

MITTAL STEEL CO N.V.  
Form F-4/A  
February 03, 2005

**Table of Contents**

As filed with the Securities and Exchange Commission on February 3, 2005

Registration No. 333-121220

---

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

---

**Amendment No. 1 to  
Form F-4  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933**

---

**Mittal Steel Company N.V.**

*(Exact Name of Registrant as Specified in Its Charter)*

**The Netherlands**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**3312**  
*(Primary Standard Industrial  
Classification Code Number)*

**Not Applicable**  
*(I.R.S. Employer  
Identification Number)*

**Hofplein 20, 15<sup>th</sup> Floor**

**3032 AC Rotterdam  
The Netherlands  
+31 10 217 8800**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)*

**Marc R. Jeske**

**Ispat Inland Inc.  
3210 Watling Street  
East Chicago, IN 46312  
(219) 399-1200**

*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)*

***Copies to:***

**John A. Marzulli, Jr., Esq.  
Peter J. Rooney, Esq.  
Shearman & Sterling LLP  
599 Lexington Avenue  
New York, NY 10022-6069  
United States  
(212) 848-4000**

**Henk Scheffer, Esq.  
Mittal Steel Company N.V.  
Hofplein 20, 15<sup>th</sup> Floor  
3032 AC Rotterdam  
The Netherlands  
+31 10 217 8819**

**Robert A. Profusek, Esq.  
Marilyn W. Sonnie, Esq.  
Jones Day  
222 East 41<sup>st</sup> Street  
New York, NY 10017-6702  
United States  
(212) 326-3939**

**Approximate date of commencement of proposed sale of the securities to the public:** As promptly as practicable after this Registration Statement becomes effective and upon completion of the transactions described in the enclosed proxy statement/prospectus.

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

### CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class A Common Shares, par value 0.01 per share	(1)	(1)	\$1,962,705,339.00	\$231,010.42*

(1) Pursuant to Securities Act Rule 457(o), this information is not included.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and (3) and Rule 457(c) of the Securities Act of 1933, as amended (the Securities Act), based on (i) the product of (a) \$40.62, the average of the high and low sales prices of International Steel Group Inc. common stock as reported by the New York Stock Exchange on February 2, 2005 and (b) 100,035,950 shares of International Steel Group Inc. common stock outstanding at the close of business on February 2, 2005 less (ii) \$2,100,754,950, the amount of cash to be paid by the Registrant in exchange for shares of International Steel Group Inc. common stock (equal to the product of \$42.00 times 50,017,975 shares of International Steel Group Inc. common stock to be converted into cash).

(3) Computed in accordance with Rule 457(f) under the Securities Act to be \$231,010.42 which is equal to 0.0001177 multiplied by the proposed maximum aggregate offering price of \$1,962,705,339.00.

\* Fee has already been paid.

\_\_\_\_\_

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**Table of Contents**

The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. The proxy statement/prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED FEBRUARY 3, 2005**

February [ ], 2005

**To International Steel Group Inc. Stockholders:**

I am pleased to invite you to the special stockholders meeting to consider the proposed merger of International Steel Group Inc. and Mittal Steel Company N.V., formerly known as Ispat International N.V. The meeting will be held at [location] on [day], March [ ], 2005 at [time], local time.

In the merger, ISG stockholders will be entitled to receive: (1) \$42.00 per share in cash, (2) a number of Mittal Steel class A common shares equal to \$42.00 divided by the average closing price of Mittal Steel class A common shares on the New York Stock Exchange during the 20-trading-day period ending on (and including) the trading day that is two days prior to the completion of the merger, up to a maximum of 1.21740 shares and a minimum of 0.95865 shares, or (3) a combination of cash and Mittal Steel class A common shares. ISG stockholders may elect to receive cash, Mittal Steel class A common shares or a combination of the two, but may receive a different proportion of cash and shares because 50% of the shares of ISG common stock will be converted into cash and 50% of the shares of ISG common stock will be converted into Mittal Steel class A common shares.

Mittal Steel class A common shares are listed and traded on the New York Stock Exchange, Mittal Steel's principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol *MT*.

**You should carefully consider the risk factors relating to the proposed merger beginning on page 29.**

Whether or not you plan to attend the meeting, please complete and return your proxy card in the envelope enclosed for your convenience. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card. Your prompt cooperation will be greatly appreciated.

On behalf of the entire ISG board of directors, thank you for your involvement in ISG. We hope that the next chapter in the ISG story is as exciting and profitable as those that came before.

Sincerely yours,

[INSERT SIGNATURE]

WILBUR L. ROSS

*Chairman of the Board*

If you have any questions concerning the proposed merger, please call ISG's proxy solicitors, MacKenzie Partners, Inc., toll free at (800) 322-2885. **Please do not send in your stock certificates with your proxy card.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE MERGER OR THE MITTAL STEEL CLASS A COMMON SHARES TO BE ISSUED IN THE MERGER OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROXY STATEMENT/ PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

This proxy statement/prospectus is dated [February] [ ], 2005, and is first being mailed to ISG stockholders on or about [that date.]

**Table of Contents**

**INTERNATIONAL STEEL GROUP INC.**

**4020 Kinross Lakes Parkway  
Richfield, Ohio 44286-9000**

---

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
To Be Held On [Day], March [ ], 2005 at [Time]**

---

TO INTERNATIONAL STEEL GROUP INC. STOCKHOLDERS:

Notice is hereby given that a special meeting of stockholders of International Steel Group Inc. relating to the proposed merger of ISG with a subsidiary of Mittal Steel Company N.V., formerly known as Ispat International N.V., will be held on [day], March [ ], 2005, at [time], local time, at [location], to consider and vote upon:

(1) A proposal to adopt the Agreement and Plan of Merger and Reorganization, dated as of October 24, 2004, among Mittal Steel (formerly known as Ispat International N.V.), Park Acquisition Corp, a wholly owned subsidiary of Mittal Steel, and ISG; and

(2) A proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposed merger.

Information regarding the merger and related matters is contained in the accompanying proxy statement/prospectus and the annexes to the proxy statement/prospectus. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement/prospectus.

The ISG board of directors has fixed the close of business on [February] [ ], 2005, as the record date for determination of ISG stockholders entitled to notice of, and to vote at, the special meeting. Only the holders of record of shares of ISG common stock on the record date are entitled to have their votes counted at the special meeting. A list of stockholders entitled to vote at the special meeting will be available for examination by any ISG stockholder, for any purpose concerning the meeting, during ordinary business hours at ISG's principal executive offices, located at 4020 Kinross Lakes Parkway, Richfield, Ohio, during the ten days preceding the special meeting.

Adoption of the merger agreement requires the votes represented by a majority of the outstanding shares of ISG common stock entitled to vote to be voted **FOR** the proposal. **Failure to vote your shares of ISG common stock at the special meeting has the same effect as a vote AGAINST the merger.**

You have the power to revoke your proxy at any time prior to its use at the special meeting. If you attend the special meeting, you may withdraw your proxy and vote in person.

You may attend the special meeting in person. It is important that your shares of ISG common stock are represented at the special meeting regardless of the number of shares that you hold. Your early attention to the proxy card will be greatly appreciated because it will reduce the cost ISG incurs in obtaining voting instructions from its stockholders.

**The ISG board of directors has approved and declared advisable the merger agreement and unanimously recommends that you vote or give instructions to vote FOR the proposal to adopt the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies.**

**You should not return your ISG common stock certificates with the enclosed proxy card.**

By Order of the Board of Directors

[INSERT SIGNATURE]

CARLOS M. HERNANDEZ  
*Secretary*

Richfield, Ohio  
February [ ], 2005



**Table of Contents**

**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about Mittal Steel and ISG from other documents that are not included in or delivered with this proxy statement/prospectus. See WHERE YOU CAN FIND MORE INFORMATION on page 1 for a listing of documents incorporated by reference. These documents are available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at one of the following addresses:

**Mittal Steel Company N.V.**

Investor Relations  
Mittal Steel Company N.V.  
Hofplein 20  
15<sup>th</sup> Floor  
3032 AC Rotterdam  
The Netherlands  
+31 10 217 8800

**International Steel Group Inc.**

Investor Relations  
International Steel Group Inc.  
4020 Kinross Lakes Parkway  
Richfield, Ohio 44286-9000  
(330) 659-9100

**If you would like to request any documents, you must do so by [March] [ ], 2005 in order to receive them before the special meeting of ISG stockholders.**

---

**Table of Contents****Table of Contents**

	<b>Page</b>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE ISG SPECIAL MEETING AND THE PROPOSED MERGER</u>	3
<u>SUMMARY OF THE PROXY STATEMENT/ PROSPECTUS</u>	6
<u>ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA</u>	17
<u>ISG SELECTED HISTORICAL FINANCIAL DATA</u>	20
<u>SELECTED COMBINED FINANCIAL DATA FOR MITTAL STEEL</u>	21
<u>SELECTED PRO FORMA UNAUDITED FINANCIAL DATA FOR MITTAL STEEL AND ISG</u>	23
<u>COMPARATIVE AUDITED AND UNAUDITED PER SHARE DATA</u>	25
<u>COMPARATIVE PER SHARE MARKET DATA</u>	28
<u>RISK FACTORS</u>	29
<u>Risks Relating to the Merger</u>	29
<u>Risks Relating to Mittal Steel's Business</u>	31
<u>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</u>	42
<u>ISG SPECIAL MEETING OF STOCKHOLDERS</u>	44
<u>Proxy Statement/ Prospectus</u>	44
<u>Date, Time, Place and Purpose of the Special Stockholders Meeting</u>	44
<u>Record Date; Quorum and Voting Power</u>	44
<u>Vote Required</u>	44
<u>Voting Your Shares</u>	44
<u>Company Shareholder Support Agreement</u>	45
<u>Proxy; Revocation of Proxy</u>	45
<u>Means of Solicitation; Fees and Expenses</u>	46
<u>THE MERGER</u>	47
<u>General Description of the Merger</u>	47
<u>Background of the Merger</u>	47
<u>Recommendation of the ISG Board of Directors</u>	51
<u>Approval of the Mittal Steel Board of Directors</u>	51
<u>ISG's Reasons for the Merger</u>	52
<u>Mittal Steel's Reasons for the Merger</u>	53
<u>Prospective Financial Data</u>	54
<u>Opinions of ISG's Financial Advisors</u>	56
<u>Accounting Treatment and Considerations</u>	67
<u>Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares Received by ISG Stockholders</u>	67
<u>Material Dutch Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares to ISG Stockholders</u>	74
<u>Regulatory Matters</u>	77
<u>Federal Securities Law Consequences; Resale Restrictions</u>	79
<u>Dissenter's Rights of Appraisal</u>	80
<u>Stock Exchange Listing</u>	80
<u>Delisting and Deregistration of ISG Common Stock after the Merger</u>	81
<u>Letter of Understanding with the United Steelworkers of America</u>	81



**Table of Contents**

	<u>Page</u>
<u>THE MERGER AGREEMENT</u>	82
<u>Structure of the Merger</u>	82
<u>Closing and Effective Time of the Merger</u>	82
<u>Merger Consideration</u>	82
<u>Oversubscription for Cash or Stock</u>	83
<u>Tax Adjustment and Alternative Structure</u>	83
<u>Election Procedures</u>	84
<u>Cancellation of Shares</u>	84
<u>Exchange Agent</u>	84
<u>Procedures for Exchange of Certificates: No Fractional Shares</u>	85
<u>Treatment of ISG Stock Options and Stock Appreciation Rights</u>	85
<u>Representations and Warranties</u>	86
<u>Material Adverse Effect</u>	88
<u>Conduct of Business Pending the Merger</u>	88
<u>Additional Agreements</u>	91
<u>Conditions of the Merger</u>	97
<u>Termination</u>	99
<u>Effect of Termination</u>	101
<u>Fees and Expenses</u>	101
<u>Amendment and Waiver</u>	103
<u>Parties in Interest</u>	104
<u>Governing Law</u>	104
<u>RICHMOND SUPPORT LETTER AGREEMENT</u>	105
<u>Representations and Warranties</u>	105
<u>Covenants</u>	105
<u>PARENT SHAREHOLDER SUPPORT AGREEMENT</u>	107
<u>Voting Agreement</u>	107
<u>Covenants</u>	107
<u>Termination</u>	108
<u>COMPANY SHAREHOLDER SUPPORT AGREEMENT</u>	109
<u>Voting Agreement</u>	109
<u>The Option</u>	109
<u>Covenants</u>	111
<u>Termination</u>	112
<u>DIRECTORS AND SENIOR MANAGEMENT FOLLOWING MERGER</u>	113
<u>Announced Changes of Directors and Senior Management</u>	113
<u>Current Directors and Senior Management</u>	113
<u>Board of Directors</u>	114
<u>Senior Management</u>	116
<u>Compensation</u>	119
<u>Stock Option Plan</u>	120
<u>Mittal Steel Board Practices</u>	122
<u>Mittal Steel Audit Committee</u>	125
<u>Mittal Steel Remuneration Committee</u>	126

**Table of Contents**

	<u>Page</u>
<u>Mittal Steel Nomination Committee</u>	126
<u>Employees</u>	127
<u>Share Ownership</u>	127
<u>INTEREST OF CERTAIN PERSONS IN THE MERGER</u>	128
<u>Mittal Steel Board of Directors and Management</u>	128
<u>Company Shareholder Support Agreement</u>	128
<u>Director and Officer Indemnification</u>	128
<u>ISG Stock Options</u>	128
<u>Employment Agreements with ISG Executive Officers</u>	129
<u>INDUSTRY OVERVIEW</u>	132
<u>Steel-Making Process</u>	132
<u>Products</u>	133
<u>MITTAL STEEL COMPANY</u>	135
<u>History and Development of Mittal Steel</u>	135
<u>Recent Developments</u>	137
<u>Business Overview</u>	139
<u>Products</u>	140
<u>Raw Materials</u>	141
<u>Management</u>	142
<u>Marketing and Sales</u>	142
<u>Organizational Structure</u>	142
<u>Property, Plant and Equipment</u>	143
<u>Governmental Regulation</u>	156
<u>Litigation</u>	157
<u>INTERNATIONAL STEEL GROUP</u>	161
<u>The Company</u>	161
<u>Products</u>	162
<u>Customers</u>	164
<u>Sales, Customer Service and Product Development</u>	164
<u>Backlog</u>	165
<u>Competition</u>	165
<u>Raw Materials</u>	165
<u>Employees</u>	167
<u>Regulatory Environment</u>	168
<u>Environmental Matters</u>	169
<u>Intellectual Property</u>	173
<u>Principal Operating Facilities</u>	173
<u>Legal Proceedings</u>	176
<u>Security Ownership of Management and Certain Beneficial Owners</u>	178
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL</u>	
<u>CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL</u>	180
<u>Recent Acquisitions</u>	181
<u>Recent Developments</u>	181
<u>Income Taxes</u>	182

**Table of Contents**

	<u>Page</u>
<u>Factors Affecting the Business</u>	182
<u>Critical Accounting Policies and Use of Judgments and Estimates</u>	184
<u>Review of Operating Results</u>	187
<u>Liquidity and Capital Resources</u>	203
<u>Trend Information</u>	209
<u>Other Developments</u>	211
<u>Tabular Disclosure of Contractual Obligations</u>	211
<u>Quantitative and Qualitative Disclosures Concerning Market Risk</u>	213
<b><u>MAJOR SHAREHOLDERS OF MITTAL STEEL AND NOTIFICATION</u></b>	
<b><u>OBLIGATIONS</u></b>	216
<u>Major Shareholders of Mittal Steel</u>	216
<u>Notification Obligations</u>	218
<u>Voting Rights</u>	220
<u>Conversion: Restriction on Transfers</u>	220
<u>Non-Competition Agreement</u>	221
<u>Related Party Transactions</u>	222
<b><u>DESCRIPTION OF MITTAL STEEL S COMMON SHARES</u></b>	223
<u>Share Capital</u>	223
<u>Corporate Purpose</u>	223
<u>Dividends</u>	224
<u>Shareholder Meetings and Voting Rights</u>	224
<u>Liquidation Rights</u>	225
<u>Preemptive Rights</u>	225
<u>Issue of Common Shares</u>	225
<u>Purchase of Own Common Shares</u>	226
<u>Reduction of Share Capital</u>	226
<u>Board of Directors</u>	226
<u>Amendment of Mittal Steel s Articles of Association</u>	227
<u>Annual Accounts</u>	227
<b><u>COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER</u></b>	
<b><u>DELAWARE AND DUTCH LAW</u></b>	228
<u>Voting Rights</u>	228
<u>Amendment of Charter Documents</u>	229
<u>Appraisal Rights</u>	229
<u>Preemptive Rights</u>	230
<u>Action by Written Consent of Shareholders</u>	231
<u>Shareholders Meetings</u>	231
<u>Election of Directors and Representation</u>	232
<u>Removal of Directors</u>	233
<u>Filling of Vacancies</u>	234
<u>Shareholder Nominations and Proposals</u>	234
<u>Dividends</u>	236
<u>Rights of Purchase and Reduction of Share Capital</u>	237
<u>Limitation of Directors Liability/ Indemnification of Officers and</u>	
<u>Directors</u>	238
<u>Special Meetings</u>	238

**Table of Contents**

	<u>Page</u>
<u>Shareholder Votes on Certain Reorganizations</u>	239
<u>Certain Provisions Relating to Business Combinations</u>	240
<u>Rights of Inspection</u>	240
<u>Shareholder Suits</u>	240
<u>Conflict of Interest Transactions</u>	241
<u>Financial Information Available to Shareholders</u>	241
<u>MARKET DATA</u>	242
<u>ENFORCEABILITY OF CIVIL LIABILITIES</u>	244
<u>SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS AND</u>	
<u>NOMINATIONS</u>	245
<u>LEGAL MATTERS</u>	246
<u>EXPERTS</u>	246
<u>CERTAIN DEFINED TERMS</u>	248
<u>INDEX TO FINANCIAL STATEMENTS AND FINANCIAL</u>	
<u>STATEMENTS</u>	F-1
<u>EX-3.1: AMENDED &amp; RESTATED ARTICLES OF ASSOCIATION</u>	
<u>EX-8.1: FORM OF TAX OPINION OF JONES DAY</u>	
<u>EX-8.2: FORM OF TAX OPINION OF SHEARMAN &amp; STERLING LLP</u>	
<u>EX-10.4 NON-COMPETITIVE AGREEMENT</u>	
<u>EX-23.1: CONSENT OF DELOITTE ACCOUNTANTS B.V.</u>	
<u>EX-23.2: CONSENT OF ERNST &amp; YOUNG ACCOUNTANTS</u>	
<u>EX-23.3: CONSENT OF ERNST &amp; YOUNG DEUTSCHE ALLGEMEINE</u>	
<u>TREUHAND AG</u>	
<u>EX-23.4: CONSENT OF ERNST &amp; YOUNG</u>	
<u>EX-23.5: CONSENT OF ERNST &amp; YOUNG AUDIT</u>	
<u>EX-23.6: CONSENT OF KPMG LLP</u>	
<u>EX-23.7: CONSENT OF KPMG INC.</u>	
<u>EX-23.8: CONSENT OF KPMG LLP</u>	
<u>EX-23.9 CONSENT OF PRICEWATERHOUSECOOPERS LLP</u>	
<u>EX-99.1: FORM OF PROXY</u>	
<u>EX-99.2: CONSENT OF UBS SECURITIES LLC</u>	
<u>EX-99.3: CONSENT OF GOLDMAN, SACHS &amp; CO.</u>	
<u>EX-99.4: CONSENT OF WILBUR L. ROSS</u>	
<u>EX-99.5: FORM OF ELECTION &amp; INSTRUCTIONS</u>	

**Annexes**

Annex A	Agreement and Plan of Merger and Reorganization, dated as of October 24, 2004, among Mittal Steel Company N.V. (formerly known as Ispat International N.V.), Park Acquisition Corp. and International Steel Group Inc.
Annex B	Letter Agreement relating to the acquisition of LNM Holdings N.V., dated as of October 24, 2004, between The Richmond Investment Holdings Limited and International Steel Group Inc.
Annex C	Parent Shareholder Support Agreement, dated as of October 24, 2004, between International Steel Group Inc. and Ispat International Investments, S.L.
Annex D	Company Shareholder Support Agreement, dated as of October 24, 2004, among Mittal Steel Company N.V. (formerly known as Ispat International N.V.) and certain stockholders of International Steel Group Inc.
Annex E	Opinion of UBS Securities LLC
Annex F	Opinion of Goldman, Sachs & Co.
Annex G	Appraisal Rights Procedures Relating to International Steel Group Inc. Common Stock.



**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

Mittal Steel files Annual Reports on Form 20-F with, and furnishes other information under cover of a Report on Form 6-K to, the U.S. Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Prior to December 17, 2004, Mittal Steel filed with, or furnished to, the SEC documents under its former name Ispat International N.V. As a foreign private issuer, Mittal Steel is exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements and will not be required to file proxy statements with the SEC, and Mittal Steel's officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. ISG files annual, quarterly and current reports, proxy statements and other information with the SEC under the Exchange Act. You may read and copy this information at the SEC's public reference room, located at 450 Fifth Street, N.W. Room 1024 Washington, D.C. 20549.

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You may also obtain copies of this information by mail from the Public Reference Section of the SEC at the above address, at prescribed rates.

The SEC also maintains an Internet website that contains reports and other information about issuers, like Mittal Steel and ISG, who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

You can also inspect reports and other information about Mittal Steel and ISG at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

Mittal Steel filed a registration statement on Form F-4 to register with the SEC the issuance of the Mittal Steel class A common shares pursuant to the merger. This proxy statement/ prospectus is a part of that registration statement. This proxy statement/ prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement. You may obtain copies of the registration statement, including the exhibits to the registration statement, on Form F-4 (and any amendments to those documents) in the manner described above.

The SEC allows Mittal Steel and ISG to incorporate by reference information into this proxy statement/ prospectus, which means that Mittal Steel and ISG can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this proxy statement/ prospectus, except for any information superseded by information contained directly in this proxy statement/ prospectus or subsequent filings deemed incorporated by reference herein.

This proxy statement/ prospectus incorporates by reference the documents set forth below that Mittal Steel and ISG have previously filed with the SEC. These documents contain important information about Mittal Steel and ISG and their financial condition.

**Table of Contents**

MITTAL STEEL SEC FILINGS (File No. 001-14666)	Period
Annual Report on Form 20-F, as amended	Year ended December 31, 2003
The description of Mittal Steel class A common shares set forth in Mittal Steel's registration statement filed by Mittal Steel pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating any such description	Filed on July 24, 1997
The Management's Discussion and Analysis of Financial Condition and Results of Operations of Ispat International set forth in Exhibit 1.2 to Ispat International's Form 6-K	Filed on November 18, 2004
Reports on Form 6-K	Filed on:
	May 6, 2004
	August 5, 2004
	October 25, 2004 (filing regarding third quarter earnings)
	December 15, 2004
	December 17, 2004
	January 6, 2005
	January 12, 2005
ISG SEC FILINGS (File No. 001-31926)	Period
Annual Report on Form 10-K	Year ended December 31, 2003
Quarterly Reports on Form 10-Q	Quarters ended:
	September 30, 2004
	June 30, 2004
	March 31, 2004
Current Reports on Form 8-K	Filed on:
	February 23, 2004
	April 2, 2004 (filed pursuant to Items 5 and 7)
	April 13, 2004
	May 6, 2004
	June 17, 2004
	June 23, 2004
	October 7, 2004
	October 25, 2004
	October 28, 2004
	December 20, 2004
	February 1, 2005

Mittal Steel and ISG also incorporate by reference into this proxy statement/ prospectus additional documents that they may file with or furnish to the SEC from the date of this proxy statement/ prospectus to the date of the special meeting of ISG stockholders. These include reports such as Annual Reports on Form 10-K or Form 20-F, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K filed with (as opposed to furnished to) the SEC, any Reports on Form 6-K designated as being incorporated by reference into this proxy statement/ prospectus, as well as proxy statements filed by ISG.

**You should rely only on the information contained in, or incorporated by reference into, this proxy statement/ prospectus in deciding how to vote on the merger. No one has been authorized to provide you with information that is different from what is contained in, or incorporated by reference into, this proxy statement/ prospectus. This proxy statement/ prospectus is dated [February] [ ], 2005. You should not assume that the information contained in, or incorporated by reference into, this proxy statement/ prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement/ prospectus to ISG stockholders nor the issuance by Mittal Steel of Mittal Steel class A common shares in connection with the merger will create any implication to the contrary.**

**Table of Contents**

**QUESTIONS AND ANSWERS ABOUT THE ISG SPECIAL MEETING  
AND THE PROPOSED MERGER**

The following questions and answers briefly address some questions you may have regarding the special meeting of ISG stockholders and the proposed merger. These questions and answers may not address all questions that may be important to you as an ISG stockholder. Please refer to the more detailed information contained in this proxy statement/ prospectus, the annexes to this proxy statement/ prospectus and the documents referred to, or incorporated by reference in, this proxy statement/ prospectus.

***Q: What is the proposed transaction for which I am being asked to vote?***

A: The proposed transaction is the merger of ISG with a wholly owned subsidiary of Mittal Steel, Park Acquisition Corp. Assuming the closing conditions to the merger agreement are satisfied or waived, it is currently contemplated that ISG will be merged with Park Acquisition Corp., and either Park Acquisition Corp. or ISG will continue as the surviving company and as a wholly owned subsidiary of Mittal Steel.

***Q: What will the ISG stockholders receive in the merger?***

A: As consideration for each share of ISG common stock exchanged in the merger, ISG stockholders may elect to receive:

\$42.00 in cash,

a number of Mittal Steel class A common shares valued at \$42.00, subject to a restriction on the maximum and minimum number of Mittal Steel class A common shares to be issued in connection with the merger, or

a combination of cash and Mittal Steel class A common shares.

***Q: Will each ISG stockholder receive the specific amount of cash or Mittal Steel class A common shares elected?***

A: Not necessarily. The merger agreement requires that, in the aggregate, 50% of the shares of ISG common stock must be converted into cash and 50% of the shares of ISG common stock must be converted into Mittal Steel class A common shares. As such, if there is an oversubscription for cash or Mittal Steel class A common shares, a pro rata adjustment will be made to ensure that 50% of the outstanding shares of ISG common stock are converted into cash and 50% are converted into Mittal Steel class A common shares. As a result, the amounts of cash and Mittal Steel class A common shares that an ISG stockholder will receive may be different from the amounts that such ISG stockholder elects to receive. For example, if ISG stockholders owning more than 50% of the shares of ISG common stock elect to receive all cash, then the number of shares of ISG common stock converted into cash will be less than the number elected. Similarly, if ISG stockholders owning more than 50% of the shares of ISG common stock elect to receive all Mittal Steel class A common shares, then the number of shares of ISG common stock converted into Mittal Steel class A common shares will be less than the number elected.

In addition, Mittal Steel will have the option to increase the amount of Mittal Steel class A common shares to be received by ISG stockholders if necessary to allow the merger to qualify as a reorganization for U.S. federal income tax purposes.

***Q: How and when do ISG stockholders make their election?***

A: Written instructions for ISG stockholders to make elections to receive cash or Mittal Steel class A common shares or a combination of cash and Mittal Steel class A common shares are being distributed with this proxy statement/prospectus. The form of election will also be posted on ISG's website at [www.intlsteel.com](http://www.intlsteel.com). To be effective, a form of election must be received by [ ], the exchange agent for the merger, by 5:00 P.M., New York City time, on or before the third day after the effective time of the merger.

***Q: If I make an election, may I change it later?***

A: Yes, so long as the subsequent election is received before the election deadline described above. Any subsequent election will automatically cancel a prior election.

***Q: What happens if an ISG stockholder fails to make a proper election or misses the election deadline?***



A: Mittal Steel or the exchange agent has sole discretion to determine that a form of election was received after the election deadline or was

3

---

**Table of Contents**

otherwise improperly made. Any shares of ISG common stock subject to such a determination will be treated as if no election has been made with respect to such shares. Mittal Steel may, subject to certain limitations, treat any shares of ISG common stock with respect to which no election has been made (or deemed to have been made) as either cash election shares or stock election shares, in its sole discretion. Accordingly, ISG stockholders are urged to make their elections.

***Q: What is Mittal Steel and how does it relate to Ispat International N.V. and LNM Holdings N.V.?***

A: Mittal Steel was named Ispat International N.V. when it executed the merger agreement with ISG. Simultaneously with the announcement of the proposed merger with ISG, Ispat International announced that it had entered into an acquisition agreement with The Richmond Investment Holdings Limited (an entity owned by Mr. Lakshmi N. Mittal, the Chairman of the board of directors and Chief Executive Officer of Ispat International, and his wife, Mrs. Usha Mittal, who together were the controlling shareholder of the former Ispat International) to acquire LNM Holdings. Upon the completion of the acquisition of LNM Holdings on December 17, 2004, Ispat International changed its name to Mittal Steel Company N.V. LNM Holdings is now a wholly owned subsidiary of Mittal Steel. ISG stockholders who receive Mittal Steel class A common shares in the proposed merger between Mittal Steel and ISG will become stockholders in Mittal Steel, which will be comprised of Ispat International, its recently acquired subsidiary, LNM Holdings, and ISG.

***Q: When do you expect to complete the transaction?***

A: Mittal Steel and ISG are working toward completing the merger as quickly as possible, and anticipate that it will be completed before the end of the first quarter of 2005. In order to complete the merger, Mittal Steel and ISG must each obtain stockholder approval and the other closing conditions under the merger agreement must be satisfied or waived.

***Q: What vote is required by the ISG stockholders to adopt the merger agreement or adjourn the special meeting, if necessary, to solicit additional proxies?***

A: The adoption of the merger agreement and the adjournment of the special meeting, if necessary, to solicit additional proxies require the affirmative vote of a majority of the outstanding shares of ISG common stock entitled to vote and the affirmative vote of a majority of the outstanding shares of ISG common stock present (in person or by proxy) at the meeting and entitled to vote, respectively.

***Q: How does the ISG board of directors recommend that I vote?***

A: The ISG board of directors recommends that the ISG stockholders vote FOR the adoption of the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies. You should read THE MERGER ISG's Reasons for the Merger beginning on page 52 for a discussion of the factors that the ISG board of directors considered in deciding to recommend to the ISG stockholders the adoption of the merger agreement.

***Q: Who is entitled to vote?***

A: You can vote at the special meeting if you owned ISG common stock at the close of business on [February] [ ], 2005, the record date. As of the record date, there were 100,035,950 shares of ISG common stock outstanding, all of which are entitled to be voted at the special meeting. At the close of business on the record date, directors and executive officers of ISG beneficially owned, in the aggregate, approximately 9,029,000 shares of ISG common stock, representing approximately 9.0% of the shares of ISG common stock outstanding.

***Q: If my shares of ISG common stock are held in street name by my broker, will my broker vote my shares of ISG common stock for me?***

A: Yes, but only if you provide instructions to your broker on how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares of ISG common stock. Without those instructions, your shares of ISG common stock will not be voted.

***Q: What happens if I do not vote?***

A: Because the adoption of the merger agreement requires the affirmative vote of a majority of

**Table of Contents**

the outstanding shares of ISG common stock entitled to vote at the special meeting, your failure to vote will have the same effect as a vote AGAINST the adoption of the merger agreement.

***Q: May I change my vote after I have mailed my proxy card?***

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You may revoke your proxy by either:  
advising ISG's Secretary in writing or  
delivering a new proxy.

In addition, you may revoke your proxy by attending the special meeting and voting in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

If you have instructed a broker to vote your shares, the above-described options for changing your vote do not apply and instead you must follow the instructions received from your broker to change your vote.

***Q: Am I entitled to exercise any dissenters' or appraisal rights in connection with the merger?***

A: Yes, under Delaware General Corporation Law, or the DGCL, holders of ISG common stock who do not vote in favor of adopting the merger agreement will have the right to seek appraisal of the fair value of their shares as determined in accordance with the DGCL if the merger is completed, but only if they submit a written demand for an appraisal prior to the vote to adopt the merger agreement and comply with the DGCL procedures explained in this proxy statement/ prospectus. The appraisal amount could be more than, the same as or less than the amount an ISG stockholder would be entitled to receive under the terms of the merger agreement.

***Q: As an ISG stockholder, should I send in my stock certificates now?***

A: No. After the merger is completed, you will receive written instructions from the exchange agent on how to exchange your ISG stock certificates for the merger consideration. Please DO NOT send in your ISG stock certificates with your proxy or with your form of election.

***Q: Where and when is the special meeting?***

A: ISG will hold the special meeting at [time], local time, on March [ ], 2005 at [location].

***Q: What do I need to do now if I hold shares of ISG common stock?***

A: Mittal Steel and ISG urge you to read this proxy statement/ prospectus carefully, including its annexes, and consider how the merger affects you. As soon as possible after you have read this document, please complete, sign and date your proxy card and mail it in the enclosed return envelope.

***Q: Will the combined company, Mittal Steel, have a controlling shareholder?***

A: Yes, Mr. Lakshmi N. Mittal, the Chairman of the board of directors and Chief Executive Officer of Mittal Steel, and his wife, Mrs. Usha Mittal together the controlling shareholder of Mittal Steel directly and indirectly own, as of the date of this proxy statement/ prospectus, approximately [95.6]% of all Mittal Steel common shares, representing approximately [99.6]% of the combined voting power. Following the completion of the merger with ISG, the controlling shareholder will continue to directly and indirectly own shares representing a comparable percentage of the combined voting power of all the shares of the combined company, Mittal Steel.

***Q: Is the approval of Mittal Steel shareholders required for the ISG merger?***

A: Yes, Mittal Steel shareholder approval is required in order to complete the ISG merger. Mittal Steel shareholders will receive a separate document in connection with that vote and approval. Mittal Steel S.a.r.l, an entity controlled by the controlling shareholder and the record holder of approximately [83.9]% of the combined voting power of all shares of Mittal Steel's voting stock, has indicated to Mittal Steel that it intends to vote its shares in favor of the merger.

**Table of Contents**

**SUMMARY OF THE PROXY STATEMENT/ PROSPECTUS**

This summary highlights selected information in this proxy statement/ prospectus and may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which you are referred for a more complete understanding of the merger. In particular, you should read the documents attached to this proxy statement/ prospectus, including the merger agreement, which is attached as Annex A. In addition, we incorporate by reference into this proxy statement/ prospectus important business and financial information about Mittal Steel and ISG, see **WHERE YOU CAN FIND MORE INFORMATION** on page 1. We have included page references in this summary to direct you to more complete descriptions of the topics presented in this summary.

Unless otherwise indicated, as used in this proxy statement/prospectus:

**Ispat International** refers to the company formerly known as Ispat International N.V. on a stand alone basis with respect to time periods occurring prior to its recently completed acquisition of LNM Holdings N.V. and the related renaming of Ispat International as Mittal Steel Company N.V.

**LNM Holdings** refers to LNM Holdings N.V. on a stand alone basis with respect to time periods occurring prior to its acquisition by Ispat International, and as a subsidiary of Mittal Steel Company N.V. with respect to time periods occurring after its recently completed acquisition by Ispat International.

**ISG** refers to International Steel Group Inc. on a stand alone basis with respect to time periods occurring prior to the effective time of the proposed merger, and as a subsidiary of Mittal Steel Company N.V. with respect to time periods occurring after the effective time of the proposed merger.

**Mittal Steel** refers to Mittal Steel Company N.V., the company formerly known as Ispat International, on a stand alone basis with respect to time periods occurring prior to its recently completed acquisition of LNM Holdings and related renaming, the combined company of the former Ispat International and LNM Holdings with respect to time periods occurring after the recent completion of the acquisition of LNM Holdings and prior to the effective time of the proposed merger, and the combined company of the former Ispat International, LNM Holdings and ISG with respect to time periods occurring after the effective time of the proposed merger. **Mittal Steel (including LNM Holdings)** refers to Ispat International and LNM Holdings on a combined basis, including with respect to time periods prior to Ispat International's acquisition of LNM Holdings.

**Information about Mittal Steel (Page 135) and Park Acquisition Corp.**

Mittal Steel Company N.V.

Hofplein 20, 15<sup>th</sup> Floor  
3032 AC Rotterdam  
The Netherlands  
+31 10 217 8800

Mittal Steel is one of the world's largest steel producers<sup>1</sup> with steel-making operations in fourteen countries. Mittal Steel's operating philosophy embraces both integrated and mini-mill processes for steel-making. Mittal Steel's steel shipments have increased from 1.5 million tons in 1992 to 27.4 million tons (including LNM Holdings) in 2003. In fiscal year 2003, Mittal Steel (including LNM Holdings) consolidated sales, operating income and net income were \$9,567 million, \$1,299 million and \$1,182 million, respectively. For the nine months ended September 30, 2004, the consolidated sales, operating income and net income of Mittal Steel (including LNM Holdings) were \$16,019 million, \$4,419 million and \$3,147 million, respectively.

---

<sup>1</sup> Source: International Iron and Steel Institute Report, *World Steel in Figures 2004*.

**Table of Contents**

Park Acquisition Corp.

c/o Corporation Service Company  
2711 Centerville Road, Suite 400  
Wilmington, Delaware

Park Acquisition Corp. is a Delaware corporation and a wholly owned subsidiary of Mittal Steel created solely for the purpose of entering into the transactions contemplated under the merger agreement. Park Acquisition Corp. has not conducted any activities other than those incidental to its formation and the entering into of the merger agreement.

**Information about ISG (Page 161)**

International Steel Group Inc.

4020 Kinross Lakes Parkway  
Richfield, Ohio 44286-9000  
(330) 659-9100

ISG is one of the largest integrated steel producers in North America<sup>2</sup> with annual raw steel production capability of about 23 million net tons. ISG ships a variety of steel products from 13 major steel producing and finishing facilities in eight states. ISG has grown by acquiring out of bankruptcy the steel-making assets of LTV Steel Company Inc., or LTV, Acme Steel Company, or Acme, Bethlehem Steel Corporation, or Bethlehem, Weirton Steel Corporation, or Weirton, and Georgetown Steel Corporation, or Georgetown. For the nine months ended September 30, 2004, net sales, income from operations and net income were \$6,462.4 million, \$556.4 million and \$421.4 million, respectively.

**The Merger (Page 47)**

In the merger, ISG will merge with Park Acquisition Corp., a wholly owned subsidiary of Mittal Steel, and either Park Acquisition Corp. or ISG will continue as the surviving company and as a wholly owned subsidiary of Mittal Steel.

**Merger Consideration (Page 82)**

As consideration for each share of ISG common stock exchanged in the merger, ISG stockholders may elect to receive:

\$42.00 in cash;

a number of Mittal Steel class A common shares valued at \$42.00, subject to a restriction on both the maximum and minimum number of Mittal Steel class A common shares to be issued in connection with the merger; or

a combination of cash and Mittal Steel class A common shares.

The number of Mittal Steel class A common shares to be exchanged for each share of ISG common stock will be based on an exchange ratio equal to the average closing price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days prior to the effective time of the merger. The maximum and minimum number of Mittal Steel class A common shares to be issued in connection with the merger limit the variation in the exchange ratio so that if the average trading price of Mittal Steel class A common shares is:

equal to or greater than the minimum of approximately \$34.50 per share and equal to or less than the maximum of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for an amount of Mittal Steel class A common shares equal to \$42.00 in average closing prices over the measurement period;

---

<sup>2</sup> Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

**Table of Contents**

less than the minimum of approximately \$34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Mittal Steel class A common shares, regardless of the value of those shares; or

greater than the maximum of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Mittal Steel class A common shares, regardless of the value of those shares.

Under the merger agreement, 50% of the issued and outstanding shares of ISG common stock must be exchanged for cash, and the other 50% must be exchanged for Mittal Steel class A common shares.

As a result, the number of Mittal Steel class A common shares ISG stockholders receive in the merger will depend on the market prices for Mittal Steel class A common shares during the measurement period prior to the merger. ISG stockholders should therefore review these prices prior to making a decision on the merger or as to which election to make. The portion of the merger consideration payable in cash will not fluctuate from \$42.00 per share of ISG common stock.

The total number of Mittal Steel class A common shares that will be issued as merger consideration in the merger, will be between approximately 47,949,732 shares and 60,891,883 shares (assuming that 100,035,950 shares of ISG common stock are issued and outstanding at the effective time of the merger and 50% of such shares are converted into Mittal Steel class A common shares).

The following table illustrates the number of Mittal Steel class A common shares that may be issued in the merger, using a range of illustrative values for the average closing price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days prior to the effective time of the merger. Please refer to MARKET DATA beginning on page 242 for historical data on the share price of Mittal Steel class A common shares.

Illustrative Values for the Average Closing Price of Mittal Steel Class A Common Shares	Indicative Exchange Ratio	Approximate Number of Mittal Steel Class A Common Shares to be Issued in the Merger
Less than \$34.50(1)	1.21740(2)	60,891,883(2)
\$34.50(1)	1.21740	60,891,883
\$36.83	1.140	57,020,492
\$39.16	1.073	53,669,287
\$41.48	1.013	50,668,209
\$42.00	1.000	50,017,975
\$43.81(1)	0.95865	47,949,732
Greater than \$43.81(1)	0.95865	47,949,732

(1) Rounded to the nearest cent.

(2) Assumes Mittal Steel does not exercise its option in certain circumstance to increase the amount of stock consideration, as further described under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure , beginning on page 83.

**Recommendation of the ISG Board of Directors (Page 51)**

The ISG board of directors:

has determined unanimously that the merger is fair to, and in the best interests of, ISG and its stockholders;

has approved and declared advisable the merger agreement; and

**Table of Contents**

unanimously recommends that you vote or give instructions to vote FOR the proposal to adopt the merger agreement and FOR the proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies.

**Opinions of ISG's Financial Advisors (Page 56)**

UBS Securities LLC, or UBS, and Goldman, Sachs & Co., or Goldman Sachs, ISG's financial advisors, each rendered its opinion, dated October 24, 2004, to the ISG board of directors that, based upon and subject to the factors, assumptions and procedures set forth therein, it is UBS' and Goldman Sachs' opinion that as of October 24, 2004, the consideration to be received by the holders of ISG common stock in the merger, taken in the aggregate, is fair from a financial point of view to such holders.

The full text of the written opinions of UBS and Goldman Sachs, each dated October 24, 2004, which set forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with each opinion, are attached as Annexes E and F, respectively, to this document. UBS and Goldman Sachs each provided its opinion for the information and assistance of the ISG board of directors in connection with its consideration of the transaction contemplated by the merger agreement. The UBS and Goldman Sachs opinions are not recommendations as to how any holder of shares of ISG common stock should vote or make any election with respect to the transaction contemplated by the merger agreement. ISG stockholders are urged to read these opinions carefully and in their entirety.

**Conditions of the Merger (Page 97)**

Before the merger can be completed, a number of conditions must be satisfied, including:

the closing of the acquisition of LNM Holdings;

the registration statement, of which this proxy statement/ prospectus forms a part, having been declared effective by the SEC;

the receipt of ISG stockholder approval for the merger;

the receipt of Mittal Steel shareholder approval for the merger;

the Mittal Steel class A common shares to be issued in the merger having been authorized for listing on the New York Stock Exchange and Euronext Amsterdam, subject to notice of issuance;

the absence of any governmental orders that have the effect of making the merger illegal or that otherwise prohibit the closing of the merger;

that the representations and warranties of each party are true and correct (without regard to materiality or material adverse effect qualifications), except where the failure of the party's representations and warranties to be true and correct (without regard to materiality or material adverse effect qualifications) would not reasonably be expected to have a material adverse effect on the party and its subsidiaries, taken as a whole;

the performance in all material respects by each party of its covenants and agreements in the merger agreement;

the receipt by each of ISG and Mittal Steel of an opinion of counsel regarding the tax treatment of the merger if structured as a forward-subsiary merger or the receipt by ISG of an opinion of counsel regarding the tax treatment of the merger if structured as a reverse-subsiary merger; and

the expiration (or termination) of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, and receipt of applicable approvals of any other jurisdictions.

The parties currently believe that all regulatory merger approvals required prior to completing the merger have been received. These include the merger clearance decision required under German Law which has been issued and notice of the early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. In addition, the acquisition of LNM Holdings was completed on December 17, 2004.

## **Table of Contents**

The parties expect to complete the merger shortly after receiving the required approvals of the ISG stockholders at the ISG special meeting and the Mittal Steel shareholders at the Mittal Steel extraordinary meeting, subject to satisfaction or waiver of all remaining conditions of the merger.

### **Termination of the Merger Agreement (Page 99)**

ISG and Mittal Steel may agree in writing to terminate the merger agreement at any time prior to the effective time of the merger without completing the merger, even after the ISG stockholders and /or the Mittal Steel shareholders have adopted the merger agreement. The merger agreement may also be terminated at any time prior to the effective time of the merger in certain other circumstances, including:

by either ISG or Mittal Steel if:

the closing has not occurred on or before April 30, 2005 (which date may be extended at the written request of either ISG or Mittal Steel for up to an additional 60 days to the extent necessary to satisfy the condition to the merger related to antitrust approvals so long as all other conditions have been or are then capable of being satisfied), so long as the failure to complete the merger is not the result of the failure of the terminating party to comply with the terms of the merger agreement;

the merger agreement fails to receive the requisite vote for adoption at the ISG special stockholders meeting or the Mittal Steel shareholders meeting;

there is a breach by the non-terminating party of its representations, warranties, covenants or agreements in the merger agreement such that the closing conditions would not be satisfied, which breach has not been cured within 45 days; or

any governmental authority in the United States or The Netherlands has enacted or entered any injunction or other ruling or takes any other action which has the effect of making the merger illegal or otherwise preventing or prohibiting completion of the merger;

by Mittal Steel if,

the ISG board of directors has (i) recommended a *Competing Transaction*, as more fully described in *THE MERGER AGREEMENT Additional Agreements No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 92, or entered into an agreement relating to a *Competing Transaction*, (ii) failed to include its recommendation in favor of the merger in the proxy statement relating to the merger, (iii) failed to reaffirm its recommendation in favor of the merger within five business days after Mittal Steel requests in writing such reaffirmation, or (iv) failed to recommend against or takes no position with respect to a tender offer or exchange offer (if any) for 30% or more of the outstanding shares of ISG capital stock within ten business days after such offer is commenced; or

(i) the parties are unable to complete the forward subsidiary merger in a manner that would qualify as a tax free reorganization within the meaning of Section 368(a) of the Internal Revenue Code or to complete a reverse subsidiary merger, in a manner that would, taken together with the acquisition of LNM Holdings, qualify as transfers of property by The Richmond Investment Holdings Limited and each of the stockholders of ISG within the meaning of Section 351(a) of the Internal Revenue Code, (ii) all conditions to completion of the merger other than the receipt of the required tax opinion(s) related to such tax treatment have been satisfied or waived and (iii) ISG has failed to consent to proceed with completion of the transaction as a taxable reverse subsidiary merger within five business days following notice by Mittal Steel to ISG that it intends to proceed to complete the merger on a taxable basis;

by ISG if,

prior to the ISG special stockholders meeting, ISG received a superior proposal, as more fully described in *THE MERGER AGREEMENT Additional Agreements No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 92, in accordance with the terms of the merger agreement, but only after ISG has provided Mittal Steel a three-business-day period to make an offer that is at least as favorable as the superior proposal.



**Table of Contents**

**Fees and Expenses (Page 101)**

Under certain circumstances, in connection with termination of the merger agreement, ISG will be required to pay Mittal Steel a fee of \$130 million and, in certain other circumstances, reimburse Mittal Steel for certain expenses incurred in connection with the merger up to \$10 million. In certain other circumstances, Mittal Steel is required to reimburse ISG for certain expenses of ISG incurred in connection with the merger up to \$10 million.

**No Solicitation of Transactions (Page 92)**

The merger agreement contains customary restrictions on the ability of ISG to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving ISG. Notwithstanding these restrictions, the ISG board of directors may respond to an unsolicited written bona fide proposal for a competing transaction or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal.

**Richmond Support Letter Agreement (Page 105)**

In connection with Mittal Steel entering into the merger agreement, at the request of ISG, The Richmond Investment Holdings Limited (an entity owned by Mr. Lakshmi Mittal, the Chairman of the board of directors and Chief Executive Officer of Mittal Steel, and his wife, Mrs. Usha Mittal, who together are the controlling shareholder of Mittal Steel), at the time the sole shareholder of LNM Holdings, made certain representations and warranties to ISG as of the date of the Richmond support letter agreement with respect to LNM Holdings and the LNM Holdings acquisition agreement and provided ISG with certain rights to conduct due diligence with respect to LNM Holdings between October 24, 2004 and the effective time of the merger.

In addition, pursuant to the Richmond support letter agreement, The Richmond Investment Holdings Limited agreed that from the date of the Richmond support letter agreement to the earlier of the termination of the merger agreement and the completion of the acquisition of LNM Holdings by Ispat International, The Richmond Investment Holdings Limited will cause LNM Holdings not to declare any dividends or distributions with respect to the shares of LNM Holdings or repurchase any of such shares, except for the payment of dividends permitted or otherwise contemplated by the LNM Holdings acquisition agreement. As described above, the acquisition of LNM Holdings was completed on December 17, 2004. The LNM Holdings acquisition agreement specifically permits LNM Holdings to pay a \$2 billion dividend to its then sole shareholder, which dividend was previously declared on October 11, 2004. LNM Holdings made a dividend payment of \$350 million in December 2004 to The Richmond Investment Holdings Limited and has indicated that it intends to pay the balance of this dividend to The Richmond Investment Holdings Limited in the first quarter of 2005.

**Parent Shareholder Support Agreement (Page 107)**

In connection with Mittal Steel entering into the merger agreement, at the request of ISG, Ispat International Investments, S.L. entered into a parent shareholder support agreement with ISG. The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L. will vote all of its Mittal Steel class A common shares and Mittal Steel class B common shares in favor of approval of the merger agreement. Ispat International Investments, S.L. owns 26,100,000 Mittal Steel class A common shares and 72,150,000 Mittal Steel class B common shares, representing approximately [15.7]% of the combined voting power of all shares of Mittal Steel's voting stock as of the date of this proxy statement/prospectus.

**Company Shareholder Support Agreement (Page 109)**

In connection with ISG entering into the merger agreement, Wilbur L. Ross, Chairman of the ISG board of directors, and certain affiliates of Mr. Ross and Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, entered into a company shareholder support agreement

## **Table of Contents**

required by Mittal Steel in connection with its entering into the merger agreement. Among other things, this agreement provides that they will each vote all of the shares of ISG common stock they own in favor of the adoption of the merger agreement. Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott beneficially own 6.9% and 1.4%, respectively, of the shares of ISG common stock outstanding as of the record date. This covenant terminates automatically if the merger agreement is terminated, regardless of the circumstances. In addition, the ISG stockholder parties granted an irrevocable option to Mittal Steel to purchase each such stockholder's shares of ISG common stock at \$38.50 per share. Mittal Steel paid the grantors of these options \$3.50 per option share, which amount will be credited against the merger consideration receivable by the grantors in the merger. The option becomes exercisable under certain circumstances upon the termination of the merger agreement, but expires on April 30, 2005.

### **Directors and Senior Management Following the Merger (Page 113)**

Following the merger, the directors and senior management of Mittal Steel are expected to include (among others) the following individuals:

Mr. Lakshmi N. Mittal will serve as Chairman and Chief Executive Officer;

Mr. Aditya Mittal will serve as President and Group Chief Financial Officer;

Mr. Wilbur L. Ross will join Mittal Steel's board of directors; and

Mr. Rodney B. Mott will become the Chief Executive Officer of Mittal Steel's combined U.S. operations.

The merger agreement and related documentation do not guarantee that Mr. Ross or Mr. Mott will serve in these roles with Mittal Steel as a director of Mittal Steel for any specified period after the merger. It is also expected that Mr. Ross and Mr. Mott will join the board of directors of Mittal Steel's U.S. subsidiary after the merger.

### **Interest of Certain Persons in the Merger (Page 128)**

In considering the recommendation of the ISG board of directors to vote for the adoption of the merger agreement, ISG stockholders should be aware that certain members of the ISG board of directors and executive officers of ISG may have interests in the merger that differ from, or are in addition to, their interests as ISG stockholders. The ISG board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. A summary of these interests, in addition to the interests arising out of the company shareholder support agreement and the expected roles in Mittal Steel's management described in the preceding two sections, is set forth below.

The merger agreement requires the surviving company in the merger to indemnify ISG directors and officers, to honor indemnification in favor of ISG's directors and officers in ISG's Certificate of Incorporation, Bylaws and agreements with directors and officers and to maintain director and officer liability insurance.

The merger agreement provides that all ISG stock options will be cancelled at the effective time of the merger and the holders of ISG stock options, including ISG executive officers, will receive an amount in cash equal to the difference between \$42.00 per share and the applicable per share exercise price of the relevant option. As of the date of this proxy statement/prospectus, executive officers of ISG own options to purchase 3,003,330 shares of ISG common stock, 268,875 of which are currently exercisable. Many of these options were granted during 2002, around the time ISG was founded, at exercise prices that are now substantially below current market prices for shares of ISG common stock.

**Table of Contents**

The pre-tax amounts payable to ISG's executive officers at the closing of the merger for cancellation of these options are:

ISG Executive Officer	Title	Amount Payable (amounts in millions)
Rodney B. Mott	President, Chief Executive Officer and Director	\$60.1
Leonard M. Anthony	Chief Financial Officer and Treasurer	2.4
Lonnie A. Arnett	Vice President, Controller and Chief Accounting Officer	0.5
V. John Goodwin	Chief Operating Officer	2.4
Carlos M. Hernandez	General Counsel and Secretary	0.5
Jerome V. Nelson	Vice President, Sales and Marketing	16.7
Karen A. Smith	Vice President, Human Resources	3.0
Gordon C. Spelich	Vice President, Business Development	15.5

The merger agreement contemplates that on or prior to December 31, 2004, ISG will pay to each participant in the ISG officer cash and stock bonus plan the participant's earned bonus for the fiscal year ending December 31, 2004. The amounts payable under the plan did not change and ISG would have accrued such amounts as compensation expense in 2004 in any event. ISG paid these bonuses on December 20, 2004. In addition, bonuses accrued under the ISG officer cash and stock bonus plan for the period from January 1, 2005 through the merger closing date will be paid at the closing.

The merger agreement provides that, following the completion of the merger, Mittal Steel will cause the surviving corporation of the merger and its subsidiaries to honor all existing ISG contracts, agreements, arrangements, policies, plans and commitments in effect applying to any current or former employees or directors of ISG or its subsidiaries. Messrs. Mott, Goodwin, Anthony and Nelson are each parties to an employment agreement with ISG, and Mr. Hernandez is a party to a letter agreement with ISG, each entered into before the commencement of discussions relating to the possible merger. In connection with such employment agreements:

the employment agreements and Mr. Hernandez's letter agreement provide that, in the case of a termination of employment by ISG without cause or a termination of employment by the ISG executive for good reason, each ISG executive other than Mr. Mott would be entitled to a severance payment equal to two times his usual base salary and bonus compensation (using the average bonus over the past three years or if he was employed for less than three years, such shorter period), or three times his usual base salary and bonus in the case of Mr. Mott;

Messrs. Mott and Hernandez are entitled to gross-up payments in the event that any payments in conjunction with the merger trigger U.S. federal 20% excise taxes imposed in respect of certain change-in-control payments;

Mr. Goodwin's and Mr. Mott's employment agreement each provide, in connection with certain terminations of employment, for the provision of continued medical benefits for each employee and his dependents until Messrs. Goodwin or Mott reach 65 years of age; and

the estimated value of the severance benefits, excluding the value of executive perquisite coverage or the excise tax gross-up payment, payable to Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson, assuming a qualified termination has occurred, would be approximately \$1.9 million, \$2.0 million, \$1.9 million, \$6.5 million and \$1.4 million, respectively.

ISG's executive severance pay plan provides officers of ISG certain benefits following a termination of employment, consisting of cash payments and continuation of certain benefits for a period of six to twenty-four

**Table of Contents**

months. Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson are not participants in the executive severance pay plan. Mr. Arnett, Ms. Smith and Mr. Spelich, among others, are participants in the plan. If the employment of any of these ISG executives is terminated involuntarily without cause, voluntarily for good reason or involuntarily for any reason within six months of a change-in-control and the termination is in connection with the merger, these benefits are enhanced to include a bonus payment equal to the average bonus amounts paid with respect to the previous three calendar years (or, if employed for less than three years, the shorter period) and an additional lump sum cash payment equal to six months of salary. This severance amount may not exceed twice the ISG officer's annual compensation during the year immediately preceding termination of employment with ISG (or, if employed for less than one year, the year of termination).

The estimated value of the severance benefits payable to Mr. Arnett, Ms. Smith and Mr. Spelich, assuming a qualifying termination occurs in connection with the merger, would be approximately \$800,000, \$700,000 and \$900,000, respectively.

**Accounting Treatment and Considerations (Page 67)**

Mittal Steel will account for the merger as a purchase for financial reporting purposes.

**Material U.S. Federal Income Tax Consequences of the Merger to ISG Stockholders (Page 67)**

The U.S. federal income tax consequences of the merger to an ISG stockholder will depend on the form of consideration received by such stockholder in the merger. An ISG stockholder that receives solely Mittal Steel class A common shares in exchange for such stockholder's ISG common stock will not recognize any gain or loss for U.S. federal income tax purposes (except with respect to cash received instead of fractional shares). An ISG stockholder who receives part cash and part Mittal Steel class A common shares, and who has an adjusted tax basis in ISG common stock that is less than the sum of the amount of cash and the fair market value (as of the date of the merger) of the Mittal Steel class A common shares received in the merger, will recognize a gain equal to the amount of such difference or, if less, the amount of cash received in the merger. However, if an ISG stockholder's adjusted tax basis in ISG common stock is greater than the sum of the amount of cash and the fair market value (as of the date of the merger) of the Mittal Steel class A common shares received for the ISG common stock, the resulting loss will not currently be allowed for U.S. federal income tax purposes. If an ISG stockholder receives solely cash, gain or loss generally will be recognized by such stockholder to the extent of the difference between the amount of cash received and such stockholder's adjusted tax basis in such stockholder's ISG common stock.

The consequences described above assume that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that Section 367(a)(1) of the Internal Revenue Code does not apply to the receipt of Mittal Steel class A common shares by the ISG stockholders. The same U.S. federal income tax consequences generally will apply to ISG stockholders in the event Mittal Steel effects the merger pursuant to a reverse-subsidary merger which, together with the recently completed acquisition of the shares of LNM Holdings, qualifies as transfers of property described in Section 351(a) of the Internal Revenue Code. Completion of the merger is conditioned on receipt of certain tax opinions as described below under THE MERGER Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares Received by ISG Stockholders beginning on page 67.

THE TAX CONSEQUENCES OF THE MERGER TO AN ISG STOCKHOLDER WILL DEPEND ON EACH STOCKHOLDER'S INDIVIDUAL SITUATION. ISG STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER.

**Table of Contents**

**Material Dutch Tax Consequences of the Merger to Dutch Resident ISG Stockholders (Page 74)**

Under Dutch tax laws the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares will not qualify as a tax free merger. Consequently, any capital gain that may be realized upon the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares by individuals and corporate entities who are resident or deemed to be resident in The Netherlands for Dutch tax purposes, or Dutch resident individuals and Dutch resident entities may be subject to Dutch income or corporate income tax. For Dutch resident individuals any such capital gain will generally not be subject to tax, provided that the Mittal Steel class A common shares are not attributable to an enterprise from which such individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder and such individual does not have an actual or deemed substantial interest (statutorily defined term; see page 77 for a further description) in Mittal Steel. For Dutch resident entities a capital gain will generally not be subject to tax if such entity is a qualifying Dutch pension fund or Dutch resident investment fund (*fiscale beleggingsinstelling*) or if the Dutch participation exemption applies to the Mittal Steel class A common shares. Please see the section THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares to ISG Stockholders beginning on page 74 for a more detailed description of the taxation of Dutch resident individual and corporate shareholders.

THE TAX CONSEQUENCES OF THE MERGER TO A DUTCH RESIDENT ISG STOCKHOLDER WILL DEPEND ON THE STOCKHOLDER'S OWN SITUATION. ISG STOCKHOLDERS SHOULD CONSULT THEIR OWN ADVISORS FOR A FULL UNDERSTANDING OF THE TAX CONSEQUENCES OF THE MERGER.

**Dissenters Rights of Appraisal (Page 80 and Annex G)**

The DGCL provides ISG stockholders with appraisal rights in connection with the merger. This means that ISG stockholders are entitled to have the value of their common stock determined by the Delaware Chancery Court and to receive payment based on that valuation. The ultimate amount an ISG stockholder receives as a dissenting stockholder in an appraisal proceeding may be more or less than or the same as they would have otherwise received as consideration under the merger agreement.

To exercise appraisal rights, an ISG stockholder must deliver a written objection to the merger to ISG at or before the vote on the adoption of the merger agreement at the special meeting and such ISG stockholder must not vote in favor of the adoption of the merger agreement. Failure to follow exactly the procedures specified under the DGCL will result in the loss of such appraisal rights.

A copy of Section 262 of the DGCL governing the exercise of appraisal rights is attached to this proxy statement/prospectus as Annex G.

**Listing of Mittal Steel's Class A Common Shares (Page 80)**

Mittal Steel's class A common shares are listed on the New York Stock Exchange, Mittal Steel's principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol MT. In accordance with the terms of the merger agreement, Mittal Steel will make an application to list on the New York Stock Exchange and Euronext Amsterdam the Mittal Steel class A common shares that Mittal Steel will issue as consideration in the merger, subject to notice of issuance.

**Comparison of Rights of Shareholders under Delaware Law and Dutch Law (Page 228)**

ISG is organized under the laws of the State of Delaware while Mittal Steel is organized under the laws of The Netherlands. Therefore, your rights as a shareholder of Mittal Steel will be governed by Dutch law and by Mittal Steel's Articles of Association. These rights differ in certain respects from the current rights of ISG stockholders, which are governed by Delaware law and by ISG's Certificate of Incorporation and Bylaws. In

**Table of Contents**

addition, Mittal Steel class A common shares entitle the holder to one vote per share, while Mittal Steel class B common shares entitle the holder to ten votes per share, on all matters submitted to a vote of Mittal Steel shareholders. Immediately following the completion of the merger, the former ISG stockholders, on a fully diluted basis, will own approximately 7% to 9% of the common shares of Mittal Steel, representing approximately 1% to 1.3% of the combined voting power of Mittal Steel.

**Table of Contents****ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA**

The following table presents selected consolidated financial information of Ispat International for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 derived from Ispat International's consolidated financial statements and related notes. This selected historical financial information should be read in conjunction with the respective audited and unaudited consolidated financial statements of Ispat International, including the notes thereto, beginning on page F-22.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(All amounts in \$ millions except per share and quantity information)							
<b>Statement of Income Data:</b>							
Sales(1)	\$4,898	\$5,343	\$4,486	\$4,889	\$5,441	\$4,032	\$6,320
Cost of sales (exclusive of depreciation)	4,270	4,670	4,273	4,356	4,943	3,645	4,794
Gross profit (before deducting depreciation)	628	673	213	533	498	387	1,526
Depreciation	164	177	177	177	183	136	147
Selling, general and administrative expenses	156	181	155	152	164	122	136
Other operating expenses			75	62			
Operating income/(loss)	308	315	(194)	142	151	129	1,243
Other income (expense) net(2)	15	23	13	44	53	32	43
Financing costs:							
Net interest expenses	(184)	(216)	(228)	(203)	(151)	(116)	(130)
Net gain/(loss) from foreign exchange and monetary positions	(11)		(9)	23	4	3	2
Income/(loss) before taxes(2)	128	122	(418)	6	57	48	1,158
Net income/(loss)	85	99	(312)	49	66	55	887
Basic and diluted earnings/(loss) per common share(3)	0.71	0.82	(2.58)	0.40	0.53	0.44	7.51
Cash dividends per common share(4)	0.15	0.15					

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
(All amounts in \$ millions except margin and quantity information)							
<b>Other Data:</b>							
Net cash provided by operating activities	\$ 599	\$ 381	\$ 22	\$ 138	\$ 189	\$ 113	\$ 686
Net cash used in investing activities	(184)	(195)	(35)	(80)	(124)	(94)	(37)
Net cash used by financing activities	(432)	(139)	(118)	(71)	(63)	(29)	(559)
Capital expenditures	(214)	(184)	(97)	(108)	(164)	(135)	(93)
Gross margin (as percentage of Sales)	12.82%	12.60%	4.75%	10.90%	9.15%	9.60%	24.15%
Operating margin (as percentage of Sales)	6.29%	5.90%	(4.32)%	2.90%	2.78%	3.20%	19.67%
Total production of direct reduced iron (thousand tonnes)	6,353	6,872	4,918	5,893	7,202	5,345	5,995
Total shipments of steel products (thousand tons)	15,430	16,356	14,118	15,037	15,162	11,374	12,389





**Table of Contents**

	At December 31,					At September 30,	
	1999	2000	2001	2002	2003	2003	2004
(All amounts in \$ millions)							
<b>Balance Sheet Data:</b>							
Cash and cash equivalents, including short-term investments	\$ 317	\$ 292	\$ 85	\$ 77	\$ 80	\$ 71	\$ 170
Property, plant and equipment net	3,333	3,299	3,109	3,035	3,091	3,087	3,030
Total assets	5,966	5,978	5,313	5,512	5,635	5,523	6,244
Payable to banks and current portion of long-term debt	457	391	338	262	363	391	394
Long-term debt	2,184	2,124	2,041	2,022	1,914	1,901	1,370
Shareholders equity	854	884	338	128	149	210	1,008

- (1) In 2001, Ispat International adopted EITF 00-10 (issued by the FASB Emerging Issues Task Force) which requires the inclusion of all shipping and handling fees and costs billed to customers in the Sales figure as well as in Cost of Sales. Ispat International accordingly recast prior period numbers for 1999 and 2000 to reflect the same. In the above, the Sales are inclusive of shipping and handling fees and costs; and Sales and Cost of Sales for 1999, 2000, 2001, 2002 and 2003 are based on the EITF 00-10 methodology. The application of EITF 00-10 does not affect earnings, as it only involves inclusion of shipping and handling fees and costs in both Sales and Cost of Sales. A reconciliation of Sales and Net Sales is given below:

	Year Ended December 31,				
	1999	2000	2001	2002	2003
(All amounts in \$ millions)					
Sales	\$ 4,898	\$ 5,343	\$ 4,486	\$ 4,889	\$ 5,441
Less: Freight and handling costs	218	246	208	243	247
Net Sales	4,680	5,097	4,278	4,646	5,194

- (2) During the first quarter of 2003, Ispat International purchased \$22 million (\$39 million in first quarter of 2002) of its own bonds at discounts from face value. As a result of these purchases, Ispat International recognized a gain of \$13 million net of tax (\$19 million net of tax in 2002) in Other income. In accordance with adoption of Statement of Financial Accounting Standard No. 145, Rescission of FASB Statements 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections ( SFAS 145 ), by Ispat International as of January 1, 2003, gain or loss on extinguishments of debt that was previously classified as an extraordinary item in prior periods was reclassified and included within Other (income) expense, net on Ispat International's income statement.
- (3) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented.
- (4) Dividends are presented on a cash basis.

**Table of Contents**

- (5) Subsequent to the issuance of the consolidated financial statements for the period ended December 31, 2003, Ispat International determined that it should have eliminated the gains on the early extinguishment of debt in computing 2002 and 2001 Cash flows provided from operating activities rather than being reported as part of Ispat International's Cash flow used by financing activities. Additionally, in 2001, a non-cash equity investment was included in Cash flows from operating activities and investing activities, rather than being excluded from the statement of Cash flows and disclosed as a non-cash investment. A restatement of the consolidated financial statements was reflected in Ispat International's Form 20-F/ A, dated August 9, 2004.

	As Previously Reported	As Restated Year Ended December 31, 2002
(All amounts in \$ millions)		
<b>Year Ended December 31, 2002</b>		
Cash flows provided by operating activities	\$ 168	\$ 138
Cash flows used in financing activities	(101)	(71)
<b>Year Ended December 31, 2001</b>		
Cash flows provided by operating activities	40	22
Cash flows used in investing activities	(48)	(35)
Cash flows used in financing activities	(123)	(118)

**Table of Contents****ISG SELECTED HISTORICAL FINANCIAL DATA**

The following selected financial data of ISG presented below under the caption **Statement of Operations Data** for the period from inception (February 22, 2002) through December 31, 2002, the year ended December 31, 2003 and the nine months ended September 27, 2003 and September 30, 2004, and under the caption **Balance Sheet Data** as of December 31, 2002, December 31, 2003, September 27, 2003 and September 30, 2004, are derived from ISG's consolidated financial statements and related notes. In each period presented below, ISG completed a substantial acquisition. Period-to-period comparisons have to take these transactions into account. This selected historical financial information should be read in conjunction with the respective audited and unaudited consolidated financial statements of ISG, including the notes thereto, beginning on page F-350.

	<b>Period from Inception (February 22, 2002) Through December 31, 2002</b>	<b>Year Ended December 31, 2003</b>	<b>Nine Months Ended September 27, 2003</b>	<b>Nine Months Ended September 30, 2004</b>
<b>(All amounts in \$ millions except per share information and quantity information)</b>				
<b>Statement of Operations Data:</b>				
Net sales	\$933.1	\$4,070.0	\$2,651.7	\$6,462.4
Costs and expenses				
Costs of sales	755.3	3,836.9	2,559.2	5,633.2
Marketing, administrative and other expenses	50.2	153.6	96.7	174.5
Depreciation and amortization	11.0	76.0	45.5	98.3
<b>Total costs and expenses</b>	<b>816.5</b>	<b>4,066.5</b>	<b>2,701.4</b>	<b>5,906.0</b>
Income (loss) from operations	116.6	3.5	(49.7)	556.4
Interest and other financing expense, net	2.6	50.9	30.7	48.1
Income (loss) before income taxes	114.0	(47.4)	(80.4)	508.3
Provision (benefit) for income taxes	45.9	(23.9)	(32.0)	86.9
<b>Net income (loss)</b>	<b>68.1</b>	<b>(23.5)</b>	<b>(48.4)</b>	<b>421.4</b>
Deemed dividend on conversion of Class B common stock(1)		(73.6)		
<b>Net income (loss) applicable to common stock</b>	<b>\$ 68.1</b>	<b>\$ (97.1)</b>	<b>\$ (48.4)</b>	<b>\$ 421.4</b>
<b>Income (loss) per common share:</b>				
Basic	\$ 1.02	\$ (1.26)	\$ (0.66)	\$ 4.29
Diluted	\$ 0.99	\$ (1.26)	\$ (0.66)	\$ 4.15
<b>Weighted average number of shares of common stock outstanding used in calculating income per share</b>				
Basic	66.5	77.1	73.4	98.3
Diluted	68.9	77.1	73.4	101.8
<b>Balance Sheet Data (at end of period):</b>				
Cash and cash equivalents	\$ 9.8	\$ 193.6	\$ 48.3	\$ 603.7
Working capital	160.2	875.9	761.6	1,363.3
Property, plant, and equipment, net	244.8	861.9	816.0	1,022.5
<b>Total assets</b>	<b>668.1</b>	<b>2,635.0</b>	<b>2,409.7</b>	<b>3,921.1</b>
Total debt and capital lease obligations (including current portion)	69.5	622.3	983.3	867.9

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Total liabilities	363.9	1,685.8	1,981.4	2,523.6
Stockholders' equity	304.2	949.2	428.3	1,397.5

---

- (1) Upon completion of ISG's initial public offering in December 2003, all outstanding shares of ISG class B common stock automatically converted into 8,759,929 shares of ISG common stock at the \$28.00 per share price of the public offering. The conversion of ISG class B common stock resulted in a one-time non-cash deemed dividend to the holders of ISG class B common stock of \$73.6 million.

**Table of Contents****SELECTED COMBINED FINANCIAL DATA FOR  
MITTAL STEEL**

The following table presents selected combined financial information of Mittal Steel (including LNM Holdings) for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and September 30, 2004. This selected combined financial information should be read in conjunction with the respective audited and unaudited combined financial statements of Mittal Steel, including the notes thereto, beginning on page F-201.

