 to 45 years for machinery and equipment. Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred. Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

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

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

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

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

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

Investment in associates, joint ventures and other entities

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

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

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

Assets held for sale

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

Borrowings

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

Capitalized interest

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

Deferred employee benefits

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

Defined benefit plans are those plans that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. This guarantee of benefits represents a future commitment of Mittal Steel and, as such, a

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

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

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

Provisions and accruals

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

Environmental costs

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

Asset retirement obligations

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

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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 Group intends to settle its current tax assets and liabilities on a net basis.

Financial liabilities

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

Derivative financial instruments

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

Emission rights

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

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Revenue recognition

Sales of goods and services

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

Shipping and handling costs

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

Financing costs

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

Earnings per common share

The Company follows the provisions of IAS 33, Earnings Per Share , which requires companies to report both basic and diluted per share data for all periods for which a statement of income is presented. Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to shareholders and assumed conversion by the weighted average number of common shares and potential common shares from convertible debt and outstanding stock options. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company s outstanding stock options. The following table provides a reconciliation of the denominators used in calculating basic and diluted net income per share for the years ended December 31, 2004, 2005 and 2006:

	Year Ended December 31,		
	2004*	**2005***	**2006**
Net income	5,210	3,301	5,226
Plus: Interest on Pension Benefit Guaranty Corporation (PBGC) note, net of tax		1	
Income available to shareholders and assumed conversion	5,210	3,302	5,226
Weighted average common shares outstanding (in millions)	643	687	988
Plus: Incremental shares from assumed conversions			
Stock options (in millions)		1	1
6% PBGC note (in millions)		1	
Weighted average common shares assuming conversions (in millions)	643	689	989

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

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

Stock option plan/share-based payments

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

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Segment reporting

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

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

New IFRS standards and interpretations applicable from 2007 onward

IFRS 7

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

IFRS 8

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

AMENDMENT TO IAS 1

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

IFRIC 7

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

IFRIC 8

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

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IFRIC 9

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

IFRIC 10

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

IFRIC 11

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

IFRIC 12

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

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NOTE 3: ACQUISITIONS

Significant acquisitions made during the years ended December 31, 2004, 2005 and 2006 include:

Mittal Steel Poland

On March 5, 2004, the Company acquired a 69% interest in Mittal Steel Poland (formerly Polskie Huty Stali Spoka Akcyjna (PHS)), a steel manufacturing company located in the Republic of Poland, from the State Treasury of the Republic of Poland. In conjunction with the acquisition of its controlling interest, the Company irrevocably committed to purchase an additional 25% interest in Mittal Steel Poland by December 2007. Because the agreement transfers operational and economic control of these shares to the Company, it has been accounted for as an acquisition of the remaining shares, with a liability recorded equal to the present value of the guaranteed payments. As of the acquisition date, the Company s total effective ownership percentage in Mittal Steel Poland was 94.0%. The total purchase price for Mittal Steel Poland, including acquisition related costs, was 519, which was funded though a combination of cash, debt and the liabilities recorded pursuant to the acquisition agreement. The results of Mittal Steel Poland have been included in the consolidated financial statements since March 2004. The Company has also committed to make capital expenditures of 497 (587) over the period through December 2009. The Company increased its ownership percentage to approximately 99% at December 31, 2004 through the purchase of additional shares held by current and former employees for cash consideration of 37. Mittal Steel Poland, one of the largest steel producers in Central and Eastern Europe, produces a wide range of steel products and owns various ancillary businesses to support the steel business. The Company has completed its valuation of the acquired assets and liabilities during 2004.

Mittal Steel South Africa

On June 9, 2004, after obtaining the necessary shareholder and the Republic of South Africa Competition Tribunal approvals, the Company purchased an additional 2,000 shares in Mittal Steel South Africa (formerly Iscor Limited). Mittal Steel South Africa is an integrated steel producer in the Republic of South Africa and is comprised of four steel plants and a metallurgical by-products processing division. This purchase increased the Company s 49.99% ownership interest in Mittal Steel South Africa at December 31, 2003 to greater than 50% and provided the Company with effective control over Mittal Steel South Africa. The Company had historically accounted for Mittal Steel South Africa under the equity method of accounting and each of the Company s investments in the outstanding shares of Mittal Steel South Africa were accounted for as a step acquisition. The Company has included the results of operations of Mittal Steel South Africa in its consolidated financial statements from June 9, 2004.

