MANAGEMENT REPORT
FIRST QUARTER 2006

2005 highlights

On **31 January 2006**, for the second consecutive year, Arcelor was included in the Global100 Most Sustainable Companies in the World index (www.global100.org), which was first launched during the World Economic Forum in Davos on 28 January 2005. Arcelor is the only steel company in the Global100 index.

On **23 February 2006**, Arcelor received one of the inaugural "Best of European Business" awards. These awards were given to what were judged to be the nine best-performing companies in Europe, recognising companies that outperform their global rivals in terms of their market position and innovation. Arcelor won the award in the "Industrials" category, due to its commercial policy, innovative steel solutions, high gross operating margin and strong value added.

On **24 February 2006**, Chinese steelmaker Laiwu Steel Group Ltd undertook to sell to Arcelor a 38.41% stake in its listed subsidiary Laiwu Steel Corporation. Under the contract, Arcelor will buy 354,236,546 shares at a price of RMB 5.88 per share, giving a total cost of RMB 2,085,760,530.86. The consideration will be paid entirely in cash, and may be adjusted depending on Laiwu Steel Corporation's net asset value on a date close to the acquisition date.

Laiwu Steel Corporation recently brought onstream a rolling mill for heavy beams, and is now China's leading producer of sections and beams. The alliance with Arcelor will enable it to benefit from Arcelor's technological lead and innovation, its considerable procurement capacity and its global commercial network. Laiwu Steel Group Ltd makes long and flat carbon steel products and employs more than 41,000 staff. In 2005, it produced more than 10 million tonnes of steel, generating revenues of RMB 39.14 billion.

The transaction is subject to the approval of regulatory and public-sector bodies, along with the authorisation of China's authorities.

On **27 February 2006**, Arcelor presented its 2006-2008 plan to maximise value creation for Group shareholders. The plan includes:
- a normalised gross operating profit target of €7 billion per year, with potential for further improvement
- cash flow of €4.4bn per year
- continuation of the progressive dividend policy, with a normalised payout rate of 30%
- a policy of earnings-enhancing acquisitions ensuring a return on capital employed of over 15%
- a commitment to returning surplus cash to shareholders, including cash from disposals of non-core assets

Arcelor should be able to raise shareholder remuneration by sharply increasing cash flow and by actively managing its portfolio of businesses.
In implementing its growth plans, Arcelor will maintain a constructive focus on earnings-enhancing projects that comply with its strategic vision. The Group will look at opportunities to bolster its global leadership in key strategic markets such as automotive, and will continue to seek regional leadership in geographical areas that show substantial scope for profitability and growth.
It will continue its strategic assessment of its flat stainless steels business, the potential of which has been enhanced through investments (Carinox in Belgium) and acquisitions (Acesita in Brazil). It will also explore all options to maximise shareholder value.

On **3 March 2006**, Arcelor, Morocco's Société Nationale d'Investissement (SNI) and core shareholders in Sonasid (Société Nationale de Sidérurgie - Morocco's leading steel producer) reached a strategic partnership agreement for the development of Sonasid. Sonasid leads the Moroccan market for long steel products (concrete reinforcing bar and wire rod) and has production capacity of around 1.4 million tonnes per year. In 2004, it generated revenues of almost 4 billion Moroccan dirhams (around €374 million). Sonasid is listed on the Casablanca stock exchange, and currently has a market capitalisation of around 5.2 billion dirhams.

The main aim of the agreement is to consolidate and develop Sonasid's position in the Moroccan market and to enable it to benefit from Arcelor's technologies and skills in the long carbon steel sector. This alliance will strengthen Arcelor's positions in markets with strong growth potential.

The agreement also includes the combination of the Sonasid stakes held by Arcelor, SNI and core shareholders into a specially-created holding company.

In addition, Arcelor will subscribe to a reserved share issue for cash, as a result of which the holding company will be 50/50-owned by Arcelor on the one hand and by SNI and Sonasid's current core shareholders on the other. After this capital increase, the holding company would own 64.86% of Sonasid. In accordance with Moroccan stockmarket regulations, the holding company would then make a takeover bid for the Sonasid shares it does not already own.
These transactions are subject to authorisation by the competition authorities and depend on the offer being deemed admissible by the Conseil Déontologique des Valeurs Mobilières (Morocco's securities regulator).

On **7 March 2006**, Arcelor's offer to buy all of Dofasco's outstanding ordinary shares came to an end. At the end of the offer period, 77,530,766 shares, representing 98.5% of Dofasco's outstanding ordinary shares, had been tendered to Arcelor's offer. As soon as it authorised to do so, Arcelor now intends to acquire all remaining Dofasco shares at the offer price of 71 Canadian dollars per share, through the squeeze-out procedure allowed under Canadian legislation governing joint-stock companies. Arcelor also intends to delist Dofasco's ordinary shares from the Toronto Stock Exchange as soon as it has acquired enough shares to do so. The amount paid to acquire all of Dofasco's ordinary shares will be around 5.6 billion Canadian dollars (€3.95 billion). Dofasco was founded in 1912 and is a major North American steel producer. Its products include hot-rolled, cold-rolled, galvanised and tinplate flat rolled steels, as well as tubular products, laser-welded blanks and laminate. Its main customers are in the automotive, construction, energy, manufacturing, pipe and tube, appliance, packaging and steel distribution industries. Dofasco operates in Canada, the USA and Mexico. It also owns 98.7% of Québec Cartier Mining (QCM). QCM owns and operates the Mont-Wright open-pit mine and a pellet plant at Port-Cartier in Canada.

On **30 March 2006**, Arcelor, via its Arcelor Finance unit, arranged a 3-year €4 billion loan with ABN AMRO Banque N.V. and Crédit Mutuel-CIC acting through Crédit Industriel et Commercial, Dresdner Bank AG London Branch, Fortis Bank N.V./S.A. and Natexis Banques Populaires. Each of these institutions also acted as underwriter. The initial margin applied to the loan will be 27.5 basis points. The loan will be used by Arcelor to maintain its financial flexibility following recent acquisitions.

