

MITTAL STEEL CO N.V.
Form 20-F/A
July 03, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Amendment No. 2)

.. 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 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

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 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.

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Large accelerated filer Accelerated filer Non-accelerated filer

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

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

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EXPLANATORY NOTE

This Form 20-F/A is being filed by Mittal Steel Company N.V. (Mittal Steel) as Amendment No. 2 to its Annual Report on Form 20-F for the fiscal year ended December 31, 2006, initially filed with the Securities and Exchange Commission on April 17, 2007 (the Form 20-F), for the sole purpose of amending the disclosure on page F-14 to remove the references in its purchase accounting policy note to the use of valuation experts, and to make a corresponding change in Item 5.

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

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

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PART I

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Overview

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

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

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

Key Factors Affecting Results of Operations

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

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

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

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Economic Environment

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

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

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

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

Steel Production

In 2006, world crude steel production increased 9.4% to 1.2 billion tonnes as compared with 1.1 billion tonnes in 2005.¹ This total represented the highest level of crude steel production in history and marked 2006 as the third consecutive year in which crude steel production had exceeded 1 billion tonnes. The increase in production in 2006 was led primarily by China, which increased production by 68 million tonnes, or 19%, to 421 million tonnes. In North America, steel production increased by 5.7 million tonnes, or 4.6%, to 132 million tonnes. Steel production in the European Union increased 6% to 198 million tonnes during 2006.

Trade and Import Competition

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

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

Consolidation in the Steel Industry

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

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

¹ Source: International Iron and Steel Institute.

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

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

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

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

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

Raw Materials

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

Iron Ore

Seaborne iron ore prices increased by 19% in 2006 as compared to 2005 due to tightness in the seaborne ore market. This increase was in addition to a 71.5% price increase in that market in 2005. Approximately half of Mittal Steel's iron ore purchases are made in the seaborne ore market. Price of iron ore also increased steeply elsewhere. During 2006, Chinese steel producers increased iron ore imports by 18% to 325 million tonnes as compared to 2005.² This has required China to import iron ore not only from Australia and Brazil, but also from countries such as North Korea, Ukraine and India. China's 2006 ore purchases represent approximately 43% of the seaborne market.

² Source: International Iron and Steel Institute.

³ Source: AME/MB / BRS.

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Coking Coal

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

Natural Gas

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

Scrap

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

Base Metals

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

Ocean Freight

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

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

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Impact of Exchange Rate Movements

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

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

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

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

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

Critical Accounting Policies and Use of Judgments and Estimates

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

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

Purchase Accounting

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

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

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

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

Property, plant and equipment is recorded at replacement cost.

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

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

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

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

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

Deferred Tax Assets

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

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

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

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

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

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

Provisions for Pensions and Other Post-Employment Benefits

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

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

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

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

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

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

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

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

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

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

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

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

Environmental and Other Contingencies

Mittal Steel is currently engaged in the investigation and remediation of environmental contamination at a number of its facilities. All of these are legacy obligations arising from acquisitions. Mittal Steel is subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean-up of soil and groundwater. Mittal Steel recognizes a liability for environmental remediation when it is more likely than not that such remediation will be required and the amount can be estimated. Environmental liabilities assumed in connection with the acquisition of steel facilities and other assets are recorded at the present value of the estimated future payments. There are numerous uncertainties over both the timing and the ultimate costs that Mittal Steel expects to incur with respect to this work. Significant judgment is required in making these estimates and it is reasonable that others may come to different conclusions. If, in the future, Mittal Steel is required to investigate and remediate any currently unknown contamination and waste on properties that it owns, Mittal Steel may record significant additional liabilities. Also, if Mittal Steel estimates the cost to remediate currently known contamination and waste change, it will reduce or increase the recorded liabilities through credits or charges in the income statement. Mittal Steel does not expect these environmental issues to affect the utilization of its plants, now or in the future.

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

Valuation of Long-Lived Assets, Intangibles and Goodwill

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

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

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

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

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

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

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

A. Operating Results

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

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

Table of Contents**Key Indicators**

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

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005***Acquisitions and Divestments***

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

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

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

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

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

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

Sales, Steel Shipments and Average Steel Selling Prices

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

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

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

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

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

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

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

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

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

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

Flat Carbon Americas

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

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

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

Flat Carbon Europe

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

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

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

Long Carbon Americas and Europe

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

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

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

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

AACIS

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

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

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

Stainless Steel

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

AM3S

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

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

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

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

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

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

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

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

Flat Carbon Americas

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

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Flat Carbon Europe

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

Long Carbon Americas and Europe

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

AACIS

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

Stainless Steel

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

AM3S

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

Financing Costs

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

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Income Tax

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

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

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

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

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

Minority Interest

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

Net Income

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

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

Acquisitions and Divestments

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

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

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

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

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

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

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

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

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

Results of Operations***Sales, Steel Shipments and Average Selling Prices***

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

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

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

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

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

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

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

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

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

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

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Flat Carbon Americas

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

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

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

Flat Carbon Europe

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

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

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

Long Carbon Americas and Europe

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

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

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

AACIS

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

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

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

Operating Income

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

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

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

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

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

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

Flat Carbon Americas

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

Flat Carbon Europe

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

Long Carbon Americas and Europe

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

AACIS

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

Financing Costs

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

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Income Tax

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

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

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

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

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

Minority Interest

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

Net Income

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

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Mittal Steel's principal sources of liquidity are cash generated from its operations, its credit lines at the corporate level and various working capital credit lines at its operating subsidiaries.

In management's opinion, Mittal Steel's financing facilities are adequate for its present requirements. Because Mittal Steel is a holding company, it is dependent upon the earnings and cash flows of, and dividends and distributions from, its operating subsidiaries to pay expenses and meet its debt service obligations. 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.

As of December 31, 2006, Mittal Steel's cash and cash equivalents, restricted cash and short-term investments amounted to \$6.1 billion as compared to \$2.1 billion as of December 31, 2005. In addition, Mittal Steel, including its operating subsidiaries, had available borrowing capacity under its various credit lines, including receivable factoring and securitization facilities, of \$9.0 billion as of December 31, 2006 as compared to \$1.9 billion as of December 31, 2005.

As of December 31, 2006, Mittal Steel's total debt, which includes long-term debt, short-term debt and borrowings under working capital facilities, was \$26.6 billion as compared to \$8.3 billion as of December 31, 2005. Most of the external debt is borrowed by the parent company on an unsecured basis. As of December 31, 2006, Mittal Steel's external debt bore interest at varying levels based on a combination of fixed and variable interest rates. In addition, some of the debt of Mittal Steel's operating subsidiaries is secured by liens on specified assets of the relevant subsidiary. Under some of the loan agreements and bonds outstanding, Mittal Steel's operating subsidiaries are required to comply with certain financial covenants. As of December 31, 2006, Mittal Steel's operating subsidiaries were in compliance with all such covenants.

As of December 31, 2006, Mittal Steel had 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, as of December 31, 2006, Mittal Steel had guaranteed approximately \$26 million of certain debts at its I/N Tek joint venture.

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.

A description of certain of the basic terms of our outstanding long-term debt as of December 31, 2006 is set forth in Note 14 to the Mittal Steel Consolidated Financial Statements.

The following table summarizes the Mittal Steel's credit facilities and receivables factoring and securitization facilities as of the dates indicated:

	Limit		Utilization		Availability	
	As of	As of	As of	As of	As of	As of
	December 31, 2006 (in \$ millions)	December 31, 2005	December 31, 2006 (in \$ millions)	December 31, 2005	December 31, 2006 (in \$ millions)	December 31, 2005
Credit Facilities	9,787	3,834	875	2,243	8,912	1,591
Factoring and Securitization	291	393	192	49	99	344
<i>Financings</i>						

On April 1, 2006, Ispat Inland ULC redeemed \$150 million of floating rate notes due April 1, 2010 and bearing interest at LIBOR plus 6.75%. The floating rate notes were redeemed at a price of 103% of the principal amount (the call premium of \$4.5 million was expensed in the first quarter of 2006).

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On April 4, 2006, Mittal Steel signed a \$200 million loan agreement with the European Bank for Reconstruction and Development for on-lending to Mittal Steel Kryviy Rih. The loan is to be used to help to upgrade technology, boost productivity and improve energy efficiency at Mittal Steel Kryviy Rih. The loan has a maturity of seven years and bears interest based on LIBOR plus a margin based on a ratings grid. Drawdown of this facility took place on May 10, 2006.

On April 20, 2006, the United States Pension Benefit Guaranty Corporation converted the entire \$35 million outstanding principal amount of a convertible note issued by ISG, plus accrued interest, into 1,268,719 class A common shares of Mittal Steel.

On July 26, 2006, following the announcement of the final results of the offer for Arcelor, Standard & Poor's lowered its long-term corporate credit rating on Mittal Steel from BBB+ to BBB and removed the rating from CreditWatch with negative implications. On July 31, 2006, Moody's 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 Rating Watch Negative.

On November 30, 2006, Mittal Steel entered into a credit facility, which is comprised of a 12 billion term loan facility and a 5 billion revolving credit facility (the 17 Billion Facility). The proceeds of the term loan facility were used to refinance Mittal Steel's 3 billion refinancing facility, 5 billion acquisition facility and 2.8 billion bridge facility, along with Arcelor's 4 billion term loan facility and 3 billion revolving credit facility. The 5 billion revolving credit facility has remained unutilized and is fully available to Mittal Steel, the proceeds of which may be used for general corporate purposes. The 17 Billion Facility is unsecured and provides for loans bearing interest at LIBOR or EURIBOR (based on the borrowing currency) plus a margin based on a ratings grid.

As described above, Mittal Steel's 3 billion refinancing facility, 5 billion acquisition facility and 2.8 billion bridge facility were repaid and subsequently cancelled on December 14, 2006. Arcelor's 4 billion term loan facility, of which 3 billion was outstanding, was repaid and subsequently cancelled on December 14, 2006 and its 3 billion revolving credit facility was cancelled on December 5, 2006.

On December 15, 2006 Mittal Steel redeemed Arcelor's 3% 2017 bonds convertible and/or exchangeable into new and/or existing Arcelor shares (the OCEANes) at a redemption price in cash equal to the principal amount of the OCEANes plus accumulated interest, amounting to 0.27055 per OCEANE.