	Year Ended December 31,					Nine Months Ended September 30,	Nine Months Ended September 30,
	1999	2000	2001	2002	2003	2003	2004
(All amounts in \$ millions except per share information)							
<b>Statement of Income Data:</b>							
Sales	\$5,551	\$6,274	\$5,423	\$7,080	\$9,567	\$7,119	\$16,019
Cost of sales (exclusive of depreciation)	5,746	5,180	4,952	5,752	7,568	5,598	10,677
Gross profit (before deducting depreciation)	805	1,094	471	1,328	1,999	1,521	5,342
Depreciation	214	240	229	266	331	242	411
Selling, general and administrative expenses	200	231	204	298	369	260	512
Other operating expenses			75	62			
Operating income/(loss)	391	623	(37)	702	1,299	1,019	4,419
Other income (expense) net	13	24	20	143	233	140	72
<b>Financing costs:</b>							
Net interest expenses	(216)	(242)	(235)	(222)	(175)	(141)	(137)
Net gain/(loss) from foreign exchange and monetary positions	12	(2)	(18)	15	44	9	9
Income/(loss) before taxes and minority interest	200	403	(270)	638	1,401	1,027	4,363
Net income/(loss)	157	398	(199)	595	1,182	855	3,147
Basic and diluted earnings/(loss) per common share	0.24	0.62	(0.31)	0.92	1.83	1.32	4.89

	Year Ended December 31,					Nine Months Ended September 30,	Nine Months Ended September 30,
	1999	2000	2001	2002	2003	2003	2004
(All amounts in \$ millions except quantity information)							
<b>Other Data:</b>							
Net cash provided by operating activities	\$ 715	\$ 740	\$ 237	\$ 539	\$ 1,438	\$ 935	\$ 2,780
Net cash used in investing activities	(260)	(281)	(214)	(360)	(814)	(500)	(480)
Net cash provided (used) by financing activities	(473)	(408)	(92)	16	(282)	(192)	(1,007)
Gross margin (as percentage of Sales)	14.5%	17.4%	8.7%	18.8%	20.9%	21.4%	33.3%
Operating margin (as percentage of Sales)	7.0%	9.9%	(0.7)%	9.9%	13.6%	14.3%	27.6%
	6,353	6,872	4,918	5,893	7,202	5,345	5,995

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Total production of direct reduced iron (thousand tonnes)							
Total shipments of steel products (thousand tons)	18,853	20,304	18,634	24,547	27,446	20,431	31,978

**Table of Contents**

	At December 31,					At September 30,
	1999	2000	2001	2002	2003	2004
(All amounts in \$ millions)						
<b>Assets:</b>						
<b>Current assets</b>						
Cash and cash equivalents and restricted cash	\$ 360	\$ 339	\$ 225	\$ 417	\$ 900	\$ 2,325
Trade accounts receivable, net	731	637	697	768	889	2,228
Inventories	1,130	1,085	1,128	1,301	1,587	3,174
Other current assets	136	140	172	200	307	878
<b>Total current assets</b>	<b>2,357</b>	<b>2,201</b>	<b>2,222</b>	<b>2,686</b>	<b>3,683</b>	<b>8,605</b>
Property, plant and equipment net	3,924	3,914	4,138	4,094	4,654	7,294
Investments in affiliates	305	335	318	517	967	597
Other assets	174	376	483	612	833	802
<b>Total assets</b>	<b>6,760</b>	<b>6,826</b>	<b>7,161</b>	<b>7,909</b>	<b>10,137</b>	<b>17,298</b>
<b>Liabilities and Shareholders Equity:</b>						
<b>Current liabilities</b>						
Payable to banks and current portion of long-term debt	\$ 466	\$ 403	\$ 470	\$ 321	\$ 540	\$ 745
Trade accounts payable	629	670	907	933	1,015	1,733
Accrued expenses and other current liabilities	406	428	418	516	824	1,838
<b>Total current liabilities</b>	<b>1,501</b>	<b>1,501</b>	<b>1,795</b>	<b>1,770</b>	<b>2,379</b>	<b>4,316</b>
Long-term debt including affiliates	2,259	2,187	2,262	2,412	2,527	2,066
Deferred employee benefits	1,252	1,319	1,531	1,909	1,933	1,996
Deferred tax liabilities and other long-term obligations	587	289	315	240	476	1,596
<b>Total liabilities</b>	<b>5,599</b>	<b>5,296</b>	<b>5,903</b>	<b>6,331</b>	<b>7,315</b>	<b>9,974</b>
Minority interest			152	136	261	1,556
<b>Shareholders equity</b>	<b>1,161</b>	<b>1,530</b>	<b>1,106</b>	<b>1,442</b>	<b>2,561</b>	<b>5,768</b>
<b>Total liabilities and shareholders equity</b>	<b>6,760</b>	<b>6,826</b>	<b>7,161</b>	<b>7,909</b>	<b>10,137</b>	<b>17,298</b>

## Notes:

- (1) Intercompany transactions and balances between Ispat International and LNM Holdings have been eliminated from the combined accounts. The transaction costs relating to the acquisition of LNM Holdings by Ispat International have not been included.
- (2) The common shares issued to the sole shareholder of LNM Holdings in the LNM Holdings acquisition have been considered in the combined accounts.
- (3) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented considering retroactively the shares issued by Ispat International in connection with the acquisition of LNM Holdings.

**Table of Contents****SELECTED PRO FORMA UNAUDITED FINANCIAL DATA FOR  
MITTAL STEEL AND ISG**

The following table presents selected unaudited pro forma consolidated financial information of Mittal Steel and ISG, adjusted to give effect to the acquisition of LNM Holdings and the merger with ISG, for the year ended December 31, 2003 and for the nine months ended September 30, 2004. This selected pro forma unaudited financial information should be read in conjunction with the Ispat International, LNM Holdings and ISG historical financial information, the supplemental combined financial information of Mittal Steel, and the Unaudited Pro Forma Condensed Combined Financial Statements of Mittal Steel and ISG, and the notes thereto beginning on page F-2.

	<b>Year Ended December 31, 2003</b>	<b>Nine Months Ended September 30, 2004</b>
<b>(All amounts in \$ millions except per share information)</b>		
<b>Statement of Income Data:</b>		
Sales	\$ 15,934	\$ 22,938
Cost of sales (exclusive of depreciation)	13,501	16,381
Gross profit (before deducting depreciation)	2,433	6,557
Depreciation	746	676
Selling, general and administrative expenses	464	692
Other operating expenses	5	
Operating income	1,218	5,189
Other income (expense) net	73	65
Income from equity method investment	159	7
Financing costs:		
Net interest expenses	(271)	(223)
Net gain from foreign exchange and monetary positions	44	9
Income before taxes and minority interest	1,223	5,047
Net income	778	3,666
Basic and diluted earnings per common share	1.11	5.25
Cash dividends per common share		
<b>(All amounts in \$ millions except quantity information)</b>		
<b>Other Data:</b>		
Net cash provided by operating activities	\$ 1,470	\$ 3,446
Net cash used in investing activities	(1,581)	(3,194)
Net cash provided (used) by financing activities	498	(1,109)
Gross margin (as percentage of Sales)	15.27%	28.59%
Operating margin (as percentage of Sales)	7.64%	22.62%
Total production of direct reduced iron (thousand tonnes)	8,769	7,076
Total shipments of steel products (thousand tons)	37,852	43,693



**Table of Contents**

	At September 30, 2004
	(All amounts in \$ millions)
<b>Assets</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 157
Trade accounts receivable	3,141
Inventories	4,647
Other current assets	1,229
<b>Total current assets</b>	<b>9,174</b>
Property, plant and equipment net	10,507
Investments in affiliates	632
Other assets	1,370
<b>Total assets</b>	<b>21,683</b>
<b>Liabilities and Shareholders Equity</b>	
<b>Current liabilities:</b>	
Payable to banks and current portion of long-term debt	\$ 801
Trade accounts payable	2,445
Accrued expenses and other current liabilities	2,535
<b>Total current liabilities</b>	<b>5,781</b>
Long-term debt including affiliates	4,404
Deferred employee benefits	2,117
Deferred tax liabilities and other long-term obligations	1,957
<b>Total liabilities</b>	<b>14,259</b>
Minority interest	1,556
<b>Shareholders equity</b>	<b>5,868</b>
<b>Total liabilities and shareholders equity</b>	<b>21,683</b>

## Notes:

- (1) Intercompany transactions and balances between Ispat International and LNM Holdings have been eliminated from the combined accounts. The transaction costs relating to the acquisition of LNM Holdings by Ispat International and the merger with ISG have not been included.
- (2) The common shares issued to the sole shareholder of LNM Holdings in the LNM Holdings acquisition have been considered in the combined accounts.
- (3) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented considering the shares issued in connection with the acquisition of LNM Holdings and the merger with ISG.
- (4) The dividend of \$2,000 million by LNM Holdings, which was declared in October 2004, is included as an accrual in the combined accounts presented above.

**Table of Contents**

**COMPARATIVE AUDITED AND UNAUDITED PER SHARE DATA**

The following table presents the per share information for Ispat International, Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings) and ISG on a historical basis, and Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings and the merger with ISG) on an unaudited pro forma combined basis.

The combined data for Mittal Steel gives effect to the acquisition of LNM Holdings, accounted for using common control accounting. The pro forma information for Mittal Steel gives effect to the acquisition of LNM Holdings, accounted for using common control accounting, as if it had occurred on January 1, 2001, as described in audited and unaudited supplemental combined financial statements of Mittal Steel and accompanying notes beginning on page F-201, and the merger with ISG using the purchase method of accounting and is presented as if the merger was completed on January 1, 2003 for purposes of statement of operations and on September 30, 2004 for balance sheet purposes, as described in the Unaudited Pro Forma Condensed Combined Financial Statements and accompanying notes beginning on page F-2. All pro forma information in this proxy statement/ prospectus is unaudited.

The book value per Ispat International common share, per Mittal Steel common share or per share of ISG common stock is computed by dividing shareholders' equity by the number of Ispat International common shares, Mittal Steel common shares or shares of ISG common stock outstanding at the end of the period, as the case maybe. The pro forma combined book value per Mittal Steel common share, giving effect to the merger with ISG, is computed by dividing pro forma shareholders' equity by the pro forma number of Mittal Steel common shares outstanding at the end of the period, including for shares issued in connection with the merger with ISG. Neither Ispat International nor ISG has declared or paid cash dividends on its common stock.

The information in the following table is based on, and should be read together with, the Ispat International, LNM Holdings and ISG historical financial information, the combined financial information of Mittal Steel, and the Unaudited Pro Forma Condensed Combined Financial Statements and accompanying notes beginning on page F-2.

The Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings) and the unaudited pro forma combined Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings and the merger with ISG) net income per share and book value per share data is presented for informational purposes only. You should not rely on this pro forma combined data as being indicative of the consolidated results or financial condition of Mittal Steel that would have been reported had the acquisition of LNM Holdings and the merger with ISG been completed as of the dates presented, and you should not regard this data as representative of future consolidated results of operations or financial condition of Mittal Steel.

**Table of Contents****COMPARATIVE PER SHARE DATA OF MITTAL STEEL, ISPAT INTERNATIONAL AND ISG**

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(Amounts in \$ millions except per share and quantity information)	
	(Audited)	(Unaudited)
<b>Ispat International</b>		
<i>Historical</i>		
Net income	\$ 66	\$ 887
Shareholders' equity	149	1,008
Weighted average number of shares (millions)	122	118
Number of shares at period end (millions)	127	127
Net income per share - basic	\$ 0.53	\$ 7.51
Net income per share - diluted	0.53	7.51
Book value per share at period end	1.17	7.94
Cash dividend per share		
<b>Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings)</b>		
<i>Historical</i>		
Net income	\$ 1,182	\$ 3,147
Shareholders' equity	2,561	5,768
Weighted average number of shares (millions)	647	643
Number of shares at period end (millions)	652	652
Net income per share - basic	\$ 1.83	\$ 4.89
Net income per share - diluted	1.83	4.89
Book value per share at period end	3.93	8.85
Cash dividend per share	0.25	0.64
<b>ISG</b>		
<i>Historical</i>		
Net income (loss) applicable to common stock	\$ (97.1)	\$ 421.4
Stockholders' equity	949.2	1,397.5
Weighted average number of shares - Basic (millions)	77.1	98.3
Weighted average number of shares - Diluted (millions)	77.1	101.8
Number of shares at period end (millions)	97.5	100.0
Net income per share - basic	\$ (1.26)	\$ 4.29
Net income per share - diluted	(1.26)	4.15
Book value per share at period end	9.74	13.97
Cash dividend per share		

**Table of Contents**

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(Unaudited and amounts in \$ millions except per share and quantity information)	
<b>Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings and the merger with ISG)</b>		
<i>Pro forma combined</i>		
Net income	\$ 778	\$ 3,666
Shareholders' equity	3,510	5,868
<i>Weighted average number of shares - Basic (millions)</i>	702	698
<i>Weighted average number of shares - Diluted (millions)</i>	702	698
<i>Number of shares at period end (millions)</i>	707	707
Net income per share - basic	\$ 1.11	\$ 5.25
Net income per share - diluted	1.11	5.25
Book value per share at period end	4.96	8.30
Cash dividend per share	0.23	0.59

**Table of Contents****COMPARATIVE PER SHARE MARKET DATA**

Mittal Steel class A common shares are listed and traded on the New York Stock Exchange, Mittal Steel's principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol "MT". ISG common stock is listed and traded on the New York Stock Exchange under the symbol "ISG".

The following table sets forth closing sales prices per share of Mittal Steel class A common shares and ISG common stock as reported on the New York Stock Exchange Composite Tape and on Euronext Amsterdam, on October 22, 2004, the last full trading day before the public announcement of the merger, and on February [ ], 2005, the most recent date for which quotations were available prior to the printing of this proxy statement/prospectus.

	Mittal Steel Class A Common Shares		ISG Common Stock
	Euronext Amsterdam	New York Stock Exchange	New York Stock Exchange
October 22, 2004	20.35	\$25.34	\$29.68
February [ ], 2005	[ ]	\$ [ ]	\$ [ ]

The number of Mittal Steel class A common shares to be exchanged for each share of ISG common stock in the merger will depend on the value of Mittal Steel class A common shares during the 20-trading-day period ending two trading days before the effective time of the merger. Based on the closing price of Mittal Steel class A common shares on October 22, 2004, each share of ISG common stock would be convertible into the right to receive 1.21740 Mittal Steel class A common shares in the merger to the extent the holder of such shares elected to receive stock consideration (subject to proration). Based on the closing price of Mittal Steel class A common shares on February [ ], 2005 (the last day of trading prior to the printing of this proxy statement/prospectus), each share of ISG common stock would be convertible into the right to receive [ ] Mittal Steel class A common shares to the extent the holder of such shares elected to receive stock consideration (subject to proration).

The market prices of the shares of ISG common stock and Mittal Steel class A common shares are subject to fluctuation. As a result, ISG stockholders are urged to obtain current market quotations.

On February [ ], 2005, there were approximately 46 holders of record of ISG common stock and approximately 60 holders of record of Mittal Steel class A common shares that are registered and traded on the New York Stock Exchange. As further discussed in the section entitled **MAJOR SHAREHOLDERS AND NOTIFICATION OBLIGATIONS** Major Shareholders of Mittal Steel, Mittal Steel cannot present the number of record holders of Mittal Steel class A common shares held in The Netherlands, because a portion of such shares are held in bearer form.

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks and the risk factors incorporated by reference into this proxy statement/prospectus including, among others, those disclosed under the heading Risk Factors from ISG's 2003 Annual Report on Form 10-K, together with all of the other information included or incorporated by reference in this proxy statement/prospectus (including the matters addressed in CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS beginning on page 42), before you decide whether to vote or instruct your vote to be cast to adopt the merger agreement. In addition, you should carefully consider the following risks relating to the merger.*

**Risks Relating to the Merger**

***The market value of the Mittal Steel class A common shares that ISG stockholders receive in the transaction may be less than \$42.00 per share as a result of fluctuations in the market price of Mittal Steel class A common shares.***

Mittal Steel is offering to exchange shares of ISG common stock for cash and Mittal Steel class A common shares at an exchange ratio which is subject to a limitation on both the maximum and minimum number of Mittal Steel class A common shares to be issued in connection with the merger. The cash price per share to be paid for each share of ISG common stock is fixed at \$42.00. This cash price will not be adjusted based on changes in market prices of Mittal Steel class A common shares. The value of Mittal Steel class A common shares delivered to ISG stockholders is intended to produce a value equal to \$42.00 if the average closing price of a Mittal Steel class A common share over the 20-day trading period ending two trading days before the effective time of the merger is between \$34.50 and \$43.81. However, if the average trading price of Mittal Steel class A common shares is less than the floor of \$34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Mittal Steel class A common shares, regardless of the value of such shares, and the value of those shares delivered to ISG stockholders in exchange for each share of ISG common stock will be less than \$42.00 per share. Additionally, ISG may not be able to terminate the merger in such a scenario and, therefore, some or all of the ISG stockholders would receive less than \$42.00 of consideration in exchange for each share of ISG common stock.

***ISG stockholders may receive a form of consideration different from what they elect.***

The consideration to be received by ISG stockholders in the merger is subject to proration to preserve the contractual limitations on the maximum amount of cash and number of Mittal Steel class A common shares. If you elect all cash and the available cash is oversubscribed, then you will receive a portion of the merger consideration in Mittal Steel class A common shares. If you elect all Mittal Steel class A common shares and the available shares are oversubscribed, then you will receive a portion of the merger consideration in cash, which generally will be taxable for U.S. federal income tax purposes. Similarly, mixed elections are subject to similar adjustment in the case of oversubscription of cash or shares.

***The mix of stock and cash consideration that ISG stockholders receive and the exchange ratio may not be known on the date of the ISG special meeting of stockholders.***

Although ISG stockholders will be able to elect to exchange their shares of ISG common stock for either cash or Mittal Steel class A common shares (or a combination of cash and Mittal Steel class A common shares), subject to proration, the exchange ratio may not be determined at the time of the ISG stockholder vote to adopt the merger agreement, as the exchange ratio will not be determinable until the completion of the 20-day trading period ending two trading days before the effective time of the merger. Additionally, the deadline for ISG stockholders to make their election, which will affect proration, will be three days after the effective time of the merger. Therefore, the mix of stock and cash consideration that any individual ISG stockholder receives will not be known on the date of the ISG special meeting.

**Table of Contents**

***Benefits of the recently completed acquisition of LNM Holdings and the proposed merger with ISG may not be realized.***

Assuming Mittal Steel completes the proposed merger with ISG, and taking into account the recent completion of the acquisition of LNM Holdings, Mittal Steel will be integrating three companies that have previously operated independently. Integrating Ispat International's operations and personnel with those of ISG and LNM Holdings will be a complex process. Mittal Steel may not be able to integrate the operations of ISG and LNM Holdings with Ispat International's operations rapidly or without encountering difficulties. The successful integration of Ispat International with ISG and LNM Holdings will require, among other things, integration of ISG's, LNM Holdings' and Ispat International's products, sales and marketing operations, information and software systems, coordination of employee retention, hiring and training operations and coordination of future research and development efforts. The diversion of the attention of the combined company's management to the integration effort and any difficulties encountered in combining operations could adversely affect the combined company's businesses. Further, the process of combining Ispat International, ISG and LNM Holdings could negatively impact employee morale and the ability of Mittal Steel to retain some of Ispat International's, ISG's and LNM Holdings' key personnel after the acquisition of LNM Holdings and the merger.

***Some of ISG's directors and executive officers have interests in the merger that are different from yours.***

In considering the recommendation of the ISG board of directors to vote for the proposal to adopt the merger agreement, you should be aware that certain members of the ISG board of directors and members of ISG's management team have pre-existing agreements or arrangements that provide them with interests in the merger that differ from, or are in addition to, those of ISG stockholders generally. These interests arise because of positions they may have as directors or officers of Mittal Steel or because pre-existing agreements or arrangements entitle them to payments in certain circumstances to which they would not have been entitled had the merger not occurred. The ISG board of directors was aware of these pre-existing agreements and arrangements during its deliberations on the merits of the merger and in determining to recommend to the ISG stockholders that they vote FOR the proposal to adopt the merger agreement. For a more detailed description of such interests, see INTEREST OF CERTAIN PERSONS IN THE MERGER beginning on page 128.

***Mittal Steel is a Dutch corporation, and shareholders of a Dutch corporation have fewer rights and privileges than stockholders of a Delaware corporation in certain respects.***

Mittal Steel is governed by the Dutch Civil Code and by its Deed of Incorporation (*akte van oprichting*) and Articles of Association (*statuten*). The Dutch Civil Code extends to shareholders certain rights and privileges that may not exist under the DGCL and, conversely, does not extend certain rights and privileges that stockholders of a company governed by the DGCL may have. Differences between the Dutch Civil Code and the DGCL that could result in stockholders of a Delaware corporation having fewer rights and privileges than shareholders of a Dutch company include, among others, the fact that the Dutch Civil Code does not provide for class action suits. However, the Dutch Civil Code currently authorizes shareholders to form associations which may bring joint actions. Such joint actions can only result in a declaratory judgment (*verklaring voor recht*) on the basis of which each individual person may institute civil proceedings. Legislative proposals pending before the Dutch Parliament may in the future authorize class action suits. For a more detailed comparison of the rights of Mittal Steel shareholders versus the rights of ISG stockholders, see COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW beginning on page 228.

***Following the merger, Mittal Steel will still have a controlling shareholder who can appoint its directors and determine the outcome of shareholder votes.***

After the merger, Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal, who together are Mittal Steel's controlling shareholder, will continue to have the power to elect the majority of the members of the Mittal

## **Table of Contents**

Steel board of directors, and to exercise voting control over the decisions adopted at the Mittal Steel general meetings of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, and the incurrence of indebtedness. Circumstances may occur in which the interests of Mittal Steel's controlling shareholder could be in conflict with the interests of other shareholders. In addition, Mittal Steel's controlling shareholder may pursue certain transactions that in its view will enhance its equity investment, even though such transactions may not be in the interest of other Mittal Steel shareholders.

***The unaudited condensed combined pro forma financial data included in this proxy statement/prospectus are preliminary and Mittal Steel's actual financial position and results of operations may differ significantly from the unaudited condensed combined pro forma financial data included in this proxy statement/prospectus.***

Generally accepted accounting principles require Mittal Steel to review periodically its assets, including ISG's assets after the merger is completed, for impairments in value. The unaudited condensed combined pro forma operating data contained in this proxy statement/prospectus are not necessarily indicative of the results that actually would have been achieved had the merger been completed on January 1, 2003, or that may be achieved in the future. Mittal Steel can provide no assurances as to how the operations and assets of both companies would have been run if they had been combined, or how they will be run in the future, which, together with other factors, could have a significant effect on the results of operations and financial position of the combined company.

### **Risks Relating to Mittal Steel's Business**

***Mittal Steel has experienced rapid growth through successful acquisitions in a relatively short period of time. Mittal Steel may not have the management resources or sufficient levels of investment to continue to meet its strategic objectives.***

Mittal Steel has experienced rapid growth and development through successful acquisitions in a relatively short period of time and may continue to do so in order to pursue its strategic objectives. Such growth entails significant investment, as well as increased operating costs. Overall growth in Mittal Steel's business also requires greater allocation of management resources from daily operations. In addition, the management of such growth (including management of multiple operating assets) will require, among other things, the continued development of Mittal Steel's financial and information management control systems, the ability to integrate newly acquired assets with existing operations, the ability to attract and retain sufficient numbers of qualified management and other personnel, the continued training of such personnel and the presence of adequate supervision. Failure to manage such growth, while at the same time maintaining adequate focus on the existing assets of Mittal Steel, could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. In addition, although Mittal Steel has grown through successful acquisitions in the past, no assurance can be given that it will be able to identify, acquire and successfully integrate additional companies in the future.

***Mittal Steel relies on economic growth in the countries in which its operating subsidiaries operate, which may not continue. A slowdown in economic growth in such countries may have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.***

Mittal Steel's business strategy was developed partly on the assumptions that economic growth in the countries in which it operates and the modernization, restructuring and upgrading of the physical infrastructure in such countries will continue, thus creating an increased demand for its steel products and maintaining a stable level of steel prices in such countries and in other key product markets. While the demand in these countries for steel and steel products has gradually increased, there is no assurance that this trend will continue. Any slowdown in the development of these economies or any reduction in the investment budgets of governmental agencies and companies responsible for the modernization of such physical infrastructure may have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.



**Table of Contents**

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

Mittal Steel operates in a number of developing countries. Approximately 70% of the sales of Mittal Steel (including LNM Holdings) for the nine months ended September 30, 2004 originated in developing countries. Some of the developing countries in which Mittal Steel operates have been undergoing substantial political transformations, from centrally controlled command economies to pluralist market-oriented democracies. There can be no assurance that the political and economic reforms necessary to complete such a transformation will continue. In addition, ethnic, religious, historical and other divisions have, on occasion, given rise to tensions and, in certain cases, military conflict. The political systems in these countries may be vulnerable to the populations' dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries or at all.

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

Over the past few years, many of the countries in which Mittal Steel operates have experienced economic growth and improved economic stability in certain sectors. However, there can be no assurance that economic growth will continue in the future and the legal systems in these countries, in particular with respect to bankruptcy proceedings, remains underdeveloped. Although economic conditions have improved in the last two and a half years, the prospect still exists of widespread bankruptcy, mass unemployment and the deterioration of certain sectors of these economies. No assurance can be given that reform policies will continue to be implemented and, if implemented, will be successful, that these countries will remain receptive to foreign trade and investment, or that their economies will improve.

***Mittal Steel's high debt level may limit its flexibility in managing its business.***

At September 30, 2004, Mittal Steel (including LNM Holdings) had outstanding \$2,811 million in aggregate principal amount of indebtedness consisting of \$745 million of short-term indebtedness (including current portion of long-term debt) and \$2,066 million of long-term indebtedness. A portion of Mittal Steel's working capital financing consists of uncommitted lines of credit, which may be cancelled by the lenders in certain circumstances. In addition, on January 25, 2005, Mittal Steel announced that it had arranged commitments, subject to customary conditions, from a group of arrangers for a \$3.2 billion unsecured revolving credit facility, the proceeds from which it expects to utilize to finance the cash portion of the merger with ISG, to refinance existing indebtedness and for general corporate purposes.

The high level of debt outstanding could have important adverse consequences to Mittal Steel, including the following:

significant cash interest expense and principal repayment obligations;

impairment of its ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate purposes or other purposes;

limitations on its flexibility to adjust to changing market conditions, reduction in its ability to withstand competitive pressures and greater vulnerability to a downturn in general economic conditions; and

adverse business conditions may lead to difficulties in debt servicing which may limit its ability to make acquisitions, finance capital expenditures and working capital requirements.

**Table of Contents**

***Mittal Steel has guaranteed its subsidiaries' debt, which may limit its flexibility in managing its business.***

Mittal Steel has provided guarantees for some of the debt and credit lines of its operating subsidiaries. Out of the total debt of \$2,811 million at September 30, 2004 of the operating subsidiaries of Mittal Steel (including LNM Holdings), approximately 52%, or \$1,469 million, was guaranteed by Mittal Steel. Some of these guarantees have provisions whereby a default in one operating subsidiary could, under certain circumstances, lead to defaults at other operating subsidiaries.

Any possible invocation of any of these guarantees could cause some or all of the other guaranteed debt to accelerate, creating severe liquidity pressures. Further, it may also limit Mittal Steel's ability to raise additional financing and may limit its flexibility in managing its business.

***Mittal Steel has made significant capital expenditure commitments and other commitments in connection with certain acquisitions.***

In connection with the acquisition of certain of its operating subsidiaries, Mittal Steel has made significant capital expenditures and other commitments with various governmental bodies. Mittal Steel expects to fund such capital expenditure commitments and other commitments primarily through internal sources, but there can be no assurance that Mittal Steel will be able to generate or obtain sufficient funds to meet these requirements in the future or to complete these projects on a timely basis or at all. In addition, completion of these projects may be affected by factors that are beyond the control of Mittal Steel. See MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF MITTAL STEEL - Liquidity and Capital Resources - Tabular Disclosure of Contractual Obligations. Capital expenditures of Mittal Steel (including LNM Holdings) in 2003 were \$421 million, as compared to \$264 million in 2002 and \$200 million in 2001. Of the total capital expenditures mentioned above, \$89 million in 2003 and \$12 million in 2002 pertained to the relining of Blast Furnace No. 7 at Ispat Inland Inc., or Inland, and \$161 million in 2003 and \$51 million in 2002 related to committed capital expenditure by LNM Holdings' subsidiaries. Capital expenditures of Mittal Steel (including LNM Holdings) during the second quarter of 2004 were \$35 million and for the nine months ended September 30, 2004 were \$522 million. Capital expenditures exclude repairs and maintenance, as these costs are expensed as incurred.

Mittal Steel has also made certain commitments relating to employees at certain of its operating subsidiaries. In many of these jurisdictions, it has agreed, in connection with the acquisition of interests in these subsidiaries that it will not make collective dismissals for certain periods. These periods generally extend up to 10 years following the date of acquisition. The inability to make such dismissals may affect the ability of Mittal Steel to coordinate its workforce in response to changing market conditions and may have an effect on its business, financial condition, results of operations or prospects.

Although Mittal Steel has remained in compliance with its obligations under the relevant acquisition agreements, Mittal Steel may not be able to remain in compliance with some or all of these requirements in the future. Failure to remain in compliance may result in forfeiture of part of Mittal Steel's investment and/or the loss of certain tax and regulatory benefits and may therefore have an adverse effect on its business, financial condition, results of operations or prospects.

***Pension plan under-funding at some of Mittal Steel's operating subsidiaries and the need to make substantial cash contributions, which may increase in the future, may reduce the cash available for its business.***

Mittal Steel's principal operating subsidiaries in Canada, France, Germany, Trinidad, the United States, South Africa and Kazakhstan provide defined benefit pension plans to their employees. Some of these plans are currently under-funded, in particular Inland's pension plan. As at December 31, 2003, the value of Inland's pension plan assets was \$1,781.4 million, while the projected benefit obligation was \$2,555.9 million, resulting

**Table of Contents**

in a deficit of \$774.5 million. A large part of Mittal Steel's pension liabilities and funding requirements are at its U.S. operating subsidiary. See Note 12 to Mittal Steel's Consolidated Financial Statements.

The funded status of Inland's pension plan has been adversely affected in the last few years by a number of factors including low interest rates, which have impacted investment returns and discount rate assumptions and weak equity market performance. This also has had an impact on required future cash funding requirements. In addition to its agreement with the Pension Benefit Guaranty Corporation, or the PBGC, Mittal Steel is also required to make significant cash contributions pursuant to Title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA. Assuming modestly rising interest rates and reasonable market returns, the total of these contribution requirements (including the contributions required under the agreement with the PBGC) could exceed \$500 million over the next few years and could be significantly higher depending on future asset performance, the levels of interest rates used to determine ERISA minimum funding requirements, actuarial assumptions and experience, union negotiated changes, future government regulations and the terms of the agreement with PBGC. Total cash contributions made to Inland's pension plan were \$313 million from 1998 through December 31, 2003. The contribution required in 2004 is \$111 million, of which \$97.8 million had been paid as of September 30, 2004.

Mittal Steel's funding obligations depend upon future asset performance, the level of interest rates used to measure ERISA minimum funding levels, actuarial assumptions and experience, union negotiated changes, future government regulation and the terms of the agreement with PBGC. Due to the large number of variables that determine pension funding requirements, which are difficult to predict, as well as any legislative action, future cash funding requirements for Mittal Steel's pension plans could be significantly higher than amounts currently estimated. These funding requirements could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

***The dependence of certain operating subsidiaries of Mittal Steel on either export or domestic markets may limit its flexibility in managing its business.***

Some of Mittal Steel's operating subsidiaries are primarily export oriented, as domestic markets are not adequate to support operations, and some of its operating subsidiaries are substantially dependent on the domestic markets of their countries of operation. Any rise in trade barriers or trade related actions in main export markets, or any fall in demand in the export or domestic markets due to weak economic conditions or other reasons, may adversely affect the operations of these subsidiaries and may limit Mittal Steel's flexibility in managing its business. See MITTAL STEEL Government Regulation and MITTAL STEEL Litigation and Note 17 to its Supplemental Combined Financial Statements.

***Mittal Steel may be unable to fully utilize its deferred tax asset.***

As at September 30, 2004, Mittal Steel (including LNM Holdings) had \$125 million recorded as a deferred tax asset on its balance sheet. This asset can only be utilized if, and to the extent that, Mittal Steel's operating subsidiaries generate adequate levels of taxable income in future periods to set off the loss carryforwards and reverse the temporary differences before they expire. Mittal Steel's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. Consequently, Mittal Steel cannot assure you that it will generate sufficient taxable income to realize its deferred tax asset. If Mittal Steel generates lower taxable income than the amount it has assumed in determining the deferred tax asset, then a valuation reserve will be required, with a corresponding charge against income.

***Credit rating downgrades or similar triggers may affect Mittal Steel's flexibility in managing its business.***

Although Mittal Steel currently enjoys an investment grade credit rating, it has been in the past subject of credit rating downgrades during periods of cyclical downturns in the steel industry. For example, during the

**Table of Contents**

course of 2002 as a result of developments relating to the restructuring of the debt at Ispat Mexicana, S.A. de C.V., or Imexsa, certain of the credit ratings of Mittal Steel and its subsidiaries were downgraded. Although Mittal Steel does not have negative rating triggers in its debt agreements, any decline in its credit rating may lead to some of its lenders recalling loans, withdrawing credit lines or increasing the cost of borrowing. Any of these actions may adversely affect its business, financial condition, results of operations or prospects.

***Mittal Steel may encounter difficulties in enforcing foreign court judgments or arbitral awards in certain countries in which it operates.***

Some of the countries in which Mittal Steel operates are not parties to multilateral or bilateral treaties with western jurisdictions for the mutual enforcement of court judgments. Consequently, should a judgment be obtained from a court in any such jurisdictions it is unlikely to be given direct effect in the courts of these countries. However, all of the countries in which Mittal Steel's operating subsidiaries are located are parties to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Accordingly, most of the agreements to which Mittal Steel's operating subsidiaries in such jurisdictions are party contain provisions allowing for arbitration of disputes. A foreign arbitral award obtained in a state that is party to that convention should be recognized and enforced by a court in a signatory country (subject to the qualifications provided for in the convention and requirements established by relevant legislation). Reliance upon international treaties may meet with resistance or a lack of understanding on the part of the applicable court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in these countries.

***Because Mittal Steel is a holding company with no revenue-generating operations, it depends on earnings and cash flows of operating subsidiaries, which may not be sufficient to meet future needs.***

Because Mittal Steel is a holding company with no business operations of its own, it is dependent upon the earnings and cash flows of, and dividends and distributions from, operating subsidiaries to pay expenses, meet any future debt obligations and pay any cash dividends or distributions on its common shares. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions or prohibitions on such operating subsidiaries' ability to pay dividends.

Since Mittal Steel is incorporated under the laws of The Netherlands it can only pay dividends and other distributions to the extent it receives dividends and other distributions from its operating subsidiaries, recognizes gain from the sale of assets or records share premium as a result of the issuance of common shares. See Notes 9 and 11 to Mittal Steel's Supplemental Combined Financial Statements.

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

Steel production requires substantial amounts of raw materials and energy, including iron ore fines, iron ore pellets, scrap, electricity, natural gas, coal and coke. Any prolonged interruption in the supply of raw materials or energy, or substantial increases in their costs, could adversely affect the business, financial condition, results of operations or prospects of steel companies. The availability and prices of raw materials may be negatively affected by:

new laws or regulations;

suppliers' allocations to other purchasers;

interruptions in production by suppliers;

accidents or other similar events at suppliers' premises or along the supply chain;

**Table of Contents**

changes in exchange rates;

consolidation in steel-related industries;

worldwide price fluctuations and other factors; and

availability and cost of transportation.

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

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

While Mittal Steel has been able to procure sufficient supplies of raw materials to meet its production needs, there can be no assurance that it will be able to procure adequate supplies in the future. In addition, Mittal Steel does not generally procure supplies under long-term contracts; supply contracts typically have terms of one year. Any prolonged interruption, discontinuation or other disruption in the supply of raw materials or energy, or substantial increases in their costs, could adversely affect the business, financial condition, results of operations or prospects of Mittal Steel.

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

Generally, the markets in which steel companies conduct business are highly competitive. Increased competition could cause Mittal Steel to lose market share, increase expenditures or reduce pricing, any one of which could have a material adverse effect on its business, financial condition, results of operations or prospects. The global steel industry has historically suffered from substantial over-capacity. Excess capacity in some of the products sold by Mittal Steel will intensify price competition for such products. This could require Mittal Steel to reduce the price for its products and, as a result, have a material adverse effect on its business, financial condition, results of operations or prospects. Mittal Steel competes primarily on the basis of quality and the ability to meet customers' product specifications, delivery schedules and price. Some of the competitors of Mittal Steel may:

benefit from greater capital resources;

have different technologies;

have lower raw material and energy costs; and

have lower employee post-retirement benefit costs. See MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL.

In addition, the competitive position of Mittal Steel within the global steel industry may be affected by, among other things:

the recent trend toward consolidation amongst competitors in the steel industry, particularly in Europe and the United States;

**Table of Contents**

exchange rate fluctuations that may make the products of Mittal Steel less competitive in relation to the products of steel companies based in other countries; and

the development of new technologies for the production of steel and steel-related products.

***Competition from other materials may have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.***

In many applications, steel competes with other materials, such as aluminum (particularly in the automobile industry), cement, composites, glass, plastic and wood. Additional substitutes for steel products could adversely affect future market prices and demand for steel products.

***The competitive position of Mittal Steel depends on its senior management team and the loss of any member from such senior management team could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.***

The ability of Mittal Steel to maintain a competitive position and to implement its business strategy is dependent to a large degree on the services of its senior management team and particularly Mr. Lakshmi N. Mittal, Chairman of the board of directors and Chief Executive Officer of Mittal Steel. The loss of or any diminution in Mr. Lakshmi N. Mittal's services or those of the members of the senior management team of Mittal Steel or an inability to attract, retain and maintain additional senior management personnel, could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. Mittal Steel may not be able to retain its existing senior management personnel or to attract additional qualified senior management personnel in the future. Mittal Steel does not maintain key man life insurance on any members of its senior management.

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

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

The imposition of exchange controls or other similar restrictions on currency convertibility in the countries in which Mittal Steel operates could adversely affect its business, financial condition, results of operations or prospects. For example, some operations involving South African rand and the Kazakh tenge are subject to limitations imposed by the South African Reserve Bank and National Bank of Kazakhstan, respectively. These restrictions have not historically had a material adverse effect on the business, financial condition, results of operations or prospects of Iscor Ltd. or Ispat Karmet OJSC, respectively. However, in the future these or other restrictions could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

***Mittal Steel could experience labor disputes that could disrupt operations.***

A substantial majority of the employees of Mittal Steel are represented by labor unions and are covered by collective bargaining or similar agreements, which are subject to periodic renegotiation. Strikes or work stoppages could occur prior to, or during the negotiations leading to new collective bargaining agreements, during wage and benefits negotiations or, occasionally, during other periods for other reasons. See MITTAL STEEL Litigation and Note 17 to its Supplemental Combined Financial Statements.

Any such breakdown leading to work stoppage and disruption of operations could have an adverse effect on the operations and financial results of Mittal Steel. Additionally, many of the contractors working at Mittal

## **Table of Contents**

Steel's operating subsidiaries' plants employ workers who are represented by various trade unions. Disruptions with these contractors could also have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

***Equipment downtime or shutdowns could adversely affect Mittal Steel's business, financial condition, results of operations or prospects.***

Steel manufacturing processes are dependent on critical steel-making equipment, such as furnaces, continuous casters, rolling mills and electrical equipment (such as transformers), and this equipment may incur downtime as a result of unanticipated failures or other events, such as fires or furnace breakdowns. Mittal Steel's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. Such disruptions could have an adverse effect on Mittal Steel's operations, customer service levels and financial results.

***The income tax liability of Mittal Steel may substantially increase if the tax laws and regulations in countries in which it operates change or are subject to varying interpretations and inconsistent enforcement or if the operating subsidiaries of Mittal Steel are unable to utilize certain tax benefits.***

Taxes payable by companies in many of the countries in which Mittal Steel operates are substantial and include value added tax, excise duties, profit taxes, payroll-related taxes, property taxes and other taxes. Historically, the system of tax collection in some of these countries has been relatively ineffective. However, there have been some reforms of the applicable tax systems that have resulted in some improvements.

Tax laws and regulations in some of the countries in which Mittal Steel operates may be subject to frequent change, varying interpretation and inconsistent enforcement. In addition to the usual tax burden imposed on taxpayers, these conditions create uncertainty as to the tax implications of some business decisions. This uncertainty could expose Mittal Steel to significant fines and penalties and to enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden. See **MITTAL STEEL Government Regulation** and **MITTAL STEEL Litigation** and Note 17 to its Supplemental Combined Financial Statements.

In addition, many of the jurisdictions in which Mittal Steel operates have adopted transfer pricing legislation. While Mittal Steel believes that its operations are conducted in compliance with applicable transfer pricing legislation, if tax authorities impose significant additional tax liabilities as a result of transfer pricing adjustments, it could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. Ineffective tax collection systems and continuing budget requirements may increase the likelihood of the imposition of arbitrary or onerous taxes and penalties in the future, which could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

Mittal Steel's operating subsidiaries receive certain tax benefits (such as net operating losses), which result in temporary reductions or limitations on the total tax liability of the relevant operating subsidiary. The loss of these benefits on their scheduled expiration or as a result of a failure to comply with conditions imposed in connection with the acquisition of the relevant operating subsidiary may cause a corresponding increase in the tax liability associated with these operations.

It is possible that taxing authorities in the countries in which Mittal Steel operates will introduce additional revenue raising measures. Although it is unclear how these provisions would operate, introduction of any such provisions may affect the overall tax efficiency of Mittal Steel and may result in significant additional taxes becoming payable. Although Mittal Steel will undertake to minimize such exposures, it cannot offer any assurance that additional tax exposure will not arise or that any such additional tax exposure could not have a material adverse effect on its business, financial condition, results of operations or prospects.

Mittal Steel may face a significant increase in its income taxes if tax rates in the jurisdictions in which it operates increase and/or are modified by regulatory authorities in an adverse manner. This may adversely affect Mittal Steel's cash flows, liquidity and ability to pay dividends. See **MANAGEMENT'S DISCUS-**

**Table of Contents**

SION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL    Review of Operating Results Year Ended December 31, 2003 compared to Year Ended December 31, 2002    Income Taxes.

***Steel companies are subject to stringent environmental regulations, and Mittal Steel may be required to spend considerable amounts of money in order to comply with such regulations.***

Steel companies have spent, and can be expected to spend in the future, substantial amounts to comply with environmental laws and regulations, which, over time, have become more stringent. The operations of steel companies are subject to strict environmental laws and regulations in each of the jurisdictions in which they operate. These laws and regulations govern, generally, air and water pollution, the management and disposal of hazardous substances and the remediation of contamination. These requirements, or enforcement of these requirements, may become even more stringent in the future. Failure to comply could result in the assessment of civil and criminal penalties, the suspension of operations and lawsuits by private parties.

EU Directive 2004/35/EC of April 21, 2004 on Environmental Liability with Regard to the Prevention and Remedy of Environmental Damage, or the Environmental Liability Directive, provides for remedies for damage to the environment. While the manner and impact of the implementation of the Environmental Liability Directive is not yet certain, Mittal Steel is closely monitoring the potential impact on its business, financial condition, results of operations or prospects.

EU Directive 2003/87/EC of October 13, 2003, or the Directive, established a program under which member states are allowed to trade greenhouse gas emission allowances within the European Community, subject to certain conditions. Member states must ensure that, from January 1, 2005, no installation undertakes certain activities specified in the Directive that results in emissions specified in relation to that activity unless its operator holds a permit issued by a competent authority. The Directive also establishes carbon dioxide emission trading starting from January 1, 2005.

These new rules as well as any new or additional environmental compliance requirements that may arise out of the implementation by different countries of the Kyoto Protocol (United Nations Framework on Climate Change, 1992) may impose new and/or additional rules or more stringent environmental norms that steel companies may have to comply with. Such requirements may require additional capital expenditures or modifications in operating practices, particularly at steel companies operating in countries that have recently joined the European Union or are scheduled to join the European Union in the near future. If any of these new rules, regulations, norms or allocations contain major changes or are introduced very rapidly, there could be a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

Inland is involved in various environmental and other administrative or judicial actions initiated by governmental agencies. In 1990, Inland was a party to a lawsuit filed by the U.S. Environmental Protection Agency, or the EPA, under the Resource Conservation and Recovery Act. In 1993, Inland entered into a consent decree, or the EPA Consent Decree, which, among other things, requires the investigation and remediation of the Indiana Harbor Works. Corrective actions relating to the EPA Consent Decree may require significant expenditures over the next several years that may have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. At September 30, 2004 and December 31, 2003, Inland's reserves for environmental liabilities totaled \$36.9 million and \$36.8 million, respectively, \$22.2 million and \$22.1 million of which is related to the sediment remediation under the EPA Consent Decree. See MITTAL STEEL Government Regulation and MITTAL STEEL Litigation, and Notes 9 and 17 to its Supplemental Combined Financial Statements.

In addition, Mittal Steel has agreed to make certain capital expenditures related to environmental matters in connection with its acquisition of certain of its operating subsidiaries. See MITTAL STEEL Government Regulation and MITTAL STEEL Litigation, and Note 17 to its Supplemental Combined Financial Statements.



**Table of Contents**

***Future sales of Mittal Steel's common shares may affect the market price of its shares.***

Sales, or the possibility of sales, of substantial numbers of Mittal Steel's common shares in the public markets, including in The Netherlands and the United States, could have an adverse effect on the market price of its common shares. Any subsequent offering of the common shares of Mittal Steel may have rights, preferences or privileges senior to those of the common shares of Mittal Steel currently outstanding.

***Natural disasters could significantly damage Mittal Steel's production facilities.***

Natural disasters could significantly damage Mittal Steel's production facilities and general infrastructure. In particular, Imexsa's production facilities are located in Lazaro Cardenas, Michoacan, Mexico and Ispat Karmet is located in the Karaganda region of the Republic of Kazakhstan, both of which are areas that have historically experienced earthquakes of varying magnitude. Extensive damage to either facility, or any other major production complexes, whether as a result of an earthquake or other natural disaster, could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

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

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. Mittal Steel maintains comprehensive insurance on all property and equipment in amounts believed to be consistent with industry practices but it may not be fully insured against some business risks. Mittal Steel's insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policy. Under these policies, damages and losses caused by certain natural disasters, such as earthquakes, floods and windstorms, are also covered. Each of the operating subsidiaries of Mittal Steel also maintains various other insurances, such as workmen's compensation insurance and marine insurance. Notwithstanding the insurance coverage that Mittal Steel carries, the occurrence of an accident that causes losses in excess of limits specified under the policy, or losses arising from events not covered by insurance policies, could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

***Product liability claims could adversely affect Mittal Steel's operations.***

Mittal Steel sells products to major manufacturers of a large number of goods. Furthermore, Mittal Steel's products are also sold to, and used in, certain safety-critical applications. If Mittal Steel were to sell steel that is inconsistent with the specifications of the order or the requirements of the application, significant disruptions to the customer's production lines could result. There could also be significant consequential damages resulting from the use of such products. Mittal Steel has a limited amount of product liability insurance coverage and a major claim for damages related to products sold could have a material adverse effect on its business, financial condition, results of operations or prospects.

***Cyclicality of the steel industry.***

The steel industry is highly cyclical and is affected significantly by general economic conditions and other factors such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. Steel prices are sensitive to a number of supply and demand factors. Steel markets recently have been experiencing larger and more pronounced cyclical fluctuations. This trend, combined with the upward pressure on costs of key inputs, mainly metallics and energy, presents an increasing challenge for steel producers. The key drivers for maintaining a competitive position and good financial performance in this challenging environment are product differentiation, customer service, cost reduction and cash management.

## **Table of Contents**

The volatility and the length and nature of business cycles affecting the steel industry have become increasingly unpredictable, and the recurrence of another major downturn in the industry may have a material adverse effect on the business, financial condition, results of operations or prospects of many steel companies.

***International trade actions or regulations and trade-related legal proceedings may adversely affect sales, revenues and business in general of steel companies.***

Mittal Steel is an international operation with sales spanning many countries, and therefore, its businesses have significant exposure to the effects of trade actions and barriers. In the past, various countries, including the United States, have instituted, or are contemplating the institution of, trade actions and barriers.

Mittal Steel cannot predict the timing and nature of similar or other trade actions by the United States or any other country. Because of the international nature of Mittal Steel's operations it may be affected by any trade actions or restrictions introduced by any country in which it sells, or has the potential to sell, its products. Any such trade actions could adversely affect Mittal Steel's business, financial condition, results of operations or prospects and, depending on the timing, nature and jurisdiction of such actions, such adverse effects could be material.

In addition to the more general trade barriers described above, if any steel company were party to a regulatory or trade-related legal proceeding that was decided adversely to such company, or an operating subsidiary thereof, it could adversely affect the business, financial condition, results of operations or prospects of such company. See *MITTAL STEEL Government Regulation* and *MITTAL STEEL Litigation* and Note 17 to its Supplemental Combined Financial Statements.

***Steel companies are susceptible to changes in governmental policies and international economic conditions.***

Governmental, political and economic developments relating to inflation, interest rates, taxation, currency fluctuations, social or political instability, diplomatic relations, international conflicts and other factors may adversely affect the business, financial condition, results of operations or prospects of international steel companies. Mittal Steel has not, and currently does not intend to obtain, political risk insurance in any country in which it conducts its business.

***Significant expenditures and senior management time may be required with respect to Mittal Steel's internal controls to ensure compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 when the regulations of the U.S. Securities and Exchange Commission thereunder come fully into effect.***

Section 404 of the Sarbanes-Oxley Act and the regulations of the U.S. Securities and Exchange Commission thereunder, upon becoming effective, will require senior executive and senior financial officers of Mittal Steel to assess on a regular basis the internal controls for financial reporting, evaluate the effectiveness of such internal controls and disclose any material weaknesses in such internal controls. Mittal Steel's external auditors will also be required to provide an attestation of management's evaluation. In the event that Mittal Steel senior management or independent auditors determine that Mittal Steel internal controls over financial reporting are not effective as defined under Section 404, investor perceptions of Mittal Steel may be adversely affected and could cause a decline in the market price of Mittal Steel stock. The rules regarding management's report on internal controls and attestation will apply to Mittal Steel from the fiscal year ending December 31, 2005.

**Table of Contents**

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus, and the documents to which you are referred in this proxy statement/prospectus, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include, among other things, statements concerning the financial condition, results of operations and the business of Mittal Steel, including its recently acquired subsidiary, LNM Holdings, and ISG, the anticipated financial and other benefits of the recently completed acquisition of LNM Holdings and the proposed merger with ISG and Mittal Steel's plans and objectives following the recently completed acquisition of LNM Holdings and the proposed merger. These statements usually contain the words "believes," "plans," "expects," "anticipates," "intends," "estimates" or other similar expressions. For each of these statements, you should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although it is believed that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business or operations of the combined company. These forward-looking statements speak only as of the date on which the statements were made and no obligation has been undertaken to publicly update or revise any forward-looking statements made in this proxy statement/prospectus or elsewhere as a result of new information, future events or otherwise, except as required by applicable laws and regulations. In addition to other factors and matters contained or incorporated by reference in this proxy statement/prospectus, it is believed the following factors, among others, could cause actual results to differ materially from those discussed in the forward-looking statements:

- cost savings expected to result from the recently completed acquisition of LNM Holdings and the proposed merger may not be fully realized or realized within the expected time frame;
- costs or difficulties related to the integration of the businesses of Mittal Steel, its recently acquired subsidiary LNM Holdings and ISG may be greater than expected;
- the risk of a significant delay in the completion of the proposed merger and/or unexpected consequences resulting from the recently completed acquisition of LNM Holdings and the proposed merger;
- the risk that a government authority may impose unfavorable terms as a condition to the merger;
- operating results following the recently completed acquisition of LNM Holdings and the proposed merger may be lower than expected;
- adverse changes in interest rates may reduce interest margins or adversely affect asset values of Mittal Steel or ISG;
- general economic conditions, whether nationally or in the market areas in which Mittal Steel or ISG conduct business, may be less favorable than expected;
- the risk of disruption or volatility in the economic, political or social environment in those countries in which Mittal Steel or ISG conduct business;
- legislation or regulatory changes may adversely affect the businesses in which Mittal Steel or ISG are engaged;
- adverse changes may occur in the securities markets;
- uncertainty as to the actions of the controlling shareholder of Mittal Steel, who will also be the controlling shareholder of the combined company;
- the combined company's ability to maintain operational flexibility given its high debt level;
- the combined company's ability to attract and retain talented management;
- the risk of reduced efficiencies due to the combined company's limited capital expenditures;

**Table of Contents**

fluctuations in currency exchange rates;

the combined company's ability to operate within the limitations imposed by financing arrangements;

the combined company's ability to obtain financing on acceptable terms to finance its growth;

uncertainty as to the revenues generated by the combined company's subsidiaries;

the risk of significant supply shortages and increases in the cost of raw materials, energy and transportation;

the risk of labor disputes;

the risk of decreasing prices for the combined company's products and other forms of competition in the steel industry;

increased competition from substitute materials (*e.g.*, aluminum);

the combined company's ability to successfully operate within a cyclical industry; and

the risk that ISG will not be able to effectively integrate and operate the assets that it has acquired from other steel companies.

**Table of Contents**

**ISG SPECIAL MEETING OF STOCKHOLDERS**

**Proxy Statement/ Prospectus**

This proxy statement/ prospectus is being furnished to ISG stockholders as part of the solicitation of proxies by the ISG board of directors for use at the special meeting in connection with the proposed merger. This document provides ISG stockholders with the information they need to know to be able to vote or instruct their vote to be cast at the special meeting.

**Date, Time, Place and Purpose of the Special Stockholders Meeting**

ISG will hold the special stockholders meeting at [time], local time, on [day], March [ ], 2005 at [location] located at [street address] to consider and vote on the proposal to adopt the merger agreement and the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

ISG does not expect that any matter other than the proposal to adopt the merger agreement and the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement, will be brought before the special meeting. If, however, such a matter, which is unknown a reasonable time before the solicitation of proxies in connection with the special meeting, is properly presented at the special meeting or any adjournment or postponement of the special meeting, the persons appointed as proxies will have authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

**Record Date; Quorum and Voting Power**

The holders of record of ISG common stock at the close of business on February [ ], 2005, the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were 100,035,950 shares of ISG common stock outstanding, all of which are entitled to vote at the special meeting. Each share of ISG common stock outstanding on the record date entitles the holder to one vote on each matter submitted to ISG stockholders for approval at the special meeting.

A quorum of shares of ISG common stock is necessary to hold a valid special meeting. The holders of a majority of ISG common stock issued and outstanding and entitled to vote, present in person or represented by proxy, at the special meeting will constitute a quorum for purposes of the special meeting. Once a quorum is present it is not broken by the subsequent withdrawal of any ISG stockholder.

**Vote Required**

Completion of the merger requires the adoption of the merger agreement by the affirmative vote of the holders of a majority of the shares of ISG common stock outstanding on the record date. At the close of business on the record date, directors and executive officers of ISG beneficially owned, in the aggregate, approximately 9,029,000 shares of ISG common stock, representing approximately 9.0% of the shares of ISG common stock outstanding.

**Voting Your Shares**

Each share of ISG common stock entitles the holder on the record date of the special meeting to one vote with respect to all matters on which the holders of ISG common stock are entitled to vote at the special meeting.

## **Table of Contents**

If you are a holder of record, there are two ways to vote your shares of ISG common stock at the special meeting and have them included in the vote:

**YOU CAN VOTE BY COMPLETING, SIGNING, DATING AND RETURNING THE ENCLOSED PROXY CARD.** If you vote by proxy card, your proxy (one of the individuals named on the proxy card) will vote your shares at the special meeting as you instruct on the proxy card.

**YOU CAN ATTEND THE SPECIAL MEETING AND VOTE IN PERSON.** ISG will give you a ballot when you arrive. However, if your shares of ISG common stock are held in the name of a broker, bank or other nominee, you must have a proxy from the broker, bank or nominee so that ISG can be sure that the broker, bank or other nominee has not already voted your shares.

If your shares are held in street name by your broker, you should instruct your broker how to vote your shares using the instructions provided by your broker. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker and they can give you directions on how to vote your shares. Under the rules of the New York Stock Exchange, brokers who hold shares in street name for customers may not exercise their voting discretion with respect to the approval of non-routine matters such as the merger proposal, and, therefore, absent specific instructions from the beneficial owner of such shares, brokers are not empowered to vote such shares with respect to the approval of such proposals (*i.e.*, broker non-votes).

Shares of ISG common stock held by persons attending the special meeting but not voting, or shares for which ISG has received proxies with respect to which ISG stockholders have abstained from voting, will be considered abstentions. Abstentions and properly executed broker non-votes will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists but will have the same effect as votes AGAINST the adoption of the merger agreement.

## **Company Shareholder Support Agreement**

In connection with ISG entering into the merger agreement, Wilbur L. Ross, Chairman of the ISG board of directors, and certain affiliates of Mr. Ross and Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, entered into a company shareholder support agreement required by Mittal Steel in connection with its entering into the merger agreement. Among other things, the agreement provides that they will each vote all of the shares of ISG common stock that they own in favor of the adoption of the merger agreement. Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott beneficially own 6.9% and 1.4%, respectively, of the ISG common stock outstanding as of the record date. For a more complete summary of the company shareholder support agreement, please see COMPANY SHAREHOLDER SUPPORT AGREEMENT beginning on page 109.

## **Proxy; Revocation of Proxy**

If you vote your shares of ISG common stock by signing a proxy, your shares will be voted at the special meeting in accordance with the instructions given. If no instructions are indicated on your signed proxy card, your shares of ISG common stock will be voted FOR the adoption of the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies.

You may revoke your proxy at any time before the vote is taken at the special meeting. To revoke your proxy, you must advise ISG's Secretary in writing and deliver a new proxy dated after the date of the proxy you wish to revoke, or attend the special meeting and vote your shares in person. Attendance at the special meeting will not by itself constitute revocation of a proxy.

If you have instructed your broker to vote your shares, the above-described options for revoking your proxy do not apply, and instead you must follow the directions provided by your broker to change these instructions.

**Table of Contents**

**Means of Solicitation; Fees and Expenses**

Mittal Steel and ISG have agreed to each pay one-half of all expenses and fees relating to the printing, filing and mailing of this proxy statement/ prospectus. All other costs of solicitation of proxies from ISG stockholders will be paid by ISG. ISG has retained MacKenzie Partners, Inc. for a fee of \$8,000, plus expenses, to aid in the solicitation of proxies and to verify certain records related to the solicitations. In addition to soliciting proxies by mail, directors, officers and employees of ISG may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. ISG may, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

**Table of Contents**

**THE MERGER**

**General Description of the Merger**

The merger agreement provides that ISG will merge with and into Park Acquisition Corp., a wholly owned subsidiary of Mittal Steel, and Park Acquisition Corp. will continue as the surviving company and as a wholly owned subsidiary of Mittal Steel. In the merger, each outstanding share of ISG common stock (other than those shares that are held by ISG as treasury stock, Mittal Steel or a wholly owned subsidiary of Mittal Steel or ISG) will be converted into the right to receive cash or Mittal Steel class A common shares, or a combination of cash and Mittal Steel class A common shares.

Each ISG stockholder may elect the form of consideration he or she would like to receive, but this election is subject to proration as well as a potential adjustment driven by tax considerations. See THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 83. Under the merger agreement, 50% of all issued and outstanding shares of ISG common stock must be exchanged for cash, and 50% must be exchanged for Mittal Steel class A common shares. If ISG stockholders owning more than 50% of the ISG common stock elect to receive cash, the number of shares of ISG common stock converted into cash will be less than the number elected. Similarly, if ISG stockholders owning more than 50% of the ISG common stock elect to receive Mittal Steel class A common shares, the number of shares of ISG common stock converted into Mittal Steel class A common shares will be less than the number elected.

For tax reasons that are explained below, Mittal Steel may elect to increase the number of Mittal Steel class A common shares issued to ISG stockholders in the merger. In the alternative, Mittal Steel may elect to have the merger restructured so that Park Acquisition Corp. would merge with and into ISG and ISG would be the surviving company. For a discussion of the U.S. federal income tax consequences of the structure of the merger, please see THE MERGER Material U.S. Federal Tax Consequences of the Merger to Mittal Steel, Park Acquisition Corp. and ISG and THE MERGER Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares Received by ISG Stockholders in each case beginning on page 67.

As consideration for each share of ISG common stock exchanged in the merger, ISG stockholders may elect to receive: \$42.00 in cash; a number of Mittal Steel class A common shares valued at \$42.00, subject to a restriction on the maximum and minimum number of Mittal Steel class A common shares to be issued; or a combination of cash and Mittal Steel class A common shares.

The number of Mittal Steel class A common shares to be exchanged for each share of ISG common stock will be based on an exchange ratio equal to the average closing price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days prior to the effective time of the merger. If the average trading price of Mittal Steel class A common shares is equal to or greater than the minimum of approximately \$34.50 per share and equal to or less than the maximum of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for an amount of Mittal Steel class A common shares equal to \$42.00. If the average trading price of Mittal Steel class A common shares is less than the minimum of approximately \$34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Mittal Steel class A common shares, regardless of the value of those shares. If the average trading price of Mittal Steel class A common shares is greater than the maximum of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Mittal Steel class A common shares, regardless of the value of those shares.

**Background of the Merger**

From its formation in 2002, ISG has grown through a number of strategic business combination transactions. In 2002, ISG acquired out of bankruptcy proceedings the steel-making assets of LTV and Acme Steel and, in 2003, Bethlehem Steel. After its initial public offering in 2003, ISG acquired substantially all of the assets of Weirton Steel and of Georgetown Steel. ISG also had informal discussions from time to time during this period with other companies regarding other possible strategic transactions.



**Table of Contents**

In late August 2004, while considering the acquisition of LNM Holdings, Ispat International also began considering, in a meeting chaired by Aditya Mittal, a director and senior executive of Ispat International, acquisition opportunities for expanding Ispat International's operations in the United States to complement its current businesses. On August 24, 2004, Wilbur L. Ross, Chairman of the ISG board of directors, Lakshmi N. Mittal, Ispat International's Chairman and Chief Executive Officer, and Aditya Mittal, attended a meeting that was arranged by representatives of UBS. At the meeting, the parties discussed industry conditions, the two companies and other business matters.

During September 2004, due to potential interest in a transaction indicated by Ispat International and LNM Holdings to UBS representatives, UBS representatives had conversations with Mr. Ross about whether other steel companies might have a similar interest. Mr. Ross conducted exploratory discussions with representatives of one such company. While that company indicated an initial willingness to enter into discussions of a possible transaction, it did not propose specific terms or otherwise pursue a possible transaction.

In mid-September 2004, Messrs. L. Mittal and A. Mittal contacted Mr. Ross to propose a merger of the two companies in a 75% stock, 25% cash transaction. The proposed exchange ratio would be set pursuant to a collar mechanism in which ISG stockholders would receive stock of the combined Mittal Steel company valued at between \$41.00 and \$43.50 within the collar, but less if the stock traded below the collar and more if it traded above the collar. The cash portion of the merger consideration was proposed to range from \$41.00 to \$43.50 per share of ISG common stock for 25% of ISG's shares. The proposal also contemplated possible arrangements to provide cash for ISG stockholders for up to one-third of the shares of stock they would receive in the merger.

The Ispat International proposal was reviewed by the ISG board of directors at its regularly scheduled September 23, 2004 board meeting. At the conclusion of that meeting, the ISG board of directors instructed Mr. Ross and Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, to explore the possible transaction and authorized them to take any action they deemed appropriate to facilitate further discussions.

On September 28, 2004, ISG, Ispat International and LNM Holdings entered into exclusivity and confidentiality agreements in which, among other things, ISG, Ispat International and LNM Holdings agreed not to solicit an alternative transaction for a 26-day period and Ispat International and LNM Holdings agreed to a one-year standstill prohibition on unsolicited takeover proposals for ISG. Thereafter, the parties exchanged information about their respective businesses.

The ISG board of directors met on October 8, 2004 to review discussions with Ispat International and LNM Holdings. Mr. Ross reviewed the terms of Ispat International's initial proposal in detail. Among other things, he informed the ISG board of directors that representatives of Ispat International and LNM Holdings had requested that, if the transaction proceeded, Mr. Ross join the boards of the combined company and its U.S. subsidiary and that Mr. Mott lead the combined company's U.S. operations after the merger. The specific terms of Mr. Mott's continuing relationships were not specified in any discussions prior to the merger.

A representative of Jones Day, counsel to ISG, also participated in the October 8 meeting. He reviewed the directors' fiduciary obligations in this context, the key issues that normally arise in transactions like that under consideration and questions presented by the preliminary proposal from Ispat International and LNM Holdings. It was the ISG board of directors' consensus that alternatives in which more certain value would be received in a merger should be explored. During the October 8 meeting, the ISG board of directors discussed management retention arrangements that companies frequently adopt in transactions like that under consideration, and authorized the ISG compensation committee to study this possibility. The ISG board of directors also authorized ISG to retain UBS and Goldman Sachs as financial advisers if the transaction were to proceed. The ISG board of directors authorized the retention of Goldman Sachs (in addition to UBS, which had been involved from the outset in the discussions between ISG and Ispat International), in light of, among other factors, Goldman Sachs' familiarity with ISG and Goldman Sachs, together with UBS, having led ISG's initial public offering. In addition, representatives of Jones Day advised the ISG board that it was not unusual for

**Table of Contents**

companies in ISG's circumstances to retain more than one financial advisor in an effort to obtain input from multiple perspectives.

Shortly thereafter, Shearman & Sterling LLP, counsel to Ispat International, provided ISG proposed merger documentation, and representatives of Ispat International and ISG, including their respective legal and financial advisors, discussed and negotiated the draft documents on a substantially continuous basis. Issues discussed between the parties included (1) the amount of the merger consideration that would consist of cash instead of stock of Mittal Steel and the arrangements by which the cash would be paid, (2) whether a majority of ISG stockholders would commit to vote their shares in favor of the merger, (3) the maximum and minimum prices for the collar on the exchange ratio applicable to the stock portion of the merger consideration, (4) whether the controlling shareholders of Ispat International and LNM Holdings would enter into agreements to support the merger and the acquisition of LNM Holdings by Ispat International, and (5) the scope of the no-shop and termination provisions that would apply to ISG.

On October 14, 2004, Messrs. Ross and Mott met with representatives of the United Steelworkers of America, or USWA. Under the ISG/USWA union contract, the USWA had a right of first refusal to acquire ISG in the event of any proposed change of control and certain other provisions of the union contract required clarification due to the proposed transaction. In addition, Messrs. Ross and Mott wanted to ensure the union's support of any possible transaction. The union representatives' response was generally positive and a meeting with representatives of Ispat International was scheduled.

Later that day, the ISG board of directors reviewed the developments in the negotiations at a meeting. Mr. Ross reported the results of the discussions with union representatives and Ispat International. A representative of Jones Day again reviewed the directors' fiduciary issues and the key issues then presented by the negotiation including the issues discussed above. At the conclusion of the meeting, the ISG board of directors authorized management to continue to pursue the possible transaction.

The board of directors of Ispat International met on October 15, 2004. The senior management and Credit Suisse First Boston, Ispat International's financial adviser, presented to the Ispat International board of directors the possibility of an acquisition by Ispat International of a large integrated U.S. steel company, the identity of which was not disclosed to the board.

Thereafter, the parties continued to engage in ongoing discussions and negotiations. The principal issues on which the parties focused were the targeted merger price, the amount of cash that would be included in the merger consideration and the collar mechanism Ispat International had proposed. Representatives of the parties and their legal and financial advisors discussed these issues on numerous occasions during the first three weeks of October. ISG sought from the outset of discussions to obtain a higher price and a greater percentage of cash than the 25% originally proposed by Ispat International. ISG's representatives also indicated on several occasions that ISG would be willing to consider a collar mechanism along the lines originally indicated if the other pricing-related provisions were satisfactorily resolved. After various discussions of these issues, during the third week of October, the parties agreed in concept to a basic structure under which 50% of the ISG shares would be converted into the right to receive the merger consideration in cash at \$42.00 per share and 50% of the shares of ISG common stock would be converted into the right to receive Mittal Steel class A common shares at a floating exchange ratio based on a targeted \$42.00 per ISG share with a collar mechanism providing for the targeted \$42 per share in value if Ispat International trading prices at the time of the merger were within a collar of \$34.50 per share and \$43.81 per share. Under this mechanism, (1) if the average trading price of Ispat International class A common shares is less than the minimum of approximately \$34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Ispat International class A common shares, regardless of the value of those shares, and (2) if the average trading price of Ispat International class A common shares is greater than the maximum of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Ispat International class A common shares, regardless of the value of those shares. Representatives of the parties also resolved other key transaction issues in these negotiations; including (1) the scope of the no-shop and termination provisions that would apply to ISG, (2) that the controlling shareholders of Ispat International and LNM Holdings would enter into agreements to support the merger and the acquisition of LNM Holdings

**Table of Contents**

by Ispat International, and (3) that Messrs. Ross and Mott (but not any other ISG shareholder) would each enter into voting and option agreements with respect to shares under their respective control.

On October 18, 2004, Messrs. Ross, Mott, L. Mittal and A. Mittal met with representatives of the USWA to discuss the transaction. The union representatives indicated that they would sign an agreement to support the transaction.

On October 22, 2004, the ISG board of directors reviewed the possible transaction in detail. At that meeting, management reviewed the discussions to date, including with union representatives, the strategic rationale for a possible transaction, opportunities for synergies and cost savings and the results of the ongoing due diligence process. The financial aspects of the transaction were reviewed in detail by representatives of UBS and Goldman Sachs. Jones Day reviewed the material terms of, and open issues under, the draft merger agreement and shareholder support agreements, Ispat International's corporate governance mechanisms, the legal requirements applicable in the circumstances and due diligence review conducted to date. Among other things, the board determined, upon management's recommendation, not to further pursue at that time a transaction-related retention program for management. As discussed in INTEREST OF CERTAIN PERSONS IN THE MERGER on page 128, the ISG board of directors later determined it advisable to discuss with Mittal Steel the possibility of implementing retention arrangements for certain ISG senior executives.

The merger discussions proceeded from the outset on the assumption that Ispat International's proposed combination with LNM Holdings would be completed prior to the ISG merger, and the ISG merger agreement conditions the parties' obligations to close on the completion of the acquisition of LNM Holdings. Among other matters, at its October 22, 2004 meeting, the ISG board of directors considered historical and prospective operational and financial information about Ispat International and LNM Holdings separately and on a combined basis, share trading price analyses of comparable companies, the terms of the proposed acquisition of LNM Holdings and effect thereof on the combined company's equity ownership and pro forma contribution and other financial analyses giving effect to the merger.

The ISG board also considered the fact that trading prices for Ispat International shares at the end of October were below the lower point at the proposed collar range and that, if trading prices for Ispat International shares did not increase, each ISG share to be converted into Ispat International stock in the merger would be converted at a fixed number of shares that would produce a value below the targeted \$42.00 per share merger price. The ISG board considered the impact of changes in the trading prices for Ispat International shares on the value to be received by ISG stockholders, as well as possible future trading prices giving effect to the acquisition of LNM Holdings by Ispat International in light of pro forma operating and financial information, trading multiples for other companies and other factors.

On October 23, 2004, the Ispat International board met in New York and received presentations from senior management, and representatives of Credit Suisse First Boston, Shearman & Sterling LLP and NautaDutilh, Ispat International's Dutch counsel, describing a proposed acquisition of ISG by Ispat International. At the meeting, management outlined for the board the strategic basis for the transaction and the financial effects upon Ispat International of the proposed combination with ISG.

The ISG board of directors again reviewed the matter on October 24, 2004. At that meeting, representatives of UBS and Goldman Sachs presented their financial analysis of the transaction, after which each firm orally informed the ISG board of directors (subsequently confirmed in writing), that, as of such date and based upon and subject to the considerations, assumptions and limitations set forth in the opinions, the consideration to be received by ISG stockholders in the merger, taken in the aggregate, is fair from a financial point of view to ISG stockholders. UBS and Goldman Sachs' opinions are subject to the various assumptions and limitations described under the heading THE MERGER Opinions of ISG's Financial Advisors on pages 56 to 67.