A limited syndication was launched immediately after the agreement was signed. At the end of the syndication phase, a further 12 banks had signed up to the loan, which was 70% oversubscribed. The loan will not be subject to any further syndication.

On **3 April 2006**, Arcelor's Board of Directors took several decisions in the interests of shareholders, proposing an increase in the dividend from €1.20 to €1.85 per share and the distribution of €5 billion to shareholders through various transactions.

This dividend increase reflects Arcelor's confidence in its performance as well as in its capacity to achieve the "Value Creation Plan" presented by its Management Board on 27 February 2006. The figure of €1.85 per share corresponds with Arcelor's stated objective of raising its payout rate (dividends as a proportion of net profit) to 30% for 2005, in line with the stated enhanced dividend policy.

Given the strength of Arcelor's balance sheet, along with its capacity to distribute money to shareholders and its economic prospects, the Board of Directors announced its intention to distribute a total of €5 billion to shareholders from the Group's free cash flow. This distribution is independent of the €1.85 dividend, and its terms will be set by the Board of Directors at a later date. It may take the form of a share buyback, a special dividend or a self-tender offer.

On **10 April 2006**, IUP Jindal Metals & Alloys Ltd, a new Indian joint venture based in Delhi and operating in Bahadurgarh, Haryana state, inaugurated its new facilities.

The joint venture was set up in 2004 for the precision rolling of stainless steel and alloy coil. The new plant has rolling capacity of 1,500 tonnes per month and represents a total investment of around USD 18 million. The joint venture is owned by Jindal Saw Limited (73%) and wholly-owned Arcelor subsidiary IUP (Imphy Ugine Precision).

IUP is part of the Arcelor group's Stainless Steels sector and specialises in producing precision stainless steel and nickel alloy coil. IUP generated revenues of €93 million in 2005 and its production totalled 22,000 tonnes. It employs 320 staff. IUP's main markets are automotive, industrial equipment and electronics.

Jindal Saw Limited is a market leader in large-diameter pipes for energy transmission as well as ductile pipes in India. Jindal Saw's 2005 revenues were €440 million.

On **25 April 2006**, Arcelor SSC and Mitsui & Co UK signed an agreement for the joint creation of a Steel Service Center in South Africa, dedicated mainly to the automotive industry. The new company will be called AMSA Steel Service Centre Pty Ltd. It will be 65%-owned by Arcelor and 35%-owned by Mitsui.

The Steel Service Center will be located in the Durban area and is to start its first phase of production in the second quarter of 2007. It will have the capacity to produce 120,000 tonnes of slit products, rectangular and shaped blanks per year. AMSA will also provide storage and services such as guaranteed delivery times to automotive customers.

Mitsui and Co Ltd, together with its subsidiaries, is one of Japan's largest general trading companies, and trades in a diverse range of goods throughout the world. Mitsui operates in sales and marketing, import and export, and international trading and manufacturing in business segments including metal products and minerals, machinery, electronics and IT, chemicals, energy, consumer products and services. Mitsui provides a comprehensive range services in areas such as retail, logistics, transportation and finance, and is actively involved in the preservation of natural resources.

On **27 April 2006**, Arcelor signed an agreement to sell 100% of the assets of its long stainless steel products subsidiary Ugitech to Schmolz Bickenbach. The completion of this transaction is subject to the approval of the relevant authorities.

The company resulting from this combination will benefit from the strengths of two highly competitive companies, which are an excellent fit in terms of geographical location, product ranges and distribution networks. By choosing Schmolz Bickenbach as Ugitech's strategic partner, Arcelor is creating an optimal environment for the future development of its subsidiary. The recovery in Ugitech's business, which began in 2003, now enables it to take full advantage of growth opportunities and synergies within the Schmolz Bickenbach group, which is a leading world player in long stainless steel products. This combination contributes to much-needed consolidation in the long stainless steel sector. It also completes the refocusing efforts carried out by Arcelor between 2002 and 2006 in the stainless steels sector.

On **28 April 2006**, shareholders passed all resolutions put to them in Arcelor's General Meeting of Shareholders, chaired by Joseph Kinsch. They approved the 2005 accounts and the payment of a gross dividend of €1.85 per share, payable on 29 May 2006.

The following items were on the agenda:

- Report of the Board of Directors and the Auditor's Report on the parent-company and consolidated financial statements for the 2005 financial year
- Approval of the parent-company financial statements for 2005
- Approval of the consolidated financial statements for 2005
- Determination of the fees to be allocated to Board members
- Appropriation of profit for 2005 and determination of the dividend
- Discharge granted to directors for the performance of their duties
- Renewal of directors' expiring terms of office
- Renewal of the authorisation given to the Board of Directors and to the corporate bodies of other Group companies to acquire shares in the Company
- Appointment of an external auditor to audit the parent-company and consolidated financial statements for 2006 and 2007

On **3 May 2006**, the tender offers launched by Arcelor on 28 March 2006, through its subsidiary Arcelor Spain Holding SL, for common and preferred shares in Acesita SA were settled. Through the offers, 3,712,354 ordinary Acesita shares and 7,984,427 Acesita preferred shares were acquired for 428,365,016.60 Brazilian reais (USD 204,978,953.30). As a result, Arcelor held, directly and indirectly, 90.7% of Acesita's ordinary shares and 38.1% of its preference shares, representing 55.7% of its total capital.

Corporate bodies

In the General Meeting of Shareholders held in Luxembourg on 28 April, shareholders renewed the terms of office of directors as follows:

Ulrich Hartmann: 2 years

Joseph Kinsch: 2 years

Edmond Pachura: 2 years

Fernand Wagner: 2 years

Hedwig De Koker: 3 years

Jean-Pierre Hansen: 3 years

Daniel Melin: 3 years

Sergio Silva de Freitas: 3 years

John Castegnaro: 4 years

Manuel Fernández López: 4 years

Francisco Javier de la Riva Garriga: 4 years

José Ramón Alvarez Rendueles: 4 years

Corporación JMAC B.V.: 5 years

Jean-Yves Durance: 5 years

HRH Prince Guillaume of Luxembourg: 5 years

Georges Schmit: 5 years

The terms of office of Noël Forgeard and Michel Marti, who were elected to the Board of Directors in 2004, are due to expire in 2009.