Dividends

On February 14, 2006, Mittal Steel's Board of Directors declared an interim dividend of \$0.125 per share payable on March 15, 2006, and decided to propose to the general meeting of shareholders to amend the dividend policy going forward to pay a quarterly dividend of \$0.125 per share. During 2006, four quarterly dividends of \$0.125 per share were paid.

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. This base dividend has been designed to provide a minimum payout per year and would rise 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 earnings announced for the twelve months ended December 31, 2006, Mittal Steel will implement a \$590 million share buy-back.

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On February 2, 2007, Mittal Steel's Board of Directors declared an interim dividend of \$0.325 per share. The cash dividend was paid on March 15, 2007 to Euronext Amsterdam, Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and Spanish Stock Exchange shareholders of record on February 27, 2007, and to NYSE shareholders of record on March 2, 2007.

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.

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005*Sources and Uses of Cash*

The following table presents a summary of cash flow of Mittal Steel:

	Summary of Cash flow	
	Year ended December 31,	
	2005	2006
	(in \$ millions)	
Net cash provided by operating activities	\$ 3,874	\$ 7,122
Net cash used in investing activities	(7,512)	(8,576)
Net cash provided by financing activities	3,349	5,445

Net Cash Provided by Operating Activities

For the year ended December 31, 2006, cash flow from operations increased to \$7,122 million as compared with \$3,874 million for the year ended December 31, 2005, primarily due to higher net income from acquisitions, including the acquisitions of Arcelor, Mittal Steel Kryviy Rih and Mittal Steel ISG USA Inc.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$8,576 million, primarily due to the acquisition of net assets of subsidiaries, net of cash and capital expenditures. Acquisition of assets was primarily related to Arcelor. Capital expenditures in 2006 were \$2,935 million as compared to \$1,181 million in 2005. This was due in part to capital expenditures on: (a) a new continuous caster for slab production and hot strip mill, wire rod mill modernization and a new rolling mill at Mittal Steel Poland; (b) a new blast furnace, continuous caster construction, a heat recovery coke oven and an electrical steel capacity increase at Arcelor Brasil; (c) a new cold rolling and color coating mill at Mittal Steel Temirtau; (d) a new galvanizing line at Mittal Steel South Africa; and (e) melt shop upgrades at Carinox plant in Belgium.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$5,445 million for the year ended December 31, 2006, as compared to \$3,349 million in 2005, primarily due to the net addition of loans from banks. The 2005 balance was reduced due to dividend payments to Richmond Investment Holdings Limited, the parent company's shareholder, which was a condition to Ispat International's acquisition of LNM Holdings. There were dividend payments to the shareholders of Mittal Steel as well to the shareholders of Mittal Steel South Africa.

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As of December 31, 2006, Mittal Steel had approximately \$2.2 billion of scheduled debt amortization between 2007 and 2008.

On February 2, 2007, Mittal Steel declared an interim dividend of \$0.325 per share. The cash dividend was paid on March 15, 2007 to Euronext Amsterdam, Euronext Brussels, Euronext Paris, Luxembourg Stock Exchange and Spanish Exchange shareholders of record on February 27, 2007, and to NYSE shareholders of record on March 2, 2007.

Mittal Steel USA Pension Funding

Mittal Steel USA has made cash contributions to its pension plan of approximately \$660 million from 1998 through December 31, 2006 including \$61 million during 2006.

For further details concerning Mittal Steel's pension plans, please refer to Note 18 to the Mittal Steel Consolidated Financial Statements.

Shareholders' Equity

Shareholders' equity (excluding minority interest) increased to \$42,127 million at December 31, 2006.

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

Sources and Uses of Cash

The following table presents a summary of cash flow of Mittal Steel:

	Summary of Cash flow	
	Year ended December 31,	
	2004	2005
	(in \$ millions)	
Net cash provided by operating activities	\$ 4,300	\$ 3,874
Net cash used in investing activities	(656)	(7,512)
Net cash provided by (used in) financing activities	(2,118)	3,349

Net Cash Provided by Operating Activities

For the year ended December 31, 2005, cash flow from operations decreased to \$3,874 million as compared with \$4,300 million for the year ended December 31, 2004, primarily due to lower net income.

Net Cash Used in Investing Activities

Net cash used in investing activities was \$7,512 million, primarily for the acquisition of net assets of subsidiaries, net of cash and capital expenditures. Acquisition of assets was primarily related to Mittal Steel Kryviy Rih. Capital expenditures in 2005 were \$1,181 million as compared to \$837 million in 2004. This was due in part to capital expenditures on: (a) construction of a hot-strip mill, modernization of a blast furnace and building of a coke oven battery and auxiliary facilities at Mittal Steel Poland; (b) modernization of two blast furnaces at Mittal Steel Galati; (c) construction of a new slab caster and converter shop at Mittal Steel Temirtau; and (d) step 2 of the continuous anneal line to hot dip galvanize conversion at Mittal Steel USA.

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Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was \$3,349 million as compared to \$2,118 million used in financing activities in 2004, primarily due to the net addition of loans from banks, partly offset by dividend payments to Richmond Investment Holdings Limited, the parent company's shareholder, which was a condition precedent to Ispat International's acquisition of LNM Holdings. There were dividend payments to the shareholders of Mittal Steel as well to the shareholders of Mittal Steel South Africa.

As of December 31, 2005, Mittal Steel had approximately \$2.0 billion of scheduled debt amortization between 2006 and 2007 (without taking into account the impact of Mittal Steel's offer to acquire Arcelor).

Mittal Steel USA Pension Funding

Mittal Steel USA has made cash contributions to its pension plan of approximately \$600 million from 1998 through December 31, 2005, including \$175 million during 2005.

For further details concerning Mittal Steel's pension plans, please refer to Note 18 to the Mittal Steel Consolidated Financial Statements.

Shareholders' Equity

Shareholders' equity (excluding minority interest) increased to \$13,286 million at December 31, 2005.

C. Research and Development, Patents and Licenses

Costs relating to research and development, patents and licenses were not significant as a percentage of sales. Research and development costs expensed in 2005 and 2006 amount to \$39 million and \$96 million, respectively.

D. Trend Information

All of the statements in this Trend Information section are subject to and qualified by the information set forth under the Cautionary Statement Regarding Forward-Looking Statements. See also Item 5A Operating and Financial Review and Prospects Key Factors Affecting Results of Operations.

Outlook

For the first quarter of 2007, Mittal Steel expects overall shipment levels to remain in line with fourth quarter 2006 levels. Flat Carbon Americas profitability is expected to continue to suffer from oversupply of inventory while performance for the Flat Carbon Europe segment is expected to remain positive. The performance of Long Carbon Americas and Europe is expected to increase. The performance of Stainless Steel is expected to remain at high levels, while the performance of AM3S and AACIS is expected to remain stable. Mittal Steel expects an effective tax rate of approximately 25% for the year.

For the full year 2007, Mittal Steel expects operating performance to improve over 2006 levels in all segments, assuming no material changes in the scope of consolidation.

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Capital Expenditure and Investments

Mittal Steel expects its capital expenditures to increase to in 2007 to approximately \$4.5 to \$5.0 billion, approximately half of which would be used for maintenance of its production facilities. Mittal Steel expects to finance all its capital expenditures from cash flows from operations. Mittal Steel's major capital expenditure projects among others are: (a) a new coke oven battery construction at ZKZ Poland; (b) hot strip mill expansion at Arcelor Brasil; (c) a new wire rod mill at Mittal Steel Ruhrort; (d) various improvements, including coke oven battery and sinter plant upgrades, at Mittal Steel Kryviy Rih; (e) two new DR Kilns at Mittal Steel South Africa; (f) a new integrated steel mill complex consisting of coke oven battery, blast furnace, blast oxygen furnace, power plant and auxiliary facilities at Bosnia; and (g) batch annealing furnaces at a French subsidiary.

Furthermore, Mittal Steel plans to invest in mining assets among others in Mexico, Liberia, Ukraine and Bosnia.

In connection with the acquisition of certain of its operating subsidiaries, Mittal Steel has made significant capital expenditure commitments and other commitments with various governmental bodies relating to the next few years. As of December 31, 2006, Mittal Steel and its subsidiaries had capital commitments outstanding of \$3.3 billion under privatization and other major contracts.

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 Mittal Steel entered into with the Government of Liberia in August 2005. The agreement gives Mittal Steel access to iron ore deposits in Western Liberia. Mittal Steel expects expenditures of approximately \$1 billion during the life of the project. This cost will cover development of the mines, related railway and port infrastructure and will provide 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 2.5 million tonnes.

On December 21, 2006, Mittal Steel announced that it has signed a Memorandum of Understanding with the Government of the State of Orissa in India concerning setting up a steel-making operation in the Kernighan District. Mittal Steel intends to undertake a Detailed Project Report (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 \$9 billion). Mittal Steel intends 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.

On February 23, 2007, Mittal Steel announced that it had signed agreements with the state of Senegal in West Africa to develop iron ore mining in the Faleme region of southeast Senegal. This integrated mining project will encompass the development of the mine, building of a new port near Dakar and the development of approximately 750 kilometers of rail infrastructure to link the mine with the port. It is expected to entail an investment of approximately \$2.2 billion. Mittal Steel estimates that the mine will provide approximately 750 million tonnes of iron ore. The development of the mine, which is expected to commence production in 2011, is a strategic step in creating a West-African hub for supplying the iron ore needs of Mittal Steel's plants around the world. The agreements will become effective upon fulfillment of certain conditions by the State of Senegal.

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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 million in 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 would 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.

Income Taxes

Mittal Steel's combined effective tax rate is expected to increase in future years. The cash outflow in respect of taxes is expected to increase in 2007.

E. Off-Balance Sheet Arrangements

Mittal Steel has no unconsolidated special purpose financing or partnership entities that are likely to create material contingent obligations. In addition, Mittal Steel is not contingently liable for the debt of any of its affiliates or joint ventures except debt attributable to I/N Tek, where Mittal Steel has guaranteed \$26 million as of December 31, 2006 (\$76 million as of December 31, 2005 for I/N Tek and I/N Kote).

For a discussion of receivables factoring arrangements for the year ended December 31, 2006 as compared to the year ended December 31, 2005, refer to Liquidity and Capital Resources above and Note 25 of the Mittal Steel Consolidated Financial Statements.