The allocation of the purchase price of Mittal Steel South Africa resulted in the consolidation of total assets of 2,910 and total liabilities of 875. Total assets are comprised of 835 in current assets, 1,834 in property, plant and equipment and other non-current assets, including goodwill, of 241. Total liabilities include 498 in current liabilities and 149 in non-current liabilities. On November 30, 2005, the Company increased its shareholding in Mittal Steel South Africa to just over 52% by acquiring an additional 2% interest for aggregate consideration of 78.

Mittal Steel Zenica (Zenica)

On December 10, 2004, the Company acquired a 51% interest in Zenica (formerly BH Steel Zeljezara Zenica LLC), a steel manufacturing company located in Bosnia and Herzegovina, for aggregate consideration of 80 from the Government of the Federation of Bosnia-Herzegovina. In December 2005, the Company acquired an additional 41% interest in Zenica for aggregate consideration of 98. In conjunction with the acquisition of its controlling interest in Zenica, the Company irrevocably committed to purchase the additional 8% interest in the total outstanding capital no later than December 2009. Because the irrevocable commitments transferred operational and economic control of these remaining shares in December 2004, it was accounted for as an acquisition of the remaining shares, with a liability recorded equal to the fair value of the guaranteed payments. As of the acquisition date, the Company s total effective ownership percentage in Zenica was 100%. The results of Mittal Steel Zenica have been included in the consolidated financial statements since December 2004. In connection with the acquisition, the Company has committed to make capital expenditures of 135 over a 10 year period. The Company finalized the purchase price allocation for Zenica in 2005.

International Steel Group (ISG)

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

The aggregate purchase price of approximately 3,833 including cash of 2,128 (1,472 net of cash acquired and 56 of acquisition cost) and Class A common Shares valued at 1,705. The fair value of the 60,891,883 Class A common shares was determined based on the market-price of Mittal Steel s Class A common shares on the date of acquisition. Intangible assets identified as a result of purchase accounting

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relate to 4 assigned to patents and 384 assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years or 2 years on a weighted average basis. Intangible liabilities consist of 1,095 assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years or 3.2 years on a weighted average basis. The company recognized 383 of income during 2006 (137 in 2005) related to the net amortization of these intangibles. The Company finalized the purchase price allocation for ISG in 2006.

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

Kryvorizhstal

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

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

Arcelor

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

The total purchase price, including acquisition costs, was 33,675, which was funded through a combination of cash and 680 million newly issued Class A common shares. Total cash consideration for the transactions was 10,435 (5,841 net of 4,594 of cash acquired). The fair value of the Class A common shares issued was determined based on the market price of Mittal Steel's Class A common shares at the date of the acquisition, which was 34.20 per share, based on the weighted average closing price on August 1, 2006 and September 4, 2006 (the dates of the issuance of Mittal Steel shares as consideration).

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

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

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

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

	2004		2005*			Arcelor (2006)***		
	South Africa	Poland*	Zenica*	ISG**	Kryviy Rih**	Historical	Purchase accounting Adjustments	Arcelor at fair value
Current assets	835	864	127	3,024	347	21,292	1,060	22,352
Property, plant & equipment	1,834	1,966	169	4,001	4,454	22,480	11,770	34,250
Other assets	241	52	1	506		6,356	1,607	7,963
Total assets acquired	2,910	2,882	297	7,531	4,801	50,128	14,437	64,565
Current liabilities	498	669	31	1,590	258	16,178		16,178
Long-term loan		48	38	844		8,830	80	8,910
Other long-term liabilities	149	337	12	1,613	200	5,532	699	6,231
Deferred tax liabilities	228	298		104	782	1,276	4,029	5,305
Minority interest		34				3,303	144	3,447
Total liabilities assumed	875	1,386	81	4,151	1,240	35,119	4,952	40,071
Total net assets	2,035	1,496	216	3,380	3,561	15,009	9,485	24,494
Minority interest	1,017	91			249	1,147	614	1,761
Net assets acquired	1,018	1,405	216	3,380	3,312	13,862	8,871	22,733
Fair value of								
shares issued				1,705				23,240
Cash paid, net		519	178	1,528	4,635			5,841
Equity investment	1,018							
Purchase price, net	1,018	519	178	3,233	4,635			29,081
Goodwill/ (negative goodwill)		(886)	(38)	(147)	1,323			6,348

* Historical IFRS information as of the date of acquisition was not available for the acquired entities.

