MITTAL STEEL CO N.V.
Form 20-F
April 17, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **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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PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Definitions

Unless we have indicated otherwise, or the context otherwise requires, references in this annual report to Mittal Steel , we , us and our or similar terms are to Mittal Steel Company N.V., formerly known as Ispat International N.V., and its subsidiaries (which include LNM Holdings N.V. and its subsidiaries and International Steel Group Inc. and its subsidiaries). Ispat International refers to Ispat International N.V. and its subsidiaries as they existed prior to the acquisition of LNM Holdings N.V. by Ispat International on December 17, 2004 and to their predecessor companies for periods prior to the organization of Ispat International in 1997. LNM Holdings refers to LNM Holdings N.V. and its subsidiaries as they existed prior to their acquisition by Ispat International on December 17, 2004 and to their predecessor companies for the periods prior to the organization of LNM Holdings. On December 20, 2004, LNM Holdings N.V. s name was changed to Mittal Steel Holdings 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.

To the extent that references in this annual report to Mittal Steel are made with respect to time periods occurring before December 17, 2004, Mittal Steel means Ispat International and its subsidiaries and their predecessors adjusted after giving effect to the business combination with LNM Holdings and its subsidiaries and their predecessors. ISG refers to International Steel Group Inc. and its subsidiaries as they existed prior to their acquisition by Mittal Steel on April 15, 2005. Following the acquisition of ISG by Mittal Steel, ISG s name was changed to Mittal Steel USA ISG Inc. , the operations were merged with Ispat Inland on December 31, 2005 and the name of the surviving entity was changed to Mittal Steel USA Inc. All references in this annual report to Mittal Steel USA refer to the combined operations of Mittal Steel USA ISG Inc. with Mittal Steel s other U.S. operating subsidiary, Ispat Inland Inc.

All references in this annual report to OJSC Mittal Steel Kryviy Rih or Mittal Steel Kryviy Rih refer to Kryvorizhstal, which was acquired by Mittal Steel on November 25, 2005.

All references in this annual report to Hunan Valin refer to Hunan Valin Steel Tube & Wire Company, China.

All references in this annual report to Arcelor refer to Arcelor, a *société anonyme* incorporated under Luxembourg law, which was acquired by Mittal Steel on August 1, 2006, having its registered office at 19, avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, and, where the context requires, its consolidated subsidiaries. All references in this annual report to Arcelor Brasil refer to Arcelor Brasil S.A., a majority-owned subsidiary of Arcelor.

Mittal Steel s principal subsidiaries, categorized by operating segment and location, are as follows. For the purposes of this annual report, the abbreviated names of the following Mittal Steel subsidiaries will be used where applicable.

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

(1) Mittal Steel Ruhrort and Mittal Steel Hochfeld are together referred to as Mittal Steel Duisburg.

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In addition, unless we have indicated otherwise, or the context otherwise requires, references in this annual report to:

- production capacity are to the annual production capacity of plant and equipment based on existing technical parameters as estimated by management;
- steel products are to finished and semi-finished steel products and exclude direct reduced iron, or DRI;
- sales include shipping and handling fees and costs;
- tons , net tons or ST are to short tons and are used in measurements involving steel products, including liquid steel (a short ton is equal to 907.2 kilograms or 2000 pounds);
- tonnes or MT are to metric tonnes and are used in measurements involving iron ore, iron ore pellets, DRI, hot metal, coke, coal, pig iron and scrap (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds);
- Articles of Association are to the amended and restated articles of association of Mittal Steel Company N.V., dated September 7, 2006;
- crude steel are to the first solid steel product upon solidification of liquid steel, including ingots from conventional mills and semis (e.g., slab, billet and blooms) from continuous casters;
- real , reais or R$ are to Brazilian reais, the official currency of Brazil;
- US$, $, dollars or U.S. dollars are to United States dollars;
- C$ or CAD are to Canadian dollars;
- Rs are to Indian rupees;
- downstream are to finishing operations, for example in the case of flat products the process after the production of hot rolled coil, and in case of long products the process after the production of wire rods;
- upstream are to operations that precede steel-making, such as mining and coke production;
- euro , euros or are to the currency of the European Union member states participating in the European Monetary Union; and

Significant shareholder are to Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal, who together own approximately 45% of Mittal Steel s outstanding voting equity as at March 31, 2007.

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Shipment volumes of steel products for the operations of Arcelor and its subsidiaries include inter-company sales, while shipment volumes of steel products for operations of Mittal Steel and its subsidiaries do not include inter-company sales.

Financial Information

This annual report contains the audited consolidated financial statements of Mittal Steel Company N.V. and its consolidated subsidiaries, including the consolidated balance sheets as of December 31, 2005 and 2006, and the consolidated statements of income, shareholders equity and cash flows for each of the years ended December 31, 2004, 2005 and 2006, which we refer to as the Mittal Steel Consolidated Financial Statements, and selected consolidated financial information of Mittal Steel for the dates and periods presented in the Mittal Steel Consolidated Financial Statements and as of December 31, 2002, 2003 and 2004 and for the years ended December 31, 2002 and 2003.

All of the financial statements included in this annual report have been prepared based on International Financial Reporting Standards as endorsed by the European Union (IFRS) except where indicated. IFRS as endorsed by the European Union differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). We have, however, determined that the financial information as of December 31, 2005 and 2006 and for each of the three years in the period ended December 31, 2006 would not be different had we applied IFRS as issued by IASB. The financial information in this annual report also includes a reconciliation of certain items from IFRS to the accounting principles generally accepted in the United States of America (U.S. GAAP). IFRS differs in certain significant respects from U.S. GAAP.

Mittal Steel s significant acquisitions in 2004, 2005 and 2006, including in particular Arcelor, ISG and Kryvorizhstal, have been accounted for using the purchase method of accounting, with Mittal Steel as the acquiring entity in accordance with IFRS 3 (Business Combinations).

Inter-company transactions have been eliminated in financial consolidation.

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, the Mittal Steel 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. Mittal Steel s 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.

The financial information and certain other information presented in a number of tables in this annual report have been rounded to the nearest whole number or the nearest decimal. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column. In addition, certain percentages presented in the tables in this annual report reflect calculations based upon the underlying information prior to rounding and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

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Market Information

This annual report includes industry data and projections about our markets obtained from industry surveys, market research, publicly available information and industry publications. Statements on Mittal Steel s competitive position contained in this annual report are based primarily on public sources including, but not limited to, publications of the International Iron and Steel Institute. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have not independently verified this data or determined the reasonableness of such assumptions. In addition, in many cases we have made statements in this annual report regarding our industry and our position in the industry based on internal surveys, industry forecasts and market research, as well as our own experience. While these statements are believed to be reliable, they have not been independently verified, and we do not make any representation or warranty as to the accuracy or completeness of such information set forth in this annual report.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include, among other things, statements concerning the business, future financial condition, results of operations and prospects of Mittal Steel, including its acquired subsidiaries. These statements usually contain the words believes , plans , expects , anticipates , intends , estimates or other similar expressions. For each of these statements, you should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although it is believed that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of Mittal Steel. These forward-looking statements speak only as of the date on which the statements were made, and no obligation has been undertaken to publicly update or revise any forward-looking statements made in this annual report or elsewhere as a result of new information, future events or otherwise, except as required by applicable laws and regulations. In addition to other factors and matters contained or incorporated by reference in this annual report, it is believed that the following factors, among others, could cause actual results to differ materially from those discussed in the forward-looking statements:

- Mittal Steel s ability to manage its growth;
- the timing of realization of cost savings and other synergies expected to result from acquisitions;
- costs or difficulties related to the integration of acquisitions, including the acquisition of Arcelor by Mittal Steel, may be greater than expected;
- uncertainty as to the actions of the Significant shareholder;
- any loss or diminution in the services of Lakshmi N. Mittal, Mittal Steel s Chairman and Chief Executive Officer;
- any downgrade of Mittal Steel s credit rating;
- Mittal Steel s ability to operate within the limitations imposed by its financing arrangements;
- Mittal Steel s ability to refinance existing debt and obtain new financing on acceptable terms to finance its growth;
- mining risks;
- Mittal Steel s ability to fund under-funded pension liabilities;
- increased cost of wages and the risk of labor disputes;
- general economic conditions, whether globally, nationally or in the markets in which Mittal Steel conducts business;

the risk of disruption or volatility in the economic, political or social environment in the countries in which Mittal Steel conducts business;

fluctuations in currency exchange rates, commodity prices, energy prices and interest rates;

the risk of disruptions to Mittal Steel s operations;

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- the risk of unfavorable changes to, or interpretations of, the tax laws and regulations in the countries in which Mittal Steel operates;
- the risk that Mittal Steel may not be able to fully utilize its deferred tax assets;
- damage to Mittal Steel s production facilities due to natural disasters;
- the risk that Mittal Steel s insurance policies may provide limited coverage;
- the risk of product liability claims adversely affecting Mittal Steel s operations;
- international trade actions or regulations;
- expenditures and senior management time required in connection with Mittal Steel s compliance with the Sarbanes-Oxley Act of 2002;
- the risk that U.S. investors may have difficulty enforcing civil liabilities against Mittal Steel and its directors and senior management;
- Mittal Steel s ability to operate successfully within a cyclical industry;
- the risk that demand for and supply of steel products in China and other developed / developing economies may result in falling steel prices;
- the risk of decreasing prices for Mittal Steel s products and other forms of competition in the steel industry;
- the risk of significant supply shortages and increasing costs of raw materials, energy and transportation;
- the need for large capital expenditures to maintain Mittal Steel s portfolio of assets;
- increased competition from substitute materials, such as aluminum; and
- legislative or regulatory changes, including those relating to protection of the environment and health and safety, and those resulting from international agreements and treaties related to trade, accession to the European Union (EU) or otherwise.

Some of these factors are discussed in more detail in this annual report, including under Item 3D Key Information Risk Factors .

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. *Selected Financial Data*

The following tables present selected consolidated financial information of Mittal Steel as of and for the years ended December 31, 2004, 2005 and 2006, which has been prepared in accordance with IFRS. This selected consolidated financial information should be read in conjunction with the Mittal Steel Consolidated Financial Statements, including the notes thereto.

IFRS Basis

Statement of Income Data	**Year Ended December 31,**		
(Amounts in $ millions except per share data and percentages)			
	2004[6]	**2005[6]**	**2006**
Sales[1]	$ 20,612	$ 28,132	$ 58,870
Cost of sales (including depreciation and amortization) [2]	14,422	22,341	48,411
Selling, general and administrative	676	1,062	2,960
Operating income	5,514	4,729	7,499
Operating income as percentage of Sales	26.8%	16.8%	12.7%
Other income net	1,143	214	49
Income from equity method investments	149	86	301
Financing costs - net	(214)	(353)	(654)
Income before taxes	6,592	4,676	7,195
Net income (including minority interest)	5,625	3,795	6,086
Basic earnings per common share[3]	$ 8.10	$ 4.80	$ 5.29
Diluted earnings per common share[3]	$ 8.10	$ 4.79	$ 5.28
Dividends declared per share[4]		$ 0.30	$ 0.50

Balance Sheet Data	**As of December 31,**		
(Amounts in $ millions except share data)			
	2004[6]	**2005[6]**	**2006**
Cash and cash equivalents, including short-term investments and restricted cash	$ 2,634	$ 2,149	$ 6,146
Property, plant and equipment	11,058	19,045	54,696
Total assets	21,692	33,867	112,166

Payable to banks and current portion of long-term debt	341	334	4,922
Long-term debt, net of current portion	1,639	7,974	21,645
Net assets	11,079	15,457	50,191
Basic weighted average common shares outstanding (millions)	643	687	988
Diluted weighted average common shares outstanding (millions)	643	689	990

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Other Data **Year Ended December 31,**

(Amounts in $ millions except volume data)

	2004	2005	2006
Net cash provided by operating activities	$ 4,300	$ 3,874	$ 7,122
Net cash (used in) investing activities	(656)	(7,512)	(8,576)
Net cash (used in) provided by financing activities	(2,118)	3,349	5,445
Total production of crude steel (thousands of tonnes)	39,362	48,916	85,620
Total shipments of steel products (thousands of tonnes) [5]	35,067	44,614	78,950

(1) Including $2,235 million in 2004, $2,339 million in 2005 and $3,847 million in 2006 of sales to related parties (see Note 12 to the Mittal Steel Consolidated Financial Statements).

(2) Including depreciation and amortization of $734 million in 2004, $1,113 million in 2005 and $2,296 million in 2006.

(3) Earnings per common share are computed by dividing net income attributable to equity holders of Mittal Steel Company N.V. by the weighted average number of common shares outstanding during the periods presented considering retroactively the shares issued by Mittal Steel in connection with the acquisition of LNM Holdings.

(4) This does not include the dividends declared by LNM Holdings to its shareholder prior to its acquisition by Ispat International.

(5) Shipment volumes of steel products for the operations of Arcelor and its subsidiaries includes inter-company sales, while shipment volumes of steel products for the operations of Mittal Steel and its subsidiaries do not include inter-company sales.

(6) The 2005 comparative information has been adjusted retrospectively for the adoption of International Financial Reporting Interpretations Committee (IFRIC) 4, which occurred as of January 1, 2006 (see Note 1 to the Mittal Steel Consolidated Financial Statements), as well as the finalization of purchase price allocations relating to ISG and Mittal Steel Kryviy Rih (see Note 3 to the Mittal Steel Consolidated Financial Statements).

US GAAP Basis

The following tables present selected consolidated financial information of Mittal Steel as of and for the years ended December 31, 2002, 2003, 2004, 2005 and 2006. Such selected financial information has been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Statement of Income Data **Year Ended December 31,**

(Amounts in $ millions except per share data and percentages)

	2002	2003	2004	2005	2006
Sales[4]	$ 7,080	$ 9,567	$ 22,197	$ 28,132	$ 58,870
Cost of sales (exclusive of depreciation and amortization)	5,752	7,568	14,694	21,495	46,072
Depreciation and amortization	266	331	553	829	1,993
Selling, general and administrative	360	369	804	1,062	2,984
Operating income	702	1,299	6,146	4,746	7,821
Operating income as percentage of Sales	9.9%	13.6%	27.7%	16.9%	13.3%
Other income net	32	70	128	77	52
Income from equity method investments	111	162	66	69	301
Financing costs - net	(207)	(131)	(207)	(189)	(564)
Income before taxes and minority interest	638	1,400	6,133	4,703	7,610
Net income	595	1,182	4,701	3,365	5,405
Basic earnings per common share [1]	$ 0.92	$ 1.83	$ 7.31	$ 4.90	$ 5.47
Diluted earnings per common share [1]	$ 0.92	$ 1.83	$ 7.31	$ 4.89	$ 5.46
Dividends declared per share [2]				$ 0.30	$ 0.50

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Balance Sheet Data **As of December 31,**

(Amounts in $ millions except share data)

	2002	**2003**	**2004**	**2005**	**2006**
Cash and cash equivalents, including short-term investments and restricted cash	$ 417	$ 900	$ 2,634	$ 2,149	$ 6,146
Property, plant and equipment	4,094	4,654	7,562	15,539	49,809
Total assets	7,909	10,137	19,153	31,042	105,686
Payable to banks and current portion of long-term debt	546	780	341	334	4,919
Long-term debt (including affiliates) (3)	2,187	2,287	1,639	7,974	21,576
Net assets	1,442	2,561	5,846	10,150	36,879
Basic weighted average common shares outstanding (millions)	648	647	643	687	988

(1) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented considering retroactively the shares issued by Mittal Steel in connection with the acquisition of LNM Holdings.