F. Tabular Disclosure of Contractual Obligations

Mittal Steel has various purchase commitments for materials, supplies and items of permanent investment incidental to the ordinary course of business. As of December 31, 2006, Mittal Steel's management believes that these commitments are not in excess of current market prices and reflect normal business operations.

Mittal Steel had outstanding, as of December 31, 2006, various long-term obligations that will become due in 2007 and beyond. These various purchase commitments and long-term obligations will have an effect on Mittal Steel's future liquidity and capital resources. The table below shows, by major category of commitment and obligations outstanding as of December 31, 2006, Mittal Steel's current estimate of their annual maturities (undiscounted).

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(amounts in \$ millions)	Less than					More
	Total	1 year	1-3 years	4-5 years	5 years	than
Long-Term Debt Obligations scheduled repayments Note 14 to the Mittal Steel Consolidated Financial Statements	\$ 25,338	\$ 3,693	\$ 8,854	\$ 10,334	\$ 2,457	
Operating Lease Obligations Note 22 to the Mittal Steel Consolidated Financial Statements	564	108	175	103	178	
Environment Commitments ⁽¹⁾ and asset retirement obligation Note 20 and Note 23 to the Mittal Steel Consolidated Financial Statements	1,275	201	248	189	656	
Purchase Obligations Note 22 to the Mittal Steel Consolidated Financial Statements	31,274	8,146	9,584	4,355	9,189	
Funding Contribution to the pension and post-employment plans ⁽²⁾	662	662	0	0	0	
Scheduled interest payments ⁽³⁾	3,768	1,173	1,580	628	386	
Other Long-Term Liabilities	506	37	166	281	21	
Acquisition/Investment Commitments Note 22 to the Mittal Steel Consolidated Financial Statements	3,297	2,542	388	334	33	
Total	66,747	16,596	20,996	16,224	12,950	

⁽¹⁾ Mittal Steel may be subject to additional environmental liabilities not included in the table above.

⁽²⁾ The funding contributions to the pension and post retirement plans are presented for the following year and to the extent known.

⁽³⁾ In determining the future interest payments on its variable interest debt Mittal Steel used the interest rates applicable as of December 31, 2006.

Estimated payments for long-term obligations have been determined by Mittal Steel based on payment schedules for those long-term obligations where set payments exist. For long-term obligations with no set payment schedules, estimates have been made by Mittal Steel based on the most likely timing of cash payments based on the facts and circumstances that exist as of December 31, 2006. The actual timing of these future cash flows may differ due to events and circumstances that are out of the direct control of Mittal Steel. Also included are liabilities related to environmental matters, which are further discussed in Note 23 to the Mittal Steel Consolidated Financial Statements. For further details on commitments, please refer to Note 22 to the Mittal Steel Consolidated Financial Statements.

G. Safe Harbor

All information that is not historical in nature and disclosed under Item 5 Operating and Financial Review and Prospects is deemed to be a forward-looking statement. See Cautionary Statement Regarding Forward-Looking Statements .

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PART III

ITEM 18. FINANCIAL STATEMENTS

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

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<u>Report of Deloitte Accountants B.V.</u>	F-2
<u>Reporting of KPMG Audit S. à r. l. (Arcelor S.A. and subsidiaries)</u>	F-3
<u>Report of Ernst & Young Accountants (Mittal Steel Holdings N.V. and subsidiaries)</u>	F-4
<u>Report of KPMG Inc. (Ispat Iscor Limited December 31, 2004)</u>	F-5
<u>Consolidated Balance Sheets</u>	F-6
<u>Consolidated Statements of Income</u>	F-8
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<u>Consolidated Statements of Cash Flows</u>	F-11
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ITEM 19. EXHIBITS

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

Exhibit

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2005 and 2006 and

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

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

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

Deloitte Accountants B.V.

April 16, 2007

Rotterdam, The Netherlands

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

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

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

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

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

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

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

/s/ **KPMG Audit S. à r. l.**

City of Luxembourg
Luxembourg
April 16, 2007

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

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

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

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

Rotterdam, The Netherlands

February 9, 2005

/s/ Ernst & Young Accountants

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Ispat Iscor Limited

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

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

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

KPMG Inc.

/s/ KPMG Inc.

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

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Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Balance Sheets**

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

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

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

Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Balance Sheets, continued**

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

Commitments and contingencies (notes 22 and 23)

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

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

Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Statements of Income**

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

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

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

Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Statements of Income, continued**

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

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

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

Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Statements of Changes in Equity**

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

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

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

** Excludes treasury shares.

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

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Table of Contents**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

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

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

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

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

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

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

Nature of business

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

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

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

Organization

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

Basis of preparation

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

New IFRS standards and interpretations applicable in 2006

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

Basis of consolidation

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

Associated companies are those companies over which the Company has the ability to exercise significant influence on the financial and operating policy decisions which are not Operating Subsidiaries. Significant influence is presumed to exist when the Company holds more than 20% of the voting rights. In addition, jointly controlled entities are companies over whose activities the Company has joint control under a contractual agreement.

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and critical accounting judgements

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

Purchase Accounting

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

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

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

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

Property, plant and equipment is recorded at replacement cost.

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

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

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

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

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

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

Deferred Tax Assets

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

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

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

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

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

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

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Provisions for Pensions and Other Post Employment Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation of Long-Lived Assets, Intangibles and Goodwill

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

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

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

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

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

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

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

Translation of financial statements denominated in foreign currency

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

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

Impairment of non-current assets (excluding goodwill)

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

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amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately as part of operating income in the income statement.

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

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

Business combinations

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

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

Cash and cash equivalents

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

Restricted cash

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

Trade accounts receivable

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

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

Inventories

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

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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Goodwill and negative goodwill

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

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

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

Intangible assets

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Investment in associates, joint ventures and other entities

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

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

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

Assets held for sale

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

Borrowings

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

Capitalized interest

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

Deferred employee benefits

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

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

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

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

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

Provisions and accruals

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

Environmental costs

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

Asset retirement obligations

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

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

Income taxes

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

Financial liabilities

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

Derivative financial instruments

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

Emission rights

Mittal Steel's industrial sites regulated by the European Directive on CO2 emission rights, effective as of January 1, 2005, are located primarily in Germany, Belgium, Spain, France and Luxembourg. The emission rights allotted to the Company on a no charge basis pursuant to the annual

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national allocation plan, are recorded on the balance sheet at nil value. Mittal Steel continuously monitors rights that have expired and that will have to be surrendered. The number of rights to be surrendered is equal to the total emissions over a given period. These emissions are submitted to an annual certification, performed by a certified external expert in accordance with applicable national regulation. Excess allowances sold are recognized in the income statement. Allowance purchases or sales are recorded at cost.

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

Revenue recognition*Sales of goods and services*

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

Shipping and handling costs

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

Financing costs

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

Earnings per common share

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

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

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

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

would be anti-dilutive.

Stock option plan/share-based payments

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

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Segment reporting

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

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

New IFRS standards and interpretations applicable from 2007 onward

IFRS 7

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

IFRS 8

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

AMENDMENT TO IAS 1

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

IFRIC 7

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

IFRIC 8

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

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IFRIC 9

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

IFRIC 10

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

IFRIC 11

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

IFRIC 12

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

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NOTE 3: ACQUISITIONS

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

Mittal Steel Poland

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

Mittal Steel South Africa

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

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

Mittal Steel Zenica (Zenica)

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

International Steel Group (ISG)

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

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

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

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

Kryvorizhstal

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

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

Arcelor

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

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

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

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

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

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

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

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

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

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

ISG

Kryviy Rih

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

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

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

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

Pro Forma Results

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

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

NOTE 4: ASSETS HELD FOR SALE

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

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

Assets classified as held for sale*:

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

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Liabilities classified as held for sale*:

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

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

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

NOTE 5: TRADE RECEIVABLES

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

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

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

NOTE 6: INVENTORIES

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

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

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

NOTE 7: PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

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

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NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets are summarized as follows:

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

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

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

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

** Subject to change upon finalization of purchase price allocation

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

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

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

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NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

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

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

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

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

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NOTE 10: INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

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- (4) Macsteel International Holdings B.V. (Macsteel) is an equity method investment owned by Mittal Steel South Africa. Mittal Steel South Africa's steel products are marketed internationally through Macsteel, a joint venture in which the Mittal Steel South Africa's holds a non-controlling 50% interest. The Company recognized 29 in equity income from Macsteel in 2006 (42 in 2005).
- (5) On September 27, 2005, Mittal Steel completed the acquisition of 36.67% of the outstanding shares of Hunan Valin Steel Tube and Wire Co., Ltd (Hunan Valin), for an aggregate consideration of 338 (excluding acquisition related fees of 6). Following the conversion of bonds into shares of Hunan Valin, the Company's interest in Hunan Valin was diluted to 31.43 % as of December 31, 2005. During January 2006, the conversion of all remaining convertible bonds occurred and, as a result, the shareholdings of the Company were diluted to 29.49%. As of December 31, 2006, the investment had a market value of 357 (2005: 391).
- (6) These investments are under common control between Arcelor Mittal and joint venture partners. As a result, the Company does not have the power to govern the financial and reporting policies of these entities, and therefore, accounts for the investments under the equity method.