Arcelor's Board of Directors met after the General Meeting of Shareholders and reappointed Joseph Kinsch as chairman and José Ramón Álvarez Rendueles as vice-chairman.

Economic environment

World economic growth

Since January, the global economic climate has improved. If confirmed, GDP growth and industrial production trends should support demand for steel in both developed regions and emerging markets.
In the USA, growth is set to remain firm at around 3.5%, the same as in 2005. In Latin America, GDP growth is likely to slow slightly, but should remain firm at 4.5% versus 4.9% in 2005. China should maintain its strong growth, with GDP up 9.4%, although this is slightly slower than the 9.9% seen in 2005. Asia ex-Japan is likely to see growth of 6.2%, little changed from the 2005 figure of 6.3%. Growth in Japan should remain firm, with GDP rising by 3.0% as opposed to 2.8% in 2005.
In the EU15, GDP is set to rise by 2.2%, after 1.8% in 2005. Central and Eastern Europe should continue to see strong growth of around 5.6%, as in 2005. Turkey's GDP growth is set to remain around 5% (5.4% in 2005).

This robust growth is leading to a substantial increase in industrial production, and most economic indicators are showing positive trends in domestic demand. Industrial production growth is set to accelerate in 2006 in almost all regions, coming in at 2.3% in the EU15 (0.3% in 2005), 5.8% in the CIS (4.9% in 2005), 5.5% in Central and Eastern Europe (4.9% in 2005), 3.9% in the USA (3.2% in 2005) and 4.2% in Latin America (4.2% in 2005). The only region likely to see a slight slowdown in industrial production growth is Asia, due to weaker growth in China. Asia ex-Japan is expected to post growth of 8.6%, with growth in China slowing to 15% as opposed to 16% in 2005. Japan's industrial production growth is expected to accelerate from 1.7% in 2005 to 2.7% in 2006.

The world steel industry

Worldwide crude steel production (*)

in millions of tonnes	*First quarter* 2005	2006	*Change* 2006/2005 %
World (**)	***268.2***	***283.8***	***+5.8***
Western Europe(***)	*55.9*	*56.3*	*+0.7*
EU 25	*48.8*	*48.7*	*-0.2*
EU 15	*42.9*	*42.6*	*-0.7*
Central and Eastern Europe(****)	*27.6*	*27.7*	*+0.4*
Russia	*16.1*	*16.6*	*+3.1*
North and Central America	*32.5*	*32.3*	*-0.6*
USA	*24.1*	*24.2*	*+0.4*
South America	*11.1*	*10.6*	*-4.5*
Brazil	*7.9*	*7.2*	*-8.9*
Asia	*131.0*	*147.0*	*+12.2*
China	*77.7*	*92.5*	*+19.0*
of which: Japan	*27.8*	*28.0*	*+0.7*
Other countries	*10.1*	*9.9*	*-2.0*

(*) IISI estimates, April 2006
(**) World = 62 countries representing 98% of worldwide crude steel production
(***) Western Europe = UE25 + other European countries (Croatia, Norway, Romania, Serbia and Montenegro, Turkey)
(****) Central and Eastern Europe = Belarus, Kazakhstan, Moldova, Russia, Ukraine, Uzbekistan

According to IISI (International Iron & Steel Institute) estimates, worldwide crude steel production was 283.8 million tonnes in the first quarter of 2006, an increase of 5.8% on the same period of 2005.

Production in Asia increased by 12.2% to 147 million tonnes. As a result, Asia accounted for more than 60% of worldwide crude steel production. China alone raised production by 19% to 92.5 million tonnes.

Year-on-year movements in crude steel production varied significantly between regions. In the EU 25, steel production was almost unchanged relative to the first quarter of 2005, while production in Turkey rose by 8.8%. In Central and Eastern Europe, production in Russia rose by 3.1% year-on-year. Production in South America fell by 4.5%, and by 8.9% in Brazil.

Apparent steel consumption

Apparent steel consumption is likely to grow significantly in all regions, with inventory-building playing a major role. In the EU 25, apparent steel consumption is set to rise by 7.5% following a decline of more than 7% in 2005, with even stronger growth in Turkey. Apparent steel consumption could grow by around 7% in both North America and South America.

Asia ex-China is likely to raise apparent steel consumption by around 4%, while the increase in China is likely to be around 13% (17% in 2005).
Globally, apparent steel consumption should rise by 8.2% as opposed to 3.5% in 2005.

Arcelor's main markets

European steel-using sectors posted growth of around 2.5% in the first quarter of 2006, compared with a relatively depressed first quarter in 2005. The construction sector continues to perform well, and the first signs of a recovery in the non-residential sector are showing through. In the machinery sector, activity levels improved slightly, with growth of 2.5%. A similar trend was seen in the metalworking sector. Production of household appliances declined in the EU 15, but increased strongly in the new European Union countries. Production of small welded tubes also increased following a poor year in 2005, which was mainly the result of inventory run-downs.

All steel-using sectors are likely to post firm growth in 2006.

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Consolidated results

Arcelor prepares its consolidated financial information according to International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable at 31 March 2006. In this respect, the exclusion of certain hedge accounting measures, as part of the European Union's adoption of IAS 39, has no impact on the Group's consolidated financial information. Arcelor has prepared its consolidated financial information according to International Financial Reporting Standards (IFRS) since 2002.

In the first quarter of 2006, Arcelor continued to improve the structural competitiveness of its operations, with efficiency gains of €160 million during the period. This is in line with the Arcelor 2006-2006 Value Creation Plan, under which the aim is to generate normalised gross operating profit of €7 billion per year. Active management of the business portfolio continued, with the signature of an agreement to sell long stainless steel product specialist Ugitech to Schmoltz+Bickenbach at the start of the second quarter, following a strong recovery in Ugitech's business.