(2) This does not include the dividends declared by LNM Holdings to its shareholder prior to its acquisition by Ispat International.

(3) Includes loans outstanding from the Significant shareholder of $40 million and $94 million as of December 31, 2002 and 2003, respectively.

(4) Including $507 million in 2002, $561 million in 2003, $2,235 million in 2004, $2,339 million in 2005 and $3,847 million in 2006 of sales to related parties.

Dividends

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

In addition to this cash dividend, Mittal Steel s Board of Directors approved a share buy-back program tailored to achieve the 30% distribution pay-out commitment. Based on the annual net income announced for the twelve months ended December 31, 2006, Mittal Steel will implement a $590 million share buy-back.

On February 2, 2007, Mittal Steel s Board of Directors declared an interim dividend of $0.325 per share payable on March 15, 2007. This dividend has since been paid.

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

The holders of Mittal Steel class A common shares and Mittal Steel class B common shares are entitled to receive such pro rata distributions, if any, as may be declared by Mittal Steel s Board of

Directors out of funds legally available for distribution. Any determination to pay cash dividends is at the discretion of Mittal Steel s Board of Directors, in accordance with Dutch law and Mittal Steel s Articles of Association, and after taking into account various factors, including Mittal Steel s financial condition, results of operations, outstanding indebtedness, current and anticipated cash needs, plans for expansion, commercial restrictions and other factors affecting Mittal Steel s operating subsidiaries.

B. *Capitalization and Indebtedness*

Not applicable.

C. *Reasons for the Offer and Use of Proceeds*

Not applicable.

D. *Risk Factors*

Our business, financial condition, results of operations or prospects could be materially adversely affected by any of the risks and uncertainties described below.

Risks related to Mittal Steel.

Mittal Steel has experienced rapid growth through acquisitions in a relatively short period of time. The failure to manage this growth could significantly harm Mittal Steel s future results and require significant expenditures to address the additional operational and control requirements of this growth.

Mittal Steel has experienced rapid growth and development through acquisitions in a relatively short period of time and may continue to pursue acquisitions in order to meet its strategic objectives. Such growth entails significant investment and increased operating costs. Overall growth in Mittal Steel s business also requires greater allocation of management resources away from daily operations. In addition, managing this growth (including managing multiple operating assets) requires, among other things, the continued development of Mittal Steel s financial and management information control systems, the ability to integrate newly acquired assets with existing operations, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training and supervision of such personnel and the ability to manage the risks and liabilities associated with the acquired businesses. Failure to manage such growth, while at the same time maintaining adequate focus on the existing assets of Mittal Steel, could have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects.

Mittal Steel may not achieve the expected synergies from its recent significant acquisitions, including the acquisitions of Arcelor, ISG (now Mittal Steel USA) and Sicartsa.

Mittal Steel expects to achieve synergies from its acquisitions by integrating the acquired companies with its operations. Integrating the operations of acquired businesses is a complex and ongoing process. Successful integration and the achievement of synergies require, among other things, the satisfactory coordination of business development and procurement efforts, manufacturing improvements, employee retention, hiring and training policies, and the alignment of products, sales and marketing operations and information and software systems. The diversion of the attention of the combined company s management to the integration effort and any difficulties encountered in combining operations could result in higher integration costs and lower savings than expected.

Mittal Steel announced at the time of the acquisition of ISG that it expected to achieve cost synergies of approximately $250 million per annum by 2007 relating to purchasing, manufacturing, operating and other improvements, including inventory reduction, reduced capital expenditures and

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contract-related improvements in productivity. In connection with its acquisition of Sicartsa, Mittal Steel announced that it expects to achieve approximately $80 million of industrial synergies and approximately $50 million of commercial, procurement and selling, general and administrative efficiencies.

If Mittal Steel does not achieve the announced synergies from any or all of its recent acquisitions, including those from the Arcelor acquisition discussed below, to the fullest extent or within the timeframe expected, this could have a material adverse effect on its results of operations.

Mittal Steel and Arcelor may not successfully integrate their business operations, which could result in Mittal Steel s failure to realize anticipated cost savings, revenue enhancements and other benefits expected from the acquisition.

Mittal Steel acquired Arcelor, a company of approximately equivalent size, with the expectation that, among other things, the acquisition would enable Mittal Steel and Arcelor to consolidate support functions, optimize their supply chain and procurement structure, and leverage their research and development services across a larger base in order to achieve cost savings and revenue synergies, as well as other synergistic benefits. In connection with its acquisition of Arcelor, Mittal Steel announced that it expected to achieve synergies of $1.6 billion by the end of 2008, primarily from purchasing, marketing and trading and manufacturing efficiencies. These synergies may not be achieved to the fullest extent or within the timeframe expected, which could have a material adverse effect on Mittal Steel s results of operations.

Achieving the benefits of the acquisition will depend in part upon meeting the challenges inherent in the successful integration of global business enterprises of the size and scope of Mittal Steel and Arcelor. Mittal Steel and Arcelor must successfully integrate, among other things, product offerings, research and development, customer service functions, sales and marketing, administrative functions, management information systems, and financial control and reporting systems. The integration of these functions could interfere with the activities of one or more of the businesses of Mittal Steel and Arcelor and may divert management s attention from the daily operations of Mittal Steel s and Arcelor s core businesses.

Among the challenges in integrating Mittal Steel s and Arcelor s business operations are demonstrating to their respective customers that the acquisition will not result in an adverse change in business focus and persuading each company s personnel that the companies respective business cultures are compatible. In addition, each company currently operates in locations in which the other company does not. Therefore, to integrate successfully both companies operations, the combined company will need to retain management, key employees and business partners of both companies. If Mittal Steel and Arcelor are unable to integrate effectively their operations, technologies and personnel in a timely and efficient manner, then they may not realize the benefits expected from the acquisition. In particular, if the integration is not successful, Mittal Steel s operating results may be harmed, Mittal Steel and Arcelor may lose key personnel and key customers, Mittal Steel may not be able to retain or expand its market position, and the market price of Mittal Steel s common shares may decline.

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Mr. Lakshmi N. Mittal has the ability to exercise significant influence over the outcome of shareholder voting.

As of December 31, 2006, Mr. Lakshmi N. Mittal owned 623,598,333 of Mittal Steel s outstanding common shares, representing approximately 45% of Mittal Steel s outstanding voting shares. Consequently, Mr. Lakshmi N. Mittal has the ability to influence significantly the decisions adopted at the Mittal Steel general meetings of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, issuances of equity and the incurrence of indebtedness. Mr. Lakshmi N. Mittal also has the ability to significantly influence a change of control of Mittal Steel.

The Chairman of the Board of Directors and Chief Executive Officer of Mittal Steel has for over a quarter of a century contributed significantly to shaping and implementing its business strategy, and the loss or diminution of his services could have a material adverse effect on Mittal Steel s business and prospects.

The Chairman of the Board of Directors and Chief Executive Officer of Mittal Steel has for over a quarter of a century contributed significantly to shaping and implementing its business strategy. His strategic vision was instrumental in the creation of the world s largest and most global steel group. The loss or any diminution of the services of the Chairman of the Board of Directors and Chief Executive Officer could have a material adverse effect on Mittal Steel s business and prospects. Mittal Steel does not maintain key man life insurance on its Chairman of the Board of Directors and Chief Executive Officer.

Mittal Steel increased substantially its outstanding debt in connection with the acquisition of Arcelor, which lowered its credit rating. Cyclical downturns in the steel industry could also lead to credit rating downgrades. Credit rating downgrades could significantly harm Mittal Steel s refinancing capacity, increase its cost of funding and limit its flexibility in managing its business.

Mittal Steel s debt levels increased significantly during 2006, primarily as the result of financing incurred in connection with its acquisition of Arcelor (and Arcelor s prior acquisition of Dofasco). As of December 31, 2006, Mittal Steel had total debt outstanding of $26.6 billion, consisting of $4.9 billion of short-term indebtedness (including payables to banks and the current portion of long-tem debt) and $21.6 billion of long-term indebtedness. As of December 31, 2006, Mittal Steel had $6.1 billion of cash and cash equivalents, including short-term investments and restricted cash, and, for the year ended December 31, 2006, Mittal Steel recorded operating income of $7.5 billion.

Following the announcement of the final results of Mittal Steel s offer for Arcelor, on July 26, 2006 Standard & Poor s Rating Services lowered its long-term corporate credit rating on Mittal Steel from BBB+ to BBB and removed the rating from credit watch with negative implications. On July 31, 2006, Moody s Investors Service confirmed the Baa3 ratings of Mittal Steel. On September 26, 2006, Fitch Ratings affirmed Mittal Steel s issuer default and senior unsecured ratings at BBB and short-term rating at F2 and removed the ratings from negative rating watch. Credit rating downgrades could also result from a cyclical downturn in the steel industry, as Mittal Steel has experienced in the past. Any decline in its credit rating would increase Mittal Steel s cost of borrowing and could significantly harm its financial condition, results of operations and profitability, including its ability to refinance its existing indebtedness.

Mittal Steel s level of indebtedness and its guarantees of the debt of its subsidiaries may limit its flexibility in managing its business.

Mittal Steel s principal financing facilities (that is, the $3.2 billion term and revolving credit facility, which was amended on February 6, 2007 (the 2005 Credit Facility), the $800 million

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committed multi-currency letter of credit facility (the Letter of Credit Facility) and the 17 billion (approximately $22 billion) term and revolving credit facility entered into on November 30, 2006 (the 17 Billion Facility)), contain provisions that limit encumbrances on the assets of Mittal Steel and its subsidiaries and limit the ability of Mittal Steel s subsidiaries to incur debt. The Letter of Credit Facility requires compliance with a minimum interest coverage ratio. The 2005 Credit Facility and the 17 Billion Facility require compliance with a maximum gearing ratio. Limitations arising from these credit facilities could adversely affect Mittal Steel s ability to maintain its dividend policy and make additional strategic acquisitions.

A portion of Mittal Steel s working capital financing consists of uncommitted lines of credit, which may be cancelled by the lenders in certain circumstances. The level of debt outstanding could have important adverse consequences to Mittal Steel, including impairing its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes, and limiting its flexibility to adjust to changing market conditions or withstand competitive pressures, resulting in greater vulnerability to a downturn in general economic conditions.

Mittal Steel had, as of December 31, 2006, guaranteed $644 million of debt of its operating subsidiaries. As of March 9, 2007, Mittal Steel had guaranteed an additional $500 million of debt of its operating subsidiaries. In addition, Mittal Steel had, as of December 31, 2006, guaranteed approximately $26 million of certain debts at its joint venture I/N Tek.

Mittal Steel s debt facilities and its guarantees have provisions whereby a default by any borrower within the Mittal Steel group could, under certain circumstances, lead to defaults under other Mittal Steel credit facilities. Any possible invocation of these cross-default clauses could cause some or all of the other guaranteed debt to accelerate, creating severe liquidity pressures.

Furthermore, most of Mittal Steel s current borrowings are at variable rates of interest and thereby expose Mittal Steel to interest rate risk. Generally, Mittal Steel does not use financial instruments to hedge a significant portion of its interest rate exposure. If interest rates rise, Mittal Steel s debt service obligations on its variable rate indebtedness would increase even if the amount borrowed remained the same, resulting in higher interest costs.

A substantial portion of Mittal Steel s debt is denominated in euro. Accordingly, Mittal Steel is exposed to fluctuations in the exchange rates between the U.S. dollar and the euro. Any such fluctuations in the euro and, in particular, a marked appreciation of the euro to the US dollar could harm Mittal Steel s financial position significantly.

Mittal Steel may not generate or obtain sufficient funds to meet the significant capital expenditure commitments and other commitments it has made in connection with certain acquisitions.

In connection with the acquisition of some of its operating subsidiaries, Mittal Steel has made significant capital expenditure commitments and other commitments with various governmental bodies involving expenditures required to be made over the next few years. In 2006, capital expenditures amounted to $2.9 billion. As of December 31, 2006, Mittal Steel and its subsidiaries had capital commitments outstanding of approximately $3.3 billion under privatization and other major contracts. Mittal Steel expects to fund these capital expenditure commitments and other commitments primarily through internal sources, but Mittal Steel cannot assure you that it will be able to generate or obtain sufficient funds to meet these requirements or to complete these projects on a timely basis or at all. In addition, completion of these projects may be affected by factors that are beyond the control of Mittal Steel. See Item 5F Operating and Financial Review and Prospects Tabular Disclosure of Contractual Obligations and Note 22 to the Mittal Steel Consolidated Financial Statements.

Mittal Steel has also made commitments relating to employees at some of its operating subsidiaries. It has agreed, in connection with the acquisition of interests in these subsidiaries,

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including the acquisition of Arcelor, that it will not make collective dismissals for certain periods. These periods generally extend several years following the date of acquisition. The inability to make such dismissals may affect Mittal Steel s ability to coordinate its workforce and efficiently manage its business in response to changing market conditions in the areas affected.

Mittal Steel may not be able to remain in compliance with some or all of these requirements in the future. Failure to remain in compliance may result in forfeiture of part of Mittal Steel s investment and/or the loss of tax and regulatory benefits.

Because Mittal Steel is a holding company, it depends on the earnings and cash flows of its operating subsidiaries, which may not be sufficient to meet future needs.

Because Mittal Steel is a holding company, it is dependent on the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses, meet its debt service obligations, and pay any cash dividends or distributions on its common shares. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions or prohibitions on such operating subsidiaries ability to pay dividends.

Because Mittal Steel is incorporated under the laws of The Netherlands, it can pay dividends or distributions only to the extent that it is entitled to receive cash dividend distributions from its subsidiaries, recognize gains from the sale of its assets or record share premium from the issuance of (new) common shares. See Note 16 to the Mittal Steel Consolidated Financial Statements.

Some of Mittal Steel s subsidiaries benefited from state aid granted prior to, or in connection with, their respective privatizations, the granting of which is subject to transitional arrangements under the respective treaties concerning the accession of these countries to the European Union. Non-fulfillment or breach of the transitional arrangements and related rules may result in the recovery of aid granted pursuant to the transitional arrangements.

Mittal Steel has acquired formerly state-owned companies in the Czech Republic, Poland and Romania, some of which benefited from state aid granted prior to, or in connection with, their respective privatization and restructuring. Moreover, the restructuring of the steel industries in each of the Czech Republic, Poland and Romania is subject to transitional arrangements and related rules that determine the legality of restructuring aid. The transitional arrangements form part of the respective treaties concerning the accession of the Czech Republic, Poland and Romania to the European Union. See Item 4B Information on the Company Business Overview Government Regulations State Aid .

Non-fulfillment or breach of the transitional arrangements and related rules may nullify the effect of the transitional arrangements and may result in the recovery of aid granted pursuant to the transitional arrangements that have been breached.

Mittal Steel s mining operations are subject to mining risks.

Mittal Steel s mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with open-pit mining operations include, among others:

- flooding of the open pit;
- collapse of the open-pit wall;
- accidents associated with the operation of large open-pit mining and rock transportation equipment;

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accidents associated with the preparation and ignition of large-scale open-pit blasting operations;

production disruptions due to weather; and

hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination.

Hazards associated with underground mining operations include, among others:

underground fires and explosions, including those caused by flammable gas;

cave-ins or ground falls;

discharges of gases and toxic chemicals;

flooding;

sinkhole formation and ground subsidence;

other accidents and conditions resulting from drilling; and

blasting and removing, and processing material from, an underground mine.