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

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

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

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NOTE 11: OTHER INVESTMENTS

The Company holds the following other investments:

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

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

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

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

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

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

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NOTE 12: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

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

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

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

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

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

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

NOTE 13: PAYABLE TO BANKS

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

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

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

Multi-currency Letter of Credit Facility

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

Commercial paper

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

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NOTE 14: LONG-TERM DEBT

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

	Year of maturity	Type of Interest	Interest Rate ⁽¹⁾	2005	2006
Corporate					
3.2 billion Credit Facility	2010	Floating	5.4%	2,750	2,100
3.5 billion Bridge Finance Facility	2007 - 2008	Floating		3,500	
17 billion Credit Facility	2011	Floating	4.2%-5.7%		15,828
IFA Bonds	2030 - 2035	Floating	3.5%-3.7%	51	89
EBRD Loans	2009 - 2013	Floating	6%-6.2%	67	250
Other Loans	2009- 2013	Floating	6%-6.2%		59
Other Loans	2009	Fixed	6.5%	16	13
Total Corporate				6,384	18,339
Americas					
Subordinated convertible notes	2011	Fixed	6%		8
Senior secured notes	2010	Floating	12.2%		21
Senior secured notes	2010	Floating		150	
Senior secured notes	2014	Fixed	9.75%	420	420
Senior unsecured notes	2008 - 2017	Fixed	5% - 9.81%		391
Senior unsecured notes	2014	Fixed	6.5%	500	500
Senior unsecured notes	2007 - 2018	Floating	3.9%		8
PBGC convertible notes	2007	Fixed		35	
Asset acquisition loans	2007 - 2018	Fixed	5%-11.1%	152	633
Other loans	2007 - 2014	Fixed	5.8%-7.1%	119	222
Other loans	2007 - 2017	Floating	4.3% -13.2%		314
Total Americas				1,376	2,517
Europe					
Secured notes	2006	Fixed		82	
Debenture loans	2008 - 2014	Fixed	3.4%-6.4%		2,622
Debenture loans	2020	Floating	4.1%-6.1%		11
Other loans	2006 - 2015	Floating	3.3%-6%	35	751
Other loans	2007 - 2015	Fixed	3.5%-7.5%	42	779
Total Europe				159	4,163
Asia & Africa					
Government Loan	2011	Fixed	5%	150	150
Other loans	2013	Fixed	16%	17	10
Other loans	2007 - 2012	Floating	6.8%	36	29
Total Asia & Africa				203	189

Total	8,122	25,208
Less current portion of long-term debt	180	3,663
Total long-term debt (excluding lease obligations)	7,942	21,545
Lease obligations (net of 30 of current portion)	32	100
Total long-term debt, net of current portion	7,974	21,645

⁽¹⁾ The effective interest rate for the fixed rate debt approximates the nominal interest rate. The effective rate of the 17 billion Credit Facility amounts to 4.54% in 2006.

Corporate

3.2 billion Credit Facility

On April 7, 2005, Mittal Steel and certain subsidiaries signed a five-year 3,200 credit facility with a consortium of banks. At December 31, 2006, 2,100 was outstanding.

3.5 billion Bridge Facility

On October 19, 2005, the Company signed a 3,000 loan agreement with Citigroup. The facility was subsequently increased by 500 to 3,500. The 2005 Bridge Facility was repaid in full on June 26, 2006 and cancelled subsequently. Funding was provided from a 3,000 million (3,932) Refinancing Facility entered into on January 30, 2006.

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17 billion Credit Facility

On January 30, 2006, the Company entered into a 5,000 million credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs (Acquisition Facility) and a 3,000 million credit agreement to refinance the 2005 Bridge Facility. On May 23, 2006, the Company entered into a 2,800 million agreement with a group of lenders to finance the cash portion of the increased offer for Arcelor along with related transaction costs (Acquisition Facility).

On November 30, 2006, the Company entered into a 17,000 million credit agreement with a group of lenders to refinance Mittal Steel's Refinancing Facility and Acquisition Facilities, along with Arcelor 4,000 million term loan facility and 3,000 million revolving credit facility agreement. All of these refinanced facilities were repaid and cancelled in December 2006.

The outstanding under 17 billion credit facility at December 31, 2006 was 15,828.

EBRD Loans

The secured loan is for capital expenditures and working capital requirements at Mittal Steel Galati. The loan is guaranteed by the Company and certain of its subsidiaries, and is secured by a pledge of certain assets of Mittal Steel Galati. The outstanding amount of the loan is 50 as of December 31, 2006.

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

Americas

Senior Secured Notes

On March 25, 2004, Ispat Inland ULC issued senior secured notes with an aggregate principal amount of 800: 150 of floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010 and 650 of fixed rate notes bearing interest at 9.75% (issued at 99.212% to yield 9.875%) due April 1, 2014 (the "Senior Secured Notes"), of which 420 (net of 3 of discount) are outstanding as of December 31, 2006.

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

Senior Unsecured Notes

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

On October 1, 2001, Dofasco issued Canadian Dollar (CAD) 125 million of 7.55% unsecured, non-callable notes maturing October 1, 2008. On June 15, 2005, pursuant to the Short Form Shelf Prospectus dated November 24, 2004, Dofasco issued CAD 250.0 million of 4.961% Series A Medium Term Notes. The unsecured, non-redeemable notes will mature June 15, 2017 with interest payable semi-annually on June 15 and

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December 15. The principal will be repaid in four equal annual installments of CAD 62.5 million commencing June 15, 2014.

Asset Acquisition Loans

In May 2005, ISG Inc. (since renamed Mittal Steel USA) took ownership of a coke oven battery at Burns Harbor that was previously leased under a capital lease. The related loan amounts to 140 as of December 31, 2006. CST, Vega do Sul and Belgo Mineira contracted loans mainly with Banco Nacional de Desenvolvimento and Banco Bradesco S.A. for a total amount of 489 in order to finance their expansion of capacity. Together the outstanding as at December 31, 2006 was 633 including accrued interest.

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Other loans

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

Redemptions

On August 18, 2006, Mittal Steel USA redeemed the 38 principal amount of its outstanding Pollution Control Revenue Bonds (Inland Steel Company Project No.13) Series 1996 at par.

On April 20, 2006, the Pension Benefit Guaranty Corporation converted the entire 35 outstanding principal amount plus accrued interest of the convertible note issued by ISG into 1,268,719 Class A common shares of Mittal Steel.

On April 1, 2006, Ispat Inland ULC redeemed the 150 floating rate notes. The floating rate notes were redeemed at a price of 103.0% of the principal plus accrued interest.

On December 28, 2005, Ispat Inland redeemed the 23 principal amount of its outstanding City of East Chicago, Indiana Pollution Control Refunding Revenue Bonds (Inland Steel Company Project No. 10) Series 1993 at par plus accrued and unpaid interest and the 11 principal amount of its outstanding Indiana Development Finance Authority Pollution Control Refunding Revenue Bonds (Inland Steel Company Project No. 12) Series 1995 at 102% plus accrued and unpaid interest. On February 1, 2006, Mittal Steel USA redeemed the 17 principal amount of its outstanding City of East Chicago, Indiana Pollution Control Revenue Bonds (Inland Steel Company Project No. 5) Series 1977 at par.

On October 5, 2005, Ispat Inland redeemed the 28 principal amount of its outstanding First Mortgage 7.9% Bonds, Series R, due January 15, 2007 at par plus accrued and unpaid interest.

Contingent Liability

In 1998, Ispat Inland entered into an agreement with the PBGC to provide certain financial assurances with respect to its pension plan. Under the terms of this agreement, the PBGC was granted a first priority lien on certain assets and Ispat Inland was required to make certain minimum contributions to its pension plan. In 2003, the agreement was amended and under the amended terms, Ispat Inland contributed 175 and 83 in 2005 and 2004, respectively, and pledged 160 of non-interest bearing First Mortgage Bonds. The agreement terminated on December 31, 2005 when Mittal Steel USA met certain financial measures but the pledge of the 160 of bonds continues until Mittal Steel USA meets certain other measures, including the funding level of its pension plan. Attorneys for the parties are finalizing documentation for the release of the first priority liens on the remaining assets.

Europe

OCEANE 2017 3%

In December 2006, Arcelor completed the early redemption of Arcelor's OCEANES. This early redemption was completed on December 15, 2006 in accordance with the terms and conditions of the OCEANES set forth in the prospectus approved by the *Luxembourg Commission de Surveillance du Secteur Financier* on June 28, 2002, for cash equal to the principal amount of the OCEANES plus the accrued and unpaid interest amounting to 0.27055 (0.35461) per OCEANE.

Senior Secured Notes

On December 19, 2005, Mittal Steel Europe called the outstanding amount of the euro-denominated senior secured notes due February 2011, which bore interest at 11.875% per annum. The outstanding note was repaid on February 1, 2006 at 105.938% of par value.

Debenture loans

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

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

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

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

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

Other Loans

Between 2003 and 2006, Arcelor Finance issued 556 principal amount of loans maturing between 2008 and 2015. Interest rates are based on 3 month EURIBOR, 6 month EURIBOR, or 6 month LIBOR.

In 2006, Arcelor Ambalaj Celigi Sanayi ve Ticaret issued 19 principal amount of loan maturing in 2007 bearing interest at the 6 month LIBOR average.

408 principal amount of loans maturing between 2008 and 2015 bearing interest between 3.75% and 6.4% were issued between 1996 and 2005. On December 31, 2006, 367 was outstanding.

Asia & Africa

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

Other

Certain debt agreements of the Company or its subsidiaries provide for various covenants requiring certain consent from lenders in specified circumstances, to declare or pay any dividends, make certain restricted payments, incur additional indebtedness, make certain investments, create liens, guarantee indebtedness, sell or acquire assets with certain exceptions, enter into any merger or consolidation or reorganization, as well as require compliance with other financial maintenance tests, which includes financial ratios and minimum levels of net worth. The Company is in compliance with the financial covenants contained within the amended agreements related to all of its non-current borrowings.

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Scheduled maturities of long-term debt including lease obligations at December 31, 2006 are as follows:

Year ended December 31,	
2007	3,693
2008	4,615
2009	4,239
2010	6,537
2011	3,797
Subsequent years	2,457
Total	25,338

NOTE 15: FINANCIAL INSTRUMENTS AND CREDIT RISK***Fair Value of Financial Instruments***

The estimated fair values of certain financial instruments have been determined using available market information or other valuation methodologies that require considerable judgment in interpreting market data and developing estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The carrying amounts of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term nature of these instruments.

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

The estimated fair values of the Company's short and long-term debt are as follows as of December 31, 2005 and 2006:

	2005		2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Instruments payable bearing interest at variable rates	6,589	6,594	20,674	20,674
Instruments payable bearing interest at fixed rates	1,575	1,649	4,664	4,756
Long-term debt, including current portion	8,164	8,243	25,338	25,430
Payable to banks	144	144	1,229	1,229

Derivative Financial Instruments

The Company uses foreign currency exchange contracts to manage the risk of foreign currency fluctuations on projected cash flows relating to purchase and sales contracts.

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The Company uses futures and swap contracts to manage fluctuations in the cost of input commodities in the steel-making process such as natural gas, electricity, oil and oil products and non-ferrous metals. Timing of these transactions corresponds to the expected need for the underlying physical commodity and is intended as a hedge.