** During 2006, the Company finalized the purchase price allocation for ISG and Kryviy Rih, which resulted in a charge of 131 to the consolidated statement of income for the year ending December 31, 2005, primarily due to lower negative goodwill than initially recognized. See the table below for adjustments. Prior period information has been adjusted retrospectively.

*** Based on a preliminary purchase price allocation, which is subject to change. The amount of profit attributable to Arcelor since the date of acquisition is 1.7 billion.

	ISG	Kryviy Rih

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

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

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

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

Pro Forma Results

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

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

NOTE 4: ASSETS HELD FOR SALE

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

On October 27, 2006, Noble and Arcelor signed a binding letter of Intent for the combination of Arcelor s laser-welded tailor blank business (Flat Carbon Europe segment) with Noble. On March 16, 2007, Mittal Steel and Noble signed a definitive agreement for the combination of their laser-welded tailored blanks businesses. Under the terms of the transaction, Mittal Steel, will sell its laser-welded blanks business in western and eastern Europe, China, India and United States (TBA) for aggregate consideration of 300, which will consist of approximately 131 in a combination of cash, a note receivable, and assumption of certain TBA financial obligations by Noble and 9,375,000 shares of Noble common stock (with an agreed value of 18 per share). Upon completion, Mittal Steel will become the largest stockholder of Noble, owning approximately 40% of the issued and outstanding common shares. Arcelor will also obtain four of nine seats on Noble s board of directors. Completion of the transaction is expected to occur in June 2007, and is subject to a number of conditions, including Noble shareholder approval, receipt by Noble of not less than 165 in debt financing, anti-trust clearance in the United States, Canada and Europe and other customary conditions. In addition, Arcelor and Noble will seek to include in the transaction as soon as practicable the tailored blanks business operated by Powerlasers, a subsidiary of Dofasco, Inc., for additional consideration to be determined based upon the 2006 financial performance of Powerlasers, estimated at 50. The common shares of Dofasco are held in a Dutch trust, the trustees of which control any decision to sell Dofasco assets. At December 31, 2006, the disposal group comprises assets of 331 and liabilities of 47.

Assets classified as held for sale*:

	December 31, 2006
Property, plant and equipment	1,045
Trade and other receivables	65
Inventories	129
Other assets	28
	1,267

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Liabilities classified as held for sale*:

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

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

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

NOTE 5: TRADE RECEIVABLES

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

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

The provision charged to the income statement is 13, 23 and 241 for 2004, 2005 and 2006, respectively.

NOTE 6: INVENTORIES

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

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

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

NOTE 7: PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

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

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NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are summarized as follows:

	Goodwill on acquisition	Concessions, patents and licenses	Favourable contracts	Other	Total
Cost					
At December 31, 2004	49	7		187	243
Acquisitions	1,342	28	384		1,754
Foreign exchange differences		(1)		22	21
Transfers and other movements				(17)	(17)
At December 31, 2005	1,391	34	384	192	2,001
Acquisition of Arcelor	6,348	710	920	912	8,890
Other acquisitions	67	17		60	144
Disposals		(11)			(11)
Foreign exchange differences	205	4	30	30	269
Transfers and other movements	9	18		5	32
At December 31, 2006	8,020	772	1,334	1,199	11,325
Accumulated amortization and impairment losses					
At December 31, 2004		2		23	25
Amortization charge		5	162	6	173
Foreign exchange differences				(3)	(3)
At December 31, 2005		7	162	26	195
Disposals		(11)			(11)
Impairment		11		(1)	10
Amortization charge		106	177	44	327
Foreign exchange differences		23	2	(4)	21
Transfers and other movements		1			1
At December 31, 2006		137	341	65	543
Carrying amount					
At December 31, 2005	1,391	27	222	166	1,806
At December 31, 2006	8,020	635	993	1,134	10,782

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

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

* Includes all subsidiaries, mainly located in Europe and South America as purchase price allocation has not been finalized.

** Subject to change upon finalization of purchase price allocation

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

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

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

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NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

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

During the period, the Company carried out a review of the recoverable amount of its manufacturing plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use. As a result of the assessment, the Company determined that the recoverable amount for certain of its plant, property and equipment located in its US Operating Subsidiary was less than its carrying amount.

Accordingly, a 41 (2005: 0, 2004: 0) impairment loss was recognized immediately as an expense as part of operating income in the income statement.