Mittal Steel is at risk of experiencing any or all of these hazards. For example, in September 2006, a methane gas explosion at Mittal Steel s Lenina mine in Kazakhstan resulted in 41 fatalities and a shutdown of the mine for two days. The occurrence of any of these hazards could delay production, increase production costs and result in death or injury to persons, damage to property and liability for Mittal Steel, some or all of which may not be covered by insurance.

Under-funding of pension and other post-retirement benefit plans at some of Mittal Steel s operating subsidiaries, and the possible need to make substantial cash contributions to pension plans, which may increase in the future, may reduce the cash available for Mittal Steel s business.

Mittal Steel s principal operating subsidiaries in Canada, France, Germany, Trinidad, the United States, South Africa and Ukraine provide defined benefit pension plans to their employees. Some of these plans are currently under-funded. At December 31, 2006, the value of Mittal Steel USA s pension plan assets was $2,335 million, while the projected benefit obligation was $3,075 million, resulting in a deficit of $740 million. At December 31, 2006, the value of the pension plan assets of Mittal Steel s Canadian subsidiaries was $2,193 million, while the projected benefit obligation was $2,730 million, resulting in a deficit of $537 million. At December 31, 2006, the value of the pension plan assets of Mittal Steel s European subsidiaries was $551 million, while the projected benefit obligation was $2,228 million, resulting in a deficit of $1,677 million. Mittal Steel USA also had an under-funded post-employment benefit obligation of $1,137 million relating to life insurance and medical benefits as of December 31, 2006. Mittal Steel s Canadian subsidiaries also had an under-funded post-employment benefit obligation of $934 million relating to life insurance and medical benefits as of December 31, 2006. Mittal Steel s European subsidiaries also had an under-funded post-employment benefit obligation of $459 million relating to life insurance and medical benefits as of December 31, 2006. See Note 18 to the Mittal Steel Consolidated Financial Statements.

Mittal Steel s funding obligations depend upon future asset performance, the level of interest rates used to measure ERISA minimum funding levels, actuarial assumptions and experience, changes negotiated with unions and future government regulation. Because of the large number of variables

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that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for Mittal Steel s pension plans and other post-employment benefit plans could be significantly higher than currently estimated amounts. These funding requirements could have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects.

Mittal Steel could experience labor disputes that could disrupt its operations and its relationships with its customers.

A majority of the employees of Mittal Steel are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to, or during, the negotiations leading to new collective bargaining agreements, during wage and benefits negotiations or during other periods for other reasons. Any such breakdown leading to work stoppage and disruption of operations could have an adverse effect on the operations and financial results of Mittal Steel. For example, steel workers at Mittal Steel s Lázaro Cárdenas production facilities went on strike on two occasions in the period of February to April of 2006 following the removal of the steel workers union leader by the Mexican government, and during 2006 we experienced various other strikes of limited duration.

Additionally, many of the contractors working at Mittal Steel s operating subsidiaries plants employ workers who are represented by various trade unions. Disruptions with these contractors could significantly disrupt Mittal Steel s operations and harm its financial results and its relationships with its customers.

Prior to Mittal Steel s acquisition of Arcelor, representatives of various unions representing Arcelor employees made statements critical of the acquisition. Although no union of Arcelor has gone on strike, Mittal Steel may still be subject to strikes and other labor actions by Arcelor employees that would disrupt Mittal Steel s operations and prevent it from achieving the anticipated synergies and efficiencies arising from the acquisition.

Mittal Steel is subject to economic risks and uncertainties in the countries in which it operates. Any deterioration or disruption of the economic environment in those countries may have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects.

Over the past few years, many of the countries in which Mittal Steel operates, or proposes to operate, have experienced economic growth and improved economic stability. For example, Eastern European countries, such as Poland, the Czech Republic and Romania, have initiated free-market economic reforms in connection with or in anticipation of their accession to the European Union. Others, such as Algeria, Argentina and South Africa, have attempted to reinforce political stability and improve economic performance after recent periods of political instability. Ukraine and Kazakhstan have implemented free-market economic reforms. Mittal Steel s business strategy was developed partly on the assumption that such economic growth and the modernization, restructuring and upgrading of the physical infrastructure in these countries will continue, thus creating increased demand for Mittal Steel s steel products and maintaining a stable level of steel prices both in these countries and in other key product markets. While the demand in these countries for steel and steel products has gradually increased, this trend will not necessarily continue. In addition, the legal systems in some of the countries in which Mittal Steel operates remain underdeveloped, particularly with respect to bankruptcy proceedings, and the prospect of widespread bankruptcy, mass unemployment and the deterioration of various sectors of these economies still exists. Reform policies may not continue to be implemented and, if implemented, may not be successful. In addition, these countries may not remain receptive to foreign trade and investment. Any slowdown in the development of these economies or any reduction in the investment budgets of governmental agencies and companies responsible for the modernization of such physical infrastructure could also have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects.

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Mittal Steel is subject to political, social and legal uncertainties in some of the developing countries in which it operates. Any disruption or volatility in the political or social environment in those countries may have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects.

Mittal Steel operates in a number of developing countries. Some of these countries, such as Romania and Ukraine, have been undergoing substantial political transformations from centrally controlled command economies to pluralist market-oriented democracies. Political and economic reforms necessary to complete such transformation may not continue. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, widescale civil disturbances and military conflict, as in Algeria, Bosnia and Herzegovina, Liberia and South Africa. The political systems in these and other developing countries may be vulnerable to the populations dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects and its ability to continue to do business in these countries.

In addition, Mittal Steel may encounter difficulties in enforcing court judgments or arbitral awards in some countries in which it operates because those countries may not be parties to treaties that recognize the mutual enforcement of court judgments.

Mittal Steel may experience currency fluctuations and become subject to exchange controls that could adversely affect its business, financial condition, results of operations or prospects.

Mittal Steel operates and sells products in a number of countries, and, as a result, its business, financial condition, results of operations or prospects could be adversely affected by fluctuations in exchange rates. Major changes in exchange rates, particularly changes in the value of the U.S. dollar against the currencies of the countries in which Mittal Steel operates, could have an adverse effect on its business, financial condition, results of operations or prospects.

Some operations involving the South African rand, Kazakh tenge, Brazilian real, Argentine peso, Algerian dinar and Ukrainian hryvnia are subject to limitations imposed by their respective central banks. The imposition of exchange controls or other similar restrictions on currency convertibility in the countries in which Mittal Steel operates could adversely affect its business, financial condition, results of operations or prospects.

Disruptions to Mittal Steel s manufacturing processes could adversely affect Mittal Steel s operations, customer service levels and financial results.

Steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or furnace breakdowns. Mittal Steel s manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. To the extent that lost production as a result of such a disruption could not be compensated for by unaffected facilities, such disruptions could have an adverse effect on Mittal Steel s operations, customer service levels and financial results.

Natural disasters could significantly damage Mittal Steel s production facilities.

Natural disasters could significantly damage Mittal Steel s production facilities and general infrastructure. In particular, Mittal Steel Lázaro Cárdenas s production facilities are located in Lázaro Cárdenas, Michoacan, Mexico and Mittal Steel Temirtau is located in the Karaganda region of the

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Republic of Kazakhstan, both of which are areas that have historically experienced earthquakes of varying magnitude. Extensive damage to either facility, or any other major production complexes, whether as a result of an earthquake or other natural disaster, could, to the extent that lost production as a result of such a disaster could not be compensated for by unaffected facilities, severely affect Mittal Steel s ability to conduct its business operations and, as a result, reduce its future operating results.

Mittal Steel s insurance policies provide limited coverage, potentially leaving it uninsured against some business risks.

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on Mittal Steel s business, financial condition, results of operations or prospects. Mittal Steel maintains insurance on property and equipment in amounts believed to be consistent with industry practices but it may not be fully insured against some business risks. Mittal Steel s insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policies. Arcelor maintains similar coverage, which eventually will be consolidated under appropriate groupwide policies at the time of their renewal. Under these policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. The coverage for Arcelor s plants is similar to the coverage for Mittal Steel s plants, except as to natural hazards, earthquakes and windstorms, for which Arcelor relies on self-insurance where external insurance cover is not legally required, as its exposure to those risks is considered to be limited.

Each of the operating subsidiaries of Mittal Steel also maintains various other types of insurance, such as workmen s compensation insurance and marine insurance. Notwithstanding the insurance coverage that Mittal Steel and its subsidiaries carry, the occurrence of an accident that causes losses in excess of limits specified under the relevant policy, or losses arising from events not covered by insurance policies, could materially harm Mittal Steel s financial condition and future operating results.

Product liability claims could adversely affect Mittal Steel s operations.

Mittal Steel sells products to major manufacturers who are engaged to sell a wide range of end products. Furthermore, Mittal Steel s products are also sold to, and used in, certain safety-critical applications. If Mittal Steel were to sell steel that is inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer s production lines could result. There could also be significant consequential damages resulting from the use of such products. Mittal Steel has a limited amount of product liability insurance coverage, and a major claim for damages related to products sold could leave Mittal Steel uninsured against a portion or all of the award and, as a result, materially harm its financial condition and future operating results.

International trade actions or regulations and trade-related legal proceedings could reduce or eliminate Mittal Steel s access to steel markets.

Mittal Steel has international operations and makes sales throughout the world, and, therefore, its businesses have significant exposure to the effects of trade actions and barriers. Various countries, including the United States and Canada, have in the past instituted, or are currently contemplating the institution of, trade actions and barriers.

Mittal Steel cannot predict the timing and nature of similar or other trade actions by the United States, Canada or any other country. Because of the international nature of Mittal Steel s operations, it may be affected by any trade actions or restrictions introduced by any country in which it sells, or has the potential to sell, its products. Any such trade actions could materially and adversely affect Mittal Steel s business by reducing or eliminating Mittal Steel s access to steel markets.

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In addition to the more general trade barriers described above, if Mittal Steel were party to a regulatory or trade-related legal proceeding that was decided adversely to it, its business, financial condition, results of operations or prospects could be adversely affected.

See Item 4B Information on the Company Business Overview Government Regulations .

Significant expenditures and senior management time may be required with respect to Mittal Steel s internal controls to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

Section 404 of the Sarbanes-Oxley Act of 2002 and the regulations of the Securities and Exchange Commission (the SEC) thereunder require senior executive and senior financial officers of Mittal Steel to assess on a regular basis the internal controls over financial reporting, evaluate the effectiveness of such internal controls and disclose any material weaknesses in such internal controls. Mittal Steel s independent registered public accounting firm will also be required to provide an attestation of management s evaluation, including with respect to entities acquired by Mittal Steel, some of which may have internal control weaknesses or deficiencies. The scope of management s assessment of Mittal Steel s internal control over financial reporting did not include an assessment of the disclosure controls and procedures for Arcelor during 2006, and management has excluded Arcelor from its assessment of the effectiveness of Mittal Steel s internal control over financial reporting as of December 31, 2006. The disclosure controls and procedures for Arcelor will be included in management s assessment as of December 31, 2007. Consequently, to the extent that Arcelor is discovered to have weak or deficient internal controls, Mittal Steel may be required to allocate significant monetary and management resources to remedy the deficiencies and weaknesses that could otherwise be devoted to Mittal Steel s daily business operations.

The income tax liability of Mittal Steel may substantially increase if the tax laws and regulations in countries in which it operates change or become subject to adverse interpretations or inconsistent enforcement.

Taxes payable by companies in many of the countries in which Mittal Steel operates are substantial and include value-added tax, excise duties, profit taxes, payroll-related taxes, property taxes and other taxes. Tax laws and regulations in some of these countries may be subject to frequent change, varying interpretation and inconsistent enforcement. Ineffective tax collection systems and continuing budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties, which could have a material adverse effect on Mittal Steel s financial condition and results of operations. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of various business decisions. This uncertainty could expose Mittal Steel to significant fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden. See Note 19 to the Mittal Steel Consolidated Financial Statements.

In addition, many of the jurisdictions in which Mittal Steel operates have adopted transfer pricing legislation. If tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on Mittal Steel s financial condition and results of operations.

It is possible that taxing authorities in the countries in which Mittal Steel operates will introduce additional revenue raising measures. The introduction of any such provisions may affect the overall tax efficiency of Mittal Steel and may result in significant additional taxes becoming payable. Any such additional tax exposure could have a material adverse effect on its financial condition and results of operations.

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Mittal Steel may face a significant increase in its income taxes if tax rates increase or the tax laws or regulations in the jurisdictions in which it operates, or treaties between those jurisdictions, are modified in an adverse manner. This may adversely affect Mittal Steel s cash flows, liquidity and ability to pay dividends.

If Mittal Steel were unable to utilize fully its deferred tax assets, its profitability could be reduced.

At December 31, 2006, Mittal Steel had $1,670 million recorded as deferred tax assets on its balance sheet. These assets can be utilized only if, and only to the extent that, Mittal Steel s operating subsidiaries generate adequate levels of taxable income in future periods to offset the tax loss carry forwards and reverse the temporary differences before they expire.

At December 31, 2006, the amount of future income required to recover Mittal Steel s deferred tax assets was approximately $5,278 million at certain operating subsidiaries. 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 income before tax of $4,676 million and $7,195 million respectively.

Mittal Steel s ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If Mittal Steel generates lower taxable income than the amount it has assumed in determining its deferred tax assets, then the value of deferred tax assets will be reduced. See Item 5A Operating and Financial Review and Prospects Operating Results Year Ended December 31, 2006 Compared to Year Ended December 31, 2005 Income Tax .

U.S. investors may have difficulty enforcing civil liabilities against Mittal Steel and its directors and senior management.

Mittal Steel is organized under the laws of The Netherlands with its principal executive offices and corporate seat in Rotterdam, The Netherlands. The majority of Mittal Steel s directors and senior management are residents of jurisdictions outside the United States. The majority of Mittal Steel s assets and the assets of these persons are located outside the United States. As a result, U.S. investors may find it difficult to effect service of process within the United States upon Mittal Steel or these persons or to enforce outside the United States judgments obtained against Mittal Steel or these persons in U.S. courts, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. Likewise, it may also be difficult for an investor to enforce in U.S. courts judgments obtained against Mittal Steel or these persons in courts in jurisdictions outside the United States, including actions predicated upon the civil liability provisions of the U.S. federal securities laws.

Risks related to the industry.

Mittal Steel is susceptible to the cyclicality of the steel industry, making Mittal Steel s results of operations unpredictable.

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. Steel prices are also sensitive to trends in cyclical industries, such as automotive, construction, appliance, machinery, equipment and transportation industries, which are the significant markets for Mittal Steel s products. Steel markets have been experiencing larger and more pronounced cyclical fluctuations, driven recently by the substantial increase in steel production and consumption in China. This trend, combined with the rising costs of key inputs, mainly metallics, energy, transportation and logistics, presents an increasing challenge for steel producers.

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The volatility and the length and nature of business cycles affecting the steel industry have historically been unpredictable, and the recurrence of another major downturn in the industry would negatively impact Mittal Steel s results of operations and profitability.

See Item 5A Operating and Financial Review and Prospects Overview Key Factors Affecting Results of Operations and Consolidation in the Steel Industry .

Rapidly growing demand and supply of steel products in China and other developing economies may result in additional excess worldwide capacity and falling steel prices.