The effective portion of the unrealized gains or losses on cash flow hedges are recorded in equity and recorded in the income statement upon realization of the cash flows if they meet the criteria of IAS 39. Unrealized gains and losses on ineffectiveness were recognized immediately in earnings.

The amount of gains or losses reclassified from equity into earnings, as a result of the discontinuance of cash flow hedges, was not material.

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Unrealized gains or losses from foreign currency derivatives and commodity swaps and options that do not qualify for hedge accounting are recognized in cost of sales or other operating expenses.

The amounts of derivative financial assets and liabilities (all classified as current) recognized in the balance sheet as of December 31, 2005 and 2006 are not material. These are all short-term.

Credit Risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted. Financial instruments that potentially subject the Company to credit risk primarily consist of trade accounts receivable and derivative contracts. The Company does not anticipate non-performance by counterparties. The Company generally does not require collateral or other security to support financial instruments with credit risk. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company considers its credit risk associated with trade accounts receivable to be limited due to a large number of customers comprising the Company's customer base and their geographic dispersion. The Company sells a significant amount of products pursuant to orders throughout its main markets. The Company grants credit based on evaluations of its customers' financial situation, in certain cases, without requiring guarantees or letters of credit, and monitors the exposure of potential losses from granting credit. To reduce risk the Company routinely assesses the financial strength of its customers and as a consequence, believes that its accounts receivable credit risk exposure is limited. In addition, the Company has entered into insurance policies for a number of subsidiaries.

The counterparties to derivative contracts are generally major financial institutions and credit risk is generally limited to the unrealized gains and losses on such contracts should the counterparties fail to perform as contracted. The credit risk exposure to each counterparty is capped in function of its credit rating and our business volume. As a result, the Company considers the risk of counterparty default to be minimal.

NOTE 16: EQUITY

As at December 31, 2006, the authorized common shares of Mittal Steel consisted of 5,000,000,000 Class A common shares, par value of 0.01 per share, and 721,500,000 Class B common shares, par value of 0.01 per share. At December 31, 2006, 934,818,280 (December 31, 2005: 255,401,673) class A common shares and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were issued and 927,778,733 (December 31, 2005: 246,572,889) class A common shares (excluding treasury shares) and 457,490,210 (December 31, 2005: 457,490,210) class B common shares were outstanding.

The Company's share capital at December 31, 2006 is comprised as follows:

	Class A	Class B	Total
December 31, 2004	1	58	59
Acquisition of ISG	1		1
December 31, 2005	2	58	60
Voting right reduction		(52)	(52)
Acquisition of Arcelor	9		9
December 31, 2006	11	6	17

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As of December 31, 2006, the preference and relative rights of the Mittal Steel Class A common shares and Mittal Steel Class B common shares are substantially identical except for conversion rights. Each Mittal Steel Class B common share is convertible, at the option of the holder, into one Mittal Steel Class A common share. Under Mittal Steel's Articles of Association, each Mittal Steel Class B common share is convertible at any time and from time to time at the option of the holder thereof into one Mittal Steel Class A common share. The Mittal Steel Class A common shares have no conversion rights.

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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 acquisition was funded through a combination of cash and 680 million newly issued Class A common shares.

In September 2006, the nominal value of class B shares changed from 0.10 per share to 0.01 per share. This was approved by the shareholders during the shareholders meeting of June 30, 2006. At the same time the voting rights for Class B shares reduced from 10 votes per share to 1 vote per share.

At December 31, 2006, the Company held 7,039,547 of its own Class A shares which it purchased on the open market for aggregate consideration of 84 (at December 31, 2005 8,828,784 for aggregate consideration of 111). In 2006, the Company received 9 upon the exercise of options by employees.

Dividends

All calculations to determine the amounts available for dividends are based on Mittal Steel's Dutch statutory accounts, which are different from its consolidated accounts. Mittal Steel has no manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries' recognized gains, from the sale of its assets or records share premium from the issuance of (new) common shares. Certain of the Company's operating subsidiaries are subject to restrictions under the terms of their debt agreements with respect to the payment dividends. As a result, subsidiaries of Mittal Steel had 13.1 billion in retained earnings which are free of restriction for the payment of dividend at December 31, 2006. Dividends are payable by Mittal Steel in either U.S. Dollars or in Euros.

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 dividend, Mittal Steel's Board of Directors proposed 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 share buy-back and a cash dividend of approximately 1.8 billion. This new distribution policy will be implemented as of January 1, 2007 for the 2006 results, subject to shareholder approval.

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 of its class A common shares. It is Mittal Steel's intention to either use the repurchased class A common shares exclusively for future share issuances in view of current or future employee stock option plans and other allocations of shares to employees or cancel the repurchased class A common shares in due course. 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, 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 dividend for 2006 amounted to 522 (0.50 cents per share) and was paid during the year. On February 2, 2007 an interim dividend was declared of 0.325 cents per share or 452 in total.

Share Retention Agreements

Mittal Steel Temirtau has entered into share retention agreements with the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC), whereby until the date on which the EBRD and IFC loans have been repaid in full, Mittal Steel

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Temirtau's holding company or its nominee shall not, unless EBRD and IFC otherwise agree in writing, transfer, assign, pledge, dispose or encumber 67% of the share holding in Mittal Steel Temirtau.

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

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The Company has pledged 44.8% of the outstanding shares of Mittal Steel Iasi towards its commitment to pay the remaining purchase price owed to APAPS relating to the Company's acquisition of Mittal Steel Iasi.

The Company has entered into a share pledge agreement with APAPS for 51.1% of its share holding in Mittal Steel Roman's share capital with respect to its commitment to pay the purchase price for Mittal Steel Roman. The Company has also entered into a share pledge agreement with APAPS for 49.9% of its share holding in Mittal Steel Roman's share capital towards its capital expenditure commitment for five years commencing December 2003.

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

The Company has entered into a share retention agreement with IFC to retain at least 51% of the registered share holding in Mittal Steel Annaba with respect to the commitment for repayment of loans to IFC by Mittal Steel Annaba.

The Company is obliged to establish a registered pledge in favor of the State Treasury of Poland over such number of the Company's shares of Mittal Steel Poland which is equal to the difference between: (i) the number of shares in the Company held by MSH and (ii) 50% of the Company's shares plus one share. As a result, the number of the shares to be pledged equals to 32,440,972 shares, which constitutes about 12.17% of the entire Company's share capital and about 19.58% of all shares/capital held by the Company.

Stock Option Plan

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

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

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

Pursuant to the transitional provisions of IFRS 2, Share-Based Payments, only options granted after November 7, 2002 were recognized as an expense at their fair value. The Company determines the fair value of the options at the date of grant using the Black-Scholes model. The fair values for options and other share-based compensation is recorded as an expense in the consolidated statement of income over the relevant vesting or service periods, adjusted to reflect actual and expected levels of vesting.

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

Year of grant	
2005	2006

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

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

The compensation expense recognized for stock option plans was 32, 9, and 28 for each of the years ended December 31, 2004, 2005, and 2006, respectively.

Option activity with respect to MittalShares is summarized below as of and for each of the years ended December 31, 2004, 2005, and 2006:

	Number of Options	Range of Exercise Prices	Weighted Average Exercise Price (per option)
Outstanding, December 31, 2003	3,339,334	2.26 - 11.94	7.32
Exercised	(1,384,118)	2.26 - 11.94	7.76
Forfeitures	(244,000)	2.26 - 11.94	9.07
Outstanding, December 31, 2004	1,711,216	2.26 - 11.94	6.72
Granted	3,908,773	28.75	28.75
Exercised	(351,850)	2.26 - 11.94	5.87
Forfeitures	(210,833)	2.26 - 28.75	27.87
Outstanding, December 31, 2005	5,057,306	2.26 - 28.75	22.92
Granted	3,999,223	33.76	33.76
Exercised	(523,304)	2.26 - 28.75	17.83
Cancelled	(4,000)	8.57 - 11.95	10.26
Forfeitures	(78,257)	33.76	33.76
Outstanding, December 31, 2006	8,450,968	2.26 - 33.76	28.27
Exercisable, December 31, 2006	2,062,787	2.26 - 28.75	17.27
Exercisable, December 31, 2005	1,352,366	2.26 - 28.75	6.96
Exercisable, December 31, 2004	1,321,721	2.26 - 11.94	8.03

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The following table summarizes information about stock options as of December 31, 2006:

Exercise Prices	Options Outstanding		Options exercisable (number of options)
	Number of options	Weighted average contractual life (in years)	
11.94	315,599	2.71	315,599
8.57	330,100	3.42	330,100
2.26	442,118	5.27	442,118
28.75	3,442,185	8.65	974,970
33.76	3,920,966	9.67	
2.26 33.76	8,450,968	8.52	2,062,787

In addition, Arcelor S.A. has stock option plans with 1,485,393 options outstanding as of December 31, 2006 with an exercise price ranging from 9.67 to 34.43 per option. The Company recorded compensation expense of 4 with respect to these stock option plans during 2006.

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NOTE 17: FINANCIAL INCOME AND EXPENSE

Financial income and expense recognized in the years ended December 31, 2004, 2005 and 2006 is as follows:

	2004	2005	2006
Recognized in profit and loss			
Interest expense	(259)	(503)	(1,124)
Interest income	74	110	251
Net foreign exchange result	(29)	40	340
Change in fair value of derivatives			(11)
Other net financing costs			(110)
Total net financing costs recognized in profit and loss	(214)	(353)	(654)
Recognized in equity			
Net change in fair value of available for sale financial assets	66	87	16
Effective portion of changes in fair value of cash flow hedge	4	(10)	(16)
Foreign currency translation differences for foreign operations	1,368	(758)	826
Total net financing costs recognized in equity	1,438	(681)	826

NOTE 18: PENSIONS AND OTHER POST-EMPLOYMENT PLANS

Arcelor Mittal's Operating Subsidiaries have different types of pension plans for their employees. Also, some of the Operating Subsidiaries offer post-employment benefits, including post-employment health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as the discount rate, expected wage increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect recognized expense and the recorded obligation in future periods. The total accumulated unrecognized losses amounted to 901 for pensions and 389 for other post retirement benefits as of December 31, 2006.

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

Americas**U.S.**

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

The Company also has established defined contribution benefit trusts to fund pensions and retiree medical and death benefits as well as qualified savings plans. The amount recognized as expense for the defined contribution plans to 4, 123 and 232 for the years ended December 31, 2004, 2005, and 2006, respectively.