Representatives of UBS and Goldman Sachs also reviewed ISG's strategic alternatives at the October 24th meeting, including a merger or other strategic transaction and a recapitalization or similar event. Representatives of Jones Day reviewed how the various open issues in the documentation reviewed at the

## **Table of Contents**

October 22nd meeting had been tentatively resolved, the material terms of the merger agreement, including the no-shop and termination provisions of the merger agreement and shareholder support agreements, the legal requirements in these circumstances and the results of its due diligence review. Representatives of Jones Day also specifically reviewed each aspect of the proposed transaction in which it could be said that ISG directors or officers had an interest that was different from or in addition to the interests of shareholders generally. Management reviewed other aspects of the transaction, including discussions with various representatives conducted to date. After discussion, the ISG board of directors unanimously authorized ISG to enter into the merger agreement.

On October 24, 2004 the board of directors of Ispat International resumed their meeting to review with senior management, Credit Suisse First Boston, Shearman & Sterling LLP and NautaDutilh, the terms and conditions of the proposed merger agreement. Following further discussion, the board of directors of Ispat International unanimously authorized Ispat International to enter into the merger agreement and determined to recommend to Ispat International shareholders that they vote for the merger.

On October 24, 2004, ISG entered into an agreement with the USWA in which the union waived its right of first refusal and amended certain other provisions of the union contract. The agreement provides that two union designees would join the board of directors of the surviving company in the merger.

Late in the evening on October 24, 2004, Ispat International and ISG entered into the merger agreement. Simultaneously Ispat International Investments, S.L. (an entity owned by the controlling shareholder of Ispat International) entered into a shareholder support agreement with ISG. The Richmond Investment Holdings Limited (an entity owned by the controlling shareholder of Ispat International and, at the time, the sole shareholder of LNM Holdings) entered into a support letter agreement with ISG related to Ispat International's acquisition of LNM Holdings. Mr. Ross and Mr. Mott also simultaneously entered into a shareholder support agreement with Ispat International. Prior to the opening of financial markets in New York on October 25, 2004, Ispat International and ISG issued a joint press release announcing the transaction.

## **Recommendation of the ISG Board of Directors**

**The ISG board of directors unanimously determined that the merger is fair to and in the best interests of ISG and its stockholders. The ISG board of directors unanimously approved and declared advisable the merger agreement and recommends that you vote or give instructions to vote FOR the proposal to adopt the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies.**

In considering the recommendation of the ISG board of directors to vote for the adoption of the merger agreement, you should be aware that certain members of the ISG board of directors and executive officers of ISG may have interests in the merger that differ from, or are in addition to, their interests as ISG stockholders. The ISG board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. Please see the section entitled INTEREST OF CERTAIN PERSONS IN THE MERGER that begins on page 128.

## **Approval of the Mittal Steel Board of Directors**

The Mittal Steel board of directors has unanimously approved the merger agreement and recommended it to Mittal Steel shareholders who will vote on a proposal to approve the merger agreement at a separate extraordinary meeting of Mittal Steel shareholders. The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L. (an entity owned by the controlling shareholder of Mittal Steel) will vote all of its Mittal Steel class A common shares and all of its Mittal Steel class B common shares (representing as of the date of this proxy statement/prospectus approximately [15.7%] of the combined voting power of all shares of Mittal Steel's voting stock) in favor of the merger.

**Table of Contents**

**ISG's Reasons for the Merger**

In reaching its decision to approve the merger agreement and the merger, the ISG board of directors consulted with legal counsel regarding the ISG board of directors' legal duties, the terms of the merger agreement, the U.S. federal income tax consequences of the merger and related issues; with its financial advisors regarding the financial aspects and the fairness of the transaction from a financial point of view; and with senior management of ISG regarding, among other things, the industry, management's plans, ISG's prospects and operational matters, including synergistic aspects of the transaction. The determination by the ISG board of directors to approve the merger agreement and the merger was the result of consideration of numerous factors, including (in addition to the specific factors described in "THE MERGER - Background of the Merger" beginning on page 47):

its understanding of the business, operations, financial condition, earnings and future strategy of each of ISG, Ispat International and LNM Holdings, both separately and on a combined basis (including the report of legal counsel of the results of its due diligence review of Ispat International and LNM Holdings);

its understanding of the current and prospective economy and the steel industry, including the globalization of the steel industry and the effect of that trend on ISG in the absence of the proposed transaction;

the potential for the combined company to use otherwise under-utilized finishing capacity;

the competitive landscape in the steel industry and the need for scale and global capacity in order to remain competitive;

the opportunity for ISG stockholders to participate in the growth of one of the world's largest steel producers based on 2003 steel output;

the increased access that ISG would have to raw materials supply, technical resources and research and development capabilities;

the importance of capital resources to fund technology investments, research and development and plant and equipment upgrades and the increased availability of those resources to the combined company;

the fact that the merger consideration represented a premium of 23% of the closing price of ISG common stock on October 22, 2004, the last trading day prior to the announcement of the merger, based on the closing price of Ispat International's shares on the NYSE on that date, and a range from 23% to 50% of the closing price of ISG common stock on October 22, 2004, based on an analysis of potential trading prices for Ispat International's shares giving effect to the LNM Holdings acquisition as discussed in "THE MERGER - Opinions of ISG's Financial Advisors" at page 56;

the potential for cost savings and synergies from combining ISG, Ispat International and LNM Holdings;

the fact that the USWA and the Independent Steelworkers Union were supportive of the proposed transaction;

the reports of ISG management, the financial presentations of UBS and Goldman Sachs and the opinions of UBS and Goldman Sachs that, as of the date of those opinions, the consideration to be received by ISG stockholders in the merger, taken in the aggregate, was fair from a financial point of view to ISG stockholders;

the provisions of the merger agreement which give the ISG board of directors the ability, should ISG receive an unsolicited superior proposal, to furnish information to and conduct negotiations with a third party, and to enter into an agreement for a superior proposal after complying with certain requirements, including payment of either a termination fee or the reimbursement of certain expenses;

---

<sup>1</sup> Source: International Iron and Steel Institute Report, "World Steel in Figures 2004."

**Table of Contents**

the support commitments from Ispat International Investments, S.L. (an entity owned by the controlling shareholder of Mittal Steel) to vote all of its Mittal Steel common shares in favor of approval of the merger agreement, and The Richmond Investment Holdings Limited (an entity owned by the controlling shareholder of Mittal Steel and prior to the acquisition of LNM Holdings by Ispat International, the sole shareholder of LNM Holdings) to make certain representations and warranties and agreements in favor of ISG with respect to LNM Holdings and the LNM Holdings acquisition agreement;

the shareholder support agreement required by Mittal Steel of Messrs. Ross and Mott, the terms of options they granted and the termination provisions applicable to their undertaking to support the merger;

the structure of the merger and the terms of the merger agreement, including the fact that the floating exchange ratio provides certainty within the restriction on the maximum and minimum range as to the value of the shares to be received by ISG stockholders in the merger;

the expectation that the receipt of Ispat International class A common shares in the merger would be tax-free for U.S. federal income tax purposes, including the related provisions of the merger agreement; and

the likelihood of the merger being approved by appropriate regulatory authorities.

The ISG board of directors also considered and balanced against the potential benefits of the proposed merger the potential risks associated with the merger, including:

the potential for growth and increased stockholder value if ISG were to remain independent;

the fact that LNM Holdings was not a publicly traded company and therefore had not been subject to market regulation, including disclosure requirements;

the fact that the maximum and minimum exchange ratios were determined on the assumption that the trading prices for Ispat International class A common shares after the LNM Holdings acquisition would be higher than prices at which Ispat International class A common shares traded prior to the announcement of the merger;

the fact that the receipt of cash in the merger would be a taxable event for U.S. federal income tax purposes;

the fact that the combined company would be controlled by the Mittal family;

the possibility that expected benefits from the merger might not be fully realized;

the challenges of integrating the businesses, management teams and workforce of the companies;

the possible disruption to ISG's business that might result from the announcement of the merger;

the possibility that the merger might not be completed and the potential adverse consequences; and

the risk that Mittal Steel class A common shares might trade below \$34.50 and that the resulting value of 50% of the merger consideration might be less than \$42.00 per share of ISG common stock.

The factors described above include the material factors considered by the ISG board of directors. In view of its many considerations, the ISG board of directors considered these factors as a whole and did not quantify or otherwise assign relative weights to the specific factors considered. In addition, individual members of the ISG board of directors may have given different weights to different factors.

**Mittal Steel's Reasons for the Merger**

In reaching its decision to approve the merger agreement and to recommend that the Mittal Steel shareholders approve the merger agreement, Mittal Steel consulted with legal counsel regarding the terms of the merger agreement and related issues, with its financial advisors regarding the financial aspects and the



**Table of Contents**

fairness of the transaction from a financial point of view, and with senior management of Mittal Steel regarding, among other things, the industry, management's plans, Mittal Steel's prospects and operational matters. The determination of the Mittal Steel board of directors to approve the merger agreement was the result of careful consideration of numerous factors, including:

Mittal Steel and ISG bring complementary resources and strengths which the Mittal Steel board believes will result in providing Mittal Steel shareholders with enhanced long-term shareholder value;

the combined company will encompass all aspects of modern steel making to produce an extensive product portfolio to meet a wide range of customer needs across all steel consuming sectors, including automotive, appliance, machinery and construction;

the merger will significantly increase Mittal Steel's presence in the North American market; and

the expectation that the shares of the combined company would have greater liquidity in the stock market as a result of the two-fold to three-fold increase (depending on the final exchange ratio) in the number of Mittal Steel class A common shares held by persons other than the controlling shareholder of Mittal Steel following completion of the merger.

The Mittal Steel board of directors also considered and balanced against the potential benefits of the proposed merger the potential risks associated with the merger, including

risks associated with ISG's internal and disclosure controls generally, also considering ISG's public disclosures regarding those controls;

potential environmental liabilities arising out of ISG's operations; and

the risk that Mittal Steel will be unable to successfully integrate the operations of ISG with Mittal Steel's operations.

The Mittal Steel board of directors did not consider it practical, nor did it try, to rank or weight the importance of each factor, and individual members of the board may have given different weight to different factors.

**Prospective Financial Data**

During the discussions relating to the negotiation and execution of the merger agreement, ISG furnished Mittal Steel and its representatives certain prospective financial information for the years 2004 and 2005 as shown in the table below.

	Year Ended December 31, 2004	Year Ended December 31, 2005
	(In millions, except per share data)	
Net sales	\$9,163	\$11,999
Gross profit	\$1,246	\$1,480
Net income	\$667	\$605
Earnings per share (diluted)	\$6.53	\$5.90

The principal assumptions ISG management used in September 2004 for the preparation of its prospective financial information for the remainder of 2004 assume that then-existing operating levels, prices and costs remained the same.

The principal assumptions ISG management used in September 2004 for the preparation of its 2005 prospective financial information included:

*Continued stand-alone operation.* The data do not include effects of the proposed merger.

*Economic trends.* The data assume that current global and U.S. gross domestic product growth will continue, leading to a continued strong demand for steel.



**Table of Contents**

*China and exchange rates.* The data assume that China would remain the principal growth engine in the global steel industry, exchange rates will continue to be favorable for U.S. steel manufacturing and continued strong demand should allow steel prices to remain firm.

*Disruptions.* The data assume that there will be no material disruption caused by geopolitical or external events.

*Shipments by major product, market and customer.* The data assume that shipments by major product, market and customer will increase modestly to approximately 18 million tons to reflect a full year of operation for all assets acquired in 2004.

*Prices by major product, market and customer.* The data assume that spot steel prices will decline and average annual contract prices will increase from their 2004 levels.

*Production levels.* The data take into account the effect of planned maintenance and other potential outages of ISG's production equipment on anticipated production levels and assume that no significant unplanned outages affect production levels.

*Productivity levels for labor and equipment.* The data assume that future productivity levels for labor and equipment remain consistent with 2004 levels.

*Input costs and availability.* The data assume that input costs for major raw materials, energy and supplies will be based on existing contracts and market conditions. In addition, the data assume that current economic trends will cause input prices to remain high relative to historical levels. No assumption has been made for significant input shortages. In total, the data assume that input costs will remain approximately the same as 2004 levels.

These prospective financial data referred to above are included in this proxy statement/ prospectus only because they were made available to Mittal Steel. ISG prepares prospective financial data for internal use and for assisting management in capital, budgeting and other management decisions. The prospective financial data are subject to periodic revision based on actual experience, business developments and other external factors. None of these data were prepared with a view toward compliance with SEC published guidelines, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information or under generally accepted accounting principles in the United States, commonly referred to as U.S. GAAP. KPMG LLP, ISG's auditors, and PricewaterhouseCoopers LLP, Bethlehem Steel Corporation's auditors, have not compiled, examined or performed any procedures with respect to the prospective financial data included in this proxy statement/ prospectus, nor have they expressed any opinion or given any form of assurance on such data or its achievability. The KPMG reports included elsewhere in this proxy statement/ prospectus relate only to ISG's historical consolidated financial information. The PricewaterhouseCoopers LLP report included in this proxy statement/ prospectus relates to Bethlehem Steel Corporation's historical financial information and does not extend to prospective financial information and should not be read to do so.

The ISG prospective financial data do not guarantee performance. Instead, these data, which were prepared in September 2004, consist of forward-looking statements that are subject to a number of risks, uncertainties and assumptions and should be read with caution. For a discussion of some of the factors that could cause actual results to differ, see CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS on page 42 and RISK FACTORS on page 29 and further incorporated herein by reference to ISG's filings. The ISG prospective financial data are subjective in many respects and thus susceptible to interpretation and periodic revision based on actual experience and recent developments. While presented with numeric specificity, the data reflect numerous assumptions made by ISG management with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of ISG and all of which are difficult to predict. In addition, the ISG prospective financial data do not take into account any of the transactions contemplated by the merger agreement. Actual results can be materially greater or less than the projections. Accordingly, there can be no assurance that the assumptions made in preparing the ISG prospective financial data or the data itself will prove accurate. ISG does not intend to make publicly available any update or other revisions to the projections

## **Table of Contents**

to reflect circumstances existing before or after the date of the preparation or the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. The foregoing does not affect Mittal Steel's obligation to disclose information pursuant to the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam, if applicable. You should not regard the inclusion of the ISG prospective financial data in this document as an indication that ISG or Mittal Steel considered or consider the projections to be a reliable prediction of future events, and you should not place undue reliance on the ISG prospective financial data contained in this proxy statement/ prospectus.

### **Opinions of ISG's Financial Advisors**

#### ***UBS***

The ISG board of directors retained UBS to act as its lead financial advisor in connection with the merger. The ISG board of directors selected UBS to act as its lead financial advisor based on UBS's qualifications, expertise and reputation and its knowledge of ISG's business and affairs. At the meeting of the ISG board of directors on October 24, 2004, UBS rendered its oral opinion, subsequently confirmed in writing as of that date, that based upon and subject to the factors, assumptions and procedures set forth therein, it is UBS's opinion that as of October 24, 2004, the consideration to be received by the holders of ISG common stock in the merger, taken in the aggregate, is fair from a financial point of view to such holders.

The full text of UBS's opinion, dated as of October 24, 2004, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the review undertaken by UBS, is attached as Annex E to this proxy statement/ prospectus. Holders of ISG common stock are urged to read this opinion carefully and in its entirety. This summary is qualified in its entirety by reference to the full text of the opinion.

UBS's opinion, which was directed to the ISG board of directors, addressed only the fairness, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, from a financial point of view to holders of ISG's outstanding ISG common stock of the consideration to be received by such holders in the merger, taken in the aggregate, and did not address any other aspect of the merger.

UBS's opinion did not address the relative merits of the merger as compared to other business strategies or transactions that might be available to ISG or its underlying business decision to proceed with or effect the merger, nor did it constitute a recommendation to any ISG stockholder as to how such ISG stockholder should vote with respect to the merger. In addition, UBS's opinion does not address or constitute a recommendation with respect to any particular stockholder election. At the direction of the ISG board of directors, UBS was neither asked to, nor did it, offer any opinion as to the material terms of the merger agreement (other than with respect to the consideration as expressly set forth therein) or the form of the merger. UBS expressed no opinion as to what the value of Mittal Steel class A common shares will be when issued pursuant to the merger agreement or the prices at which they will trade at any time in the future. In rendering its opinion, UBS assumed, with the consent of the ISG board of directors, that each party to the merger agreement would comply in all material respects with all the terms of the merger agreement and that the merger would be completed in accordance with the terms of the merger agreement without waiver, modification or amendment of any material term, condition or agreement. UBS also assumed, with the consent of the ISG board of directors, that the acquisition of LNM Holdings would be completed prior to the completion of the merger in accordance with the terms of the LNM Holdings acquisition agreement without waiver, modification or amendment of any material term, condition or agreement.

In arriving at its opinion, UBS, among other things:

reviewed certain publicly available business and historical financial information and other data relating to ISG, Ispat International and LNM Holdings;

reviewed the reported prices and trading activity for shares ISG common stock and Mittal Steel class A common shares;

**Table of Contents**

reviewed certain internal financial information and other data, including estimates and financial forecasts provided by ISG, Ispat International and LNM Holdings, that were provided to UBS by ISG, Ispat International and LNM Holdings, respectively, and were not publicly available;

conducted discussions with members of senior management of ISG, Ispat International and LNM Holdings concerning the business and financial prospects of ISG, Ispat International and LNM Holdings, respectively;

compared the financial terms of the merger with the publicly available financial terms of certain other transaction UBS believed to be generally relevant;

reviewed publicly available financial and stock market data with respect to certain other companies in lines of business UBS believed to be generally comparable to ISG, Ispat International and LNM Holdings;

considered certain pro forma effects of the merger on Ispat International financial statements;

reviewed the merger agreement and the LNM Holdings acquisition agreement; and

conducted such other financial studies, analyses and investigations, and considered such other information, as UBS deemed necessary or appropriate.

In connection with its review, with the consent of the ISG board of directors, UBS did not assume any responsibility for independent verification of any of the information reviewed by UBS for the purpose of its opinion and, with the consent of the ISG board of directors, relied on such information being complete and accurate in all material respects. In addition, at the direction of the ISG board of directors, UBS did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of ISG, Park Acquisition Corp. and Ispat International, nor was it furnished with any such evaluation or appraisal. With respect to the financial forecasts, estimates and pro forma effects referred to above, UBS was advised by management of ISG, Ispat International and LNM Holdings that they reflect the best currently available estimates and judgments as to the future financial performance of ISG, Ispat International and LNM Holdings. UBS assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement would be obtained without any adverse effect on any of ISG, Ispat International, LNM Holdings or on the expected benefits of the transaction contemplated by the merger agreement or the LNM Holdings acquisition agreement in any way meaningful to its analysis. UBS' opinion was necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to UBS as of, October 24, 2004. UBS assumed no responsibility to update or revise its opinion based upon circumstances or events occurring after October 24, 2004.

In performing its analyses, UBS made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond its control. No company, transaction or business used in the analyses described above is identical to us or the proposed merger. Any estimates contained in UBS' analysis are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of UBS' analysis of the fairness from a financial point of view, as of the date of the opinion, and subject to and based on the assumptions made, procedures followed, matters considered and limitations of the review undertaken, in its opinion, of the consideration to be received by holders of outstanding ISG common stock pursuant to the merger agreement, taken in the aggregate, to such holders and were conducted in connection with the delivery by UBS of its opinion dated October 24, 2004, to ISG's board. UBS' analyses do not purport to be appraisals or to reflect the prices at which Mittal Steel class A common shares might actually trade.

UBS is an internationally recognized investment banking and advisory firm. UBS, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and

**Table of Contents**

other purposes. In the past, UBS and its predecessors have provided investment banking services to ISG and Ispat International and received compensation for the rendering of such services. In 2003 and 2004, ISG paid to UBS an aggregate of approximately \$21.4 million in fees for such investment banking services and reimbursed UBS for any expenses it incurred. In the ordinary course of business, UBS, its successors and affiliates have held or traded, and may in the future hold or trade, securities of ISG and Mittal Steel for their own account and the accounts of their customers, and, accordingly, may at any time hold long or short positions in such securities.

Pursuant to a letter agreement dated October 22, 2004, ISG engaged UBS to act as its lead financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, ISG has paid UBS a \$250,000 retainer fee and a \$2.5 million opinion fee and has agreed to pay UBS, upon the completion of the transaction contemplated by the merger agreement (A) a \$1.0 million transaction initiation fee and (B) a transaction success fee equal to the greater of (i) 0.30% of the aggregate consideration paid in such transaction or (ii) \$15,000,000 (in each case, including the \$2.75 million already paid). Aggregate consideration for purposes of calculating the transaction success fee means (a) the total consideration paid for ISG common stock in the merger (including amounts paid to holders of ISG options, warrants and convertible securities), as well as amounts payable in connection with consulting agreements, non-compete agreements and contingent payments, plus (b) the principal amount of all indebtedness for borrowed money as set forth on ISG's most recent consolidated balance sheet prior to the completion of the merger. The value of the portion of the aggregate consideration paid in Mittal Steel class A common shares will be determined by the average of the last sale prices of the Mittal Steel class A common shares on the five trading days ending five trading days prior to the date of completion of the merger. Aggregate consideration also includes the aggregate amount of any (i) dividends or other distributions declared by ISG with respect to its stock after the date of its most recent consolidated balance sheet (other than normal recurring cash dividends in amounts not materially greater than currently paid), and (ii) amounts paid by ISG to repurchase any securities of ISG outstanding on the date of its most recent consolidated balance sheet. ISG has also agreed to pay UBS a fee equal to 15% of any break-up or similar fee received by ISG in connection with the termination of the merger agreement. In addition, ISG has agreed to reimburse UBS for its expenses, including attorneys' fees and disbursements, and to indemnify UBS against various liabilities, including certain liabilities under the federal securities laws.

***Goldman Sachs***

Goldman Sachs rendered its opinion to the ISG board of directors that, based upon and subject to the factors, assumptions and procedures set forth therein, it is Goldman Sachs' opinion that as of October 24, 2004, the consideration to be received by the holders of ISG common stock in the merger, taken in the aggregate, is fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated October 24, 2004, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex F hereto and incorporated herein by reference. ISG stockholders should read the opinion in its entirety. Goldman Sachs provided its opinion for the information and assistance of the ISG board of directors in connection with its consideration of the transaction contemplated by the merger agreement. The Goldman Sachs opinion is not a recommendation as to how any holder of shares of ISG common stock should vote with respect to the merger or whether to elect to receive the stock consideration or the cash consideration, or both, in connection with the merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the merger agreement;

the LNM Holdings acquisition agreement;

the annual report to stockholders and Annual Report on Form 10-K of ISG for the fiscal year ended December 31, 2003;

**Table of Contents**

the Registration Statement on Form S-1 of ISG with respect to the initial public offering of ISG common stock, including the prospectus dated December 10, 2003, included therein;

the annual reports to shareholders and Annual Reports on Form 20-F of Ispat International for the three fiscal years ended December 31, 2003;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of ISG;

unaudited consolidated financial statements of Ispat International and its subsidiaries for the six-month period ended June 30, 2004;

certain other communications from ISG and Ispat International to their respective stockholders;

audited consolidated financial statements of LNM Holdings and its subsidiaries for the three fiscal years ended December 31, 2003;

unaudited consolidated financial statements of LNM Holdings and its subsidiaries for the six-month period ended June 30, 2004; and

certain internal financial analyses and forecasts for ISG, Ispat International and LNM Holdings prepared by their respective managements.

Goldman Sachs also held discussions with members of the senior management of ISG, Ispat International and LNM Holdings regarding their assessment of the strategic rationale for, and the potential benefits of, the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement and the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of ISG common stock and the Mittal Steel class A common shares, compared certain financial and stock market information for ISG and Ispat International with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the steel industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs assumed, with the consent of the ISG board of directors, that the internal financial forecasts prepared by the managements of ISG, Ispat International and LNM Holdings were reasonably prepared on a basis reflecting the best currently available estimates and judgments of ISG, Ispat International and LNM Holdings, as the case may be. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of ISG, Ispat International or LNM Holdings or any of their respective subsidiaries. No evaluation or appraisal of the assets or liabilities of ISG, Ispat International or LNM Holdings or any of their respective subsidiaries was furnished to Goldman Sachs. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the completion of the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement would be obtained without any adverse effect on ISG, Ispat International or LNM Holdings or on the expected benefits of the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement in any way meaningful to the analysis of Goldman Sachs. Goldman Sachs was not requested to solicit, and did not solicit, interest from other parties with respect to an acquisition of or other business combination with ISG. The opinion of Goldman Sachs did not address the relative merits of the transaction contemplated by the merger agreement as compared to any alternative business transaction that might have been available to ISG, nor did it address the underlying business decision of ISG to engage in the transaction contemplated by the merger agreement. In addition, in the opinion of Goldman Sachs described above, Goldman Sachs did not express an opinion as to the prices at which Mittal Steel class A common shares will trade at any time. Goldman Sachs also assumed, with the consent of the ISG board of directors, that the acquisition of LNM Holdings will be completed prior to the completion of the merger in accordance with the terms of the LNM Holdings acquisition agreement without waiver, modification or amendment of any material term, condition or agreement.

**Table of Contents**

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs has acted as financial advisor to ISG in connection with, and has participated in certain of the negotiations leading to, the transactions contemplated by the merger agreement.

Goldman Sachs also has provided certain investment banking and other services to ISG from time to time, including having acted as joint bookrunner, joint lead arranger and syndication agent of ISG's \$1,000,000,000 aggregate principal amount of senior secured credit facilities in May 2003, having acted as ISG's financial advisor in connection with the acquisition of certain assets of Bethlehem Steel Corporation by ISG in May 2003, having acted as joint bookrunning lead manager of the initial public offering of 18,975,000 shares of ISG common stock in December 2003 and having acted as joint bookrunning lead manager of the offering of \$600,000,000 aggregate principal amount of 6.5% senior notes of ISG in April 2004. Goldman Sachs also may provide investment banking and other services to ISG and Mittal Steel and their affiliates in the future. In connection with the above-described services Goldman Sachs has received, and may receive in the future, compensation. In 2003 and 2004, ISG paid to Goldman Sachs an aggregate of approximately \$22,413,536 in fees for such investment banking services and reimbursed Goldman Sachs for any expenses it incurred. The ISG board of directors selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the transaction contemplated by the merger agreement.

Goldman Sachs is a full service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may actively trade the debt and equity securities (or related derivative securities) of ISG, Mittal Steel and their respective affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions of such securities.

Pursuant to a letter agreement dated October 10, 2004, ISG engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, ISG has paid Goldman Sachs \$2.5 million and has agreed to pay Goldman Sachs a transaction fee of 0.30% of the aggregate consideration paid in the transaction contemplated by the merger agreement (including the \$2.5 million already paid), payable upon completion of such transaction. Aggregate consideration for purposes of calculating the transaction fee means the total consideration paid for ISG common stock in the merger (including amounts paid to holders of ISG options, warrants and convertible securities), plus the principal amount of all indebtedness for borrowed money as set forth on ISG's most recent consolidated balance sheet prior to the completion of the merger. The value of the portion of the aggregate consideration paid in Mittal Steel class A common shares will be determined by the average of the last sales prices of the Mittal Steel class A common shares on the five trading days ending five trading days prior to the date of completion of the merger. Aggregate consideration also includes the aggregate amount of any (i) dividends or other distributions declared by ISG with respect to its stock after October 10, 2004 (other than normal recurring cash dividends in amounts not materially greater than currently paid), and (ii) amounts paid by ISG to repurchase any securities of ISG outstanding on October 10, 2004. ISG has also agreed to pay Goldman Sachs a fee equal to 15% of any break-up or similar fee received by ISG in connection with the termination of the merger agreement. In addition, ISG has agreed to reimburse Goldman Sachs for its reasonable expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

***Financial Analyses Used by UBS and Goldman Sachs***

The following is a summary of the material financial analyses used by UBS and Goldman Sachs in connection with rendering the opinions described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by UBS and Goldman Sachs. The order of analyses described does not represent relative importance or weight given to those analyses by UBS and

**Table of Contents**

Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of the financial analyses of UBS and Goldman Sachs. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 24, 2004 and is not necessarily indicative of current market conditions.

**Historical Stock Trading and Transaction Premium Analysis.** UBS and Goldman Sachs reviewed the historical trading prices and historical trading volumes for the shares of ISG common stock for the period commencing upon the initial public offering of ISG common stock, December 12, 2003, and ending on October 19, 2004 and October 22, 2004, respectively. For the period from December 12, 2003 to October 19, 2004 and for the three-month period ended October 19, 2004, UBS and Goldman Sachs calculated the weighted average price per share of ISG common stock and total shares of ISG common stock traded as a percentage of shares outstanding. The results of this calculation are set forth below:

Trading Period	Weighted Average Price	Total Shares Traded as a Percentage of Shares Outstanding
Daily from December 12, 2003 to October 19, 2004	\$33.11	170.9%
Daily for three months ended October 19, 2004	31.77	77.8

In addition, UBS and Goldman Sachs analyzed the consideration to be paid for each share of ISG common stock in the merger, calculated based on various prices per share for Mittal Steel class A common shares, to derive the implied premia based on the following trading prices for the shares of ISG common stock:

the closing price on October 22, 2004, which was the last trading day before the ISG board of directors meeting at which the board approved the transaction contemplated by the merger agreement; and

the average trading price over the 20-day period ending October 22, 2004.

For this purpose, UBS and Goldman Sachs calculated the indicative value per share of the ISG common stock based upon the sum of the total cash and stock consideration to be received in respect of each share of ISG common stock, assuming that 50% of each share of ISG common stock were converted into cash consideration and 50% of each share of ISG common stock were converted into stock consideration.

The results of this analysis are set forth below:

**Indicative Price per Mittal Steel Class A Common Share**

	As of October 22, 2004	Collar Range		\$49.00	
		Bottom	Top		
	<b>\$25.34</b>	<b>\$30.00</b>	<b>\$34.50</b>	<b>\$43.81</b>	
Indicative Value Per ISG Share	\$36.42	\$39.26	\$42.00	\$42.00	\$44.49
Premium to October 22, 2004 Share Price (\$29.68)	23%	32%	42%	42%	50%
Premium to 20-day Average Share Price (\$32.03)	14%	23%	31%	31%	39%

**Implied Transaction Multiples and Ownership.** UBS and Goldman Sachs calculated implied multiples of estimated 2005 EBITDA for Mittal Steel after giving effect to the transaction contemplated by the LNM Holdings acquisition agreement based on various prices per share for Mittal Steel class A common shares. This calculation was based on forecasts for Ispat International by its management and for LNM Holdings by its management. UBS and Goldman Sachs also calculated, for each Mittal Steel class A common share price, the percentage of ownership by ISG stockholders in Mittal Steel after giving effect to the transactions contemplated by the LNM Holdings acquisition agreement and the merger. In performing these calculations, UBS and Goldman Sachs assumed that all outstanding ISG stock options were converted into cash consideration pursuant to the terms of the merger agreement.





**Table of Contents**

In addition, UBS and Goldman Sachs calculated the implied enterprise values of ISG in the merger and on a stand-alone basis as a multiple of the following historical and estimated financial results for ISG:

EBITDA (earnings before interest, taxes, depreciation and amortization) for the 12-month period ended June 30, 2004, referred to as the LTM period;

EBITDA for 2004 and 2005 based on the average estimate of publicly available research reports, referred to as Street estimates;

ISG management's EBITDA estimates for 2004 and 2005;

median estimated earnings per share, or EPS, for 2005 provided by the Institutional Brokerage Estimate System, or IBES, a data service that compiles estimates issued by securities analysts; and

ISG management's estimated EPS for 2005.

The implied enterprise values were derived first by calculating the fully-diluted equity values of ISG utilizing:

the consideration to be paid for each share of ISG common stock in the merger calculated using various prices per share for Mittal Steel class A common shares; and

for the stand-alone case, the price per share of ISG common stock as of October 22, 2004.

For this purpose, UBS and Goldman Sachs calculated the consideration per share for the ISG common stock based upon the sum of the total cash and stock consideration to be received in respect of each share of ISG common stock, assuming that 50% of each share of ISG common stock were converted into cash consideration and 50% of each share of ISG common stock were converted into stock consideration. In calculating the fully diluted equity values of ISG, UBS and Goldman Sachs utilized the number of fully diluted shares of ISG common stock outstanding on October 22, 2004, based on the information provided by ISG's management, and assumed that all outstanding ISG stock options were converted into cash consideration pursuant to the terms of the merger agreement and, in the stand-alone case, utilizing the price per share of ISG common stock as of October 22, 2004. From these equity values UBS and Goldman Sachs subtracted ISG's net cash as of December 31, 2004, as estimated by ISG's management, to arrive at the implied enterprise value. Net cash means cash and cash equivalents less total debt.

The results of these analyses are as follows:

	ISG Common Stock Price per Share as of October 22, 2004	Indicative Price per Mittal Steel Class A Common Share				
		As of October 22, 2004	Collar Range			
			Bottom	Top		
	\$29.68	\$25.34	\$30.00	\$34.50	\$43.81	\$49.00
Implied Value per Share to ISG Stockholders	\$29.68	\$36.42	\$39.26	\$42.00	\$42.00	\$44.99
Implied Equity Value of ISG (in millions)	\$3,058	\$3,799	\$4,095	\$4,381	\$4,381	\$4,640
Implied Enterprise Value of ISG (in millions)	\$3,361	\$4,102	\$4,398	\$4,684	\$4,684	\$4,943
Implied Multiple of Mittal Steel 2005E EBITDA		2.53x	3.00x	3.44x	4.37x	4.89x
ISG Ownership in Combined Entity		8.6%	8.6%	8.6%	6.9%	6.9%
<b>Transaction Multiple</b>						
LTM EBITDA	7.3x	8.9x	9.5x	10.1x	10.1x	10.7x
Street EBITDA		2004E 4.0x	4.9x	5.3x	5.6x	5.6x
Management		2005E 3.5x	4.3x	4.6x	4.9x	4.9x

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

EBITDA	2004E	3.3x	4.1x	4.3x	4.6x	4.6x	4.9x
	2005E	2.7x	3.3x	3.5x	3.7x	3.7x	3.9x
Street EPS	2005E	5.4x	6.6x	7.1x	7.6x	7.6x	8.1x
Management EPS	2005E	5.0x	6.2x	6.7x	7.1x	7.1x	7.5x

**Table of Contents**

**Selected Companies Analysis.** UBS and Goldman Sachs reviewed and compared certain financial information for ISG to corresponding financial information, ratios and public market multiples for the following selected publicly traded corporations in the steel industry, referred to as the ISG Comparables:

AK Steel Corporation

Dofasco Inc.

IPSCO Inc.

Nucor Corporation

Steel Dynamics Inc.

United States Steel Corporation

In addition, UBS and Goldman Sachs reviewed and compared certain financial information for Ispat International to corresponding financial information and ratios for the following selected publicly traded corporations in the steel industry, referred to as the Mittal Steel Comparables:

Large Market Capitalization	Emerging Market
Nippon Steel Corp.	Eregli Demir ve Çelik Fabrikalari T.A.S. (Erdemir)
JFE Steel Corporation	Companhia Siderúrgica Nacional (CSN)
China Steel Corporation	Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas)
Shanghai Baosteel Group Corporation (Baosteel)	Gerdau S.A.
Arcelor S.A.	Severstal Joint-Stock Company
Pohang Iron & Steel Co. (POSCO)	Iscor
	Companhia Siderúrgica de Tubarão (CST)

Although none of the selected companies is directly comparable to ISG, Ispat International or LNM Holdings, the companies included were chosen because they are publicly traded companies with business, end markets and operations that, for purposes of analysis, may be considered similar to certain business, end markets and operations of ISG, Ispat International or LNM Holdings, as the case may be.

UBS and Goldman Sachs also calculated and compared financial information and various financial multiples and ratios of the selected companies based on information it obtained from SEC filings, publicly available research estimates and IBES median estimates. The multiples and ratios of ISG and Ispat International and of the selected companies were calculated using closing prices on October 22, 2004. With respect to ISG and the ISG Comparables, UBS and Goldman Sachs calculated:

the equity market capitalization based on a fully diluted number of shares outstanding;

the enterprise value;

the enterprise value as a multiple of calendar 2004 and 2005 estimated EBITDA;

the ratio of the price per share to the calendarized estimated 2005 earnings per share based on a fully diluted number of shares outstanding; and

the estimated EBITDA margin for calendar year 2005.

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

With respect to the Ispat International and the Mittal Steel Comparables, UBS and Goldman Sachs calculated:

the equity market capitalization based on the fully diluted number of shares outstanding;

the enterprise value;

the enterprise value as a multiple of the estimated EBITDA for calendar year 2005; and

the estimated EBITDA margin for calendar year 2005.

Each company's enterprise value was calculated by adding to its equity market capitalization as of October 22, 2004 the amount of its net debt and minority interests as of the end of its most recently completed

**Table of Contents**

fiscal quarter. The EBITDA margins for each company were calculated by dividing its estimated 2005 EBITDA by its estimated 2005 sales. Historical financial results utilized by UBS and Goldman Sachs for purposes of this analysis were based upon information contained in the applicable company's latest publicly available financial statements prior to October 22, 2004.

Estimates of future results used by UBS and Goldman Sachs in this analysis were calendarized and based on mean estimates provided by IBES and estimates from ISG management. ISG management estimates were excluded from median calculations.

The results of these analyses are summarized as follows:

ISG Comparables	Enterprise Value Multiples			
	2004E EBITDA	2005E EBITDA	2005E P/E Multiple	2005E EBITDA Margin
AK Steel Corporation	4.6x	4.9x	8.1x	8.1%
Dofasco Inc.	3.7x	3.5x	8.6x	21.8%
Ipsco Inc.	3.6x	5.6x	7.5x	15.9%
ISG (Street)	4.0x	3.5x	5.4x	11.0%
ISG (Management)	3.3x	2.7x	5.0x	10.3%
Nucor Corporation	3.4x	4.8x	8.4x	13.8%
Steel Dynamics Inc.	3.4x	3.7x	5.9x	25.2%
United States Steel Corporation	3.4x	3.2x	5.6x	12.6%
<b>Median:</b>	3.6x	3.7x	7.5x	13.8%
<b>Integrated Median*</b>	3.9x	3.5x	6.8x	11.8%

\* The integrated median represents the median for the following integrated steelmakers: ISG (Street), United States Steel Corporation, AK Steel Corporation and Dofasco Inc.

Mittal Steel Comparables	Enterprise Value as a Multiple of 2005E EBITDA	2005E EBITDA Margin
<b>Large Market Capitalization</b>		
Arcelor	3.8x	12%
Baosteel	5.4x	39%
China Steel	5.9x	34%
JFE Steel	5.9x	21%
Nippon Steel	6.4x	15%
Posco	3.0x	31%
Median	5.7x	
<b>Emerging Market</b>		
CSN	4.3x	42%
CST	2.8x	45%
Erdemir	4.5x	21%
Gerdau	3.9x	24%
Iscor	3.2x	30%
Ispat International (Management)	2.7x	22%
Ispat International (Street)	3.8x	18%
Severstal	3.6x	29%
Usiminas	3.9x	36%
Median	3.8x	

**Table of Contents**

**Selected Transactions Analysis.** UBS and Goldman Sachs analyzed certain information relating to the following selected transactions in the steel industry since 1998:

Date Announced	Acquiror	Target
June 2004	Arcelor S.A.(1)	CST
August 2002	LNМ Holdings N.V.(2)	Iscor
July 2002	Corus Group plc(3)	CSN
April 2001	Kawasaki Steel Company(4)	NKK Corporation
February 2001	Usinor S.A.	Arbed S.A.
February 2001	Usinor S.A.	Aceralia S.A.
August 1999	Gerdau S.A.(5)	Ameristeel
June 1999	British Steel	Koninklijke Hoogovens N.V.
May 1999	AK Steel Corporation	Armco Steel Corporation
March 1998	Ispat International N.V.	Inland Steel Company

- (1) Arcelor acquired 33.75% of CST. The implied enterprise value was calculated based on 100% of CST.
- (2) LNМ Holdings acquired 12.2% of Iscor. The implied enterprise value was calculated based on 100% of Iscor.
- (3) This transaction was not completed.
- (4) This transaction was originally announced with no exchange ratio determined. The transaction value and premium were calculated based on the exchange ratio announced on December 21, 2001.
- (5) Gerdau acquired 75% of Ameristeel. The implied enterprise value was calculated based on 100% of Ameristeel.

For each of the selected transactions, UBS and Goldman Sachs calculated and compared the resulting (a) enterprise value, (b) enterprise value per tons shipped, (c) enterprise value as a multiple of LTM sales, and (d) enterprise value as a multiple of LTM EBITDA. For purposes of this analysis, enterprise value was calculated by determining each entity's implied equity value and then adding each entity's net debt and minority interests. LTM EBITDA and LTM sales were calculated using each entity's most recent quarterly financial information as of each announcement date.

The following table presents the results of this analysis:

	Mean	Median	Range
Enterprise Value (in millions)	\$3,761	\$2,284	\$541 to \$12,943
Enterprise Value/ Tons Shipped (in millions)	\$420	\$393	\$155 to \$881
Enterprise Value as a Multiple of LTM Sales	1.0x	0.7x	0.6x to 2.5x
Enterprise Value as a Multiple of LTM EBITDA	5.9x	5.5x	4.6x to 8.2x

Source: Public filings, news releases

**Contribution Analysis.** UBS and Goldman Sachs analyzed the hypothetical equity ownership of the holders of ISG common stock in the pro forma combined entity resulting from the merger based on the hypothetical relative income statement contributions of ISG and Mittal Steel to the combined entity. Hypothetical equity ownership percentages were determined for various prices per share for Mittal Steel class A common shares and were calculated net of the cash consideration to be received by holders of ISG common stock in the merger. Adjustments were made for differences in capital structure.

**Table of Contents**

UBS and Goldman Sachs compared the following estimated financial results for each of ISG, Mittal Steel and ISG and Mittal Steel combined:

estimated EBITDA for 2004 and 2005;

estimated EBITDA less capital expenditures for 2004 and 2005; and

estimated net income for 2004 and 2005.

In performing this analysis, UBS and Goldman Sachs utilized indicative multiples for each of these items based on various prices per share for Mittal Steel class A common shares, after giving effect to the acquisition of LNM Holdings.

This analysis was based on forecasts provided to UBS and Goldman Sachs for ISG by its management, for Ispat International by its management and for LNM Holdings by its management. The indicative ownership was calculated utilizing net debt as of December 31, 2004 for each entity, as estimated by each of their managements, and valuing minority interests for Mittal Steel based on the same corresponding multiples. The combined net income figures did not incorporate any transaction adjustments.

The results of the calculations by UBS and Goldman Sachs are as follows:

		<b>Indicative Price per Mittal Steel Class A Common Share</b>				
		<b>As of October 22, 2004</b>	<b>Collar Range</b>			
			<b>Bottom</b>	<b>Top</b>		
		<b>\$25.34</b>	<b>\$30.00</b>	<b>\$34.50</b>	<b>\$43.81</b>	<b>\$49.00</b>
		<b>Implied ISG Equity Ownership</b>				
EBITDA	2004E	0.7%	3.0%	4.5%	6.7%	7.5%
	2005E	3.7%	5.8%	7.3%	9.4%	10.1%
EBITDA Capex	2004E	(2.3)%	0.1%	1.8%	4.1%	4.9%
	2005E	(0.1)%	2.2%	3.8%	6.0%	6.8%
Net Income	2004E	(1.0)%	0.8%	2.1%	4.1%	4.8%
	2005E	(2.7)%	(0.8)%	0.5%	2.5%	3.3%

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth herein, without considering the analyses as a whole, could create an incomplete view of the processes underlying the opinions of UBS and Goldman Sachs. In arriving at their fairness determinations, UBS and Goldman Sachs considered the results of all of their analyses and did not attribute any particular weight to any factor or analysis considered by them. Rather, UBS and Goldman Sachs made their determinations as to fairness on the basis of their experience and professional judgment after considering the results of all of their analyses. No company or transaction used in the analyses described herein as a comparison is directly comparable to ISG or the contemplated transaction.

UBS and Goldman Sachs prepared the analyses described herein for purposes of providing their opinions to the ISG board of directors as to the fairness from a financial point of view of the transaction contemplated by the merger agreement. These analyses do not purport to be appraisals or necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of ISG, Mittal Steel, UBS, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The summary contained herein does not purport to be a complete description of the analyses performed by UBS and Goldman Sachs in connection with their fairness opinions and is qualified in its entirety by





## **Table of Contents**

reference to the written opinion of UBS and the written opinion of Goldman Sachs, attached as Annex E and Annex F, respectively.

As described above, the opinions of UBS and Goldman Sachs to the ISG board of directors were one of many factors taken into consideration by the ISG board of directors in making its determination to approve the transaction contemplated by the merger agreement. Neither UBS nor Goldman Sachs recommended to ISG the amount of consideration to be paid in the merger.

## **Accounting Treatment and Considerations**

The merger of ISG with Park Acquisition Corp. will be accounted for as a purchase, as such term is used under U.S. GAAP, for accounting and financial reporting purposes. ISG will be treated as the acquired corporation for such purposes. Therefore, the total merger consideration paid by Mittal Steel in connection with the merger, together with the direct costs of the merger, will be allocated to ISG's assets and liabilities based on their estimated fair market values, with any excess being accounted for as goodwill. The parties have prepared the unaudited pro forma condensed combined financial information related to the merger contained in this proxy statement/ prospectus using the purchase accounting method to account for the merger. See Unaudited Pro Forma Condensed Combined Financial Statements on page F-2.

## **Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares Received by ISG Stockholders**

The discussion set forth below, subject to the limitations and conditions set forth herein, constitutes the opinion of Shearman & Sterling LLP, counsel to Mittal Steel, and Jones Day, counsel to ISG, as to the material U.S. federal income tax consequences of the merger (whether structured as a forward-sub subsidiary merger, as currently contemplated, or as a reverse-sub subsidiary merger) and the ownership of Mittal Steel class A common shares received by ISG stockholders in the merger. This discussion is based upon the provisions of the Internal Revenue Code, Treasury regulations, administrative pronouncements of the Internal Revenue Service and judicial decisions all as in effect as of the date hereof and all of which are subject to change, possibly with retroactive effect. This discussion applies only to ISG stockholders who hold their ISG common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code and does not apply to the following:

stockholders who received their ISG common stock pursuant to the exercise of employee stock options or similar securities or otherwise as compensation;

stockholders who hold their ISG common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;

stockholders (including, without limitation, financial institutions, insurance companies, tax-exempt organizations, dealers or traders in securities and stockholders subject to the alternative minimum tax) who may be subject to special rules;

stockholders whose functional currency is not the U.S. dollar; or

stockholders who, for U.S. federal income tax purposes, are non-resident alien individuals, foreign corporations (or entities treated as a corporation for U.S. federal income tax purposes), foreign partnerships, or foreign estates or trusts.

This discussion also does not consider the effect of any foreign, state or local tax laws or any U.S. federal tax laws other than U.S. federal tax laws pertaining to income taxation. Accordingly, ISG stockholders should consult their own tax advisors as to the particular tax consequences to them of the merger and, if applicable, the ownership of Mittal Steel class A common shares, including the application and effect of U.S. federal, state, local and foreign income and other tax laws.

The opinions expressed herein are based upon certain assumptions and representations, including the assumptions that there will be full compliance without waiver with all of the provisions in the merger agreement, that no condition to the merger will be waived or the merger agreement amended and that the

**Table of Contents**

representations and covenants contained in the merger agreement, this proxy statement/ prospectus and certificates of officers of Mittal Steel, ISG and others are currently true, correct and complete and will remain so, and will be complied with, at all relevant times. No ruling has been or will be sought from the Internal Revenue Service as to the U.S. federal income tax consequences to ISG stockholders of the merger or the ownership of Mittal Steel class A common shares received in the merger. Because opinions of counsel are not binding on the Internal Revenue Service or the courts, there can be no assurance that the Internal Revenue Service will not take a position contrary to the conclusions of Shearman & Sterling LLP and Jones Day or that a court will not agree with a contrary position of the Internal Revenue Service in the event of litigation.

***Tax Status of the Merger***

Provided that the value, at the time of merger, of the Mittal Steel Class A common shares issued in the merger represents no less than 42.5% of the sum of (a) the value of the total consideration received by all ISG stockholders in the merger and (b) the value of all other amounts, if any, paid to ISG stockholders in connection with the merger (such sum, the Total Consideration), Shearman & Sterling LLP and Jones Day believe that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, that each of Mittal Steel, ISG and Park Acquisition Corp. will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code and that the transfer of ISG common stock by ISG stockholders will not be subject to Section 367(a)(1) of the Code. If, however, Mittal Steel determines prior to completion of the merger that the value of the Mittal Steel class A common shares to be received by ISG stockholders will not constitute at least 42.5% of the value of the Total Consideration received by all ISG stockholders (and elects not to increase the stock consideration to meet that percentage) or otherwise if Mittal Steel or ISG is advised by its counsel that such counsel is unlikely to be able to deliver its opinion that the merger will qualify as a reorganization for U.S. federal income tax purposes, then Mittal Steel will cause Park Acquisition Corp. to merge into ISG in the reverse-sub subsidiary merger in lieu of the forward-sub subsidiary merger that is currently contemplated. Shearman & Sterling LLP and Jones Day, believe that such a reverse-sub subsidiary merger, together with the recently completed acquisition of LNM Holdings by Mittal Steel, will qualify as transfers of property by the transferor of LNM Holdings and each of the stockholders of ISG described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code and the transfer of ISG common stock by ISG stockholders will not be subject to Section 367(a)(1) of the Internal Revenue Code.

The completion of the merger is conditioned upon the receipt by:

Mittal Steel of an opinion from its counsel to the effect that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Mittal Steel, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code (but this requirement will be waived in the case of a reverse-sub subsidiary merger); and

ISG of an opinion from its counsel to the effect that:

either (a) the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Mittal Steel, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of section 368(b) of the Internal Revenue Code, or (b) the reverse subsidiary merger, together with the acquisition of the shares of LNM Holdings, will qualify as transfers of property described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code by The Richmond Investment Holdings Limited and each of the stockholders of ISG, and

the transfer of shares of ISG common stock by ISG stockholders will not be subject to Section 367(a)(1) of the Internal Revenue Code.

Such opinions will be based on assumptions and representations substantially similar to those described herein, and on the facts and circumstances existing at the time of the merger. Changes in the facts and circumstances arising after the date hereof could affect the ability of Shearman & Sterling LLP and Jones

**Table of Contents**

Day to provide the requisite opinions. Because opinions of counsel are not binding on the Internal Revenue Service or the courts, there can be no assurance that the Internal Revenue Service will not take a position contrary to the conclusions of Shearman & Sterling LLP or Jones Day or that a court will not agree with a contrary position of the Internal Revenue Service in the event of litigation.

***Tax Consequences of the Merger to ISG Stockholders***

The following discussion of U.S. federal income tax consequences of the merger to ISG stockholders is based in part on the conclusions of Shearman & Sterling LLP and Jones Day that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code or the reverse-sub subsidiary merger, together with the recently completed acquisition of the shares of LNM Holdings, will qualify as transfers of property by the transferor of LNM Holdings and each of the stockholders of ISG described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code, and in either case, the transfer of shares of ISG common stock by ISG stockholders will not be subject to Section 367(a)(1) of the Internal Revenue Code. As discussed below, the U.S. federal income tax consequences of the merger to a particular ISG stockholder will depend on the form of consideration received by the stockholder, and may further depend on whether:

the stockholder is deemed to constructively own ISG shares under Section 318 of the Internal Revenue Code (which generally deems a person to own stock that is owned by certain family members or related entities or that is the subject of an option or options owned or deemed owned by such person), and

the stockholder actually or constructively owns any Mittal Steel shares.

The U.S. federal income tax consequences to ISG stockholders generally should be the same in the event Mittal Steel effects the merger pursuant to a forward-sub subsidiary merger as currently contemplated or as a reverse-sub subsidiary merger.

***Stockholders Who Receive Solely Mittal Steel Class A Common Shares.*** An ISG stockholder who exchanges ISG common stock solely for Mittal Steel class A common shares (whether in a forward-sub subsidiary merger, as currently contemplated, or in a reverse-sub subsidiary merger) will not recognize any gain or loss on that exchange, except to the extent the ISG stockholder receives cash in lieu of fractional shares of Mittal Steel (as discussed below). The aggregate adjusted tax basis of Mittal Steel class A common shares received by an ISG stockholder will equal the ISG stockholder's aggregate adjusted tax basis in the ISG common stock surrendered in the merger (reduced by the tax basis allocable to any fractional shares of Mittal Steel class A common shares received by an ISG stockholder in the merger). The holding period of the Mittal Steel class A common shares received pursuant to the merger will include the holding period of the ISG common stock surrendered in the merger.

***Stockholders Who Receive Cash and Mittal Steel Class A Common Shares.*** If the consideration received in the merger (whether in a forward-sub subsidiary merger, as currently contemplated, or in a reverse-sub subsidiary merger) by an ISG stockholder consists of part cash and part Mittal Steel class A common shares and the ISG stockholder's adjusted tax basis in the ISG common stock surrendered in the merger is less than the sum of the fair market value, as of the date of the merger, of the Mittal Steel class A common shares and the amount of cash received by the ISG stockholder, then the ISG stockholder will recognize a gain equal to the lesser of:

the sum of the amount of cash and the fair market value, as of the date of the merger, of the Mittal Steel class A common shares received by the ISG stockholder, minus the adjusted tax basis of the ISG common stock surrendered in exchange therefor, and

the amount of cash received by the ISG stockholder in the merger.

However, if an ISG stockholder's adjusted tax basis in the ISG common stock surrendered in the merger is greater than the sum of the amount of cash and the fair market value of the Mittal Steel class A common shares received in the merger, the ISG stockholder will realize a loss that is not currently allowed or

**Table of Contents**

recognized for U.S. federal income tax purposes. ISG stockholders who bought shares of ISG at different prices, or otherwise own shares with unequal bases, must make the above calculations separately for each ISG share surrendered in the merger, taking into account the ISG stockholder's adjusted tax basis in each share and a pro rata portion of the aggregate consideration received by the ISG stockholder. A loss realized on one ISG share may not be used to offset a gain realized on another share.

In the case of an ISG stockholder who recognizes gain on the exchange in the forward-sub subsidiary merger, if the exchange sufficiently reduces the ISG stockholder's proportionate stock interest (as discussed below), the gain will be characterized as a capital gain. Gain recognized by an ISG stockholder in the case of a reverse-sub subsidiary merger generally will be characterized as capital gain. Such gain will be long-term capital gain if the ISG stockholder's holding period for the ISG common stock surrendered in the merger exceeds one year. In the case of a forward-sub subsidiary merger, if the exchange does not sufficiently reduce the ISG stockholder's proportionate stock interest, such gain will be taxable as a dividend to the extent of the ISG stockholder's ratable share of available earnings and profits (and the remainder of such recognized gain, if any, will be capital gain).

The determination of whether the exchange sufficiently reduces an ISG stockholder's proportionate stock interest will be made in accordance with Section 302 of the Internal Revenue Code, taking into account the stock ownership attribution rules of Section 318 of the Internal Revenue Code. Under those rules, for purposes of determining whether the exchange sufficiently reduces a stockholder's proportionate stock interest, an ISG stockholder is treated as if:

all of such stockholder's ISG common stock was first exchanged in the merger for Mittal Steel class A common shares; and

a portion of those Mittal Steel class A common shares were then redeemed for the cash actually received in the merger.

The ISG stockholder's hypothetical stock interest in Mittal Steel (both actual and constructive) after the second step is compared to such ISG stockholder's hypothetical stock interest in Mittal Steel (both actual and constructive) after the first step. Dividend treatment will apply unless the stockholder's stock interest in Mittal Steel has been completely terminated, there has been a substantially disproportionate reduction in the stockholder's stock interest in Mittal Steel (*i.e.*, such interest after the second step is less than 80% of the interest after the first step), or the exchange is not essentially equivalent to a dividend. While the determination is based on an ISG stockholder's particular facts and circumstances, the Internal Revenue Service has indicated in published rulings that a distribution is not essentially equivalent to a dividend and will therefore result in capital gain treatment if the distribution results in any actual reduction in the stock interest of an extremely small minority stockholder in a publicly held corporation and the stockholder exercises no control with respect to corporate affairs.

**BECAUSE THE DETERMINATION OF WHETHER A PAYMENT WILL BE TREATED AS HAVING THE EFFECT OF THE DISTRIBUTION OF A DIVIDEND GENERALLY WILL DEPEND UPON THE FACTS AND CIRCUMSTANCES OF EACH ISG STOCKHOLDER, ISG STOCKHOLDERS ARE STRONGLY ADVISED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX TREATMENT OF CASH RECEIVED IN THE MERGER, INCLUDING THE APPLICATION OF THE CONSTRUCTIVE OWNERSHIP RULES OF THE INTERNAL REVENUE CODE AND THE EFFECT OF ANY TRANSACTIONS IN MITTAL STEEL CLASS A COMMON SHARES OR ISG COMMON STOCK BY THE ISG STOCKHOLDER.**

In the case of an ISG stockholder who receives cash and Mittal Steel class A common shares in the merger, such stockholder's initial tax basis in the Mittal Steel class A common shares will equal the exchanging ISG stockholder's adjusted tax basis in the ISG common stock surrendered in the merger, increased by any gain recognized as a result of the merger and reduced by the amount of cash received in the merger. The holding period of the Mittal Steel class A common shares received in the merger will include the holding period of the ISG common stock surrendered in the merger.

## **Table of Contents**

***Stockholders Who Receive Solely Cash.*** The exchange of ISG common stock solely for cash generally will result in recognition of gain or loss by the ISG stockholder in an amount equal to the difference between the amount of cash received in the merger and the ISG stockholder's adjusted tax basis in the ISG common stock surrendered in the merger. The gain or loss recognized by an ISG stockholder will be long-term capital gain or loss if the ISG stockholder's holding period for the ISG common stock surrendered in the merger exceeds one year. An ISG stockholder who receives only cash in exchange for all of such ISG stockholder's common stock and actually or constructively owns Mittal Steel class A common shares after the merger should consult such ISG stockholder's tax advisor, however, to determine the amount and character of any income recognized in connection with the merger. Furthermore, there are limitations on the extent to which any ISG stockholder may deduct capital losses from ordinary income.

***Cash Received in Lieu of Fractional Shares.*** An ISG stockholder who receives cash in lieu of a fractional Mittal Steel class A common share will be treated as having first received such fractional Mittal Steel class A common share in the merger and then as having received cash in exchange for the fractional share interest. Thus, such an ISG stockholder generally will recognize gain or loss in an amount equal to the difference between the amount of cash received in lieu of the fractional Mittal Steel class A common share and the portion of the adjusted tax basis in the ISG common stock allocable to that fractional share interest. The character of the gain or loss, as capital gain or loss or as dividend income (possibly even if such stockholder realizes a loss with respect to the fractional share), will depend on the application of the rules under Section 302 of the Internal Revenue Code as described above.

***Backup Withholding and Information Reporting.*** In general, except in the case of certain exempt recipients such as corporations, backup withholding (currently at a rate of 28%) may apply with respect to the amount of cash, if any, received by an ISG stockholder in the merger (whether structured as the forward-sub subsidiary, as currently contemplated, or as the reverse-sub subsidiary merger), including cash received in lieu of fractional shares, if such stockholder fails to provide an accurate tax identification number, to certify that such stockholder is not subject to backup withholding, or to otherwise comply with the applicable backup withholding rules. Backup withholding is not an additional tax. The amount of backup withholding imposed upon a payment to an ISG stockholder will be allowed as a credit against the holder's U.S. federal income tax liability provided that the required information is properly furnished to the Internal Revenue Service.

Under Section 6043A of the Internal Revenue Code, Mittal Steel or Park Acquisition Corp. may be required, under regulations and forms to be promulgated by the U.S. Treasury and the Internal Revenue Service, to report certain information to the Internal Revenue Service and to ISG stockholders regarding the merger, the consideration and the stockholders receiving non-stock consideration.

### ***Tax Consequences of the Merger to Mittal Steel, ISG and Park Acquisition Corp.***

Provided that the merger qualifies as a reorganization under Section 368(a) of the Internal Revenue Code, as described above, none of Mittal Steel, ISG or Park Acquisition Corp. will recognize taxable gain or loss solely as a result of the merger. Furthermore, the result will be the same if the merger is restructured as a reverse-sub subsidiary merger that, together with the recently completed acquisition by Mittal Steel of the shares of LNM Holdings, qualifies as a transfer of property by the transferor of LNM Holdings and each of the stockholders of ISG described in Section 351(a) of the Internal Revenue Code (subject to Section 351(b) of the Internal Revenue Code).

### ***Tax Consequences of the Ownership of Mittal Steel Class A Common Shares Received in the Merger***

The following discussion applies to ISG stockholders who receive Mittal Steel class A common shares in the merger.

***Taxation of Dividends.*** Subject to the passive foreign investment company rules discussed below, under U.S. federal income tax law, the gross amount of any distribution made by Mittal Steel in respect of Mittal Steel class A common shares (including the amount of any applicable withholding tax in The Netherlands) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The U.S. dollar amount of such a dividend generally will

**Table of Contents**

be included in the gross income of stockholders as ordinary income derived from sources outside the United States for U.S. foreign tax credit purposes. Dividends paid by Mittal Steel will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

Subject to certain exceptions for short-term and hedged positions, and provided that Mittal Steel is not a passive foreign investment company (as discussed below), dividends received by certain stockholders (including individuals) prior to January 1, 2009 with respect to the Mittal Steel class A common shares will be subject to U.S. federal income taxation at a maximum rate of 15%. ISG stockholders should be aware that the U.S. Treasury Department has announced its intention to promulgate rules in proposed form pursuant to which shareholders (and intermediaries) will be permitted to rely on certifications from issuers to establish that dividends qualify for the reduced rate of U.S. federal income taxation. Because proposed certification procedures have not yet been issued, Mittal Steel is uncertain that it will be able to comply with them. ISG stockholders who acquire Mittal Steel class A common shares should consult their own tax advisors regarding the availability of the reduced rate of U.S. federal income tax on dividends in light of their own particular circumstances.

To the extent, if any, that the amount of any distribution received by a stockholder in respect of Mittal Steel class A common shares exceeds the current and accumulated earnings and profits of Mittal Steel, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of such stockholder's adjusted tax basis in those Mittal Steel class A common shares, and thereafter as U.S. source capital gain. Distributions of additional Mittal Steel class A common shares that are made to stockholders with respect to their Mittal Steel class A common shares and that are part of a pro rata distribution to all the stockholders of Mittal Steel generally will not be subject to U.S. federal income tax.

Subject to the limitations and conditions provided in the Internal Revenue Code, a stockholder holding Mittal Steel class A common shares may deduct from its U.S. federal taxable income, or claim as a credit against its U.S. federal income tax liability, the amount of any Dutch taxes withheld from a dividend paid by Mittal Steel to such stockholder. As discussed below in *THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares to ISG Stockholders Material Dutch Tax Consequences of the acquisition, holding and disposal of Mittal Steel Class A Common Shares by both Dutch residents and non-Dutch residents* beginning on page 74, the rate of withholding tax on dividends paid by Dutch companies to residents of the United States is reduced by treaty to 15% in most cases. The rules with respect to foreign tax credits are complex, involve the application of rules that depend on a stockholder's particular circumstances and have been amended by recently enacted legislation that is effective for taxable years beginning after December 31, 2006. Accordingly, ISG stockholders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances, including the U.S. federal income tax treatment of any reduction in the amount of the dividend withholding tax in the Netherlands that is required to be remitted by Mittal Steel to the tax authorities in the Netherlands, as discussed below in *THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares to ISG Stockholders Material Dutch Tax Consequences of the acquisition, holding and disposal of Mittal Steel Class A Common Shares by both Dutch residents and non-Dutch residents* beginning on page 74.

**Taxation of Capital Gains and Losses.** In general, upon a sale, exchange or other taxable disposition of Mittal Steel class A common shares, a stockholder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount realized on the sale, exchange or other taxable disposition and the stockholder's adjusted tax basis in those Mittal Steel class A common shares, as determined above in the discussion of the tax consequences of the merger to ISG stockholders. In general, subject to the passive foreign investment company rules discussed below, such gain or loss recognized on a sale, exchange or other taxable disposition of Mittal Steel class A common shares will be capital gain or loss and, if the stockholder's holding period for those Mittal Steel class A common shares exceeds one year, will be long-term capital gain or loss. Certain stockholders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains. Under U.S. federal income tax law, the deduction of capital losses is subject to limitations. Any gain or loss recognized by a stockholder in respect of

**Table of Contents**

the sale, exchange or other taxable disposition of Mittal Steel class A common shares generally will be treated as derived from U.S. sources for U.S. foreign tax credit purposes.

***Passive Foreign Investment Companies.*** Based on current estimates of Mittal Steel's income and assets, Mittal Steel does not believe that it was classified for its most recently ended taxable year, or will be classified for its current taxable year, as a passive foreign investment company, or a PFIC, for U.S. federal income tax purposes, and Mittal Steel intends to continue its operations in such a manner that it does not expect that it would become a PFIC in the future. However, there can be no assurance in this regard, because the PFIC determination is made annually and is based on the portion of Mittal Steel's assets (including goodwill) and income that is characterized as passive under the PFIC rules. If Mittal Steel is or becomes a PFIC, unless a former ISG stockholder elects to be taxed annually on a mark-to-market basis with respect to its Mittal Steel class A common shares, any gain realized on a sale, exchange or other taxable disposition of Mittal Steel class A common shares and certain excess distributions (generally distributions in excess of 125% of the average distribution over a three-year period or shorter holding period for the Mittal Steel class A common shares) would be treated as realized ratably over the stockholder's holding period for its Mittal Steel class A common shares, and amounts allocated to prior years while Mittal Steel is a PFIC would be taxed at the highest tax rate in effect for each such year. In addition, an interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the ISG stockholder.

If a mark-to-market election were made, a former ISG stockholder would take into account each year the appreciation or depreciation in value of such ISG stockholder's Mittal Steel class A common shares, which would be treated as ordinary income or (subject to limitations) ordinary loss, as would gains or losses on actual dispositions of Mittal Steel class A common shares. Any former ISG stockholder who owns Mittal Steel class A common shares during any year that Mittal Steel is a PFIC would be required to file Internal Revenue Service Form 8621. ISG stockholders should consult their own tax advisors regarding the application of the PFIC rules to the Mittal Steel class A common shares and the availability and advisability of making an election to avoid the adverse tax consequences of the PFIC rules should Mittal Steel be considered a PFIC for any taxable year. Moreover, dividends that a former ISG stockholder receives from Mittal Steel will not be eligible for the reduced U.S. federal income tax rates described above if Mittal Steel is a PFIC either in the taxable year of the distribution or the preceding taxable year (and instead will be taxable at rates applicable to ordinary income).

***Backup Withholding and Information Reporting.*** In general, except in the case of certain exempt recipients such as corporations, information reporting requirements will apply to dividends on Mittal Steel class A common shares paid to stockholders in the United States or through certain U.S. related financial intermediaries and to the proceeds received upon the sale, exchange or redemption of Mittal Steel class A common shares by stockholders within the United States or through certain U.S. related financial intermediaries. Furthermore, backup withholding (currently at a rate of 28%) may apply to those amounts if a stockholder fails to provide an accurate tax identification number, to certify that such stockholder is not subject to backup withholding or to otherwise comply with the applicable backup withholding rules.

***Backup Withholding is Not an Additional Tax.*** The amount of backup withholding imposed on a payment to a stockholder will be allowed as a credit against the stockholder's U.S. federal income tax liability provided that the required information is properly furnished to the Internal Revenue Service.

THE TAX CONSEQUENCES OF THE MERGER AND THE OWNERSHIP OF MITTAL STEEL CLASS A COMMON SHARES COULD BE AFFECTED BY THE PERSONAL CIRCUMSTANCES OF AN ISG STOCKHOLDER. ACCORDINGLY, EACH ISG STOCKHOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES OF THE MERGER AND OF THE OWNERSHIP OF MITTAL STEEL CLASS A COMMON SHARES BASED ON THE STOCKHOLDER'S PARTICULAR CIRCUMSTANCES, INCLUDING THE APPLICATION AND EFFECT OF FEDERAL, STATE, LOCAL AND FOREIGN INCOME AND OTHER TAX LAWS.

**Table of Contents**

**Material Dutch Tax Consequences of the Merger and the Ownership of Mittal Steel Class A Common Shares to ISG Stockholders**

The following is a summary of certain Dutch tax consequences of (i) the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares by Dutch resident holders of shares of ISG common stock and (ii) of the acquisition, holding and disposal of Mittal Steel class A common shares by both Dutch residents and non-Dutch residents. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder of ISG common stock or a holder or prospective holder of Mittal Steel class A common shares and particularly it does not purport to describe the tax consequences of the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares by non-Dutch resident holders of shares of ISG common stock, even if such non-Dutch holders have a taxable basis in The Netherlands. In view of its general nature, it should be treated with corresponding caution. Each Dutch holder of ISG common stock should consult with a tax advisor with regard to the tax consequences of the exchange of ISG common stock for cash and/or Mittal Steel class A common shares and in general each holder or prospective holder of Mittal Steel class A common shares should consult with a tax adviser with regard to the Dutch tax consequences of its investment in Mittal Steel class A common shares.

Except as otherwise indicated, this summary only addresses The Netherlands tax legislation, as in effect and in force at the date hereof, as interpreted in published case law, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

***Material Dutch Tax Consequences of the Exchange of Shares of ISG Common Stock for Cash and/or Mittal Steel Class A Common Shares by Dutch Resident Holders of Shares of ISG Common Stock***

Under Dutch tax laws the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares does not qualify as a tax free merger. Consequently, any capital gain that may be realised upon the exchange of shares of ISG common stock for cash and/or Mittal Steel class A common shares by individuals and corporate entities who are resident or deemed to be resident in The Netherlands for Dutch tax purposes, or Dutch resident individuals and Dutch resident entities, may be subject to Dutch income or corporate income tax. For Dutch resident individuals any such capital gain will generally not be subject to tax, provided that the Mittal Steel class A common shares are not attributable to an enterprise from which such individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder and such individual does not have an actual or deemed substantial interest in Mittal Steel. For Dutch resident entities a capital gain will generally not be subject to tax if such entity is a qualifying Dutch pension fund or Dutch resident investment fund (*fiscale beleggingsinstelling*) or if the Dutch participation exemption applies to the Mittal Steel class A common shares. Please see further below for the taxation of income and capital gains for Dutch resident individuals and Dutch resident entities.

***Material Dutch Tax Consequences of the acquisition, holding and disposal of Mittal Steel Class A Common Shares by both Dutch residents and non-Dutch residents***

**Withholding Tax.** Dividends distributed by Mittal Steel generally are subject to a withholding tax imposed by The Netherlands at a rate of 25%. The expression "dividends distributed" includes, among other things:

distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital not recognized for Netherlands dividend withholding tax purposes (In general, paid-in capital may not be recognized for Netherlands dividend withholding tax purposes if it arises from mergers or reorganizations);

liquidation proceeds, proceeds of redemption of shares or consideration for the repurchase of shares by Mittal Steel, or one of its subsidiaries, to the extent such proceeds or consideration exceeds the average paid-in capital recognized on these shares for Netherlands dividend withholding tax purposes;



## **Table of Contents**

the par value of shares issued to a holder of shares or an increase of the par value of shares, as the case may be, to the extent that it does not appear that a contribution, recognized for Netherlands dividend withholding tax purposes, has been made or will be made; and

partial repayment of paid-in capital, recognized for Netherlands dividend withholding tax purposes, if and to the extent that Mittal Steel has net profits (*zuivere winst*), unless the general meeting of shareholders has resolved in advance to make such repayment and provided that the par value of the shares concerned has been reduced by an equal amount by way of an amendment of the Articles of Association.

If a holder of shares is resident in a country other than The Netherlands and if a double taxation convention is in effect between The Netherlands and such other country, such holder of shares may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, or refund of, Netherlands dividend withholding tax. Under the terms of the double taxation convention currently in force between the United States and The Netherlands, dividends paid by a Dutch company to a U.S. shareholder are generally subject to Dutch withholding tax at a rate of 15%.

Dutch resident individuals and Dutch resident entities can generally credit the withholding tax against their income tax or corporate income tax liability. Dutch resident entities may be eligible for a full exemption from Dutch dividend withholding tax if the Dutch participation exemption applies on their shares in Mittal Steel.