Over the last several years, steel consumption in China and other developing economies such as India has increased rapidly. Steel companies have responded by developing steel production capabilities in these countries. Steel production, especially in China, has been expanding significantly and in 2006, China became a net exporter of steel. Excess Chinese capacity exported to Europe and the United States put downward pressure on steel prices in those markets in 2006. Because China is the largest worldwide steel producer by a large margin, any excess Chinese capacity could have a major negative impact on world steel trade and prices if excess production is continued to be exported to other markets.

Mittal Steel may face significant price and other forms of competition from other steel producers, which could have a material adverse effect on its business, financial condition, results of operations or prospects.

The markets in which steel companies conduct business are highly competitive. Competition could cause Mittal Steel to lose market share, increase expenditures or reduce pricing, any one of which could have a material adverse effect on its business, financial condition, results of operations or prospects. The global steel industry has historically suffered from substantial over-capacity. This has led to substantial price decreases during periods of economic weakness that have not been offset by commensurate price increases during periods of economic strength. Excess capacity in some of the products sold by Mittal Steel will intensify price competition for such products. This could require Mittal Steel to reduce the price for its products and, as a result, may have a material adverse effect on its business, financial condition, results of operations or prospects. Mittal Steel competes primarily on the basis of quality and the ability to meet customers product specifications, delivery schedules and price expectation. Some of Mittal Steel s competitors may have different technologies, lower raw material and energy costs, and lower employee post-employment benefit costs. See Item 5 Operating and Financial Review and Prospects .

In addition, the competitive position of Mittal Steel within the global steel industry may be affected by, among other things, the recent trend toward consolidation among Mittal Steel s competitors, particularly in Europe and the United States; exchange rate fluctuations that may make the products of Mittal Steel less competitive in relation to the products of steel companies based in other countries; and the development of new technologies for the production of steel and steel-related products.

Mittal Steel may encounter supply shortages and increases in the cost of raw materials, energy and transportation.

Steel production requires substantial amounts of raw materials and energy, including iron ore, scrap, electricity, natural gas, coal and coke. Currently, there is a worldwide shortage of coke and coal, mainly as a result of the rapid growth in the demand for steel globally. In 2006, there was a sharp rise in the cost of a number of commodities essential for the process of steel-making. In particular, the prices of zinc and nickel rose substantially due to a worldwide stock shortage. Any prolonged interruption in the supply of raw materials or energy, or substantial increases in their costs, could adversely affect the business, financial condition, results of operations or prospects of steel companies. The availability and prices of raw materials may be negatively affected by, among other factors, new laws or regulations; suppliers allocations to other purchasers; interruptions in production by suppliers; accidents or other similar events at suppliers premises or along the supply chain; wars, natural disasters and other similar events; changes in exchange rates; consolidation in steel-related industries; the bargaining power of raw material suppliers; worldwide price fluctuations; and the availability and cost of transportation.

In addition, energy costs, including the cost of electricity and natural gas, make up a substantial portion of the cost of goods sold by steel companies. The price of energy has varied significantly in the past several years and may vary significantly in the future largely as a result of market conditions and other factors beyond the control of steel companies, including significant increases in oil prices. Because the production of direct reduced iron and the re-heating of steel involve the use of significant amounts of natural gas, steel companies are sensitive to the price of natural gas.

Further global developments, particularly the dramatic increase in Chinese and Indian demand for materials and inputs used in steel manufacturing, may cause severe shortages and/or substantial price increases in key raw materials and ocean transportation capacity. Inability to recoup such cost increases from increases in the selling prices of steel companies products, or inability to cater to their customers demands because of non-availability of key raw materials or other inputs, may harm the business, financial condition, results of operations or prospects of steel companies.

Mittal Steel will not necessarily be able to procure adequate supplies in the future. A portion of Mittal Steel s raw materials are obtained under contracts that are either short-term or are subject to periodic price negotiations. Any prolonged interruption, discontinuation or other disruption in the supply of raw materials or energy, or substantial increases in their costs, may harm Mittal Steel s business, financial condition, and results of operations or prospects.

Mittal Steel is susceptible to changes in governmental policies and international economic conditions that could limit its operating flexibility and reduce its profitability.

Governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, trade regulations, social or political instability, diplomatic relations, international conflicts and other factors could limit Mittal Steel s operating flexibility and reduce its profitability. Mittal Steel has not obtained, and does not intend to obtain, political risk insurance in any country in which it conducts its business.

Competition from other materials could significantly reduce market prices and demand for steel products and thereby reduce Mittal Steel s cash flow and profitability.

In many applications, steel competes with other materials that may be used as steel substitutes, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Additional substitutes for steel products could significantly reduce market prices and demand for steel products and thereby reduce Mittal Steel s cash flow and profitability.

Mittal Steel is subject to stringent environmental and health and safety regulations that give rise to significant costs and liabilities, including those arising from environmental remediation programs.

Mittal Steel is subject to a broad range of environmental and health and safety laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental and health and safety protection standards regarding, among other things, air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, worker health and safety and the remediation of environmental contamination. For example, U.S. laws and regulations and EU Directives, as well as any new or additional environmental compliance requirements that may arise out of the implementation by different countries of the Kyoto Protocol (United Nations Framework on Climate Change, 1992), may impose new and/or additional rules or more stringent environmental norms with which steel companies may have to comply. Compliance with these obligations may require additional capital expenditures or modifications in operating practices, particularly at steel companies operating in countries that have recently joined the European Union. The costs of complying with health and safety laws and regulations and environmental regulatory or remediation obligations, including participation in the assessment and remediation of contaminated sites, could be significant, and failure to comply could result in the assessment of civil and criminal penalties, the suspension of permits or operations, and lawsuits by third parties. In addition to the impact on current facilities and operations, these standards can give rise to substantial environmental liabilities with respect to divested assets and past activities.

Mittal Steel is involved in a range of compliance actions and legal proceedings concerning environmental matters, all of which relate to legacy obligations arising from acquisitions. In some cases, Mittal Steel has entered into consent decrees or settlement agreements requiring remediation of contamination or other capital improvements relating to environmental matters. Failure to comply with these commitments could result in significant monetary penalties. Mittal Steel is also conducting significant remedial activities at various facilities to address environmental liabilities in the absence of any governmental actions.

Mittal Steel has established reserves for environmental remediation activities and liabilities. However, environmental matters cannot be predicted with certainty, and the reserves may not be adequate, especially in light of the potential for change in environmental conditions or the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional activities not initially included in the remediation estimates, and the potential for Mittal Steel to be liable for remediation of other sites for which provisions have not been previously established. Such future developments could result in significantly higher environmental costs and liabilities. See Note 23 to the Mittal Steel Consolidated Financial Statements.

Mittal Steel, like other steel companies with operations in the EU, is subject to carbon dioxide, or CO_2, legislation. In Europe, according to the framework of the European Emissions Trading system, every year plants receive a number of CO_2 allowances to cover their emissions during that year. In addition, Canada and other countries in which Mittal Steel has facilities also may issue laws and regulations requiring reductions in greenhouse gas emissions or the purchase of emission credits.

The EU s review of the national allocation plans for the 2008-2012 trading period is ongoing. If the allowances granted to Mittal Steel and its subsidiaries for the 2008-2012 trading period are insufficient to cover their CO_2 emissions, Mittal Steel will have to purchase additional allowances on the open market or import allowances from third countries in which emission-saving projects carried out under the Kyoto Protocol s flexible project-based mechanism can generate additional allowances.

See Item 4B Information on the Company Business Overview Government Regulations Environmental Laws and Regulations and Item 8A Financial Information Consolidated Statements and Other Financial Information Legal Proceedings .

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ITEM 4. INFORMATION ON THE COMPANY

A. *History and Development of the Company*

Mittal Steel Overview

Mittal Steel is the world s largest and most global steel producer. 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, steel shipments of approximately 110.5 million tonnes and an annual production capacity of approximately 138 million tonnes of crude steel for the year ended December 31, 2006.

Mittal Steel is the largest steel producer in the Americas, Africa, and Europe, and it has a growing presence in Asia. Mittal Steel has steel-making operations in 26 countries on four continents, including 64 integrated, mini-mill and integrated mini-mill steel-making facilities. As of December 31, 2006, Mittal Steel had approximately 320,000 employees.

Mittal Steel produces a broad range of high-quality finished and semi-finished carbon 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 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.

Mittal Steel operates its business in six reportable operating segments: Flat Carbon Americas; Flat Carbon Europe; Long Carbon Americas and Europe; Asia, Africa and CIS; Stainless Steel; and Arcelor Mittal Steel Solutions and Services (trading and distribution). Mittal Steel s steel-making operations have a high degree of geographic diversification. Approximately 35% of its steel is produced in the Americas, approximately 48% is produced in Europe and approximately 17% is produced in other countries, such as Kazakhstan, Algeria and South Africa. In addition, Mittal Steel s sales are balanced both geographically and between developed and developing markets, which have different characteristics.

Mittal Steel has access to high-quality and low-cost raw materials through its captive sources and long-term contracts. In 2006, on a pro forma basis after giving effect to the acquisition of Arcelor (assuming full production of iron ore at Dofasco for captive use), approximately 45% of Mittal Steel s requirements of iron ore and approximately 9% of its coal requirements were supplied from its own mines or from long-term contracts at many of its operating units. Mittal Steel is actively developing its raw material self-sufficiency, including through recent initiatives to gain or expand access to iron ore sources in Liberia, Ukraine and Senegal. In addition, Mittal Steel is the world s largest producer of direct reduced iron, or DRI, which is a scrap substitute used in the mini-mill steel-making process, with total production on a pro forma basis of approximately 9.3 million tonnes in 2006. Mittal Steel s DRI production satisfies all of its mini-mill input requirements. Mittal Steel is one of the world s largest producers of coke, a critical raw material derived from coal, and it satisfies approximately 76% of its coke needs. Mittal Steel s facilities have good access to shipping facilities, including its eleven deep-water port facilities and its railway sidings.

Mittal Steel s pro forma net income for the twelve months ended December 31, 2006, after giving full-year effect to its acquisition of Arcelor, was $8.0 billion, or $5.76 per share, as compared with pro forma net income of $8.3 billion, or $5.97 per share, for the year ended December 31, 2005. Mittal Steel s net income for the year ended December 31, 2006 was $6.1 billion, or $5.29 per share, as compared with net income of $3.8 billion, or $4.80 per share, for the year ended December 31, 2005. As of December 31, 2006, Mittal Steel had shareholders equity of $50.2 billion, total debt of $26.6 billion and cash and cash equivalents, including restricted cash, of $6.1 billion.

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Mittal Steel is a successor to a business founded in 1989 by Mr. Lakshmi N. Mittal, the Chairman of the Board of Directors and Chief Executive Officer. We have experienced rapid and steady growth since then largely through the consistent and disciplined execution of a successful consolidation-based strategy. We made our first acquisition in 1989, leasing the Iron & Steel Company of Trinidad & Tobago. Some of the principal acquisitions since then include Thyssen Duisberg (Germany) in 1997, Inland Steel (USA) in 1998, Unimetal (France) in 1999, Sidex (Romania) and Annaba (Algeria) in 2001, Nova Hut (Czech Republic) in 2003, BH Steel (Bosnia), Balkan Steel (Macedonia), PHS (Poland) and Iscor (South Africa) in 2004, ISG (USA), Hunan Valin (China) and Kryvorizhstal (Ukraine) in 2005 and three Stelco Inc. subsidiaries (Canada) and Arcelor in 2006.

We have proven expertise in acquiring companies and turning around under-performing assets and believe that we have successfully integrated our previous key acquisitions by implementing a best practice approach in operations and management to enhance profitability. Specifically, focused capital expenditure programs and implementation of improved management practices at acquired facilities have resulted in overall increases in production and shipment of steel products, reductions in production costs and increases in productivity. Mittal Steel s aggregate capital expenditures for the years ended December 31, 2004, 2005 and 2006 were approximately $837 million, $1,181 million and $2,935 million, respectively.

Mittal Steel has grown through joint ventures and the acquisition of numerous steel-making and other assets, which currently constitute its major operating subsidiaries. Mittal Steel s principal joint ventures and acquisitions since the start of 2004, which affected its results during the 2004-2006 period, are summarized below.

Investments and Acquisitions

In March 2004, Mittal Steel acquired an approximately 69% interest in Mittal Steel Poland (which Mittal Steel has since increased to an approximately 74% interest) and made a commitment to purchase an additional 25% interest by December 2007. Mittal Steel Poland, located in Poland, is one of the largest steel producers in Central and Eastern Europe.

In April 2004, Mittal Steel acquired an 80.9% interest in Mittal Steel Hunedoara, which Mittal Steel increased to an 86.6% interest as a result of a debt to equity swap. Mittal Steel Hunedoara, located in Romania, is a downstream steel products manufacturer.

In April 2004, Mittal Steel entered into an arrangement with the Government of the Federation of Bosnia and Herzegovina, pursuant to which Mittal Steel acquired a 51% interest in the RZR Ljubija iron ore mines in Bosnia and Herzegovina.

In May 2004, Mittal Steel acquired a 44.5% interest (which it has subsequently increased to an 88.5% interest) in Mittal Steel Skopje (CRM) a.d. Mittal Steel Skopje (CRM) a.d. is located near Skopje, Macedonia.

In May 2004, Mittal Steel acquired a 56.8% interest (which it has subsequently increased to a 77.4% interest) in Mittal Steel Skopje (HRM) a.d. Mittal Steel Skopje (HRM) a.d. is located near Skopje, Macedonia.

In December 2004, Mittal Steel acquired a 51% interest in Mittal Steel Zenica in Bosnia from the Government of the Federation of Bosnia and Herzegovina and from the Kuwait Consulting & Investment Co., which Mittal Steel increased to a 92% interest in December 2005. In conjunction with the acquisition of the controlling interest in Mittal Steel Zenica,

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Mittal Steel irrevocably committed to purchase the remaining 8% capital interest no later than 2009. Because these irrevocable commitments transfer operational and economic control of the remaining shares, it has been 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, Mittal Steel s total effective ownership percentage in Mittal Steel Zenica was 100%.

In December 2004, Mittal Steel acquired LNM Holdings from Mittal Steel S.à.r.l., an entity wholly-owned by the Significant shareholder. Mittal Steel S.à.r.l. received 0.27931958 Mittal Steel class A common shares and 0.77068042 Mittal Steel class B common shares for each LNM Holdings common share, or, in the aggregate, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares.

On April 15, 2005, Mittal Steel acquired ISG (now part of Mittal Steel USA) for a purchase price of approximately $2.1 billion in cash and 60,891,883 class A common shares, representing an aggregate purchase price of $3.8 billion, including estimated transaction costs and the settlement of ISG stock options. Mittal Steel funded the cash portion of the acquisition through cash on hand and from drawings under the 2005 Credit Facility. As part of the acquisition, Mittal Steel assumed a collective bargaining agreement that reduced the number of job classifications from the over 30 found in historic labor agreements in the steel industry to five, eliminated previously restrictive work rules and made other productivity-enhancing changes.

In September 2005, Mittal Steel announced that it had acquired a majority stake in Romportmet, a port facility located in Galati, Romania. Mittal Steel increased its shareholding in Romportmet to 90% through the acquisition of approximately 20 million shares. Mittal Steel purchased an additional 4.5% in December 2005.

On September 28, 2005, Mittal Steel acquired 36.67% of Hunan Valin from Hunan Valin Iron & Steel Group Co., Ltd., or the Valin Group, for a total consideration of $338 million. Hunan Valin is listed on the Shenzhen Stock Exchange and is one of the ten largest steel-makers in China, with annual production capacity of 8.5 million tons. This investment provides Mittal Steel with an attractive platform for its future growth in the rapidly expanding Chinese market. As a result of publicly held outstanding convertible bonds being converted into shares, the shareholdings of both Mittal Steel and the Valin Group were diluted to 29.49% and 30.29%, respectively, as of January 20, 2006. Mittal Steel intends to make additional investments in the equity of Hunan Valin.