Canada

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

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Brazil

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

Europe

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

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

Plan Assets

The weighted-average asset allocations for the Funded Pension Plans at December 31 2005, and 2006, by asset category are as follows:

	December 31, 2005			December 31, 2006				
	U.S.	CANADA	OTHERS	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	62%	61%	49%	62%	56%	9%	18%	40%
Fixed Income (including cash)	17%	39%	38%	17%	38%	89%	73%	47%
Real Estate	21%			21%				
Other			13%		6%	2%	9%	13%
Total	100%	100%	100%	100%	100%	100%	100%	100%

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

	December 31, 2006				
	U.S.	CANADA	BRAZIL	EUROPE	OTHERS
Equity Securities	63%	60%	20%	20%	49%
Fixed Income (including cash)	23%	40%	80%	80%	38%
Real Estate	14%				
Other					13%
Total	100%	100%	100%	100%	100%

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

December 31, 2005

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	TOTAL	U.S.	CANADA	EUROPE	OTHER
Change in benefit obligation					
Benefit obligation at beginning of the period	3,268	2,672	463	71	62
Business combinations	134	134			
Service cost	52	38	9	2	3
Interest cost	195	160	28	3	4
Plan participants contribution	2		1		1
Actuarial loss	246	179	62	5	
Benefits paid	(243)	(218)	(21)	(2)	(2)
Foreign currency exchange rate differences	9		19	(10)	
Benefit obligation at end of the period	3,663	2,965	561	69	68
Change in plan assets					
Fair value of plan assets at beginning of the period	2,327	1,923	304		100
Business combinations	69	69			
Expected return on plan assets	212	180	24		8
Actuarial gain (loss)	32	25	12		(5)
Employer contribution	202	182	17	2	1
Plan participants contribution	2		1		1
Benefits paid	(243)	(218)	(21)	(2)	(2)
Foreign currency exchange rate differences	11		11		
Fair value of plan assets at end of the period	2,612	2,161	348		103
(Unfunded) funded status of the plans	(1,051)	(804)	(213)	(69)	35
Unrecognized net actuarial loss (gain)	1,103	971	154		(22)
Unrecognized transition asset	(1)				(1)
Unrecognized past service cost	92		84		8
Net amount recognized	143	167	25	(69)	20

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

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

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Asset Ceiling

The amount not recognized in the fair value of plan assets due to the asset ceiling was nil and 5 at December 31, 2005 and 2006 respectively.

Accumulated Benefit Obligation

The accumulated benefit obligation for all defined benefit pension plans was 3,584 and 7,972 at December 31, 2005 and 2006, respectively

Information for pension plans with accumulated benefit obligations in excess of plan assets:

	TOTAL	December 31, 2005		
		U.S.	CANADA	EUROPE
Projected benefit obligation	3,595	2,965	561	69
Accumulated benefit obligation	3,584	2,942	559	83
Fair value of plan assets	2,509	2,161	348	

	TOTAL	December 31, 2006		
		U.S.	CANADA	EUROPE
Projected benefit obligation	8,033	3,075	2,730	2,228
Accumulated benefit obligation	7,972	3,049	2,697	2,226
Fair value of plan assets	5,079	2,335	2,193	551

The following table details the components of net periodic pension cost

	TOTAL	December 31, 2004			
		U.S.	CANADA	EUROPE	OTHER
Net periodic cost (benefit)					
Service cost	51	38	8	2	3
Interest cost	186	154	26	3	3
Expected return on plan assets	(210)	(165)	(39)		(6)
Amortization of past service cost	13		13		
Amortization of net (gain) loss	41	57	(16)		
	81	84	(8)	5	

	TOTAL	December 31, 2005			
		U.S.	CANADA	EUROPE	OTHER
Net periodic cost (benefit)					
Service cost	51	38	9	1	3
Interest cost	195	160	28	3	4
Expected return on plan assets	(212)	(180)	(24)		(8)
Amortization of past service cost	38		38		
Amortization of net (gain) loss	52	55	1	(3)	(1)
	124	73	52	1	(2)

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

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

Post-employment benefits

Arcelor Mittal's Operating Subsidiaries in the U.S., Canada and Europe provide post-employment benefits, including medical benefits and life insurance benefits to retirees.

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

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

	December 31, 2005				
	TOTAL	U.S.	CANADA	EUROPE	OTHER
Change in post-employment benefit obligation					
Benefit obligation at beginning of period	937	882	25	4	26
Business combinations	315	315			
Service cost	12	12			
Interest cost	66	64	1		1
Plan amendment	(279)	(279)			
Actuarial loss (gain)	57	56	4	(2)	(1)
Benefits paid	(78)	(75)	(2)		(1)
Foreign currency exchange rate changes	(2)		1		(3)
Benefits obligation at end of period	1,028	975	29	2	22
Fair value of assets (from acquisition)	23	23			
Funded (unfunded) status of the plans	(1,005)	(952)	(29)	(2)	(22)
Unrecognized net loss	180	167	13		
Unrecognized past service cost (benefit)	(154)	(41)	(113)		
Net amount recognized	(979)	(826)	(129)	(2)	(22)

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

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

The net periodic post-employment cost:

	December 31, 2004				
	TOTAL	USA	CANADA	EUROPE	OTHER
Components of net periodic cost (benefit)					
Service cost	9	8	1		
Interest cost	54	51	1	1	1
Amortization of past service cost	(29)		(29)		
Amortization of net (gain)	(1)	3	(3)		(1)
Net periodic benefit cost	33	62	(30)	1	

	December 31, 2005				
	TOTAL	USA	CANADA	EUROPE	OTHER
Components of net periodic cost (benefit)					
Service cost	12	12			
Interest cost	66	63	2	1	
Expected return on plan assets	(1)	(1)			
Amortization of past service cost	(288)	(5)	(283)		
Amortization of net (gain)	(1)	1		(1)	(1)
Net periodic benefit cost	(212)	70	(281)		(1)

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

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

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

	Pension Benefits			Other Benefits		
	2004	2005	2006	2004	2005	2006
Discount rate	4.75% -10%	4.25%-7.75%	4.43%-10.97%	4.75%-10%	4.25%-7.25%	4.5%-8.75%
Rate of compensation increase	3%-8%	2% 8%	2.22%-7.5%	3%-5.28%	2% - 8%	3%-7.5%

Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31,

	Pension Benefits			Other Benefits		
	2004	2005	2006	2004	2005	2006
Discount rate	4.75% -10%	4.25% - 7.75%	4.43%-10.97%	5%-10%	4.25% - 7.75%	4.5%-8.75%
Rate of compensation increase	3%-8%	2% 8%	2.22%-7.5%	4%-8%	2% 8%	3%-7.5%
Expected long-term rate of return on plan assets	5.28%-9.5%	6.5% - 9%	3.54%-12.71%	4.75%-9.5%	6.5% - 9%	5%-10%

An increase of 1% in the discount rate would decrease the pension obligation by 620 and the annual net periodic cost by 22. It would decrease the post employment benefit obligation by 365 and the annual net periodic cost by 5. A 1% decrease would increase the pension obligation by 703 and the annual net periodic cost by 18. It would increase the post employment benefit obligation by 586 and the annual net periodic cost by 6.

Health Care Cost trend

	December 31,		
	2004	2005	2006
Health care cost trend rate assumed for next year	4.50% - 8.6%	4.5% - 11.2%	2.03% - 10.7%

An increase of 1% in the health care cost trend rate would increase the post employment benefit obligation by 160 and the annual net periodic cost by 7. A 1% decrease would reduce the post-employment benefit obligation by 136 and the annual net periodic cost by 6.

Cash Flows**Contributions**

The Company expects to contribute 414 to defined benefit pension plans in 2007. This includes an expected contribution of about 260 to the US Trust in 2006 pursuant to ERISA minimum funding requirements.

Estimated Future Pension and Post-Employment Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Years ended December 31

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Expected benefit payments	TOTAL	U.S.	CANADA	BRAZIL	EUROPE	OTHER
2007	628	309	101	12	46	160
2008	632	321	106	12	46	147
2009	649	333	109	12	46	149
2010	649	334	113	12	45	145
2011	654	339	117	12	47	139
Five years thereafter	3,415	1,702	640	63	241	769

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Total long-term employee benefits

Together with plans and obligations that do not constitute pension or other post employment benefits the total long-term employee benefits are as follows:

	At December 31,	
	2005	2006
Pension obligation	(143)	2,026
Other post-employment benefit obligation	979	2,215
Provision for early retirement		610
Other long-term employee benefits (jubilee, leave, compensation)	218	434
	1,054	5,285

NOTE 19: INCOME TAX EXPENSE

The breakdown of the income tax expense (benefit) for each of the years ended December 31, 2004, 2005 and 2006, respectively, is summarized as follows:

	Year ended December 31,		
	2004	2005	2006
Total current income tax expense	636	663	1,267
Total deferred tax expense (benefit)	331	218	(158)
Total income tax expense	967	881	1,109

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

	Year ended December 31,		
	2004	2005	2006
Net income:	5,210	3,301	5,226
Minority interest	415	494	860
Income from equity method investments	(149)	(86)	(301)
Income tax expense	967	881	1,109
Income before tax and income from equity method investments:	6,443	4,590	6,894
Tax at the domestic rates applicable to profits in the countries	1,177	1,008	1,656
Permanent items	(26)	136	56
Benefit arising from interest in partnership	(19)	(39)	(34)
Rate change	51	(22)	6
Change in measurement of deferred tax assets	(129)	(28)	(43)
Re-characterization of capital loss to ordinary loss		(226)	(211)
Benefit of tax holiday	(235)	(21)	(14)

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Effects on foreign currency translation	23	10	(51)
Foreign exchange loss on Canadian dollar currency swap			(57)
Tax deduction			(42)
Tax credits			(41)
Other taxes	52	54	31
Others	73	9	(147)
Income tax expense	967	881	1,109

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

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

The tax deduction relates to federal governmental incentives granted to our subsidiary CST in Brazil as part of a program to promote the development of the Brazilian northeast region including part of Espirito Santo state. The tax credits are attributable to our operating subsidiaries in Spain. They relate to credits claimed on capital gain reinvested in fixed assets and research and development credit.