Key figures

In millions of euros *(unaudited)*	**First quarter 2005 (adjusted)****	**First quarter 2006**	**Proforma first quarter 2006 including Dofasco for three months**
Revenues	8,157	9,565	10,212
Gross operating profit	1,700	1,427	1,564
Operating profit	1,390	1,091	1,214
Net profit	949	761	826
Earnings per share	1.55	1.23	1.33

** Comparative 2005 figures have been adjusted to reflect changes in applicable accounting principles in 2006.

Consolidated revenues for the first quarter of 2006 totalled €9,565 million, up from €8,157 million in the year-earlier period. This represents an increase of 17.3% or 10.8% at constant scope. This growth was mainly due to the consolidation of Acesita (Brazilian stainless steel unit) and of Dofasco on 1 March 2006.

Consolidated gross operating profit totalled €1,427 million (equal to 14.9% of revenues), in the first quarter of 2006, as opposed to €1,700 million (20.8%) in the year-earlier period.

Consolidated operating profit was €1,091 million, down from €1,390 million in the first quarter of 2005, giving operating margins of 11.4% and 17.0% respectively.

After net financial expenses of €322 million, a contribution of €72 million from equity affiliates and a tax charge of €57 million, consolidated net profit was €761 million as opposed to €949 million in the first quarter of 2005. The sharp rise in net financial expenses (€322 million versus €46 million in the first quarter of 2005) was due to the adoption of IAS 32, under which Arcelor must recognise its share price in the value of its OCEANE convertible bonds (€295 million). The very low tax rate reflects the utilisation of tax loss carryforwards due to the legal restructuring of the Belgian activities (€285 million).

Net debt

In millions of euros	**31 December 2005 (adjusted)****	**31 March 2006 (unaudited)**
Shareholders' equity*	17,431	18,602
Net debt	1,230	5,742
Net debt / shareholders' equity*	0.07	0.31

**including minority interests*

At 31 March 2006, net debt was €5,742 million, up from €1,230 million at 31 December 2005, due to the acquisition of Dofasco in Canada. The figure includes Dofasco's net debt of €765 million.

The rise in the working capital requirement is mainly due to the consolidation of Dofasco (€1.4 billion), since inventory volumes fell during the period.

Capital expenditure totalled €532 million, including €261 million of growth investment, mainly in Brazil. This is in line with forecasts.

Gearing (net debt / shareholders' equity including minority interests) was 31% at 31 March 2006 as opposed to 7% at 31 December 2005.

Breakdown by business sector

Flat Carbon Steels

In millions of euros	First quarter 2005 (adjusted*)	First quarter 2006
Revenues	4,756	5,381
Gross operating profit	1,173	780
Operating profit	982	589
Crude steel production (in millions of tonnes)	9.057	8.854
Shipments (in millions of tonnes)	7.396	8.504

* Comparative 2005 figures have been adjusted to reflect changes in applicable accounting principles in 2006

Liquid steel production in the first quarter of 2006 was 7.595 million tonnes in Europe, down from 7.805 million in the year-earlier period, and 1.259 million in Brazil, as opposed to 1.252 million in the first quarter of 2005. The fall in production in Europe was due to the closure of the blast furnace in Liège, Belgium in April 2005 and repairs to a blast furnace in Gijón, Spain. Dofasco's production was 386,000 tonnes in March.

Flat Carbon Steel revenues came in at €5,381 million euros in the first quarter of 2006, up from €4,756 million in the first quarter of 2005. Of this, Europe accounted for €4,450 million, Brazil for €558 million and Canada for €373 million. These figures compare with €4,280 million in Europe and €475 million in Brazil in the year-earlier period, and represent increases at constant scope of 13.2% and 5.1% respectively. The two main factors behind the rise in revenues were the consolidation of Dofasco as of 1 March 2006 and increased shipments, particularly in Brazil.

Gross operating profit was €780 million in the first quarter of 2006, including €643 million in Europe (€921 million in the first quarter of 2005) and €137 million in Brazil (€252 million). Dofasco made no contribution to gross operating profit, due to the application of purchase accounting. Despite very high commodity prices and lower average selling prices, gross operating margin in the first quarter of 2006 was 14.4% for the European businesses and 24.6% in Brazil, as opposed to 21.5% and 53.1% in the year-earlier period.

Consolidated operating profit was €589 million in the first quarter of 2006, of which €524 million was generated in Europe (giving an operating margin of 11.8%) and €91 million in Brazil (16.3%). Dofasco's contribution for the period was -€26 million. Consolidated operating profit for the same period in 2005 was €982 million, with €766 million coming from Europe (17.9% operating margin) and €216 million from Brazil (45.5%).

Total shipments amounted to 8.504 million tonnes in the first quarter of 2006, including 433,000 tonnes at Dofasco, as opposed to 7.396 million in the year-earlier period. There was a 6.5% rise in shipments in Europe (from 6.311 million tonnes in the first quarter of 2005 to 6.720 million) and a 24.5% rise in Brazil (from 1.085 million tonnes to 1.351 million).

Against a background of growth in steel-using sectors, actual consumption of flat products increased in Europe in the first quarter of 2006, by around 2% relative to the fourth quarter of 2005, which was a weak quarter. As a result, the recovery in deliveries was confirmed in the first three months of the year. Inventories reverted to a normal level, and in some cases were lower than normal, making it necessary for SSCs, stockists and certain customers to rebuild them. This will lead to greater apparent demand for steel. Prices are likely to fall in the second half of 2006, particularly in coated steels.

In the USA, growth remained strong at 3.7% in the first four months of 2006. Investment is growing firmly and prices are rising. The industrial situation is likely to remain very positive in the second quarter, with high demand and low inventories. As a result, prices should be buoyant.

In China and Southeast Asia, the inventory rebuilding trend slowed in the first quarter of 2006. Steel consumption is continuing to rise in the second quarter. Asian markets continue to depend on China. The trend is very positive, with growth remaining robust and inventories moving back to normal levels.

As regards exports, demand is growing strongly in all traditional markets.