Pursuant to legislation to counteract dividend stripping, a reduction, exemption, credit or refund of dividend withholding tax is denied if the recipient of the dividend is not the beneficial owner. This legislation generally targets situations, commonly referred to as dividend stripping, in which a shareholder retains its economic interest in shares, but reduces the withholding tax cost on dividends by a transaction with another party. It is not required for these rules to apply that the recipient of the dividends is aware that a dividend stripping transaction took place. However, the Dutch state secretary of finance published its view that the rules should not be applicable to an unsuspecting recipient who purchased the shares on the stock exchange whereby he indicated that the larger the amounts involved, the less likely the recipient of the dividends is an unsuspecting recipient who purchased the shares on the stock exchange. Furthermore, the state secretary of finance takes the position that the definition of beneficial ownership introduced by this legislation will also be applied in the context of a double taxation convention.

In general, upon making a distribution to shareholders, Mittal Steel is required to remit all amounts withheld as Dutch dividend withholding tax to the tax authorities. However, under certain circumstances Mittal Steel may be allowed to reduce the amount of Dutch dividend withholding tax that is required to be remitted to the Dutch tax authorities by the lesser of:

3% of the portion of the gross amount of the dividend paid by Mittal Steel that is subject to Dutch dividend withholding tax; and

3% of the gross amount of the dividends and profit distributions received by Mittal Steel from qualifying non-Netherlands subsidiaries in the current calendar year (up to the date of the distribution) and the two preceding calendar years, to the extent that these dividends and profit distributions have not yet been taken into account for the purposes of establishing the foregoing reduction.

Although this credit reduces the amount of dividend withholding tax that Mittal Steel is required to pay to the Dutch authorities, it does not reduce the amount of tax Mittal Steel is required to withhold from dividends. In these circumstances, to the extent that Mittal Steel is not required to remit the amount withheld as Dutch dividend withholding tax to the Dutch tax authorities, the withholding tax may not qualify as a creditable tax for foreign tax credit purposes.

### ***Taxes on Income and Capital Gains***

***Dutch Resident Individuals.*** As a general rule, Dutch resident individuals will be taxed annually on a deemed income of 4% of their net investment assets at an income tax rate of 30%. The net investment assets for the year are the average of the investment assets less the attributable liabilities at the beginning and at the

**Table of Contents**

end of the relevant year. The value of the Mittal Steel class A common shares is included in the calculation of the net investment assets. A tax-free allowance for the first 19,252 ( 38,504 for partners (statutorily defined term)) of the net investment assets may be available. Actual benefits derived from the Mittal Steel class A common shares, including any capital gains realised upon the disposal thereof, are not as such subject to Dutch income tax.

However, if the Mittal Steel class A common shares are attributable to an enterprise from which a Dutch resident individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder, any benefit derived or deemed to be derived from the Mittal Steel class A common shares, including any capital gain realised on the disposal or exercise thereof, are generally subject to income tax at a progressive rate with a maximum of 52%. Subject to the same progressive rate are benefits derived from the Mittal Steel class A common shares in case a Dutch resident individual carries out activities that exceed regular portfolio asset management.

Furthermore, if a Dutch resident individual has an actual or deemed substantial interest in Ispat International, any benefit derived or deemed to be derived from the Mittal Steel class A common shares, including any capital gains realised on the disposal or exercise thereof, are subject to income tax at a rate of 25%. Please see below for the further clarification of the term substantial interest .

***Dutch Resident Entities.*** Any benefit derived or deemed to be derived from the Mittal Steel class A common shares held by Dutch resident entities, including any capital gains realised on the disposal or exercise thereof, is generally subject to corporate income tax at a general rate of 34.5%<sup>9</sup>, unless the participation exemption is applicable. Under the participation exemption Dutch resident companies are exempt from corporate income tax with respect to dividends and capital gains (and losses) derived from or realised on the disposal of a qualifying shareholding. Generally, the participation exemption applies if a Dutch resident entity holds an interest of at least 5% in the issued and paid up share capital of Mittal Steel.

A Dutch qualifying pension fund is not subject to corporate income tax with respect to any benefits derived from the Mittal Steel class A common shares (except to the extent it generates benefits from activities that are considered not to be directly related with certain qualifying pension arrangements). A qualifying Dutch resident investment fund (*fiscale beleggingsinstelling*) is subject to corporate income tax at a special rate of 0%.

***Non-resident Holders.*** A holder of Mittal Steel class A common shares will not be subject to Dutch taxes on income or capital gains in respect of any distribution or other payment in respect of the Mittal Steel class A common shares or in respect of any gain realised on the disposal or deemed disposal of the Mittal Steel class A common shares, provided that:

such holder is neither resident nor deemed to be resident of The Netherlands nor, if such holder is an individual, has made an election for the application of the rules of the Dutch income tax act 2001 as they apply to residents of The Netherlands; and

such holder does not have, or is not deemed to have, an enterprise or an interest in an enterprise which is, in whole or in part, effectively managed in The Netherlands and/or carried on through a permanent establishment, a deemed permanent establishment, or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Mittal Steel class A common shares are attributable; and

such holder does not carry out any activities in The Netherlands that exceed regular asset management to which the Mittal Steel class A common shares are attributable; and

such holder, and if such holder is an individual, individuals relating to such holder and certain of their relatives by blood or marriage in the direct line (including foster children) do not have a substantial

---

<sup>9</sup> Please note that in the recently published Tax Bill 2005 it has been proposed to decrease the corporate income tax rate to 31.5% as from January 1, 2005, to 30.5% as from January 1, 2006 and to 30% as from January 1, 2007.

## **Table of Contents**

interest or deemed substantial interest in Mittal Steel or, if such holder does have such an interest, such interest forms part of its business assets.

Generally, (a resident or non-resident) holder of shares will have a substantial interest if he, his partner, certain other relatives (including foster children) or certain persons sharing his household, alone or together, directly or indirectly:

hold shares representing 5% or more of Mittal Steel's total issued and outstanding capital (or the issued and outstanding capital of any class of shares);

hold or have rights to acquire shares, whether or not already issued, that represent at any time (and from time to time) 5% or more of Mittal Steel's total issued and outstanding capital (or the issued and outstanding capital of any class of shares); or

hold or have the ownership of certain profit participating rights that relate to 5% or more of Mittal Steel's annual profit and/or to 5% or more of Mittal Steel's liquidation proceeds.

A deemed substantial interest arises if a substantial interest (or part thereof) has been disposed of, or is deemed to have been disposed of, on a non-recognition basis.

### ***Gift, Estate and Inheritance Tax***

***Dutch Residents.*** Gift, estate and inheritance taxes will arise in The Netherlands with respect to an acquisition of Mittal Steel class A common shares by way of a gift by, or on the death of, a holder of Mittal Steel class A common shares who is resident or deemed to be resident in The Netherlands at the time of the gift or his death.

***Non-residents.*** No Dutch gift, estate or inheritance taxes will arise on the transfer of Mittal Steel class A common shares by way of gift by, or on the death of, a holder of Mittal Steel class A common shares who is neither resident nor deemed to be resident in The Netherlands, unless:

such holder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, effectively managed in The Netherlands and/or carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise the Mittal Steel class A common shares are or were attributable; or

in the case of a gift of Mittal Steel class A common shares by an individual who at the date of the gift was neither resident nor deemed to be resident in The Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in The Netherlands.

For purposes of Dutch gift, estate and inheritance taxes, amongst others, a person that holds Dutch nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding The Netherlands nationality will be deemed to be resident in The Netherlands if he has been resident in The Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

***Other Taxes and Duties.*** No Dutch registration tax, customs duty, stamp duty or any other similar documentary tax or duty other than court fees, will be payable by a holder of Mittal Steel class A common shares in respect of or in connection with the issuance, grant, exercise or disposal of Mittal Steel class A common shares or with respect of any payment of dividends by Mittal Steel thereon.

### **Regulatory Matters**

The merger agreement contemplates that ISG and Mittal Steel will use their reasonable best efforts to complete the merger, including by obtaining required regulatory approvals (including antitrust approvals), but Mittal Steel will not be required to divest assets or take other actions requested by regulators that would have a material adverse effect on ISG or the equivalent of a material adverse effect on ISG. For a more detailed description, please refer to THE MERGER AGREEMENT Additional Agreements *Further Action*;

## **Table of Contents**

*Reasonable Best Efforts* beginning on page 95. ISG and Mittal Steel currently believe that they have obtained all regulatory merger approvals required to complete the merger.

### ***United States Antitrust Laws***

Under the Hart-Scott-Rodino Antitrust Improvements Act and the rules that have been promulgated thereunder by the Federal Trade Commission, certain acquisition transactions may not be completed unless information has been furnished to the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission and a waiting period expires. The merger is subject to these requirements.

Pursuant to the requirements of the Hart-Scott-Rodino Antitrust Improvements Act, Mittal Steel, on behalf of the controlling shareholder, and ISG filed premerger notification and report forms with respect to the merger with the Antitrust Division of the U.S. Department of Justice and the Federal Trade Commission on November 22, 2004.

Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act applicable to the merger, the parties may not complete the merger of ISG and Park Acquisition Corp. until the expiration of a 30 calendar-day waiting period following the submission of the Hart-Scott-Rodino Antitrust Improvements Act filing made by Mittal Steel, on behalf of the controlling shareholder, and ISG. Pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, the parties requested early termination of the 30-day Hart-Scott-Rodino Antitrust Improvements Act waiting period applicable to the merger. On December 17, 2004, the Federal Trade Commission notified Mittal Steel and ISG that it had granted early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. Expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act is a condition to completing the merger. See THE MERGER AGREEMENT Conditions of the Merger on page 97.

The Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice frequently scrutinize the legality under the antitrust laws of business combinations. At any time before or after the merger, the Federal Trade Commission or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger or seeking the divestiture of substantial assets of Mittal Steel, ISG or their respective subsidiaries. Private parties and state attorneys general may also bring legal action under federal or state antitrust laws under certain circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, what the result would be. See THE MERGER AGREEMENT Conditions of the Merger beginning on page 97 for certain conditions to the offer, including conditions with respect to litigation.

### ***German Merger Control***

Under the German Act Against Restraints of Competition (*Gesetz gegen Wettbewerbesbeschränkungen*), the merger cannot be completed until the Federal Cartel Office, or the FCO, has given its clearance to complete the merger or the prescribed waiting period has elapsed. The filing for the clearance was made with the FCO on November 30, 2004. On December 17, 2004, the FCO issued the clearance decision required under German law to complete the merger.

### ***Italian Merger Control***

Under Italy's Law No. 287 of October 10, 1990, as amended, prior to the completion of the merger a merger control notification must be submitted to the *Autorità Garante della Concorrenza e del Mercato*, or the IAA. The filing for the clearance decision was made with the IAA on January 20, 2005. The merger may be completed prior to receiving the consent of the IAA.

### ***Chinese Merger Control***

Pursuant to Article 21 of the Provisional Regulations on the Acquisitions of Domestic Enterprises by Foreign Investors, effective as of April 12, 2003, prior to the completion of the merger, a merger control

## **Table of Contents**

notification is being submitted on a voluntary basis to the Ministry of Commerce, or MOFCOM, and the State Administration for Industry and Commerce, or SAIC, of the People's Republic of China. The filing for the clearance decision was made to MOFCOM and the SAIC on January 26, 2005. The merger may be completed prior to receiving the consent of MOFCOM or the SAIC.

### ***Delaware Anti-Takeover Law***

ISG is incorporated under the laws of the State of Delaware. In general, Section 203 of the DGCL prevents an interested stockholder (generally a person who owns or has the right to acquire 15% or more of a corporation's outstanding voting stock, or an affiliate or associate thereof) from engaging in a business combination (defined to include mergers and certain other transactions) with a Delaware corporation for a period of three years following the date such person became an interested stockholder unless, among other things, prior to such date the board of directors of the corporation approved either the business combination or the transaction in which the interested stockholder became an interested stockholder. **On October 24, 2004, prior to the execution of the merger agreement, the ISG board of directors approved the merger agreement. Accordingly, Section 203 is inapplicable to the merger.**

### ***Exon-Florio***

The provisions of the Exon-Florio Amendment to the Defense Production Act of 1950 authorize the President of the United States to review and, when appropriate for national security reasons, investigate and block acquisitions of and mergers with U.S. companies by foreign interests. The President of the United States has delegated his authority to conduct reviews to the Committee on Foreign Investment in the United States, or CFIUS, an interagency committee chaired by the Secretary of the Treasury.

A party or parties to a transaction may, but are not required to, submit to CFIUS a voluntary notice of the transaction. CFIUS has 30 calendar days from the date of submission to decide whether to initiate a formal investigation. If CFIUS declines to investigate, it sends a no action letter, and the review process is complete.

Under the terms of the merger agreement, Mittal Steel is required to submit an Exon-Florio notice. Accordingly, on December 23, 2004, Mittal Steel and ISG submitted a notice to CFIUS, in accordance with the regulations implementing the Exon-Florio Amendment. On January 24, 2005, CFIUS delivered a no action letter to Mittal Steel through its counsel stating that CFIUS had determined that there are no issues of national security with respect to the merger sufficient to warrant an investigation under the Exon-Florio Amendment and thus action under the Exon-Florio Amendment is concluded.

### ***Other Laws***

Mittal Steel intends to file a notice of exemption with the Surface Transportation Board, or STB, at least seven days prior to the completion of the merger in connection with ISG's three common carrier railroad companies, which Mittal Steel will acquire as a result of the merger. Pursuant to the STB's authority to exempt certain classes of rail transactions from STB approval, this exemption filing will permit Mittal Steel to acquire ISG's railroad companies without obtaining the otherwise required affirmative approval of the STB. Apart from the transfer of ISG's railroad companies to Mittal Steel, the merger may be completed prior to filing or effectiveness of the notice of exemption with the STB.

## **Federal Securities Law Consequences; Resale Restrictions**

All of the shares of Mittal Steel issued to ISG stockholders will be freely transferable under U.S. federal securities laws, except for restrictions applicable to affiliates of ISG under the Securities Act of 1933, as amended, or the Securities Act. Affiliates may resell those shares they receive only in transactions permitted by Rule 145 under the Securities Act or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of ISG for these purposes generally include individuals or entities that control, are controlled by, or are under common control with, ISG, and would not generally include stockholders who are not executive officers, directors or significant stockholders of ISG. The merger agreement requires ISG to

## **Table of Contents**

deliver a list of all those persons who ISG believes may be deemed to be affiliates of ISG. ISG is also required, pursuant to the merger agreement, to use its reasonable best efforts to cause each person it identifies on the list as a potential affiliate of ISG to deliver to Mittal Steel, at or prior to the effective time of the merger, a written agreement that the affiliate will not sell, transfer or otherwise dispose of any Mittal Steel class A common shares issued to the affiliate pursuant to the merger unless the sale, transfer or other disposition meets one of the following criteria:

it is made pursuant to an effective registration statement filed under the Securities Act;

it is in conformity with the volume and other limitations of Rule 145 promulgated by the SEC under the Securities Act (or Rule 144 promulgated by the SEC under the Securities Act in the case of persons who become affiliates of Mittal Steel); or

it is otherwise exempt from registration under the Securities Act as indicated in an opinion of counsel reasonably acceptable to Mittal Steel.

This proxy statement/ prospectus does not cover any resales of Mittal Steel class A common shares, and no person is authorized to make any use of this proxy statement/ prospectus in connection with any resale.

## **Dissenter s Rights of Appraisal**

### ***Mittal Steel***

Mittal Steel shareholders do not have any rights of appraisal in connection with the merger under Dutch law.

### ***ISG***

Record holders of shares of ISG common stock at the time of the merger will have the right under Section 262 of the DGCL to dissent and demand appraisal of their shares of ISG common stock in certain circumstances. All references in Section 262 of the DGCL, in this paragraph, and in Annex G to stockholder are to the record holder of the shares of ISG common stock as to which appraisal rights are asserted. **A person having a beneficial interest in shares of ISG common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the proper steps summarized in Annex G and described in Section 262 of the DGCL in a timely manner to perfect appraisal rights.** Under Section 262 of the DGCL, dissenting ISG stockholders who comply with the applicable statutory procedures will be entitled to receive a judicial determination of the fair value of their shares of ISG common stock, exclusive of any element of value arising from the accomplishment or expectation of the merger, and to receive payment of this fair value in cash, together with a fair rate of interest, if any. The methodology a court would use to determine fair value or how a court would select which of the elements of value are to be included in such a determination cannot be assured.

The foregoing discussion is not a complete statement of the law relating to appraisal rights and is qualified in its entirety by the summary of procedures for seeking appraisal rights, which is set out in Annex G to this proxy statement/ prospectus, and the full text of Section 262 of the DGCL, which is reprinted in its entirety after the summary in Annex G to this proxy statement/ prospectus.

## **Stock Exchange Listing**

Mittal Steel class A common shares are listed on the New York Stock Exchange, Mittal Steel s principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol MT . In accordance with the terms of the merger agreement, Mittal Steel will make an application to list on the New York Stock Exchange and on Euronext Amsterdam the Mittal Steel class A common shares that Mittal Steel will issue as consideration in the merger.

**Table of Contents**

**Delisting and Deregistration of ISG Common Stock after the Merger**

Following completion of the merger, ISG common stock will be delisted from the New York Stock Exchange and will be deregistered under the Exchange Act.

**Letter of Understanding with the United Steelworkers of America**

In connection with the merger, on October 24, 2004 the LNM Group (consisting of Ispat International and LNM Holdings), ISG and the USWA, executed a letter of understanding in which the USWA agreed to support the merger and to waive its right of first refusal under the ISG collective bargaining agreement. The parties also agreed, among other things, that:

LNM Holdings, Ispat International and ISG will fully consult with and solicit the advice and involvement of the USWA regarding the acquisition of LNM Holdings and the merger;

subject to the reasonable and timely approval of the USWA (such approval not to be unreasonably withheld) and the company's board of directors, the company would aggressively pursue acquisitions in certain strategic areas;

to facilitate such growth, a strategic committee would be established, such committee to be comprised of the Chairman of the company and two individuals designated by the Chairman of the company which may include the Vice Chairman of LNM Holdings and the senior official responsible for U.S. operations, the USWA's International President and two individuals designated by the USWA's International President;

two USWA designees would join the board of directors of the company in the merger;

upon completion of the acquisition of LNM Holdings and the merger, the ISG collective bargaining agreement with the USWA will be adapted, subject to ratification, to the Inland plants and the Inland employees will be covered under the ISG collective bargaining agreement with the USWA, as amended to include the terms agreed to pursuant to such letter of understanding and any other adjustments regarding Inland employees negotiated by the parties and consistent with the principles set forth under ISG's current collective bargaining agreement; and

during the term of the collective bargaining agreement, the company will maintain substantially all of the current steelmaking capacity at Inland Indiana Harbor Works.

**Table of Contents**

**THE MERGER AGREEMENT**

*The following is a summary description of the material provisions of the merger agreement among Mittal Steel, Park Acquisition Corp. and ISG. This summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached as Annex A to this proxy statement/prospectus and incorporated herein by reference. We urge you to read the full text of the merger agreement in its entirety for a more complete description of the terms and conditions of the merger agreement as it is the legal document that governs the merger.*

**Structure of the Merger**

Unless the alternative structure described below under **THE MERGER AGREEMENT Tax Adjustment and Alternative Structure** beginning on page 83 is implemented, at the effective time of the merger, ISG will be merged with and into Park Acquisition Corp. Park Acquisition Corp. will continue as the surviving company and as a wholly owned subsidiary of Mittal Steel.

**Closing and Effective Time of the Merger**

The closing of the merger will take place as promptly as practicable after all the conditions to the merger described below under **THE MERGER AGREEMENT Conditions of the Merger** beginning on page 97 are satisfied or waived. The merger will become effective at the time Mittal Steel and ISG file a certificate of merger with the Secretary of State of the State of Delaware.

**Merger Consideration**

Pursuant to the merger agreement, as of the effective time of the merger, each issued and outstanding share of ISG common stock not owned by Park Acquisition Corp., Mittal Steel, or any direct or indirect wholly owned subsidiary of Mittal Steel or ISG or held in the treasury of ISG, will be cancelled and converted automatically into the right to receive the merger consideration. Each ISG stockholder shall have a right to make an election to receive the merger consideration in the form of cash consideration, stock consideration or a combination of cash consideration and stock consideration, in each case, subject to proration or adjustment based on tax considerations as explained below under **THE MERGER AGREEMENT Oversubscription for Cash or Stock** beginning on page 83 and **THE MERGER AGREEMENT Tax Adjustment and Alternative Structure** beginning on page 83.

The cash consideration is \$42.00, without interest, per share of ISG common stock. The stock consideration is a fraction of Mittal Steel class A common shares, based on an exchange ratio, that will vary, and is subject to a collar setting both a floor and a ceiling on the number of Mittal Steel class A common shares into which each share of ISG common stock will be converted. The exchange ratio is equal to the quotient determined by dividing \$42.00 by the average of the per share closing prices of Mittal Steel class A common shares on the New York Stock Exchange during the 20 consecutive trading days ending on (and including) the trading day that is two days prior to the date of the effective time of the merger. The exchange ratio is subject to a collar such that, if the average trading price of Mittal Steel class A common shares is equal to or greater than the floor of approximately \$34.50 per share and equal to or less than the ceiling of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for an amount of Mittal Steel class A shares equal to \$42.00. However, if the average trading price of Mittal Steel class A common shares is less than the floor of approximately \$34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Mittal Steel class A common shares, regardless of the value of those shares. If the average trading price of Mittal Steel class A common shares is greater than the ceiling of approximately \$43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Mittal Steel class A common shares, regardless of the value of those shares. If an ISG stockholder elects to receive a combination of cash consideration and stock consideration, a mixed consideration election, such ISG stockholder must designate the number of such stockholder's shares of ISG common stock that such ISG stockholder would like to convert into the cash consideration and into the stock consideration. Any shares of ISG common stock designated as cash consideration and stock consideration pursuant to an election of mixed consideration will be



## **Table of Contents**

treated under the relevant conversion mechanisms described for cash consideration and stock consideration described above in this paragraph.

### **Oversubscription for Cash or Stock**

Pursuant to the merger agreement and subject to any adjustments for tax reasons (as described below under **THE MERGER AGREEMENT Tax Adjustment and Alternative Structure** ), as of the effective time 50% of all outstanding shares of ISG common stock will be converted into cash and 50% of all outstanding shares of ISG common stock will be converted into Mittal Steel class A common shares. However, despite such terms set forth in the merger agreement, it is possible that ISG stockholders, as a group, either may submit elections to convert more than 50% of the outstanding shares of ISG common stock into cash or to convert more than 50% of the outstanding shares of ISG common stock into Mittal Steel class A common shares. Therefore, the merger agreement also provides that, if either the cash portion or the stock portion of the merger consideration is oversubscribed, then an equitable pro rata adjustment will be made to ensure that 50% of the outstanding shares of ISG common stock are converted into cash and 50% are converted into Mittal Steel class A common shares.

For example, if the aggregate number of shares of ISG common stock for which an election is made to receive cash consideration amounts to more than 50% of the total merger consideration, then each share of ISG common stock as to which an election was submitted to be converted into \$42.00 in cash will, instead, be converted into an amount of cash that is equal to less than \$42.00 plus a number of Mittal Steel class A common shares, each as calculated in accordance with the formula set forth in section 2.01(e) of the merger agreement. Similarly, if the aggregate number of shares of ISG common stock for which an election is made to receive stock consideration amounts to more than 50% of the total merger consideration, then each share of ISG common stock as to which an election was submitted to be converted into Mittal Steel class A common shares will, instead, be converted into a smaller number of Mittal Steel class A common shares plus an amount of cash, each as calculated in accordance with the formula set forth in section 2.01(g) of the merger agreement.

### **Tax Adjustment and Alternative Structure**

It is intended for the merger to qualify as a **reorganization** within the meaning of the Internal Revenue Code and, therefore, be tax free for ISG stockholders except to the extent of any cash received in the merger. Under the Internal Revenue Code, however, the merger might not qualify as such a reorganization if, among other things, on the closing date of the merger, the total value of Mittal Steel class A common shares that ISG stockholders receive does not represent at least 42.5% of the value of the **Total Consideration** including Mittal Steel class A common shares, cash and any other amounts treated as consideration in connection with the merger for purposes of the Internal Revenue Code that ISG stockholders receive in connection with the merger. Assuming that there are 100,035,950 shares of ISG common stock outstanding at the effective time of the merger and thus 50% of such shares are converted into Mittal Steel class A common shares, this condition would not be met if the share price of Mittal Steel class A common shares as measured at the effective time of the merger falls below approximately US\$ 25.50.<sup>(1)</sup>

To prevent this from happening, if the value of the Mittal Steel class A common shares received by ISG stockholders would otherwise be less than 42.5% of the value of the **Total Consideration**, Mittal Steel in its sole and absolute discretion may increase the amount of stock consideration so that the total value of Mittal Steel class A common shares that ISG stockholders receive represents at least 42.5% of the value of the **Total Consideration**. Any increase in stock consideration would effectively result in an increase in the exchange ratio reflecting the fraction of Mittal Steel class A common shares that one share of ISG common stock would

---

<sup>1</sup> This calculation further assumes that there is no other consideration received by ISG stockholders as consideration in connection with the merger other than as described under **THE MERGER, AGREEMENT Merger Consideration** that would be included in **Total Consideration** as such term is defined under the Internal Revenue Code.

## **Table of Contents**

otherwise convert into. The increase in stock consideration would thus be allocated on a pro rata basis among ISG stockholders receiving stock consideration (based on the number of shares of ISG common stock being converted into Mittal Steel class A common shares). Mittal Steel would make any such determination no later than the date of the effective time of the merger, which is three days prior to the deadline for ISG stockholders to make the election as to the form of consideration that they wish to receive, as further described in THE MERGER AGREEMENT Election Procedures beginning on page 84.

If taking into account any such aforementioned increase, the value of the Mittal Steel class A common shares received by ISG stockholders would be less than 42.5% of the value of the Total Consideration on the closing date or either Mittal Steel or ISG fails to receive the applicable tax opinions from its outside counsel regarding the qualification of the merger under certain provisions of the Internal Revenue Code, as further described under THE MERGER AGREEMENT Conditions of the Merger beginning on page 97, Mittal Steel will effect the acquisition of ISG pursuant to a reverse-sub subsidiary merger structure in which Park Acquisition Corp. will instead merge with and into ISG and ISG will continue as the surviving company of the merger and as a wholly owned subsidiary of Mittal Steel.

## **Election Procedures**

Copies of the form of election will be mailed to record holders of shares of ISG common stock not less than 30 days prior to the effective time of the merger and made available to persons who become record holders after the date of such mailing but not later than the close of business on the seventh business day prior to the effective time of the merger. The form of election will also be posted on ISG's website at www.intlsteel.com. To be effective, a form of election must be received by the exchange agent by the election deadline which is 5:00 p.m., New York City time, on the third day after the effective time of the merger. A record holder of ISG common stock who holds such shares as nominee or trustee or in another representative capacity may submit multiple forms of election; provided that such representative certifies that each such form of election covers all the shares of ISG common stock held by such representative for a particular beneficial owner. All elections made by an ISG stockholder may be revoked in writing until the election deadline specified above.

Upon a determination by Mittal Steel or the exchange agent that a form of election was received after the election deadline or otherwise improperly made, any shares subject to such an untimely or improperly made election will be treated as if no election has been made with respect to such shares. Mittal Steel may treat any shares of ISG common stock with respect to which either no election has been made or an election has been deemed not to have been made, as either cash election shares or stock election shares, in its sole discretion, unless the treatment would impact the tax consequences of the merger.

## **Cancellation of Shares**

As of the effective time of the merger, each share of ISG common stock will be automatically cancelled and no shares of ISG common stock will be outstanding. Each share of ISG common stock held by ISG in treasury, or held by Park Acquisition Corp., Mittal Steel or any wholly owned subsidiary of Mittal Steel or ISG, immediately prior to the effective time will cease to have any stockholder rights and such shares will not be exchangeable for cash, Mittal Steel class A shares or any other consideration. Each share of ISG common stock held by any other ISG stockholder will cease to have any stockholder rights, except for the right to receive the merger consideration of cash, Mittal Steel class A common shares or a combination of cash and Mittal Steel class A common shares.

## **Exchange Agent**

Mittal Steel will deposit with an exchange agent, designated by Mittal Steel and reasonably satisfactory to ISG, cash and certificates representing Mittal Steel class A common shares to be issued as merger consideration, from time to time, as required to make payments in respect of the cash consideration and payments in lieu of any fractional shares and the stock consideration (as further described below under THE MERGER AGREEMENT Procedures for Exchange of Certificates; No Fractional Shares ).

## **Table of Contents**

### **Procedures for Exchange of Certificates; No Fractional Shares**

As promptly as practicable after the effective time of the merger, the exchange agent will mail a transmittal letter to each former record holder of ISG common stock. The transmittal letter will contain instructions with respect to the surrender of certificates previously representing shares of ISG common stock to be exchanged for certificates representing Mittal Steel class A common shares, cash in respect of any cash consideration the ISG stockholder is entitled to receive in the merger and any cash the ISG stockholder is entitled to receive in place of fractional Mittal Steel class A common shares to which the stockholder would otherwise have been entitled to receive under the merger agreement.

ISG STOCKHOLDERS SHOULD NOT FORWARD ISG STOCK CERTIFICATES TO THE EXCHANGE AGENT UNTIL THEY HAVE RECEIVED TRANSMITTAL LETTERS. ISG STOCKHOLDERS SHOULD NOT RETURN THEIR STOCK CERTIFICATES WITH THE ENCLOSED PROXY CARD OR WITH THE ENCLOSED FORM OF ELECTION.

ISG stockholders who surrender their ISG stock certificates to the exchange agent, together with a properly completed and validly executed letter of transmittal and such other documents as may be required, will be entitled to receive a certificate representing the number of whole Mittal Steel class A common shares into which their shares of ISG common stock have been converted in the merger, cash in respect of any cash consideration the ISG stockholder is entitled to receive in the merger and any cash the ISG stockholder is entitled to receive in place of fractional Mittal Steel class A common shares to which the ISG stockholder would otherwise have been entitled to receive under the merger agreement.

Mittal Steel will not issue fractional Mittal Steel class A common shares in the merger and fractional share interests will not entitle the owner of such fractional interest to vote or to any other rights of a shareholder of Mittal Steel. Instead, each holder of a fractional share interest will receive from Mittal Steel an amount in cash (without interest and subject to applicable withholding taxes) equal to the product obtained by multiplying the fractional share interest to which such holder would otherwise be entitled, by the average of the per share closing prices of Mittal Steel class A common shares on the New York Stock Exchange during the 20 consecutive trading days ending on (and including) the trading day that is two days prior to the date of the effective time of the merger. However, if this procedure would have an adverse effect on the qualification of the merger as a reorganization, an alternative procedure will be adopted under which fractional shares will be distributed and sold.

Mittal Steel will not pay any dividends or other distributions to any holder of an ISG common stock certificate in respect of Mittal Steel class A common shares into which the shares of ISG common stock represented by such ISG stock certificate has been converted until such ISG stock certificate has been properly surrendered to the exchange agent. At the time of surrender, the new Mittal Steel shareholder will be paid the amount of any cash payable with respect to the fractional Mittal Steel class A common shares to which such holder is entitled and the amount of dividends or other distributions that have been paid with respect to such shares since the effective time of the merger.

### **Treatment of ISG Stock Options and Stock Appreciation Rights**

At the effective time of the merger, each option to acquire shares of ISG common stock then outstanding under ISG's 2002 stock option plan (whether or not exercisable and whether or not vested) will be, in settlement of such option, converted into an amount (subject to any applicable withholding tax) in cash equal to the difference between \$42.00 and the exercise price per share of ISG common stock, to the extent such difference is a positive number. Under the terms of the merger agreement, at the effective time of the merger, following the cash settlement of each ISG option, each outstanding and unexercised stock option under the ISG 2002 stock option plan will be cancelled and the holder of such option will have no further rights in respect of any such options.

Under the terms of the merger agreement, each stock appreciation right granted by ISG under ISG's managers incentive plan which is outstanding or unsatisfied immediately prior to the effective time of the merger will be converted at the effective time of the merger into a right or award measured by the value of a

**Table of Contents**

number of shares of Mittal Steel class A common shares, on the same terms and conditions as were applicable under the ISG stock appreciation rights, except that:

the terms and conditions of the converted right will take into account any adjustments provided for in ISG's managers incentive plan or in any related award agreement that are triggered by the merger agreement or the transactions contemplated by the merger agreement;

each converted stock appreciation right will be measured by the number of shares of ISG common stock by which such ISG stock appreciation right would have otherwise been measured multiplied by the number of whole Mittal Steel class A common shares an ISG stockholder would be entitled to receive for one share of ISG common stock as stock consideration in the merger; and

the exercise price by which each converted stock appreciation right is measured will be equal to the exercise price by which such stock appreciation right would have been otherwise measured divided by the number of Mittal Steel class A common shares an ISG stockholder would be entitled to receive for one share of ISG common stock as stock consideration in the merger; provided that the maximum value of each such converted stock appreciation right will not exceed the maximum value of the related unconverted ISG stock appreciation right.

**Representations and Warranties**

***Representations and Warranties of ISG***

The merger agreement contains a number of customary representations and warranties relating to each of the parties and its ability to complete the merger. Among others, ISG made representations and warranties to Mittal Steel and Park Acquisition Corp. regarding:

organization and qualification to do business,

subsidiaries,

certificate of incorporation and by-laws,

capitalization,

corporate authority to enter into the merger agreement,

absence of a breach of ISG's Certificate of Incorporation and Bylaws, applicable laws or other agreements entered into by ISG as a result of entering into the merger agreement or the transactions contemplated by the merger agreement,

governmental consents, approvals, authorizations, permits, filings and notifications required in connection with the transactions contemplated by the merger agreement,

possession of franchises, grants, authorizations, licenses, permits, easements, approvals and orders required to operate ISG's business,

compliance with laws,

SEC filings, financial statements and internal controls and procedures,

absence of certain changes and events since December 10, 2003,

absence of litigation,

employee benefit plans,

labor and employment matters,

real property and leases,

intellectual property,

tax matters,

**Table of Contents**

environmental matters,  
inventories,  
material contracts,  
insurance,  
approval of the ISG board of directors and the required ISG stockholder vote,  
certain unlawful business practices,  
absence of interested party transactions since December 10, 2003,  
opinion of financial advisors, and  
brokers.

The representations and warranties contained in the merger agreement do not survive the effective time of the merger.

***Representations and Warranties of Mittal Steel and Park Acquisition Corp.***

Among others, Mittal Steel and Park Acquisition Corp., where applicable, made representations and warranties to ISG regarding:

organization and qualification to do business,  
subsidiaries,  
organizational documents,  
capitalization,  
corporate authority to enter into the merger agreement,  
absence of a breach of Mittal Steel's Deed of Incorporation or Articles of Association, Park Acquisition Corp.'s Certificate of Incorporation or By-laws, applicable laws or other agreements entered into by Mittal Steel as a result of entering into the merger agreement or the transactions contemplated by the merger agreement,  
governmental consents, approvals, authorizations, permits, filings and notifications required in connection with the transactions contemplated by the merger agreement,  
possession of franchises, grants, authorizations, licenses, permits, easements, approvals and orders required to operate Mittal Steel's business,  
compliance with laws,  
SEC filings, financial statements and internal controls and procedures,  
absence of certain changes and events since December 31, 2003,  
absence of litigation,

the acquisition agreement between Ispat International and The Richmond Investment Holdings Limited related to the acquisition of the shares of LNM Holdings,

labor and employment matters,

operations of Park Acquisition Corp.,

tax matters,

approval of the Mittal Steel board of directors and the required Mittal Steel shareholder vote,

certain unlawful business practices,

**Table of Contents**

absence of interested party transactions since December 31, 2003, and

brokers.

The representations and warranties contained in the merger agreement do not survive the effective time of the merger.

**Material Adverse Effect**

Certain of the representations and warranties of each party are qualified by a material adverse effect standard.

***ISG Material Adverse Effect***

With respect to ISG, a material adverse effect is any event, circumstance, change or effect that, individually or in the aggregate with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of ISG and its subsidiaries taken as a whole or prevent or materially delay the completion of any of the transactions contemplated by the merger agreement or otherwise prevent or materially delay ISG from performing its obligations under the merger agreement, subject to certain exceptions for:

changes in general economic conditions, or

general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which ISG and its subsidiaries operate, in each case, that do not have a disproportionate effect (relative to other industry participants) on ISG and its subsidiaries, taken as a whole.

***Mittal Steel Material Adverse Effect***

With respect to Mittal Steel, a material adverse effect is any event, circumstance, change or effect that, individually or in the aggregate with all other events, circumstances, changes and effects, is or is reasonably likely to (i) be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of Mittal Steel and its subsidiaries (including LNM Holdings following the closing of the transactions contemplated by the LNM Holdings acquisition agreement) taken as a whole or (ii) prevent or materially delay the completion of any of the transactions contemplated by the merger agreement or otherwise prevent or materially delay Mittal Steel from performing its obligations under the merger agreement, subject to certain exceptions for:

changes in general economic conditions, or

general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which Mittal Steel and its subsidiaries operate, in each case, that do not have a disproportionate effect (relative to other industry participants) on Mittal Steel and its subsidiaries, taken as a whole.

**Conduct of Business Pending the Merger**

***Conduct of Business of ISG Pending the Merger***

ISG has agreed that, between October 24, 2004 and the effective time of the merger, except as set forth in ISG's disclosure schedule to the merger agreement, or as expressly contemplated by any other provision of the merger agreement, unless Mittal Steel consents in writing, which consent may not be unreasonably withheld or delayed:

the businesses of ISG and its subsidiaries will be conducted only in, and ISG and its subsidiaries will not take any action except in, the ordinary course of business and in a manner consistent with past practice; and



**Table of Contents**

ISG will use its reasonable best efforts to preserve substantially intact the business organization of ISG and its subsidiaries, to keep available the services of the key current officers, employees and consultants of ISG and its subsidiaries and to preserve the current relationships of ISG and its subsidiaries with material customers, suppliers and other persons with which ISG or any of its subsidiaries has significant material business relations.

More specifically, except as expressly contemplated by any other provision of the merger agreement or as set forth in ISG's disclosure schedule to the merger agreement, neither ISG nor any of its subsidiaries will, between October 24, 2004 and the effective time of the merger, directly or indirectly, do, or propose to do, any of the following without the prior written consent of Mittal Steel, which may not be unreasonably withheld or delayed:

amend or otherwise change its certificate of incorporation or by-laws;

issue, sell, pledge, dispose of, grant or encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of,

any shares of any class of capital stock of ISG or any of its material subsidiaries, or any options (except upon exercise of existing stock options), warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of ISG or any of its material subsidiaries or

any assets of ISG or any of its material subsidiaries, except for (w) granting of permitted liens in the ordinary course of business and in a manner consistent with past practice, (x) sales, pledges, disposals or encumbrances of assets not involving \$25 million in the aggregate, (y) sales of inventory in the ordinary course of business, and (z) sales of certain assets listed on ISG's disclosure schedule to the merger agreement after written notice to, and reasonable consultation with, Mittal Steel;

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of ISG's capital stock;

reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of ISG's capital stock;

(A) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or other assets or other business combination) any corporation, partnership, other business organization or any division thereof or, except as permitted by sub-clause (C) of this provision, any amount of assets in excess of \$25 million in the aggregate, (B) incur any indebtedness for borrowed money or issue any debt securities in excess of \$25 million in the aggregate or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person other than any subsidiary of ISG, or make any loans or advances, or grant any security interest in any of its assets except in the ordinary course of business and consistent with past practice, or (C) authorize, or make any commitment with respect to any individual capital expenditure in excess of \$5 million, other than authorizations and commitments with respect to capital expenditures that are made or entered into after written notice to, and reasonable consultation with, Mittal Steel;

hire any additional employees except in the ordinary course of business and consistent with past practices or increase the compensation payable or to become payable or the benefits provided to its directors or officers, except as required by law or existing agreement, or increase the compensation payable or to become payable or the benefits to be provided to its employees, except for an increase as set forth in ISG's disclosure schedule to the merger agreement in salaries or wages of employees of ISG or any of its subsidiaries who are not directors or officers of ISG or any material subsidiary of ISG, or, except as required by law or any existing agreement or plan, grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or, except in the ordinary course of business, any employee of ISG or of any of its subsidiaries, or establish, adopt, enter into or amend any collective bargaining, bonus, profit-sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or

**Table of Contents**

other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or group of employees;

(A) exercise its discretion with respect to or otherwise voluntarily accelerate the vesting of any options under ISG's 2002 stock option plan as a result of the merger, any other change of control of ISG (as defined in such stock option plan) or otherwise or (B) exercise its discretion with respect to or otherwise amend, modify or supplement ISG's stock purchase plan;

take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures, except as required by U.S. GAAP or applicable law;

except in the ordinary course of business consistent with past practice, make, change or revoke any material tax election, settle or compromise any material tax liability, consent to any claim or assessment relating to a material amount of taxes or any waiver of the statute of limitations, change any method of tax accounting, or file any amended tax return or claim for refund of material taxes;

commence, settle, pay, discharge or satisfy any actions, claims, liabilities or obligations in excess of \$20 million in the aggregate, other than the payment, discharge or satisfaction of obligations other than actions in the ordinary course of business and consistent with past practice;

enter into, amend, modify or consent to the termination of any material contract, or amend, waive, modify or consent to the termination of ISG's or any of its subsidiaries' material rights under any such contract, other than in the ordinary course of business and consistent with past practice;

fail to make in a timely manner any filings with the SEC required under the Securities Act or the Exchange Act or the rules and regulations promulgated thereunder; or

enter into any binding agreement or otherwise make a commitment to do any of the foregoing.

***Conduct of Business of Mittal Steel Pending the Merger***

Mittal Steel has agreed that, between October 24, 2004 and the effective time of the merger, except as set forth in Mittal Steel's disclosure schedule to the merger agreement, or as expressly contemplated by any other provision of the merger agreement, unless ISG consents in writing, which may not be unreasonably withheld or delayed:

the businesses of Mittal Steel and its subsidiaries will be conducted only in, and Mittal Steel and its subsidiaries will not take any action except in, the ordinary course of business and in a manner consistent with past practice; and

Mittal Steel will use its reasonable best efforts to preserve substantially intact the business organization of Mittal Steel and its subsidiaries, to keep available the services of the key current officers, employees and consultants of Mittal Steel and its subsidiaries and to preserve the current relationships of Mittal Steel and its subsidiaries with material customers, suppliers and other persons with which Mittal Steel or any of its subsidiaries has material business relations.

More specifically, except as expressly contemplated by any other provision of the merger agreement or as set forth in Mittal Steel's disclosure schedule to the merger agreement, between October 24, 2004 and the earlier of the termination of the merger agreement and the effective time of the merger, neither Mittal Steel nor any of its subsidiaries will, directly or indirectly, without the prior written consent of ISG, which may not be unreasonably withheld or delayed:

issue, sell, dispose of or grant, or authorize the issuance, sale, disposition or grant of, any shares of any class of capital stock of Mittal Steel, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest of Mittal Steel except pursuant to the terms of the LNM Holdings acquisition agreement or in exchange for fair market value;

**Table of Contents**

declare, set aside, make or pay any dividend or other distribution payable in cash, stock, property or otherwise, with respect to any of Mittal Steel's capital stock other than as set forth on Mittal Steel's disclosure schedule (such disclosure schedule includes an exception for a declared and at the time unpaid dividend of LNM Holdings in the amount of \$2 billion), reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of Mittal Steel's capital stock;

acquire (including, without limitation, by merger, consolidation, or acquisition of stock or other assets or other business combination) any corporations, partnerships, other business organizations or any divisions thereof or any material amount of assets in one or more transactions involving consideration in excess of \$1.5 billion in the aggregate;

directly or indirectly take, or propose to take, without ISG's prior written consent, any action with the intent to cause Mittal Steel's representations and warranties described above under THE MERGER AGREEMENT Representations and Warranties beginning on page 86 to be untrue in any material respect;

amend, modify or waive any closing condition or financial term of the LNM Holdings acquisition agreement in a manner that would adversely affect Ispat International's rights thereunder;

incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person, or make any loans or advances, or grant any security interest in any of its assets in excess of \$1.5 billion in the aggregate;

amend or otherwise change Mittal Steel's Deed of Incorporation (*akte van oprichting*) or Articles of Association (*statuten*) except as required by the transactions contemplated by the LNM Holdings acquisition agreement or the actions authorized pursuant to the shareholder vote to be taken in connection with such agreement; or

enter into any formal binding agreement or otherwise make a commitment to do any of the foregoing.

**Additional Agreements**

***Registration Statement on Form F-4; Proxy Statement/ Prospectus***

The merger agreement requires Mittal Steel and ISG to prepare and file with the SEC as promptly as practicable after the execution of the merger agreement a proxy statement to be sent to the stockholders of ISG relating to the meeting of the ISG stockholders to be held to consider approval and adoption of the merger agreement. In addition, the merger agreement requires Mittal Steel to prepare and file with the SEC a registration statement on Form F-4 in which the ISG proxy statement will be included as a prospectus, in connection with the registration under the Securities Act of the Mittal Steel class A common shares to be issued to the ISG stockholders pursuant to the merger.

Mittal Steel and ISG each must use its reasonable best efforts to cause the registration statement on Form F-4 to become effective as promptly as practicable. As promptly as practicable after the registration statement on Form F-4 becomes effective, ISG is required to mail the proxy statement related to the merger to its stockholders. Pursuant to the merger agreement, Mittal Steel and ISG each makes certain representations and warranties to the other concerning the accuracy of the information supplied in connection with the preparation of the proxy statement and the registration statement on Form F-4 to be filed with the SEC as of the date on which the document becomes effective and is mailed to the ISG stockholders, in each case related to the merger. Each party has also agreed to inform the other of any changes in the information provided to the other that would require an amendment or supplement to such filings.

***Shareholder Circular/ Prospectus***

As promptly as practicable after the execution of the merger agreement and prior to the effective time, Mittal Steel will also prepare a shareholder circular in connection with the approval of the transactions contemplated by the merger agreement by its shareholders and will prepare a prospectus to be made available by Mittal Steel after clearance is received from Euronext Amsterdam in connection with such transactions in

**Table of Contents**

addition to the prospectus that was filed with Euronext Amsterdam on November 18, 2004 in conjunction with the acquisition of LNM Holdings. Mittal Steel will use its reasonable best efforts to cause the prospectus to be cleared as promptly as practicable by Euronext Amsterdam. Mittal Steel and ISG each makes certain representations and warranties to the other concerning the accuracy of the information supplied in connection with the preparation of the shareholder circular and the prospectus. Each party has also agreed to inform the other of any changes in the information provided to the other that would require an amendment or supplement to such filings.

***ISG Stockholders Meeting***

ISG has agreed to call and hold a meeting of the holders of ISG common stock for the purpose of voting upon the adoption of the merger agreement and must use its reasonable best efforts to hold such meeting as soon as practicable after the date on which the F-4 registration statement becomes effective. However, under the terms of the merger agreement, ISG is specifically not required to hold such stockholders meeting prior to December 23, 2004. Subject to the terms of the merger agreement, ISG must use its reasonable best efforts to solicit from the ISG stockholders proxies in favor of the adoption of the merger agreement and take all other action necessary or advisable to secure the required stockholder vote except in the case where the ISG board of directors withdraws or modifies its recommendation subject to the conditions to such withdrawal or modification described below under **THE MERGER AGREEMENT Additional Agreements No Solicitation of Transactions; Fiduciary Termination Right**.

***Mittal Steel Shareholders Meeting***

Mittal Steel must also call and hold a general meeting of its shareholders for the purpose of voting upon the approval of the merger agreement and must use its reasonable best efforts to hold such meeting as promptly as practicable after the date on which the prospectus is approved by Euronext Amsterdam.

***No Solicitation of Transactions; Fiduciary Termination Right***

Pursuant to the merger agreement, neither ISG nor any of its subsidiaries nor any of their respective directors, officers or employees will, nor will ISG authorize or permit either its or its subsidiaries agents, advisors and other representatives, to directly or indirectly:

solicit (including by way of furnishing nonpublic information), or take any other action intended or reasonably likely to facilitate, any inquiries or the making of any proposal or offer (including, without limitation, any proposal or offer to the ISG stockholders) that constitutes, or may reasonably be expected to lead to, any **Competing Transaction** (as defined in the merger agreement and described below), or

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a **Competing Transaction**, or

agree to, approve, endorse or recommend any **Competing Transaction** or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any **Competing Transaction**, or

authorize or permit any of the officers, directors or employees of ISG or any of its subsidiaries, or any investment banker, financial advisor, attorney, accountant or other representative retained by ISG or any of its subsidiaries, to take any such action.

In addition, ISG will notify Mittal Steel as promptly as practicable (and in any event within one day after an executive officer of ISG attains knowledge thereof), orally and promptly thereafter in writing, if any proposal or offer, or any inquiry or contact with any person with respect thereto, regarding a **Competing Transaction** is made, specifying the material terms and conditions thereof and the identity of the party making such proposal or offer or inquiry or contact. ISG will provide Mittal Steel with forty-eight hours prior notice (or such lesser prior notice as is provided to the members of the ISG board of directors) of any meeting of the ISG board of directors at which the board is expected to discuss any **Competing Transaction**.

**Table of Contents**

***Fiduciary Termination Right.*** However, the merger agreement provides that the ISG board of directors may furnish information to, and enter into discussions with, a person who has made an unsolicited, written proposal or offer regarding a **Competing Transaction**, if the ISG board of directors has:

determined, in its good faith judgment (after consultation with a financial advisor), that such proposal or offer constitutes a **Superior Proposal** (as defined in the merger agreement and described below),

provided written notice to Mittal Steel of its intent to furnish information to or enter into discussions with such person at least three business days prior to taking any such action, and

obtained from such person an executed confidentiality agreement on terms not substantially less favorable to ISG in the aggregate than those contained in the confidentiality agreement, dated September 28, 2004, between Mittal Steel and ISG.

A **Competing Transaction** is defined in the merger agreement as any of the following (other than the transactions contemplated by the merger agreement):

any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or other similar transaction involving ISG or any of its material subsidiaries;

any sale, lease, exchange, transfer or other disposition (including a disposition of stock of one or more of ISG's subsidiaries) of 15% or more of the assets of ISG and its subsidiaries taken as a whole;

any sale, exchange, transfer or other disposition of 15% or more of any class of equity securities of ISG or any of its material subsidiaries;

any tender offer or exchange offer that, if consummated, would result in any person beneficially owning 15% or more of any class of ISG's equity securities;

any solicitation in opposition to adoption of the merger agreement by the ISG stockholders; or

any other transaction the completion of which would reasonably be expected to prevent or materially delay any of the transactions contemplated by the merger agreement.

In addition, under the terms of the merger agreement, ISG will use its reasonable best efforts to keep Mittal Steel informed on a reasonably prompt basis of the status of any negotiations it enters into regarding a **Superior Proposal**, including any material amendments or proposed material amendments to such a proposal. ISG will also provide Mittal Steel with all information regarding ISG that is provided to any person making a **Superior Proposal** to the extent such information has not previously been provided to Mittal Steel.

A **Superior Proposal** is defined in the merger agreement as an unsolicited written proposal or offer made by a third party to consummate any of the following transactions:

a merger, consolidation, share exchange, business combination or other similar transaction involving ISG pursuant to which the ISG stockholders immediately preceding such transaction would hold less than 50% of the equity interest in the surviving or resulting entity of such transaction, or

the acquisition by any person or group (including by means of a tender offer or an exchange offer or a two-step transaction involving a tender offer followed with reasonable promptness by a cash-out merger involving ISG), directly or indirectly, of ownership of more than 50% of the then outstanding shares of ISG voting stock,

in each case on pricing and other terms (including conditions to completion of such contemplated transaction) that the ISG board of directors determines, in its good faith judgment (after consultation with a financial advisor), to be more favorable to the ISG stockholders than the merger being contemplated pursuant to the merger agreement.

Except as otherwise permitted by the merger agreement as described above, the ISG board of directors may not withdraw or modify, or propose to withdraw or modify, in a manner adverse to Mittal Steel or Park Acquisition Corp., its recommendation in favor of the merger, or approve or recommend, or cause or permit ISG to enter into any letter of intent, agreement or obligation with respect to, any **Competing Transaction**.



## **Table of Contents**

However, if the ISG board of directors determines, in its good faith judgment prior to an ISG stockholders' meeting required to adopt the merger agreement and after consultation with legal counsel, that it is required to change its recommendation to comply with its fiduciary obligations to ISG and its stockholders under applicable law, the ISG board of directors may change its recommendation or terminate the merger agreement to accept a Superior Proposal, but only, in the case of termination of the merger agreement, to accept a Superior Proposal:

after providing written notice to Mittal Steel of the Superior Proposal specifying the material terms and conditions of such proposal and the identity of the person making such proposal and indicating that the ISG board of directors intends to consider whether to change its recommendation regarding the merger; and

if Mittal Steel does not make an offer within three business days of its receipt of notice of a Superior Proposal that the ISG board of directors determines in its good faith judgment (after consultation with a financial advisor) to be at least as favorable to the ISG stockholders as the Superior Proposal.

In addition, under the merger agreement, ISG is prohibited from submitting to the vote of the ISG stockholders any Competing Transaction, or proposing to do so, except as expressly permitted in the merger agreement.

***Directors and Officers Indemnification and Insurance.*** The merger agreement requires the certificate of incorporation and bylaws of the surviving company of the merger to contain indemnity provisions at least as favorable as those of ISG's Certificate of Incorporation prior to the merger. These indemnity provisions may not be amended, repealed or otherwise modified for six years following the merger's closing in any way, except as required by law, that may adversely affect the rights of individuals who were directors, officers, employees, fiduciaries, or agents of ISG at the time of the merger's closing.

After the merger's closing, in the event of any threatened or actual civil, criminal or administrative claim, action, suit, proceeding or investigation, including in which any individual who is now, or has been at any time prior to the date of the merger agreement, or whom becomes prior to the merger's closing, a director, officer or employee of ISG or any of ISG's subsidiaries or who is or was serving at the request of ISG or any of ISG's subsidiaries as a director, officer or employee of another person, is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to, (i) the fact that the individual is or was a director, officer or employee of ISG or any of ISG's subsidiaries or, (ii) this merger agreement or any of the transactions contemplated by this merger agreement, whether asserted or arising before or after the merger's closing, the surviving company of the merger will indemnify, defend and hold harmless, those individuals against those claims, actions or suits or proceedings, to the fullest extent that would be permitted under the DGCL (including reimbursement for reasonable fees and expenses incurred in advance of the final disposition of any claim, action, suit, proceeding or investigation to each indemnified party) (assuming for purposes of applying any applicable limitations on indemnification under the DGCL that they were directors, officers or employees of the surviving company of the merger at the time of the relevant action or inaction). From and after the merger closing, the surviving company of the merger will fulfill and honor in all material respects the obligations of ISG to indemnify, defend and hold harmless, the individuals to be indemnified as provided in ISG's Certificate of Incorporation and Bylaws in effect on the date of the merger agreement, and any indemnification agreement listed in Section 6.07(b) of the ISG disclosure schedule to the merger agreement; *provided, however*, to the extent any such matter arises out of service by any individual such as a director or officer of Mittal Steel or any Mittal Steel subsidiary as of or after the merger's closing, the indemnity will be provided in accordance with Mittal Steel's Deed of Incorporation and Articles of Association, as in effect from time to time, and any director and officer indemnification agreements between Mittal Steel and such person.

In addition, the merger agreement provides that the surviving company of the merger must use its reasonable best efforts to maintain in effect for six years from the merger's closing, if available, the directors' and officers' liability insurance policies maintained by ISG (or substitute policies of at least the same coverage containing terms and conditions that are not materially less favorable) with respect to matters occurring prior to merger's closing; *provided, however*, the surviving company of the merger is not required to expend more

**Table of Contents**

than an amount per year equal to 250% of current annual premiums paid by ISG for the insurance. If this insurance coverage cannot be obtained at all, or can only be obtained at an annual premium in excess of the maximum premium, Mittal Steel is required to maintain policies of directors and officers insurance obtainable for an annual premium equal to the maximum premium.

In the event that Mittal Steel or the surviving company of the merger or their respective successors or assigns

consolidates with or merges into any other person and is not the continuing or surviving company or entity in the consolidation or merger, or

transfers all or substantially all of its properties and assets to any person,

then, proper provision must be made so that the successor and assign of Mittal Steel or the surviving company of the merger, as the case may be, assumes responsibility and liability for the obligations set forth with respect to Mittal Steel or the surviving company of the merger, as the case may be.

***Further Action; Reasonable Best Efforts***

The merger agreement contemplates that prior to the closing of the merger, ISG and Mittal Steel will use their reasonable best efforts to take all appropriate action necessary under applicable laws or otherwise to complete and make effective the merger, including using their reasonable best efforts to obtain all permits, consents and approvals of governmental authorities and parties to contracts with ISG as are necessary for the completion of the merger and to fulfill the conditions to the merger; provided that Mittal Steel will not be required to take any action, including entering into any consent decree, hold separate order or other arrangement, that:

requires the divestiture of any assets of any of Mittal Steel or any of its subsidiaries or limits Mittal Steel's freedom of action with respect to, or its ability to retain, any of Mittal Steel's or its affiliates' assets or businesses, that, in any such case, if such action were to be taken with respect to a comparable amount of assets or businesses of ISG, would have a material adverse effect on ISG; or

requires the divestiture of any assets of any of ISG or any of its subsidiaries or limits Mittal Steel's freedom of action with respect to, or its ability to retain, ISG and its subsidiaries or any of ISG and its subsidiaries' assets or businesses that, in any such case, would have a material adverse effect of ISG.

***Certain Post-Closing Matters***

Following the effective time of the merger, Mittal Steel will cause the surviving company of the merger and its subsidiaries to honor in accordance with their terms, all contracts, agreements, arrangements, policies, plans and commitments of ISG and its subsidiaries as in effect immediately prior to the effective time of the merger that are applicable to any current or former employees or directors of ISG or any of its subsidiaries.

***Certain Employee Benefits and Other Matters***

Promptly after the effective time of the merger, Mittal Steel will cause:

a member of the ISG board of directors designated by such board prior to the completion of the merger, after consultation with Mittal Steel, or, if no such individual is so designated, the chairman of the ISG board of directors, to be elected to the Mittal Steel board of directors; and

ISG's Chief Executive Officer, to be made the chief executive officer for all of Mittal Steel's U.S. operations; provided, that if ISG's then-current Chief Executive Officer no longer holds that position at the time of the closing, then Mittal Steel's obligation will be solely to consult with the ISG board of directors prior to the closing before making any substitute appointment.



## **Table of Contents**

In addition, the merger agreement provides that, on or prior to December 31, 2004, ISG will pay to each participant in ISG's officer cash and stock bonus plan and the return on equity bonus program the participant's bonus for the fiscal year ending December 31, 2004.

### ***ISG Affiliates***

Pursuant to the terms of the merger agreement, ISG delivered to Mittal Steel a list of persons who were, in ISG's judgment, affiliates of ISG within the meaning of Rule 145 of the Securities Act. ISG will use its reasonable best efforts to deliver to Mittal Steel prior to the effective time of the merger an affiliate letter executed by each ISG affiliate. ISG affiliates will not be entitled to receive the stock portion of the merger consideration until the ISG affiliate has executed and delivered to Mittal Steel an affiliate letter.

### ***Reorganization***

The merger agreement is intended to constitute a plan of reorganization within the meaning of the Internal Revenue Code and, therefore to be tax free for ISG stockholders except to the extent of any cash received. Until the effective time of the merger, the parties to the merger agreement will use their reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of the Internal Revenue Code. In addition, the parties to the merger agreement acknowledge and agree that Mittal Steel will have the sole and absolute discretion to exercise its rights to increase the amount of stock consideration received by ISG stockholders in the merger or to effect the acquisition of ISG pursuant to a reverse-subsidiary merger structure, as further described under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 83.

### ***Sale and Charter***

Prior to the closing of the merger, ISG is required to consummate a transaction in which it transfers ownership of two shipping vessels used for shipping in the Great Lakes region of the United States to a third party approved by the U.S. Maritime Administration, and charters such vessels from the approved third party.

### ***Access to Information; Confidentiality***

Except as required pursuant to any confidentiality agreement or similar agreement or arrangement to which Mittal Steel or ISG or any of their respective subsidiaries is a party or pursuant to applicable law, from the date of the merger agreement until the effective time of the merger, ISG has agreed to (and to cause its subsidiaries to):

provide to Mittal Steel and its representatives access at reasonable times upon prior notice to the officers, employees, agents, properties, offices and other facilities of ISG and its subsidiaries and to the books and records thereof, including access to conduct any reasonable environmental assessment; and

furnish promptly to Mittal Steel such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of ISG and its subsidiaries as Mittal Steel or its representatives may reasonably request; and Mittal Steel has agreed to (and will cause its subsidiaries to):

provide to ISG and its representatives access at reasonable times upon prior notice to the officers, employees, agents, properties, offices and other facilities of Mittal Steel and its subsidiaries and to such entities' books and records; and

furnish promptly to Mittal Steel such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of Mittal Steel and its subsidiaries as is reasonably necessary in order for ISG to perform a due diligence review with respect to the representations, warranties and covenants provided to ISG pursuant to the merger agreement.

All information obtained by Mittal Steel or ISG pursuant to this provision must be kept confidential in accordance with the confidentiality agreement, dated September 28, 2004, between Mittal Steel and ISG.

**Table of Contents**

**Conditions of the Merger**

***Conditions to the Obligations of ISG, Mittal Steel and Park Acquisition Corp.***

The obligations of ISG, Mittal Steel and Park Acquisition Corp. to complete the merger are subject to the satisfaction or waiver (where permissible) of the following conditions:

the transactions contemplated by the LNM Holdings acquisition agreement will have been completed on the terms set forth in such agreement, with such amendments as have been entered into with the approval of the parties to the acquisition agreement and ISG;

the registration statement on Form F-4 relating to the merger will have been declared effective by the SEC and no stop order suspending its effectiveness will have been issued by the SEC and no proceeding for that purpose will have been initiated by the SEC;

the merger agreement will have been adopted by the requisite affirmative vote of the stockholders of ISG in accordance with DGCL and ISG's Certificate of Incorporation;

the merger agreement will have been adopted by the requisite affirmative vote of the shareholders of Mittal Steel in accordance with Section 2:107A of the Dutch Civil Code;

no governmental authority will have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award that will make the merger illegal or otherwise prohibit completion of the merger;

any waiting period (and any extension of such period) applicable to the completion of the merger under the Hart-Scott-Rodino Antitrust Improvements Act will have expired or been terminated;

the Mittal Steel class A common shares to be issued in the merger will have been authorized for listing on the New York Stock Exchange and Euronext Amsterdam, subject to official notice of issuance; and

all applicable approvals to the extent required to be obtained from the European Commission, the member states of such commission, or any other country in which Mittal Steel or ISG operate which has jurisdiction over the merger or the transactions contemplated by the merger agreement will have been obtained.

The parties currently expect that the only non-U.S. regulatory approval required for completion of the merger is approval under German law.

***Conditions to the Obligations of Mittal Steel and Park Acquisition Corp.***

In addition, the obligations of Mittal Steel and Park Acquisition Corp. to complete the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of ISG contained in the merger agreement will have been true and correct when made and will be true and correct as of the effective time of the merger, with the same force and effect as if made as of the effective time (other than such representations and warranties as are made as of another date which will be true and correct as of such date), except where the failure to be so true and correct (without giving effect to any limitations or qualification as to materially (including the word material) or Company Material Adverse Effect) would not, individually or in the aggregate, have a material adverse effect with respect to ISG (as such term is summarized with respect to ISG under THE MERGER AGREEMENT Material Adverse Effect beginning on page 88);

ISG will have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;

**Table of Contents**

ISG will have delivered to Mittal Steel a certificate, dated the date of the closing of the merger, certifying as to the satisfaction of the conditions related to its representations and warranties and covenants described directly above;

no event, circumstance, change or effect will have occurred since the date of the merger agreement that, individually or in the aggregate with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of ISG and its subsidiaries taken as a whole; provided, however, that the scope of this condition will not include any event, circumstance, change or effect resulting from changes in general economic conditions, or general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which ISG and its subsidiaries operate that do not have a disproportionate effect (relative to other industry participants) on ISG and its subsidiaries, taken as a whole; and

Mittal Steel will have received the opinion of Shearman & Sterling LLP, counsel to Mittal Steel, based upon customary or reasonable representations and subject to customary or reasonable limitations and assumptions, to the effect that, for U.S. federal income tax purposes, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Mittal Steel, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code, which opinion will not have been withdrawn or modified in any material respect. The representations upon which the opinion is based will be provided in representation letters signed and dated the date of such opinion by an authorized officer of the representing entity, and will not have been withdrawn or modified in any material respect as of the effective time of the merger.

***Conditions to the Obligations of ISG***

The obligations of ISG to complete the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of Mittal Steel and Park Acquisition Corp. contained in the merger agreement will have been true and correct when made and will be true and correct as of the effective time of the merger, with the same force and effect as if made as of the effective time (other than such representations and warranties as are made as of another date which will be true and correct as of such date), except where the failure to be so true and correct (without giving effect to any limitations or qualification as to materially (including the word material ) or Parent Material Adverse Effect ) would not, individually or in the aggregate, have a material adverse effect with respect to Ispat International (as such term is summarized with respect to Mittal Steel under THE MERGER AGREEMENT Material Adverse Effect );

Mittal Steel and Park Acquisition Corp. will have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;

Mittal Steel will have delivered to ISG a certificate, dated the date of the closing of the merger, certifying as to the satisfaction of the conditions related to its representations and warranties and covenants described directly above;

ISG will have received the opinion of Jones Day, counsel to ISG, based upon customary or reasonable representations and subject to customary or reasonable limitations and assumptions, to the effect that, for U.S. federal income tax purposes,

either the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Mittal Steel, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of section 368(b) of the Internal Revenue Code, or the Reverse-Subsidiary Merger structure referred to under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 83, together with the acquisition of the

**Table of Contents**

shares of LNM Holdings, will qualify as transfers of property described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code by The Richmond Investment Holdings Limited and each of ISG's stockholders, and

the transfer of shares of ISG common stock by its stockholders will not be subject to Section 367(a)(1) of the Internal Revenue Code,

and such opinion will not have been withdrawn or modified in any material respect. The representations upon which the opinion is based will be provided in representation letters signed and dated the date of such opinion by an appropriate officer of the representing entity, and will not have been withdrawn or modified in any material respect as of the effective time of the merger; and

no event, circumstance, change or effect will have occurred since the date of the merger agreement that, individually or in the aggregate with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of Mittal Steel and its subsidiaries taken as a whole, giving effect to the acquisition of LNM Holdings as if it had closed on the date of the merger agreement; provided, however that the foregoing provision will not include any event, circumstance, change or effect resulting from changes in general economic conditions, or general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which Mittal Steel and its subsidiaries operate that do not have a disproportionate effect (relative to other industry participants) on Mittal Steel and its subsidiaries taken as a whole.

**Termination**

***Termination by Mutual Agreement***

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned at any time prior to the effective time of the merger, despite any requisite adoption of the merger agreement by the stockholders of ISG or Mittal Steel by mutual written consent of ISG and Mittal Steel duly authorized by their respective boards of directors.

***Termination by Either ISG or Mittal Steel***

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by either ISG or Mittal Steel at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Mittal Steel:

if the effective time of the merger has not occurred on or before April 30, 2005 (which date may be extended at the written request of either Mittal Steel or ISG for up to an additional sixty calendar days to the extent necessary to satisfy the conditions to the merger related to antitrust approvals specified in the merger agreement and described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of ISG, Mittal Steel and Park Acquisition Corp.* beginning on page 97 and so long as all other conditions have been satisfied or will be capable of being satisfied); provided, however, that the right to terminate the merger agreement under this provision will not be available to any party whose failure to fulfill any obligation under the merger agreement has been the cause of, or resulted in, the failure of the effective time of the merger to occur on or before such date; or

if any governmental authority in the United States or The Netherlands has enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling (whether temporary, preliminary or permanent) which has become final and nonappealable and has the effect of making completion of the merger or the transaction related to the acquisition of LNM Holdings illegal or otherwise preventing or prohibiting completion of the merger or such acquisition; or

if the merger agreement fails to receive the requisite vote for adoption at an ISG stockholders' meeting or the Mittal Steel shareholders' meeting, in each case related to the merger.

**Table of Contents**

***Termination by Mittal Steel***

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by Mittal Steel at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Mittal Steel:

if a Company Triggering Event (as defined below) has occurred; or

if the ISG board of directors withdraws, modifies or changes its recommendation relating to the merger in a manner adverse to Mittal Steel; or

upon a breach of any representation, warranty, covenant or agreement on the part of ISG contained in the merger agreement, or if any representation or warranty of ISG has become untrue, in either case such that the conditions to the merger related to ISG confirming the accuracy of ISG's representations and warranties and its compliance with the covenants in the merger agreement described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of Mittal Steel and Park Acquisition Corp.* beginning on page 97 would not be satisfied; provided, however, that, if such breach is curable by ISG, Mittal Steel may not terminate the merger agreement under this provision as long as ISG continues to exercise its reasonable best efforts to cure such breach, unless such breach is not cured within 45 days after notice of such breach is provided by Mittal Steel to ISG; or

if

either condition related to the receipt of the tax opinions as described under THE MERGER AGREEMENT Conditions of the Merger beginning on page 97 have not been satisfied or waived,

all other conditions have been satisfied, and

five business days have elapsed after Mittal Steel has provided written notice to ISG of its intention to terminate the merger agreement pursuant to this provision without ISG having consented to the completion of the merger by employing the alternative

Reverse-Subsidiary Merger structure described under THE MERGER Tax Adjustment and Alternative Structure beginning on page 83.

***Termination by ISG***

In addition, the merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by ISG at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Mittal Steel:

upon a breach of any representation, warranty, covenant or agreement on the part of Mittal Steel and Park Acquisition Corp., contained in the merger agreement, or if any representation or warranty of Mittal Steel and Park Acquisition Corp. has become untrue, in either case such that the conditions to the merger related to Mittal Steel and Park Acquisition Corp. and the accuracy of their representations and warranties and their compliance with the covenants in the merger agreement described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of Mittal Steel and Park Acquisition Corp.* beginning on page 97 would not be satisfied; provided, however, that, if such breach is curable by Mittal Steel and Park Acquisition Corp., ISG may not terminate the merger agreement under this provision as long as Mittal Steel and Park Acquisition Corp. continue to exercise their reasonable best efforts to cure such breach, unless such breach is not cured within 45 days after notice of such breach is provided by ISG to Mittal Steel; or

if the LNM Holdings acquisition agreement has been terminated prior to completion of the transactions contemplated by such acquisition agreement, whether or not in accordance with its terms, or any of the conditions to completion in the LNM Holdings acquisition agreement will have become incapable of being fulfilled; or

## **Table of Contents**

in order for ISG to accept a Superior Proposal ; provided that in order for the termination of the merger agreement pursuant to this provision to be effected, ISG must have complied with its obligations precedent to exercising its fiduciary termination right as described under THE MERGER AGREEMENT Additional Agreements No Solicitation of Transactions; Fiduciary Termination Right Fiduciary Termination Right beginning on page 93, and its obligations (including payment of any required termination fee) described under THE MERGER AGREEMENT Fees and Expenses Termination Fees and Expenses Paid by ISG beginning on page 102.

For purposes of the merger agreement, a Company Triggering Event will be deemed to have occurred if:

the ISG board has recommended to its stockholders a Competing Transaction or has authorized ISG to enter into any letter of intent or similar document or any agreement, contract or commitment accepting any Competing Transaction ;

ISG has failed to include the recommendation of the ISG board of directors in favor of the merger in the proxy statement to be filed with the SEC in connection with the merger;

the ISG board of directors fails to reaffirm its recommendation in favor of the merger (which may include a reservation of the right to withdraw or change such recommendation in the future) within five business days after Mittal Steel requests in writing that such recommendation be reaffirmed; or

a tender offer or exchange offer for 30% or more of the outstanding shares of capital stock of ISG is commenced, and the ISG board of directors fails to recommend against or takes no position with respect to acceptance of such tender offer or exchange offer by the ISG stockholders within ten business days after such tender offer or exchange offer is commenced.

### **Effect of Termination**

In the event of the termination of the merger agreement pursuant to the provisions described under THE MERGER AGREEMENT Termination beginning on page 99, the merger agreement will become void, and there will be no liability under the merger agreement on the part of any party to the merger agreement, except that:

the provisions regarding fees and expenses summarized under THE MERGER AGREEMENT Fees and Expenses beginning on page 101, amendment and waiver summarized under THE MERGER AGREEMENT Amendment and Waiver beginning on page 103, and the general provisions contained in Article IX of the merger agreement will survive such a termination;

termination of the merger agreement will not relieve any party from liability for any willful breach of any of its representations, warranties, covenants or agreements contained in the merger agreement prior to such termination; and

the confidentiality agreement between Mittal Steel and ISG, dated September 28, 2004, will survive any termination of the merger agreement.