On October 8, 2005, Mittal Steel announced that it had signed a Memorandum of Understanding with the Government of Jharkhand in India for the development of a mining and steel-making complex. Mittal Steel remains in discussion with the local authorities on this project. Following the successful completion of these discussions, Mittal Steel would undertake a Detailed Project Report (DPR) to identify the location of the steel plant, iron ore and coal mines and water sources. If the DPR is completed and found acceptable to both Mittal Steel and the Government of Jharkhand, Mittal Steel would enter into definitive agreements.

On November 25, 2005, Mittal Steel acquired a 93% stake in Kryvorizhstal, the largest carbon steel long products producer in Ukraine, and associated iron ore and coal mining assets from the State Property Fund of Ukraine following a public auction, for a total consideration of approximately $4.9 billion. The transaction was financed from Mittal Steel s own cash resources and credit lines. In 2006, Kryvorizhstal (since renamed Mittal Steel Kryviy Rih) had liquid steel production of 7.6 million tons and shipments of 6.9 million tonnes, and produced 17.6 million tonnes of iron ore. In 2006, Mittal Steel increased its interest in Mittal Steel Kryviy Rih to 93.77%.

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In November 2005, Mittal Steel purchased an additional 2% interest in Mittal Steel South Africa, raising Mittal Steel s total shareholding in Mittal Steel South Africa to just over 52%. Mittal Steel South Africa is the largest steel producer in Africa.

On February 1, 2006, Mittal Canada completed the acquisition of three subsidiaries of Stelco Inc. (Stelco). Mittal Canada acquired the Norambar Inc. and the Stelfil Ltée plants located in Quebec and the Stelwire Ltd. plant located in Ontario for C$30 million (approximately $25 million) plus the assumption of C$28 million (approximately $23 million) in debt. The Norambar plant will complement Mittal Canada s facilities in Contrec ur and Longueuil, boosting Mittal Canada s capacity by 625,000 tons of billets and 435,000 tons of bars and thereby strengthening its position as a major steel producer in Canada. Stelfil and Stelwire will add 250,000 tons of steel wire to Mittal Steel s annual production capacity, providing a wider product mix to better meet its customers needs.

On August 1, 2006, Mittal Steel acquired 91.9% of the share capital of Arcelor (on a fully diluted basis). Through subsequent transactions, Mittal Steel increased its ownership to 94.2% of the issued and outstanding shares of Arcelor and 19.9 million of Arcelor s convertible bonds; the remaining convertible bonds were redeemed on December 15, 2006.

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

On December 11, 2006, the Government of Liberia and Mittal Steel announced that they had successfully concluded the review of the Mining Development Agreement that they had entered into in August 2005. The conclusion of the review was formalized in an amendment to the agreement that was signed on December 28, 2006. The amendment raises Mittal Steel s investment to approximately $1 billion and confirms the parties commitment to the project. The agreement gives Mittal Steel access to iron ore deposits in Western Liberia, and Mittal Steel s investment will cover development of the mines, related railway and port infrastructure and provides means for community development.

On December 20, 2006, Mittal Steel announced the acquisition of Sicartsa, a Mexican integrated steel producer, from Grupo Villacero for an enterprise value of approximately $1.4 billion. Sicartsa, with production facilities in Mexico and Texas, is a fully-integrated producer of long steel, with an annual production capacity of approximately 2.7 million tonnes. Sicartsa s wholly-owned mine is linked directly to the plant via a slurry pipeline.

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Mittal Steel expects its acquisition of Sicartsa to generate approximately $80 million of industrial synergies in addition to $50 million of commercial, procurement and selling, general and administrative synergies. Sicartsa is sharing its production site with Mittal Steel Lázaro Cárdenas. Prior to its privatization in 1991, which led to its separation into two entities, the Lázaro Cárdenas steelworks operated as a single integrated site producing both flat and long carbon products. Mittal Steel Lázaro Cárdenas is Mexico s largest steel producer and slab exporter. The plant has a capacity of 4 million tonnes per year.

On December 20, 2006, Mittal Steel also entered into a 50/50 commercial joint venture with Grupo Villacero to distribute and trade Mittal Steel long products in Mexico and in the southwest United States.

On December 21, 2006, Mittal Steel announced that it had signed a Memorandum of Understanding with the Government of the State of Orissa in India to set up a steel-making operation in the Keonijhar District. Mittal Steel intends to undertake a DPR based on the needs of the steel plant. This would include captive mining facilities, captive power supply, water supply infrastructure and other facilities as required, including setting up townships for its employees. Should the DPR lead to implementation, it is currently anticipated that the project would entail an investment of approximately Rs 40,000 crores (approximately US$9 billion). The intention is to build an integrated steel plant with a total annual capacity of 12 million tonnes. The project would be developed in two phases of 6 million tonnes each. It is expected that the first phase would be completed within 48 months from the date of submission of the DPR and the second phase within a further 54 months after the completion of the first phase.

Divestments

On January 26, 2006, Mittal Steel and ThyssenKrupp AG entered into a letter agreement which provided that if Mittal Steel was successful in its tender offer for Arcelor and was able to exert management control with the ability to sell Dofasco , Mittal Steel would cause Arcelor to sell Dofasco to ThyssenKrupp. During March and April 2006, Arcelor acquired 100% of the shares of Dofasco. On April 3, 2006, Arcelor transferred 89% of the shares of Dofasco to the Strategic Steel Stichting (S3), an independent foundation under Dutch law, thereby removing Arcelor s ability to sell or otherwise dispose of such shares without S3 s consent. On June 25, 2006, Mittal Steel and Arcelor agreed to the terms of a recommended offer, pursuant to which Mittal Steel has acquired approximately 94% of the share capital of Arcelor.

On August 1, 2006, the U.S. Department of Justice (the DOJ) announced that it had concluded that the acquisition by Mittal Steel of Arcelor was likely to lessen substantially competition in the market for tin mill products in the Eastern United States and filed in the U.S. District Court in Washington, D.C. a consent decree that Mittal Steel had previously signed with the DOJ on May 11, 2006. The consent decree required the divestiture of Dofasco or, if Mittal Steel were unable to sell Dofasco, the divestiture of either Mittal Steel s Sparrows Point facility in Maryland or Mittal Steel s Weirton facility in West Virginia. The consent decree provided that the DOJ in its sole discretion would choose which plant would be sold. The consent decree also included a Hold Separate Stipulation and Order, which provided that Dofasco would be maintained as a separate business, independent of the other businesses of Mittal Steel and Arcelor, until Dofasco was divested or the DOJ made its selection of the alternative plant to be divested.

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

On December 22, 2006, ThyssenKrupp initiated summary legal proceedings against Mittal Steel in the District Court in Rotterdam alleging that Mittal Steel had breached the letter agreement by failing to cause Arcelor to initiate litigation against S3 to force S3 to transfer the Dofasco shares to Arcelor so as to permit their sale to ThyssenKrupp. The suit sought, among other things, a court order directing Mittal Steel to cause Arcelor to commence summary proceedings in the Dutch courts to force S3 to return the Dofasco shares to Arcelor. On January 23, 2007, the District Court in Rotterdam denied ThyssenKrupp s petition for an order. The time for ThyssenKrupp to appeal the Rotterdam District Court s order has expired.

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

Recent Developments

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

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

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

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

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

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

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

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

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

Other Information

Mittal Steel Company N.V. is a public limited liability company that was incorporated under the laws of The Netherlands on May 27, 1997. Mittal Steel is registered at the Commercial Register in Rotterdam under number 24275428. Mittal Steel intends to merge with and into Arcelor, its subsidiary, with Arcelor being the surviving entity. In connection with the merger, Arcelor will be renamed, and that renamed entity will be organized under the laws of Luxembourg.

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Chicago, Illinois 60603

United States of America

Mittal Steel class A common shares are listed and traded on the NYSE (symbol MT), Mittal Steel s principal United States trading market, and outside the United States on Euronext Amsterdam (MT), Euronext Paris (MTP), Euronext Brussels (MTBL), the Luxembourg Stock Exchange (MTLX) and the Spanish Stock Exchanges in Madrid, Barcelona, Bilbao and Valencia (MTS).

Internet Site

Mittal Steel maintains an Internet site at www.arcelormittal.com. Information contained in or otherwise accessible through this Internet site is not a part of this annual report. All references in this annual report to this Internet site are inactive textual references to this URL and are for your information only.

B. *Business Overview*

Competitive Strengths

We believe that the following factors contribute to our success in the global steel industry:

Scale and scope of operations. Mittal Steel is the world s largest steel producer. We have an annual production capacity of approximately 138 million tonnes of crude steel for the year ended December 31, 2006, and in 2006 we shipped approximately 110.5 million tonnes of steel on a pro forma basis. We are the largest producer of steel in the Americas, Africa and Europe, and we have a growing presence in Asia. In 2006, we significantly increased our size by acquiring Arcelor, which was the world s second-largest steel producer by production volume at that time. We have operations in each country party to the North American Free Trade Agreement, or NAFTA, and in many member states of the European Union, which facilitates the free trade of goods between such countries. In addition, certain of our operating units have access to markets experiencing above average growth in steel consumption. The combination of our local, regional and international distribution provides us with a global manufacturing and marketing presence, and we use our scale and global presence to achieve significant cost savings and operational efficiencies in production, procurement and marketing.

Integrated business model focused on low-cost production. We believe that our access to relatively low-cost raw materials, efficient use of steel-making facilities, global procurement strategy and implementation of overall company-wide knowledge management practices make us one of the lowest cost steel producers in each of the regions in which we operate. Many of our operating units are strategically well located to access low-cost raw materials, such as iron ore in Kazakhstan, Mexico, Brazil and Ukraine, and natural gas in Trinidad and Tobago. Our operations also have strong vertical integration as a result of our captive sources of raw materials, such as iron ore, coal and coke, and our access to owned infrastructure, such as deep-water port facilities and railway sidings. We

believe that our degree of raw material integration provides us with a competitive advantage through our ability to better monitor the quality of our raw materials and through reduced exposure to the volatility of raw material spot market prices. Our downstream integration through AM3S enables us to service our markets and customers more directly. In addition, we seek to maximize operational efficiencies by implementing strict cost management and targeting capital investments to achieve lower costs of production at each of our facilities. As a result, we believe that we are well positioned to manage the cyclicality of the steel industry.

Diverse product portfolio and strong customer relationships. We produce a diversified portfolio of products to meet a wide range of customer needs across all steel consuming industries, including the automotive, appliance, engineering, construction and machinery industries. We sell our products in local markets and through our centralized marketing organization to customers in approximately 187 countries. We believe that our diversified product offering enables us to build strong relationships with our customers, which include many of the world s major automobile and appliance manufacturers. Our research and development facilities in North America and Europe help to strengthen our relationship with our customers as we work with them to meet their evolving product needs.

Proven expertise in steel acquisitions and turnarounds. Our senior management team has proven expertise in successfully acquiring and integrating operations and turning around underperforming assets within tight timeframes. We utilize a disciplined approach to investing and have teams from different business units across our company responsible for evaluating any new asset, conducting due diligence and monitoring integration and post-acquisition performance. Since our inception in 1989, we have grown through a series of acquisitions and by improving the operating performance and financial management at the facilities that we have acquired. In particular, we seek to improve acquired businesses by eliminating operational bottlenecks, addressing any historical under-investments and increasing acquired facilities capability to produce higher quality steel. We introduce focused capital expenditure programs, implement company-wide best practices, balance working capital, ensure adequate management resources and introduce safety and environmental improvements at acquired facilities. We believe that these operating and financial measures have reduced conversion costs of production, increased productivity and improved the quality of steel produced at these facilities.

Business improvement through company-wide knowledge management program. Knowledge sharing and implementing best practices is an integral part of our management philosophy. Through our global Knowledge Management Program (KMP), we share, develop and utilize our knowledge and experience across our facilities to accelerate improvement in business performance. The KMP covers all key functional areas, such as procurement, marketing and health and safety, as well as the main steps in steel production and processing. The KMP includes ongoing detailed benchmarking, regular technical meetings and information-sharing at the corporate, regional and operating levels and inter-plant expert and operational support to drive performance improvement. The KMP enables each business unit to benefit from the scale and reach of our global presence and to have access to the best practices and experience within our company. We believe that the KMP provides a differentiating advantage to our business performance by continuously contributing to reduced procurement and conversion costs and enhanced productivity and profitability.

Research and Development. Our research and development facilities in Europe and North America help to strengthen our relationship with our customers as we work with them to meet their evolving product needs and developing new steel solutions. Our research and development centers support our business units in process improvement and innovation to produce the best quality steel at the lowest cost and environmental impact. Mittal Steel s expanded size has helped it to increase and strengthen the number of research partnerships in which it is involved with world-class scientific and technical universities. Common research work on projects dealing with automotive steel and manufacturing processes through the Global Strategic Alliance with Nippon Steel has continued.

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Strong financial profile. We believe that our strong financial position and cash flow generation, as illustrated by our corporate investment grade credit ratings, enable us to take advantage of acquisition and investment opportunities. We currently have corporate investment grade credit ratings of BBB from Standard & Poor s, a division of The McGraw-Hill Companies, Inc., and from Fitch Ratings, and a senior implied rating of Baa3 from Moody s Investors Service Ltd. As of December 31, 2006, we had cash and cash equivalents (including short-term investments and restricted cash) of $6.1 billion and total debt of $26.6 billion. In addition, including our operating subsidiaries, we had available borrowing capacity of $9.0 billion at December 31, 2006.

Experienced management team led by our founder, Mr. Lakshmi N. Mittal. Mittal Steel is led by Mr. Lakshmi N. Mittal, Chairman of the Board of Directors and Chief Executive Officer and founder of the Mittal Steel, who is supported by a strong and experienced central and local management team.

Business Strategy

Mittal Steel s success has been built on a consistent strategy that emphasizes size and scale, vertical integration, product diversity, continuous growth in higher value products and a strong customer focus. We intend to continue to play a leading role in the consolidation of the global steel industry and to be the global leader in the steel industry. Key elements of our strategy are to:

Consolidate our leadership position in high quality products into a global customer platform. We have established a reputation for producing high quality steel products for the most demanding applications. We intend to continue to partner with our key customers in research and development activities and in assisting them in their product design initiatives to ensure that we remain a supplier of preference for them.

Customers for high quality steel products, which today are primarily based in mature economies, are becoming increasingly global and expanding their capacities in developing countries to serve rising local demand. These globalizing customers value a supplier s ability to deliver worldwide the same products of consistent quality. We will continue to invest in our assets and capabilities in emerging economies in order to meet the needs of these markets. In regions where we have a relatively limited presence (such as China and India), we will look at acquisition opportunities or greenfield possibilities to complete our global footprint.

Utilize our existing geographic diversification and strong position in high quality products in mature economies to capture future growth in Brazil, Russia, India, China, Eastern Europe and Turkey (BRICET) countries. Worldwide steel demand is driven by growth in developing economies, namely BRICET countries. Our acquisition strategy over recent years has given us a leading position in Africa, Central and Eastern Europe, South America and Central Asia to benefit from this growth. We are also building our presence in China and India. As these economies develop, local customers will require increasingly advanced steel products as market needs change. We will continue to transfer capability for higher quality products from our operations in developed markets to our operations in developing markets to enable us to grow with these changing needs.