Deferred Income Tax

Deferred tax assets and (liabilities) are summarized as follows:

	December 31,	
	2005	2006
Net deferred tax assets/liabilities consists of the following:		
Property, plant and equipment	(3,072)	(9,152)
Tax loss carried forward	422	2,175
Provision: employee benefits	351	1,092
Inventories		(96)
Provision: other	317	359
Other liabilities	126	18
Total net deferred tax liabilities	(1,856)	(5,604)

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

At December 31, 2006, based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary timing differences are anticipated to reverse, management believes it is more likely than not that Mittal Steel will realize the benefits of the deferred tax assets recognized. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Mittal Steel has not provided any deferred income taxes on the undistributed earnings of its foreign subsidiaries based upon its determination that such earnings will be indefinitely reinvested. If such earnings were not considered indefinitely reinvested, deferred foreign income taxes would have been provided, after consideration of estimated foreign tax credits. However, determination of the amount of deferred foreign income taxes on reinvested earnings is not practicable.

Secondary Taxation on Companies (STC) is a tax levied on South African companies at a rate of 12.5% of dividends distributed. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. On declaration of a dividend, the South African Operating Subsidiary includes the tax of 12.5% in its computation of the income tax expense. If the South African Operating Subsidiary distributed all of its undistributed retained earnings, of which 1,954 and 2,267 in 2005 and 2006, respectively, would be subject to STC, additional taxes of 217 and 252 (or 206 if the dividend is declared after October 1, 2007, since the tax rate will be reduced to 10%) in 2005 and 2006, respectively, would be owed. STC on dividends declared in 2005 and 2006 were 29.8 and 23.9, respectively and are included in "Other Taxes" in the effective rate reconciliation.

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As provided in certain agreements related to acquisitions and capital investments undertaken by the Company, income from operating activities in certain countries is subject to reduced tax rates, or, in some cases is wholly exempt from taxes. Such arrangements expire over various fiscal years through 2011.

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MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES

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The Kazakhstan Operating Subsidiary and the Government of Kazakhstan signed an agreement that fixed its corporate income tax payments for the years 2005 through 2009. The fixed corporate income tax payments are dependent upon the Kazakhstan Operating Subsidiary's completion of required capital investments by December 31, 2004, which was subsequently extended to December 31, 2006. As per December 31, 2006, Kazakhstan Operating Subsidiary has fulfilled the requirement of capital investments.

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Tax loss carry forward position

At December 31, 2006, the Company had total estimated net tax loss carry forwards of 9,019.

Such amount includes net operating losses of 2,425 primarily related to Operating Subsidiaries in the United States, Spain, Canada and Mexico which expire as follows:

Year Expiring	
2007	60
2008	70
2009	44
2010	82
2011	40
2012	38
2013	50
2014	713
2015	37
2016	112
2017	69
2018	89
2019	93
2020	149
2021	301
2022	37
2023	272
2024	73
2025	1
2026	95
Total	2,425

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

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

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NOTE 20: PROVISIONS AND ALLOWANCES

The movements by provision are as follows:

	Balance at December 31, 2005	Additions	Deductions/ Releases	Acquisitions	Foreign currency and other movements	Balance at December 31, 2006
Environmental (see note 23)	442	118	(91)	319	39	827
Asset retirement obligations	198	2	(33)		2	169
Restructuring*	80	20	(41)	130	(8)	181
Litigation		65	(129)	545	(47)	434
Other**		268	(218)	680	108	838
	720	473	(512)	1,674	94	2,449
Short-term provisions	109					569
Long-term provisions	611					1,880
	720					2,449

	Balance at December 31, 2004	Additions	Deductions/ Releases	Acquisitions	Foreign currency and other movements	Balance at December 31, 2005
Environmental (see note 23)	199	75	(46)	232	(18)	442
Asset retirement obligations	114	5	(13)	100	(8)	198
Restructuring	119	30	(61)		(8)	80
	432	110	(120)	332	(34)	720
Short-term provisions	159					109
Long-term provisions	273					611
	432					720

The provisions will be used in a period of 2 to 4 years; for the environmental provisions until 20 years.

*** Employee termination cost**

As of December 31, 2006, included in the restructuring contingency above is a liability for employee termination cost with regard to the Polish Operating Subsidiary of 80. Prior to the acquisition of the controlling interest in Mittal Steel Poland, this company entered into a head-count reduction plan in order to comply with the Act on Restructuring of Polish Steel Industry dated August 12, 2001 and Protocol 8 of the Republic of Poland Accession Treaty to the European Union. As part of the acquisition of the controlling interest in Mittal Steel Poland, the Company agreed to provide certain entitlements for personnel whose employment with the Company will be terminated in conjunction with required restructuring

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plans. In total, the Company plans on terminating approximately 3,500 employees under the head-count reduction plan. The total cost expected to be incurred relating to this head-count reduction plan has been recorded at its present value as part of the Company's initial purchase price allocation of its acquisition of Mittal Steel Poland.

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

	December 31,	
	2005	2006
Beginning balance at December 31	106	72
Cash payments	(52)	(35)
Reassessment	26	35
Foreign currency exchange	(8)	8
Balance as of December 31	72	80

**** Other**

Other includes provisions for warranties and guarantees as well as other disputes, losses on onerous contracts and provisions for disputes with local and/or national authorities.

Valuation and Qualifying Accounts

	Balance at December 31, 2005	Additions	Deductions/ Releases	Acquisitions	Balance at December 31, 2006
Allowance for doubtful accounts	241	241	(238)	184	428
Inventory obsolescence	269	179	(140)	51	359

	Balance at December 31, 2004	Additions	Deductions/ Releases	Acquisitions	Balance at December 31, 2005
Allowance for doubtful accounts	267	23	(105)	56	241
Inventory obsolescence	244	58	(33)		269

NOTE 21: ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses were comprised of the following at December 31:

	December 31,	
	2005	2006
Advances from customers	140	625
Accrued payroll and employee related expenses	471	2,238
Dividends payable		107
Financial instruments	7	501

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Other trade accounts payable to affiliates	121	177
Polish government dues		131
Taxes payable		762
Other creditors	1,430	3,038
Total	2,169	7,579

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NOTE 22: COMMITMENTS*Operating leases*

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

Year ending	
2007	108
2008	98
2009	77
2010	67
2011	36
Thereafter	178
Total minimum lease payments	564

Rent expense was 30, 82 and 226 for the years ended December 31, 2004, 2005 and 2006, respectively.

Commitments given

	2006
Purchase commitments	31,274
Capital commitments	3,297
Property pledged and guarantees	2,927
Guarantees on third-party financial loans and credit lines	782
Other guarantees	1,406
Other commitments given	190
Total commitments given	39,876

Commitments received

	2006
Endorsements and guarantees received from non-consolidated companies	486
Other commitments received	1,839
Total commitments received	2,325

Purchase commitments

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

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

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In February 2005 Mittal Steel Duisburg signed an agreement with ThyssenKrupp Stahl AG for the purchase of between 1.3 - 1.5 million tonnes of hot metal each year for a 20 year term commencing October 2007.

Mittal Steel Lázaro Cárdenas has committed through 2010 for the supply of 500,000 tons per year of pellet feed.

Arcelor Mittal Purchasing SAS has entered into contracts extending to 2010 for the purchase of iron ore (approximately 260 million tons), coking coal (approximately 515 million tons), PCI (approximately 300 million tons), anthracite (approximately 90 million tons) and coke (approximately 1,150 million tons) at specified prices per tonne for 2006 and thereafter at prices to be agreed in accordance with specified formulae, in line with customary international practice for the sale and purchase of these materials.

Arcelor Mittal Purchasing SAS has also entered into energy contracts for the purchase of 876 GWH per year based on competitive price formulae as well as freight contracts through 2010 for a total volume of 208 million tons.

Significant Capital Commitments

Mittal Steel Kryviy Rih has committed to invest at least 500 through 2010, which includes certain innovation, investment and environment-related undertakings .

Mittal Steel Poland committed to make capital expenditures of 587 through December 2009. Through December 31, 2006, Mittal Steel Poland has spent 434 towards this commitment.

Mittal Steel Ostrava has committed to invest 243 including 20 for environmental investment, from 2003 to 2012, out of which 135 is to be invested by 2007. Mittal Steel Ostrava has spent 99 through December 31, 2006 towards this commitment.

Mittal Steel Galati has committed to invest approximately 251 from November 2001 through December 2006, of which 76 is to be used for environmental projects, as well as a further 100 in capital expenditures from 2007 through 2011.

Mittal Steel Zenica has committed to invest 135 (including environmental protection) at Mittal Steel Zenica over a ten year period ending in 2014. The amount committed to be spent is 65 over the first three years, 35 over the next three years, and 35 over the final four years. Mittal Steel Zenica has spent nil through December 31, 2006.

On December 26, 2001, Mittal Steel Temirtau had signed a contract with the Committee on Investments of the Ministry of Foreign Affairs of the Republic of Kazakhstan. Under this contract the Company, subject to market conditions, is required to invest in projects totaling 580 through 2006. The Company has invested 584 through December 31, 2006. Other capital commitments outstanding against major contracts as of December 31, 2006 totaled 50.

In addition to these specific capital commitments associated primarily with Sale Purchase Agreements at the time of acquisitions, Mittal Steel entered into various capital commitments for PP&E in the ordinary course of business.

Property pledged and guarantees

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

Guarantees on third party financial loans and credit lines

Guarantees on third-party loans consist of guarantees hedging financial loans and credit lines granted to non-consolidated subsidiaries and subsidiaries accounted for using the equity method, primarily by Mittal Steel USA.

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In the ordinary course of its business, Mittal Steel USA has guaranteed certain debts of its subsidiaries amounting to 458.

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Other guarantees

Other guarantees consist of letters of credit in the ordinary course of business, guarantees provided to governmental authorities such as customs authorities and for advances received.

Other commitments given

Other commitments given comprise commitments incurred for the long-term use of goods belonging to a third party, commitments incurred under operating leases and commitments undertaken within the framework of securitization programs.

Other commitments received

Other commitments received include undrawn credit lines available to the Company and guarantees and/or letters of credit from suppliers.

NOTE 23: CONTINGENCIES

In addition, Mittal Steel is a party to various legal actions arising in the ordinary course of business.

Environmental Liabilities

Mittal Steel's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and operating subsidiaries. As of December 31, 2006, Mittal Steel had established reserves of approximately 830 million for environmental liabilities. Previous owners of Mittal Steel's facilities expended in the past, and Mittal Steel expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations.