### **Fees and Expenses**

**General Expenses.** Except as provided below, all expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring such expenses, whether or not the merger or any other transaction is completed, provided that Mittal Steel and ISG will share certain expenses related to notifications and filings related to the merger with the SEC, Euronext Amsterdam and with various antitrust and competition law authorities.

**Table of Contents**

***Termination Fees and Expenses Paid by ISG.*** In addition, ISG has agreed to pay a termination fee to Mittal Steel of \$130,000,000:

upon termination of the merger agreement:

by Mittal Steel upon a Company Triggering Event (as described above under THE MERGER AGREEMENT Termination beginning on page 99);

by Mittal Steel if the ISG board of directors withdraws, modifies or changes its recommendation regarding the merger in a manner adverse to Mittal Steel and prior to the time of such termination a Competing Transaction (as described above) regarding ISG has been communicated to the ISG board of directors and not withdrawn; or

by ISG in order to accept a Superior Proposal ; provided that ISG has complied with its obligations precedent to accepting a Superior Proposal set forth in the merger agreement and described under THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 93; and

upon ISG entering into an agreement for a Third Party Acquisition :

if either Mittal Steel or ISG terminates the merger agreement because the merger has not become effective on or before April 30, 2005 (or such date as extended in accordance with the merger agreement), as further described under the first bullet of THE MERGER AGREEMENT Termination *Termination by Either ISG or Mittal Steel* beginning on page 99 and prior to the time of such termination a Competing Transaction (as described above) regarding ISG has been communicated to the ISG board of directors and not withdrawn, and ISG enters into an agreement for a Third Party Acquisition within 12 months after the date of such termination; or

if either Mittal Steel or ISG terminates the merger agreement because the merger agreement is not adopted by the ISG stockholders at their meeting related to the merger and, prior to the time of such failure to so approve the merger agreement, a Competing Transaction (as described above) regarding ISG has been publicly announced and not withdrawn, and ISG enters into an agreement for a Third Party Acquisition within 12 months after the date of such termination;

***Expense Reimbursement by ISG***

In addition, ISG has agreed to reimburse Mittal Steel for certain expenses related to the merger up to a maximum amount of \$10,000,000, provided that no break up fee described above has been paid by ISG, if Mittal Steel terminates the merger agreement:

because it is not adopted by the ISG stockholders at their meeting related to the merger and prior to the time of such termination, no Competing Transaction (as described above) with respect to ISG has been publicly announced and not withdrawn, and neither Mittal Steel nor Park Acquisition Corp. is in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement;

because the ISG board of directors withdraws, modifies or changes its recommendation regarding the merger in a manner adverse to Mittal Steel and prior to the time of such termination no Competing Transaction (as described above) has been communicated to the ISG board of directors and not withdrawn, and neither Mittal Steel nor Park Acquisition Corp. is in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement; or

because ISG has breached or failed to perform its covenants, representations and warranties as further described under THE MERGER AGREEMENT Termination *Termination by Mittal Steel* beginning on page 100.

**Table of Contents**

***Termination Fees and Expenses Paid by Mittal Steel***

In addition, Mittal Steel has agreed to pay to ISG a break up fee of \$130,000,000 in the event ISG terminates the merger agreement because the LNM Holdings acquisition agreement has been terminated prior to completion of the transactions contemplated under such agreement, whether or not in accordance with its terms, or any of the conditions to completion in the LNM Holdings acquisition agreement shall have become incapable of being fulfilled.

***Expense Reimbursement by Mittal Steel***

In addition, Mittal Steel has agreed to reimburse ISG for certain expenses related to the merger up to a maximum amount of \$10,000,000, provided that no break-up fee described above has been paid by Mittal Steel and ISG is not in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement, if ISG terminates the merger agreement because:

Mittal Steel has breached its representations or warranties or any of its or Park Acquisition Corp.'s representations or warranties have become untrue such that the conditions related to the accuracy and correctness of its representations and warranties or its compliance with covenants required by the merger agreement would not be satisfied; or

the merger agreement is not adopted by Mittal Steel's shareholders at their meeting related to the merger.

A Third Party Acquisition means any of the following transactions (other than the transactions contemplated by the merger agreement):

a merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving ISG pursuant to which the ISG stockholders immediately preceding such transaction hold less than 50% of the aggregate equity interests in the surviving or resulting entity of such transaction or of any direct or indirect parent of such entity;

a sale or other disposition by ISG of assets representing in excess of 50% of the aggregate fair market value of its business immediately prior to such sale or other disposition;

an acquisition by any person or group (including by way of a tender offer or an exchange offer or an issuance of capital stock by ISG), directly or indirectly, of beneficial ownership of 50% or more of the voting power of the then outstanding shares of ISG's capital stock;

the adoption by ISG of a plan of liquidation or the recapitalization of ISG by means of the payment of an extraordinary dividend involving more than \$1.0 billion; or

the repurchase by ISG or any of its subsidiaries of 50% or more of the outstanding shares of ISG common stock.

**Amendment and Waiver**

The merger agreement may not be amended, except by an instrument in writing signed by each of Mittal Steel, Park Acquisition Corp. and ISG. The parties to the merger agreement may amend the merger agreement at any time prior to the effective time of the merger by action taken by or on behalf of their respective boards of directors. However, after the adoption of the merger agreement by the ISG stockholders, no amendment may be made that would reduce the amount or change the type of consideration into which each share of ISG common stock will be converted upon completion of the merger.

In addition, prior to the effective time of the merger, any party to the merger agreement may through a signed written instrument:

extend the time for the performance of any obligation or other act of any other party to the merger agreement;



**Table of Contents**

waive any inaccuracy in the representations and warranties of any other party to the merger agreement contained in the merger agreement or in any document delivered pursuant to the merger agreement; and

waive compliance with any agreement of any other party or any condition to its own obligations contained in the merger agreement.

**Parties in Interest**

The merger agreement will be binding upon and inure solely to the benefit of each party thereto, and nothing in the merger agreement, express or implied, is intended to or will confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of the merger agreement, other than the provisions described above under THE MERGER AGREEMENT Certain Employee Benefits and Other Matters beginning on page 95 (which is intended to be for the benefit of the persons covered thereby and may be enforced by such persons).

**Governing Law**

The merger agreement is governed by the laws of the State of New York applicable to contracts executed in and to be performed in New York (other than those provisions set forth therein that are required to be governed by the DGCL). The parties to the merger agreement also submitted to the exclusive jurisdiction of any New York state or federal court sitting in the Borough of Manhattan of the City of New York and waived the right to a trial by jury in connection with the merger agreement.

**Table of Contents**

**RICHMOND SUPPORT LETTER AGREEMENT**

*The following summary of the material provisions of the Richmond support letter agreement between The Richmond Investment Holdings Limited and ISG is qualified in its entirety by reference to the complete text of the Richmond support letter agreement, which is incorporated by reference and attached as Annex B to this proxy statement/prospectus. You are urged to read the full text of the Richmond support letter agreement in its entirety for a more complete description of the terms and conditions of the agreement.*

The Richmond Investment Holdings Limited entered into the Richmond support letter agreement with ISG. On October 24, 2004, the date of the execution of the merger agreement and the Richmond support letter agreement, The Richmond Investment Holdings Limited was, at the time, the sole shareholder of LNM Holdings. The transactions contemplated by the LNM Holdings acquisition agreement were completed on December 17, 2004 and, as a result, LNM Holdings is a wholly owned subsidiary of Mittal Steel.

**Representations and Warranties**

In the Richmond support letter agreement, The Richmond Investment Holdings Limited represented and warranted, as of the date of the Richmond support letter agreement, that:

The Richmond Investment Holdings Limited is the sole stockholder of LNM Holdings and has entered into the LNM Holdings acquisition agreement;

the LNM Holdings acquisition agreement is a valid and binding agreement of Richmond Investment Holdings Limited and is not in default by its terms, nor has the LNM Holdings acquisition agreement been canceled;

the representations and warranties of The Richmond Investment Holdings Limited contained in the LNM Holdings acquisition agreement are true and correct in all material respects;

The Richmond Investment Holdings Limited is not in breach or violation of, or default under, the LNM Holdings acquisition agreement in any material respect;

to The Richmond Investment Holdings Limited's knowledge, Mittal Steel is not in breach or violation of, or default under, the LNM Holdings acquisition agreement;

The Richmond Investment Holdings Limited has not received any claim of default under the LNM Holdings acquisition agreement;

neither the execution of the LNM Holdings acquisition agreement or the merger agreement nor the completion of any transactions contemplated thereby will constitute a default under, give rise to cancellation rights under, or otherwise adversely affect the rights of Mittal Steel for indemnification under, the LNM Holdings acquisition agreement;

the execution and delivery of the Richmond support letter agreement by Richmond Investment Holdings Limited has been duly authorized;

the Richmond support letter agreement has been duly executed and delivered by The Richmond Investment Holdings Limited and constitutes the valid and binding obligation of The Richmond Investment Holdings Limited enforceable against The Richmond Investment Holdings Limited in accordance with its terms; and

the execution and delivery of the Richmond support letter agreement by The Richmond Investment Holdings Limited does not, and the performance of the Richmond support letter agreement by The Richmond Investment Holdings Limited will not, conflict with or violate the certificate of incorporation, by-laws or similar organizational documents of The Richmond Investment Holdings Limited.

**Covenants**

In the Richmond support letter agreement, The Richmond Investment Holdings Limited agrees that, except as permitted or contemplated by the LNM Holdings acquisition agreement from the date of the



**Table of Contents**

Richmond support letter agreement to the earlier of the termination of the merger agreement and the completion of Ispat International's purchase of all of the issued and outstanding capital stock of LNM Holdings, The Richmond Investment Holdings Limited will cause LNM Holdings not to declare, set aside, make or pay any dividend or other distribution payable in cash, stock, property or otherwise, with respect to any of the capital stock of LNM Holdings or repurchase or otherwise acquire, directly or indirectly, any of LNM Holdings' capital stock or enter into any binding agreement to do any of the foregoing.

The Richmond support letter agreement also provides that from the date of the Richmond support letter agreement until the earlier of the termination of the merger agreement and the effective time of the merger, The Richmond Investment Holdings Limited will cause LNM Holdings to:

provide to ISG and its representatives access (at reasonable times and upon prior notice) to the officers, employees, agents, properties, offices and other facilities of LNM Holdings and its subsidiaries and to such companies' books and records; and

promptly furnish to ISG such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of LNM Holdings and its subsidiaries as is reasonably necessary in order for ISG to perform a due diligence review with respect to representations, warranties and covenants provided to ISG pursuant to the merger agreement.

**Table of Contents**

**PARENT SHAREHOLDER SUPPORT AGREEMENT**

*The following summary of the material provisions of the parent shareholder support agreement between Ispat International Investments, S.L., and ISG is qualified in its entirety by reference to the complete text of the parent shareholder support agreement, which is incorporated by reference and attached as Annex C to this proxy statement/prospectus. You are urged to read the full text of the parent shareholder support agreement in its entirety for a more complete description of the terms and conditions of the parent shareholder support agreement.*

Ispat International Investments, S.L., a company owned by the controlling shareholder of Mittal Steel, entered into a parent shareholder support agreement with ISG. On October 24, 2004, the date of the execution of the merger agreement and the parent shareholder support agreement, the number of Mittal Steel class A common shares and Mittal Steel class B common shares beneficially owned and of record by Ispat International Investments, S.L., were 26,100,000 and 72,150,000, respectively.

**Voting Agreement**

The parent shareholder support agreement provides that Ispat International Investments, S.L., will vote all of its Mittal Steel class A common shares and Mittal Steel class B common shares:

in favor of the approval of the merger agreement, the merger and all other transactions contemplated by the merger agreement;

in favor of the approval of the LNM Holdings acquisition agreement pursuant to which Ispat International agreed to purchase all of the issued and outstanding capital stock of LNM Holdings and all other transactions contemplated by such agreement;

against any action, agreement or transaction (other than the merger agreement, the LNM Holdings acquisition agreement or the transactions contemplated thereby) or proposal (including any proposal or offer involving Mittal Steel or LNM Holdings that Ispat International Investments, S.L., knows would be an alternative to, or would prevent or materially delay, the transactions contemplated by the merger agreement) that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of Mittal Steel under the merger agreement or the LNM Holdings acquisition agreement or that could result in any of the conditions to Mittal Steel's obligations under the merger agreement or the LNM Holdings acquisition agreement not being fulfilled; and

in favor of any other matter necessary to the completion of the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement that are considered and voted upon by the shareholders of Mittal Steel.

**Covenants**

The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L., subject to the terms of the parent shareholder support agreement, will not:

directly or indirectly sell, assign, dispose of, or transfer (including by operation of law) any of its Mittal Steel class A common shares or Mittal Steel class B common shares or otherwise agree to do any of the foregoing; deposit any of its Mittal Steel class A common shares or Mittal Steel class B common shares into a voting trust or enter into a voting agreement or arrangement or grant any proxy or power of attorney with respect thereto that is inconsistent with the parent shareholder support agreement; enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer (including by operation of law) or other disposition of any of its Mittal Steel class A common shares or Mittal Steel class B common shares that would prevent Ispat International Investments, S.L. from voting as provided in PARENT SHAREHOLDER SUPPORT AGREEMENT Voting Agreement or take any action that would make any representation or warranty of Ispat International Investments, S.L. in the parent shareholder support agreement untrue or incorrect in any material respect or have the effect of preventing or

**Table of Contents**

disabling Ispat International Investments, S.L. from performing its obligations under the parent shareholder support agreement; and

directly or indirectly, through any officer, director, agent or otherwise, enter into any contract, agreement or commitment contemplating or otherwise relating to any proposal or offer involving Ispat International or LNM Holdings that Ispat International Investments, S.L. knows would be an alternative to, or would prevent or materially delay, the transactions contemplated by the merger agreement.

**Termination**

The obligations of Ispat International Investments, S.L. under the parent shareholder support agreement terminate upon the earlier of the effective time of the merger and the termination of the merger agreement as described in MERGER AGREEMENT Termination beginning on page 99.

**Table of Contents**

**COMPANY SHAREHOLDER SUPPORT AGREEMENT**

*The following summary of the material provisions of the company shareholder support agreement among Ispat International, Wilbur L. Ross, Chairman of the ISG board of directors and certain affiliates of Mr. Ross and Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, is qualified in its entirety by reference to the complete text of the company shareholder support agreement, which is incorporated by reference and attached as Annex D to this proxy statement/prospectus. You are urged to read the full text of the company shareholder support agreement in its entirety for a more complete description of the terms and conditions of the agreement.*

Mr. Ross, certain affiliates of Mr. Ross and Mr. Mott each entered into a company shareholder support agreement with Mittal Steel. On October 24, 2004, the date of the execution of the merger agreement and the company shareholder support agreement, the number of shares of ISG common stock owned beneficially and of record by Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott were 6,936,786 and 1,381,059, respectively.

**Voting Agreement**

***Grant of Proxy***

Pursuant to the company shareholder support agreement, each ISG stockholder party thereto granted an irrevocable proxy to Mittal Steel to vote all of their shares of ISG common stock and any shares they may acquire prior to the termination of the company shareholder support agreement:

in favor of the approval and adoption of the merger agreement and approval of the merger and all other transactions contemplated by the merger agreement and the company shareholder support agreement;

against any action, agreement or transaction (other than the merger agreement or the transactions contemplated thereby) or proposal (including any Competing Transaction, as defined in MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 92) that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of ISG under the merger agreement or that could result in any of the conditions to ISG's obligations under the merger agreement not being fulfilled; and

in favor of any other matter necessary to the completion of the transactions contemplated by the merger agreement that is considered and voted upon by the ISG stockholders.

In addition, each ISG stockholder who is a party to the company shareholder support agreement agreed to cause their shares of ISG common stock (and such other shares that each may acquire prior to the termination thereof) to be voted in accordance with the foregoing and to promptly notify Mittal Steel and ISG of the number of any new shares of ISG common stock or any other securities of ISG they acquire, if any, after the date of the company shareholder support agreement.

***Termination of Proxy***

The company shareholder support agreement provides that, upon the earlier to occur of the effective time of the merger and the termination of the merger agreement (regardless of the circumstances (including whether or not there is a dispute as to whether such termination was in accordance with the merger agreement)), the proxy will terminate automatically and without further action.

**The Option**

***Grant of Option***

Pursuant to the company shareholder support agreement, each ISG stockholder who is a party thereto granted Mittal Steel an irrevocable option to purchase each such stockholder's shares of ISG common stock at a price per share equal to \$38.50 payable in cash, which is exercisable under certain conditions described below.





## **Table of Contents**

### ***Option Premium Payment***

Mittal Steel has paid to each ISG stockholder that is a party to the company shareholder support agreement an amount in cash equal to \$3.50, or the Option Premium, multiplied by the number of shares of ISG common stock held by each such stockholder.

Upon termination of the merger agreement by Mittal Steel resulting solely from a failure of ISG's representations and warranties made in the merger agreement to be true and correct or a failure of ISG to comply with or perform its agreements and covenants set forth in the merger agreement, each ISG stockholder party thereto has agreed to refund each such stockholder's Aggregate Option Premium to Mittal Steel.

Upon the completion of the merger, the Option Premium will be credited against the per share merger consideration to which a stockholder would be entitled upon conversion as set forth in THE MERGER AGREEMENT Merger Consideration beginning on page 82, but in no event will Mittal Steel be entitled to any other portion of the merger consideration to which each relevant ISG stockholder is entitled upon conversion of each such stockholder's shares of ISG common stock.

### ***Exercisability of Option***

The option granted under the company shareholder support agreement becomes exercisable upon the termination of the merger agreement under circumstances in which Mittal Steel is immediately entitled, or, in the case of certain termination events, entitled at a future date, to a termination fee of \$130,000,000 as described in THE MERGER AGREEMENT Fees and Expenses Termination Fees and Expenses Paid by ISG beginning on page 102.

Mittal Steel may exercise its option at any time and from time to time, with respect to any or all of the shares of ISG common stock under option only following the termination of the merger agreement and until April 30, 2005.

### ***Expiration of Option***

The option granted under the company shareholder support agreement will expire if not exercised on or before April 30, 2005. If the merger agreement is terminated under certain circumstances, as a result of the failure to close on or before April 30, 2005 (as such date may be extended pursuant to the merger agreement), and a termination fee is, or could be, payable by ISG, the expiration of the option may be postponed for a period of two business days.

### ***Option Closing***

Pursuant to the company shareholder support agreement, the option closing must occur within ten business days after the date of the notice of exercise, provided that:

to the extent necessary, with respect to the exercise of the option, any applicable waiting periods, and any extension thereof, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, will have expired or been terminated; and

no preliminary or permanent injunction or other final non-appealable order, decree or ruling issued by any governmental authority preventing or prohibiting the exercise of the option or the delivery of shares of ISG common stock subject to the option may be in effect.

The company shareholder support agreement provides that, at the option closing, each ISG stockholder party thereto will deliver good and valid title to each such stockholder's shares of ISG common stock, subject to the provisions set forth below in COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants Restrictions on Transfer of Shares, free and clear of any liens, other than pursuant to the company shareholder support agreement. Upon delivery of each such stockholder's shares of ISG common stock and payment of the aggregate exercise price, Mittal Steel will receive good, valid and marketable title to each such stockholder's shares of ISG common stock, subject to the provisions set forth below in

**Table of Contents**

COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants *Restrictions on Transfer of Shares* , free and clear of any liens.

For purposes of the company shareholder support agreement, *aggregate exercise price* means the \$38.50 price per share of ISG common stock multiplied by the number of shares held by such stockholder.

**Covenants**

***Restrictions on Transfer of Shares***

The company shareholder support agreement provides that from the date of the company shareholder support agreement to the earliest to occur of: (i) the effective time of the merger, (ii) a rescission of the option premium as described in COMPANY SHAREHOLDER SUPPORT AGREEMENT The Option *Option Premium Payment* beginning on page 110, (iii) termination of the merger agreement under circumstances pursuant to which, at the time of the termination of the merger agreement, Mittal Steel is not entitled or potentially entitled, depending upon future events, to receive the termination fee of \$130,000,000 as set forth in THE MERGER AGREEMENT Fees and Expenses *Termination Fees and Expenses Paid by ISG* beginning on page 102, and (iv) April 30, 2005, each ISG stockholder party thereto agrees that each stockholder shall not, directly or indirectly:

sell, assign, transfer (including by operation of law), lien, pledge, dispose of or otherwise encumber any of the shares of ISG common stock or otherwise agree to do any of the foregoing;

deposit any shares of ISG common stock into a voting trust or enter into a voting agreement or arrangement or grant any proxy or power of attorney with respect thereto that is inconsistent with the company shareholder support agreement;

enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer (including by operation of law) or other disposition of any shares of ISG common stock; or

take any action that would make any representation or warranty of each such ISG stockholder in the company shareholder support agreement untrue or incorrect in any material respect or have the effect of preventing or disabling each such ISG stockholder from performing such ISG stockholder's obligations under the company shareholder support agreement.

The company shareholder support agreement also provides that the parties recognize that certain of the shares of ISG common stock have previously been pledged to secure certain indebtedness and the liens arising therefrom will not constitute a breach of the provisions set forth above. In addition, upon any exercise of the option with respect to any such shares of ISG common stock, the parties agree to cooperate to cause the release of such shares of ISG common stock upon application of a portion of the proceeds from the option proceeds related to the obligations.

***No Solicitation of Transactions***

From the date of the company shareholder support agreement until the earlier to occur of the effective time of the merger and the termination of the merger agreement for any reason (regardless of the circumstances (whether or not there is a dispute as to whether such termination was in accordance with the merger agreement)), each ISG stockholder party thereto agrees that it will not, directly or indirectly, through any officer, director, agent or otherwise:

solicit (including by way of furnishing nonpublic information), or take any other action to facilitate, any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, any *Competing Transaction* (as defined in THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 92);

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a *Competing Transaction* ;

**Table of Contents**

agree to, approve, endorse or recommend any Competing Transaction or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any Competing Transaction ; or

authorize or permit any agent of the Mr. Ross, certain affiliates of Mr. Ross or Mr. Mott or any of their affiliates, or any investment banker, financial advisor, attorney, accountant or other representative retained by such stockholder or any of its affiliates, to take any such action.

The company shareholder support agreement provides the foregoing will not prevent each ISG stockholder party thereto or each such ISG stockholder s representatives or agents, in any such person s capacity as a director or executive officer of ISG from engaging in any activity permitted pursuant to THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 92.

The company shareholder support agreement further provides that, unless the no solicitation provision of the company shareholder support agreement has expired as described above, each ISG stockholder party thereto will, and will direct or cause each such ISG stockholder s representatives and agents to, immediately cease and cause to be terminated all existing discussions or negotiations with any parties that may be ongoing with respect to any Competing Transaction . From the date of the company shareholder support agreement to the earlier to occur of the effective time of the merger and the termination of the merger agreement for any reason, each ISG stockholder party thereto will notify Mittal Steel orally or in writing as promptly as practicable and in any event within one day after such ISG stockholder attains knowledge thereof, if any proposal, offer, inquiry or contact with any person regarding a Competing Transaction is made. The notice should specify the material terms and conditions (including material or proposed material amendments) thereof and the identity of the party making such proposal, offer, inquiry or contact.

**Termination**

Pursuant to the company shareholder support agreement, the company shareholder support agreement and the option granted under the company shareholder support agreement terminate on April 30, 2005. If the option is exercised on or prior April 30, 2005, however, the option and the restrictions set forth above in COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants *Restriction on Transfer of Shares* survive until the expiration of the period for closing of the option.

**Table of Contents**

**DIRECTORS AND SENIOR MANAGEMENT FOLLOWING MERGER**

**Announced Changes of Directors and Senior Management**

Assuming completion of the merger, Mr. Lakshmi N. Mittal will remain Chairman and Chief Executive Officer of Mittal Steel. Mr. Wilbur L. Ross, Chairman of the ISG board of directors, is expected to become a member of Mittal Steel's board of directors. Mr. Aditya Mittal will remain President and Group Chief Financial Officer and remain a member of Mittal Steel's board of directors. Mr. Malay Mukherjee will remain Chief Operating Officer. Mr. Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, is expected to become Chief Executive Officer of Mittal Steel's combined U.S. operations. The merger agreement and related documentation do not guarantee that Mr. Ross will serve as a director of Mittal Steel for any specified period after the merger. As of the date of this proxy statement/prospectus, Mr. Mott has not entered into an agreement with respect to his post-merger employment and, accordingly, there can be no assurance that Mr. Mott will assume that role.

***Wilbur L. Ross***

Mr. Ross has served as the Chairman of the ISG board of directors since ISG's inception. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the Chairman and Chief Executive Officer of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment, Nippon Investment Partners and Absolute Recovery Hedge Fund. Mr. Ross is also the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, and Absolute Recovery Hedge Fund. Mr. Ross is also Chairman of Ohizumi Manufacturing Company in Japan, Burlington Industries and Cone Mills Corporation in the United States, and Insuratex, Ltd. in Bermuda. Mr. Ross is a board member of the Turnaround Management Association, Nikko Electric Co. in Japan, Tong Yang Life Insurance Co. in Korea, and of Syms Corp., Clarent Hospital Corp., 360 Networks Corp. and News Communications Inc. in the United States. Mr. Ross is also a member of the Business Roundtable. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board.

***Rodney B. Mott***

Mr. Mott has served as ISG's President and Chief Executive Officer and a member of the ISG board of directors since April 2002. Mr. Mott has over 30 years of management experience in the metals industry. He served as President and Chief Executive Officer of Pechiney Rolled Products, an aluminum rolling company and a division of Pechiney SA from January 2000 to August 2001. From 1987 to 2000 Mr. Mott held various positions with Nucor Corporation, a mini-mill steel producer, including Vice President/ General Manager of Nucor Steel, a division of Nucor Corporation, at the Blytheville, Arkansas and Berkley, South Carolina facilities. Prior to joining Nucor, Mr. Mott was Superintendent of Operations at Lone Star Steel from 1986 to 1987. He began his metals management career at U.S. Steel's Fairless Hills operation, where he held positions of increasing responsibility during a 14-year career from 1971 to 1986.

**Current Directors and Senior Management**

Management of Mittal Steel's business is vested in its board of directors. Mr. Lakshmi N. Mittal is Chairman of the board of directors and Chief Executive Officer of Mittal Steel. In establishing Mittal Steel's strategic direction and corporate policies, Mr. Lakshmi N. Mittal is supported by members of Mittal Steel's senior management team with substantial professional and worldwide steel industry experience.

It is Mittal Steel's intention, and its controlling shareholder has confirmed to Mittal Steel that it intends, to maintain on the Mittal Steel board of directors at all times at least two directors who are not and have not been senior managers or employees of any of Mittal Steel's subsidiaries or affiliates.

Mittal Steel continues to have a strong emphasis on corporate governance. Mittal Steel has five independent directors on its board of directors. See DIRECTORS AND SENIOR MANAGEMENT

**Table of Contents**

FOLLOWING MERGER Mittal Steel Board Practices Corporate Governance Director Independence on page 123. Mittal Steel's Audit Committee, Nomination Committee and Remuneration Committee are comprised exclusively of three independent members each.

As of the date of this proxy statement/prospectus, the members of the Mittal Steel board of directors are as set forth below:

<u>Name</u>	<u>Age</u>	<u>Date Joined Board</u>	<u>Class/Term</u>	<u>Position within Mittal Steel</u>
Lakshmi N. Mittal	54	May 1997		Chairman of Mittal Steel's Board of Directors and Chief Executive Officer
Aditya Mittal	28	May 2000	Class A- 2008	Member of Mittal Steel's Board of Directors, President and Group Chief Financial Officer
Malay Mukherjee	56	July 1997	Class A- 2008	Member of Mittal Steel's Board of Directors and Chief Operating Officer
Narayanan Vaghul(1)(2)(3)(4)	68	July 1997	Class B- 2005	Member of Mittal Steel's Board of Directors
Ambassador Andrés Rozental(1)(2)(3)(4)	59	July 1997	Class C- 2005	Member of Mittal Steel's Board of Directors
Fernando Ruiz Sahagun(4)	61	July 1997	Class C- 2005	Member of Mittal Steel's Board of Directors
René Lopez(3)(4)	59	November 2002	Class C- 2005	Member of Mittal Steel's Board of Directors
Muni Krishna T. Reddy(1)(2)(4)	59	November 2002	Class C- 2005	Member of Mittal Steel's Board of Directors
Vanisha Mittal Bhatia(4)	23	December 2004	Class C- 2005 Class A- 2008	Member of Mittal Steel's Board of Directors

- (1) Audit Committee
- (2) Nomination Committee
- (3) Remuneration Committee
- (4) Non-Executive

The business address of each of the members of Mittal Steel's board of directors is Mittal Steel's offices at 15<sup>th</sup> floor, Hofplein 20, 3032 AC Rotterdam, The Netherlands.

**Board of Directors**

***Lakshmi N. Mittal***

Mr. Lakshmi N. Mittal is the Chairman of the board of directors of Mittal Steel, and is the Chief Executive Officer of Mittal Steel. In addition, Mr. Lakshmi N. Mittal is the founder of Ispat International and The LNM Group and was responsible for the strategic direction and development of both companies. He is also a non-executive director of Iscor, an executive committee member of the International Iron and Steel Institute and a director of ICICI Bank Ltd. Mr. Lakshmi N. Mittal was named Steel Maker of the Year in 1996 by New Steel, a leading industry publication. He was also awarded the 8th honorary Willy Korf Steel Vision Award, the highest recognition for worldwide achievement in the steel industry. The award was presented by American Metal Market and World Steel Dynamics.

**Table of Contents**

***Aditya Mittal***

Mr. Aditya Mittal joined Mittal Steel in January 1997, where he is now the President and Group Chief Financial Officer. Mr. Aditya Mittal was also the Vice-Chairman of the Board of Directors and Head of Mergers and Acquisitions of LNM Holdings and has been responsible for all its acquisitions since the year 2000. From 1997 to 2000, he served as Head of Mergers and Acquisitions at Mittal Steel. Mr. Aditya Mittal also serves on Mittal Steel's board of directors and the board of directors of Iscor. From 1996 to 1997, Mr. Aditya Mittal worked at Credit Suisse First Boston in the mergers and acquisitions area. He holds a bachelor's degree in economics from the Wharton School in Pennsylvania, United States with specialization in strategic management and corporate finance, from which he graduated magna cum laude. He is the son of Mr. Lakshmi N. Mittal.

***Malay Mukherjee***

Mr. Mukherjee is the Chief Operating Officer of Mittal Steel and has over 32 years of experience in a range of technical, commercial and general management roles in the steel industry. Mr. Mukherjee has held various senior management positions within Mittal Steel, including Managing Director of Imexsa and President and Chief Executive Officer of Ispat Europe Group S.A., or IEG. He has also served as Managing Director of Ispat Karmet, a subsidiary of LNM Holdings.

***Narayanan Vaghul***

Mr. Vaghul has 49 years of experience in the financial sector and has been the Chairman of Industrial Credit and Investment Corporation of India Limited for 16 years and of ICICI Bank for the last two years. Prior to this, he was Chairman of the Bank of India and Executive Director of the Central Bank of India. He was chosen as the Businessman of the Year in 1992 by Business India, a leading Indian publication, and has served as a consultant to the World Bank, the International Finance Corporation and the Asian Development Bank. Mr. Vaghul was also a visiting Professor at the Stern Business School at New York University. Mr. Vaghul is Chairman of the Indian Institute of Finance Management & Research and is also a board member of various other companies, including Wipro Limited, Mahindra & Mahindra Limited, Nicholas Piramal India Limited, Apollo Hospitals Limited and Himatsingka Seide Limited.

***Ambassador Andrés Rozental***

Ambassador Andrés Rozental has a long and distinguished career in the Mexican Diplomatic Service. Over the past 36 years, he has held various senior government and diplomatic posts including Ambassador of Mexico to the United Kingdom, Ambassador of Mexico to the Kingdom of Sweden, Ambassador, Permanent Representative to the United Nations in Geneva, as well as Deputy Foreign Minister of Mexico. From December 2000 to January 2002, he was Ambassador-at-Large and Special Presidential Envoy for President Fox of Mexico. Ambassador Rozental has received several awards, including the Grand Cross of the Polar Star (Sweden) and the Grand Cross of the Civil Merit Order (Spain). He is also an officer of the National Order of Merit (France). Ambassador Rozental is currently a member of the board of managing directors of New India Investment Trust Ltd., Aeroplazas de Mexico and Inmobiliaria Fumisa. He is Chairman of the Board of Latinoamericana de Duty Free and the President of his own consulting firm, Rozental & Asociados in Mexico City. He is President of the Mexican Council on Foreign Relations and a trustee of the Universidad de las Américas, his alma mater.

***Fernando Ruiz Sahagun***

Mr. Ruiz has approximately 31 years of experience in the field of accounting, finance and tax and is currently a partner at Chevez, Ruiz, Zamarripa y Cia., S.C., a leading tax consulting firm in Mexico. Mr. Ruiz is a member of several professional associations, including the Instituto Mexicano de Ejecutivos de Finanzas, Colegio de Contadores Publicos de Mexico, Instituto de Contadores Publicos and Academia de Estudios Fiscales de la Contaduria Publica. He is the President of the Business Coordinator Counsel's Tax Committee (CCE) and a board member of various companies including Kimberly Clark de Mexico, S.A. de C.V., Accel,

**Table of Contents**

S.A. de C.V., Grupo Financiero Santander Serfin, S.A. de C.V., Corporacion San Luis, S.A. de C.V., Grupo Palacio de Hierro, S.A. de C.V., Grupo Camesa, S.A. de C.V., BASF Mexicana, S.A. de C.V. (a subsidiary of BASF AG), Bacardi, S.A. de C.V. (a subsidiary of Bacardi International Ltd.), Grupo México, S.A. de C.V. and Innova, S. de. R.L. de C.V.

***René Lopez***

Mr. Lopez has approximately 37 years of experience in international finance, manufacturing and marketing with multinational corporations including Alcatel-Alsthom and GEC Alsthom, where he has worked since 1966. He was President and General Manager of Alcatel-Alsthom and GEC Alsthom Canada. Currently Mr. Lopez is owner and President of Gesterel Inc. in Canada, a consultancy services boutique specializing in mergers and acquisitions, finance and technology transfer management.

Mr. Lopez had received the commemorative medal at the 125th anniversary of the Canadian Confederation.

***Muni Krishna T. Reddy***

Mr. Reddy has over 34 years of experience in financial services and he is presently the Chairman of State Bank of Mauritius Ltd (SBM Group), Chairman of Bank SBM Madagascar, Chairman of SBM Nedbank International Ltd. and Deputy Chairman of Global Financial Services PLC Malta. He holds the following directorships: Director on the Boards of Air Mauritius Ltd; British American (Holdings) Ltd; British American Insurance Company of the Bahamas Ltd; British American International Corporation Ltd; British American (UK) Ltd; India Growth Fund Inc, New York; Intercommercial Bank Ltd, Trinidad; Intercommercial Trust & Merchant Bank Ltd; Mauritius Telecom Ltd; Overseas Telecommunication Services Ltd and South East Asia Regional Fund Ltd. Mr. Reddy has taken over as Chairman of SBM Group in October 2003, after having been the Chief Executive Officer of SBM Group for more than 16 years. Prior to taking over as Chief Executive Officer of SBM Group in 1987, Mr. Reddy worked in Singapore and India. Mr. Reddy was conferred in 1993 with the title Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK) by the government of the Republic of Mauritius for distinguished services in Banking.

***Vanisha Mittal Bhatia***

Ms. Vanisha Mittal Bhatia was appointed as a member of the LNM Holdings board of directors in June 2004. Ms. Vanisha Mittal Bhatia was appointed to Mittal Steel's board of directors in December 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School, and has completed corporate internships at Ispat Shipping Limited, Ispat Hamburger Stahlwerke GmbH, or Ispat Hamburg, and with an internet-based venture capital fund. She is the daughter of Mr. Lakshmi N. Mittal.

**Senior Management**

***Bhikam C. Agarwal***

Mr. Agarwal is the Chief Financial Officer Americas of Mittal Steel and has over 29 years of experience in steel and related industries. He has held various senior executive positions within Mittal Steel and has been Chief Financial Officer since its formation as Ispat International in 1989. He has been responsible for the financial strategy of Mittal Steel and has been a coordinator of its prior activities in the capital markets, two of which received deal of the year awards from International Financing Review, a leading global financial publication. Mr. Agarwal has also led the finance and accounting functions of Ispat International across all its operating subsidiaries.

***Roeland Baan***

Mr. Baan, 47, was appointed Chief Executive Officer for Mittal Steel Central and Eastern Europe in August, 2004. He joined Mittal Steel from the global conglomerate SHV Holdings, which lists metals recycling amongst its non-core activities. He spent eight years as a member of the Energy Divisions Executive

**Table of Contents**

Committee and was responsible for developing and executing the Group's strategy across a number of key regions including Europe, South America and the Mediterranean rim. Prior to this, Mr. Baan spent 16 years with Shell, where he held a number of positions worldwide. He holds a Masters Degree in Economics from Vrije Universiteit in Amsterdam.

***Narendra Chaudhary***

Mr. Chaudhary is the Chief Executive Officer of Ispat Sidex S.A., a position he has held since December 2001. Prior to joining Ispat Sidex, he was Chief Executive Officer of Ispat Karmet. Mr. Chaudhary possesses over 39 years of experience in a variety of technical and managerial functions in the steel industry. Mr. Chaudhary joined Imexsa in Mexico, a subsidiary of Ispat International, in 1993 as Director, Operations, and became Executive Director in 1996. He worked at various Steel Authority of India Limited, or SAIL, plants in various capacities for 28 years. Mr. Chaudhary has a Bachelor's Degree in Engineering from Bihar Institute of Technology, India.

***N.K. Choudhary***

Dr. Choudhary is the General Director and Chief Executive Officer of Mittal Steel Temirtau, a position he has held since January 2002. Dr. Choudhary started his career as a mining engineer in the Bhilai Steel Plant, India, in 1964. In 1984 he moved to India's largest public sector aluminium company, National Aluminium Company Ltd (Nalco). In 1992 he joined Indian Aluminium Company Ltd, or INDAL, as Chief Engineer - New Projects, to lead the Utkal Alumina Project - a World Class Mega Project. From 1992 to 1998 he worked in various senior positions like the Director and Chief Executive of Utkal Alumina India Ltd and Director and Group President - Smelter, Chemicals & Power. In December 1997 Dr. Choudhary was appointed as a Director of the INDAL Board and Chief Operating Officer of the Company. In October 1998 he assumed the position of Managing Director - Operations of INDAL. In April 1999 Dr. Choudhary was also appointed as independent Chairman of the Board of Directors of Utkal Alumina International Limited - a joint venture project undertaken by INDAL, Norsk Hydro of Norway and Alcan Aluminium of Canada.

***Frantisek Chowaniec***

Mr. Chowaniec is the Chief Executive Officer of Ispat Nova Hut a.s. and Ispat Polska Stal S.A., or Ispat Polska, in Czech Republic and Poland, the recent acquisition of Mittal Steel. Mr. Chowaniec has over 35 years experience in the running and management of the steel industry. He graduated from the Metallurgical Faculty of VSB Ostrava and graduated from a Post-graduate Manager Course at the University of North Florida.

***Davinder Chugh***

Mr. Chugh is the Chief Executive Officer of Iscor in South Africa and has over 25 years experience in the steel industry, in particular materials purchasing, logistics, warehousing and shipping. Prior to being appointed Chief Executive, Mr. Chugh held the position of Commercial Director at Iscor since May 2002. Before joining Iscor he was vice president of purchasing at IEG. Mr. Chugh has been with the LNM Group since 1995 and successfully integrated the materials management functions at newly acquired Ispat plants in Hamburg, Duisburg, France, Romania and Algeria. Prior to this, he held several senior positions at the Steel Authority India Limited in New Delhi, India. He holds degrees in science and law and has a master's degree in business administration.

***Simon Evans***

Mr. Evans joined Mittal Steel in September 2001 as General Counsel. He has over 16 years of experience in corporate and commercial law in both industry and private practice. Formerly, Mr. Evans was European Counsel at Rohm and Haas and prior to that he worked at the law firm Taylor Joynson Garrett, London. Mr. Evans is a graduate of Oxford University in Oxford, England and the College of Law, Guildford in Surrey, England.



**Table of Contents**

***Richard Leblanc***

Mr. Leblanc is the President and Chief Executive Officer of Ispat Sidbec Inc., or Sidbec and has approximately 36 years of experience in the steel industry. Mr. Leblanc spent 18 years in various senior management positions at Stelco Inc. before joining Sidbec in 1987 as Vice-President, Production. He became President and Chief Executive Officer in 1996. Mr. Leblanc is a Director of the American Iron and Steel Institute and the Canadian Steel Producers Association. He holds a bachelor's degree in electrical engineering from Laval University in Quebec, Canada.

***Sudhir Maheshwari***

Mr. Maheshwari, is the Chief Financial Officer Europe and Rest of World of Mittal Steel and has over 16 years of experience in steel and related industries. He was previously the Chief Financial Officer of LNM Holdings since January 2002. He has played an integral and key role in all the recent acquisitions by LNM Holdings. Having worked for Ispat International for 13 years, Mr. Maheshwari held the positions of Chief Financial Officer, IEG, Ispat Germany and Caribbean Ispat Limited, or CIL, and Director of Finance and M&A for Ispat International. He has also played a key role in various corporate finance and capital market projects including the IPO in 1997. Mr. Maheshwari is an Honours Graduate in Accounting and Commerce and a member of The Institute of Chartered Accountants and The Institute of Company Secretaries in India.

***Gerhard Renz***

Mr. Renz is the President and Chief Operating Officer of Mittal Steel Europe and has over 31 years of experience in the steel industry. Mr. Renz formerly worked as the Managing Director of Mittal Steel Hamburg. Mr. Renz is a board member of Verein Deutsche Eisenhüttenleute, Wirtschaftsvereinigung Stahl and the European Iron and Steel Institute. He holds a German (bachelor's) degree in engineering.

***Henk Scheffer***

Mr. Scheffer joined Mittal Steel in March 2003 as Company Secretary, and he is responsible for compliance with corporate legal requirements and supporting and facilitating Mittal Steel's board of directors. Previously, Mr. Scheffer worked at Canon for 13 years in various legal and general management positions. Mr. Scheffer holds a law degree from Rijks Universiteit Groningen (RUG).

***Louis Schorsch***

Dr. Schorsch is the President and Chief Executive Officer of Inland and has over 26 years of experience in consulting and managerial roles predominantly relating to the steel industry. Prior to joining Inland in October 2003, Dr. Schorsch held various senior positions in the consulting and e-commerce sectors. His immediate previous assignments have been as President and Chief Executive Officer of GSX.Com Inc. and Principal at McKinsey & Company, where he worked from 1985 until 2000. While at McKinsey, he was a co-leader of the firm's metals practice. Dr. Schorsch has published numerous articles in such publications as Business Week and Challenge and has also co-authored a book on steel titled *Upheaval in a Basic Industry*.

**Table of Contents****Compensation**

The total annual remuneration of the members of Mittal Steel's board of directors for 2003 and the nine months ended September 30, 2004 was as follows:

	2003	Through Sept. 30, 2004
	(All amounts in \$ thousand except option information)	
Base salary	3,826	2,537
Short-term performance-related bonus	1,962	1,696
Long-term incentives (number of options)		

The annual remuneration of the members of Mittal Steel's board of directors was as follows:

	2003	Through Sept. 30, 2004	2003	Through Sept. 30, 2004
	2003	Through Sept. 30, 2004	Short-term Performance Related Bonus	Short-term Performance Related Bonus
				Long-term Number of Options
				Long-term Number of Options
	(All amounts in \$ thousand except option information)			
Lakshmi N. Mittal	1,247	850	429	596
Aditya Mittal	910	777	1,327	550
Vanisha Mittal Bhatia*				
Malay Mukherjee	870	600	206	550
Dr. Peter Southwick**	420			
Narayanan Vaghul	84	75		
Ambassador Andrés Rozental	86	70		
Fernando Ruiz Sahagun	60	51		
Muni Krishna T. Reddy	84	65		
René Lopez	65	49		
	3,826	2,537	1,962	1,696

\* Ms. Vanisha Mittal Bhatia was elected to Mittal Steel's board of directors on December 15, 2004.

\*\* Dr. Peter Southwick resigned from Mittal Steel's board of directors on October 1, 2003.

The amount outstanding at December 31, 2004 in respect of loans and advances to members of Mittal Steel's board of directors was \$0 (December 31, 2003: \$0 and December 31, 2002: \$0). In 2004 \$0 was accrued by Mittal Steel to provide pension benefits to the directors. In addition, Mittal Steel has not given any guarantees for the benefit of the members of Mittal Steel's board of directors.

**Table of Contents**

The following table provides summarized information on the options outstanding and the movements on the options granted to Mittal Steel's board of directors (in 2001, 2003 and 2004 no options were granted to members of Mittal Steel's board of directors):

	Granted in 1999	Granted in 2000	Granted in 2002	Total(1)	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	240,000	\$7.59
Aditya Mittal	7,500	7,500	25,000	40,000	5.26
Vanisha Mittal Bhatia(2)					
Malay Mukherjee	40,000	40,000	50,000	130,000	7.18
Dr. Peter Southwick(3)	30,000	30,000	45,000	105,000	6.83
Narayanan Vaghul	2,000	5,000	10,000	17,000	5.25
Ambassador Andrés Rozental		5,000	10,000	15,000	4.36
Fernando Ruiz Sahagun		5,000	10,000	15,000	4.36
Muni Krishna T. Reddy					
René Lopez					
	<u>159,500</u>	<u>172,500</u>	<u>230,000</u>	<u>562,000</u>	
Exercise Price(4)	\$11.94	\$8.57	\$2.26		
Term (in years)	10	10	10		
Expiration Date	September 14, 2009	June 1, 2010	April 5, 2012		

- (1) None of the options has been exercised, except for 90,000 options granted to Dr. Peter Southwick. Dr. Southwick exercised all his vested options in 2004 and currently retains 15,000 non-vested options.
- (2) Ms. Vanisha Mittal Bhatia was elected to Mittal Steel's board of directors on December 15, 2004.
- (3) Dr. Peter Southwick resigned from Mittal Steel's board of directors on October 1, 2003.
- (4) All options were granted at an exercise price equal to the market value on the date of grant.

The total annual remuneration of the senior management of Mittal Steel (including amounts paid by LNM Holdings prior to its December 17, 2004 acquisition by Ispat International to any such senior manager in his capacity as a senior manager of LNM Holdings) for the nine months ended September 30, 2004 was as follows: \$3 million in base salary, and \$2 million in short-term performance related bonus. For the nine months ended September 30, 2004, \$1 million was accrued by Mittal Steel to provide pension benefits to its senior management. No options were granted to senior management for 2004.

**Stock Option Plan**

In 1999, Mittal Steel established the Ispat Stock Option Plan, which is described more fully in Note 11 to Mittal Steel's Supplemental Combined Financial Statements. Under the terms of the Ispat Stock Option Plan, Mittal Steel may grant options to senior management of Mittal Steel and its affiliates for up to six million Mittal Steel class A common shares (increased up to a maximum of 10 million Mittal Steel class A common shares in 2003). The exercise price of each option equals not less than the fair market value of Mittal Steel class A common shares on the date of grant, with a maximum term of 10 years. Options are granted at the discretion of Mittal Steel's board of directors 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. All outstanding option rights exercisable in at least the current and next financial year under the Ispat Stock Option Plan can be satisfied by the Mittal Steel class A common shares currently held in treasury.

Prior to 2003, Mittal Steel accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, or Opinion



**Table of Contents**

25. No stock-based employee compensation cost is reflected in 2001 and 2002 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common shares on the date of grant.

Effective January 1, 2003, Mittal Steel adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, or SFAS 123, prospectively to all employee awards granted, modified, or settled after January 1, 2003. This prospective adoption of the fair value provisions of SFAS 123 is in accordance with the transitional provisions of SFAS No. 148, Accounting for Stock-Based Compensation, or SFAS 148, issued in December 2002 for recognizing compensation cost of stock options. There were no stock options granted, modified or settled during 2003 and accordingly, no compensation expense has been recognized in 2003.

SFAS 148 also requires that if awards of stock-based employee compensation were outstanding and accounted for under the intrinsic value method of Opinion 25 for any period in which an income statement is presented, a tabular presentation is required as follows for Mittal Steel (including LNM Holdings) (the income statement of Mittal Steel for the year ended December 31, 2004 is not yet available):

	Year Ended December 31,			Nine Months Ended September 30,	
	2001	2002	2003	2003	2004
(All amounts in \$ million except per share information)					
Net income, as reported	\$ (199)	\$ 595	\$ 1,182	\$ 855	\$ 3,147
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects					
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	3	3	1	2	1
Pro forma net income	(202)	592	1,181	853	3,146
Earnings per share:					
Basic and diluted as reported	(0.31)	0.92	1.83	1.32	4.89
Basic and diluted pro forma	(0.31)	0.91	1.83	1.32	4.89

The fair value of each option grant of Mittal Steel class A common shares is estimated on the date of grant using Black-Scholes Model Method with the following weighted-average assumptions used:

	Years of Grant,		
	2001	2002	2003
Dividend Yield	0	0	0
Expected annualized volatility	0	83%	0
Discount rate Bond equivalent yield	0	5.03%	0
Expected life in years	0	8	0

**Table of Contents**

The status of the Ispat Stock Option Plan with respect to Mittal Steel is summarized below at December 31, 2004:

	Number of Shares	Weighted Average Exercise Price
Opening balance as of January 1, 2002	2,202,000	\$ 10.17
Granted during 2002	1,349,500	2.26
Exercised	0	0
Forfeitures	(160,000)	7.95
Outstanding at December 31, 2002	3,391,500	7.13
Granted during 2003	0	0
Exercised	(91,166)	7.08
Forfeitures/restoration	39,000	11.72
Outstanding at December 31, 2003	3,339,334	7.32
Granted during 2004	0	0
Exercised	(1,384,118)	7.76
Forfeitures/restoration	(244,000)	9.07
Outstanding at December 31, 2004	1,711,216	6.72

At December 31, 2004 the stock options granted under the Ispat Stock Option Plan are exercisable as follows:

Year	Options	Average Exercise Price(1)
2005	1,711,216	6.72
2006	1,711,216	6.72
2007	1,711,216	6.72
2008	1,711,216	6.72
2009	1,711,216	6.72

(1) Based on Exercise Price of \$11.94, \$8.57 and \$2.26 for 1999, 2000 and 2002, the respective years of the grant date.

**Mittal Steel Board Practices**

Article 18, paragraph 1 of Mittal Steel's Articles of Association provides that its board of directors shall consist of five or more class A, class B and class C directors (and comprised at all times of one class A director and at least two class C directors). Article 18, paragraph 3 stipulates that class A directors are appointed for a period of four years starting on the day after the day of the annual general meeting of shareholders on which they are appointed and ending on the day of the annual general meeting of shareholders that will be held in the fourth year after their appointment. The same paragraph sets out that class B and class C directors are appointed for a period of one year starting on the day after the annual general meeting of shareholders on which they are appointed and ending on the day of the annual general meeting of shareholders that will be held in the next year.

**Corporate Governance**

In June 2001, Mittal Steel adopted Corporate Governance guidelines in line with best practices on corporate governance. Mittal Steel will continue to monitor diligently new, proposed and final U.S. and Dutch corporate regulatory requirements and will make adjustments to its corporate governance controls and procedures to stay in compliance with these requirements on a timely basis. Mittal Steel is committed to meeting the corporate governance mandates and requirements under applicable current and proposed SEC and NYSE listing standards and the laws of The Netherlands. There are no significant differences between

## **Table of Contents**

Mittal Steel's current corporate governance practices and those currently required to be followed by U.S. domestic companies under the NYSE listing standards.

The new Dutch Corporate Governance Code was published on December 9, 2003. During the Mittal Steel annual general meeting of shareholders held on May 5, 2004, the implications of the new Dutch Corporate Governance Code were discussed with its shareholders and certain proposed changes to Mittal Steel's Articles of Association to bring them in line with the requirements of the Dutch Corporate Governance Code were approved by the shareholders. The changes to Mittal Steel's Articles of Association lowered the number of votes required to overrule a binding nomination for the appointment of a member of Mittal Steel's board of directors made by the holders of Mittal Steel class B common shares from a majority of at least two thirds of votes cast representing more than half of the issued share capital of Mittal Steel to an absolute majority of votes cast representing at least one third of the issued share capital of Mittal Steel. In addition, Mittal Steel's Articles of Association now provide that a class A director can be appointed for a maximum term of four years and cannot be appointed indefinitely as was previously permitted. Accordingly, Mittal Steel is materially in line with the requirements of the provisions of the Dutch Corporate Governance Code, in accordance with the implementation provisions. However, Mittal Steel's annual general meeting of shareholders also approved that Mittal Steel will differ from the Dutch Corporate Governance Code with regard to the separation of the posts of Chairman and Chief Executive Officer. Mittal Steel's Chairman and Chief Executive Officer will continue to be Mr. Lakshmi N. Mittal.

### ***Role of Mittal Steel's Board of Directors and Management***

Mittal Steel's business is conducted through operating subsidiaries, which are managed by their board of directors and headed by the subsidiary's CEO/President. Mittal Steel's board of directors and the senior corporate management provide the oversight to enhance the value to the stakeholders.

### ***Director Independence***

As per the criteria laid down by Mittal Steel's board of directors, directors will be considered independent if they do not have a material relationship with Mittal Steel. Mittal Steel's board of directors currently consists of nine directors, of whom Messrs. René Lopez, Fernando Ruiz Sahagun, Muni Krishna T. Reddy and Narayanan Vaghul and Ambassador Andrés Rozental are independent under Mittal Steel's independence criteria and the NYSE listing standards. These directors constitute a majority of Mittal Steel's board of directors. A firm of tax lawyers, of which Mr. Fernando Ruiz Sahagun is a partner, renders advice to Mittal Steel and some of its group companies. On the basis of Dutch corporate governance rules Mr. Fernando Ruiz Sahagun would as a result not be considered as independent. However, the board of directors has determined that this relationship would not impede Mr. Fernando Ruiz Sahagun's ability to act as an independent director. Mr. Fernando Ruiz Sahagun does not serve on any committees of Mittal Steel's board of directors.

### ***Function of Mittal Steel's Board of Directors***

As per Mittal Steel's Corporate Governance guidelines, Mittal Steel's board of directors are responsible for the stewardship of Mittal Steel and assume responsibility for the adoption of a corporate strategy; monitoring of risk and control; succession planning including appointing, training and monitoring of senior management personnel; maintaining an investor relations program for Mittal Steel; ensuring the integrity of Mittal Steel's internal control and management information system; and setting a remuneration policy that incorporates appropriate performance hurdles. Mittal Steel's board of directors and each of its committees also have the power to hire independent advisors as they deem necessary.

### ***Qualification***

Directors should possess the highest personal and professional ethics and integrity, and be committed to representing the interests of the stakeholders. Mittal Steel's directors possess experience in managing large companies and contribute towards the protection of the stakeholders interests in Mittal Steel through expertise

## **Table of Contents**

in their respective fields. All directors bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

### ***Size of Mittal Steel's Board of Directors and Selection Process***

All directors are subject to election by the shareholders. The names of directors submitted for election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision on their election. Each time a member of Mittal Steel's board of directors is to be appointed, the meeting of holders of Mittal Steel class B common shares may make a binding nomination. A binding nomination can be overruled by a shareholders' resolution passed by an absolute majority of votes cast representing at least one third of the issued share capital of Mittal Steel. Mittal Steel's board of directors currently consists of nine members, which is considered reasonable given the size of Mittal Steel. All members of Mittal Steel's board of directors, except for Messrs. Lakshmi N. Mittal and Aditya Mittal and Ms. Vanisha Mittal Bhatia (who as class A directors only stand for re-election once every four years), will next be considered for re-appointment at the annual general shareholders meeting in 2005.

During 2003, Dr. Peter Southwick, one of the class B directors, resigned from Mittal Steel's board of directors. Dr. Southwick continues to be employed by one of Mittal Steel's subsidiaries.

### ***Board Committees***

Mittal Steel's board of directors has established the following committees to assist the board of directors in discharging its responsibilities: (i) Audit; (ii) Remuneration; and (iii) Nomination.

### ***Board Agenda***

The items placed before Mittal Steel's board of directors include, among others, strategic plans of Mittal Steel; annual operating plans and budgets and any updates; capital budgets and any updates; quarterly results for Mittal Steel and its strategic business units; minutes of Audit Committee and other committee meetings; the information on recruitment and remuneration of senior management; environment, health and safety related matters; risk management policy of the group and such other matters considered important for the oversight of Mittal Steel's board of directors.

### ***Ethics and Conflict of Interest***

Ethics and conflicts of interest are governed by the Code of Business Conduct adopted by Mittal Steel. The Code of Business Conduct sets out standards for ethical behavior, which are to be followed by all employees and directors of Mittal Steel in the discharge of their duties. They must always act in the best interests of Mittal Steel and must avoid any situation where their personal interests conflict, or could conflict with their obligations toward Mittal Steel. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive Mittal Steel of the time or the scrupulous attention that they need to devote to the performance of their duties. Any behavior that deviates from Mittal Steel's Code of Business Conduct is to be reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the internal audit/ internal assurance department.

Mittal Steel's Code of Business Conduct is available on Mittal Steel's website at <http://www.mittalsteel.com>.

### ***Separate Meeting of Non-Executive Directors***

The non-executive directors of Mittal Steel regularly schedule meetings without the presence of management. There is no minimum number of meetings that the non-executive directors must hold per year. During 2004, the non-executive directors of Mittal Steel held four meetings separate from the executive directors. The presiding independent director at each of these meetings is chosen at the meeting.



## **Table of Contents**

### ***Communications with the Board***

Mittal Steel's board of directors has established a process through Mittal Steel's website at <http://www.mittalsteel.com> by which a shareholder or any other person may send communications directly to the board of directors.

### **Mittal Steel Audit Committee**

The primary function of the Mittal Steel Audit Committee is to assist Mittal Steel's board of directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by Mittal Steel to any governmental body or the public; Mittal Steel's system of internal control regarding finance, accounting, legal compliance and ethics that the management and Mittal Steel's board of directors have established and Mittal Steel's auditing, accounting and financial reporting processes generally.

The Audit Committee's primary duties and responsibilities are to serve as an independent and objective party to monitor Mittal Steel's financial reporting process and internal controls system; review and appraise the audit efforts of Mittal Steel's independent accountants and internal auditing department; provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department and Mittal Steel's board of directors. It is responsible for approving the appointment and fees of the independent auditors. It is also responsible for monitoring the independence of the external auditors.

### ***Audit Committee Members***

The Audit Committee consists of three directors: Messrs. Narayanan Vaghul and Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent under Mittal Steel's Corporate Governance guidelines, the New York Stock Exchange standards as well as the Dutch Corporate Governance Code. The Chairman of the Audit Committee is Mr. Narayanan Vaghul, who has significant experience and financial expertise. Mr. Vaghul is the Chairman of ICICI Bank, a company that is listed on the New York Stock Exchange and the Mumbai Stock Exchange. Both Mr. Reddy and Ambassador Andrés Rozental have considerable experience in managing companies' affairs.

### ***Charter and Meetings***

Mittal Steel's Audit Committee charter is available on Mittal Steel's website at <http://www.mittalsteel.com>. The Audit Committee, which is required to meet at least four times a year, met nine times during 2004. Of these meetings, six were physical meetings and three were teleconference meetings.

### ***Process for Handling Complaints about Accounting Matters***

As part of the procedures of Mittal Steel's board of directors for receiving and handling complaints or concerns about Mittal Steel's financial accounting, internal controls and auditing issues, Mittal Steel's Code of Business Conduct encourages all employees to bring such issues to the Audit Committee's attention. Concerns relating to accounting or auditing matters may be communicated through the Mittal Steel website at <http://www.mittalsteel.com>. Employees reported no significant complaints of this nature during 2004.

### ***Internal Audit/ Internal Assurance***

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

**Table of Contents**

***External Auditors Independence***

The appointment and determination of fees of the external auditors is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining annually a written statement from the external auditors that their independence has not been impaired. Mittal Steel's current external auditors have informed Mittal Steel of their intention to rotate their lead and engagement partners in line with the new U.S. regulatory requirements in 2004 and 2005, respectively. The Audit Committee has obtained a confirmation from the external auditors that none of their former employees are in a position with Mittal Steel, which may impair their independence.

**Mittal Steel Remuneration Committee**

***Charter and Meetings***

The Mittal Steel Remuneration Committee is comprised of three independent directors. The purpose of having a Remuneration Committee consisting exclusively of directors who are independent of management is to have members who are free of any business or other relationship, which could interfere with the exercise of their independent judgment. Mittal Steel's board of directors has established the Remuneration Committee to determine on their behalf and on behalf of the shareholders within agreed terms of reference, Mittal Steel's framework of remuneration and compensation, including stock options for executive members of Mittal Steel's board of directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level. The Remuneration Committee is required to meet at least twice a year and met three times in 2004.

The charter of the Remuneration Committee is available on Mittal Steel's website at <http://www.mittalsteel.com>.

***Remuneration Committee Members***

The Mittal Steel Remuneration Committee consists of three directors: Mr. Narayanan Vaghul, Ambassador Andrés Rozental and Mr. René Lopez, all of whom are independent. The Chairman of the Remuneration Committee is Ambassador Andrés Rozental.

***Remuneration Principles***

The Mittal Steel Remuneration Committee's principal responsibility in compensating executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. None of the members of Mittal Steel's board of directors currently has entered into any contracts with Mittal Steel or any of its subsidiaries that provide benefits upon termination of employment. The Remuneration Committee reviews the remuneration of executive members of Mittal Steel's board of directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level.

**Mittal Steel Nomination Committee**

***Charter and Meetings***

Mittal Steel has a Nomination Committee comprised exclusively of three independent directors. The Nomination Committee elects its Chairman and members of the Nomination Committee are appointed and can be removed by Mittal Steel's board of directors. The Nomination Committee is required to meet at least twice a year and met three times in 2004.

The charter of the Nomination Committee is available on Mittal Steel's website at <http://www.mittalsteel.com>.

**Table of Contents*****Nomination Committee Members***

The Mittal Steel Nomination Committee consists of three directors: Narayanan Vaghul, Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent. Ambassador Andrés Rozental is the Chairman of the Nomination Committee.

***Function of the Nomination Committee***

The Mittal Steel Nomination Committee will at the request of Mittal Steel's board of directors, consider any appointment or reappointment to Mittal Steel's board of directors. It will provide advice and recommendations to Mittal Steel's board of directors on such appointment. The Nomination Committee is also responsible for developing, monitoring and reviewing Corporate Governance principles applicable to Mittal Steel.

**Employees**

Mittal Steel had approximately 161,000 employees as of December 31, 2004 (as of December 31, 2002: 15,640; as of December 31, 2003: 14,811). The increase in the number of employees as of year-end 2004 as compared to year-end 2003 was due primarily to the acquisition of LNM Holdings on December 17, 2004.

The table below sets forth the breakdown of the total year-end number of employees by geographical area for the past three years.

	As of December 31,		
	2002	2003	2004
Americas	10,971	10,414	9,676
Europe	4,669	4,397	77,438
Rest of World			74,193
Total	15,640	14,811	161,307

In general, Mittal Steel has a good relationship with its employees and with the labor unions.

**Share Ownership**

As of December 31, 2004, the aggregate beneficial share ownership of Mittal Steel directors and senior management (19 individuals) is 403,268 Mittal Steel class A common shares (excluding shares owned by Mittal Steel's controlling shareholder and including options to acquire 299,668 Mittal Steel class A common shares that are exercisable within 60 days of December 31, 2004), being 0.06% of the total issued share capital of Mittal Steel. Excluding options to acquire Mittal Steel class A common shares, these 19 individuals own 103,600 Mittal Steel class A common shares. See Major Shareholders of Mittal Steel and Notification Obligations Major Shareholders of Mittal Steel. The number of options granted to directors and senior management in 2002 was 596,500 at an exercise price of \$2.26. No options were granted during 2001, 2003 and 2004. These 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. The option term expires 10 years after the grant date.

In accordance with the new Dutch Corporate Governance Code, non-executive members of Mittal Steel's board of directors will no longer receive any share options.

**Table of Contents**

**INTEREST OF CERTAIN PERSONS IN THE MERGER**

In considering the recommendation of the ISG board of directors to vote for the adoption of the merger agreement, you should be aware that certain members of the ISG board of directors and executive officers of ISG may have interests in the merger that differ from, or are in addition to, their interests as ISG stockholders. The ISG board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. These interests are described below.

**Mittal Steel Board of Directors and Management**

The merger agreement contemplates that Wilbur L. Ross, Chairman of the ISG board of directors, will join the Mittal Steel board of directors. In addition, the merger agreement contemplates that Rodney B. Mott, ISG's President and Chief Executive Officer and a member of the ISG board of directors, will become the Chief Executive Officer of Mittal Steel's U.S. operations. The merger agreement and related documentation do not guarantee that Mr. Ross or Mr. Mott will serve in these roles with Mittal Steel for any specified period after the merger. It is also expected that Mr. Ross and Mr. Mott will join the board of directors of Mittal Steel's U.S. subsidiary after the merger.

**Company Shareholder Support Agreement**

In connection with the merger agreement, Mittal Steel required that each of Messrs. Ross and Mott and their respective affiliates enter into the company shareholder support agreement in which, among other things, they each severally:

agreed to vote in favor of the merger, unless the merger agreement is terminated by the ISG board of directors, and

in exchange for an option payment of \$3.50 per share, granted an option to purchase their ISG shares in certain circumstances involving a termination of the merger agreement for \$38.50. The \$3.50 per share option payment will be credited against any merger consideration payable with respect to the shares.

Messrs. Ross and Mott beneficially own 6.9% and 1.4%, respectively, of the shares of ISG common stock outstanding as of the record date. For a more detailed description of this agreement, see "COMPANY SHAREHOLDER SUPPORT AGREEMENT" beginning on page 109.

**Director and Officer Indemnification**

The merger agreement requires the surviving company in the merger to indemnify ISG directors and officers, to honor indemnification in favor of ISG's directors and officers in ISG's Certificate of Incorporation, Bylaws and agreements with directors and officers and to maintain director and officer liability insurance. Please see "THE MERGER AGREEMENT Additional Agreements *Directors and Officers Indemnification and Insurance*" on page 94. Mittal Steel has also agreed to indemnify Mr. Ross to the same extent that Mittal Steel directors are indemnified for claims related to being named as a director of Mittal Steel in this proxy statement/prospectus.

**ISG Stock Options**

The merger agreement provides that all ISG stock options will be cancelled at the effective time of the merger and the holders of ISG stock options, including ISG executive officers, will receive an amount in cash equal to the difference between \$42.00 per share and the applicable per share exercise price of the option. Executive officers of ISG own options to purchase 3,003,330 shares of ISG common stock, 268,875 of which are currently exercisable.

**Table of Contents**

Many of these options were granted during 2002, around the time ISG was founded, at exercise prices that are now substantially below current market prices for shares of ISG common stock. The pre-tax amounts payable to ISG's executive officers at the closing of the merger for cancellation of these options are:

Executive Officer	Title	Amount Payable
		(amounts in millions)
Rodney B. Mott	President, Chief Executive Officer and director	\$60.1
Leonard M. Anthony	Chief Financial Officer and Treasurer	2.4
Lonnie A. Arnett	Vice President, Controller and Chief Accounting Officer	0.5
V. John Goodwin	Chief Operating Officer	2.4
Carlos M. Hernandez	General Counsel and Secretary	0.5
Jerome V. Nelson	Vice President, Sales and Marketing	16.7
Karen A. Smith	Vice President, Human Resources	3.0
Gordon C. Spelich	Vice President, Business Development	15.5

**ISG Officers Cash and Stock Bonus Plan**

The merger agreement contemplates that, on or prior to December 31, 2004, ISG will pay to each participant in the ISG officer cash and stock bonus plan, the participant's earned bonus for the fiscal year ending December 31, 2004. The amounts payable under the plan did not change and ISG would have accrued such amounts as compensation expense in 2004 in any event. ISG paid these bonuses on December 20, 2004. In addition, bonuses accrued under the ISG officer cash and stock bonus plan for the period from January 1, 2005 through the merger closing date will be paid at the closing.

**Employment Agreements with ISG Executive Officers**

The merger agreement provides that, following the merger, Mittal Steel will cause the surviving company in the merger and its subsidiaries to honor all existing ISG contracts, agreements, arrangements, policies, plans and commitments in effect applying to any current or former employees or directors of ISG or its subsidiaries. Messrs. Mott, Goodwin, Anthony and Nelson, are each parties to an employment agreement with ISG, and Mr. Hernandez is party to a letter agreement with ISG, each entered into before the commencement of discussions relating to the possible merger. In this section "Employment Agreements with ISG Executive Officers", these executives are referred to as the ISG Executives.

The agreements with the ISG Executives provide that, in the case of a termination of employment by ISG without cause or a termination of employment by the ISG Executive for good reason, each ISG Executive other than Mr. Mott would be entitled to a severance payment equal to two times his usual base salary and bonus compensation (using the average bonus over the past three years or if he was employed for less than three years, such shorter period), or three times his usual base salary and bonus in the case of Mr. Mott. Good Reason means the termination of the ISG Executive's employment by the ISG Executive for any of the following reasons:

an involuntary reduction in the ISG Executive's base salary unless such reduction occurs simultaneously with a company-wide reduction in officers' salaries;

an involuntary discontinuance or reduction in bonus award opportunities for the ISG Executive under ISG's officer cash and stock bonus plan unless a company-wide reduction of all officers' bonus awards occurs simultaneously with such discontinuance or reduction;

an involuntary discontinuance of the ISG Executive's participation in any employee benefit plans maintained by ISG unless such plans are discontinued by reason of law or loss of tax deductibility to ISG with respect to contributions to such plans, or are discontinued as a matter of ISG policy applied equally to all participants in such plans; and

**Table of Contents**

ISG's failure to obtain an assumption of ISG's obligations under the employment agreement by any successor to ISG, regardless of whether such entity becomes a successor to ISG as a result of a merger, consolidation, sale of assets of ISG, or other form of reorganization. In addition, Mr. Mott's employment agreement contains the following additional reasons under the definition of "Good Reason":

a significant reduction in Mr. Mott's responsibilities and status within the ISG organization, or a change in his title or office without Mr. Mott's written consent;

a termination of Mr. Mott's employment which is not effected pursuant to a notice of termination satisfying the requirements set forth in Mr. Mott's employment agreement;

a failure of Mr. Mott to be elected to the ISG board of directors; or

a material breach of Mr. Mott's employment agreement by ISG, which breach is not corrected by ISG within ten calendar days after receipt by ISG of written notice from Mr. Mott of such breach.

In that event, the ISG Executives are also entitled to health care and major medical coverage for two years, in the case of Messrs. Anthony, Goodwin, Hernandez and Nelson, or for three years, in the case of Mr. Mott, following a qualifying termination. Mr. Mott's employment agreement entitles Mr. Mott to a "gross-up" payment in the event that payments made under his agreement trigger U.S. federal 20% excise taxes imposed in respect of change-in-control payments.

Mr. Goodwin's and Mr. Mott's employment agreements, each provide, in connection with certain terminations of employment, for the provision of continued medical benefits for each employee and his dependents until Messrs. Goodwin or Mott reach 65 years of age.

Mr. Hernandez's letter agreement with ISG provides that, in the event that ISG and the ISG board of directors adopt a severance policy for senior executive officers and that policy provides severance and termination benefits greater than those provided under Mr. Hernandez's letter agreement, then that severance policy will govern the severance and termination benefits to which Mr. Hernandez is entitled.

The estimated value of the severance benefits, excluding the value of executive perquisite coverage or the excise tax gross-up payment, payable to Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson, assuming a qualifying termination has occurred, would be approximately \$1.9 million, \$2.0 million, \$1.9 million, \$6.5 million, and \$1.4 million, respectively.

The employment agreements also include non-competition, non-solicitation and confidentiality obligations on the part of the ISG Executives. The letter agreement with Mr. Hernandez does not contain such obligations.