The European automotive market achieved vehicle sales growth of 3.2% year-on-year in the first quarter of 2006. This was partly due to the higher number of working days in the first quarter of 2006. Automotive production increased by 3.6% over the same period, with flat performance in Western Europe offset by firm growth in Eastern Europe. Arcelor increased deliveries to the European automotive sector by 1%.
The Turkish automotive market grew rapidly in the first three months of 2006, boosting Arcelor's deliveries.
The South American automotive market had a very strong start to the year, with growth of around 19% in Brazil and 13% in Argentina. Arcelor, as the leading producer of coated steel products in this region, is benefiting from this strong environment. In Asia, the automotive industry's demand for galvanised steel increased sharply, rising by 36% year-on-year in the first quarter of 2006.

Long Carbon Steels

In millions of euros	First quarter 2005 (adjusted*)	First quarter 2006
Revenues	1,562	1,875
Gross operating profit	330	439
Operating profit	266	359
Crude steel production (in millions of tonnes)	2,844	3,077
Shipments (in millions of tonnes)	2,989	3,458

* Comparative 2005 figures have been adjusted to reflect changes in applicable accounting principles in 2006

Liquid steel production in the first quarter of 2006 was 3.077 million tonnes in Europe, down from 2.844 million in the year-earlier period, and 1.838 million in Latin America, as opposed to 1.165 million in the first quarter of 2005.

Long Carbon Steel revenues came in at €1,875 million in the first quarter of 2006, up from €1,562 million in the first quarter of 2005. This represents an increase of 19.6% or 30.7% at constant scope. Revenues totalled €1,074 million in Europe, €717 million in the Americas and €93 million in the wire-drawing business (Europe, USA and South Korea), compared with €938 million, €554 million and €86 million respectively in the year-earlier period. These movements reflect the full consolidation of Huta Warszawa as of 1 September 2005, the disposal of the Spanish concrete reinforcing bar and mesh production units in late July 2005 and the disposal of Acindar's small tubes business in Argentina in late January 2006.

Consolidated gross operating profit was €439 million in the first quarter of 2006, of which €151 million was generated in Europe (14.1% of revenues), €281 million in the Americas (39.2%) and €7 million in the wire-drawing business (7.5%). In the year-earlier period, consolidated gross operating profit was €330 million, of which €126 million was generated in Europe (13.4% of revenues), €195 million in the Americas (35.2%) and €9 million in the wire-drawing business (10.5%). The improvement in profitability was mainly due to greater volumes, rigorous cost control and greater efficiency gains. Gross operating profit included €51 million from the sale of Acindar's tubes business in Argentina.

The sector's consolidated operating profit was €359 million. Europe contributed €125 million (operating margin of 11.6%), the Americas €230 million (32.1%) and the wire-drawing business €4 million (4.3%).

Total shipments were 3.458 million tonnes in the first quarter of 2006, including 2.187 million in Europe, 1.201 million in the Americas and 70,000 for the wire-drawing business. These figures compare with 2.989 million, 1.877 million, 1.049 million and 63 million respectively in the first quarter of 2005.

In Europe, the sector saw a significant rise in shipments, mainly due to renewed inventory-building, contrasting with the inventory reductions seen in the first quarter of 2005. The strong performance in merchant steels and special sections was mainly due to higher volumes and efficiency gains, whereas concrete reinforcing bar suffered from higher input costs and lower prices. Prices also fell in merchant steels. However, strong demand for merchant steels and concrete reinforcing bar has recently helped prices to recover.
In the sheet piles and rails markets, order levels were sharply higher than in the first quarter of 2005. In special sections, both shipments and prices were higher than in the year-earlier period.

The wire-drawing business posted better figures than in the first quarter of 2005, although performance deteriorated at constant scope. In steelcord and low-carbon wire, earnings were adversely affected by lower prices, resulting from greater competition.

In the Americas region, Long Carbon Steel shipments increased year-on-year. Although prices fell in local currency terms, the rally in the Brazilian real against the euro led to a significant increase in gross operating profit when translated into euros. Demand remains firm.

Stainless Steels and Alloys

In millions of euros	First quarter 2005 (adjusted*)	First quarter 2006
Revenues	981	1,406
Gross operating profit	94	114
Operating profit	70	76
Crude steel production (in thousands of tonnes)	421	713
Shipments (in thousands of tonnes)	403	603

* Comparative 2005 figures have been adjusted to reflect changes in applicable accounting principles in 2006

Steel production was 713,000 tonnes in the first quarter of 2006, up from 421,000 in the first quarter of 2005. At constant scope, including Acesita, production in the year-earlier period was 633,000 tonnes. The new Carinox steelworks in Charleroi, Belgium is continuing to build up production.

Revenues in the Stainless Steels and Alloys sector came in at €1,406 million in the first quarter of 2006, as opposed to €981 million in the first quarter of 2005, not including Acesita. Performance benefited from higher volumes and an improved sales mix. Although prices rose in Europe, overall they remained low relative to the year-earlier period.

Consolidated gross operating profit in the first quarter of 2006 was €114 million, equal to 8.1% of revenues, as opposed to €94 million in the first quarter of 2005. The increase reflects the full consolidation of Acesita as of the fourth quarter of 2005, resulting in a contribution of €74 million in the first quarter of 2006. Gross operating profit was also boosted by higher selling prices in Brazil.

Consolidated operating profit was €76 million, giving operating margin of 5.4%, as opposed to €70 million in the first quarter of 2005 (7.1%).

Shipments during the period totalled 603,000 tonnes, including 169,000 at Acesita. This compares with 578,000 tonnes in the year-earlier period at constant scope, including 403,000 in Europe and 175,000 at Acesita.

The market saw a sharp increase in final consumption in the first quarter of 2006 following a period of inventory reduction in the second half of 2005. In Europe, deliveries of stainless steels rose by 15% year-on-year. Basic prices rose in January 2006, for the first time since May 2004. However, average prices remained 20% lower than in the first quarter of 2005, and barely higher than those in the fourth quarter of 2005. In Brazil, both demand and basic prices increased, while inventories remain low. In the USA, demand for stainless steels is recovering, albeit more slowly than in Europe. This stronger demand is leading to an uptrend in basic prices. In Asia, demand rose significantly relative to late 2005, and remains strong. Prices are also increasing sharply, due to the rise in nickel prices.