Maintain a high degree of product diversification. A global steel producer must be able to meet the needs of different markets. Steel consumption and product requirements clearly differ between mature economy markets and developing economy markets. Steel consumption in mature economies is weighted towards flat products and a higher value-added mix, while developing markets utilize a higher proportion of long products and commodity grades. To meet these diverse needs, we plan to maintain a high degree of product diversification. We also plan to seek opportunities to increase the proportion of our product mix consisting of higher value added products.

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Maintaining strong, long-term customer relationships. Mittal Steel intends to continue to focus on the development and maintenance of long-term relationships with its customers. Mittal Steel has entered into long-term framework agreements with key customers, in particular in the flat steel segment. For example, we provide just-in-time inventory management for our leading U.S. and European, based automotive industry clients.

With more than 25% of the worldwide market share of flat steel sheets for the automotive industry, Mittal Steel is a strategic partner for the major original equipment manufacturers (OEMs) and develops a capability to build long-term relationships with them based on long-term contracts, early vendor involvement, contributions to global OEM platforms and common value-creation programs.

The global industrial footprint of Mittal Steel, combined with a capability to deploy the same standards on different continents, allows Mittal Steel to assist the major OEMs in their international developments.

Achieve cost leadership and operational excellence across the product range. Cost leadership is essential in the steel industry. To maintain this, we intend to utilize our scale and global presence to achieve greater production efficiencies, operational synergies and cost savings across our business. Specifically, we plan to:

- *Develop and maintain a cost-competitive supply base.* Our size and geographic scope give us access to local, regional and global suppliers and enable us to continue to develop and secure high quality and cost competitive supplies. We plan to pursue these opportunities by adopting global and regional commercial procurement strategies and by executing these strategies on either a local or centralized basis as appropriate.

- *Maximize the operational efficiency and effectiveness of our plants.* We plan to continue to invest in technology and process development in order to lower production costs and improve performance. We utilize and adapt a wide range of steel-making technologies, depending upon local conditions, for raw material and energy supplies. In addition, we seek to protect and enhance our competitiveness through our knowledge management and continuous improvement programs and by looking for opportunities for facility optimization and specialization on a product basis.

- *Practice capital management discipline.* The steel industry is capital intensive. Therefore, we promote capital management discipline to improve our capital efficiency. We plan to continue to focus our capital expenditure programs on eliminating production bottlenecks and improving product capabilities to meet the requirements for higher value-added products. Where appropriate, we utilize our in-house design, engineering and fabrication capabilities to reduce the capital cost of projects.

- *Continue to invest in low-cost semi-finished capacity.* We have some of the most cost-competitive steel-making operations in the world at its facilities in South Africa, Brazil, Ukraine and Kazakhstan. We intend to increase capacity at these facilities, which can advantageously supply slabs and other semi-finished products to downstream facilities in North America and Europe.

Maintain a high level of vertical integration to hedge against price fluctuations of raw materials. Upstream integration allows steel companies to hedge against supply-side constraints and price fluctuations for key raw materials. We intend to increase selectively our access to and ownership of low-cost raw material supplies, particularly in locations adjacent to or accessible from our steel plant operations.

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Enhance our research and development leadership to drive innovation and growth. We intend to continue to invest in our research and development capabilities to ensure we can develop and deliver the high-end products that our key customers require. As we grow, the investment in our research and development activities becomes leveraged over a larger asset base. This should allow further investment in order to accelerate innovation. As part of our research and development strategy, we intend to continue to promote and develop our relationships with public research institutes and universities.

Own and manage distribution channels in key geographic regions. Downstream integration is a key element of our strategy to build a global customer franchise. In high-value products, downstream integration allows steel companies to be closer to the customer and capture a greater share of value-added activities. As our key customers globalize, we intend to invest in value-added downstream operations, such as steel service centers and downstream operations, such as our building and construction support unit services serving the construction industry. In addition, we intend to continue to develop our distribution network in selected geographic regions. These downstream and distribution activities should allow us to benefit from better market intelligence and better manage inventories in the supply chain to reduce volatility and improve working capital management.

Build a world-class organization to implement the strategy. We intend to build the world s most admired steel institution with leading management, social, human resources and corporate sustainability policies. In doing so, we plan to attract, develop and retain the best possible management talent. We intend to maintain an open and performance-oriented culture designed to encourage managers at all levels to act like entrepreneurs, to assume accountability, to make decisions in the best interest of Mittal Steel and to support one another in all efforts to improve continuously.

Business Overview

Mittal Steel has a high degree of geographic diversification relative to other steel companies. During 2006, Mittal Steel shipped its products to customers in approximately 187 countries, with its largest markets in the Flat Carbon Europe and Flat Carbon Americas segments. Mittal Steel conducts its business through its operating subsidiaries. Many of these operations are strategically located with access to on-site deep water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As of December 31, 2006, Mittal Steel had approximately 320,000 employees.

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

The following table sets forth selected financial data by operating segment:

(Amounts in $ millions)	Flat Carbon Americas	Flat Carbon Europe	Long	Asia, Africa and CIS	Stainless Steel	AM3S	Consolidated
Year ended December 31, 2004							
Sales	$ 5,438	$ 3,608	$ 7,894	$ 7,544			$ 20,612
Operating income	1,327	866	1,423	2,022			5,514
Depreciation and amortization	131	135	178	214			734
Capital expenditures	94	144	154	478			837
Total assets at December 31, 2004	3,778	3,091	6,081	7,260			21,693
Year ended December 31, 2005							
Sales	11,241	3,676	7,676	9,909			28,132
Operating income	1,289	367	641	2,335			4,729
Depreciation and amortization	283	174	226	318			1,113
Capital expenditures	304	190	206	479			1,181
Total assets at December 31, 2005	11,180	3,028	10,283	13,158			33,867
Year ended December 31, 2006							
Sales	17,585	14,366	13,120	14,388	3,261	5,221	58,870
Operating income	1,904	959	1,805	2,584	363	174	7,499
Depreciation and amortization	658	618	385	447	89	39	2,296
Capital expenditures	759	818	577	537	61	62	2,935
Total assets at December 31, 2006	17,160	26,586	21,221	15,947	4,775	3,995	112,166

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The following table sets forth selected financial data by geographic region:

(Amounts in $ millions)	Americas	Europe	Asia & Africa	Consolidated
Year ended December 31, 2004				
Sales	$ 6,560	$ 9,905	$ 6,061	$ 20,612
Operating income	1,583	1,965	2,035	5,514
Depreciation and amortization	185	297	191	734
Capital expenditures	130	289	498	837
Total assets at December 31, 2004	7,870	38,106	9,327	21,693
Year ended December 31, 2005				
Sales	12,467	9,762	7,683	28,132
Operating income	1,676	933	2,219	4,729
Depreciation and amortization	341	312	273	1,113
Capital expenditures	335	391	455	1,181
Total assets at December 31, 2005	24,204	46,092	9,738	33,867
Year ended December 31, 2006				
Sales	22,798	29,156	9,987	58,870
Operating income	2,612	3,141	1,664	7,499
Depreciation and amortization	808	1,174	310	2,296
Capital expenditures	1,375	1,588	369	2,935
Total assets at December 31, 2006	39,482	142,802	13,703	112,166

See also Note 24 to the Mittal Steel Consolidated Financial Statements.

Products

Mittal Steel has a high degree of product diversification relative to other steel companies. Its plants manufacture a broad range of finished and semi-finished steel products of different specifications, including many difficult and technically sophisticated products that it sells to demanding customers for use in high-end applications.

Mittal Steel s principal products include:

- direct reduced iron;
- semi-finished flat products such as slabs;
- finished flat products such as plates, hot- and cold-rolled sheets and hot-dipped and electro-galvanized sheets and tinplate;
- semi-finished long products such as blooms and billets;
- finished long products such as bars, wire-rods, structural sections, rails and wire-products;
- seamless and welded pipes and tubes; and

stainless steel products.

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Steel-making Process

Historically, primary steel producers have been divided into integrated and mini-mill producers. Over the past few decades, a third type of steel producer has emerged that combines the strengths of both the integrated and the mini-mill processes. These producers are referred to as integrated mini-mill producers .

Integrated Steel-making

In integrated steel production, coal is converted to coke in a coke oven, and then combined in a blast furnace with iron ore and limestone to produce pig iron, which is subsequently combined with scrap in a converter, which is generally a basic oxygen or tandem furnace, to produce raw or liquid steel. Once produced, the liquid steel is metallurgically refined and then transported to a continuous caster for casting into a slab, which is then further shaped or rolled into its final form. Various finishing or coating processes may follow this casting and rolling. Recent modernization efforts by integrated steel producers have focused on cutting costs through eliminating unnecessary production steps, reducing manning levels through automation, and decreasing waste generated by the process. In recent years, integrated steel production has declined as a proportion of total steel production due to the high costs of building, operating and maintaining integrated steel operations, including lost production time associated with periodic blast furnace relinings. This reduction in integrated production capacity has increased the market share of the remaining producers of the highest value-added products that require the cleanest steel.

Mini-Mills

A mini-mill employs an electric arc furnace to directly melt scrap and/or scrap substitutes such as direct reduced iron, thus entirely replacing all of the steps up to and including the energy-intensive blast furnace. A mini-mill incorporates the melt shop, ladle metallurgical station, casting, and rolling into a unified continuous flow. Mini-mills are generally characterized by lower costs of production and higher productivity than integrated steel-makers. These attributes are due in part to the lower capital costs and lower operating costs resulting from the streamlined melting process and more efficient plant layouts of mini-mills. The quality of steel produced by mini-mills is primarily limited by the quality of the metallic raw materials used in liquid steel-making, which in turn is affected by the limited availability of high-quality scrap or virgin ore-based metallics for use in the electric arc furnaces. Mini-mills are substantially dependent on scrap, which in recent years has been characterized by price volatility, generally rising prices and limited availability from time to time.

Integrated Mini-Mills

Integrated mini-mills are mini-mills that produce their own metallic raw materials consisting of high-quality scrap substitutes, such as direct reduced iron. Unlike most mini-mills, integrated mini-mills are able to produce steel with the quality of an integrated producer, since scrap substitutes, such as direct reduced iron, are derived from virgin iron ore, which has fewer impurities. The internal production of scrap substitutes as the primary metallic feedstock provides integrated mini-mills with a competitive advantage over traditional scrap-based mini-mills by insulating the integrated mini-mills from their dependence on scrap, which is generally more expensive and has been subject to price volatility, generally rising prices and limited availability from time to time. The internal production of metallic feedstock also enables integrated mini-mills to reduce handling and transportation costs. The high percentage use of scrap substitutes such as direct reduced iron also allows the integrated mini-mills to take advantage of periods of low scrap prices by procuring a wide variety of lower-cost scrap grades, which can be blended with the higher-purity direct reduced iron charge. Because the production of direct reduced iron involves the use of significant amounts of natural gas, integrated mini-mills are more sensitive to the price of natural gas than are mini-mills using scrap.

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Key Products

Steel-makers primarily produce three types of steel products, flat products and long products and stainless steel. Flat products, such as sheet or plate, are produced from slabs. Long products, such as bars, rods and structural shapes, are rolled from blooms and/or billets. Stainless steel products include austenitic stainless, ferritic stainless and martensitic stainless.

Flat Products

Slab. A slab is a semi-finished steel product obtained by the continuous casting of steel or rolling ingots on a rolling mill and cutting them into various lengths. A slab has a rectangular cross-section and is used as a starting material in the production process of other flat products (e.g., hot-rolled sheet).

Hot-Rolled Sheet. Hot-rolled sheet is minimally processed steel that is used in the manufacture of various non-surface critical applications, such as automobile suspension arms, frames, wheels, and other unexposed parts in auto and truck bodies, agricultural equipment, construction products, machinery, tubing, pipe and guard rails. All flat-rolled steel sheet is initially hot-rolled, a process that consists of passing a cast slab through a multi-stand rolling mill to reduce its thickness to less than 12 millimeters. Flat-rolled steel sheet that has been wound is referred to as coiled .

Cold-Rolled Sheet. Cold-rolled sheet is hot-rolled sheet that has been further processed through a pickle line, which is an acid bath that removes scaling from steel s surface, and then successively passed through a rolling mill without reheating until the desired gauge, or thickness, and other physical properties have been achieved. Cold-rolling reduces gauge and hardens the steel and, when further processed through an annealing furnace and a temper mill, improves uniformity, ductility and formability. Cold-rolling can also impart various surface finishes and textures. Cold-rolled steel is used in applications that demand higher surface quality or finish, such as exposed automobile and appliance panels. As a result, the prices of cold-rolled sheet are higher than the prices of hot-rolled sheet. Typically, cold-rolled sheet is coated or painted prior to sale to an end-user.

Coated Sheet. Coated sheet is generally cold-rolled steel that has been coated with zinc, aluminum or a combination thereof to render it corrosion-resistant and to improve its paintability. Hot-dipped galvanized, electro-galvanized and aluminized products are types of coated sheet. These are also the highest value-added sheet products because they require the greatest degree of processing and tend to have the strictest quality requirements. Coated sheet is used for many applications, often where exposed to the elements, such as automobile exteriors, major household appliances, roofing and siding, heating and air conditioning equipment, air ducts and switch boxes, as well as in certain packaging applications, such as food containers.

Plates. Plates are produced by hot-rolling either reheated slabs or ingots. The principal end uses for plates include various structural products such as for bridge construction, storage vessels, tanks, shipbuilding, line pipe, industrial machinery and equipment.

Tinplate. Tinplate is a light-gauge, cold-rolled, low-carbon steel usually coated with a micro-thin layer of tin. Tinplate is usually between 0.14 millimeters and 0.84 millimeters thick and offers particular advantages for packaging, such as strength, workability, corrosion resistance, weldability and ease in decoration. Food and general line steel containers are made from tinplate.

Long Products

Billets/Blooms. Billets and blooms are semi-finished steel products. Billets generally have square cross-sections up to 155 millimeters by 155 millimeters, and blooms generally have square cross-sections greater than 155 millimeters by 155 millimeters. These products are either continuously cast or rolled from ingots and are used for further processing by rolling to produce finished products like bars and wire rod sections.

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Bars. Bars are long steel products that are rolled from billets. Merchant bar and reinforcing bar (rebar) are two common categories of bars. Merchant bars include rounds, flats, angles, squares, and channels that are used by fabricators to manufacture a wide variety of products such as furniture, stair railings, and farm equipment. Rebar is used to strengthen concrete in highways, bridges and buildings.

Special Bar Quality (SBQ) Steel. SBQ steel is the highest quality steel long product and is typically used in safety-critical applications by manufacturers of engineered products. SBQ steel must meet specific applications needs for strength, toughness, fatigue life and other engineering parameters. SBQ steel is the only bar product that typically requires customer qualification and is generally sold under contract to long-term customers. End-markets are principally the automotive, heavy truck and agricultural sectors, and products made with SBQ steel include axles, crankshafts, transmission gears, bearings and seamless tubes.

Wire Rods. Wire rod is ring-shaped coiled steel with diameters ranging from 5.5 to 42 millimeters. Wire rod is used in the automotive, construction, welding and engineering sectors.

Wire Products. Wire products include a broad range of products produced by cold reducing wire rod through a series of dies to improve surface finish, dimensional accuracy and physical properties. Wire products are used in a variety of applications such as fasteners, springs, concrete wire, electrical conductors and structural cables.