***ISG Executive Severance Pay Plan***

ISG maintains an executive severance pay plan effective August 1, 2003 that covers officers and general managers of ISG, other than those officers who have separate agreements that provide for severance benefits upon termination of employment. The executive severance pay plan provides severance benefits to participating officers in the case of a termination by ISG. Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson are not participants in the executive severance pay plan. Mr. Arnett, Ms. Smith and Mr. Spelich, among others, are participants in the plan.

If the termination of the employee is in connection with a "change in control" of ISG, the officer is entitled to additional benefits of (i) an amount equal to the average of the bonus amounts paid to the officer under ISG's cash and stock bonus plan with respect to the three calendar years (or, if employed for less than three years, the shorter period) ending prior to termination and (ii) a lump sum cash payment equal to six months salary. These severance benefits, however, will not be more than twice the officer's annual compensation during the year immediately preceding termination of employment with ISG (or, if employed for less than one year, the year of such termination). Completion of the merger will be a "change in control" under the executive severance pay plan.

**Table of Contents**

A qualifying termination under the severance pay plan includes:

the involuntary dismissal of the officer by ISG without cause ;

the involuntary dismissal of the officer by ISG within six months following a change in control ; or

the voluntary withdrawal from employment by the officer for good reason .

Good reason means a material adverse change in the employee's title, position or responsibilities that has not been cured during the thirty day period following written notice to ISG by the employee.

The estimated value of the severance benefits payable to Mr. Arnett, Ms. Smith and Mr. Spelich, assuming a qualifying termination occurs immediately following the closing of the merger, would be approximately \$800,000, \$700,000 and \$900,000, respectively.

***Supplemental Retention Arrangements***

On December 16, 2004, ISG's compensation committee approved the adoption of supplemental retention arrangements for ISG's eight executive officers, subject to obtaining the consent of Mittal Steel. The compensation committee did not approve any specific arrangements because the terms of any such arrangements would first need to be consented to by Mittal Steel pursuant to the terms of the merger agreement. As of the date of this proxy statement/prospectus no supplemental arrangements have been consented to by Mittal Steel. There can be no assurances as to when or whether Mittal Steel will consent to the adoption of any supplemental arrangements for ISG's eight executive officers, but any such arrangements, if consented to and adopted, will result in such executive officers having an additional interest in the merger that differs from, or is in addition to, their interests as ISG stockholders.

***Tax Gross-up Agreement***

In January 2005, ISG entered into a tax gross-up agreement with Mr. Hernandez. In the event that any payments or benefits resulting from the transaction would subject Mr. Hernandez to an excise tax because such payments or benefits are deemed to be excess parachute payments within the meaning of Section 280G of the Internal Revenue Code, then Mr. Hernandez will be entitled to a tax gross-up payment to restore him to the same tax position that he would have been in if the excise tax had not been imposed. The estimated value of the tax gross-up payment would be \$1.0 million.

**Table of Contents**

**INDUSTRY OVERVIEW**

**Steel-Making Process**

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

***Integrated Steel Making***

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

***Mini-Mills***

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

***Integrated Mini-Mills***

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



## **Table of Contents**

### **Products**

Steelmakers primarily produce two types of steel products, flat-rolled and long. Flat-rolled products, such as sheet or plate, are produced from semi-finished slabs. Long products, such as bars, rods and structural shapes, are rolled from blooms and/or billets.

#### ***Flat Products***

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

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

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

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

#### ***Long Products***

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

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

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

**Table of Contents**

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

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

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

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

**Direct Reduced Iron**

Direct reduced iron is iron produced by a direct reduction process that removes the oxygen from the iron ore without melting it. Direct reduced iron is used as feedstock for electric arc furnaces and is a high quality substitute for scrap.

**Table of Contents**

**MITTAL STEEL**

Unless otherwise indicated, for purposes of this section, **MITTAL STEEL** :

**Ispat International** refers to Ispat International N.V. and its subsidiaries as they existed prior to the acquisition of LNM Holdings on December 17, 2004 and to their predecessor companies for periods prior to the organization of Ispat International in 1997.

**LNM Holdings** refers to LNM Holdings N.V. and its subsidiaries as they existed prior to their acquisition by Ispat International on December 17, 2004 and to their predecessor companies for the periods prior to the organization of LNM Holdings.

**Mittal Steel** refers to (x) with respect to time periods occurring on or after December 17, 2004, Mittal Steel Company N.V., formerly known as Ispat International N.V., and its subsidiaries (which include LNM Holdings and its subsidiaries) and (y) with respect to time periods occurring before December 17, 2004, Ispat International and its subsidiaries and their predecessors adjusted to give effect to the acquisition of LNM Holdings and its subsidiaries and their predecessors.

**History and Development of Mittal Steel**

Mittal Steel Company N.V. is a public limited liability company that was incorporated in 1997 under the laws of The Netherlands under the name Ispat International N.V. On December 15, 2004, Ispat International's shareholders approved the acquisition of LNM Holdings and, in connection with the acquisition, changed its name to Mittal Steel Company N.V. The acquisition of LNM Holdings was closed on December 17, 2004.

The registered offices of Mittal Steel are located at 15th Floor, Hofplein 20, 3032 AC Rotterdam, The Netherlands. The telephone number of the registered offices is +31 10 217 8800. Mittal Steel is registered at the Commercial Register in Rotterdam under number 24275428.

***Ispat International***

Ispat International was incorporated under the laws of The Netherlands on May 27, 1997, to hold various steel and steel-related companies that were contributed or transferred to Ispat International by its controlling shareholder in July 1997. The controlling shareholder of Ispat International began acquiring assets in the steel industry in the early 1990s. Ispat International completed its initial public offering of its class A common shares in August 1997.

Ispat International was the world's eleventh largest steel producer based on 2003 shipments, with steel-making operations in Canada, Trinidad and Tobago, France, Germany, Mexico and the United States. Ispat International's steel shipments increased from 1.5 million tons in 1992 to 15.2 million tons in 2003. In 2003, Ispat International's consolidated sales, operating income and net income were \$5,441 million, \$151 million and \$66 million, respectively. For the nine months ended September 30, 2004, Ispat International's consolidated sales, operating income and net income were \$6,320 million, \$1,243 million and \$887 million, respectively.

Ispat International grew through a series of acquisitions, focused capital expenditure programs and implementation of improved management practices, resulting in increases in production and shipment of steel products, reduction in cash costs of production and increases in productivity. Ispat International's aggregate capital expenditures were approximately \$164 million, \$108 million and \$97 million during 2003, 2002 and 2001, respectively.

Ispat International was a holding company with no business operations of its own. All of its significant subsidiaries were wholly owned by Ispat International, indirectly through intermediate holding companies. Since 1992, Ispat International has acquired numerous steel making assets, which currently constitute its major operating subsidiaries. Other than the acquisition of LNM Holdings, Ispat International has not made any significant acquisitions since 2000.

**Table of Contents**

**Acquisition of LNM Holdings.** In December 2004, Ispat International acquired LNM Holdings from Mittal Steel S.à.r.l., a wholly owned subsidiary of The Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Mittal Steel and, at the time, the sole shareholder of LNM Holdings). Mittal Steel S.à.r.l. received 0.27931958 Ispat International class A common shares and 0.77068042 Ispat International class B common shares, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Ispat International class A common shares and 385,340,210 Ispat International class B common shares.

LNM Holdings was incorporated under the laws of The Netherlands Antilles to hold certain companies involved in steel manufacturing activities. Prior to its acquisition by Ispat International, LNM Holdings was controlled by the controlling shareholder of Ispat International.

LNM Holdings operates steel-making and processing facilities in seven countries: Algeria, the Czech Republic, the Republic of Kazakhstan, Macedonia, Poland, Romania and South Africa. LNM Holdings has in recent years significantly increased its production and shipments of steel products, primarily through the acquisition of several steel making assets. LNM Holdings shipped a total of 12.3 million tons of steel and steel products in 2003. In 2003, its consolidated sales, operating income and net income were \$4,167 million, \$1,136 million and \$1,116 million, respectively. For the nine months ended September 30, 2004, its consolidated sales, operating income and net income were \$9,942 million, \$3,160 million and \$2,266 million, respectively.

LNM Holdings is a holding company with no business operations of its own. All of its principal operating subsidiaries are wholly owned by LNM Holdings, either directly or indirectly through intermediate holding companies.

Since 1995, LNM Holdings has acquired formerly state-owned steel making assets, which currently constitute its major operating subsidiaries:

In November 1995, LNM Holdings acquired Ispat Karmet's steel plant and subsequently in 1996 a power plant and coal mines. Ispat Karmet, located in the Republic of Kazakhstan, is one of the largest single site steel production facilities in the twelve former-Soviet republics that now comprise the Commonwealth of Independent States, or CIS.

In October 2001, LNM Holdings acquired a 70% interest in Ispat Annaba. Ispat Annaba, located in Algeria, is one of the largest steel producers in Northern Africa.

In October 2001, LNM Holdings acquired a 70% interest in Ispat Tebessa. Ispat Tebessa, located in Algeria, owns iron ore mines.

In November 2001, LNM Holdings acquired a 91.6% interest, which increased to 99.4% in September 2003, in Ispat Sidex. Ispat Sidex, located in Romania, is one of the largest single site steel producers in Central and Eastern Europe.

In November 2001, LNM Holdings concluded a Business Assistance Agreement with Iscor, pursuant to which it agreed to provide Iscor with business, technical, purchasing and marketing assistance for a three-year period and also undertook to acquire a strategic shareholding in Iscor by March 2003. In 2001, LNM Holdings acquired a 8.3% interest, which increased to over 50%, in Iscor. Iscor, located in South Africa, is the largest steel producer in Africa.

In January 2003, LNM Holdings acquired a 69.7% interest, which increased to approximately 84.3%, in Ispat Nova Hut. Ispat Nova Hut is the largest steel producer in the Czech Republic.

In July 2003, LNM Holdings acquired a 70.8% interest in SC Ispat Tepro S.A., or Ispat Tepro. Ispat Tepro, located in Romania, is a downstream steel products manufacturer.

In December 2003, LNM Holdings acquired a 69.8% interest in Petrotub Roman S.A., or Ispat Petrotub. Ispat Petrotub, located in Romania, is a downstream steel products manufacturer.

## **Table of Contents**

In January 2004, LNM Holdings announced that it had reached an agreement with the administration of the Yingkou Economic and Technical Development Zone to establish a cold rolling and coating plant in Yingkou, Liaoning Province, Peoples Republic of China. The facility, when completed, will have an annual production capacity of approximately 440,000 tons of cold-rolled and coated steel.

In March 2004, LNM Holdings acquired a 69% interest in Ispat Polska, which increased to 70.5%, and a commitment to purchase a 25% interest by December 2007. Ispat Polska, located in Poland, is one of the largest steel producers in Central and Eastern Europe.

In April 2004, LNM Holdings acquired an 80.9% interest in Ispat Siderurgica. Ispat Siderurgica, located in Romania, is a downstream steel products manufacturer.

In April 2004, LNM Holdings entered into a joint venture with RZR Ljubija a.d., pursuant to which LNM Holdings acquired a 51% interest in the Ljubija iron ore mines in Bosnia and Herzegovina. These mines have been non-operational since the early 1990s.

In May 2004, LNM Holdings acquired a 44.5% interest, subsequently increased to an 88.3% interest, in RZ Ladna Valavnica AD. RZ Ladna Valavnica AD, located near Skopje, Macedonia, was non-operational from late 2003 through December 2004 but became operational in January 2005.

In May 2004, LNM Holdings acquired a 56.8% interest, subsequently increased to a 77.3% interest, in RZ Valavnica za Lenti AD. RZ Valavnica za Lenti AD, located near Skopje, Macedonia, was non-operational from late 2003 through December 2004 but became operational in January 2005. RZ Ladna Valavnica AD and RZ Valavnica za Lenti AD are collectively known as Ispat Skopje.

In December 2004, LNM Holdings acquired a 51% interest in BH Steel in Bosnia.

### ***Mittal Steel***

Mittal Steel is one of the world's largest steel producers<sup>(1)</sup>, with steel making operations in 14 countries. Mittal Steel's operating philosophy embraces mini mill, integrated mini mill and blast furnace processes for steel making. Mittal Steel's steel shipments have increased from 1.5 million tons in 1992 to 27,446 million tons in 2003. In 2003, its consolidated sales, operating income and net income were \$9,567 million, \$1,299 million and \$1,182 million, respectively. For the nine months ended September 30, 2004, its consolidated sales, operating income and net income were \$16,019 million, \$4,419 million and \$3,147 million, respectively. Mittal Steel has grown through a series of acquisitions and by improving the operating performance of each acquired facility, through focused capital expenditure programs and implementation of improved management practices, resulting in increases in production and shipment of steel products, reduction in cash costs of production and increases in productivity. Mittal Steel's aggregate capital expenditures were approximately \$421 million, \$264 million and \$220 million during 2003, 2002 and 2001, respectively.

### **Recent Developments**

On February 1, 2005, Moody's Investor Services Ltd. assigned a Baa3 senior implied rating to Mittal Steel and upgraded Mittal Steel's senior unsecured issuer rating to Ba1. In addition, Moody's Investor Services Ltd. upgraded the senior notes of IEG and Inland to Ba1.

On January 25, 2005, Mittal Steel announced that it had arranged commitments, subject to customary conditions, from a group of arrangers for a \$3.2 billion unsecured revolving credit facility, the proceeds from which it expects to utilize to finance the cash portion of the merger with ISG, to refinance certain existing indebtedness and for general corporate purposes.

On January 24, 2005, Standard & Poor's Ratings Services raised its long-term corporate credit and senior secured debt ratings on Inland to BBB- from BB-. In addition, Standard & Poor's Ratings Services assigned a BB+ rating to Inland's senior unsecured debt.

---

<sup>1</sup> Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

**Table of Contents**

On January 14, 2005, Mittal Steel signed a share purchase agreement with Hunan Valin Iron & Steel Group Co., Ltd., or the Valin Group, to acquire 37.17% of the outstanding shares of Hunan Valin Steel Tube & Wire Co., Ltd., or Valin, a listed subsidiary of the Valin Group. Under the terms of the share purchase agreement, Mittal Steel will acquire 656,250,000 legal person shares from the Valin Group at a price of Renminbi, or RMB, 3.96 per share, for a total consideration of RMB 2,599 million, approximately \$314 million. The consideration is subject to adjustment based on the net asset value of Valin as at December 31, 2004. Subject to the receipt of all necessary approvals and waivers from the regulatory authorities in the Peoples Republic of China, the transaction is expected to close in the second quarter of 2005.

On December 30, 2004, Inland, a wholly owned subsidiary of Mittal Steel, redeemed \$227,500,000 principal amount of its 9 3/4% senior secured notes due 2014, at a redemption price equal to 109 3/4% of the outstanding principal amount redeemed, plus accrued and unpaid interest on such amount to, but excluding, December 30, 2004. Prior to the redemption of the notes by Ispat Inland ULC, Mittal Steel purchased \$256,000,000 of capital stock of Inland. Consistent with the terms of the indenture with respect to the notes, the cash proceeds from the stock offering were used to redeem the notes. After giving effect to this redemption, \$422,500,000 principal amount of the 9 3/4% senior secured notes due 2014 remain outstanding.

On December 15, 2004, the shareholders of Mittal Steel approved the acquisition of LNM Holdings and resolved to amend Mittal Steel's articles of association, which included the change of name of the company from Ispat International N.V. to Mittal Steel Company N.V. On December 17, 2004 the acquisition of LNM Holdings was completed. Under the terms of the LNM Holdings acquisition agreement, The Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Mittal Steel and, at the time, the sole shareholder of LNM Holdings), received 0.27931958 Mittal Steel class A common shares and 0.77068042 Mittal Steel class B common shares, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares.

In October 2004, Mittal Steel announced that its board of directors had approved a transaction pursuant to which ISG will be merged with a wholly owned subsidiary of Mittal Steel.

On November 15, 2004, Standard & Poor's Ratings Services raised its long-term corporate credit ratings for Mittal Steel to BBB from BB-, with a positive outlook. At the same time Standard & Poor's raised the debt ratings on debt guaranteed by Mittal Steel for Inland and IEG to BBB from BB-, with a positive outlook.

In connection with the merger, on October 24, 2004 the LNM Group (consisting of Mittal Steel and LNM Holdings), ISG and the USWA executed a letter of understanding in which the USWA agreed to support the merger and to waive its right of first refusal under the ISG collective bargaining agreement. See THE MERGER Letter of Understanding with the United Steelworkers of America on page 81.

In connection with changing its corporate name from Ispat International N.V. to Mittal Steel Company N.V., Mittal Steel is also changing the corporate names of certain of its subsidiaries. Set forth below are certain of Mittal Steel's subsidiaries, listed by jurisdiction of organization, indicating the historic corporate name of the subsidiary and the contemplated new corporate name of the subsidiary. Certain of the name changes have been effected but Mittal Steel anticipates completing this process in the second quarter of 2005. All references herein are to each subsidiary's historic corporate name.

**Table of Contents**

<b>Country</b>	<b>Historic Corporate Name of Subsidiary</b>	<b>Contemplated New Corporate Name of Subsidiary</b>
Algeria	Ispat Annaba	Mittal Steel Annaba
Bosnia	BH Steel	Mittal Steel Zenica
Canada	Sidbec	Mittal Canada Inc.
Czech Republic	Ispat Nova Hut	Mittal Steel Ostrava
	Valcovni Plechu	Mittal Steel Frydek
	Ispat Jakl Karvina	Mittal Steel Karvina
France	Unimétal	Mittal Steel Gandrange
Germany	Ispat Hamburger	Mittal Steel Hamburg
	Ispat Stahlwerk Ruhort	Mittal Steel Ruhort
	Ispat Walzdraht Hochfeld	Mittal Steel Hochfeld
Kazakhstan	Ispat Karmet	Mittal Steel Temirtau
Luxembourg	IEG	Mittal Steel Europe
Macedonia	Ispat Skopje	Mittal Steel Skopje
Mexico	Imexsa	Mittal Steel Lazaro Cardenas
Poland	Ispat Polska	Mittal Steel Poland
Romania	Ispat Sidex	Mittal Steel Galati
	Ispat Petrotub	Mittal Steel Roman
	Ispat Tepro	Mittal Steel Iasi
South Africa	Ispat Siderurgica	Mittal Steel Hunedoara
	Iscor	Mittal Steel South Africa
Trinidad	CIL	Mittal Steel Point Lisas

**Business Overview**

Mittal Steel has a high degree of both product and geographic diversification. It produces a broad range of finished and semi-finished steel products that include hot-rolled sheet, cold-rolled, electro-galvanized and coated steel, bars, wire-rods, wire-products, pipes, billets, blooms and slabs. Mittal Steel's plants manufacture steel products to various specifications, including many difficult and technically sophisticated products; and they sell these products to customers for use in a number of high-end applications. During 2004, Mittal Steel shipped its products to customers in over 90 countries worldwide, with its largest markets in North America and Europe. See MITTAL STEEL Products beginning on page 140. Mittal Steel conducts its business through its subsidiaries operating in 14 countries. Most 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 at December 31, 2004, Mittal Steel had approximately 161,000 employees.

The following tables set forth the operations in Mittal Steel's geographic areas:

<b>Region</b>	<b>Product Category</b>	<b>Production Process</b>
Americas	Flat/ Long	Mini-mill, integrated mini-mill, basic oxygen furnace
Europe	Flat/ Long	Mini-mill, integrated mini-mill, basic oxygen furnace
Rest of World	Flat/ Long	Mini-mill, integrated mini-mill, basic oxygen furnace

**Table of Contents**

	Americas	Europe	Rest of World	Others & Eliminations	Consolidated
(All amounts in \$ millions)					
<b>Year Ended December 31, 2001</b>					
Sales to unaffiliated customers	3,299	1,293	865	(34)	5,423
Net Sales	3,168	1,215	784	(34)	5,133
Operating income	(209)	21	172	(21)	(37)
Depreciation	187	(1)	45	(2)	229
Capital expenditures	(86)	(30)	(98)	14	(200)
Total assets at December 31, 2001 (year end)	7,307	6,823	1,690	(8,659)	7,161
<b>Year Ended December 31, 2002</b>					
Sales to unaffiliated customers	3,796	2,152	1,483	(351)	7,080
Net Sales	3,648	2,031	1,398	(351)	6,725
Operating income	141	64	476	21	702
Depreciation	162	34	71	(1)	266
Capital expenditures	(81)	(54)	(130)		(265)
Total assets at December 31, 2002 (year end)	7,029	7,800	2,181	(9,101)	7,909
<b>Year Ended December 31, 2003</b>					
Sales to unaffiliated customers	4,072	3,800	2,275	(580)	9,567
Net Sales	3,917	3,646	2,172	(580)	9,155
Operating income	136	317	707	139	1,299
Depreciation	165	116	85	(35)	331
Capital expenditures	(142)	(131)	(222)	74	(421)
Total assets at December 31, 2003 (year end)	7,349	9,654	3,225	(10,091)	10,137

**Products**

Mittal Steel has a high degree of product diversification. Its plants produce a broad range of finished and semi finished steel products that include hot-rolled sheet, cold-rolled, electro-galvanized and coated steel, bars, wire-rods, wire-products, pipes, billets, blooms and slabs. Its plants manufacture steel products of different specifications, including many difficult and technically sophisticated products, and they sell these products to demanding customers for use in a number of high-end applications.

Mittal Steel's principal products currently include:

direct reduced iron;

semi-finished flat products such as slabs;

finished flat products such as hot and cold-rolled and hot-dipped and electro-galvanized steel;

semi-finished long products such as blooms and billets; and

finished long products such as bars, wire-rods and wire-products.

In 2003, Mittal Steel was one of the world's largest producers of direct reduced iron with total production of 7.2 million tonnes. Direct reduced iron enables it to control the quality and consistency of its metallic input, which is essential to ensure uniform high quality of the finished products. Direct reduced iron has historically given Mittal Steel a cost advantage compared to scrap.



**Table of Contents**

The following table sets forth Mittal Steel's total production of direct reduced iron, and its total shipments(1) of flat and long products for the nine months ended September 30, 2004 by major product category:

	Americas	Europe	Rest of World	Total
Direct reduced iron production (thousand tonnes)	5,514	481	1,083	7,078
Flat products shipments (thousand tons)				
Semi-finished	3,227	1,215	437	4,879
Finished	4,322	5,073	6,702	16,097
Long products shipments (thousand tons)				
Semi-finished		226		226
Finished	1,743	6,992	2,041	10,776
Total steel products	9,292	13,506	9,180	31,978

**Raw Materials**

Mittal Steel's principal raw materials are iron ore, coal, coke, scrap, hot metal, alloys, natural gas and electricity.

Mittal Steel secures iron ore supplies from its own mines and through long-term and short-term purchase agreements with certain iron ore suppliers. Its mines are located in Kazakhstan, the United States, South Africa, Algeria and Mexico and account for approximately 45% of its iron ore requirements. Mittal Steel has entered into long-term contracts with the Sishen iron ore mine and the Thabazimbi iron ore mine in South Africa and long-term contracts with iron ore suppliers in the United States. These long term contracts collectively account for approximately 20% of its iron ore requirements. The remaining quantities of iron ore are procured through long-term and short-term contracts with both international and local suppliers. Mittal Steel's principal international suppliers include Companhia Vale do Rio Doce and MineraAoes Brasileiras Reunidas S.A. in Brazil, Shougang Hierro Peru S.A. in Peru, Corporacion Venezolana de Guyana in Venezuela and Quebec Cartier Mining Co. in Canada.

Approximately 40% of Mittal Steel's coal requirements are produced primarily at Ispat Karmet in Kazakhstan. The balance of its coal requirements are purchased.

Mittal Steel secures most of its coke requirements through its own coke making subsidiaries in Poland, Kazakhstan, South Africa, Romania and the Czech republic and through a joint venture agreement between Sun Coal Company and Primary Energy LLC and Inland. Certain of Mittal Steel's operating subsidiaries buy coke from local sources to optimize cost savings from transport efficiencies.

Mittal Steel procures the majority of its scrap requirements internally due to its integrated steel making facilities and direct reduced iron facilities. In addition, scrap is sourced through hot metal supply contracts entered into by its European operating subsidiaries. Scrap is typically procured locally, to optimize savings from transport efficiencies.

Mittal Steel procures its electricity requirements from local, regulated utility companies at prices fixed by either contract or tariff, except at its locations in the United States where a significant portion of its electricity requirements are purchased from onsite generation owned by third parties.

Mittal Steel procures most of its natural gas requirements from the natural gas spot market or through short-term contracts entered into with local suppliers of natural gas with prices fixed by either contract or tariff based on spot market prices.

---

1 All references herein to shipments are to shipments of steel products and include certain intercompany quantities, unless otherwise noted.

## **Table of Contents**

### **Management**

The Chairman and Chief Executive Officer of Mittal Steel is Mr. Lakshmi N. Mittal. Mr. Mittal's vision and his ability to guide Mittal Steel in its formulation and execution of appropriate business strategies to meet the challenges of an increasingly dynamic industry and business environment, have helped it to emerge as a world leader in the steel industry, with a global manufacturing and marketing presence.

For the purposes of global strategy formulation, planning and central functions, the global operations of Mittal Steel are divided into three regions: the Americas, Europe and Rest of World. Operating subsidiaries at each of the regions have their own manufacturing, engineering and commercial organizations and operate as profit centers within the framework of Mittal Steel's global and regional business strategies.

Within corporate and, where appropriate, regional management there are specialized and experienced executives in fields such as finance, marketing, purchasing, operations, shipping, human resources, communications, internal assurance, strategic planning, technology and law.

Mittal Steel implements a Knowledge Management Program, or KMP. KMP is intended to develop, share and utilize the knowledge and experience of Mittal Steel in order to accelerate improvements in business performance. KMP are quality, cost and efficiency improvement programs designed to allow each subsidiary to benefit from the best practices of Mittal Steel. KMP includes meetings between senior and middle level managers at Mittal Steel to share technical and operating experiences and expertise, coordinate activities and to receive updates as to technical and commercial developments and company-wide practices, as well as focused technical efficiency programs, undertaken on a centralized basis. Mittal Steel believes that KMP contributes to reducing procurement and conversion costs through bulk purchasing and improving overall profitability and operating efficiencies through mutual assistance.

### **Marketing and Sales**

Mittal Steel's marketing strategy is to work with its customers on product development to meet their present and future requirements while utilizing its assets in the most efficient and profitable manner. Mittal Steel focuses its efforts on providing solutions to its customers to reduce their costs and becoming their preferred supplier of high quality steel products.

The large majority of Mittal Steel's products are sold directly to customers through its own sales force. A small portion of its products are sold to intermediate international traders.

### **Organizational Structure**

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

---

\* Each of these companies, directly or indirectly, accounts for 10% or more of the net sales of Mittal Steel.

**Table of Contents**

The following table sets forth the registered office of each significant operating subsidiary of Mittal Steel.

<b>Subsidiary</b>	<b>Registered Office</b>
<i>Americas</i>	
Ispat Inland Inc.	3210 Watling Street East Chicago, IN 46312 U.S.A.
Ispat Mexicana, S.A. de C.V.	Fco. J. Mújica No. 1-B Apartado Postal No. 19-A Cd. Lázaro Cárdenas, Mich C.P. 60950 México
Ispat Sidbec Inc.	4000 route des Acieries Contrecoeur (Québec) J0L 1C0 Canada
Caribbean Ispat Limited	Mediterranean Drive Point Lisas Couva Trinidad and Tobago
<i>Europe</i>	
Ispat Europe Group S.A.	34-38 Avenue de la Liberté L-1930 Luxembourg Luxembourg
Ispat Polska Stahl SA	Ul Chorzowska 50, 40-121 Katowice, Poland
Ispat Sidex SA	Strada Smardan nr. 1 800.698, judetal Galati Romania
Ispat Nova Hut	Vratimovska 689, Ostrava 7, Ostrava-Kuncice, Czech Republic
<i>Rest of World</i>	
Ispat Karmet OJSC	472319 Termitau City, Lenin Avenue 1, Kazakhstan
Ispat Annaba Spa	Sidi Amar, El-Hadjar Complex B.P. 2055, Annaba 2300, Algeria
Iscor Ltd	Ispat Corporate Centre, Roger Dyason Road, Pretoria South Africa/P.O. Box 450, Pretoria 001, South Africa

**Property, Plant and Equipment**

Mittal Steel's principal operating subsidiaries in the Americas are Inland, Imexsa, Sidbec and CIL; in Europe are Polska, Sidex, Ispat Nova Hut and IEG; and in the Rest of World are Ispat Karmet, Ispat Annaba and Iscor. In addition, Mittal Steel conducts operations through other subsidiaries and affiliates. All of its operating subsidiaries are substantially owned by Mittal Steel through intermediate holding companies.

**Table of Contents**

Certain of Mittal Steel's assets are encumbered in favor of its lenders. See Note 9 to Mittal Steel's Supplemental Combined Financial Statements.

*Americas*

*Ispat Inland Inc.*

**General.** Ispat Inland Inc., or Inland, is the fourth largest integrated producer of steel in the United States, with shipments of 5.3 million tons in 2003. Inland was established in 1893, and all raw steel made by Inland is produced at its Indiana Harbor Works located in East Chicago, Indiana. The property on which this plant is located, consisting of approximately 1,900 acres, is held by Inland in fee. The basic production facilities of Inland at its Indiana Harbor Works consist of blast furnaces for making iron; basic oxygen and electric furnaces for making steel; a continuous billet caster, a continuous combination slab/bloom caster and two continuous slab casters; and a variety of rolling mills and processing lines that produce finished steel mill products. A continuous annealing line and slitting equipment are leased by Inland. Inland has granted the PBGC a lien upon the caster facility to secure the payment of future pension funding obligations. Substantially all of the remaining property, plant and equipment at the Indiana Harbor Works, other than the caster facility and leased equipment, is subject to the lien of the First Mortgage of Inland dated April 1, 1928, as amended and supplemented. The Indiana Harbor Works is also subject to a second lien in favor of the USWA to secure a post-retirement health benefit.

I/N Tek, a partnership in which a subsidiary of Inland owns a 60% interest, has constructed a 1.7 million ton annual production capacity cold-rolling mill on approximately 200 acres of land, which it owns in fee, located near New Carlisle, Indiana. Substantially all of the property, plant and equipment owned by I/N Tek is subject to a lien securing related indebtedness. The I/N Tek facility is adequate to serve the present and anticipated needs of Inland planned for such facility.

I/N Kote, a partnership in which a subsidiary of Inland owns a 50% interest, has constructed a one million ton annual production capacity steel galvanizing facility on approximately 25 acres of land, which it owns in fee, located adjacent to the I/N Tek site. Substantially all of the property, plant and equipment owned by I/N Kote is subject to a lien securing related indebtedness. The I/N Kote facility is adequate to serve the present and anticipated needs for galvanized products of Inland planned for such facility.

PCI Associates, or PCI, a partnership in which a subsidiary of Inland owns a 50% interest, has constructed a pulverized coal injection facility on land located within the Indiana Harbor Works. Inland leases PCI Associates the land upon which the facility is located. A 50% undivided interest in substantially all of the property, plant and equipment at the PCI facility is subject to a long-term lease, with the balance of the PCI facility owned by PCI Associates. The PCI facility is adequate to serve the present and anticipated needs of Inland planned for such facility.

Inland owns property at the Indiana Harbor Works used in connection with a joint coke and energy production project with Sun Coal Company and Primary Energy LLC.

A subsidiary of Inland owns a fleet of 350 coal hopper cars (100-ton capacity each) used in unit trains to move coal and coke to the Indiana Harbor Works. Inland time-charters three vessels for the transportation of iron ore and limestone on the Great Lakes. During 1998, Inland transferred ownership of such vessels to a third party subject to a lien in favor of the PBGC on the vessels to secure the payment of future pension funding obligations. Such equipment is adequate, when combined with purchases of transportation services from independent sources, to meet the present and anticipated transportation needs of Inland.

Inland also owns and maintains research and development laboratories in East Chicago, Indiana. These facilities are adequate to serve its present and anticipated needs.

**Table of Contents**

**Production Facilities.** The following table sets forth a general description of Inland's principal production units at the Indiana Harbor Works.

Facility	Capacity (per year)	Production (2003)(1)
3 blast furnaces	5.7 million tons of hot metal	4.2 million tons
2 basic oxygen furnaces	5.9 million tons of liquid steel	4.7 million tons
3 slab and bloom casters	5.6 million tons	4.6 million tons
80 Hot strip mill	6.0 million tons	5.1 million tons
Cold rolling mill:		
2 continuous pickle lines	3.1 million tons	2.4 million tons
56 and 80 tandem mill	3.7 million tons	2.4 million tons
Continuous annealing facilities	457,000 tons	304,000 tons
Batch annealing facility	1.7 million tons	1.6 million tons
3 temper rolling mills	2.9 million tons	2.1 million tons
5 finishing lines	2.1 million tons	1.7 million tons
3 coating lines	928,000 tons	750,000 tons
1 electric arc furnace	610,000 tons of liquid steel	372,000 tons
1 continuous billet caster	800,000 tons	359,000 tons
12 bar mill	700,000 tons	522,000 tons

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

**Products.** Inland produces and sells a wide range of steel products, largely carbon and high-strength low-alloy steel grades, in flat-rolled and bar forms. Flat products generated 89% of Inland's 2003 revenue. This division manufactures and sells hot-rolled, cold-rolled, coated and galvanized steel sheets used in various applications including automotive, steel service center, appliance, office furniture and electrical motor markets. Inland's flat products division also manages Inland's iron ore and iron-making operations, and produces the major portion of its raw steel requirements. Inland is one of the leading producers in the United States of automotive sheet, the highest value-added flat-rolled carbon steel product, and one of the largest suppliers of steel to the appliance market. Over 80% of Inland's flat-rolled steel revenues are generated by value-added cold-rolled or coated steels. Nearly all of Inland's steel products are made to fill specific orders due to the unique chemistry, surface quality, and width and gauge requirements of our customers.

Inland's bar division generated 11% of Inland's 2003 revenue, and manufactures and sells a variety of bar products, including SBQ to the automotive industry directly, as well as to forgers and cold finishers, and also to heavy equipment manufacturers and steel service centers. SBQ steel is used by our customers in the automotive, agricultural and transportation industries, among others, to manufacture products such as axles and bearings.

**Ispat Mexicana, S.A. de C.V.**

**General.** Ispat Mexicana, S.A. de C.V., or Imexsa, is the largest steel producer in Mexico. Imexsa operates a pelletizer plant, two direct reduced iron plants, an electric arc furnace-based steel making plant and continuous casting facilities. Imexsa has advanced secondary metallurgical capabilities, including ladle refining, vacuum degassing and calcium silicon injection, which permit it to produce higher quality slabs that are used for specialized steel applications in the automotive, line pipe manufacturing, shipbuilding and appliance industries.

Imexsa's production facilities are located on 1,075 acres adjacent to a major deep water port in Lazaro Cardenas, Michoacan, Mexico, through which most of its slabs are shipped for export and its raw materials are received. The port is the largest bulk material handling port in Mexico and the second largest bulk material

**Table of Contents**

handling port in Latin America. The port includes a metals and minerals wharf with three berths, operated by our joint venture, Corporacion del Balsas, S.A. de C.V., or Corporacion del Balsas, under a concession from the Mexican government, which expires in 2014, and a multipurpose terminal berth operated by Imexsa, which currently accepts vessels up to Handymax size. Imexsa operates the multipurpose terminal berth under a concession from the Mexican government, which expires in 2010.

During 2003, Imexsa received re-certification for QS 9000 through 2006 (previously obtained in 1999 and valid through 2003) and holds several certifications for manufacturing customer specific shipbuilding grades of steel. Some of the value-added products developed in 2003 were heat-treatment grades for plate manufacturing, oil country tubular goods, high chromium grade for oil exploration applications and also for the gas transportation industry. As part of moving up the value chain, Imexsa has invested \$13.6 million in a Ruhrstahl Heraeus Top Lance, or RHTL, plant. The new plant, which commenced operations in October 2004, will enable it to produce up to 1.0 million tons of ultra low carbon interstitial free steel mainly for the automobile segment. Imexsa (through an affiliate) is also constructing an oxygen gas plant, in which it is investing \$10.5 million and which is expected to be operational by the end of March 2005. Since its inception, Imexsa has been an export-focused company. In 2003, approximately 71% of Imexsa's slabs were exported to finished steel product manufacturers in China, Germany, Korea, Thailand and the United States.

In addition to its core steel-making facilities, Imexsa holds a 50% equity interest in Pena Colorada, an iron ore mining and pelletizing company which has the capacity to produce 4.0 million tonnes of pellets, of which Imexsa's share is 50%. Imexsa also has strategic interests in several other ancillary companies, which provide significant benefits. These include:

a 50% interest in Corporacion del Balsas, which manages captive port facilities for handling raw materials;

a 50% interest in Servicios Siderurgicos Integrados, S.A. de C.V., which provides various products such as industrial gas and services to Imexsa, at its cost of producing these services; and

a 50% interest in Cal del Balsas, S.A. de C.V., which produces lime products.

**Production Facilities.** The following table sets forth a general description of Imexsa's principal production units:

Facility	Capacity (per year)	Production (2003)(1)
Pelletizer plant	4.0 million tonnes of pellets	3.2 million tonnes
Direct reduced iron plant	2.4 million tonnes of direct reduced iron	2.0 million tonnes
Direct reduced iron plant	1.7 million tonnes of direct reduced iron	1.5 million tonnes
4 electric arc furnaces	4.0 million tons of liquid steel	3.3 million tons
2 continuous casters	3.8 million tons of slabs	3.1 million tons
Thermal power station	40 megawatts (two 20-megawatt units)	88.24 million kwh

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

**Products.** Imexsa is the world's largest supplier of slabs to the merchant market. Slabs are purchased both by steel manufacturers without primary steel-making facilities and by steel manufacturers with either a temporary or permanent reliance on external sources for a portion or all of their needs. Imexsa's product line mainly caters to high-end applications of its customers.

Imexsa utilizes direct reduced iron as its primary metallic input for virtually all of its production.

**Table of Contents*****Ispat Sidbec Inc.***

**General.** Ispat Sidbec Inc., or Sidbec, is the fourth largest steelmaker in Canada, based on 2003 shipments of approximately 1.6 million tons of finished steel products. Sidbec is currently the only Canadian steelmaker utilizing internally produced direct reduced iron as the primary raw material for steel making.

**Production Facilities.** Sidbec's facilities are located in the Province of Quebec on approximately 1,050 acres of land in Contrecoeur, 100 acres in Longueuil and 23 acres in Montreal. The following table sets forth a general description of Sidbec's principal production facilities.

Facility	Capacity (per year)	Production (2003)(1)
2 direct reduced iron plants	1.5 million tonnes of direct reduced iron	503,000 tonnes
2 electric arc furnaces	1.8 million tons of liquid steel	1.7 million tons
1 continuous slab caster	900,000 tons of slabs	800,000 tons
1 six-strand billet caster	900,000 tons of billets	800,000 tons
Hot strip mill	683,000 tons of hot bands	640,000 tons
Cold rolling mill:		
Pickling line	470,000 tons	430,000 tons
2 cold-rolling mills	470,000 tons	379,000 tons
19 annealing furnaces	330,000 tons	261,000 tons
1 temper mill	330,000 tons	261,000 tons
2 rod and bar mills	860,000 tons of rods and bars	718,000 tons
1 pipe mill	109,000 tons of pipe	76,000 tons

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

**Products.** Sidbec manufactures a wide range of steel products, including hot, cold and galvanized sheet, wire rods, bar and pipe products, and markets these products primarily in Canada and the United States.

***Caribbean Ispat Limited***

**General.** Caribbean Ispat Limited, or CIL, located in Trinidad and Tobago, is the largest steelmaker in the Caribbean, based on 2003 shipments of one million tons of steel products. CIL operates direct reduced iron plants, an electric arc furnace-based steel-making plant, continuous casting facilities and a high-speed rolling mill.

**Production Facilities.** CIL's facilities are located on approximately 260 acres at the Point Lisas Industrial Complex in Point Lisas, Couva, Trinidad and Tobago. CIL leases the property on which the facilities are located from Point Lisas Industrial Port Development Company, or PLIPDECO. On February 12, 1996, CIL and PLIPDECO entered into a lease agreement extending the terms of the lease of such property until April 10, 2038. The following table and discussion set forth a general description of CIL's principal production facilities.

Facility	Capacity (per year)	Production (2003)(1)
2 direct reduced iron plants	1.3 million tonnes of direct reduced iron	965,000 tonnes
	1.4 million tonnes of direct reduced iron	1,310,000 tonnes
2 electric arc furnaces	1.2 million tons of liquid steel	1,029,000 tons
2 continuous casters	1.1 million tons of billets	988,000 tons
1 rod mill	810,000 tons of wire rods	706,000 tons

**Table of Contents**

- (1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

CIL's production facilities are located adjacent to a dedicated deep water dock facility near the waterfront of the Gulf of Paria. CIL operates the facility, which is leased from National Energy Corporation of Trinidad and Tobago Limited through 2015, for the receipt and dispatch of various raw materials, consumables and finished products. The berth of the dock facility has a service length of about 450 yards and a depth of 45 feet. The primary imported materials received at the dock are iron ore pellets and limestone.

**Products.** CIL produces wire rods for use in a wide range of industrial applications, including the manufacture of welding electrodes, cables, chains, springs, fasteners, wire strands and wire ropes, pre-stressed concrete strands, tire beads, as well as in the construction industry. In 2003, substantially all of CIL's wire rod shipments were exported, primarily to steel fabricators in South and Central America, the Caribbean and the United States. CIL is also a significant producer, exporter, and user of direct reduced iron.

**Europe****Ispat Europe Group S.A.**

**General.** Ispat Europe Group S.A., or IEG, is the holding company of all our operating subsidiaries in Germany and France. The principal steel-making operations are in Hamburg, Germany, Duisburg, Germany, Unimetal, France. In addition, it has a number of downstream facilities in Belgium, France, Germany, Italy and the United Kingdom. The downstream business is one of the largest in Europe.

**Production Facilities.** The following table sets forth a general description of IEG's principal production units.

Facility	Capacity (per year)	Production (2003)(1)
1 direct reduced iron plant	600,000 tonnes	565,000 tonnes
2 electric arc furnaces	2,800,000 tons of liquid steel	2,200,000 tons
4 continuous casters	6,300,000 tons of billets/blooms	3,525,000 tons
2 billet rolling mills	2,000,000 tons of billets	1,147,600 tons
3 wire rod mills	2,992,000 tons of wire rods	2,098,200 tons

- (1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

**Products.** IEG's principal products are wire rods, bars, billets and blooms, and IEG's subsidiaries are the largest producers of high quality wire rods in Europe. In addition, IEG's downstream facilities produce wires for various applications, including springs, elevator ropes, hoisting ropes, wire mesh and bright drawing bars.

**Ispat Polska**

**General.** Mittal Steel currently holds a 70.5% interest in Ispat Polska, as well as the irrevocable right, as agreed by Mittal Steel and the Polish state authorities, to purchase an additional 25% interest in Ispat Polska from Polish state authorities.

Ispat Polska, formerly Polski Huty Stali S.A., or PHS, took control of the businesses of four steel companies in 2003: Huta Katowice S.A., Huta T. Sendzimira S.A., Huta Florian S.A. and Huta Cedler S.A., all of which were then Polish state-owned enterprises. Ispat Polska is the largest steel producer in Poland, with an annual production capacity of approximately 8.3 million tons of crude steel. The agreement for the acquisition of Ispat Polska by Mittal Steel was concluded in October 2003 and the acquisition was completed.



**Table of Contents**

in March 2004. The major operations of Ispat Polska are based in Dabrowa Gornicza, Krakow, Sosnowiec and Swietochlowice, Poland.

Ispat Polska produces a wide range of steel products, including both long products (including billets, blooms, sections, rails, and wire-rods and tubes) and flat products (including slabs, hot-rolled products, cold-rolled products and galvanized and coated coils).

The sale of Ispat Polska by the government of Poland was part of its initiative to restructure its national steel industry. Pursuant to the acquisition agreement, Mittal Steel committed to make capital expenditures of \$623 million through December 2009, as well as to comply with the PHS restructuring plan that the government of Poland agreed with the European Commission as part of the European Union accession process, including the shutdown of some rolling and finishing facilities and minimum employment levels. Approximately \$515 million of the required capital investment is expected to be completed by the end of 2006, including construction of a continuous slab caster, modernization of rolling mills at Krakow and Sosnowiec and construction of a color coating line.

In connection with the combination of four steel companies into Ispat Polska, Ispat Polska also became the owner of shares in a number of related companies. Some of these subsidiaries operate rolling mills that engage in converting billets, slabs and other semi-finished products into a range of finished products.

**Production Facilities.** The following are the principal production facilities of Ispat Polska:

Facility	Capacity (per year)	Production (2003)(3)
<b>(Thousand tons, except as noted)</b>		
13 coke oven batteries(1)	5,340 thousand tonnes	5,191 thousand tonnes
2 sintering plants	8,200 thousand tonnes	7,732 thousand tonnes
5 blast furnaces (four operational)	7,385	6,133
2 converter plants with six basic oxygen furnaces	8,377	6,797
2 continuous steel casters (for billets and blooms)	3,307	2,937
1 continuous steel caster (for slabs)	1,984	1,919
Breakdown mill	2,646	1,789
Continuous billet mill	1,102	827
Hot rolling mill	2,205	1,823
Cold rolling mill	1,929	945
Heavy-section mill	1,047	1,059(2)
Medium-section mill	937	941(2)
Galvanizing line	300	258
Wire rod mill	606	541
Tube mill	276	116
Cold rolled strip plant	88	88
Wire plants	120	115

- (1) Includes coke production of Zaklady Koksownicze Zdzeszowice, a subsidiary of Ispat Polska.
- (2) Production in excess of the stated capacity is possible by adjusting the facility loading and product mix.
- (3) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production number will not give the quantity of saleable finished steel products.

**Products.** Ispat Polska's product range includes slabs, billets, blooms, sections, hot-rolled sheets and strips, cold-rolled sheets and strips, galvanized sheets, welded tubes, wire-rods and other wire products and coated sheets.

**Table of Contents**

More than 50% of Ispat Polska's products are sold in the domestic market, while the remainder are exported, primarily to customers located in other member states of the European Union. Ispat Polska ships its products primarily to customers in the construction, engineering, transport, mining and automotive industries.

***Ispat Sidex***

**General.** Mittal Steel acquired 91.6% of Combinatul Siderurgica Sidex S.A. Galati, now Ispat Sidex, from the Authority for Privatization and Management of State Ownership of Romania in November 2001, and increased its interest to 99.4% in September 2003. Ispat Sidex operates the largest integrated steel plant in Romania and is among the largest producers of steel in Central and Eastern Europe.

According to its own estimates, Ispat Sidex produces over 75% of the total steel consumption in Romania. Ispat Sidex enters into long-term agreements with domestic customers in the shipbuilding, construction, automotive and appliance sectors.

In connection with its acquisition by Mittal Steel, Ispat Sidex agreed with the Romanian government to make capital expenditures of approximately \$251 million from November 2001 through December 2006, of which \$76 million is to be used for environmental projects, as well as a further \$100 million in capital expenditures from 2007 through 2011. These investments are secured by a pledge of a portion of Mittal Steel's shares in Ispat Sidex. These investments, which have totaled \$143 million through December 2003, have included modernizing a slab caster, pickling line, tandem mill and re-heating furnaces in the hot-rolling and plate mill; reconstructing a coke oven battery; implementing new computer software; and investments in equipment for desulphurizing coke oven gas.

Mittal Steel has provided employment commitments for a five-year period from the date of its acquisition of Ispat Sidex during which it agreed not to engage in any collective dismissals of employees at Ispat Sidex. Pursuant to the acquisition agreement, Ispat Sidex is also exempt from enforcement of certain Romanian fiscal and environmental laws until such time as Romania joins the European Union and exempt from certain taxes and duties.

**Production Facilities.** Ispat Sidex has a total annual production capacity of approximately 7.0 million tons of crude steel. The following table sets forth a general description of Ispat Sidex's principal production facilities:

Facility	Capacity (per year)	Production (2003)(1)
(Thousand tons, except as noted)		
6 coke ovens	2,212 thousand tonnes	1,637 thousand tonnes
3 sintering plants	8,150 thousand tonnes	5,670 thousand tonnes
5 blast furnaces	6,750	4,493
6 basic oxygen furnaces	7,055	5,006
4 continuous slab casters	3,913	4,356(2)
5 continuous bloom casters	596	398
1 billet mill	661	371
2 heavy plate mills	2,315	1,689
1 hot strip mill	3,527	2,256
Cold rolling mill	1,742	826
Hot dip galvanizing line	220	187
Welded pipe plant	49	22

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

(2) Production in excess of the design capacity is achieved by improved control and production parameters.

**Table of Contents**

**Products.** Ispat Sidex produces and markets a large variety of products, including slabs, billets, plates, hot rolled, cold rolled and galvanized sheet and large diameter longitudinally welded pipes. Approximately 25% of its products are sold domestically. Sales outside the domestic market, Europe, Canada and the United States are made by LNM Marketing.

**Ispat Nova Hut**

**General.** In January 2003, Mittal Steel acquired a 69.7% interest, which increased to approximately 84.3% voting interest, in Ispat Nova Hut, the largest steel producer in the Czech Republic. This includes voting rights due to 13.9% of Ispat Nova Hut's shares that Mittal Steel does not own but are to be transferred to it following the resolution of a dispute between the government of the Czech Republic and another party. The sale of Ispat Nova Hut by the government of the Czech Republic was part of an initiative to restructure the Czech steel industry. Mittal Steel made capital expenditure commitments totaling \$243 million over 10 years, including \$135 million from 2003 through 2007 and \$20 million for environmental improvements. Upon acquisition, Mittal Steel rescheduled the debt obligations of the Nova Hut Group with a consortium of Czech and international banks and led by the International Finance Corporation.

Ispat Nova Hut has an annual production capacity of over 3.6 million tons of crude steel.

In connection with the acquisition, Ispat Nova Hut also committed to follow the medium term restructuring plan approved by the European Commission. This plan includes reductions in capacity and employment levels and contributions for developments in the surrounding region.

**Production Facilities.** Ispat Nova Hut's production facilities are located in Ostrava, Czech Republic. The sinter plant and blast furnaces, although located on the same site as the remainder of the production facilities, are owned and operated by Vysoké Pece Ostrava, a.s., in which Mittal Steel has a total interest of 83%. The following table sets forth a general description of Ispat Nova Hut's principal production facilities:

Facility	Capacity (per year)	Production (2003)(2)
(Thousand tons, except as noted)		
3 coke ovens	1,500 thousand tonnes	1,493 thousand tonnes
2 sinter plants(1)	3,640 thousand tonnes	3,380 thousand tonnes
4 blast furnaces(1)	3,789	3,675
Steel mill with 4 open hearth tandem furnaces	3,638	3,404
3 continuous casters	3,667	3,345
Hot strip mill	1,217	1,007
2 section mills	1,400	1,306
Wire rod mill	675	649
2 seamless tube mills	315	303
Spiral welding shop	50	46
Power plant	201 MW	1,507 GWh

(1) Owned and operated by Vysoké Pece Ostrava, a.s.

(2) Production facility details include the production numbers for each step in the steel making process. Output from one step in the process is used as input in the next process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

Ispat Nova Hut also has a controlling ownership share in several other small operating companies, including cold-rolling mills, hot-rolling mills and a welded tube manufacturer.

**Products.** Ispat Nova Hut produces mostly long products. Over 40% of Ispat Nova Hut's production is sold in the domestic market, and the remainder is sold primarily to customers in other European countries. Ispat Nova Hut sells most of its production directly to end users, primarily in the engineering, automotive and construction industries, as well as to stockists (small-lot resellers).



**Table of Contents***Rest of World**Ispat Annaba SPA*

**General.** Ispat Annaba, located in Algeria, is a joint venture entered into in October 2001 between Mittal Steel and Groupe Sider, or Sider, an agency of the government of the Republic of Algeria, pursuant to which Mittal Steel acquired a 70% ownership in Ispat Annaba. Mittal Steel simultaneously acquired a 70% interest in Ispat Tebessa, an iron ore producer that supplies Ispat Annaba, from Enterprise Publique Economique du Fer et du Phosphate, or Ferphos. Mittal Steel also has a right of first refusal on the purchase of the remaining 30% of Ispat Annaba and Ispat Tebessa should either Sider or Ferphos, respectively, sell its remaining interest. Ispat Annaba is the only integrated steel plant in Algeria, with an annual production capacity of approximately 2.0 million tons of crude steel. Ispat Annaba also owns port facilities at Annaba, which is located approximately 17 km away from its steel producing operations, for handling exports of steel products and imports of raw materials.

In connection with its acquisition, Mittal Steel provided capital expenditure commitments for Ispat Annaba of \$140 million (of which environmental investment commitments amount to \$25 million) over 10 years from the date of acquisition, including minimum investment of \$80 million and a minimum shipping level of 1.3 million tons per year by October 2006. Mittal Steel also provided employment commitments extending through October 2005 during which it agreed that it would not undertake any collective dismissals and agreed to provide a working capital facility of \$15 million for five years. Mittal Steel also agreed to make capital expenditures of \$30 million at Ispat Tebessa, \$20 million of which is to be invested through 2006.

**Production Facilities.** Ispat Annaba's production facilities consist of six basic oxygen furnaces and one electric arc furnace. Ispat Annaba completed the modernization of its hot strip mill in 2002, and completed construction in March 2004 of a new bar mill with an annual production capacity of 400,000 tons.

The following table sets forth a general description of Ispat Annaba's principal production facilities:

Facility	Capacity (per year)	Production (2003)(1)
(Thousand tons, except as noted)		
2 coke making batteries (1 operational)	565 thousand tonnes	574 thousand tonnes(2)
1 sintering plant	3,170 thousand tonnes	1,865 thousand tonnes
2 blast furnaces	1,896	1,048
6 basic oxygen furnaces and one electric arc furnace	1,989	1,157
Hot rolling mill	1,984	563
Cold rolling mill	992	310
2 bar and rod mills	896	331(3)

- (1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.
- (2) Production in excess of capacity is achieved by adjusting the coal blend.
- (3) New bar mill completed in March 2004.

**Products.** Ispat Annaba produces both long and flat products. The flat product range includes slabs, hot rolled and cold-rolled coils and sheets, hot-dipped galvanized products and tin plates, and the long product range includes billets, wire-rods, rebars and seamless tubes. Ispat Annaba supplies products primarily to the construction, housing, engineering, packaging and petrochemical industries.

Approximately two-thirds of Ispat Annaba's products are sold domestically, with large quantities exported to customers in Europe and the Maghreb region of northern Africa.

**Table of Contents*****Ispat Karmet OJSC***

**General.** Mittal Steel acquired steel manufacturing facilities in the Karaganda region of the Republic of Kazakhstan in November 1995 from the government of the Republic of Kazakhstan. Mittal Steel subsequently acquired a nearby power plant and coal and iron ore mines. These facilities are now all held by Ispat Karmet and its subsidiaries. Since its acquisition by Mittal Steel, Ispat Karmet's annual shipments of finished products have increased from the pre-acquisition level of 2.5 million tons to 4.1 million tons in 2003. This increase has been accomplished primarily by investment in Ispat Karmet's operating equipment and through application of the operating, financial, procurement and marketing strategies and strengths of Mittal Steel. The share of Ispat Karmet's value-added products, primarily cold-rolled and coated products, in its total output has increased from 6% in 1995 to over 55% in 2003.

In December 2001, Ispat Karmet signed an investment agreement with the government of the Republic of Kazakhstan, pursuant to which Ispat Karmet agreed to make capital expenditures of approximately \$580 million. Total related capital expenditures through the six months ended June 30, 2004 were \$318 million. These capital expenditures have included reconstructing blast furnaces, constructing a continuous caster, constructing a coke oven battery, constructing a tin plate rolling mill and establishing a galvanizing line. Ispat Karmet is also constructing two twin strand slab casters and conducting a major overhaul of a blast furnace. Ispat Karmet plans to construct a color coating line, an additional cold rolling mill, a coke oven battery and a tinning line in 2005 and 2006.

Mittal Steel has also agreed not to undertake collective dismissals with respect to Ispat Karmet employees. In connection with the acquisition of Ispat Karmet, Mittal Steel was also exempted from compliance with certain changes in environmental laws for 10 years from the date of acquisition.

**Production Facilities.** Ispat Karmet's integrated steel plant consists of three basic oxygen furnace and four blast furnaces, with a total annual production capacity of 6.6 million tons of crude steel. Ispat Karmet's rolled steel is shipped to customers in coil, strip or sheet form. In 2002, Ispat Karmet obtained EN ISO 9001-2000 certification for one of its galvanizing lines and in 2003 it obtained this certification for its rolling mills.

Over 90% of Ispat Karmet's production is exported, and the production that is sold domestically accounts for nearly all domestic steel consumption.

The following table sets forth a general description of Ispat Karmet's principal production facilities:

Facility	Capacity (per year)	Production (2003)(1)
(Thousand tons, except as noted)		
5 coke oven batteries	2,470 thousand tonnes	2,483(2) thousand tonnes
1 sintering plant	6,500 thousand tonnes	6,378 thousand tonnes
4 blast furnaces	4,768	4,560
3 basic oxygen furnaces	5,732	5,410
2 slab mills	6,614	4,755
1 hot strip mill	5,071	4,329
2 cold rolling mills	2,632	2,369
3 electrolytic tinning lines	413	297
2 hot-dip galvanizing and aluminum-zinc coating lines	883	794

(1) Production facility details include the production numbers for each step in the steel-making process. Output from one step in the process is used as input in the next step in the process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

(2) Production in excess of the stated capacity is possible by adjusting the facility loading and product mix.

**Products.** Ispat Karmet's product range of flat steel products includes pig-iron, slabs, hot and cold-rolled coils and sheets, black-plates, covers, tin-plates, hot-dipped galvanized products and pipes.



**Table of Contents**

Ispat Karmet sells steel products to a range of industries, including the tube and pipe making sectors, and manufacturers of consumer goods and appliances. Export sales of products manufactured by Ispat Karmet other than to customers in Europe, the Russian Federation and other CIS countries are conducted by LNM Marketing. LNM Marketing purchases steel products from Ispat Karmet pursuant to an agreement that extends through 2009, according to which prices are based on historical averages, increased annually at a fixed rate.

A significant percentage of Ispat Karmet's production is exported to China and other countries in West, Central and Southeast Asia.

***Iscor Ltd.***

**General.** Iscor Ltd. is the largest steel producer in Africa, and has an installed annual production capacity of 9.2 million tons of crude steel. In 2001, Mittal Steel acquired 8.26% of the shares in Iscor, and increased its interest to 34.8% through additional purchases during 2002. In December 2002, Mittal Steel made an offer to Iscor shareholders to acquire up to an additional 12.19% of Iscor's issued share capital. This offer was fully subscribed, and acquisition of these shares was completed in February 2003, as a result of which Mittal Steel's ownership of Iscor increased to 47%. In return for the offer, the shareholders agreed to waive their right to receive a mandatory offer when Mittal Steel's shareholding in Iscor exceeded 35%. By December 31, 2003, Mittal Steel had made additional purchases by which it increased its interest in Iscor to 49.99% and following approval from the South African Competition Tribunal, Mittal Steel acquired a further 2,000 shares in June 2004, increasing its shareholding in Iscor to slightly over 50%. Iscor is consolidated into Mittal Steel's financial statements from January 1, 2004.

Approximately 70% of Iscor's sales in 2003 were of flat products and 30% were of long products. According to its own estimates, Iscor has an overall domestic market share of approximately 66% in 2003.

**Production Facilities.** Iscor operates two integrated steel plants, a facility based on COREX furnaces and direct reduced iron facilities. Iscor has four production facilities: Vanderbijlpark Works and Saldanha Steel, which produce flat products, and Newcastle and Vereeniging Works, which produce long steel products. Iscor's Vanderbijlpark Works is located in South Africa's Gauteng Province and has an annual production capacity of 4.7 million tons. Saldanha Steel, based on South Africa's west coast near the deep-sea port of Saldanha, is a technologically modern facility with an annual production capacity of 1.4 million tons. Newcastle Works, located in the northern part of Kwa-Zulu Natal Province, has an annual production capacity of 2.0 million tons. Vereeniging Works located in Gauteng province, has an annual production



**Table of Contents**

capacity of 0.4 million tons of specialty steel products. The following table sets forth a general description of Iscor's principal production facilities:

Facility	Capacity	Production (2003)(1)
(Thousand tons, except as noted)		
10 coke oven batteries	2,853 thousand tonnes	2,213 thousand tonnes
2 sintering plants	4,643 thousand tonnes	4,159 thousand tonnes
5 direct reduced iron kilns and one MIDREX® converter	1,696 thousand tonnes	1,567 thousand tonnes
3 blast furnaces	4,950	4,942
1 COREX® C2000 furnace	876	779
5 basic oxygen furnaces	5,638	4,934
5 electric arc furnaces	3,590	2,876
2 ladle furnaces	3,086	2,063
Continuous casting four slab, two bloom and one billet casters	8,509	7,359
2 hot strip mills	4,335	4,261
1 hot plate mill	537	273
2 cold rolling mills with five stand tandem mills	1,669	1,367
Bar, rod and billet mills	3,412	3,072
Galvanizing lines two continuous, one electrolytic	645	504
2 tinning lines one continuous, one for cans	462	372
2 continuous pickling lines	1,769	1,628
2 continuous annealing lines	601	537
3 tempering mills	733	562

- (1) Production facility details include the production numbers for each step in the steel making process. Output from one step in the process is used as input in the next process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

**Business Assistance Agreement.** At the time of its initial investment in Iscor in November 2001, Mittal Steel entered into a Business Assistance Agreement, or the BAA, with Iscor, which expired on December 31, 2004. Within the framework of the BAA, Mittal Steel undertook to provide Iscor with business, technical, purchasing and marketing assistance; to assist Iscor in attaining additional sustainable savings; and to invest a minimum of \$75 million in acquiring a strategic shareholding in Iscor prior to March 2003. The agreement originally provided for Mittal Steel to be allotted a certain percentage of shares in Iscor through the end of 2004, contingent on the achievement of specified cost savings, but was amended in December 2003 to provide for payment in either shares or cash.

Mittal Steel received R613 million (approximately \$94 million) in cash as BAA remuneration in December 2003 for the sustainability period ending June 2003 and R731 million (approximately \$114 million) in cash as final remuneration in August 2004 for the sustainability period ending June 2004.

**Products.** Iscor's range of products includes hot-rolled sheets, cold-rolled sheet, coated-sheet, wire-rod and forged steel. Most of Iscor's production is sold domestically. Asia is its largest export market, though significant quantities are also sold to customers in Europe and other parts of Africa. Iscor's steel products are marketed internationally through Macsteel International B.V., a joint venture with Macsteel Holdings (Pty) Limited in which Iscor holds a 50% interest. Macsteel International purchases products from Iscor, and charges a contractual gross margin for its services with respect to these sales.

## **Table of Contents**

### **Government Regulation**

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

**Environmental Regulation.** Mittal Steel is subject to various environmental laws and regulations in the jurisdictions in which it conducts its operations. These regulations include requirements to obtain permits for certain emissions made in the ordinary course of its business and to conduct certain land and soil restoration activities. In connection with some of its acquisitions, Mittal Steel has also committed to make certain investments in pollution control measures and environmental abatement.

EU Directive 2004/35/ EC of April 21, 2004 on Environmental Liability with Regard to the Prevention and Remedy of Environmental Damage, or the Environmental Liability Directive, provides for remedies for damage to the environment. While the manner and impact of the implementation of the Environmental Liability Directive is not yet certain, Mittal Steel is closely monitoring the potential impact on its operations.

EU Directive 2003/87/ EC of October 13, 2003, or the Directive, established a program under which member states are allowed to trade greenhouse gas emission allowances within the European Community, subject to certain conditions. Member states must ensure that, from January 1, 2005, no installation undertakes certain activities specified in the Directive that results in emissions specified in relation to that activity unless its operator holds a permit issued by a competent authority. The Directive also establishes carbon dioxide emission trading starting from January 1, 2005.

The operations of Ispat Karmet are subject to oversight by the Ministry of Natural Resources and Environmental Protection of Kazakhstan, which establishes pollution limits and quotas. Relevant legislation imposes various fees for discharges of pollutants and other environmental damage and limits for discharges, and entities that emit pollution in excess of these amounts must pay higher rates. According to the terms of its acquisition by Mittal Steel, through 2005 Ispat Karmet is required to make annual expenditures on pollution control measures of at least KZT 200 million (approximately \$1.5 million) and to adhere to environmental regulations in effect as of November 17, 1995.

The operations of Ispat Inland Inc. are subject to environmental laws and regulations concerning emissions into the air, discharges into ground water and waterways, and the generation, handling, labelling, storage, transportation, treatment and disposal of waste material. These include various United States federal statutes regulating the discharge or release of pollutants to the environment, including the Clean Air Act, Clean Water Act, Resource Conservation and Recovery Act, or RCRA, Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, also known as Superfund, Safe Drinking Water Act and Toxic Substances Control Act, as well as state and local requirements. Violations of these laws and regulations can give rise to a variety of civil, administrative, and, in some cases, criminal actions and could also result in substantial liabilities or require substantial capital expenditures. In addition, under CERCLA the EPA has authority to impose liability for site remediation on waste generators, past and present site owners and operators, and transporters, regardless of fault or the legality of the original disposal activity. Liability under CERCLA is strict, joint and several.

**Foreign Trade.** Exports of steel products manufactured by Ispat Karmet require licenses from the Ministry of Industry and Trade of the Republic of Kazakhstan. Each export transaction requires an individual license.

**Foreign Exchange.** Some operations involving the South African rand are subject to limitations imposed by the South African Reserve Bank. For example, approval of the South African Reserve Bank is required in order to obtain foreign financing. These restrictions have not historically had a material impact on the operations of Iscor.

The purchase and sale of foreign currency by Kazakh residents (including individuals and legal entities) is restricted by the National Bank of Kazakhstan. Purchases and sales of foreign currency may only be conducted by residents through authorized banks or other authorized organizations. Payments in routine

## **Table of Contents**

currency operations may be made by residents of Kazakhstan to non-residents through authorized banks without restriction. Such routine currency operations include import/export settlements with payment within 180 days; short-term loans with terms of less than 180 days; dividends, interest and other income from deposits, investments, loans and other operations; and non-commercial transactions such as wages, pensions, and alimony. Operations involving the movement of capital from residents to non-residents require a license from the National Bank of Kazakhstan, and transactions involving the movement of capital from non-residents to residents must be registered with the National Bank of Kazakhstan. Licenses are issued on a case-by-case basis, and are valid only for a single transaction. These transactions include payments for exclusive rights to intellectual property; payments for rights to immovable property; settlements for import/export transactions and loans having terms of more than 180 days; and international transfers of pension assets and insurance and re-insurance contracts of an accumulative nature. Most transactions in which Ispat Karmet engages are not currently subject to licensing or registration requirements from the National Bank of Kazakhstan.

## **Litigation**

In addition to the matters discussed below, Mittal Steel is party to various legal actions arising in the ordinary course of business. Mittal Steel does not believe that the adverse determination of any such pending routine litigations, either individually or in the aggregate, will have a material adverse effect on its results of operations, financial condition or cash flows.

### *Americas*

In 1990, Inland was party to a lawsuit filed by the EPA under the RCRA. In 1993, Inland entered into the EPA Consent Decree, which, among other things, requires the investigation and remediation of the Indiana Harbor Works. At September 30, 2004 and December 31, 2003, Inland's reserves for environmental liabilities totaled \$36.9 million and \$36.8 million, respectively, \$22.2 million and \$22.1 million, respectively, of which is related to the sediment remediation under the EPA Consent Decree. At this time, it is not possible to accurately predict, beyond the currently established reserve, the amount of Inland's potential environmental liabilities.

In January 2005 Inland received a third party complaint by Alcoa Incorporated alleging that Inland is liable as successor to the interests of Hillside Mining Co., or Hillside, a company that Inland acquired in 1943, operated until the late 1940s and then sold in the early 1950s. It is alleged in the complaint that since Hillside was operating in the area at the same time as Alcoa, if Alcoa is found to be liable in the original suit that was filed against it by approximately 340 individuals who live in the Rosiclare area of southern Illinois, then Inland should also be found liable, and there should be an allocation to Inland of the amount that would be owed to the original plaintiffs. Those original plaintiffs are alleging that the mining and processing operations allowed the release of fluorspar, manganese, lead and other heavy metal contaminants, causing unspecified personal injury and property damage. Inland has also been identified as a potentially responsible party by the Illinois Environmental Protection Agency in connection with this matter. Inland has requested further information from the Illinois Environmental Protection Agency regarding their potential claim. It is not possible to accurately predict the amount of Inland's potential liability or whether this potential liability could materially affect Inland's financial position, but it does intend to defend itself fully in these matters.

On September 15, 2003, Inland entered into a settlement agreement with Ryerson Tull, pursuant to which Ryerson Tull paid Inland \$21 million to release Ryerson Tull from various environmental and other indemnification obligations arising out of the sale by Ryerson Tull of Inland to Ispat International in 1998. The \$21 million received from Ryerson Tull was paid into Inland's pension plan, and went to reduce the amount of a Ryerson Tull guaranty/letter of credit provided to the PBGC upon the sale of Inland. Inland also agreed with Ryerson Tull to, among other things, make specified monthly contributions to Inland's pension plan totaling \$29 million over the 12-month period beginning January 2004, thereby eliminating, by the end of such year, the obligation of Ryerson Tull to provide the continuing guaranty and letter of credit to the PBGC, which guaranty/letter of credit Inland had previously committed to take all necessary action to eliminate. On September 15, 2004, Inland contributed the remaining \$29 million. In addition, Inland committed to

**Table of Contents**

reimburse Ryerson Tull for the cost of the letter of credit to the PBGC and to give Ryerson Tull one-third of any proceeds that may become payable in connection with the Natural Resource Damages Act, or the NRDA, settlement under an environmental insurance policy.

In October 1996, Inland was identified as a potentially responsible party due to alleged releases of hazardous substances from its Indiana Harbor Works facility and was notified of the NRDA trustees' intent to perform an environmental assessment on the Grand Calumet River and Indiana Harbor Canal System. A form of consent decree has been negotiated, which was issued as a final order of the court in January 2005. Under the decree, Inland would pay approximately \$1.5 million in the first year and approximately \$1.7 million in each of the four years thereafter, for a total of approximately \$8.2 million. Inland has also incurred approximately \$0.5 million in costs related to this matter which will be payable within 30 days of the approval of the consent decree. Although Inland has taken an accounting reserve on this matter for approximately \$8.7 million, Inland currently believes that, as a result of related ongoing negotiations with the EPA, Inland will be able to reduce the amount of a separate \$28 million environmental reserve established concerning Inland's EPA Consent Decree by approximately \$7 million to \$9 million. Until such time as the matter is finally resolved, it is not possible to accurately predict, beyond the currently established reserve, the amount of Inland's potential liability or whether this potential liability could materially affect Inland's financial position.

Inland expects to make capital expenditures of \$2 million to \$5 million annually in each of the next five years for construction and have ongoing annual expenditures (non-capital) of \$35 million to \$40 million for the operation of air and water pollution control facilities to comply with current federal, state and local laws and regulations.

Inland's labor agreement with the USWA expired on July 31, 2004. Inland was negotiating a new collective bargaining agreement with the USWA prior to the announcement of the proposed merger. However, in connection with the merger, on October 24, 2004 the LNM Group (consisting of Ispat International and LNM Holdings), ISG and the USWA, executed a letter of understanding in which the parties agreed, among other things, that subject to ratification by the USWA's Inland membership and the completion of the merger, Inland's employees would be covered under the ISG collective bargaining agreement, as amended to include the terms agreed to pursuant to the letter of understanding and any other adjustments regarding Inland employees negotiated by the parties and consistent with the principles set forth under ISG's current collective bargaining agreement. The parties are currently negotiating an amendment to the ISG collective bargaining agreement. The parties expect these negotiations to be completed prior to the completion of the merger. Once the terms of the amended collective bargaining agreement are finalized among the parties, the USWA's Inland membership must ratify the agreement so that it is applicable to them.