Arcelor Steel Solutions and Services (A3S)

In millions of euros	First quarter 2005 (adjusted*)	First quarter 2006
Revenues	2,056	2,225
Gross operating profit	98	77
Operating profit	79	61
Volumes sold (in millions of tonnes)	3,208	3,691
Volumes sold within Arcelor (in millions of tonnes)	2,438	2,621
Volumes sold outside Arcelor (in millions of tonnes)	770	1,070

* Comparative 2005 figures have been adjusted to reflect changes in applicable accounting principles in 2006

A3S' revenues totalled €2,225 million in the first quarter of 2006, as opposed to €2,056 million in the year-earlier period. This was due to improved business levels at the end of the period, except in the construction sector, which suffered from the long winter.

Gross operating profit was €77 million, giving gross operating margin of 3.5%, as opposed to €98 million (4.8%) in the first quarter of 2005. This reflected higher costs, lower prices and the increased value of inventories.

Operating profit came in at €61 million (2.7% of revenues), down from €79 million (3.8%) in the year-earlier period.

Shipments totalled 3.691 million tonnes, including 2.621 million to other parts of the Arcelor group and 1.070 million to external customers. The corresponding figures for the first quarter of 2005 were 3.208 million tonnes, 2.438 million and 770,000 tonnes.

Arcelor Distribution's shipments rose by 18% year-on-year, although average selling prices per tonne fell by 10%. As a result, revenues rose by 6% year-on-year at constant scope.

Arcelor Steel Services Center's shipments were flat relative to the first quarter of 2005. Revenues fell by 9%, and average selling prices per tonne also fell by 9%.

Arcelor Construction suffered from highly adverse weather conditions in the first two months of the year, and its shipments fell very slightly year-on-year in the first quarter of 2006. Average selling prices per tonne were stable, and so revenues fell slightly at constant scope.

Arcelor Projects saw shipments rise sharply relative to the first quarter of 2005 and at constant scope. Average selling prices also rose by 16%. As a result, revenues rose by 35% year-on-year.

Arcelor International enjoyed a 18% rise in shipments. With average selling prices per tonne almost unchanged, revenues rose by 16% year-on-year in the first quarter of 2006.

Outlook

2006 is likely to be an excellent year for the global steel industry. Demand for steel is being driven by a positive and strongly-supported global economic environment. Demand is robust and is continuing to grow on the back of firm final demand and the trend towards rebuilding inventories. As a result of these strong business levels, along with higher raw material costs, Arcelor has announced higher selling prices for flat carbon steel products in the third quarter of 2006, and has been raising prices for stainless steel products since the first quarter.

Excluding China, apparent steel consumption is likely to grow by 6% in 2006, after a 1.5% decline in 2005. Greater demand is leading to price rises for both semi-finished and finished products.

Key financial data for the Group

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* (3 months) (unaudited)	**Q1 2006** **(3 months)** (unaudited)
Revenue	32 701	8 157	**9 565**
Change			**17,3%**
Change at comparable structure			**10,8%**
Gross operating result (EBITDA)	5 692	1 700	**1 427**
% of revenues	*17,4%*	*20,8%*	***14,9%***
Operating result (EBIT)	4 423	1 390	**1 091**
% of revenues	*13,5%*	*17,0%*	***11,4%***
Net profit (Loss) (Group share)	3 873	949	**761**
Tangible investments	2 040	293	**526**
Earnings per share in EUR			
- basic	6,31	1,55	**1,23**
- diluted	5,94	-	**-**

Consolidated balance sheet

ASSETS

In EUR million	**31 Dec. 2005** *(Restated)* 1	**31 March 2006** *(unaudited)* 2	**Variation** 2 / 1
NON CURRENT ASSETS	**18 101**	**24 070**	**5 969**
- Intangible assets	*193*	*1 597*	*1 404*
- Property plant & equipment	*13 787*	*18 135*	*4 348*
- Investments under equity method	*1 319*	*1 295*	*-24*
- Other investments	*680*	*665*	*-15*
- Receivables & other fin.assets	*744*	*804*	*60*
- Deferred tax assets	*1 378*	*1 574*	*196*
CURRENT ASSETS	**17 776**	**18 927**	**1 151**
- Inventories	*7 592*	*8 601*	*1 009*
- Trade receivables	*3 730*	*5 093*	*1 363*
- Other receivables	*1 782*	*1 900*	*118*
- Cash & Cash equivalents	*4 672*	*3 333*	*-1 339*
TOTAL ASSETS	**35 877**	**42 997**	**7 120**

EQUITY AND LIABILITIES

In EUR million	**31 Dec. 2005** *(Restated)* 1	**31 March 2006** *(unaudited)* 2	**Variation** 2 / 1
SHAREHOLDERS'EQUITY	**14 907**	**15 919**	**1 012**
MINORITY INTERESTS	**2 524**	**2 683**	**159**
NON CURRENT LIABILITIES	**8 432**	**11 010**	**2 578**
- Interest bearing liabilities	*4 341*	*4 760*	*419*
- Employee benefits	*1 618*	*2 778*	*1 160*
- Provisions for contract termination benefits	*852*	*833*	*-19*
- Other provisions	*943*	*1 056*	*113*
- Deferred tax provisions	*537*	*1 425*	*888*
- Others liabilities	*141*	*158*	*17*
CURRENT LIABILITIES	**10 014**	**13 385**	**3 371**
- Trade payables	*5 235*	*5 636*	*401*
- Interest bearing liabilities	*1 623*	*4 347*	*2 724*
- Other amounts payables	*2 882*	*3 153*	*271*
- Provisions for contract termination benefits	*30*	*29*	*-1*
- Other provisions	*244*	*220*	*-24*
TOTAL SHAREHOLDERS'EQUITY, MINORITY INTERESTS AND LIABILITIES	**35 877**	**42 997**	**7 120**