United States

In 1990, Mittal Steel USA's Indiana Harbor (East) facility was party to a lawsuit filed by the United States Environmental Protection Agency (the EPA) under the RCRA. In 1993, Mittal Steel USA entered into a consent decree, which, among other things, requires facility-wide RCRA corrective action and Indiana Harbor Ship Canal sediment assessment and remediation.

Mittal Steel USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility-wide RCRA corrective action. The Administrative Order, entered into in 1990 by the former owner, Bethlehem Steel, requires Mittal Steel to perform a Remedial Facilities Investigation (RFI) and corrective measures study, to complete corrective measures, and to perform any required post-remedial activities. In 2004, the RFI was completed, and the New York State Department of Environmental Conservation and Mittal Steel USA executed an Order on Consent to perform interim corrective measures at a former benzol storage tank area.

In 1997, Bethlehem Steel, the EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution Consent Decree for investigation and remediation at Mittal Steel USA's Sparrows Point, Maryland facility. Mittal Steel USA has assumed Bethlehem Steel's ongoing obligations under the Consent Decree. The Consent Decree requires Mittal Steel USA to address compliance, closure and post-closure care matters and implement corrective measures associated with two on-site landfills, perform a site-wide investigation, continue the operation and maintenance of a remediation system at an idle rod and wire mill and address several pollution prevention items. The potential costs, as well as the time frame of possible remediation activities, which Mittal Steel currently considers probable, relating to the site-wide investigation at Sparrows Point, cannot be reasonably estimated until more of the investigations required by the Consent Decree have been completed and the data therefrom analyzed.

Mittal Steel USA is required to prevent acid mine drainage from discharging to surface waters at closed mining operations in southwestern Pennsylvania. In 2003, Mittal Steel USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (the PaDEP) addressing the transfer of required permits from Bethlehem Steel to Mittal Steel USA and

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providing financial assurance for long-term operation and maintenance of the wastewater treatment facilities associated with these mines. As required by this Consent Order and Agreement, Mittal Steel USA submitted an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required Mittal Steel USA to propose a long-term financial assurance mechanism. In 2004, Mittal Steel USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. Mittal Steel USA expects to fund the treatment trust over a period of up to ten years at a current target value of approximately 20 until the improvements are made and the treatment trust is fully funded. After the treatment trust is fully funded, the treatment trust will then be used to fund the cost of treatment of acid mine drainage. Although remote, Mittal Steel USA could be required to make up any deficiency in the treatment trust in the future.

On August 8, 2006, the EPA issued Mittal Steel USA's Burns Harbor, Indiana facility a Notice of Violation (NOV) alleging that in early 1994 the facility (then owned by Bethlehem Steel, from whom the assets were acquired out of bankruptcy) commenced a major modification of its #2 Coke Battery without obtaining a Prevention of Significant Deterioration (PSD) permit and has continued to operate without the appropriate PSD permit. In October and November 2006, Mittal Steel USA met with the EPA to obtain a preliminary understanding of the allegations and the EPA's technical bases for the NOV. Further communication and discussion with the EPA is planned.

Legal Claims

Mittal Steel is a party to various legal actions. As of December 31, 2006, Mittal Steel has established reserves of approximately 440 for such actions. The principal legal actions are disclosed below.

United States

In January 2005, Indiana Harbor (East) received a third party complaint by Alcoa Incorporated alleging that Indiana Harbor (East) was liable as successor to the interests of Hillside Mining Co. (Hillside), a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940s and then sold the assets of in the early 1950s. On October 26, 2006, the Madison County, Illinois circuit court dismissed that complaint, with there being no opportunity of its being re-filed, thus terminating the action.

In a separate proceeding, the Illinois Environmental Protection Agency (the IEPA) has identified Indiana Harbor (East) as a potentially responsible party in connection with alleged contamination relating to the above-referenced matter. The IEPA is requesting that Indiana Harbor (East) and other potentially responsible parties conduct an investigation of certain areas of potential contamination. Indiana Harbor (East) intends to defend itself fully in this matter. As of December 31, 2006, it is not possible to reasonably estimate the amount of environmental liabilities relating to this matter.

Canada

In March 2004, a group of residents in Nova Scotia brought a potential class action in the Supreme Court of Nova Scotia against various parties, including Mittal Canada, alleging various torts for damage allegedly caused by the steel plant and coke ovens formerly owned and occupied by Dominion Steel and Coal Corporation from 1927 to 1967. Mittal Steel acquired Mittal Canada in 1994, and the plaintiffs are attempting to establish that Mittal Canada thereby assumed the liabilities of the former occupiers. The plaintiffs seek to have the claim approved as a class action, though the court has not yet issued a decision on this matter. As of December 31, 2006, Mittal Steel is unable to assess the outcome of these proceedings or to reasonably estimate the amount of Mittal Canada's liabilities relating to this matter, if any.

All of the matters discussed above are legacy environmental matters arising from acquisitions.

South America

The Brazilian Federal Revenue Service has claimed that Belgo owes certain amounts for IPI (Manufactured Goods Tax) concerning its use of tax credits on the purchase of raw materials that were non-taxable, exempt from tax or subject to a 0% tax rate and the disallowance of IPI

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credits recorded five to ten years after the relevant acquisition.

In September 2000, two construction companies filed a complaint with the Brazilian Economic Law Department against three long steel producers, including Belgo. The complaint alleged that these producers colluded to raise prices in the Brazilian rebar market, thereby

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violating applicable antitrust laws. In September 2005, the Brazilian Antitrust Council (CADE) issued a decision against Belgo that resulted in Belgo's having to pay a penalty of 36. Belgo has appealed the decision to the Brazilian Federal Court. In September 2006, Belgo offered a letter guarantee and obtained an injunction to suspend enforcement of this decision pending the court's judgment.

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

In 2003, the Brazilian Federal Revenue Service granted CST a tax benefit for certain investments. CST had received certificates from SUDENE, the former Agency for the Development of the Northeast Region of Brazil, confirming CST's entitlement to this benefit. In September 2004, CST was notified of the annulment of these certificates. CST has pursued its right to this tax benefit through the courts against both ADENE, the successor to SUDENE, and against the Brazilian Federal Revenue Service.

Europe

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

The Competition Council of Romania has commenced investigations against Mittal Steel Galati and Mittal Steel Hunedoara with respect to certain commercial practices. Mittal Steel is cooperating fully with the authorities but cannot at present determine the outcome of the investigations or estimate the amount or range of a potential fine that may be imposed.

In June 2005, the Competition Council of Romania began an investigation concerning alleged state aid received by Mittal Steel Roman in connection with its privatization.

Since 2001, Mittal Steel Ostrava has been involved in a dispute with Kaiser Netherlands B.V. (Kaiser), the contractor for phase 1 of a mini-mill works project (rolling mill P1500), and its parent company, Kaiser Group International. Kaiser Group International and certain of its affiliates (collectively, KGI) filed an action in the United States Bankruptcy Court for the District of Delaware (the Bankruptcy Court) (where these companies commenced Chapter 11 bankruptcy proceedings) seeking monetary awards against Mittal Steel Ostrava, which has been stayed. On January 6, 2004, Kaiser filed arbitration claims against Mittal Steel Ostrava with the International Court of Arbitration of the ICC in Paris. On May 16, 2006, the arbitration panel awarded Kaiser 7.3 in favor of its claims and Mittal Steel Ostrava 10.5 in favor of its claims, resulting in a net award, including costs, of approximately 4.1 to Mittal Steel Ostrava. As a result of the award, Mittal Steel Ostrava is seeking to enforce its award against Kaiser. Mittal Steel Ostrava has also filed a motion for summary judgment in its favor in the action commenced in the Bankruptcy Court. KGI have opposed that motion. KGI have also filed a motion for summary judgment in the Bankruptcy Court to enforce a portion of the arbitration award against Mittal Steel Ostrava without set-off.

In 2004, La Direction Générale de la Consommation et de la Repression des Fraudes (the French competition authority) commenced an investigation into alleged anti-competitive practices in the steel distribution sector in France, including Arcelor Négoce Distribution, a subsidiary of Arcelor. The case has been referred to the Conseil de la Concurrence (the French competition council), which is now in charge of the investigation procedure. Any potential fine that might be imposed will depend on the entity that will be considered liable for the alleged practices. No Statement of Objections has yet been issued against Mittal Steel or any of its subsidiaries.

Various retired or present employees of certain Arcelor subsidiaries commenced lawsuits to obtain compensation for asbestos exposure in excess of the amounts paid by French social security. 421 such suits are still pending.

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Spanish tax authorities have claimed that amortization recorded by Arcelor Planos Seguntos SL in 1995, 1996 and 1997 is non-deductible for corporation tax purposes. Spanish tax authorities seek payment of 49, including the amount of tax, interest and penalties. The case is pending before the court (the Audiencia Nacional), administrative procedures having been exhausted.

Several Spanish tax laws that provide tax credits and exemptions are currently under review.

South Africa

Mittal Steel South Africa is involved in a dispute with Harmony Gold Mining Company Limited and Durban Roodeport Deep Limited alleging that Mittal Steel South Africa is in violation of the Competition Act. On March 27, 2007, the Competition Tribunal decided that Mittal Steel South Africa had contravened Section 8(a) of the Competition Act by charging an excessive price. The Tribunal has not yet decided upon the relief to be granted, which will be determined at a later hearing on a date to be fixed. Decisions of the Competition Tribunal are appealable to the Competition Appeals Court and the Supreme Court of Appeal. The decision of the Competition Tribunal may impact the pricing formulas used by Mittal Steel South Africa and may result in a fine not exceeding 10% of Mittal Steel South Africa's annual sales for 2003.

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

Mittal Steel South Africa is involved in a dispute with the South African Revenue Service in respect of the tax treatment of payments made under a Business Assistance Agreement of 88 in 2003 and 105 in 2004.

NOTE 24: SEGMENT AND GEOGRAPHIC INFORMATION

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 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).

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The following table summarizes certain financial data relating to our operations in different reportable segments:

	Flat Carbon Americas	Flat Carbon Europe	Long	Asia & Africa CIS	Stainless Steel	AM3S	Others / Elimination	Consolidated
Year ended December 31, 2004					&nbs			