In 2000 and 2002, U.S. petitioners sought to have antidumping and countervailing duties assessed against cold-rolled imports from 12 countries and 20 countries, respectively. On both occasions, the U.S. International Trade Commission, or the ITC, issued negative final injury determinations, effectively terminating the investigations. U.S. petitioners appealed the 2000 ITC decision to the U.S. Court of International Trade, or the CIT, which remanded that decision to the ITC on October 28, 2003. On April 30, 2004, the ITC published its revised findings and affirmed the previous determinations. U.S. petitioners appealed the 2002 ITC decision to the CIT; the appeal was denied by the CIT on February 19, 2004, upholding the ITC's final negative injury determination. Also, in May of 2004, the U.S. Department of Commerce and the ITC began a review of existing countervailing duty and antidumping orders against hot-rolled carbon steel flat products from Brazil, Japan and Russia that could result in the termination of such orders. Hearings are scheduled to occur in February and March 2005. These events could have an adverse impact on the financial condition of Inland. There are currently no amounts reserved in respect of existing countervailing duty and antidumping orders. Until such time as these matters are finally resolved, it is not possible to accurately predict the potential amount or range of possible loss related to the existing countervailing duty and antidumping orders or what the potential impact of any such loss on Mittal Steel's results of operations, financial position and liquidity might be. However, currently it is not anticipated that any such impact, if any, would be significant to Mittal Steel.

**Table of Contents**

Under the U.S. Continued Dumping and Subsidy Offset Act of 2000, or the CDSOA, commonly known as the Byrd Amendment, Inland was awarded approximately \$1.2 million in collected customs duties for the year 2002, \$2.1 million for 2003, and \$1.4 million for 2004, based on its participation in or support for various U.S. antidumping and countervailing duty cases. The payment is based on qualifying expenditures and is distributed to U.S. steel companies out of funds collected from foreign producers under antidumping and countervailing duty orders. On September 2, 2002, the World Trade Organization, or WTO, issued a final ruling condemning the CDSOA. In its ruling the WTO recommended that the United States repeal the Byrd Amendment in order to comply with its findings. The U.S. government has appealed the decision, but the future of the CDSOA and offset distributions is questionable.

In December 2001, CIL settled arbitration proceedings with respect to a scrap supply contract. This amounted to \$21 million, of which \$16 million was paid in cash and the balance of \$5 million is being paid in 12 quarterly installments, which started on March 31, 2002. No interest is to accrue on the remaining balance unless the remaining installments are not paid when due. During 2002, a claim by a third party for alleged entitlement to the settlement monies was the subject of separate proceedings in Trinidad, which has been settled without any additional liability for Mittal Steel.

In September 2003, the owners of a bulk cargo vessel commenced arbitration proceedings against CIL and an affiliate in connection with the loss of the vessel, which had been carrying a cargo of direct reduced iron supplied by CIL from Trinidad to Indonesia. Mittal Steel is unable to estimate the amount of liability, if any, arising from these proceedings. In October 2004, Ispat International provided cash security of \$9.4 million in accordance with a court order.

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 Sidbec, 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 Sidbec in 1994 and the plaintiffs are attempting to establish that Sidbec thereby assumed the liabilities of the former occupiers. The plaintiffs are now seeking to have the claim approved as a class action, though the court has not yet issued a decision on this matter. Mittal Steel Canada intends to file preliminary motions to set aside this claim at an early stage. Mittal Steel is currently unable to assess the outcome of these proceedings or the amount of Mittal Steel Canada's potential liability, if any.

***Europe***

In May 2003, the Irish government commenced proceedings against Imexsa and Ispat International, claiming certain environmental cleanup costs relating to the site of Irish Ispat, which was closed in 2001. See *MITTAL STEEL History and Development*. In April 2004, the Irish government filed a Notice of Discontinuance of its claim against Mittal Steel and served its Statement of Claim against Imexsa in May 2004. In October 2004, Imexsa served a Request for Further and Better Particulars of Statement of Claim. Mittal Steel is currently unable to assess the amount, if any, of Imexsa's liability.

In 1994, the European Commission raised claims of 47 million for repayment by DSG Dradenauer Stahlgesellschaft GmbH, or DSG, a former subsidiary of Mittal Steel, of loan amounts alleged to qualify as improper subsidies from the City of Hamburg. In April 2002, the European Court of Justice decided that the loan was an unauthorized subsidy under European Community law. DSG stated that the loan had been fully repaid. At first instance, the court in Hamburg, Germany confirmed the position of DSG. However, in April 2004, the High Court in Hamburg ruled that DSG is obliged to pay DM 1 million ( 0.5 million) to the City of Hamburg. DSG is appealing this decision. Mittal Steel cannot predict the final outcome of these proceedings. In August 2004, DSG filed for bankruptcy and a receiver was appointed by the court. In August 2002, DSG was sold and consequently is no longer a subsidiary of Mittal Steel.

In late 2002, three subsidiaries of Mittal Steel (Trefileurope, Trefileurope Italia S.r.l. and Fontainunion S.A.), 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. Mittal Steel and its subsidiaries are cooperating fully with the European Commission in this investigation. The European Commission can impose fines (up to a maximum of 10% of

**Table of Contents**

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. As the alleged anti-competitive activities would have taken place in large part prior to the acquisition of the subsidiaries, Mittal Steel has notified the previous owners that it will seek indemnification for costs resulting from the investigation.

Sidex International Plc., or SIP, a joint venture that Ispat Sidex formed with Balli Steel Plc in 1997, in 2002 raised a claim of approximately \$49 million for non delivery of steel by Ispat Sidex from 1998 onwards as well as interest, damages and costs. Ispat Sidex disputes this claim and has brought a counterclaim for non payment by SIP plus damages, interest and costs, in a total amount exceeding the amount of the claim raised by SIP. Arbitration hearing proceedings began in mid-November 2004. Mittal Steel expects to be indemnified by the government of Romania if an award is granted in favor of SIP by a competent court or arbitration tribunal by a definite and irrevocable decision with respect to this claim.

In February 2003, the Romanian Custom Authorities, or RCA, alleged non-compliance with respect to custom regulations relating to imported steel products at Ispat Sidex and assessed a penalty on Ispat Sidex in the amount of \$14 million. Ispat Sidex subsequently appealed the decision of the RCA with the court of first instance and received a favorable ruling from the court of first instance with respect to \$5 million alleged in the claim. With respect to the remaining \$5 million assessment, Mittal Steel received an initial favorable ruling in the court of first instance on procedural grounds, which was appealed by the RCA to the Court of Appeal. The Court of Appeal reversed the decision of the court of first instance and reverted the case to the court of first instance. In the reverted proceeding, \$2 million is still under consideration by the court of first instance and the RCA have received judgment against Ispat Sidex for \$3 million. Mittal Steel is awaiting the grounds of rejection and intends to appeal the decision to a higher court.

Since 2001, Ispat Nova Hut has been involved in a dispute with ICF Kaiser Netherlands B.V., or ICF, the contractor for phase 1 of a mini-mill works project (rolling mill P1500), and its parent company, Kaiser International. Under the terms of the turnkey engineering and construction contract, a maximum of three performance tests were required to ensure that the mini-mill met contract mandated quality and quantity standards. Although the mini-mill failed the first performance tests, ICF contends that Ispat Nova Hut owes it various costs incurred by ICF in relation to the construction of the mini-mill. As of January 31, 2005, the dispute has not been resolved and ICF commenced legal proceedings against Ispat Nova Hut. Until recently, the primary legal venue for this matter has been the United States Bankruptcy Court for the District of Delaware, where Kaiser International is currently going through bankruptcy reorganization. The Delaware bankruptcy court has previously ruled that Kaiser International, as opposed to ICF, could proceed with prosecution of its specific claims against Ispat Nova Hut in the Delaware bankruptcy court venue. Ispat Nova Hut appealed this ruling, and in the first quarter of 2004, the Delaware bankruptcy courts decision was overturned by the U.S. Third Circuit District Court, which ruled that the proceedings should be stayed pending the completion of international arbitration proceedings. Kaiser International has filed an appeal with the U.S. Third Circuit District Court, which is still pending. On January 6, 2004, ICF filed arbitration claims against Ispat Nova Hut in the amount of \$51 million with the International Court of Arbitration in Paris, with the earliest possible award ruling being issued sometime in 2005. Mittal Steel vigorously disputes this claim and has submitted a \$50 million counterclaim against ICF in these same arbitration proceedings. As Mittal Steel cannot determine the outcome of this matter or estimate the amount or range of potential contingent loss that may be incurred by Ispat Nova Hut, no litigation reserve has been provided for as at December 31, 2003.

***Rest of World***

In September 2004, the Environment Inspection Department of the Republic of Kazakhstan raised a claim for approximately \$20 million, alleging that Ispat Karmet had failed to obtain the necessary approvals from the Environment Ministry and had therefore engaged in pollution without permission during the first six months of 2004. Ispat Karmet believes that it has acted in accordance with the terms of agreement by which it was acquired by Mittal Steel, which required compliance with environmental norms existing as of the date of such agreement and to make specified minimum investments in controlling environmental pollution, and Ispat Karmet plans to defend the matter.

**Table of Contents**

**INTERNATIONAL STEEL GROUP**

**The Company**

***Overview***

ISG is one of the largest integrated steel producers in North America<sup>1</sup> with annual raw steel production capability of about 23 million net tons. It ships a variety of steel products from 13 major steel producing and finishing facilities in eight states. ISG has grown by acquiring out of bankruptcy the steelmaking assets of LTV, Acme, Bethlehem, Weirton and Georgetown.

ISG believes that its cost structure is lower and more variable than other U.S. integrated steelmakers and is competitive with U.S. mini-mill steelmakers as well as most low cost international steelmakers. By acquiring facilities through asset purchases in bankruptcy proceedings, it is substantially free from the historical legacy costs that burdened the acquired facilities. ISG has collective bargaining agreements with the USWA and the Independent Steelworkers Union covering all of its principal facilities, which are a substantial departure from the labor agreements that previously governed employment at the acquired facilities. ISG believes its collective bargaining agreements, which expire in late 2008 and early 2009, have enabled it to implement a culture and operating philosophy that results in a significantly higher level of labor productivity than achieved previously at the facilities it acquired. A significant factor in ISG's success has been the talent and experience of its senior management team, led by Rodney B. Mott, ISG's President and Chief Executive Officer. ISG's senior management team has experience managing both integrated and mini-mill facilities.

ISG believes its plants are some of the most modern and well-maintained integrated steelmaking facilities in North America. ISG's facilities and the skills of its workforce enable it to manufacture high quality, value-added steel products for its demanding customer base. ISG produces a broad range of hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, wire rod, rail products and semi-finished shapes. It sells these products directly to end-users, third-party processors and service centers primarily located in the Midwest and along the eastern seaboard of the United States.

***History***

On April 12, 2002, ISG acquired out of bankruptcy the principal steelmaking and steel finishing assets of LTV, including the Cleveland, Indiana Harbor and Hennepin facilities, for \$83.4 million in cash and assumed liabilities. These assets were idle when it acquired them. In addition, in May 2002, ISG purchased semi-finished and raw material inventories from LTV for \$52.4 million in cash. ISG did not assume any of LTV's defined benefit pension obligations and defined benefit retiree health obligations.

On October 10, 2002, ISG acquired out of bankruptcy Acme's sheet strip mill and basic oxygen furnace in Riverdale, Illinois for \$60.9 million in cash, plus debt and certain assumed liabilities. The compact strip mill at the Riverdale facility was commissioned in September 1996 at a cost of over \$400.0 million. These assets were idle when it acquired them. ISG restarted these assets in December 2002 and believes the facility is a competitive producer of high quality specialty steel products. ISG supplies Riverdale's basic oxygen furnace with hot metal from blast furnaces at its Indiana Harbor Works and Burns Harbor facilities.

Since December 15, 2002, substantially all of the hourly employees at ISG's Cleveland, Indiana, Hennepin and Riverdale facilities have been governed by ISG's collective bargaining agreement with the USWA. This agreement was ratified in February 2003 by approximately 95% of its represented steelworkers who voted. This collective bargaining agreement is substantially different from historical contracts the USWA has had with other large, integrated steel companies. On June 16, 2003, a substantially similar collective bargaining agreement was ratified by approximately 90% of the represented workers at the acquired Bethlehem facilities who voted. This agreement became effective at the acquired Bethlehem facilities on that same day. The terms of ISG's collective bargaining agreement will also apply, subject to approval by the USWA and ratification by the covered workers, to any facilities with USWA represented employees that ISG may acquire in the future. The Weirton facility was acquired on May 18, 2004 and the unionized employees,

---

<sup>1</sup> Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

**Table of Contents**

who are members of the Independent Steelworkers Union, ratified the collective bargaining agreement by over a 90% vote. The Georgetown facility was acquired on June 21, 2004 and the collective bargaining agreement was unanimously ratified by the employees.

In May 2003, ISG acquired out of bankruptcy substantially all of the assets of Bethlehem and its subsidiaries for \$822.6 million in cash and the assumption of certain liabilities. This amount is net of cash acquired and \$41.1 million in cash received subsequent to the closing from Bethlehem as required in the acquisition agreements for working capital adjustments and amounts not needed for secured, priority and administrative claims. Additional amounts could be received pending resolution of certain legal and contingent issues. Also, this amount includes payments of \$81.6 million related to the transition assistance program for USWA-represented former Bethlehem employees.

As part of the Bethlehem asset acquisition ISG acquired, among other things, steelmaking and finishing facilities at Burns Harbor, Indiana; Sparrows Point, Maryland; Coatesville, Pennsylvania; and Steelton, Pennsylvania, and several rolling and finishing facilities, including those at Conshohocken, Pennsylvania; Lackawanna, New York; and Columbus, Ohio. The Bethlehem asset acquisition broadened ISG's product offerings and expanded its geographic presence.

In May 2004, ISG acquired out of bankruptcy substantially all of the assets of Weirton for approximately \$186 million cash plus assumed liabilities. Weirton based in Weirton, West Virginia is a significant producer of tin mill products.

In June 2004, ISG acquired substantially all of the assets of Georgetown for approximately \$18 million cash plus assumed liabilities. The Georgetown plant, located in Georgetown, South Carolina has the capability to produce high-quality wire rod products, which are used to make low carbon fine wire drawing, wire rope, tire cord, high-carbon machinery, and upholstery springs.

In July 2004, ISG acquired a hot briquetted iron (HBI) facility in Trinidad & Tobago for approximately \$18 million in cash, including payment at the closing of certain assumed liabilities. The facility was restarted in November 2004.

**Products**

ISG's principal products include a broad range of hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, wire rod, rail products and semi-finished shapes to serve the automotive, construction, pipe and tube, appliance, container and machinery markets. ISG sells steel products directly to end-users, third-party processors and service centers primarily located in the Midwest and along the eastern seaboard of the United States. All of these products are available in standard carbon grades as well as high strength, low alloy grades for more demanding applications. The following chart sets forth ISG's respective product mixes based on shipments for the nine months ended September 30, 2004 and the years ended December 31, 2003 and 2002.

	<b>Nine Months Ended September 30,</b>	<b>Years Ended December 31,</b>	
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Hot Rolled	42%	46%	71%
Cold Rolled	19	19	22
Coated	21	20	7
Plate	10	8	
Tin Plate	5	4	
Rail and other	3	3	
	100%	100%	100%



## **Table of Contents**

### ***Hot-Rolled Products***

All coiled flat-rolled steel is initially hot-rolled by passing a slab through a multistand rolling mill to reduce its thickness to less than 5/8 inch. Hot-rolled steel destined for the sheet market can be either shipped as black band, or cleaned in an acid bath and sold as pickled band. These products are used in non-critical surface applications such as automotive frames and wheels, construction products, pipe, off-highway equipment and guardrails.

### ***Cold-Rolled Products***

Cold-rolled sheet is hot-rolled coil that has been further processed through a pickler and then passed through a rolling mill without reheating until the desired gauge, or thickness, and other physical properties have been achieved. Cold-rolling reduces gauge and hardens the steel. Further processing through an annealing furnace and a temper mill improves ductility and formability. Cold-rolling can also impart various surface finishes and textures. Cold-rolled sheet is used in among other things steel applications that demand higher surface quality, such as exposed automobile and appliance panels. Cold-rolled sheet prices are usually higher than hot-rolled steel prices. Typically, cold-rolled sheet is coated or painted.

### ***Coated Products***

Either hot-rolled or cold-rolled coil may be coated with zinc, aluminum or a combination thereof to render it corrosion resistant and to improve its paintability. Hot-dipped galvanized, galvanized, Galvalume™, electrogalvanized and aluminized products are types of coated steel. These are also the highest value-added sheet products because they require the greatest degree of processing and usually have the strictest quality requirements.

Coated steel products are generally used in high volume applications such as automobiles, household appliances, roofing and siding, heating and air conditioning equipment, air ducts, switch boxes, chimney flues, awnings and grain bins.

### ***Plate***

Plate is steel that is generally more than 3/16 inch thick. It can be made on either a coiled plate mill up to 1-inch thick or a discrete plate mill. The coiled plate or discrete mill plate is then cut into sections for specific end uses. Commodity steel plate is used in a variety of applications such as storage tanks, ships and railcars, large diameter pipe and machinery parts. More specialized steel plate, such as high-strength-low alloy, heat-treated, or alloy plate, can have superior strength and performance characteristics for particular applications such as the manufacture of construction, mining and logging equipment; pressure vessels and oil and gas transmission lines; and the fabrication of bridges and buildings. Quenched and tempered plate is harder and stronger and can be used in products such as military armor and hard rock mining equipment.

### ***Tin Mill***

Tin mill sheet steel is used to produce food and other containers. It is available as black plate, tin plate and tin-free steel. Black plate is an uncoated thin gauge cold rolled steel, tin plate is black plate electrolytically plated with metallic tin and tin-free steel is black plate that has been electrolytically plated with metallic chromium and chromium oxides. Both tin plate and tin-free steel undergo a plating process whereby the molecules from the positively charged tin or chromium anode attach to the negatively charged sheet steel. The thickness of the coating is readily controlled through regulation of the voltage and speed of the sheet through the plating area.

### ***Rail***

Billets and blooms are fed through rollers that form rail. Rail is available in a number of sections determined by their weight per yard and relative strengths. Rail is sold to railroad companies and regional transit authorities for new track projects as well as the repair of existing track.

## **Table of Contents**

### ***Wire Rod***

Billets are fed through rolls that form wire rod. Wire rod is available in a variety of grades and dimensions for further processing into wire products or fabricated to make fasteners.

### **Customers**

ISG sells its products to a highly diversified customer base representing all major steel-consuming markets as well as to third-party processors and service centers. Its customers are primarily in the Midwest and along the eastern seaboard of the United States. No single customer represented more than 10% of ISG's total consolidated revenues in 2003 and for the nine months ended September 30, 2004.

#### ***Direct Sales to End-Users***

ISG sells directly to end-users representing a wide range of consuming markets, including automotive, construction, appliance, transportation, container, machinery and equipment. Its sales, technical and engineering staff are organized with both a specific product (plate, flat rolled, tinplate and rail products) and geographic market focus.

#### ***Sales to Intermediate Processors and Steel Service Centers***

A significant portion of ISG's sales are to intermediate processors and steel service centers. These processors and steel service centers typically act as intermediaries between steel producers and various end-user manufacturers that require further processing or inventory programs. The additional services performed by steel service centers and processors include pickling, galvanizing, cutting to length, slitting to size, leveling, blanking, shape correcting, edge rolling, shearing and stamping.

#### ***Contract and Spot Sales***

A significant percentage of ISG's sales in 2003 were sold on the spot market with price terms of three months or less. In 2004, a shift towards more contract business was achieved, with over half of sales through the nine months ended September 30, 2004 being through longer-term customer contracts.

#### ***International Sales***

Historically, the opportunities for sales outside North America of U.S. steel products have been intermittent and highly competitive. ISG's export sales were \$19 million for the nine months ended September 30, 2004, \$163.4 million in 2003 and \$2.7 million in 2002.

### **Sales, Customer Service and Product Development**

To service ISG's customer base, ISG has a dedicated sales force of approximately 90 employees, who are principally aligned with its business units. Each of ISG's major businesses has a dedicated sales and customer service staff on site that is responsible for the products produced by that particular facility. Although each sales group reports to a specific facility, it has responsibility to represent products and services produced by other divisions to increase customer convenience and maximize cross-selling opportunities. ISG's overall sales strategy is directed by management at its corporate office and implemented by the division sales groups at each of its businesses.

Technical resources exist within each division sales group, supported by plant technical personnel to help customers specify the proper material for each end-use. ISG has created an automotive sales group at its Burns Harbor facility to act as the focal point for ISG's automotive sales, service and development effort.

In connection with the Bethlehem acquisition, ISG acquired a research and product development facility and staff in Bethlehem, Pennsylvania. During 2003 and the nine months ended September 30, 2004, ISG spent approximately \$5 million and \$7 million, respectively, for research and development. In 2002, ISG did not have spending for research and development.



## **Table of Contents**

### **Backlog**

ISG had approximately \$1.9 billion and \$1.1 billion of backlog orders on September 30, 2004 and September 27, 2003, respectively. These backlogs consist of customer commitments that generally can be modified or terminated at any time prior to production. Typically, a customer will modify or cancel an order due to major shifts in their inventory levels or market conditions that change their need for the product. ISG estimates that substantially all of its backlog will be shipped during the current year. ISG does not believe that its backlog data and comparisons of that data as of different dates are reliable indicators of future sales or future shipments.

### **Competition**

Competition within the steel industry, both in the United States and globally, is intense and expected to remain so. ISG's primary U.S. competitors are United States Steel Corporation, Nucor Corporation, AK Steel Holding Corporation, Inland and IPSCO Inc. However, the steel market in the United States is also served by a number of non-U.S. sources and U.S. supply is subject to changes in worldwide demand and currency fluctuations, among other factors.

More than 35 U.S. companies in the steel industry have declared bankruptcy since 1997 and have either ceased production or more often continued to operate after being acquired or reorganized. In addition, many non-U.S. steel producers are owned and subsidized by their governments, and their decisions with respect to production and sales may be influenced by political and economic policy considerations rather than by prevailing market conditions. The steel industry is highly cyclical in nature and subject to significant fluctuations in demand as a result of macroeconomic changes in global economies, including those resulting from currency volatility. The global steel industry is also generally characterized by overcapacity, which can result in downward pressure on steel prices and gross margins.

ISG competes with other flat-rolled steel producers (both integrated steel mills and mini-mills) and producers of plastics, aluminum, ceramics, carbon fiber, concrete, glass, plastic and wood that can be used in lieu of flat-rolled steels in manufactured products. Mini-mills generally offer a narrower range of products than integrated steel mills but can have some cost advantages as a result of their different production processes.

The competition in the cut plate business, both carbon and alloy, is somewhat fragmented with ISG having the largest capability and the widest product range domestically.

There is only one other major U.S. producer of rail products, Oregon Steel, which has about 50% of the U.S. rail market. Imports have about 25% of the U.S. rail market.

Price, quality, delivery and service are the primary competitive factors in all markets that ISG serves and vary in relative importance according to the product category and specific customer.

### **Raw Materials**

ISG's business depends on continued access to reliable supplies of various raw materials, principally iron ore, coal, coke, scrap, energy and industrial gases. ISG believes there will be adequate sources of its principal raw materials to meet its near term needs, although probably at higher prices than in the past.

#### ***Iron Ore***

For an integrated steelmaker, iron ore is an essential element in the production of steel. In 2003, ISG consumed approximately 10.9 million net tons of iron ore pellets and 2.7 million net tons of iron ore fines and other iron ore materials. In the nine months ended September 30, 2004, ISG consumed approximately 12.2 million net tons of iron ore pellets and 3.2 million net tons of iron ore fines and other iron ore materials.

During 2004, ISG signed a five year agreement to purchase 1.7 million net tons of iron ore pellets annually beginning in 2004 for its Sparrows Point plant. This agreement will renew on an annual basis after 2008, unless either party gives one year notice.



**Table of Contents**

Cleveland-Cliffs Inc, one of ISG's stockholders, is under a noncancellable contract to supply all of ISG's requirements for iron ore pellets through 2016 for its Cleveland and Indiana Harbor facilities. This agreement will renew on an annual basis after 2016, unless either party gives at least two years' advance written notice of termination. The agreement specifies product quality requirements and provides ISG with the right to negotiate price adjustments or to refuse to accept shipments of products in some circumstances. The prices ISG pays for iron ore pellets under the agreement are subject to annual adjustments for changes in certain price indices and selling prices for certain steel products, which effectively helps maintain ISG's operating margin percentage. With the Weirton acquisition, ISG assumed Weirton's agreement with Cleveland-Cliffs Inc and as part of the assignment agreed to certain amendments. Cleveland-Cliffs will supply all of Weirton's iron ore pellets for the period 2006-2018 and partial requirements for 2004 and 2005. The other terms of the agreement are similar to ISG's other contract with Cleveland-Cliffs Inc but only require a one year advance notice of termination. A portion of the requirements for iron ore pellets at the Weirton facility will also be supplied by United States Steel Corporation in 2005.

ISG's share of estimated recoverable reserves in the Hibbing Taconite (for additional information, see INTERNATIONAL STEEL GROUP Principal Operating Facilities *Joint Ventures* beginning on page 176) iron ore mine joint venture at December 31, 2003 is 140 million net tons of iron ore pellets. This mine and its processing facilities supply substantially all of Burns Harbor's current annual iron ore pellet requirements and are operated by Cleveland-Cliffs Inc, which also owns 23% of the joint venture.

**Coal and Coke**

Coke, a refined carbon product produced by baking coal to drive off volatile matter, is the principal fuel used to produce hot metal in ISG's blast furnaces. The U.S. supply of coke has decreased significantly over the last decade and is expected to decrease further in the future primarily due to increased costs of complying with the requirements of the Clean Air Act and other environmental regulations. ISG's integrated steelmaking facilities have access to both inland and coastal waterway systems, which enables ISG to more easily transport its coke needs.

In 2003, ISG used 4.4 million net tons of coke and estimates that its needs for 2004 will be about 5.9 million net tons. ISG has actually used 4.4 million tons of coke during the nine months ended September 30, 2004. ISG expects that its coke batteries in Warren, Ohio and Burns Harbor, Indiana will supply approximately 2.2 million net tons in 2004. ISG also has contracts through 2005 for 0.3 million net tons per year, a contract through 2006 for 0.3 million net tons per year and a contract through 2020 for 0.7 million net tons per year. In 2003, ISG signed an agreement to purchase 0.55 million net tons annually beginning in 2005 from a coke oven currently being constructed. In July 2004, ISG signed a letter of intent to double the size of that coke oven which is expected to supply it an additional 0.55 million net tons beginning in 2006. The agreement is contingent on execution of related transportation agreements, granting of certain local and state incentives, permits from various agencies and receipt of corporate approvals. In the second quarter 2004, ISG consummated a long-term coke supply agreement with a subsidiary of DTE Energy Services for 0.7 million net tons in 2005 and almost 1.0 million net tons thereafter. With the acquisition of Weirton, ISG continued Weirton's supply agreement for most of its coke requirements through 2005. Within certain limits, ISG has the ability to optimize fuel costs at its blast furnaces by switching among the fuels of coke, natural gas, oil and, at the Burns Harbor and Sparrows Point facilities, pulverized coal, depending on their relative costs.

2004 short-term coke prices have surged from late 2003 levels because of strong international demand and rising ocean freight rates. ISG estimates that its 2004 coke costs will average at least \$75 per net ton higher than the fourth quarter of 2003. ISG and other U.S. steel producers have announced steel price increases, including surcharges relating to higher costs of coke and other raw materials, to recover some or all of these cost increases. However, adequate supplies of coke may not be available to ISG in the future causing potential production disruption, or prices of these supplies may continue to increase significantly. If ISG is unable to obtain an adequate supply of coke in the future it may have to use more costly alternative sources of energy or reduce production, both of which actions would have a negative impact on its earnings and cash flow from operations.

## **Table of Contents**

ISG used about 2.9 million net tons of coal in 2003 and expects to use about 4.3 million net tons in 2004. ISG has contracts for substantially all of its 2004 coal requirements for its coke oven batteries and pulverized coal injection at prices about 10% higher than those in 2003. ISG does, however, periodically buy small amounts of coal in the spot market for specific needs.

### ***Scrap***

Historically, ISG uses hot metal for approximately 75% of its basic oxygen furnace charge and scrap for approximately 25%. These percentages can change plus or minus 5 percentage points depending on their relative costs, availability and other factors. Approximately half of that scrap is generated at ISG's own facilities. ISG's electric arc furnaces use scrap for 100% of their production, of which only a small portion is internally generated. ISG purchased 2.7 million net tons of scrap during the nine months ended September 30, 2004. There are no long-term scrap contracts available as all purchases are in a short-term open market. Scrap prices surged in late 2003 but have become volatile during 2004. Electric arc furnaces use approximately five times more scrap per ton of liquid steel and, therefore, higher scrap cost is a competitive disadvantage for electric arc furnace steelmakers. ISG and other U.S. steel producers have recently announced price increases, including surcharges related to scrap, to recover some or all of these cost increases. ISG expects scrap to continue to be in sufficient supply to satisfy its needs, although at higher prices than in recent history. ISG estimates that its 2004 scrap costs will average approximately \$80 per net ton higher than the fourth quarter of 2003. It expects scrap costs to remain high during 2005.

### ***Energy and Industrial Gases***

ISG's steel operations consume large amounts of electricity, natural gas, oxygen and other industrial gases. ISG purchases its electrical power requirements from various suppliers. In addition, ISG operates cogeneration facilities on certain of its sites that utilize waste gases from the blast furnaces to supplement its electrical power requirements and control its energy costs. ISG purchases natural gas under short-term supply contracts with a common group of suppliers. ISG uses financial instruments to hedge such purchases when appropriate. Various service providers provide transportation of the natural gas to ISG's facilities. ISG also has several long-term contracts to supply its oxygen, argon and nitrogen gas requirements.

### **Employees**

As of September 30, 2004 and December 31, 2003, ISG had approximately 14,900 and 12,000 employees, respectively. Since December 15, 2002, substantially all of the hourly employees at ISG's steelmaking facilities are under collective bargaining agreements with the USWA or the Independent Steelworkers Union, which expire in late 2008 or early 2009. These agreements were ratified in February 2003 at the acquired LTV and Acme facilities, in June 2003 at the acquired Bethlehem facilities, in April 2004 at Weirton and May 2004 at Georgetown. The terms of ISG's collective bargaining agreements will also apply, subject to approval by the USWA and ratification by the covered workers, to any facilities with USWA-represented employees that ISG may acquire in the future. ISG's collective bargaining agreements are substantially different from those historically in effect in the U.S. steel industry. ISG's collective bargaining agreements provide for:

five or six-year term;

five job classifications with broadened job descriptions;

increased work force flexibility;

base wages that increase 3% every 18 months through 2008 for the USWA;

base wages that increase approximately 5% in the first 12 months and every 18 months thereafter through 2008 for the Independent Steelworkers Union;

incentive compensation tied to productivity and profits per ton shipped;

benefit costs that are shared by ISG and its employees;

## **Table of Contents**

a partnership involving both the union and management;

flexibility to hire contractors for non-core, capital and surge work;

defined contributions to retiree healthcare benefits; and

defined contributions to pensions based on the number of employees hired and hours paid.

These features provide greater flexibility and increased productivity as compared to historical agreements at integrated steel mills. The absence of significant defined benefit pension and retiree health care plans makes ISG's cost structure significantly more variable than most of its U.S. integrated competitors. ISG also paid substantially all of its hourly employees and frontline supervisors production bonuses during every pay period in 2004. These combined factors make its labor costs competitive with U.S. mini-mills and low cost international integrated producers. ISG's relations with its hourly-represented employees and the USWA continue to be positive.

## **Regulatory Environment**

### ***Unfair Trade Practices and Trade Remedies***

Under international agreement and U.S. law, remedies are available to domestic industries where imports are dumped or subsidized and such imports cause material injury to a domestic industry. Dumping involves selling for export a product at a price lower than the same or similar product is sold in the home market of the exporter or where the export prices are lower than a value that typically must be at or above the full cost of production. Subsidies from governments (including, among other things, grants and loans at artificially low interest rates) under certain circumstances are similarly actionable. The remedy available is an antidumping duty order or suspension agreement where injurious dumping is found and a countervailing duty order or suspension agreement where injurious subsidization is found. When dumping or subsidies continue after the issuance of an order, a duty equal to the amount of dumping or subsidization is imposed on the importer of the product. Such orders and suspension agreements do not prevent the importation of product, but rather require either that the product be priced at an undumped level or without the benefit of subsidies or that the importer pay the difference between such undumped or unsubsidized price and the actual price to the U.S. government as a duty.

Globally, there have been a large number of trade remedy actions in many countries to address what has been fairly massive government subsidization of producers and swings in capacity utilization of various markets. Near the end of 2004, there are some 71 orders or suspension agreements in place in the United States on imported steel mill products from various foreign countries that compete with ISG's domestically produced product including on cut-to-length plate (31 orders or suspension agreements), clad plate (1), hot-rolled steel (20), corrosion resistant steel (8), tin mill products (1), wire rod (8) and rails (2). Such orders and suspension agreements are subject to periodic reviews under U.S. law both to the amount of dumping or subsidization that may be continuing (in the case of suspension agreements where the terms of the suspension agreements are being honored) and to whether such orders or suspension agreements will be continued or revoked.

### ***Section 201 Tariffs***

On March 20, 2002, in response to an investigation initiated by the office of the President of the United States under Section 201 of the Trade Act of 1974, the President of the United States imposed a remedy to address the serious injury to the domestic steel industry that was found. The remedy was an additional tariff on specific products up to 30% (as low as 9%) in the first year and subject to reductions each year. The remedy provided was potentially for three years and a day, subject to an interim review after 18 months as to continued need. On December 4, 2003 by Proclamation 7741, the President of the United States terminated the import relief provided under this law pursuant to Section 204(b)(1)(A) of the Trade Act of 1974 on the basis that the effectiveness of the action taken under Section 203 has been impaired by changed economic circumstances based upon a report from the ITC and the advice from the Secretary of Commerce and the Secretary of Labor. Thus, no relief under this law was provided to domestic producers during 2004.



**Table of Contents****Environmental Matters**

ISG's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment. The prior owners of ISG's facilities expended in the past, and ISG expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with U.S. federal, state, and local laws and regulations, including the Clean Air Act, RCRA and the Clean Water Act. These environmental expenditures are not projected to have a material adverse effect on ISG's consolidated financial position or on ISG's competitive position with respect to other similarly situated U.S. steelmakers subject to the same environmental requirements.

***RCRA and Other Remediation Requirements***

Under RCRA and similar U.S. state programs, the owners of certain facilities that manage hazardous wastes are required to investigate and, if appropriate, remediate historic environmental contamination found at such facilities. All of ISG's major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as brownfield projects.

At ISG's properties in Lackawanna, New York, a RCRA Facility Investigation, or RFI, is complete. A report will be submitted to the EPA and the New York State Department of Environmental Conservation, or NYDEC, for approval on December 17, 2004. NYDEC and ISG executed an order on consent to perform interim corrective measures at a former owner's benzol storage tank area. This order was executed on November 26, 2004. ISG and NYDEC will be discussing additional corrective measures following the agency's review of the site RFI. ISG has estimated that the cost of performing anticipated remediation and post remediation activities will be about \$71 million and will be completed over a period of 15 years or more.

Bethlehem, the EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution consent decree with respect to ISG's Sparrows Point, Maryland facility, which was entered by the U.S. District Court for Maryland on October 8, 1997. ISG has assumed Bethlehem's ongoing obligations under the consent decree. The consent decree requires ISG to address compliance, closure and post-closure care matters and implement corrective measures associated with two onsite landfills (Gray's Landfill and Coke Point Landfill), perform a site-wide investigation required by Section 3008(h) of RCRA, continue the operation and maintenance of a remediation system at an idle rod and wire mill, and address several pollution prevention items, such as, reducing the generation of iron kish, and recycling blast furnace water treatment slurry and an onsite wastewater treatment plant sludge. The potential costs, as well as the time frame for the complete implementation of possible remediation activities at Sparrows Point, cannot be reasonably estimated until more of the investigations required by the decree have been completed and the data analyzed. Notwithstanding the above, it is likely, based on currently available data, that remediation will be required at the former coke plant. In addition, pursuant to the order of the U.S. District Court for Maryland, ISG also must implement corrective measures at the Gray's Landfill, Coke Point Landfill, and post-closure care at the former Rod and Wire Mill Area. The total cost of these related matters is estimated to be approximately \$43 million.

ISG is required to prevent acid mine drainage from discharging to surface waters at idled mining operations in southwestern Pennsylvania. ISG entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection, or PaDEP, in May 2003 addressing the transfer of required permits from Bethlehem to ISG and financial assurance for long-term operation and maintenance of the wastewater treatment facilities associated with these mines. In accordance with this Consent Order and Agreement, ISG submitted an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required ISG to propose a long-term financial assurance mechanism. ISG's cost reduction plan was approved by PaDEP and on May 9, 2004, ISG 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. ISG expects to fund the treatment trust over a period of up to 10 years at a current target value of approximately \$20 million. Until the improvements are made and the

**Table of Contents**

treatment trust is fully funded, ISG expects to pay about \$1-\$2 million per year for the treatment of acid mine drainage from the idled mining operation. After the treatment trust is fully funded, the treatment trust will then be utilized to fund the cost of treatment of acid mine drainage. Although unlikely, ISG could be required to make up any deficiency in the treatment trust in the future.

ISG owns a large former integrated steelmaking site in Johnstown, Pennsylvania. The site has been razed and there are a number of historic waste disposal units located at the site that are subject to regulation by PaDEP. There are also historic operating locations at the Johnstown site that may have caused groundwater contamination. Although potentially subject to RCRA corrective action or similar state authority, no comprehensive environmental investigations have been performed at this site to date. ISG estimates the costs associated with future investigations and likely remediation at this facility that presently can be estimated to be approximately \$23 million.

ISG's facility at Indiana Harbor, Indiana is subject to a EPA 3013 Administrative Order requiring development of a monitoring program to assess soil and groundwater conditions associated with 14 solid waste management units. The order was received on June 30, 2003 and requires submission of an investigation plan to U.S. EPA for approval. The plan was submitted to the EPA in November 2003. Based on EPA comments, the plan was revised and re-submitted for approval on December 3, 2004 and was approved on January 12, 2005. Although localized remediation activities have been conducted at this facility, additional remediation may be required after the investigation of these solid waste management units has been completed. It is not possible to estimate the cost of any required remediation or monitoring that may result from this investigation at this time. An area of subsurface fuel oil contamination exists and is currently the subject of remediation actions. The EPA advised ISG in the fall of 2004 that they may soon issue an administrative order with respect to the oil remediation action. In addition, a solid waste landfill at Indiana Harbor will require closure and post-closure care. The total cost related to these matters that can presently be estimated is approximately \$17 million.

At ISG's Burns Harbor, Indiana facility, an RFI was completed in accordance with a EPA approved work plan. Based on the results of the investigation, ISG does not believe there will be any substantial remediation required to complete the corrective action process at the facility; however, it is likely that ISG will incur future costs primarily related to long term post-closure monitoring. In addition, Bethlehem managed approximately one million net tons of air pollution control dusts and sludges in piles on the ground at the Burns Harbor site. While an alternative means of handling this material continues to be evaluated, it is likely that ISG will incur future costs to manage this material. ISG also has a continuing obligation pursuant to a consent order issued by the U.S. District Court in Indiana to operate a collection and treatment system to control contaminated groundwater seeps from the face of a dock wall at the site. The total costs related to these matters are estimated to be approximately \$22 million.

ISG's Cleveland, Ohio facilities may be subject to RCRA corrective action or remediation under other environmental statutes. An integrated steel facility has operated on the property since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation pursuant to the RCRA corrective action program or similar state programs. No RCRA corrective action has been demanded at any of the Cleveland facilities by either U.S. federal or state authorities and no comprehensive investigation of any of the facilities has been performed. However, certain limited and localized remediation activities have been or will be conducted at these sites. These remediation activities include a large permitted solid waste landfill at the site that will require closure and post-closure care in the future. The cost of closure and post-closure care for this landfill is estimated to be approximately \$14 million.

At a site of the former steelmaking facilities in Bethlehem, Pennsylvania, a remedial investigation is being performed pursuant to the Pennsylvania Land Recycling (Brownfield) Program in conjunction with comprehensive redevelopment plans. These investigations are continuing to be performed with input and oversight from both the PaDEP, and the EPA Region III corrective action staff to ensure that the actions taken are acceptable to both U.S. state and federal regulatory authorities. The majority of the site was sold by ISG in April 2004 with an additional sale occurring in September 2004. Under the sales agreement, the buyers assumed financial responsibility for environmental obligations associated with the acquired property. The cost

**Table of Contents**

associated with anticipated environmental remediation actions on property ISG continues to own is estimated to be about \$15 million.

ISG's facility at Riverdale, Illinois may be subject to RCRA corrective action or remediation under other environmental statutes. The facility had operated as an integrated steel facility since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation under the RCRA corrective action program or similar state programs. Certain localized remediation activities have been conducted at this facility; however, there is no present U.S. federal or state demand for a RCRA corrective action program at the facility. No comprehensive environmental investigation of the facility has been performed. In January 2004, the State of Illinois filed a proceeding alleging that ISG arranged for the transport of slag waste to an off-site location without performing the necessary testing and notification to the Illinois Environmental Protection Agency and the owner of the land to which the material was sent. The matter was resolved through a Consent Order and Agreement signed by the parties on May 4, 2004. ISG paid an \$80,000 civil penalty and removed slag from the offsite location in accordance with the order. The order has terminated.

ISG's recently acquired Weirton, West Virginia facility has been subject to a RCRA corrective action related consent decree since 1996. The Order requires the facility to conduct investigative activities to determine the nature and extent of hazardous substances that may be located on the facility's property and to evaluate and propose corrective measures needed to abate unacceptable risks. Areas within the facility's property have been prioritized. Investigation of the two highest priority areas has been completed. Investigation of the remaining areas is underway. In addition, ISG is required to complete closure activities for a surface impoundment pursuant to the RCRA corrective action and a 1996 consent decree. The cost of investigative and closure activities at the site is estimated to be about \$12 million.

On October 21, 2004, the PaDEP issued a notice of violation requiring inspection of underground storage tanks in Bethlehem, Pennsylvania. The inspection was performed and the agency issued a letter dated December 22, 2004 acknowledging performance of the inspection and a return to compliance. ISG does not expect any material reclamation requirements, fines or penalties relating to the inspection.

In addition to the above matters, ISG receives notices of violation relating to minor environmental matters from time to time in the ordinary course of business. ISG does not expect any material reclamation requirements, fines or penalties to arise from these items.

***Clean Air Act***

ISG's facilities are subject to a variety of permitting requirements under the Clean Air Act, which restricts the type and amount of air pollutants that may be emitted from regulated emission sources. On February 28, 2003, the EPA issued a final rule to reduce hazardous air pollutant (HAP) emissions from integrated iron and steel manufacturing facilities. The final rule will require affected facilities to meet standards reflecting the application of maximum achievable control technology, or MACT, standards. Many of ISG's facilities are subject to the new MACT standards, and compliance with such standards will be required by May 20, 2006. ISG anticipates installing controls at facilities to comply with the new MACT standards with capital expenditures of about \$90 million through 2007.

Other Clean Air Act requirements, such as revisions to national ambient air quality standards for ozone and particulate matter, may have significant impacts on ISG in the future, although whether and how it will be affected will not be determined for many years. ISG also may be affected if the U.S. federal government or the states in which it operates begin to regulate emissions of greenhouse gases such as carbon dioxide. However, because ISG cannot predict what requirements will be imposed on it or the timing of such requirements, it is unable to evaluate the ultimate cost of compliance with respect to these potential developments.

The EPA has alleged that an acid fume scrubber at ISG's Indiana Harbor facility was not operated in compliance with federal hazardous air pollutant standards for HCL emissions at the time ISG restarted the plant. ISG has tentatively agreed to enter into a settlement with the EPA with respect to this matter that would require it to pay a penalty of about \$43,000 and to undertake a supplemental environmental project in

**Table of Contents**

lieu of additional penalties with an estimated cost of about \$112,000. The supplemental project is underway and ISG completed the project prior to December 15, 2004, as required.

On July 8, 2003, the Indiana Department of Environmental Management, or IDEM, issued a notice of violation to ISG's Indiana Harbor plant. The notice of violation alleges that the H3 and H4 blast furnaces violated specified opacity limitations on January 2, 2003 and April 2, 2003, respectively. The notice of violation also alleges operations at the basic oxygen furnace exceeded fugitive emission and that on May 14, 2003 the basic oxygen furnace roof monitor exceeded an opacity standard. ISG discussed the notice of violation with the IDEM on January 25, 2005. IDEM may attempt to impose a penalty on ISG in regard to these allegations, which is not expected to be material.

On June 2, 2004, the Illinois Environmental Protection Agency issued a violation notice alleging that ISG's Riverdale facility failed to obtain a construction and operating permit for locating or modifying existing operations. The agency may seek to impose a penalty and injunctive relief associated with its allegations, which are not expected to be material.

On September 28, 2004, the EPA issued a notice of violation to ISG's Cleveland plant alleging that its steelmaking operations violated regulatory limitations on air emissions opacity in May and June 2004. Representatives of ISG met with the EPA Region 5 on November 10, 2004 to discuss the allegation. During the meeting, ISG presented extensive information describing its efforts at achieving and maintaining compliance at the north and south stacks of the No. 2 BOF precipitator. ISG presented actual data showing that the North Stack has maintained 100% compliance and the South Stack 99% compliance, since the May 2004 West Side start-up. The EPA stated they intended to take no further enforcement action concerning this notice of violation. However, the EPA reserved all its rights to take enforcement should performance deteriorate in the future.

On November 22, 2004, IDEM issued a notice of violation to ISG's Burns Harbor plant alleging a single opacity violation during a September 2004 coke oven charging observation. IDEM indicated that it may seek a civil penalty of \$11,000.

***Clean Water Act***

ISG's facilities also are subject to a variety of permitting requirements under the Clean Water Act, which restricts the type and amount of pollutants that may be discharged from regulatory sources into receiving bodies of waters, such as rivers, lakes and oceans. On October 17, 2002, the EPA issued regulations that require existing wastewater dischargers to comply with new effluent limitations. Several of ISG's facilities are subject to the new regulations, and compliance with such regulations will be required as new discharge permits are issued for continued operation.

The Circuit Court for Baltimore County, Maryland entered into a consent decree in March 2001, which requires the installation of improvements to ISG's Sparrow Point's wastewater treatment plant. The improvements are now complete.

The EPA has alleged, among other things, that water discharged from a wastewater lagoon at ISG's Indiana Harbor facility is not permitted by the facility's national pollution discharge elimination system, or NPDES, permit. It is ISG's position that this discharge is authorized by the NPDES permit. As a result of a meeting with the EPA on February 5, 2004 and a revised order issued on June 30, 2004, ISG believes that most of the EPA's concerns raised in the original order have been resolved. On July 20, 2004, the Indiana Department of Environmental Management issued a notice of violation to the Indiana Harbor facility alleging violations of Indiana's water pollution control laws and regulations and the facility's NPDES permit. The agency indicates it may seek a penalty of less than \$30,000.

On June 29, 2004, the IDEM issued a violation letter to ISG's Burns Harbor facility alleging violations of the facility's NPDES permit. ISG submitted additional information and the agency has not responded. However, the agency may seek penalties and injunctive relief associated with its allegations. Any penalties are not expected to be material.

## **Table of Contents**

ISG's Weirton facility was formerly subject to a EPA Oil Removal Order that recently has been terminated. However, ISG has agreed to continue oil sheen abatement activities on an ongoing basis. In addition, the facility expects to complete a tank diking program for groundwater protection and spill prevention purposes at an estimated cost of \$750,000. ISG is discussing NPDES effluent limitation exceedances with the state of West Virginia Department of Environmental Protection (WVDEP). WVDEP may attempt to impose a penalty on ISG in regard to these allegations, which is not expected to be material.

### ***Other***

ISG anticipates spending approximately \$53 million over the next 40 years, including \$5 million over the next 12 months, to address the removal and disposal of PCB equipment and asbestos material utilized in operations applications at its facilities.

There are a number of other facilities and properties, which ISG owns across the United States, which may present incidental environmental liabilities. The estimated cost of future investigations and likely remediation at these sites is estimated to be about \$14 million.

## **Intellectual Property**

ISG owns a number of U.S. and non-U.S. patents that relate to a wide variety of products and processes, have filed pending patent applications and are licensed under a number of patents. However, ISG believes no single patent or license or group of patents or licenses is of material importance to ISG's overall business. ISG also owns registered trademarks for certain of its products and service marks for certain of its services, which, unlike patents and licenses, are renewable so long as they are continued in use and properly protected.

## **Principal Operating Facilities**

ISG's steel operations consist of five integrated steelmaking plants, one basic oxygen furnace/compact strip mill, three electric arc furnace plants and four finishing plants. ISG also owns interests in various joint ventures that support these facilities, as well as numerous raw material, railroad and transportation assets.

### ***Integrated Steelmaking Facilities***

**Burns Harbor.** ISG's Burns Harbor facility is located on approximately 3,300 acres in Indiana on Lake Michigan, about 50 miles southeast of Chicago, Illinois, strategically located near many of its customers. Burns Harbor, which is the newest integrated steel making facility in the United States, is capable of producing hot-rolled sheet, cold-rolled sheet, corrosion resistant coated sheet and steel plates for use in construction, machinery, automotive, oil and gas and shipbuilding applications. Burns Harbor's principal facilities include a sintering plant, two coke oven batteries (one of which is under a capital lease), two blast furnaces (including coal injection facilities), which yield 4.8 million net tons of hot metal per year, three basic oxygen furnaces, which each can make approximately 300 net tons of liquid steel in 30 minutes, a vacuum degassing facility, two continuous slab casters that produce internally clean steel with highly consistent chemistry (with a combined annual raw steel production capability of about 4.7 million net tons), an 80-inch hot-strip mill, two continuous pickling lines, an 80-inch five-stand cold-rolling mill, sheet finishing mills and a continuous heat treating line. Burns Harbor also has batch annealing facilities, a 72-inch hot-dip galvanizing line, which is capable of making both galvanized and galvanized sheets, the currently idled 110-inch plate mill (including two continuous reheat furnaces, a roughing mill, a finishing mill and a normalizing furnace), which can roll plates from 3/16 to 1-inch thick, and a 160-inch shared plate mill (including two continuous reheat furnaces, four batch reheat furnaces, a roughing mill, a finishing mill, an in-line accelerated cooling facility, a quench and temper line and a batch normalizing furnace), which can roll plates up to 15 inches thick. Burns Harbor continuously casts 100% of its raw steel production volume.

**Indiana Harbor.** ISG's Indiana Harbor facility is located on approximately 1,200 acres in Indiana, 20 miles southeast of Chicago, Illinois on Lake Michigan, strategically located near many of ISG's customers. Indiana Harbor's customer base includes the automotive, agricultural, appliance, pipemaking and service center markets. Among its products are hot-rolled sheet, carbon and high-strength, processed and un-

**Table of Contents**

processed; cold-rolled sheet, carbon and high-strength, enameling sheet, annealed cold-rolled and corrosion resistant coated products. Indiana Harbor's major facilities include a sintering plant and two blast furnaces that have the capability to produce approximately 3.6 million net tons of hot metal per year. Indiana Harbor also has two basic oxygen furnaces, a ladle metallurgy facility, a vacuum degassing facility, two continuous slab casters (with annual raw steel production capability of about 4.0 million tons per year), three pusher reheat furnaces and an 84-inch hot-strip mill. Indiana Harbor's finishing facilities consist of a pickle line, an 80-inch five-stand tandem mill, two hot-dip galvanizing lines, batch annealing, a two-stand temper mill and various slitting, recoil and inspection lines.

**Cleveland.** ISG's Cleveland facilities are located on approximately 1,200 acres on opposite banks of the Cuyahoga River, near Lake Erie in Cleveland, Ohio. Most of Cleveland's output is hot-rolled or cold-rolled sheet. The Cleveland blast furnaces are capable of supplying about 3.1 million net tons to four basic oxygen furnaces. Other major facilities located at Cleveland include two twin strand 9-inch continuous slab casters (with annual raw steel production capability of about 3.7 million net tons), two ladle metallurgy facilities, vacuum degassing facilities, an 84-inch hot-strip mill, an 84-inch cold reducing mill, a temper mill and a batch anneal shop. Cleveland is serviced by ISG's regional coke battery, the Warren Coke Battery, which supplies approximately 40% of Cleveland's coke needs. Cleveland's hot-strip mill, when supplemented with externally produced slabs, can produce approximately 3.8 million net tons annually. With the added slab production from the restart of its Cleveland West facility, ISG believes that Cleveland could be able to optimize production on the hot-strip mill.

**Sparrows Point.** ISG's Sparrows Point facility is located on approximately 3,100 acres on the Chesapeake Bay near Baltimore, Maryland. Principal facilities include a sintering plant, a large blast furnace with a pulverized coal injection system, two basic oxygen furnaces, a twin strand continuous slab caster (with annual raw steel production capability of about 3.9 million net tons), a 68-inch hot-strip mill, a new continuous pickling and cold reducing mill, two galvanizing lines, two Galvalume™ lines and tin mill facilities that include tin and chrome plating lines. Sparrows Point continuously casts 100% of its raw steel production. Sparrows Point's location on the Chesapeake Bay makes it the only domestic steel mill with direct ocean access and provides ISG with a deep-water port and the capability to ship products and receive raw materials by ship, thereby reducing ISG's freight costs. Sparrows Point supplies slabs to Burns Harbor and Conshohocken plate facilities and to other ISG facilities depending on market conditions.

**Riverdale.** ISG's Riverdale, Illinois facility is located on 165 acres approximately 14 miles west of ISG's Indiana Harbor facility. ISG supplies hot metal from its Indiana Harbor and Burns Harbor blast furnaces to Riverdale's basic oxygen furnaces. Riverdale's major facilities include basic oxygen furnaces; two ladle metallurgy furnaces, a continuous thin slab caster which uses a compact strip process (with annual raw steel production capability of about 750,000 net tons), a 62-inch wide tunnel furnace and a seven-stand hotstrip rolling mill. The Riverdale compact strip mill incorporates the latest casting and rolling technology designs with state-of-the-art computer-generated features to precisely control the thickness, profile and flatness of ISG's products.

**Weirton.** ISG's Weirton, West Virginia facility is located on approximately 2,700 acres near the Ohio River. Principal facilities include two blast furnaces, a two vessel basic oxygen process shop, a ladle metallurgy facility, two vacuum degassing facilities, and a four strand continuous caster (with annual raw steel production capability of up to 3.0 million tons), a hot strip mill, two continuous picklers, three tandem cold mills, three hot dip galvanizing lines, one electro-galvanizing line, two tin plate lines, one chrome plate line, one bimetallic chrome/tin plate line and various annealing, temper rolling, shearing, cleaning and edge slitting lines.

**Electric Arc Furnaces**

**Coatesville.** ISG's facility located in Coatesville, Pennsylvania consists of an electric arc furnace (with an annual raw steel production capability of about 900,000 net tons), ingot teeming facilities, a slab caster, two plate mills (140-inch and 206-inch) and heat treating facilities. This facility refines more than 450 steel chemistries and together with ISG's Conshohocken facility, processes some of the widest, heaviest and thickest plates in the industry. This facility produces a wide range of carbon and alloy products (carbon plate,

## **Table of Contents**

high-strength, low alloy plate, commercial alloy plate, military alloy plate and coiled and cut plate) and special products (clad plate, re-sulphurized plate, steel plate, floor plate and clean steel plate) for use in infrastructure, chemical process facilities and shipbuilding applications. This facility also provides finishing and conversion services to key customers.

**Steelton.** ISG's facility in Steelton, Pennsylvania consists of an electric arc furnace (with an annual raw steel production capability of about 1.2 million net tons), a ladle furnace, a vacuum degassing facility, ingot teeming facilities, a continuous bloom caster, a 44-inch blooming mill, a 28-inch rail mill, in-line rail headhardening facilities, finishing and shipping facilities for long-length (80 foot) rails and a 20-inch bar mill. The Steelton facility primarily produces railroad rails, specialty blooms and flat bars.

**Georgetown.** ISG's Georgetown, South Carolina facility is located on 60 acres on Winyah Bay. It produces a wire rod coil from a billet that is cast on a 6 strand continuous caster. The facility has two 80 ton electric arc furnaces (with an annual raw steel production capability of about 1.0 million net tons) and two ladle metallurgy furnaces. It also has a Direct Reduced Iron plant that is capable of producing about 550,000 net tons annually. The facility has deep water access that allows it to receive ships.

### ***Rolling and Finishing Facilities***

**Hennepin.** ISG's Hennepin, Illinois finishing facility is located on 861 acres on the Illinois River. It can produce more than 1.2 million net tons of cold-rolled and galvanizing steel products a year from a hot rolled band substrate. The Hennepin facility's location is well suited to serve the electrical, machinery and appliance markets, which are predominantly located in the industrial Midwest region of the United States. Additionally, Hennepin's location on the Illinois River makes it capable of shipping and receiving by barge, thereby reducing shipping costs. The Hennepin facility consists of an 84-inch pickle line, an 84-inch five-stand tandem mill, a batch annealing facility, a temper mill, a hot-dip galvanized line and three processing lines. The Burns Harbor and Indiana Harbor facilities currently provide substrate to Hennepin.

**Columbus Coatings.** ISG's Columbus Coatings facility is located in Columbus, Ohio. It operates a coating line that produces quality corrosion resistant steel sheets primarily for the exposed and unexposed automotive market. ISG's Burns Harbor facility currently provides cold-rolled coils for most of Columbus Coatings' annual capability and is responsible for marketing of the finished product. ISG also operates a steel slitting and warehousing facility at its Columbus facility through Columbus Processing Company.

**Conshohocken.** ISG's facility in Conshohocken, Pennsylvania consists of a 110-inch Steckel mill, two reheat furnaces, a roughing mill, an in-line cooling and cut-to-length line, a quench and temper line and batch heat-treating system. This facility produces a wide range of carbon and alloy coiled and cut plate from slabs produced at Coatesville and Sparrows Point for use in infrastructure, chemical process facilities and shipbuilding applications. It also provides finishing and conversion services to key customers.

**Lackawanna.** ISG operates a 4-stand tandem mill, an annealing facility, a temper mill, a continuous pickling line and a galvanizing line in Lackawanna, New York. The galvanizing line produces about 335,000 net tons per year of quality corrosion-resistant steel sheets for the unexposed automotive market. Hot-rolled steel substrate is supplied principally from ISG's Burns Harbor and Cleveland facilities.

### ***Railroad and Transport***

ISG owns the assets of seven short-line railroads, having sold three that were acquired from Bethlehem, that transport raw materials and semi-finished steel products within ISG's various facilities, and an interstate truck broker which serves ISG's facilities.

ISG currently operates, under long-term charters, two 1,000-foot self-unloading ore vessels that are used for the transportation of iron ore on the Great Lakes. Prior to the closing of the merger, ISG is required to complete a transaction in which it transfers ownership of the two vessels to a third party approved by the U.S. Maritime Administration, and charters such vessels from the approved third party.

## **Table of Contents**

### ***ISG Homer Research Facility***

As part of ISG's acquisition of Bethlehem's assets, it acquired the Homer Research Facility, a research and product development facility in Bethlehem, Pennsylvania. The facility's research efforts are focused on process and product technologies that will benefit ISG's customers manufacturing operations.

### ***Joint Ventures***

***Hibbing Taconite.*** ISG owns a total 62.3% direct and indirect interest in Hibbing Taconite Company located in Hibbing, Minnesota, that owns iron ore reserves and operates mines and a pelletizing plant. Hibbing Taconite has mining and processing facilities that can supply all of Burns Harbor's iron ore pellet needs. ISG owns a 90% interest in Ontario Iron Company, which is located in Hibbing, Minnesota that owns surface, land and mineral leases used by Hibbing Taconite.

***AK-ISG Metal Coatings Co.*** ISG owns a 40% interest in an electrogalvanizing joint venture facility, located on the east side of ISG's Cleveland facility.

***Double G Coatings Company, L.P.*** ISG owns a 50% interest in Double G Coatings Company, L.P., or Double G, which is located near Jackson, Mississippi. This company operates a 270,000-ton-per year sheet coating line that produces galvanized and Galvalume™ coated sheets primarily for the construction market. Sparrows Point provides cold-rolled coils for ISG's share of production and is responsible for marketing its share of the finished product.

***Steel Construction Systems.*** ISG owns a 45% interest in Steel Construction Systems, which is located in Orlando, Florida and manufactures steel studs and roll-formed trusses for residential and light commercial buildings.

***Indiana Pickling and Processing Company.*** ISG owns a 20% interest in Indiana Pickling and Processing Company, which is located in Portage, Indiana and operates a pickling line.

***Bethlehem Roll Technologies LLC.*** ISG owns a 50% interest in Bethlehem Roll Technologies LLC, which is located in Sparrows Point, Maryland and operates a facility for grinding steel mill rolls for ISG and others.

***Chesapeake Heavy Machine Services, L.L.C.*** ISG owns a 50% interest in Chesapeake Heavy Machine Services, L.L.C., which is located in Sparrows Point, Maryland and manages and markets the services of a machine shop.

***Steel Health Resources, L.L.C.*** ISG owns a 47.5% interest in Steel Health Resources, L.L.C., which is located in Chesterton, Indiana and operates a healthcare clinic.

ISG accounts for all these joint ventures on the equity method except Hibbing Taconite, which is pro-rata consolidated.

## **Legal Proceedings**

See INTERNATIONAL STEEL GROUP Environmental Matters for a discussion of environmental litigation and governmental proceedings beginning on page 169.

In the ordinary course of business, ISG is involved in various pending or threatened legal proceedings. ISG cannot predict with certainty the outcome of any legal or environmental proceedings to which it is a party. In ISG's opinion, however, adequate liabilities have been recorded for losses that are probable to result from legal proceedings and environmental remediation requirements. If such liabilities prove to be inadequate, however, it is reasonably possible that ISG could be required to record a charge to earnings that could be material to the results of operations in a particular future quarterly or annual period. ISG believes that any ultimate additional liability arising from these actions, that is reasonably possible over what has been recorded, will not be material to its consolidated financial condition and sufficient liquidity will be available for required payments.





**Table of Contents**

As described elsewhere, ISG purchased only specified assets of Bethlehem, Acme, LTV, Weirton and Georgetown through sales in bankruptcy proceedings. The sellers in those transactions retained liability for certain claims related to the assets that ISG purchased, including personal injury claims. The sale orders issued by the U.S. Bankruptcy Courts having jurisdiction over each respective transaction entered orders barring assertion of claims (other than those in respect of certain specifically assumed liabilities which did not include asbestos-related liabilities), against ISG related to the assets in question, and confirming that neither ISG nor its subsidiaries shall be responsible for any liabilities related to the assets (other than those in respect of certain specifically assumed liabilities which did not include asbestos-related liabilities). The sale orders issued by the U.S. Bankruptcy Courts also found that under no circumstances could ISG be deemed a successor to any of the sellers for purposes of any liabilities. ISG believes the manner through which its facilities were purchased in conjunction with the attendant orders of the U.S. Bankruptcy Court places it in a better position than other steelmakers with substantial exposure to asbestos-related liability or off-site environmental liability. Despite the foregoing it is possible that future claims with respect to historic asbestos exposure could be directed at ISG. The risk of incurring liability as the result of such claims is considered remote.

**Table of Contents****Security Ownership of Management and Certain Beneficial Owners**

Except as otherwise indicated below, the following table sets forth certain information known to ISG, based on publicly available information and in some cases affirmations made to ISG by the subject parties, regarding the beneficial ownership of ISG common stock as of January 31, 2005 for:

each person known by ISG to beneficially own more than 5% of ISG common stock;

each of ISG's directors and certain of ISG's executive officers; and

all of ISG's directors and executive officers as a group.

ISG has determined beneficial ownership in accordance with the rules of the SEC. Except as otherwise indicated, ISG believes that each stockholder named in the table has sole voting and investment power for the shares shown as beneficially owned by them.

Name and Address	Number of Shares of ISG Common Stock(1)	Percent of Outstanding Shares of ISG Common Stock(2)
Franklin Mutual Advisors, LLC(3) 51 John F. Kennedy Parkway Short Hills, NJ 07078	16,339,780	16.3%
Georgia Financial, LLC(4) 6200 Riverside Drive Cleveland, Ohio 44135	5,356,198	5.4%
Wilbur L. Ross, Jr.(5) Manhattan Tower (19th Floor) 101 East 52nd Street New York, New York 10022	6,936,788	6.9%
Paulson & Co., Inc.(6) 590 Madison Avenue New York, New York 10022	5,500,000	5.5%
Rodney B. Mott(7)	1,410,019	1.4%
Rand V. Araskog	25,000	*
William C. Bartholomay(8)	121,337	*
James C. Boland	2,000	*
Peter J. Powers		*
V. John Goodwin(9)	36,200	*
Leonard M. Anthony(10)	36,200	*
Gordon C. Spelich(11)	286,322	*
Jerome V. Nelson(12)	156,840	*
John C. Mang III(13)	45,250	*
All executive officers and directors as a group (13 persons)	9,028,806	9.0%

\* Less than one percent

(1) Except as otherwise indicated below, beneficial ownership means the sole power to vote and dispose of shares.

(2) Calculated assuming 100,035,950 outstanding shares, the number of shares of ISG common stock outstanding as of January 31, 2005. This number excludes the number of shares of ISG common stock for which any options to purchase ISG common stock held by directors and executive officers are exercisable.

(3)

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Represents shares beneficially owned by advisory clients of Franklin Mutual Advisers, LLC, or FMA: 6,143,191 shares of ISG common stock beneficially owned by Mutual Shares Fund, 2,855,428 shares of

178

---

**Table of Contents**

ISG common stock beneficially owned by Mutual Qualified Fund, 3,546,660 shares of ISG common stock beneficially owned by Mutual Beacon Fund, 2,689,230 shares of ISG common stock beneficially owned by Mutual Discovery Fund, 639,433 shares of ISG common stock beneficially owned by Mutual Shares Securities Fund, 128,899 shares of ISG common stock beneficially owned by Mutual Discovery Securities Fund, and 66,259 shares of ISG common stock owned by Mutual Beacon Fund (Canada), all of which shares are held of record by Bosworth & Co. c/o Franklin Mutual Advisers, LLC, and 264,260 shares of ISG common stock beneficially owned by Franklin Mutual Beacon Fund, all of which shares are held of record by Kane & Co. c/o Franklin Mutual Advisers, LLC. Pursuant to advisory contracts with its clients, FMA has voting and investment discretion over these securities beneficially owned by its clients. FMA disclaims beneficial ownership of these shares owned by its advisory clients.

- (4) Georgia Financial, LLC is the wholly-owned subsidiary of Park Corporation, whose principal executive offices are at 6200 Riverside Drive, Cleveland, Ohio 44135.
- (5) Represents 152,889 shares of ISG common stock beneficially owned by Mr. Ross individually and 6,783,899 shares of ISG common stock deemed to be beneficially owned by Mr. Ross as a result of his position as a principal of WLR, which is also deemed to be a beneficial owner of such shares. The address of WLR is Manhattan Tower (19<sup>th</sup> Floor), 101 West 52nd Street, New York, New York 10022. To the extent that Mr. Ross is deemed to beneficially own any shares as a result of his position as a principal of WLR, Mr. Ross disclaims beneficial ownership of such shares.
- (6) Based on a Schedule 13G/A filed by Paulson & Co., Inc. with the SEC on November 22, 2004.
- (7) Includes options to purchase 28,960 shares of ISG common stock, which were exercisable as of December 7, 2004.
- (8) Represents the 23,597 shares of ISG common stock held by record by Mr. Bartholomay and 97,740 shares of ISG common stock held of record by Bartholomay Interest, L.P. Mr. Bartholomay is the general partner in Bartholomay Interest, L.P. To the extent Mr. Bartholomay is deemed to beneficially own these shares as a result of his position as general partner of Bartholomay Interest, L.P., Mr. Bartholomay disclaims beneficial ownership of these shares.
- (9) Includes options to purchase 36,200 shares of ISG common stock, which were exercisable as of December 7, 2004.
- (10) Includes options to purchase 36,200 shares of ISG common stock, which were exercisable as of December 7, 2004.
- (11) Includes options to purchase 13,575 shares of ISG common stock, which were exercisable as of December 7, 2004, and 200,347 shares which have been pledged under a forward sales contract.
- (12) Represents options to purchase 135,840 shares of ISG common stock, which were exercisable as of December 7, 2004.
- (13) Includes options to purchase 9,050 shares of ISG common stock, which were exercisable as of December 7, 2004.

**Table of Contents**

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS FOR MITTAL STEEL**

Unless otherwise indicated, for purposes of this section, MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL :

Ispat International refers to Ispat International N.V. and its subsidiaries as they existed prior to the acquisition of LNM Holdings on December 17, 2004 and to their predecessor companies for periods prior to the organization of Ispat International in 1997.

LNM Holdings refers to LNM Holdings N.V. and its subsidiaries as they existed prior to their acquisition by Ispat International on December 17, 2004 and to their predecessor companies for the periods prior to the organization of LNM Holdings.

Mittal Steel refers to (x) with respect to time periods occurring on or after December 17, 2004, Mittal Steel Company N.V., formerly known as Ispat International N.V., and its subsidiaries (which include LNM Holdings and its subsidiaries) and (y) with respect to time periods occurring before December 17, 2004, Ispat International and its subsidiaries and their predecessors adjusted to give effect to the acquisition of LNM Holdings and its subsidiaries and their predecessors.

Certain sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations for Mittal Steel include forward-looking statements concerning trends or events potentially affecting the businesses of Mittal Steel. These forward-looking statements typically contain words such as anticipates, believes, estimates, expects or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. These statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors that could cause future outcomes to differ materially from those set forth in forward-looking statements.

The acquisition of LNM Holdings was accounted for as a combination of entities under common control for accounting and financial reporting purposes. Under this method of accounting, recorded assets and liabilities of Ispat International and LNM Holdings are carried forward at their historical amounts, income of Mittal Steel includes income of Ispat International and LNM Holdings for the entire fiscal year in which the acquisition occurred and the reported income of the separate corporations for the prior years will be combined. The Supplemental Combined Financial Statements, which include the accounts of Mittal Steel and its subsidiaries, all of which are controlled by Mittal Steel, have been prepared in accordance with U.S. GAAP. Inter-company balances and transactions have been eliminated on consolidation. Total shipments of steel products include intercompany shipments. All references to Sales include shipping and handling fees and costs as defined in EITF Issue No. 00-10. All references to Net Sales exclude shipping and handling fees and costs. See ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA footnote 1 on page 18, for reconciliation between Sales and Net Sales.

The records of each of Mittal Steel's operating subsidiaries are maintained in the currency of the country in which the operating subsidiary is located, using the statutory or generally accepted accounting principles of such country. For consolidation purposes, the financial statements that result from such records have been translated to conform to U.S. GAAP and converted into U.S. dollars, the reporting currency. The Canadian dollar is the functional currency of Sidbec, the Czech koruna is the functional currency of Ispat Nova Hut, the Polish zloty is the functional currency of Ispat Polska, the South African rand is the functional currency of Iscor, the Euro is the functional currency of IEG and the U.S. dollar is the functional currency of all other operating subsidiaries. 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 re-measured at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of income. Upon consolidation, the results of operations of Mittal Steel's subsidiaries and affiliates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at weighted average exchange rates in the relevant

## **Table of Contents**

year and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the Supplemental Combined Financial Statements and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or affiliated company.

### **Recent Acquisitions**

Mittal Steel completed a number of acquisitions of steel producing assets during 2001, 2002 and 2003. Mittal Steel has completed a number of additional acquisitions in 2004, as set forth below.

In December 2004, Mittal Steel acquired LNM Holdings from Mittal Steel S.à.r.l., a wholly owned subsidiary of The Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Mittal Steel and, at the time, the sole shareholder of LNM Holdings). Mittal Steel S.à.r.l. received 0.27931958 Mittal Steel class A common shares and 0.77068042 Mittal Steel class B common shares, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares.

In December 2004, Mittal Steel acquired a 51% interest in BH Steel in Bosnia.

In June 2004, Mittal Steel purchased 2,000 additional shares in Iscor, raising its stake in Iscor to just above 50%.

In May 2004, Mittal Steel acquired a 44.5% interest, subsequently increased to a 88.3% interest, in RZ Ladna Valavnica AD. RZ Ladna Valavnica AD, located near Skopje, Macedonia, was non-operational from late 2003 through December 2004 but became operational in January 2005.

In May 2004, Mittal Steel acquired a 56.8% interest, subsequently increased to a 77.3% interest, in RZ Valavnica za Lenti AD. RZ Valavnica za Lenti AD, located near Skopje, Macedonia, was non-operational from late 2003 through December 2004 but became operational in January 2005.