Seamless Tube. Seamless tubes have outer dimensions of approximately 25 to 508 millimeters. They are produced by piercing solid steel cylinders in a forging operation in which the metal is worked from both the inside and the outside. The final product is a tube with uniform properties from the surface through the wall and from one end to the other.

Welded Pipes and Tubes. Welded pipes and tubes are manufactured from steel sheet that is bent into a cylinder and welded either longitudinally or helically.

Structural Sections. Structural sections or shapes is the general term for rolled flanged shapes with at least one dimension of their cross-section of 80 millimeters or greater. They are produced in a rolling mill from reheated blooms or billets. Structural sections include wide-flange beams, bearing piles, channels, angles and tees. They are used mainly in the construction industry and in many other structural applications.

Rails. Rails are hot-rolled from a reheated bloom. They are used mainly for railway rails but they also have many industrial applications, including rails for construction cranes.

Stainless Steel

Stainless steel is steel with a carbon content less than or equal to 1.2%, together with a chromium content of at least 10.5%, possibly with additional alloying elements. The alloying elements most commonly used in stainless steels are chromium, nickel, molybdenum, titanium, niobium, manganese, nitrogen, copper, silicon, aluminum and vanadium. The addition of other elements provides further advantages, such as: resistance to corrosion in highly aggressive media; resistance to oxidation at high temperatures; toughness and ductility at very low temperatures; high mechanical strength; and fabricability (including drawing, bending, hydroforming, welding and brazing). The following are main classifications of stainless steel:

- Austenitic stainless steel is the most widely used grade and is characterized as non-magnetic and typically contains 19% chromium, as well as nickel, which increases its corrosion resistance;

- Ferritic stainless steel is a grade characterized as being magnetic with low carbon content and chromium content of 13-17%;
- Martensitic stainless steel is a grade characterized as being magnetic and has a 12% chromium content and a moderate carbon content; and
- Duplex 318 series stainless steel is a grade characterized as having greater strength and corrosion resistance properties than other grades.

Direct Reduced Iron

Direct reduced iron is produced by removing the oxygen from iron ore without melting it. Direct reduced iron is used as feedstock for electric arc furnaces and is a high-quality substitute for scrap.

In 2006, Mittal Steel was the world s largest producer of direct reduced iron, with total production of 9.3 million tonnes. Direct reduced iron enables Mittal Steel to control the quality and consistency of its metallic input, which is essential to ensure uniform high quality of the finished products. Direct reduced iron has historically given Mittal Steel a cost advantage compared to scrap.

Raw Materials and Energy

Our principal inputs are iron ore, coal, coke, scrap, hot metal, alloys, energy and industrial gases.

Our strategy to procure raw materials comprises:

- pursuing the lowest prices available and lowest cost of ownership through aggregated purchasing and supply chain optimization;
- acquiring captive sources of certain raw materials, in particular iron ore and coal;
- exploiting our global purchasing reach; and
- leveraging local cost advantages on a global scale.

Mittal Steel sources significant portions of its iron ore needs from its own mines. Its mines are located in Algeria, Bosnia, Brazil, Canada, Kazakhstan, Mexico, Ukraine and the United States. There are also mines under development in Liberia, Mexico and Senegal. Mittal Steel expects to increase its iron ore self-sufficiency by expanding its iron ore production capacity at its existing operations, including Mexico and the Ukraine. Mittal Steel also has in place a few structural relationships providing a long-term source of iron ore. Together, these sources generated 45% of Mittal Steel s iron ore needs in 2006 (on a pro forma basis after giving effect to the acquisition of Arcelor and assuming full production of iron ore at Dofasco for captive use).

Mittal Steel also enters into long-term purchase agreements with certain iron ore suppliers to meet a substantial portion of its iron ore needs. Mittal Steel s principal international suppliers include Companhia Vale do Rio Doce and MineraAoes Brasileiras Reunidas S.A. in Brazil, Shougang Hierro Peru S.A. in Peru and Corporacion Venezolana de Guyana in Venezuela. These contracts generally provide for the purchase prices to be negotiated annually based on market prices.

Mittal Steel sources the balance of its iron ore requirements through short-term contracts.

Mittal Steel has its own coke-making facilities in the United States, Poland, Kazakhstan, South Africa, Romania, Ukraine and the Czech Republic. While Mittal Steel meets most of its own coke requirements, certain of Mittal Steel s operating subsidiaries buy coke from other sources to optimize cost savings from transport efficiencies, and certain of its subsidiaries also sell excess coke at market prices to third parties. In the United States we source approximately 2 million tonnes of coke from outside sources in the United States, as Mittal Steel has access to both inland and coastal waterway systems that enable it to transport more easily its coke requirements.

Mittal Steel USA produces approximately 30% of its coke requirement in its own batteries. An additional 45% is provided by long -term contracts from dedicated coke batteries owned by third parties. These contracts provide formula-priced coke independent of changes in the coke market. Part of this third-party coke comes from environmentally friendly Jewell-Thompson design. The siting of the batteries gives flexible and low-cost delivery to the Mittal Steel USA s mills. The residual coke requirement is filled by a mix of domestic contracts and foreign spot market purchases. which allow it to match its coke purchases with planned consumption.

Mittal Steel also has coal mines in Kazakhstan that supply all the coal requirements for its operations in Kazakhstan and a portion of its coal requirements at its Ukrainian and Romanian plants.

Mittal Steel procures the majority of its scrap requirements locally to optimize transport costs, or under short-term contracts. At its U.S. operations, there are no scrap contracts available as all purchases must be made in the spot market.

Mittal Steel generally procures its electricity requirements from local, regulated utility companies at prices fixed by either contract or tariff. Many of its electricity contracts for its European operations are long-term. In the United States and at the Dunkirk, France and SIDMAR (Belgium) plants, however, a significant portion of its electricity requirements is also purchased from onsite generation owned by third parties. These cogeneration facilities utilize waste gases from Mittal Steel s blast furnaces to supplement its electrical power requirements and control its energy costs.

Mittal Steel procures much of its natural gas requirements for its U.S. operations from the natural gas spot market or through short-term contracts entered into with local suppliers of natural gas with prices fixed by either contract or tariff based on spot market prices. For a number of its European operations, Mittal Steel sources its natural gas requirements under long-term contracts that provide protection from volatility in natural gas prices.

Mittal Steel procures its industrial gas requirements under long-term contracts with various suppliers in different geographical regions.

Shipping

Mittal Shipping Limited (Mittal Shipping) provides ocean transportation solutions to Mittal Steel s manufacturing subsidiaries and affiliates. Mittal Shipping arranges transport for raw materials, such as iron ore, coal, coke and scrap, and for semi-finished and finished products. It has an office in London, a key hub of the global shipping business. Mittal Shipping arranged transportation for approximately 32 million tonnes of cargo in 2006. In addition to using Mittal Shipping, Mittal Steel also uses third-party shipping companies for its raw materials and finished products transport needs.

Mittal Steel has at its disposal dry cargo vessels (either owned or chartered), used mainly in transporting its cargo. Mittal Steel has partnerships and joint ownership with reputable shipping companies and shipping pools.

Mittal Steel is involved in setting and implementing a strategy to limit exposure to the volatility of the shipping market by various hedging actions, including a mix of short- and long-term charters. With regard to third-party shipping companies, Mittal Steel has historically limited its exposure to the volatility of the shipping market by entering into medium-to-long-term contracts with shipping companies for the greater part of its raw materials third-party shipping needs, filling the remainder on the spot market. With respect to its finished products third-party shipping needs, Mittal Steel has historically relied to a greater extend on spot contracts, as there are a greater number of shipping companies able to transport finished products.

Purchasing

Mittal Steel is implementing a process of centralizing its major procurement requirements, including in the areas of raw materials and energy, shipping, industrial services, industrial equipment and facility construction. In doing so, Mittal Steel seeks to benefit from economies of scale in a number of ways, including by establishing long-term relationships with suppliers that sometimes allow for advantageous pricing of inputs, centralizing its knowledge of the functioning of the markets for its inputs, and deploying specialized technical knowledge where required for the acquisition of industrial services and plant equipment and facilities.

Marketing

Mittal Steel s marketing strategy focuses on optimizing product mix profitability, developing in priority the domestic and natural markets of our business units, providing reliable product quality and delivery and efficient customer service.

With the support of its research centers, Mittal Steel works with its customers on product development to meet their present and future requirements while utilizing Mittal Steel s assets in the most efficient and profitable manner. Mittal Steel focuses its efforts on providing solutions to its customers to reduce their costs and to become their preferred supplier of high-quality steel products.

The majority of Mittal Steel s products are sold directly to customers through our own sales force. A portion is sold through intermediate international traders.

Insurance

Mittal Steel maintains insurance on property and equipment in amounts believed to be consistent with industry practices. Mittal Steel s insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under these policies. Arcelor maintains similar coverage, which will be consolidated under the combined company s policies upon renewal. Under these policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. The coverage for Arcelor s plants is similar for that of Mittal Steel s plants. Because Arcelor s property and equipment are regarded as only slightly exposed to natural hazards, Arcelor self-insures against the risks of natural hazards to the extent it is not required by applicable law to do so. Arcelor attempts to limit the amount it self-insures to reasonable levels. In addition, each of Mittal Steel s operating subsidiaries also maintains various other types of insurance, such as workmen s compensation and marine insurance.

Intellectual Property

Mittal Steel owns and maintains a patent portfolio covering processes and steel products, including uses and applications thereof that it conceives of, develops and implements in territories throughout the world. Such patents and inventions are primarily in relation to metals with new or enhanced properties and new and more cost-efficient technologies. Mittal Steel also owns trademarks, registered and unregistered, in relation to the names and logos of its companies and the brands of its products. Mittal Steel has policies and systems in place to monitor and protect the confidentiality of its know-how and proprietary information.

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Mittal Steel has a number of industrial partnership agreements for the joint development of products and processes, and intellectual property relating to such partnerships may be jointly owned. In addition, Mittal Steel uses a number of patents and software under license.

Government Regulations

See Item 3D Key Information Risk Factors and Item 8A Financial Information Consolidated Statements and Other Financial Information Legal Proceedings .

Mittal Steel s operations are subject to various regulatory regimes in the regions in which it conducts its operations. The following is a discussion of the principal features of selected regulatory regimes that are or are likely to affect its operations.

Environmental Laws and Regulations

Mittal Steel s operations are subject to a broad range of laws and regulations relating to air emissions, wastewater storage, treatment and discharges, the use and handling of hazardous or toxic materials, waste disposal practices, the remediation of environmental contamination, and other aspects of the protection of human health and environment at its multiple locations and operating subsidiaries. As the environmental laws and regulations in the United States, the European Union and other jurisdictions continue to become more stringent, Mittal Steel expects to expend substantial amounts to achieve or maintain ongoing compliance. Mittal Steel has established corporate environmental guidelines requiring each of its business units to comply with all applicable environmental laws and regulations. Compliance with environmental laws and regulations and monitoring changes to them are addressed primarily at the business unit level. In addition to capital investments required for additional controls and other improvements Mittal Steel has reserves of approximately $830 million for environmental remedial activities and liabilities.

United States

In the United States, environmental laws and regulations include the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act (RCRA), Comprehensive Environmental Response, Compensation and Liability Act, also known as Superfund , the Safe Drinking Water Act, the Toxic Substances Control Act, and the Occupational Safety and Health Act, as well as state and local environmental programs. Under the Clean Air Act, for example, several of Mittal Steel USA s facilities are subject to new regulations requiring the application of maximum achievable control technology to reduce hazardous air pollutant emissions from integrated iron and steel manufacturing units. Mittal Steel USA anticipates completing installation of these controls within the applicable time requirements during 2007 at a cost of approximately $20 million. Several of Mittal Steel USA s facilities are subject to revised effluent regulations issued in 2002 under the Clean Water Act, and compliance with such regulations will be required as new discharge permits are issued for continued operation. Mittal Steel USA also anticipates spending approximately $88 million over the next 40 years, including $7 million during 2007, to address the removal and disposal of polychlorinated biphenyls (PCB) equipment and asbestos material encountered during the operation of its facilities.

Mittal Steel is also conducting, or has liability for, significant remedial activities at various facilities. In some cases, soil or groundwater contamination requiring remediation is present at Mittal Steel s current facilities; in other cases, it is present at former facilities or third-party waste disposal sites. All of Mittal Steel USA s major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as Brownfield Projects. Superfund and analogous U.S. state laws can impose liability for the entire cost of cleanup at a site upon

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current or former site owners or operators or parties who sent hazardous materials to the site, regardless of fault or the lawfulness of the activity that caused the contamination. Mittal Steel USA is a potentially responsible party at several state and federal Superfund sites. Mittal Steel USA could incur additional costs or liabilities at these sites if additional cleanup is required, private parties sue for personal injury or property damage, or other responsible parties sue for reimbursement of costs incurred to clean up sites. Mittal Steel USA could also be named a potentially responsible party at other sites if its hazardous materials or those of its predecessor were disposed of at a site that later becomes a Superfund site.

European Union

For our operations in the European Union, significant EU Directives and regulations applicable to our production units include Directive 96/61/EC of September 24, 1996 concerning integrated pollution prevention and control (the IPPC Directive), which applies common rules for permitting and controlling industrial installations; this directive is completed by E-PRTR regulation (EC) N° 166/2006 (European Pollutant Release and Transfer Register) of January 18, 2006 implementing the yearly reporting on release of pollutants and off-site transfer of waste; Directive 2004/35/EC of April 21, 2004 on environmental liability with regard to the prevention and remedying of environmental damage (or Environmental Liability Directive), which provides for a program to establish liability for remediation of damage to and contamination of the environment; Regulation (EC) N° 1013/2006 of June 14, 2006 on shipments of waste; and Directive 2003/87/EC of October 13, 2003, as amended by Directive 2004/101/EC (or Emissions Trading Directive), which established a program under which EU member states are allowed to trade greenhouse gas emission allowances within the European Union, subject to certain conditions.

The following EU Directives on environmental quality standards are also significant: Directive 1999/30/EC of April 22, 1999, 2000/69/EC of November 16, 2000, 2002/3/EC of February 12, 2002 and 2004/107/EC of December 15, 2004 relating to limit values and target values for pollutants in ambient air; and Directive 2001/81/EC of October 23, 2001 on national emission ceilings for certain pollutants.

During the next several years, Mittal Steel anticipates that its capital investments for environmental matters will relate primarily to installations of additional air emission controls and to requirements imposed in the course of renewal of permits and authorizations, including those pursuant to the IPPC Directive.

EU Directives applicable to our products include those relating to waste electrical and electronic equipment (Directive 2002/96/EC of January 27, 2003), end-of-life vehicles (Directive 2000/53/EC of September 18, 2000) and packaging and packaging waste (Directive 2004/12/EC of February 11, 2004); and REACH regulation (EC) N° 1907/2006 (for Registration, Evaluation, Authorization and Restriction of Chemicals), adopted on December 18, 2006, which controls the chemical substances manufactured in or imported into the EU market in volumes over one tonne per year and is scheduled to come into effect in June 2007.

In particular, Mittal Steel is subject to the Emissions Trading Directive, which is the EU s central instrument for achieving the EU member states commitments under the Kyoto Protocol by providing a European emissions trading system (ETS) for CO_2 emissions. The ETS covers more than 10,000 installations across the EU, including combustion plants, oil refineries, coke ovens, iron and steel plants, and factories making cement, glass, lime, brick, ceramics, and pulp and paper. At the heart of the ETS is the common trading currency of emission allowances. One allowance gives the holder the right to emit one tonne of CO_2. For each trading period under the ETS, EU member states draw up national allocation plans that determine how many emission allowances each installation will receive. Companies that keep their emissions below the level of their allowances can sell their excess allowances. Companies that do not keep their emissions below the level of their allowances must either reduce their emissions, such as by investing in more efficient technology or using less carbon-intensive energy sources, or buy the extra allowances that they need on the open market.