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

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NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

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

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

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

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

	Years ended December 31,		
	2004	**2005**	**2006**
Condensed statement of income data			
Gross revenue	2,128	3,446	8,734
Net income	88	137	533

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

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NOTE 11: OTHER INVESTMENTS

The Company holds the following other investments:

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

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

Aços Villares (part of the Sidenor Group, producer of special steels and rolls for rolling mills, publicly traded on the Brazilian stock market).

Fortis (international financial services provider engaged in banking and insurance, publicly traded on Amsterdam, Brussels and Luxembourg stock markets).

Kiswire (special steel wire manufacturer whose shares are publicly traded on the South Korean stock market).

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

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NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

	Year ended December 31,			At December 31,	
	2004	2005	2006	2005	2006
Transactions		Sales		Receivables	
Macsteel Int l Holding & Subsidiaries	1,047	1,369	1,084	51	26
I/N Kote	323	361	380	4	13
Polski Koks	325	77	376	45	64
Coils Lamiere Nastri (CLA) SPA			221		143
Gonvarri Industrial SA			207		49
WDI	195	153	205	20	18
Zaklad	86	70	150	13	20
Straprofil	90	68	105	6	8
Sorevco		63	72		8
Lamines Marchands Europeens SA			55		28
Borecelik Celik Sanayii Ticret			52		20
Florin Centrum		23	50	4	12
Other	169	155	890	25	300
Total	2,235	2,339	3,847	168	709

	Year ended December 31,			At December 31,	
	2004	2005	2006	2005	2006
		Purchases of raw material & others		Payables	
Polski Koks	372	217	258	50	56
E.I.M.P	153	188	255		
Forges et Acieries de Dilinger			186		27
I/N Tek (Tolling charges)	149	144	166	1	10
Mac Steel Int l Holding & Subsidiaries			106		
Peña Colorada	34	53	66	27	27
PCI Associates (Tolling Fees)	57	54	65	(5)	
Eko Recycling GmbH			62		17
Lindsay International (Pvt) Ltd.	40	57	36	6	3
Orind Refractories & Subsidiaries	46	66	35	5	3
Other	170	135	505	41	376
Total	1,021	914	1,740	125	519

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

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

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Mittal Steel Poland S.A.	Mittal Steel Poland	Poland
Mittal Steel Ruhrort GmbH(1)	Mittal Steel Ruhrort	Germany
Mittal Steel USA Inc.	Mittal Steel USA	USA
Asia, Africa and CIS (AACIS)		
JSC Mittal Steel Temirtau	Mittal Steel Temirtau	Kazakhstan
Mittal Steel Annaba Spa	Mittal Steel Annaba	Algeria
Mittal Steel Liberia Limited	Mittal Steel Liberia	Liberia
Mittal Steel South Africa Ltd.	Mittal Steel South Africa	South Africa
OJSC Mittal Steel Kryviy Rih	Mittal Steel Kryviy Rih	Ukraine
Société Nationale de Sidérurgie, S.A.	Sonasid	Morocco
Stainless Steel		
Acesita S.A.	Acesita	Brazil
Ugine & Alz Belgium N.V.	Ugine & Alz Belgium	Belgium
Ugine & Alz France S.A.	Ugine & Alz France	France
Arcelor Mittal Steel Solutions and Services (AM3S)		
Arcelor Construction France S.A.	Arcelor Construction France	France
Arcelor International America, LLC	Arcelor International America	USA
Arcelor Auto Processing France SAS	Arcelor Auto Processing France	France
Produits d Usines Métallurgiques Pum-Station Service Acier S.A.	PUM Service Acier	France
Ravené Schäfer GmbH	Ravené Schäfer	Germany

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

NOTE 13: PAYABLE TO BANKS

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

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

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

Multi-currency Letter of Credit Facility

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

Commercial paper

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

NOTE 14: LONG-TERM DEBT

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

	Year of maturity	Type of Interest	Interest Rate[1]	2005	2006
Corporate					
3.2 billion Credit Facility	2010	Floating	5.4%	2,750	2,100
3.5 billion Bridge Finance Facility	2007 - 2008	Floating		3,500	
17 billion Credit Facility	2011	Floating	4.2%-5.7%		15,828
IFA Bonds	2030 - 2035	Floating	3.5%-3.7%	51	89
EBRD Loans	2009 - 2013	Floating	6%-6.2%	67	250