Condensed consolidated income statement

In EUR million *(unaudited)*	**31/03/2005** (3 months) *(Restated)* **1**	**31/03/2006** (3 months) **2**	**Variation** **1 / 2**
REVENUE	**8 157**	**9 565**	**1 408**
GROSS OPERATING INCOME (EBITDA)	**1 700**	**1 427**	**-273**
Amortisation and depreciation	-310	-347	-37
Negative goodwill		11	11
OPERATING RESULT (EBIT)	**1 390**	**1 091**	**-299**
Net financing costs	-24	-322	-298
Share in the results of equity accounted companies	70	72	2
PROFIT (LOSS) BEFORE TAX	**1 436**	**841**	**-595**
Income tax	-382	57	439
PROFIT (LOSS) AFTER TAX	**1 054**	**898**	**-156**
Minority Interests	-105	-137	-32
NET PROFIT (LOSS) GROUP SHARE	**949**	**761**	**-188**

Condensed consolidated income statement (Quarterly evolution)

In EUR million	**1st Q. 2005** *(Restated) (unaudited)*	**2nd Q. 2005** *(Restated) (unaudited)*	**Total Half-Year 2005** *(Restated) (unaudited)*	**3rd Q. 2005** *(Restated) (unaudited)*	**4th Q. 2005** *(Restated) (unaudited)*	**Total Year** *(Restated)* **2005**	**1st Q. 2006** *(unaudited)*
REVENUE	**8 157**	**8 665**	**16 822**	**7 504**	**8 375**	**32 701**	**9 565**
GROSS OPERATING INCOME (EBITDA)	**1 700**	**1 689**	**3 389**	**1 125**	**1 178**	**5 692**	**1 427**
Amortisation and depreciation	-310	-432	-742	-324	-232	-1 298	-347
Negative goodwill					29	29	11
OPERATING RESULT (EBIT)	**1 390**	**1 257**	**2 647**	**801**	**975**	**4 423**	**1 091**
Net financing costs	-24	-7	-31	-109	-113	-253	-322
Share in the results of equity accounted companies	70	92	162	89	61	312	72
PROFIT (LOSS) BEFORE TAX	**1 436**	**1 342**	**2 778**	**781**	**923**	**4 482**	**841**
Income tax	-382	-153	-535	-73	431	-177	57
PROFIT (LOSS) AFTER TAX	**1 054**	**1 189**	**2 243**	**708**	**1 354**	**4 305**	**898**
Minority Interests	-105	-168	-273	-84	-75	-432	-137
NET PROFIT (LOSS) GROUP SHARE	**949**	**1 021**	**1 970**	**624**	**1 279**	**3 873**	**761**

Consolidated statement of changes in shareholders'equity

In EUR million	Subscribed capital	Share premium	Own shares	Other consolidated reserves	Foreign currency translation	Shareholders' equity	Minortiy interests	Total
31.12.005	**3 199**	**5 397**	**-267**	**6 452**	**149**	**15 109**	**2 524**	**17 633**
(IAS19) Corridor restatement				-202		-202		-202
31.12.2005 (Restated)	3 199	5 397	-267	6 250	149	14 907	2 524	17 431
Increase of capital								
Result 1st Quarter 2006				761		761	138	899
Foreign exchange differences					-1	-1	-20	-21
Dividends paid							-21	-21
Utilisation and results on own shares disposal			20			20		20
Cash flow edge				-69		-69		-69
OCEANE 2017 Conversion option				326		326		326
Other movements and acquisitions of minority interests				-25		-25	62	37
31.03.2006 *(unaudited)*	**3 199**	**5 397**	**-247**	**7 243**	**148**	**15 919**	**2 683**	**18 602**

Condensed consolidated cash flow statement

In EUR million *(unaudited)*	**31 March. 2005** *(Restated)* (3 months)	**31 March. 2006** (3 months)
CASH FLOWS FROM OPERATING ACTIVITIES	**727**	**750**
Investing activities		
Acquisitions of tangible and intangible assets	-299	-532
Others	-125	-3 981
CASH FLOWS FROM INVESTING ACTIVITIES	**-424**	**-4 513**
Financing activities		
Proceeds from the issue of share capital	6	-
Dividends paid	-40	-21
Net servicing of borrowing	-753	2 358
Outsourcing of pension fund	-	-
CASH FLOWS FROM FINANCING ACTIVITIES	**-787**	**2 337**
Effect of exchange rate fluctuations on cash held and changes of method	31	87
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-453**	**-1 339**
Cash and cash equivalents at the beginning of the period	***4 072***	***4 672***
Cash and cash equivalents at the end of the period	***3 619***	***3 333***

Net financial debt

In millions of euro	**31/03/2005** *Restated (unaudited)* 1	**30/06/2005** *Restated (unaudited)* 2	**30/09/2005** *Restated (unaudited)* 3	**31/12/2005** *Restated* 4	**31/03/2006** *(unaudited)* 5	**Variation** 5 / 4
Shareholders'equity (Group share)	11 717	12 763	13 456	14 907	15 919	1 012
Minority interests	1 490	1 785	1 897	2 524	2 683	159
Total Shareholders'equity	**13 207**	**14 548**	**15 353**	**17 431**	**18 602**	**1 171**
Interest bearing liabilities, long term	4 470	4 477	4 282	4 341	4 760	419
Interest bearing liabilities, short term	1 587	1 484	1 455	1 623	4 347	2 724
Cash and Cash equivalents	-3 619	-3 978	-4 245	-4 672	-3 333	1 339
Revalorisation of financial instruments	0	0	0	0	0	0
(short term and long term)	-79	-108	-87	-62	-32	30
Net financial debt	**2 359**	**1 875**	**1 405**	**1 230**	**5 742**	**4 512**
Gearing	**17,9%**	**12,9%**	**9,2%**	**7,1%**	**30,9%**	**23,8%**

Breakdown by « Business Units »

FLAT CARBON EUROPE

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	16 143	4 280	**4 450**
Change			**4,0%**
Change at comparable structure			**3,7%**
Gross operating result (EBITDA)	2 828	921	**643**
% of revenues	*17,5%*	*21,5%*	***14,4%***
Operating result (EBIT)	2 144	766	**524**
% of revenues	*13,3%*	*17,9%*	***11,8%***
Tangible investments	655	80	**116**