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The allowances available to Mittal Steel and Arcelor are expected to cover their needs for the 2006-2007 trading period.

In 2004, Arcelor initiated a legal action before the European Court of First Instance against the Emissions Trading Directive. Arcelor sought an order finding the Emissions Trading Directive to be partially void and providing compensation for the damages that it may suffer. Subsequently, national legal actions relating to exclusion from the emissions trading system were initiated in France, Belgium, Spain and Luxembourg, and national legal actions relating to the allocation of CO_2 allowances were initiated in Germany. National proceedings have advanced furthest in France, where the Conseil d Etat has sought a preliminary ruling before the European Court of Justice. In Luxembourg, the court proceeding has been suspended until the judgment of the European Court of First Instance is rendered. In Spain, a request has been submitted to the Spanish Supreme Court to suspend proceedings until the judgment of the European Court of First Instance has been rendered. Arcelor intends to request a suspension of proceedings before the European Court of First Instance in order to await the preliminary ruling of the European Court of Justice.

Other Jurisdictions

Increasingly stringent environmental laws and regulations also have been issued in other jurisdictions.

South Africa

A new Waste Management Bill was published in September 2006 placing a strong focus on avoidance, minimization at source, re-use, recycling and remediation of contaminated land. This Bill is expected to become an Act during 2007, and new disposal permits will be issued in terms of this Act.

The new Air Quality Act is still in a phase of partial implementation, and strict ambient standards (based on European Union standards) have been published. New air pollution permits based on best available technology worldwide will be issued in 2007.

Ukraine

A new air regulation (No. 309) was published in Ukraine on June 27, 2006. The new regulation will significantly toughen the emission limits of 140 compounds for all types of plants. Priority pollutants are particulate matter, sulphur dioxide, nitrogen dioxide and carbon monoxide.

Brazil

A new federal resolution by CONAMA, the Brazilian National Environmental Council, published on April 6, 2006, sets forth guidelines for the environmental compensation plan pursuant to Law no. 9.985, of July 18, 2000. CONAMA resolution No. 382/2006, published on January 2, 2007, imposes more stringent limits on the steel industry for dust, sulphur dioxide and nitrogen oxide.

Algeria

An Executive Decree dated April 15, 2006 regarding atmospheric emissions and pollutants in effluent waters will require units exceeding regulatory values to comply before 2011.

For further details regarding specific environmental proceedings involving Mittal Steel, including a description of the more significant remediation sites, see Item 8A Financial Information Consolidated Statements and Other Financial Information Legal Proceedings and Note 23 to the Mittal Steel Consolidated Financial Statements.

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Foreign Trade

Mittal Steel has manufacturing operations in many countries and has worldwide sales. In 2006, more than 16 countries (treating the EU as one country) had one or more trade remedies in place affecting various steel products. In a number of these markets (such as Canada, the United States, the EU, Mexico and South Africa), Mittal Steel has manufacturing operations and hence may be a beneficiary of trade actions intended to address trade problems consistent with World Trade Organization, or WTO, regulation. In other situations, particular operations of Mittal Steel may be a respondent in one or more trade cases and its products subject to duties or other restrictions. Furthermore, some governments also have bilateral agreements with non-WTO members, which can affect export volumes of steel products into particular markets which are WTO members.

Under international agreement and the domestic trade law of many countries, remedies are available to domestic industries where imports are dumped or subsidized and such imports cause material injury to a domestic industry. Although there are differences in how the remedies are assessed, such laws typically have common features established in accordance with WTO standards. Dumping involves selling for export a product at a price lower than that at which the same or similar product is sold in the home market of the exporter, or where the export prices are lower than a value that typically must be at or above the full cost of production. Subsidies from governments (including, among other things, grants and loans at artificially low interest rates) under certain circumstances are similarly actionable. The remedy available is an antidumping duty order or suspension agreement where injurious dumping is found and a countervailing duty order or suspension agreement where injurious subsidization is found. A duty equal to the amount of dumping or subsidization is imposed on the importer of the product. Such orders and suspension agreements do not prevent the importation of product, but rather require either that the product be priced at a non-dumped level or without the benefit of subsidies or that the importer pay the difference between such dumped or subsidized price and the actual price to the government as a duty.

All WTO members are required to review antidumping duty and countervailing duty orders and suspension agreements every five years to determine if they should be maintained, revised or revoked. This requires a review of whether the dumping or subsidization is likely to continue or recur if the order/suspension agreement is revoked and whether a domestic industry in the country is likely to suffer the continuation or recurrence of material injury within the reasonably foreseeable future if the orders are revoked. If the government finds both dumping or subsidization and material injury are likely to continue or recur, then the orders are continued. Each year there typically are a range of these so-called sunset reviews affecting various countries of interest to Mittal Steel.

Exports of steel products manufactured by Mittal Steel Temirtau require licenses from the Ministry of Industry and Trade of the Republic of Kazakhstan. Mittal Steel Annaba is required to domicile, or submit for registration, export contracts with the Central Bank of Algeria.

State Aid

Under European Community law, any form of state aid (non-commercial state support including, for example, cash payments or the exemption from taxes) is generally prohibited unless approved by the European Commission (article 87 and 88 EC Treaty). Aid that has been granted contrary to European Community law must in general be recovered from the aid beneficiary by the member state that granted it. The general state aid rules of the European Community are applicable to steel products, and there are specific rules applicable to the steel industry. Mittal Steel s operating subsidiaries located in the European Union are subject to state aid rules.

Before the recent enlargement of the European Community in 2004, the European Community and its member states had concluded Europe Agreements with certain Central and Eastern European countries with a view of facilitating the subsequent accession of these countries to the European Union. These agreements contain rules that extended the substantive state aid rules to such future member states. However, the Europe Agreements provided for separate state aid rules for the steel sector, which allowed, under specific conditions and for a limited period of time, aid for the restructuring of the national steel industry of the Central or Eastern European country.

The regime governing public aid to the steel sector under the Europe Agreements was further implemented, and to some extent modified, as part of the transitional arrangements that were negotiated in the framework of the accession of ten Central or Eastern European countries (including the Czech Republic and Poland) to the European Union on May 1, 2004, and Romania s accession to the European Union on January 1, 2007. The transitional arrangements became part of the respective treaty of accession to the European Union.

The transitional arrangements for each of the Czech Republic, Poland and Romania allow restructuring aids granted prior to the date of accession to certain steel undertakings (known as benefiting companies) if certain conditions are met. In particular, they impose restrictions on benefiting companies, the total amounts of aid (including limits for each benefiting company), and the time periods during which such aid can be granted, and require certain capacity reductions for finished products to be achieved within a specific time-frame. Moreover, the transitional arrangements provide that restructuring aid to benefiting companies is subject to national restructuring plans and individual business plans approved by the Council of Ministers of the European Union. Benefiting companies are also subject to certain rules concerning the merger with, or the taking-over of assets of, non-benefiting companies.

Certain of Mittal Steel s operating subsidiaries located in Central and Eastern Europe Mittal Steel Ostrava (former Nova Hut a.s.), Valcovny Plechu Frydek Mystek, Mittal Steel Poland (former Polskie Huty Stali S.A.), Mittal Steel Galati (former Ispat Sidex Galati), Mittal Steel Hunedoara (former Siderurgica Hunedoara) and Arcelor Huta Warszawa are benefiting companies subject to these transitional arrangements.

Foreign Exchange

Mittal Steel s South African operations are subject to exchange controls that are enforced by the South African Central Bank. Prior approval is required for foreign funding, hedging policies and offshore investments. Import payments are monitored by the Central Bank, and export receipts are subject to certain restrictions relating to the tenure for which these receipts may be held in foreign currencies. These restrictions have historically not had a significant impact on the operations of Mittal Steel South Africa.

The purchase and sale of foreign currency by Kazakh residents (including individuals and legal entities) is restricted by the National Bank of Kazakhstan. Purchases and sales of foreign currency may be conducted only by residents through authorized banks or other authorized organizations. Payments in routine currency operations may be made by residents of Kazakhstan to non-residents through authorized banks without restriction. Such routine currency operations include import/export settlements with payment within 180 days; short-term loans with terms of less than 180 days; dividends, interest and other income from deposits, investments, loans and other operations; and non-commercial transactions such as wages, pensions and alimony. Operations involving the movement of capital from residents to non-residents require a license from the National Bank of Kazakhstan, and transactions involving the movement of capital from non-residents to residents must be registered with the National Bank of Kazakhstan. Licenses are issued on a case-by-case basis and are valid only for a single transaction. These transactions include payments for exclusive rights to intellectual property; payments for rights to immovable property; settlements for import/export transactions and loans having terms of more than 180 days; and international transfers of pension assets and insurance and re-insurance contracts of an accumulative nature. Transactions in which Mittal Steel Temirtau engages and which are subject to licensing or registration requirements are being complied with, and there is no violation of National Bank of Kazakhstan rules for any transaction.

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The Algerian foreign currency market is regulated by the Central Bank of Algeria. Exchange control regulations do not permit capital account convertibility with a few exceptions involving Algerian companies investing in overseas projects. Currency outflows on current account, while freely permitted for the import of goods, are subject to controls for payments for service contracts. Dividend repatriation is permitted on overseas capital investments. Algerian companies are restricted from investing their cash surplus overseas. All overseas remittances have to be made through the Central Bank. Exporters are permitted to retain 50% of their proceeds in foreign currency accounts out of which 20% can be utilized freely and the balance can be utilized with certain restrictions. Hedging of currencies is tightly regulated and restricted.

Ukraine has an extensive legislative framework in the area of currency control and financial instruments that governs all aspects of transactions in local and foreign currency. The main regulatory body of the government is the National Bank of Ukraine (NBU), which has wide regulatory powers in this field. The NBU maintains the hryvnia in a narrow range against the U.S. dollar. Export of capital from Ukraine, offshore investments, and purchases of foreign currency by Ukrainian companies are heavily regulated and may be done provided the grounds for such types of transactions are in line with the requirements and within the limits provided by NBU regulations.

In Brazil, all foreign exchange transactions are carried out on a single foreign exchange market. Foreign currencies may be purchased or sold only through Brazilian financial institutions authorized to operate in such market and are subject to registration with the Central Bank of Brazil s electronic system. Foreign exchange rates are freely negotiated, but may be influenced by Central Bank intervention. The Central Bank of Brazil allows the real/U.S. dollar exchange rate to float freely, although it has intervened occasionally to control unstable movements in foreign exchange rates. Exchange controls on foreign capital and international reserves are administrated by the Central Bank of Brazil. Foreign exchange policy is formulated by the National Monetary Council. Trade policy is implemented by the Ministry of Development, Industry and Foreign Trade through the Secretariat of Foreign Trade.

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C. *Organizational Structure*

Corporate structure

Mittal Steel is a holding company with no business operations of its own. All of Mittal Steel s significant operating subsidiaries are indirectly owned by Mittal Steel through intermediate holding companies. The following chart represents the current operational structure, including Mittal Steel s significant operating subsidiaries, and not the legal or ownership structure of Mittal Steel.

The following table identifies by operating segment each significant operating subsidiary of Mittal Steel, including its registered office and Mittal Steel s percentage ownership thereof.

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

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Flat Carbon Europe

Aceria Compacta de Bizkaia, S.A.	6, Chavarri 48910 Sestao Vizcaya Spain	99.72%
Arcelor Atlantique et Lorraine SAS	1 à 5, rue Luigi Cherubini 93200 St Denis France	100%
Arcelor Bremen GmbH	Auf Den Delben 35 D-28237 Bremen Germany	99.88%
Arcelor Eisenhüttenstadt GmbH	Werkstr. 1 D-15890 Eisenhüttenstadt Brandenburg Germany	100%
Arcelor España S.A.	Residencia La Granda 33418 Gozon Asturias Spain	99.72%
Arcelor Méditerranée SAS	1 à 5, rue Luigi Cherubini 93200 St Denis France	100%
Arcelor Steel Belgium N.V.	Avenue de l Yser, 24 1040 Brussels Belgium	99.82%
Arcelor Piombino S.p.a.	Via S.Egidio nr.16 50123 Firenze Italy	99.79%
Cockerill Sambre S.A.	Rue Trasenster, 21	100%

	4102 Seraing Belgium	
Industeel Belgium S.A.	Rue de Châtelet, 266 6030 Charleroi Belgium	100%
Industeel France S.A.	1 à 5, rue Luigi Cherubini 93200 St Denis France	100%
Mittal Steel Galati S.A.	Strada Smardan nr. 1 Galati Romania	99.65%
Mittal Steel Ostrava a.s.	Vratimovska 689 707 02 Ostrava-Kunčice Czech Republic	84.47%(1)
Mittal Steel Poland S.A.	Ul. Chorzowska 50 40-121 Katowice Poland	99.48%(1)
Long Carbon Americas and Europe		
Acindar Industria Argentina de Aceros S.A.	2739, Estanislao Zeballos B1643 AGY Buenos Aires Argentina	44.38%(3)
Arcelor Bergara, S.A.	6, C/Ibarra 20570 Bergara Spain	99.72%
Arcelor Huta Warszawa Sp.z.o.o.	UL.Kasprowicza 132 01-949 Warszawa Poland	100%

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Arcelor Madrid, S.L.	Ctra. De Toledo KM 9,200 28021 Madrid Spain	99.72%
Arcelor Olaberría, S.L.	Carretera Nacional Madrid Irun S/N 20212 Olaberría Spain	99.72%
Arcelor Profil Luxembourg S.A.	66, rue de Luxembourg 4221 Esch sur Alzette Luxembourg	99.82%
Arcelor Rodange S.A.	1, rue de l Industrie BP 24 4801 Rodange Luxembourg	79.70%
Belgo Siderurgia S.A.	1115, avenida Carandai 24° Andar 30130-915 Belo Horizonte- MG Brazil	67.41%
Mittal Canada Inc.	4000, route des Aciéries Contrecoeur Québec J0L 1C0 Canada	100%
Mittal Steel Hamburg GmbH	Dradenaustrasse 33 D-21129 Hamburg Germany	100%
Mittal Steel Hochfeld GmbH[(2)]	Wörthstrasse 125 D-47053 Duisburg Germany	100%
Mittal Steel Ostrava a.s.	Vratimovska 689 707 02 Ostrava-Kunčice	84.47%[(1)]

	Czech Republic	
Mittal Steel Point Lisas Ltd.	Mediterranean Drive Point Lisas Couva Trinidad and Tobago	100%
Mittal Steel Poland S.A.	Ul. Chorzowska 50 40-121 Katowice Poland	99.48%(1)
Mittal Steel Ruhrort GmbH(2)	Vohwinkelstrasse 107 D-47137 Duisburg Germany	100%
Mittal Steel USA Inc.	1 South Dearborn Chicago, IL 60603 USA	100%
AACIS		
Mittal Steel Annaba Spa	Sidi Amar El-Hadjar Complex B.P. 2055 Annaba 23000 Algeria	70%
OJSC Mittal Steel Kryviy Rih	1 Ordzhonikidze Street Kryviy Rih 50095 Dnepropetrovsk Oblast Ukraine	93.77%
Mittal Steel Liberia Limited	401, Ocean View Apartments, UN Drive,	