Scope variations : End December 2005 closure of LDD, global integration of E.Giebel as from 1st January 2006

FLAT CARBON BRAZIL

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	1 928	475	**558**
Change			**17,5%**
Change at comparable structure			**17,5%**
Gross operating result (EBITDA)	847	252	**137**
% of revenues	*43,9%*	*53,1%*	***24,6%***
Operating result (EBIT)	670	216	**91**
% of revenues	*34,8%*	*45,5%*	***16,3%***
Tangible investments	735	106	**215**

FLAT CARBON CANADA

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue			**373**
Change			**-**
Change at comparable structure			**-**
Gross operating result (EBITDA)			**0**
% of revenues			
Operating result (EBIT)			**-26**
% of revenues			***-7,0%***
Tangible investments			**21**

Scope variation : Acquisition of Canadian sub-group Dofasco end of February (Contribution 1 month)

LONG CARBON EUROPE

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	3 871	938	**1 074**
Change			**14,5%**
Change at comparable structure			**31,8%**
Gross operating result (EBITDA)	492	126	**151**
% of revenues	*12,7%*	*13,4%*	***14,1%***
Operating result (EBIT)	402	100	**125**
% of revenues	*10,4%*	*10,7%*	***11,6%***
Tangible investments	171	39	**36**

Scope variations : Disposal of spanish plants Azpeitia, Lasao and Getafe on July 2005,
global integration of Huta Warszawa as from 1st August 2005

LONG CARBON AMERICAS

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	2 526	554	**717**
Change			**29,4%**
Change at comparable structure			**31,9%**
Gross operating result (EBITDA)	853	195	**281**
% of revenues	*33,8%*	*35,2%*	***39,2%***
Operating result (EBIT)	690	160	**230**
% of revenues	*27,3%*	*28,9%*	***32,1%***
Tangible investments	149	28	**43**

Scope variation : Disposal of Acindar tubes activities end January 2006

WIRE DRAWING

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	346	86	**93**
Change			**8,1%**
Change at comparable structure			**5,8%**
Gross operating result (EBITDA)	36	9	**7**
% of revenues	*10,4%*	*10,5%*	***7,5%***
Operating result (EBIT)	25	6	**4**
% of revenues	*7,2%*	*7,0%*	***4,3%***
Tangible investments	15	4	**5**

Scope variations : Inclusion of Arcelor Sheffield, closure of TrefilARBED Cheb

STAINLESS

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	4 028	981	**1 406**
Change			**43,3%**
Change at comparable structure			**16,0%**
Gross operating result (EBITDA)	173	94	**114**
% of revenues	*4,3%*	*9,6%*	***8,1%***
Operating result (EBIT)	93	70	**76**
% of revenues	*2,3%*	*7,1%*	***5,4%***
Tangible investments	180	16	**57**

Scope variations : Disposal of Tefilados Inoxydables de Mexico on 10th May 2005,
global of integration of Acesita as from 1st October 2005,
inclusion of A.Stainless Processing on the end of 2005

HEAVY PLATE

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	953	243	**274**
Change			**12,8%**
Change at comparable structure			**12,8%**
Gross operating result (EBITDA)	116	21	**50**
% of revenues	*12,2%*	*8,6%*	***18,2%***
Operating result (EBIT)	157	19	**45**
% of revenues	*16,5%*	*7,8%*	***16,4%***
Tangible investments	15	4	**4**

A3S (ARCELOR STEELSOLUTIONS & SERVICES)

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	8 656	2 055	**2 225**
Change			**8,3%**
Change at comparable structure			**5,9%**
Gross operating result (EBITDA)	328	98	**77**
% of revenues	*3,8%*	*4,8%*	***3,5%***
Operating result (EBIT)	254	79	**61**
% of revenues	*2,9%*	*3,8%*	***2,7%***
Tangible investments	86	11	**22**

Scope variation : Exclusion of Traxys

Acquisition of Devillers Oxycoupage sub-group on February 2006, inclusion of Arcelor SSC Development, CEPI Services, FBH Eko Feinblech, Stahlhandel Burg, Oriental Sheet Piling, PFF, Prof.Martinique, Haironville Guyanne on 1st Quarter 2006, together with H+K Stahl., R.Smith, Prof.Futur, Prof.Guadeloupe, Prof.Réunion, PMA, H.Austria end December 2005

OTHER ACTIVITIES

In EUR million	Year 2005 *(Restated)* (12 months)	Q1 2005 *(Restated)* *(unaudited)* (3 months)	**Q1 2006** *(unaudited)* **(3 months)**
Revenue	1 049	294	**211**
Change			**-28,2%**
Change at comparable structure			**-28,2%**
Gross operating result (EBITDA)	16	-11	**-37**
% of revenues	*1,5%*	*-3,7%*	***-17,5%***
Operating result (EBIT)	-15	-21	**-43**
% of revenues	*-1,4%*	*-7,1%*	***-20,4%***
Tangible investments	34	5	**7**

Note: Restated Accounts 2005

To reflect the changes of applicable accounting principles on January 1st, 2006, the financial statements 2005 were restated to assure comparative figures.

1) Application of the proportional integration

Following the acquisition of Dofasco, Arcelor applies from January 1st, 2006 the method of consolidation by proportional integration to reflect better in the accounts consolidated by the group the contribution of companies under joint control.

2) Abandonment of the Corridor (IAS19)

The Group opted on January 1st, 2006 for an immediate posting in stockholders' equity of the actuarial gains & losses, according to the revised standard IAS 19. This immediate posting in stockholders' equities replaces the corridor.

3) OCEANE 2017

Further to the revision of the standard IAS 32, the just value of the option of conversion of the O.C.E.A.N.E. 2017 is transfered from stockholders' equity to interest bearing liabilities and revalued at each closing with an impact result counterpart. Arcelor had proceeded to these accounting modifications from the 3rd quarter 2005. Within the framework of the restatement of the comparative figures 2005, 1st and 2nd quarters 2005 are also restated.