In April 2004, Mittal Steel entered into a joint venture with RZR Ljubija a.d., pursuant to which Mittal Steel acquired a 51% interest in the Ljubija iron ore mines in Bosnia and Herzegovina. These mines have been non-operational since the early 1990s.

In April 2004, Mittal Steel acquired a 80.9% interest in Ispat Siderurgica. Ispat Siderurgica, located in Romania, is a downstream steel products manufacturer.

In March 2004, Mittal Steel acquired a 69% interest in Ispat Polska, which increased to 70.5%, and a commitment to purchase a 25% interest by December 2007. Ispat Polska, located in Poland, is one of the largest steel producers in Central and Eastern Europe.

### **Recent Developments**

On February 1, 2005, Moody's Investor Services Ltd. assigned a Baa3 senior implied rating to Mittal Steel and upgraded Mittal Steel's senior unsecured issuer rating to Ba1. In addition, Moody's Investor Services Ltd. upgraded the senior notes of IEG and Inland to Ba1.

On January 25, 2005, Mittal Steel announced that it had arranged commitments, subject to customary conditions, from a group of arrangers for a \$3.2 billion unsecured revolving credit facility, the proceeds from which it expects to utilize to finance the cash portion of the merger with ISG, to refinance certain existing indebtedness and for general corporate purposes.

On January 24, 2005, Standard & Poor's Ratings Services raised its long-term corporate credit and senior secured debt ratings on Inland to BBB- from BB-. In addition, Standard & Poor's Ratings Services assigned a BB+ rating to Inland's senior unsecured debt.

On January 14, 2005, Mittal Steel signed a share purchase agreement with Hunan Valin Iron & Steel Group Co., Ltd., or the Valin Group, to acquire 37.17% of the outstanding shares of Hunan Valin Steel Tube & Wire Co., Ltd., or Valin, a listed subsidiary of the Valin Group. Under the terms of the share

## **Table of Contents**

purchase agreement, Mittal Steel will acquire 656,250,000 legal person shares from the Valin Group at a price of RMB 3.96 per share, for a total consideration of RMB 2,599 million, approximately \$314 million. The consideration is subject to adjustment based on the net asset value of Valin as at December 31, 2004. Subject to the receipt of all necessary approvals and waivers from the regulatory authorities in the Peoples Republic of China, the transaction is expected to close in the second quarter of 2005.

On December 30, 2004, Ispat Inland ULC, a wholly owned subsidiary of Mittal Steel, redeemed \$227,500,000 principal amount of its 9 3/4% senior secured notes due 2014, at a redemption price equal to 109 3/4% of the outstanding principal amount redeemed, plus accrued and unpaid interest on such amount to, but excluding, December 30, 2004. In conjunction with the redemption of the notes by Ispat Inland ULC, Mittal Steel purchased \$256,000,000 of capital stock of Inland on December 29, 2004 prior to the redemption of the notes. Consistent with the terms of the indenture with respect to the notes, the cash proceeds from the stock offering were used to redeem the notes. After giving effect to this redemption, \$422,500,000 principal amount of the 9 3/4% senior secured notes due 2014 remain outstanding.

On December 15, 2004, the shareholders of Mittal Steel approved the acquisition of LNM Holdings. On December 17, 2004 the acquisition of LNM Holdings was closed. LNM Holdings operates steel-making and processing facilities in seven countries. Under the terms of the LNM Holdings acquisition agreement, The Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Mittal Steel and the sole shareholder of LNM Holdings) received 0.27931958 Mittal Steel class A common shares and 0.77068042 registered Mittal Steel class B common shares of Mittal Steel for each LNM Holdings common share, or, in the aggregate, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares.

In October 2004, Mittal Steel announced that its board of directors had approved a transaction pursuant to which ISG will be merged with a wholly owned subsidiary of Mittal Steel.

On November 15, 2004, Standard & Poor's Ratings Services raised its long-term corporate credit rating for Mittal Steel to BBB from BB-, with a positive outlook. At the same time Standard & Poor's raised the debt ratings on debt guaranteed by Mittal Steel for Inland and IEG to BBB from BB-, with a positive outlook.

In connection with the merger, on October 24, 2004 Mittal Steel, ISG and the USWA executed a letter of understanding in which the USWA agreed to support the merger and to waive its right of first refusal under the ISG collective bargaining agreement. See THE MERGER Letter of Understanding with the United Steelworkers of America on page 81.

## **Income Taxes**

Mittal Steel's overall taxes are expected to increase due to the utilization of net operating losses in 2004, and a loss of tax exemptions in Romania even though Mittal Steel's effective tax rate has decreased in certain jurisdictions, such as the Czech Republic.

## **Factors Affecting the Business**

### ***Cyclicality of the Steel Industry***

The steel industry is highly cyclical and is affected significantly by general economic conditions and other factors such as worldwide production capacity, fluctuations in steel imports/exports and tariffs. Steel prices are sensitive to a number of supply and demand factors. Recently, steel markets have been experiencing larger and more pronounced cyclical fluctuations. This trend, combined with the upward pressure on costs of key inputs, mainly metallics and energy, presents an increasing challenge for steel producers. The key drivers for maintaining a competitive position and good financial performance in this challenging environment are product differentiation, customer service, cost reduction and cash management.



## **Table of Contents**

In 2001, the steel industry faced a severe downturn, which gradually reversed in 2002. Section 201 trade rulings in the United States and certain emerging shifts in global supply and demand for steel brought about improvements in both demand for and pricing of steel products.

In 2003, world crude steel production increased by 7%, primarily due to China where production increased by 21%, making it the largest steel producing nation. Further, steel imports into China increased by 53% from 2002 to meet the demand from the automobile, white goods and construction sectors. The strong demand in China increased prices for steel as well as key raw materials such as iron ore, coke, scrap and alloys. To partly mitigate the impact of these input cost increases, steel companies in the United States started applying surcharges.

In the first ten months of 2004, world crude steel production increased by 8.9% to 854.1 million metric tonnes compared to the same period in 2003. The growth in 2004 continues to be led by China, which increased production by 22%, while growth in North America was 7% and growth in the European Union (including the 10 new member states in 2004) was 5%, largely led by robust growth in industrial production and gross domestic product, or GDP, from the new member states of the European Union. Costs of key raw materials have continued to increase due to imbalances between demand and supply in certain regions and higher freight costs, leading to higher steel prices.(2)

### ***Consolidation in the Steel Industry***

Within the past few years, the U.S. steel industry has significantly consolidated, primarily led by ISG, United States Steel Corporation, or US Steel, Nucor and Steel Dynamics. ISG was formed as a result of the acquisition of LTV, Bethlehem Steel, Acme Steel, Weirton Steel and Georgetown Steel in 2004. US Steel acquired National Steel; Nucor acquired Birmingham Steel and Trico; while Steel Dynamics acquired Qualitech Steel and GalvPro.

In Europe consolidation took place with the formation of Arcelor, which is a combination of Aceralia, Arbed and Usinor, three large European companies. In the recent past, LNM Holdings has acquired several assets primarily in Central and Eastern Europe, namely Romania, Czech Republic, Poland, Macedonia and Bosnia. Consolidation has occurred to achieve greater efficiency and economies of scale, particularly in response to the effective consolidation undertaken by raw material suppliers and consumers of steel products.

### ***Global Steel Trade***

Mittal Steel's ability to sell products is influenced by a number of factors including in varying degrees, by trends in global trade for steel products, particularly trends in imports of steel products into its principal markets. In the United States, Section 201 tariffs were in place through most of 2003. U.S. steel imports fell by 29% primarily due to higher demand in China and higher ocean freight costs. In the first half of 2004, high freight costs and continuing strong demand in China, Asia and Europe protected the U.S. market from cheaper imports. As a result, prices in North America have increased in the first nine months of 2004.

### ***Raw Materials and Ocean Freight Costs***

Raw material prices and ocean freight costs have generally continued to increase in 2004. These price increases are mainly due to increased demand of key raw materials and longer voyage timings, as well as to port congestion, which reduces availability of ships and consequently increases freight rates.

---

2 Although steel prices do follow trends in raw material prices, the percent movements may not be to the same extent. Percent increases in costs of input factors are driven by demand-supply balance, availability and demand from alternative markets. Similarly steel pricing and demand is driven by demand from the end-user segments. Steel price surcharges are often implemented on contracted steel prices to recover increases in input costs. However, spot market steel prices and short-term contract are driven by market prices.

## **Table of Contents**

Chinese steel mills, which have usually sourced their iron ore from Australia, had to source iron ore from as far as Brazil to meet growing demand. Imports of iron ore into China continued to increase through the first nine months of 2004 compared to the same period in 2003. In 2004, iron ore deliveries into China are expected to be 200 million tonnes, a 35% increase over 2003 deliveries. This demand has increased not just iron ore prices by up to 40%, but also freight costs as demand for Capesize vessels increased in 2004.

Coking coal prices have been increasing over the last two years. Prices increased substantially due to higher demand and supply constraints. Coke export prices have increased in China due to a new value-added tax as well as to the removal of tax credits available in 2003. Further, coke exports from China are also affected by transport infrastructure. Overall, prices have increased more than three-fold compared to levels at the beginning of 2003.

Natural gas prices in North America continued to be close to \$6-7 per mmbtu through most of the first nine months of 2004. Demand for natural gas in North America is increasing at around 3% per annum while supplies are increasing by only 1%. Prices did not ease during the summer of 2004 mainly due to higher oil prices, delays in bringing new production to market and sustained demand.

Demand for high-grade scrap continued to be robust in the first nine months of 2004. During the first nine months of 2004, scrap prices in North America continued to increase and touched a high of \$400 per long ton for automotive bundles due to a combination of strong demand from the steel industry, transport availability and cost. Scrap prices in Europe continued to increase on the back of export-led demand from Turkey and Asia.

Ocean freight rates remained volatile throughout the year 2004, exposing the fragile state of this supply/demand balance. Strong demand in China for metallics has also increased the need for Capesize and Panamax vessels<sup>(3)</sup> to transport coking coal and ore. In addition, longer voyage times to the Far East and port congestion in Asia, as well as at loading ports, contributed to the shortage of ships in the Western Hemisphere. Given the inelastic nature of shipping capacity in the short term, this has increased freight costs significantly in 2004.

### ***Impact of Exchange Rate Movements***

Mittal Steel operates in different geographical locations with different functional currencies. The U.S. dollar weakened against the Euro, Algerian dinar, Czech koruna, Kazakh tenge, Polish zloty, Romanian lei, South African rand and the Canadian dollar in the first nine months of 2004. These exchange rate movements had an adverse impact on the costs and competitive position of some of Mittal Steel's subsidiaries, particularly the Canadian, Algerian, Czech, Polish, Romanian, Kazakh and South African operating subsidiaries and had a favorable impact on its operating subsidiaries in the United States. However, the translation impact of the functional currencies into U.S. dollars was favorable for most of Mittal Steel's non-U.S. operating subsidiaries.

Mittal Steel manages this risk through specific hedges to the extent management considers appropriate.

## **Critical Accounting Policies and Use of Judgments and Estimates**

The information regarding and analysis of Mittal Steel's operational results and financial condition are based on figures contained in Mittal Steel's Supplemental Combined Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Mittal Steel's management to make judgments in relation to certain estimates and assumptions used in the application of accounting policies. These judgments and estimates are made on the basis of available facts and are a normal part of the process of preparing financial statements. While the use of different assumptions and estimates

---

3 Capesize ships are very large bulk carriers with deadweight exceeding 150,000 tons. Such ships are unable to go through the Suez Canal and therefore have to sail round the Cape of Good Hope to and from Europe. Panamax ships are large ships capable of transiting the Panama Canal and have a deadweight of 55,000 tons.

## **Table of Contents**

could have caused the results to be different from those reported, Mittal Steel believes that the possibility of material differences between two periods is considerably reduced because of the consistency in the application of such judgments.

The accounting policies that Mittal Steel considers critical, in terms of the likelihood of a material impact arising from a change in the assumptions or estimates used in the application of the accounting policy in question, are outlined below.

### ***Impairment of Long Lived Assets***

According to SFAS 144, an impairment loss must be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.<sup>(4)</sup> The carrying amount of a long-lived asset is not recoverable if it exceeds the expected sum of the undiscounted cash flows over its remaining useful life. Additionally, APB Opinion No. 18, *The Equity Method of Accounting For Investment in Common Stock*, requires that a loss in value of an equity method investment that is other than a temporary decline should be recognized. Based on these accounting standards, Mittal Steel recognized the following impairments in 2002:

Impairment of the idled 2A Bloomer and 21 Bar Mill in the Americas region (Inland), resulting in an asset write-off of \$23 million, following an assessment that those facilities, which were idled in the fourth quarter of 2001, were unlikely to be restarted; and

Write-off of the assets associated with the Empire Mine of \$39 million in connection with the sale, effective December 31, 2002, of part of Mittal Steel's interest in the Empire Partnership (and the sale of its related fluxing equipment) to a subsidiary of Cleveland-Cliffs Inc., thereby reducing Mittal Steel's interest in the Empire Mine from 40% to 21%.

During 2003 there was no material uncertainty relating to the recoverability of long-lived assets. Additionally, there were only temporary declines on equity method investments. Mittal Steel continues to monitor both internal and external factors which could result in an impairment of long-lived assets or a loss in value of an equity method investment.

### ***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 annually reviews the deferred tax assets in the different jurisdictions in which it operates to assess the possibility of realizing such assets based on projected earnings. It takes an appropriate valuation allowance where it appears more likely than not, based on these projections, that the deferred tax assets will not be realized. Mittal Steel expects that it is more likely than not that the deferred tax assets of \$484 million as of September 30, 2004 will be fully realized. The deferred tax asset mainly relates to its subsidiaries in the Americas. The amount of future taxable income required to recover this asset is approximately \$1,500 million.

### ***Provisions for Pensions and Other Post Employment Benefits (SFAS 87 and 106)***

Mittal Steel's operating subsidiaries have different types of pension plans for their employees. Also, most of the subsidiaries in the Americas region offer post employment benefits, primarily 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, particularly in the case of Mittal Steel's U.S. and Canadian subsidiaries. Such accumulated unrecognized costs amounted to \$1,058 million for pensions, and \$166 million for Other Post Retirement

---

<sup>4</sup> References to SFAS are to Statement of Financial Accounting Standards.

## **Table of Contents**

Benefits as of December 31, 2003. In addition, there is an unrecognized net gain of \$105 million relating to Other Post Retirement Benefits. The decrease in the discount rate from 7.1% to 6.25% in 2003 contributed significantly to the increase in unrecognized prior service costs. These costs are amortized over the estimated average remaining service period of active participants of approximately 11 years.

A 0.50 percent change in the discount rate would increase or decrease pension and other post retirement benefits expenses by approximately \$10 million and increase or decrease pension and other post retirement benefits liabilities by \$131 million. A 0.50 percent change in the assumed rate of return on plan assets would increase or decrease pension and other post retirement benefit expenses by \$11 million.

### ***Environmental and Other Contingencies***

Mittal Steel is currently engaged in the investigation and remediation of environmental contamination at a number of the facilities through which it operates. 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 soils and groundwater. Mittal Steel recognizes a liability for environmental remediation when it is likely 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.

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 probable 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 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.

### ***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. This often results in positive or negative goodwill. Accounting principles allow Mittal Steel up to one year to acquire all necessary valuation information for the allocation. While independent appraisals and other valuations are used to allocate the cost of acquisitions, management is still required to make significant estimates and assumptions. In addition, when the fair value of the assets acquired exceeds their costs, Mittal Steel is required to pro rate that excess to reduce noncurrent assets, making the amount initially assigned to all assets and liabilities more important. This application of management judgment and estimates to account for acquisitions could significantly affect the financial statements. In light of this, Mittal Steel considers purchase accounting a critical accounting policy.

## Table of Contents

### **Review of Operating Results**

The following review of operating results is based on the supplemental combined financial statements included herein. In addition, to further enhance comparability, certain information for the nine months ended September 30, 2004 and 2003 and the year ended December 31, 2003 is presented on a historical basis. In addition, to further enhance comparability certain financial information is presented on a pro forma basis which illustrates the effect of the acquisition of ISG as if the transaction had occurred at the beginning of 2003. We believe that pro forma results represent comparative information for assessing earnings trends because the pro forma results include comparable operations in each year presented. Such pro forma results are not necessarily indicative of the combined results that would have occurred had the events actually occurred at the beginning of 2003.

#### ***Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003***

**Summary.** The following events, which occurred in the nine months ended September 30, 2004, have had a significant effect on Mittal Steel's historical results of operations:

Mittal Steel's supplemental combined financial statements for the nine months ended September 30, 2004 include the results of the following operations, the results of which were not, or not fully, included in the nine months ended September 30, 2003.

The results of Ispat Polska were included from March 5, 2004, the date of its acquisition by Mittal Steel.

Mittal Steel acquired Ispat Nova Hut on January 31, 2003. Therefore the relevant results of operations of Ispat Nova Hut for 2003 are included only for the eight months ended September 30, 2003.

Mittal Steel acquired controlling interests in Ispat Tepro in July 2003, Ispat Petrotub in December 2003 and Ispat Siderurgica in April 2004.

Mittal Steel acquired RZ Valavnica Z.A. Lenti AD and RZ Ladna Valavnica AD in May 2004.

Iscor is being consolidated from January 1, 2004.

Mittal Steel increased its equity interest in Iscor from 49.9% to slightly over 50% in 2004, and it consolidated Iscor's results of operations in its financial statements. Therefore, Mittal Steel's supplemental combined financial statements for the nine months ended September 30, 2004 include the results of operations of Iscor for the entire period. Prior to January 1, 2004 Mittal Steel's investment in Iscor was accounted for under the equity method, pursuant to which Mittal Steel recorded a percentage of Iscor's net income equal to its equity interest as income from equity investment. Although the inclusion of Iscor's results in Mittal Steel's supplemental combined financial statements in the nine months ended September 30, 2004 resulted in significant increases in Mittal Steel's consolidated figures for, among other things, sales, shipments, net sales, operating income, gross profit and selling, general and administrative expenses during that period, the increase in Mittal Steel's equity interest was not large enough to have a material effect on its net income, because its share of net income was always included in prior periods as a line item in the income statement.

**Result of Operations.** The key performance indicators which Mittal Steel's management uses to analyze operations are sales, average selling price, shipments, cost per ton, gross profit and operating income. Management's analysis of liquidity and capital resources is driven by working capital and operating cash flow. The following analysis presents key performance indicators by each operating segment. The gross profit and operating income analyses are carried out for Mittal Steel as a whole.

**Historical Sales, Shipments and Average Selling Prices.** During the nine months ended September 30, 2004, Mittal Steel experienced benefits from the continued increase in the global demand and prices for steel beginning in 2004. Sales of Mittal Steel increased to \$16 billion for the nine months ended September 30,

**Table of Contents**

2004, compared to \$7 billion for the nine months ended September 30, 2003. The following table gives a summary of sales for each of Mittal Steel's regions:

Regions	Sales		Change in		
	Nine Months Ended		Sales	Shipments	Average Selling Price
	2004	2003			
	(\$ Millions)		(%)		
Americas	4,762	3,000	59	8	43
Europe(1)	7,061	2,760	156	70	50
Rest of World(2)	5,466	1,576	247	135	51

(1) Includes results of Ispat Nova Hut from January 31, 2003 and Ispat Polska from March 5, 2004.

(2) Includes results of Iscor from January 2004.

Excluding the effects of the acquisition of Ispat Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, sales increased in Mittal Steel to \$9.2 billion for the nine months ended September 30, 2004 from \$6.3 billion for the nine months ended September 30, 2003.

Average selling prices increased by 47% for the nine months ended September 30, 2004 compared to the same period in 2003. Excluding the effects of Ispat Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, average selling prices increased by 43% for the nine months ended September 30, 2004 compared to the same period in 2003. The average price realized improved as a result of strong demand for steel, leading to higher base selling prices, surcharges for the cost of raw materials and a more favorable product mix.

Mittal Steel's shipments increased to 32.0 million tons for the nine months ended September 30, 2004 compared to 20.4 million tons for the nine months ended September 30, 2003. Excluding the effects of Ispat Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, shipments increased to 19.8 million tons in September 30, 2004 from 18.3 million tons as at 30th September 2003. The increase in shipments was due to the strong demand for steel.

**Americas.** During the nine months ended September 30, 2004, sales in the Americas region increased to \$4,762 million, compared to \$3,000 million for the nine months ended September 30, 2003. This increase was largely due to an increase in selling prices as a result of a strong global demand, better product mix, and the implementation of pricing surcharges designed to offset the increase in key input costs, such as coke, scrap and iron ore. In addition, the strength of the Canadian dollar against the U.S. dollar also resulted in a higher average selling price in U.S. dollars.

Total Shipments in the Americas region increased to 9.3 million tons as at September 30, 2004 from 8.6 million tons as at September 30, 2003 largely due to the increase in demand as well as completion of the relining of Blast Furnace No. 7 at Inland in October 2004.

**Europe.** During the nine months ended September 30, 2004, Mittal Steel completed the acquisition of Ispat Polska. Due to its experience in augmenting its business through strategic acquisitions, Mittal Steel believes that it has been able to successfully manage the integration of Ispat Polska into its business.

For the nine months ended September 30, 2004, sales in the European region have increased to \$7,061 million as compared to \$2,760 million for the nine months ended September 30, 2003.

Excluding the effects of the subsidiaries acquired during the nine months ended September 30, 2004, for the nine months ended September 30, 2004, sales in the European region increased to \$2,851 million as compared to \$1,928 million for the nine months ended September 30, 2003. The average selling price in the European region increased by 50% at September 30, 2004 compared to the similar period in 2003. Excluding the effect of Ispat Polska, Ispat Nova Hut and the other subsidiaries acquired during the nine months ended September 30, 2004, average selling price in the European region increased by 43% at September 30, 2004 compared to a similar period in 2003 due to

increased global demand for steel products and improved product

**Table of Contents**

mix. In addition, the strength of the Euro against the U.S. dollar resulted in a higher average selling price in U.S. dollars.

Shipments in the European region increased to 13.5 million tons at September 30, 2004 from 7.9 million tons at September 30, 2003. Excluding the impact of Ispat Polska, Ispat Nova Hut and the other subsidiaries acquired during the nine months ended September 30, 2004, shipments increased to 6.5 million tons at September 30, 2004 from 5.8 million tons at September 30, 2003. Shipments increased across most product lines driven by strong global demand.

**Rest of World.** Sales in the rest of world region for the nine months ended September 30, 2004 increased to \$5,466 million compared to \$1,576 million for the nine months ended September 30, 2003. Excluding the effect of the consolidation of Iscor in the Rest of World region for the nine months ended September 30, 2004 sales increased to \$2,874 million at September 30, 2004 from \$1,576 million for the nine months ended September 30, 2003. This was largely due to higher prices. In addition, the strength of the South African rand against the U.S. dollar resulted in a higher average selling price in U.S. dollars.

Shipments in the Rest of World region increased to 9.2 million tons at September 30, 2004 from 3.9 million tons at September 30, 2003. Excluding the impact of the consolidation of Iscor, shipments in the Rest of World region increased to 4.0 million tons at September 30, 2004 from 3.9 million tons at September 30, 2003.

**Pro Forma.** To further enhance comparability, financial information for the nine months ended September 30, 2004 and 2003 is also presented on a pro forma basis which illustrates the effect of the acquisition of ISG on a nine month basis in both periods as if the transaction had occurred at the beginning of 2003. We believe that pro forma results represent comparative information for assessing earnings trends because the pro forma results include comparable operations in each year presented. The pro forma results are not necessarily indicative of the combined results that would have occurred had the events actually occurred at the beginning of 2003.

*Pro Forma Sales, Shipments and Average Selling Prices Including ISG.* During the nine months ended September 30, 2004, Mittal Steel experienced benefits from the continued increase in the global demand and prices for steel beginning in 2004. Sales of Mittal Steel increased to \$22.9 billion for the nine months ended September 30, 2004, compared to \$11.8 billion for the nine months ended September 30, 2003. The following table gives a summary of sales for each of Mittal Steel's regions:

Regions	Sales		Change in		
	Nine Months Ended		Net Sales (%)	Shipments (%)	Average Selling Price (%)
	2004	2003			
	(\$ Millions)				
Americas	11,681	7,665	52	10	37
Europe	7,061	2,760	156	70	50
Rest of World	5,466	1,576	247	135	51

Excluding the effects of the acquisition of Ispat Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, sales increased at Mittal Steel to \$16.1 billion for the nine months ended September 30, 2004 from \$10.9 billion for the nine months ended September 30, 2003. Average selling prices increased by 39% for the nine months ended September 30, 2004 compared to the same period in 2003. Excluding the effects of Ispat Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, average selling prices increased also by 39% for the nine months ended September 30, 2004 compared to the same period in 2003. The average price realized improved as a result of strong demand for steel, leading to higher base selling prices, surcharges for the cost of raw materials and a more favorable product mix.

Mittal Steel's shipments increased to 44.5 million tons for the nine months ended September 30, 2004 compared to 31.7 million tons for the nine months ended September 30, 2003. Excluding the effects of Ispat





**Table of Contents**

Polska, Ispat Nova Hut, Iscor and the other subsidiaries acquired during the nine months ended September 30, 2004, shipments increased to 32.3 million tons in September 30, 2004 from 29.6 million tons as at 30th September 2003. The increase in shipments was due to the strong demand for steel.

**Americas.** During the nine months ended September 30, 2004, sales in the Americas region, which includes ISG, increased to \$11,681 million, compared to \$7,665 million for the nine months ended September 30, 2003. This increase was largely due to an increase in selling prices as a result of a strong global demand, better product mix, and the implementation of pricing surcharges designed to offset the increase in key input costs, such as coke, scrap and iron ore. In addition, the strength of the Canadian dollar against the U.S. dollar also had the translation effect of a higher average selling price in U.S. dollars.

Total shipments in the Americas region increased to 21.9 million tons as at September 30, 2004 from 19.9 million tons as at September 30, 2003 largely due to a global increase in product demand, which increased shipments. For the nine months ended September 30, 2003, shipments were lower due to the reline of Blast Furnace No. 7 at Inland.

*Historical Cost of Sales.* Due to the increase in the cost of key inputs, such as iron ore, scrap, electricity, natural gas and transportation, the average cost per ton for Mittal Steel increased by 28% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003.

Excluding the effects of cost per ton related to Ispat Polska, Iscor, Ispat Nova Hut and other subsidiaries acquired during the nine months ended September 30, 2004, Mittal Steel's average cost per ton increased by 25% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. This increase in cost was largely due to the higher cost of raw materials and other key inputs driven by an increasingly strong sellers market for these inputs.

**Americas.** In the Americas region, average cost per ton increased by 17% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. This was largely due to an increase in the cost of key inputs, such as coke, coal, scrap and alloys. In addition, at Inland labor costs were higher in the third quarter of 2004 as compared to the third quarter of 2003 due to increases in employee profit sharing and pension expense. The appreciation of the Canadian dollar against the U.S. dollar also resulted in a higher cost per ton in U.S. dollars.

**Europe.** Average cost per ton in the European region, increased by 39% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. Excluding the effects of subsidiaries acquired during the nine months ended September 30, 2004, Mittal Steel's average cost per ton increased by 31% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. This increase is primarily due to increases in the cost of key raw material such as scrap, iron ore, coal, coke, energy and ferro alloy prices. In addition, the significant appreciation of the Euro and other relevant currencies against the U.S. dollar resulted in a higher cost in U.S. dollars.

**Rest of World.** Average cost per ton in the Rest of World region, increased by 86% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. Excluding the inclusion of Iscor, average cost per ton increased by 29%.

Average cost per ton increased due to increases in the cost of purchased metallics and other raw materials. In addition, the strength of the South African rand against the U.S. dollar also resulted in a higher cost in U.S. dollars.

*Pro Forma Cost of Sales Including ISG.* Due to the increase in the cost of key inputs, such as iron ore, scrap, electricity, natural gas and transportation, the average cost per ton for Mittal Steel increased by 24% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003.

Excluding the effects of cost per ton related to Ispat Polska, Iscor, Ispat Nova Hut and subsidiaries acquired during the nine months ended September 30, 2004, Mittal Steel's average cost per ton increased by 28% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. The increase in the cost of such key inputs is primarily due to strong global demand.

**Table of Contents**

**Americas.** In the Americas region, which includes ISG, average cost per ton increased by 26% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. This was largely due to an increase in the cost of key inputs, such as coke, coal, scrap and alloys. In addition, at Inland labor costs were higher in the third quarter of 2004 as compared to the third quarter of 2003 due to increases in employee profit sharing and pension expense. The appreciation of the Canadian dollar against the U.S. dollar also resulted in a higher cost per ton in U.S. dollars. Costs per ton also increased during the third quarter due to a higher cost product mix, higher iron ore selling costs and variable compensation from profit sharing and health care expense contributions.

*Historical Gross Profit and Gross Profit Margins.* For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003 overall gross profit (sales less cost of sales, excluding depreciation) increased by 251% and gross profit margin (gross profit divided by Net Sales) increased by 33%.

The following table gives a summary of the gross profit margins of Mittal Steel (including subsidiaries acquired during the nine months ended September 30, 2004) by region:

Regions	Gross Profit Margin (%)	
	Nine Months Ended	
	2004	2003
Americas	27	9
Europe	29	20
Rest of World	39	45

**Americas.** In the Americas region, gross profit increased to \$1,291 million at September 30, 2004 from \$283 million at September 30, 2003. Gross margin in the Americas improved due to higher base prices and implementation of pricing surcharges, favorable U.S. and Canadian dollar exchange rates and an increase in the volume of sales. These favorable trends were offset by higher input costs, higher employee profit shares and pension and healthcare expenses.

**Europe.** In the European region, gross profit increased to \$2,027 million at September 30, 2004, from \$542 million at September 30, 2003. Excluding the effects of Ispat Polska, Ispat Nova Hut and other subsidiaries acquired during the nine months ended September 30, 2004, gross profit increased to \$658 million at September 30, 2004 from \$342 million at September 30, 2003. Gross margin in the European region improved mainly due to improved average selling prices, strong demand and a favorable product mix. Increases in the volume of sales also contributed to higher margins, although higher input costs offset the gains in gross margins.

**Rest of World.** In the Rest of World region, gross profit increased to \$2,107 million at September 30, 2004 from \$717 million at September 30, 2003 due to higher selling prices which were greater than prior increases in selling prices, the addition of subsidiaries acquired during the nine months ended September 30, 2004 and the translation impact of higher exchange rates against the U.S. dollar. Excluding the effects of Iscor, gross profit increased to \$1,113 million at September 30, 2004 from \$717 at September 30, 2003 million due to higher selling prices. However, in percentage terms, the gross profit margin went down in 2004, due to consolidation of Iscor.

*Pro Forma Gross Profit and Gross Profit Margins Including ISG.* For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003 overall gross profit (sales less cost of sales, excluding depreciation) increased by 258% and gross profit margin (gross profit divided by Sales) increased by 28%.

In the Americas region, gross profit increased to \$2,482 million at September 30, 2004 from \$585 million at September 30, 2003. This increase was largely due to an increase in selling prices relative to average input costs as a result of a strong global demand, better product mix, and the implementation of pricing surcharges designed to offset the increase in key input costs.

**Table of Contents**

The following table gives a summary of the gross profit margins of Mittal Steel (including newly acquired subsidiaries) in its regions:

Regions	Gross Profit Margin (%)	
	Nine Months Ended	
	2004	2003
Americas	21	8
Europe	29	20
Rest of World	39	45

*Historical Selling, General and Administrative Expenses.* Selling, general and administrative expenses at Mittal Steel increased by 97% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, primarily due to the addition of new assets and the weakening of the U.S. dollar against the Euro, Canadian dollar and other currencies.

Excluding the acquisition of Ispat Polska, Ispat Nova Hut, Iscor and other subsidiaries acquired during the nine months ended September 30, 2004, selling, general and administrative expenses have decreased by 29%.

The inclusion of Ispat Polska increased selling general and administrative expenses in the nine months ended September 30, 2004, while increases relating to the consolidation of Iscor's results were \$219 million. Selling and administrative expenses were also affected by expenses at the other subsidiaries acquired during the nine months ended September 30, 2004, which totaled \$16 million in the nine months ended September 30, 2004.

*Pro Forma Selling, General and Administrative Expense Including ISGs.* Selling, general and administrative expenses as Mittal Steel increased by 75% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, primarily due to the addition of new assets and the weakening of the U.S. dollar against the Euro and the Canadian dollar.

Excluding the acquisition of Ispat Polska, Ispat Nova Hut, Iscor and other subsidiaries acquired during the nine months ended September 30, 2004, selling, general and administrative expenses decreased by 6% reflecting on-going cost control measures.

The inclusion of Ispat Polska increased selling general and administrative expenses by \$71 million in the nine months ended September 30, 2004, while increases relating to the consolidation of Iscor's results were \$219 million. The inclusion of ISG increased selling, general and administrative expenses by \$180 million. Selling and administrative expenses were also affected by expenses at the other newly acquired subsidiaries, which totaled \$15 million in the nine months ended September 30, 2004.

*Historical Operating Income.* Operating income at Mittal Steel increased to \$4.4 billion for the nine months ended September 30, 2004, compared to \$1.0 billion for the nine months ended September 30, 2003. Excluding the impact of the subsidiaries acquired during the nine months ended September 30, 2004 operating income increased to \$2.7 billion from \$905 million. This increase was largely due to a higher average selling price that more than offset the increases in costs, and the inclusion of the subsidiaries acquired during the nine months ended September 30, 2004.

**Table of Contents**

The following table gives a summary of the operating income of Mittal Steel in its regions:

Regions	Operating Income		Operating Margin	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	(\$ Millions)		(%)	
Americas	1,100	109	23	4
Europe	1,486	274	21	10
Rest of World	1,711	555	31	35

**Americas.** For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, operating income in the Americas region increased to \$1,100 million from \$109 million largely due to increased gross profit (as discussed above) and reduction in property tax.

**Europe.** For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, operating income in the European region increased to \$1,486 million from \$274 million. Excluding the impact of the Ispat Polska, Ispat Tepro, Ispat Skopje, and Ispat Siderurgica, for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003 operating income increased to \$419 million from \$160 million.

**Rest of World.** Operating income in the Rest of World region for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, increased to \$1,711 million from \$555 million. Excluding the impact of Iscor operating income in the Rest of World region increased to \$1,023 million from \$555 million.

*Pro Forma Operating Income Including ISG.* Operating income equals gross profit less selling, general and administrative expenses and depreciation. Operating income at Mittal Steel increased to \$5.2 billion for the nine months ended September 30, 2004, compared to \$1.1 billion for the nine months ended September 30, 2003.

Excluding the impact of the newly acquired subsidiaries operating income increased to \$3.2 billion from \$1.0 billion. This increase was largely due to a higher average selling price and a significant increase in shipments.

The following table gives a summary of the operating income and operating margin of Mittal Steel (including the subsidiaries acquired during the nine months ended September 30, 2004) in its regions:

Regions	Operating Income		Operating Margin	
	Nine Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
	(\$ Millions)		(%)	
Americas	1,846	209	16	3
Europe	1,486	274	21	10
Rest of World	1,711	555	31	35

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

**Americas.** For the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, operating income in the Americas region, including ISG, increased to \$1,700 million at September 30, 2004 from \$209 million at September 30, 2003 largely due increased gross profit (as discussed above).

*Historical Financing Costs.* Net interest expense at Mittal Steel decreased to \$137 million at September 30, 2004, as compared to \$141 million as at September 30, 2003. This decrease was mainly due to a lower level of debt, offset by an increased interest cost at Inland due to the refinance of debt at a higher interest rate.

## **Table of Contents**

*Historical Income Tax.* Mittal Steel recorded a current income tax expense of \$465 million as at September 30, 2004, as compared to \$27 million as at September 30, 2003. This was largely due to the increase in income before tax in all operating subsidiaries and the inclusion of taxes at Ispat Polska and Iscor, as well as increased taxes at Ispat Nova Hut due to the exhaustion of tax loss carryforwards that were available to it in the nine months ended September 30, 2003.

## **Outlook**

Market conditions for Mittal Steel's products are expected to continue to remain good in the fourth quarter of 2004. Shipments in the fourth quarter of 2004 will be lower than the third quarter of 2004 due to seasonal factors. Mittal Steel expects improved selling prices due to prior order bookings. Mittal Steel also believes that there is likely to be continued pressure on the availability and cost of all major production inputs.

Working capital is expected to continue to increase in the fourth quarter of 2004 due to increases in costs and selling prices. Capital expenditure is expected to be slightly higher in the fourth quarter of 2004 than the average capital expenditure over the first three quarters of 2004. Overall, Mittal Steel expects its financial results in the fourth quarter to be similar to the third quarter of 2004 and higher than the average for the first nine months of 2004.

Mittal Steel does not anticipate major changes in market conditions for steel, either for its products or for its key raw materials, in 2005. A marginal increase in sales volumes compared to 2004 and operating profit margins similar to 2004 are expected in 2005. Mittal Steel expects to maintain positive cash flows and pursue further debt reduction in 2005.

## ***Year Ended December 31, 2003 compared to Year Ended December 31, 2002***

**Summary.** The following events occurred in 2003, which had a significant effect on Mittal Steel's historical results of operations:

Mittal Steel's Supplemental Combined Financial Statements for 2003 included the results of operations of Ispat Nova Hut, a newly acquired operating subsidiary in the European region, for the eleven months ended December 31, 2003 (i.e., from the date of its acquisition).

In addition, Mittal Steel acquired Ispat Tepro and Ispat Petrotub during 2003.

In 2003, Mittal Steel increased its equity interest in Iscor from 34.8% to 49.9%. Therefore the percentage of Iscor's net income recorded by Mittal Steel in its Supplemental Combined Financial Statements as income from equity investment increased from 34.8% to 49.9%. In addition, during December 2003, Mittal Steel received \$94 million in remuneration from Iscor under a business assistance agreement, which was entered into in November 2001.

**Pro Forma.** Financial information for 2003 is presented on a pro forma basis which illustrates the effect of the acquisition of ISG as if the transaction had occurred at the beginning of 2003. The pro forma results are not necessarily indicative of the combined results that would have occurred had the events actually occurred at the beginning of 2003.

**Results of Operations.** The key performance indicators which management uses to analyse operations are sales, average selling price, shipments, cost per ton, gross profit and operating income. Management's analysis of liquidity and capital resources is driven by working capital and operating cash flow. The following analysis presents key performance indicators by each operating segment. The gross profit and operating income analyses are carried out for Mittal Steel as a whole.

**Table of Contents**

*Historical Sales, Shipments and Average Selling Prices.* The following table gives a summary of sales at Mittal Steel in its regions for the year ended December 31, 2003 compared to the year ended December 31, 2002:

Regions	Sales		Change in		Average Selling Price
	2003	2002	Net Sales	Shipments	
	(\$ Millions)			(%)	
Americas	4,072	3,796	7	5	1
Europe <sup>(1)</sup>	3,800	2,152	77	34	23
Rest of World	2,275	1,483	53	(6)	41

(1) Includes results of Ispat Nova Hut from January 31, 2003, Ispat Tepro from July 2003 and Ispat Petrotub from December 2003.

**Americas.** Sales increased in the Americas region to \$4,072 million at December 31, 2003 from \$3,796 million at December 31, 2002. The increase in sales is due to an increase in shipments by 5% to 11.6 million tons and better prices realizations.

**Europe.** In the European region sales increased to \$3,800 million at December 31, 2003 from \$2,152 million at December 31, 2002. The inclusion of Ispat Nova Hut in 2003 resulted in increases in sales of \$1,162 million. Sales increased in U.S. dollar terms in 2003 as compared to 2002 due to the appreciation of the Euro by 20% against the U.S. dollar in 2003.

Shipments increased to 10.7 million tons at December 31, 2003 from 8.0 million tons at December 31, 2002. The inclusion of Ispat Nova Hut in 2003 resulted in an increase in shipments of 2.9 million tons.

In the European region, the average selling price increased by 23% in 2003, primarily driven by improved market conditions and increased sales of relatively higher priced Ispat Nova Hut products. Excluding the effects of Ispat Nova Hut and the subsidiaries acquired during the year ended December 31, 2003, the average selling price in the European region increased by 23%.

**Rest of World.** In the Rest of World region, sales increased to \$2,275 million in 2003 from \$1,483 million in 2002, primarily due to a 41% increase in average selling price. This was largely due to stronger global demand, which led to higher selling prices and increased sales to customers in Asia, particularly in China.

During the same period, shipments decreased by 6% in the Rest of World region. The decrease in shipments occurred as a result of temporary reductions in overall volumes at the relevant operating subsidiaries, due, in part, to an increased focus on production and sales of value added products at Ispat Annaba.

*Pro Forma Sales, Shipments and Average Selling Prices.* For the period ended December 31, 2003. Sales were \$15,914 million. Shipments for the same period were 40.5 million tons.

**Americas.** Sales in the Americas region, which includes ISG, for the year ended December 31, 2003 were \$10,419 million. The increase in sales is due to an increase in shipments to 24.6 million tons and better prices realizations. The acquisition of Bethlehem increased average selling price at ISG.

*Historical Cost of Sales and Cost Per Ton.* The average cost per ton for Mittal Steel increased by 12% for the year ended December 31, 2003, compared to the year ended December 31, 2002. Excluding the effects of the historical subsidiaries acquired during the year ended December 31, 2003, cost per ton increased by 12% for the year ended December 31, 2003, compared to the year ended December 31, 2002. These increases were primarily the result of higher raw material costs, reflecting the general state of the market in a time of high demand, but also reflecting, in part, Mittal Steel's increased focus on production of value added products.



**Americas.** In the Americas region, average cost per ton increased by 5% for the year ended December 31, 2003, compared to the year ended December 31, 2002.

**Table of Contents**

Cost per ton increased at all Americas subsidiaries due to higher costs for natural gas, scrap and pension costs. Natural gas costs, which are largely driven by spot market gas prices in North America, increased by 90% from 2002 levels due to increases in demand. Average cost of scrap increased by 28% in 2003 due to strong export demand for scrap from China.

**Europe.** In the European region, average cost per ton increased by 17% for the year ended December 31, 2003, compared to the year ended December 31, 2002. Excluding newly acquired subsidiaries, average cost per ton increased by 19% for the year ended December 31, 2003, compared to the year ended December 31, 2002. Cost per ton increased in 2003 over the prior year, in U.S. dollars terms, due to the weakening of the U.S. dollar, increases in iron ore prices, increases in scrap prices, higher energy costs and higher absorption of fixed costs due to lower shipments.

**Rest of World.** In the Rest of World region, in addition to increases in input costs, lower capacity utilization at Ispat Annaba and strengthening of the Kazakh tenge against the U.S. dollar contributed to a 16% increase in average cost per ton for the year ended December 31, 2003, compared to the year ended December 31, 2002.

*Pro Forma Cost of Sales and Cost Per Ton Including ISG.* The average cost per ton for Mittal Steel was \$316 for the year ended December 31, 2003. The average cost per ton was affected in 2003 due to the result of higher raw material costs, reflecting the general state of the market in a time of high demand, but also reflecting, in part, Mittal Steel's increased focus on production of value added products.

**Americas.** In the Americas region, which includes ISG, average cost per ton was \$380 for the year ended December 31, 2003. Cost per ton increased at all Americas subsidiaries due to higher costs for natural gas, scrap and pension costs. Natural gas costs, which are largely driven by spot market gas prices in North America, increased by 90% from 2002 levels. Average cost of scrap increased by 28% in 2003 due to strong export demand for scrap from China. In ISG average cost per ton was also affected due to reduced raw steel production for the second and third quarters causing fixed costs to be absorbed over fewer net tons and inclusion of non-cash charges amounting to \$51.8 million in connection with the acquisition of Bethlehem assets.

*Historical Gross Profit and Gross Profit Margins.* Overall gross profit (sales less cost of sales, excluding depreciation) increased to \$1,999 million at December 31, 2003 from \$1,328 million in December 31, 2002. Gross profit margin (gross profit divided by Net Sales) increased to 21% compared to an increase of 19% at December 31, 2002.

Excluding the effect of the subsidiaries acquired during the year ended December 31, 2003, gross profit increased to \$1,752 million at December 31, 2003 from \$1,327 million at December 31, 2002. These increases were due to higher selling prices and increased shipments, offset in part by increases in raw material costs and the costs of other key inputs and freight cost.

The following table gives a summary of the gross profit margin of Mittal Steel (including the subsidiaries acquired during the year ended December 31, 2003,) in its regions for the year ended December 31, 2003 compared to the year ended December 31, 2002:

Regions	Gross Profit Margin (%)	
	2003	2002
Americas	9	11
Europe	18	13
Rest of World	43	45

*Pro Forma Gross Profit and Gross Profit Margins Including ISG.* Overall gross profit (sales less cost of sales, excluding depreciation) increased to \$2,465 million at December 31, 2003.

Excluding the effect of subsidiaries acquired during the year ended December 31, 2003, gross profit was \$2,217 million at December 31, 2003. Gross profit benefited from higher selling prices and increased shipments, offset in part by increases in raw material costs and the costs of other key inputs and freight cost.

**Table of Contents**

The following table gives a summary of the gross profit margin of Mittal Steel (including the newly acquired subsidiaries) in its regions for the year ended December 31, 2003.

	<b>Gross Profit Margin (%) for the Year Ended 2003</b>
Americas	8
Europe	18
Rest of World	43

*Historical Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased in 2003, by 24% mainly due to the appreciation of the Euro and the Canadian dollar against the U.S. dollar.

*Pro Forma Selling, General and Administrative Expenses Including ISG.* Selling, general and administrative expenses was \$465 million in 2003 mainly due to the appreciation of the Euro and the Canadian dollar against the U.S. dollar.

*Historical Other Operating Expenses.* Other operating expenses in 2002 related to \$39 million towards the write-off of Empire Mine investments and \$23 million towards an impairment loss on the 2A Bloomer and 21 Bar Mill. These costs were not incurred in 2003. See Note 14 to Mittal Steel's Supplemental Combined Financial Statements.

*Historical Operating Income.* The following table gives a summary of the operating income and operating margin of Mittal Steel for the year ended December 31, 2003 compared to the year ended December 31, 2002:

Regions	Operating Income		Operating Margin Change In	
	2003	2002	2003	2002
	(\$ Millions)		(%)	
Americas	136	141	3	4
Europe	317	64	8	3
Rest of World	707	476	31	32

**Americas.** For the year ended December 31, 2003, compared to the year ended December 31, 2002, operating income in the Americas region decreased to \$136 million from \$141 million. This decrease was largely due to higher costs, primarily due to increases in prices of raw materials.

**Europe.** For the year ended December 31, 2003, compared to the year ended December 31, 2002, operating income in the European region increased to \$317 million from \$64 million. Excluding the impact of the subsidiaries acquired during the year ended December 31, 2003, operating income in the European region increased to \$193 million at December 31, 2003 from \$64 million at December 31, 2002, due to higher selling prices and increased shipments, offset in part by increases in raw material costs and the costs of other key inputs and freight costs.

**Rest of World.** Operating income in the Rest of World region for the year ended December 31, 2003, compared to the year ended December 31, 2002, increased to \$707 million at December 31, 2003 from \$476 million at December 31, 2002 due to increased demand and higher sales.

**Table of Contents**

*Pro Forma Operating Income Including ISG.* The following table gives a summary of the operating income and operating margin of Mittal Steel for the year ended December 31, 2003:

	<b>Operating Income for the Year Ended 2003</b>	<b>Operating Margin 2003</b>
	(\$ Millions)	(%)
Americas	86	1
Europe	317	8
Rest of World	707	31

**Americas.** Operating Income for the Americas, which included ISG, for the year ended December 31, 2003 was \$86 million. Operating profit was affected by higher costs, primarily due to increases in prices of raw materials and also due to employment costs at ISG.

*Historical Other Income/(Expense).* Other income was higher by \$129 million during 2003. Components of Other Income include (i) higher profits from joint ventures and (ii) the gain from repurchase of bonds and the sale of land in Europe.

*Historical Financing Costs.* Net interest expense (interest expenses less interest income) was 21% lower in 2003 at \$175 million compared to 2002. Interest expense decreased as a result of lower average borrowings and lower interest rates, which reduced borrowing costs.

*Historical Net Gain or Loss from Foreign Exchange.* Mittal Steel uses U.S. dollars as its reporting currency. Movements in the exchange rates of the currencies of the countries in which Mittal Steel has operations versus the U.S. dollar have an impact on the earnings of Mittal Steel. Such exchange rate movements affect both revenues and costs.

Net gain from foreign exchange for 2003 was \$44 million, an increase of \$29 million from \$15 million in 2002.

*Historical Income Tax.* Mittal Steel recorded a current tax expense of \$43 million in 2003 compared to \$64 million in 2002. Deferred tax expenses were \$141 million in 2003, compared to \$(32) million in 2002.

Apart from the normal tax on profits on Mittal Steel in the Americas region, current tax expenses increased due to certain additional non-cash provisions made at Inland. In 2002, the deferred tax benefit was higher due to the exchange loss on dollar denominated net monetary liabilities arising from depreciation of the currency during the year at Imexsa. In 2003, this benefit was significantly lower at Imexsa.

In the Rest of World region Ispat Karmet has entered into agreements with the Kazakhstan government. Under these agreements, Ispat Karmet is entitled to lower taxes based on certain capital expenditure programs.

The effective tax rate increased to 13% in 2003 from 5% in 2002 on income before taxes of \$1,400 million and \$638 million, respectively. This increase is largely due to higher contributions to net income by subsidiaries that have relatively high statutory tax rates. Income before taxes in Kazakhstan, which has a statutory tax rate of 30%, increased 96% over the previous year. This contributed a 5% increase in the effective rate.

Additionally, the effective tax rate during 2002 was reduced by the income tax benefit of \$40 million generated by Mexico, which resulted in an effective tax rate for that country of 235% as compared to 50% in 2003. This difference was due to tax losses from foreign translation effects in 2002 of \$56 million as compared to \$14 million in 2001.

During 2003, subsidiaries in France and Canada increased the valuation allowances on deferred tax assets related to net operating loss carryforwards by \$13 million and \$14 million, respectively. These increases account for approximately 2% of the effective tax rate in 2003. The additional valuation allowances were determined necessary based on management's assessment as to the recoverability of the deferred tax assets.

## **Table of Contents**

For both France and Canada, negative evidence regarding the recoverability of the deferred tax assets consisted of, among other things, the fact that operations in both countries generated losses for tax purposes in each of the previous three years.

*Historical Effect of Change in Accounting Principle.* Mittal Steel adopted the provisions of SFAS 143, Accounting for Asset Retirement Obligations, from January 1, 2003. Based on analysis Mittal Steel has performed, it has been determined that the assets for which an asset retirement obligation must be recorded are Mittal Steel's Minorca Mine, a subsidiary of Inland, and a property in Hamburg. The cumulative impact of adopting SFAS 143 on January 1, 2003, is an increase in assets and liabilities of \$9 million and \$19 million, respectively. At IEG, there was a provision of \$11 million for retirement obligations on the same asset but not calculated in accordance with the provisions of SFAS 143. Since this provision was no longer required, it was reversed. Accordingly, a cumulative post-tax gain of \$1 million is reflected on the Consolidated Statement of Income as a Cumulative Effect of Change in Accounting Principle.

*Historical Minority Interest.* Minority interest in income of subsidiaries amounted to \$35 million in 2003. This consisted of the share of minority shareholders in the net income of mainly Ispat Nova Hut, Ispat Annaba and Ispat Sidex.

*Historical Net Income.* Mittal Steel net income increased to \$1,182 million for the year ended December 31, 2003, compared to net income of \$595 million for the year ended December 31, 2002. This increase was due to higher operating income, lower interest rates and a higher tax charge, as discussed above.

### ***Year Ended December 31, 2002 Compared to Year Ended December 31, 2001***

**Summary.** The following events occurred in 2002, which have had a significant effect on Mittal Steel results of operations:

Mittal Steel acquired Ispat Sidex on November 15, 2001. Therefore, Mittal Steel's supplemental combined financial statements for 2002 include the results of operation of Ispat Sidex for the entire year, while the 2001 consolidated financial statements for 2001 include Ispat Sidex's results only for the six-week period ended December 31, 2001.

Mittal Steel acquired Ispat Annaba in October 2001, and its supplemental combined financial statements for 2001 include the results of Ispat Annaba only for the period between October 18, 2001 and December 31, 2001, while its supplemental combined financial statements for 2002 include the full year's results.

in 2002, Mittal Steel increased its equity interest in Iscor from 8.3% to 34.8%.

The steel industry started improving in the second half of 2002 following a recession and corresponding decline in the demand for steel during 2001. The demand for steel increased in 2002 as a result of the improved economic environment, the announcement of trade restrictions by the United States and reduced production by several steel producers, which resulted in a decrease in the output of steel and an increase in steel prices. In addition, increased demand from emerging and other markets, most notably China, and the pronouncement of Section 201 trade rulings by the United States positively impacted the price and demand for steel.

**Results of Operations.** The key performance indicators which management uses to analyze each operating subsidiary are Sales, average selling price, shipments, cost per ton, gross profit and operating income. Management's analysis of liquidity and capital resources is driven by working capital and operating cash flow. The following analysis presents key performance indicators by each operating subsidiary. The gross profit and operating income analyses is carried out for Mittal Steel as a whole.

*Historical Sales, Shipments and Average Selling Price.* Sales increased to \$7,080 million at December 31 2002 from \$5,423 million at December 31, 2001. Total steel shipments increased to 24.5 million tons from 18.6 million for the same period.

**Table of Contents**

Excluding the impact of subsidiaries acquired during the year ended December 31, 2002 sales increased to \$5,852 million at December 31, 2002 from \$5,282 million at December 31, 2001. Excluding the impact of Ispat Sidex and Ispat Annaba's total steel shipments increased to 19.2 million tons at 31 December 2002 from 18.1 million tons at 31, December 2001.

The following table gives a summary of sales of Mittal Steel (including subsidiaries acquired during the year ended December 31, 2002) in its regions:

Regions	Sales		Change in		
	2002	2001	Sales	Shipments	Average Selling Price
	(\$ Millions)				(%)
Americas	3,796	3,299	15	10	6
Europe	2,152	1,293	66	82	(8)
Rest of World	1,483	865	71	33	27

**Americas.** During 2002, in the Americas region Sales increased to \$3,796 million due to a better average price realization and higher shipments due to the general improvement in the North American market following the Section 201 ruling in the United States. Shipments increased to 11.1 million tons in 2002 from 10.1 million tons in 2001.

**Europe.** During 2002, in the European region Sales increased to \$2,152 million from \$1,293 million in 2001. Excluding the impact of Ispat Sidex, sales increased to \$1,253 million in 2002 from \$1,202 million in 2001. This increase was largely due to the appreciation of the Euro against the U.S. dollar. During the same period excluding the effects of Ispat Sidex shipments remained flat and average selling prices in Euros were marginally lower.

**Rest of World.** Sales in the Rest of World region increased to \$1,483 million as at December 31, 2002 as compared to \$865 million as at December 31, 2001. Excluding the impact of Ispat Annaba, sales increased to \$1,154 million as at December 31, 2002 from \$815 million as at December 31, 2001. This increase in sales was due to an increase in shipments by 5%, improvements in selling prices and an improved product mix.

The increase in steel shipments resulted from higher demand of Mittal Steel's products, particularly from China and Southeast Asia.

**Historical Cost of Sales and Cost Per Ton.** In 2002, due to higher production, shipments and ongoing cost reduction efforts, the average cost per ton for Mittal Steel decreased by 9% for the year ended December 31, 2002, compared to the year ended December 31, 2001. Excluding the impact of subsidiaries acquired during the year ended December 31, 2002, the average cost per ton for Mittal Steel decreased by 3% for the year ended December 31, 2002, compared to the year ended December 31, 2001.

**Americas.** In the Americas region, average cost per ton decreased by 5% for the year ended December 31, 2002, compared to the year ended December 31, 2001. This was mainly due to ongoing cost reduction efforts, higher production levels at certain locations and the optimization of metallics mix offset by higher metallic prices.

**Europe.** In the European region, average cost per ton decreased by 11% for the year ended December 31, 2002, compared to the year ended December 31, 2001 due to improved efficiencies. The elimination of barter sales transactions and improved procurement policies at Ispat Sidex also contributed to lower costs.

Excluding subsidiaries acquired during the year ended December 31, 2002, average cost per ton increased by 6% for the year ended December 31, 2002, compared to the year ended December 31, 2001. This increase was largely due to increases in the prices of scrap and increases in wages pursuant to collective agreements.

**Rest of World.** In the Rest of World region, average cost per ton decreased by 3% for the year ended December 31, 2002, compared to the year ended December 31, 2001.



**Table of Contents**

Excluding the subsidiaries acquired during the year ended December 31, 2002 in the Rest of World region, average cost per ton decreased by 12% for the year ended December 31, 2002, compared to the year ended December 31, 2001.

*Historical Gross Profit, Gross Profit Margin and Operating Income.* Mittal Steel improved in both gross profit (sales less cost of sales, exclusive of depreciation) and operating income as a result of continuous cost reduction efforts as well as marginal increases in selling prices. Gross profit increased to \$1,328 million. There was an operating income of \$702 million in 2002 as compared with an operating loss of \$37 million in 2001.

Excluding the effect of the subsidiaries acquired during the year ended December 31, 2002 gross profit increased to \$1,081 million at December 31, 2002 from \$461 million at December 31, 2001. Operating income was \$627 million in 2002 as compared with an operating loss of \$23 million in 2001.

Excluding the effects of the subsidiaries acquired during the year ended December 31, 2002 gross profit margin (gross profit as a percent of Sales) improved from 9% to 19% mainly due to improvements in the Americas region offset in part by reduction in the European region. The operating margin (operating income as a percent of Sales) was 11% at 31 December 2002.

Including the subsidiaries acquired during the year ended December 31, 2002, the following table gives a summary of the gross profit margin of Mittal Steel in its regions for the year ended December 31, 2002 compared to the year ended December 31, 2001:

Regions	Gross Profit Margin (%)	
	2002	2001
Americas	11	3
Europe	13	11
Rest of World	45	31

Comparative numbers of operating income and operating margin at Mittal Steel's operating subsidiaries (including new acquisitions) were as follows:

Regions	Operating Income		Operating Margin Change in	
	2002	2001	2002	2001
	(\$ Millions)		(%)	
Americas	141	(209)	4	(6)
Europe	64	21	3	2
Rest of World	476	172	34	21

**America.** In the Americas region, gross profit increased to \$431 million in 2002 from \$96 million in 2001, largely due to cost reduction.

**Europe.** In the European region, gross profit increased to \$275 million in 2002 from \$142 million in 2001. Excluding Ispat Sidex, gross profit decreased to \$127 million at December 31, 2002 from \$141 million at December 31, 2001.

**Rest of World.** In the Rest of World region, gross profits increased to \$665 million in 2002 from \$269 million in 2001. Excluding the effect of Ispat Annaba, gross profits increased to \$567 million in 2002 from \$260 million in 2001. The increase was mainly due to increased sales derived from an improved product mix that was partially offset by increases in costs of raw material and other inputs.

Other operating expenses during the year were \$62 million as against \$75 million in the previous year.





**Table of Contents**

*Historical Financing Costs.* Net interest expense (interest expenses less interest income) was \$222 million in 2002 compared to \$235 million in 2001. The decrease in interest expense was primarily due to the following reasons:

interest expense in the fourth quarter of 2001 was higher due to inclusion of non-cash expenses of \$15 million in accordance with SFAS No. 133, from marking to market value, in an interest hedge contract;

savings in interest cost on floating rate debt due to a fall in the London Interbank Offered Rate, or LIBOR; and

reduction of debt.

*Historical Impact of Exchange Rate Movements.* Mittal Steel uses U.S. dollars as its reporting currency and has steel manufacturing operations in fourteen countries with currencies other than U.S. dollars as the functional currency. The net result of exchange rate movements in 2002 was \$15 million, compared to \$(18) million in 2001.

*Historical Other Income.* Imexsa recorded a gain of \$7 million, representing its share of the profit arising from the sale of assets of its 51%-owned pipe making subsidiary.

During 2002, Inland purchased \$39 million bonds at discounts from face value. As a result of these early redemptions, Inland recognized an extraordinary gain of \$30 million. This gain after tax was \$19 million.

In accordance with SFAS 145 by Mittal Steel as of January 1, 2003, gain or loss on extinguishments of debt that was previously classified as an extraordinary item in prior periods was reclassified and included within other (income) expense, net on Mittal Steel's income statement.

*Historical Income Tax.* Mittal Steel recorded a current tax expense of \$64 million (\$26 million in 2001) in 2002 primarily due to inclusion of certain tax payments at Imexsa arising as a result of the 1999 reforms of the Mexican Tax Code's Consolidation Regime. There was a deferred tax benefit of \$32 million in 2002 (benefit of \$95 million in 2001). The deferred tax benefit was primarily due to the exchange loss on the U.S. dollar denominated net monetary liabilities arising from depreciation of the currency during the year in Mexico as well as losses at Inland due to non-cash write down as discussed above.

The effective tax rate decreased to 5% in 2002 from 26% in 2001 on income (loss) before taxes of \$638 million and (\$270) million, respectively. This decrease was mainly attributable to the fact that during 2001, the contributions to income (loss) before income taxes from the operations were from countries with relatively high statutory tax rates, notably the U.S. and Canada, were much higher as compared to 2002, when the pretax losses and the corresponding income tax benefit contributed by these two countries had the effect of lowering Mittal Steel's effective tax rate during that year. During 2001, the effective tax rate from U.S. and Canadian operations was 36% and 94%, respectively. The difference between this effective rate and the Canadian statutory rate of 33% was due to significant tax benefits from a partnership investment during 2001.

The effect of the interplay between foreign currency translation and inflation also contributed to the decrease in the effective tax rate from 2002 to 2001.

*Historical Minority Interest.* Minority interest in income of subsidiaries was \$11 million in 2002. This consisted of the share of minority shareholders in the net income of Ispat Sidex and Ispat Annaba.

*Historical Net Income.* There was a net income of \$595 million in 2002 compared to a net loss of \$199 million in 2001 due to the reasons discussed before. The 2002 net income included an extraordinary gain of \$19 million after tax arising out of repurchase of debt at a discount at Inland as mentioned before.

**Table of Contents****Liquidity and Capital Resources*****Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003***

Mittal Steel's principal sources of liquidity are cash generated from its operations and various working capital credit lines at its operating subsidiaries. Cash generation and the ability to access funds and credit lines are critical to the future operations of Mittal Steel.

Cash and cash equivalents at Mittal Steel increased to \$2,324 million as at September 30, 2004, compared to \$721 million as at September 30, 2003, due to higher cash flow from operations. Restricted cash at September 30, 2004 was \$227 million.

As at September 30, 2004, Mittal Steel's total external debt, which includes both long-term debt and short-term debt, was \$2.8 billion, compared to \$3.0 billion as at September 30, 2003. Almost all external debt is borrowed by operating subsidiaries and secured by liens on the assets of the relevant operating subsidiaries. As at September 30, 2004 most of Mittal Steel's external debt carries interest rates at varying levels based on a combination of fixed and variable interest rates. Under most of the loan agreements, its operating subsidiaries are required to comply with certain financial covenants. As at September 30, 2004, Mittal Steel's operating subsidiaries were in compliance with all such covenants. Approximately \$1.5 billion external debt is guaranteed by Mittal Steel.

On January 25, 2005 Mittal Steel announced that it had arranged commitments, subject to customary conditions, from a group of arrangers for a \$3.2 billion unsecured revolving credit facility. See **MITTAL STEEL** Recent Developments.

**Sources and Use of Cash.** Mittal Steel's principal sources of liquidity are cash generated from operations and various working capital credit lines at its operating subsidiaries. A summary of the cash flow is given below.

	<b>Nine Months Ended</b>	
	<b>2004</b>	<b>2003</b>
	(\$ Million)	
Net cash provided from operating activities	2,867	935
Net cash used in investing activities	(549)	(567)
Net cash used by financing activities	(1,007)	(143)

**Net Cash provided from Operating Activities.** Cash flow from operating activities at Mittal Steel increased to \$2,864 million for the nine months ended September 30, 2004, compared to \$935 million for the nine months ended September 30, 2003, due to higher cash flow from net operations.

Net working capital (defined as Accounts Receivable plus Inventories plus Other Current Assets minus Trade Accounts Payable minus Accrued Expenses) at Mittal Steel increased by \$1,333 million for the nine months ended September 30, 2004, as compared to \$58 million for the nine months ended September 30, 2003, due to an increase in trade accounts receivable of \$835 million, inventories (including raw materials and production in progress) of \$809 million and an increase in prepaid expenses of \$362 million. These factors were offset in part by increases in accounts payable of \$253 million and accrued expenses and other liabilities of \$420 million.

**Net Cash used by Investing Activities.** Net cash used in investing activities at Mittal Steel was \$567 million for the nine months ended September 30, 2004, as compared to \$549 million for the nine months ended September 30, 2003. Capital expenditures for the nine months ended September 30, 2004 included \$77 million spent on the reline of Blast Furnace No. 7 at Inland and \$41 million at Ispat Polska, spent on various large capital projects which has been consolidated from March 5, 2004, and \$55 million spent on reconstruction of a pickling line and the modernization of a continuous caster at Sidex.

**Net Cash used by Financing Activities.** Net cash used by financing activities at Mittal Steel was \$1,007 million for the nine months ended September 30, 2004, as compared to \$143 million for the nine



**Table of Contents**

months ended September 30, 2003. During the nine months ended September 30, 2004, Mittal Steel reduced borrowing by \$551 million.

*Working Capital Facilities.* The following table gives a summary of the working capital facilities of Mittal Steel:

Regions	Limit Nine Months Ended		Utilization Nine Months Ended		Availability Nine Months Ended	
	2004	2003	2004	2003	2004	2003
(\$ Millions)						
Americas	574	574	236	423	338	151
Europe	347	210	209	189	138	21
Rest of World	756	832	180	93	576	739

*Debt.* The total external debt, both long and short-term, of Mittal Steel was \$2,811 million as at September 30, 2004, compared to \$2,992 million as at September 30, 2003. The following table gives a summary of the outstanding debt of Mittal Steel:

Regions	Long-Term Debt Nine Months Ended		Payable to Bank Nine Months Ended		Current Portion of Long-Term Debt Nine Months Ended		Total Debt Nine Months Ended	
	2004	2003	2004	2003	2004	2003	2004	2003
(\$ Millions)								
Americas	1,254	1,730	165	138	98	190	1,517	2,058
Europe	480	521	130	108	172	46	782	675
Rest of World	332	207	161	11	19	39	512	257

On March 25, 2004, Inland received \$776 million of net proceeds from the issuance and sale of \$800 million of Senior Secured Notes. These net proceeds were used to retire the entire balance outstanding of \$662 million of Tranche B and Tranche C Loans under Inland's credit agreement, and to repay the entire balance outstanding of \$105 million under its inventory revolving credit facility, with the remainder of the proceeds used to reduce the amount outstanding under its receivables revolving credit facility.

*Receivables Factoring.* In addition to the credit facilities listed above, certain of Mittal Steel's operating subsidiaries were parties to receivables factoring. The following table presents a summary of the receivables factoring of Mittal Steel:

Regions	Limit		Utilization		Availability	
	Nine Months Ended		Nine Months Ended		Nine Months Ended	
	2004	2003	2004	2003	2004	2003
(\$ Millions)						
Americas						
Europe	261	245	148	134	112	111
Rest of World						

**Table of Contents****Year Ended December 31, 2003 compared to Year Ended December 31, 2002**

Mittal Steel's principal sources of liquidity are cash generated from operations and various working capital credit lines at its operating subsidiaries. The following table presents a summary of cash flow of Mittal Steel:

	<u>2003</u>	<u>2002</u>
	(\$ Millions)	
Net cash provided from operating activities	1,438	539
Net cash used in investing activities	(814)	(360)
Net cash used by financing activities	(282)	16

- (1) Subsequent to the issuance of the supplemental combined financial statements for the year ended December 31, 2003, Mittal Steel determined that it should have eliminated the gains on the early extinguishments of debt in computing 2002 and 2001 cash flows provided from operating activities, rather than being reported as part of Mittal Steel's cash flow used by financing activities. Additionally, in 2001, a non-cash equity investment was included in cash flows from operating activities and investing activities, rather than being excluded from the statement of cash flows and disclosed as a non-cash investment.

**Net Cash Provided From Operating Activities.** In 2003, cash flow from operations increased to \$1,438 million from \$539 million in 2002 mainly due to improvement in working capital. Net working capital (defined as Accounts Receivable plus Inventories plus Other Current Assets minus Trade Accounts Payable minus Accrued Expenses) increased to \$25 million due to an increase in inventories of \$18 million, prepaid expenses and other of \$87 million and Trade Accounts payable of \$51 million. These increases were offset in part by Accrued Expenses and other liabilities of \$181 million. Increased production in response to higher demand, and increases in prices and raw material costs, was the primary drivers of these changes.

**Net Cash Used/Provided From Investing Activities.** Net cash used in investing activities was \$814 million. Capital expenditures in 2003 were \$421 million as against \$264 million in 2002. This was mainly due to in part to capital expenditures on the reline of Blast Furnace No. 7 at Inland of \$89 million. Further capital expenditure growth was due to projects at Ispat Sidex, including reconstruction of battery no. 2 in the coke oven plant, modernization of caster 1 in basic oxygen furnace 1 and reconstruction of pickling line no. 2, and the inclusion of Ispat Nova Hut in 2003, where significant investments were made in the by-products plant and in modernizing a blast furnace and a tandem furnace.

In addition at Ispat Karmet significant capital expenditures related to the installation of the continuous caster, reconstruction of Blast Furnace 3, as well as investments in its coal division. In addition, Ispat Annaba invested in a bar mill.

**Net Cash Provided From Financing Activities.** Net utilization of cash from financing activities was \$282 million (2002: \$16 million) primarily due to dividend payments and repayments of debt. Total long-term debt repaid during 2003 was \$110 million (2002: \$13 million). Mittal Steel also received a loan of \$94 million from an affiliate in 2003. See Note 7 to Mittal Steel's Supplemental Combined Financial Statements.

Total debt increased by \$280 million in 2003. See also MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL Trend Information Funding beginning on page 211 for a discussion of certain refinancing activities.

**Table of Contents****Sources and Uses of Cash**

*Working Capital.* At December 31, 2003, Mittal Steel's cash and cash equivalents (inclusive of restricted cash of \$140 million) amounted to \$900 million (\$417 million at December 31, 2002). In addition, Mittal Steel's operating subsidiaries had available borrowing capacity under their various credit lines, including receivable factoring and securitization facilities, of \$764 million (\$706 million at December 31, 2002). The following table gives a summary of the working capital credit facilities of Mittal Steel:

Regions	Limit		Utilization		Availability	
	2003	2002	2003	2002	2003	2002
(\$ Millions)						
Americas	569	462	372	304	197	158
Europe	126	152	101	115	25	37
Rest of World	69	92	13	20	56	72

*Factoring and Securitization.* In addition to the credit facilities listed above, certain of Mittal Steel's European subsidiaries were parties to receivables factoring and securitization facilities as per the following details:

Regions	Limit		Utilization		Availability	
	2003	2002	2003	2002	2003	2002
(\$ Millions)						
Americas						
Europe	261	257	159	132	102	125
Rest of World						

*Debt.* Mittal Steel's total external debt (both long and short term) was \$2,973 million at December 31, 2003. The corresponding amount as at December 31, 2002 was \$2,693 million. The following table gives details of debt at Mittal Steel:

Regions	Long-Term Debt (LTD)		Payable to Bank		Current Portion of LTD		Total Debt	
	2003	2002	2003	2002	2003	2002	2003	2002
(\$ Millions)								
Americas	1,674	1,872	117	96	186	118	1,977	2,086
Europe	649	260	107	72	70	7	826	339
Rest of World	204	239	20	13	40	15	264	267

Most of Mittal Steel's debt is secured by liens on specified assets of the relevant subsidiary and carries interest rates at varying levels based on a combination of fixed and variable interest rates. The details are given in Note 9 to Mittal Steel's Supplemental Combined Financial Statements. Most of the loan agreements require Mittal Steel's subsidiaries to comply with certain financial and other covenants. At December 31, 2003, all Mittal Steel's operating subsidiaries were in compliance with all such covenants. Approximately \$1.8 billion of the above debt was guaranteed by Mittal Steel.

Please refer to MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL Trend Information Funding beginning on page 211 for a discussion on certain refinancing activities.

*Inland Pension Funding.* On September 15, 2003, Inland entered into a settlement agreement with Ryerson Tull, pursuant to which Ryerson Tull paid Inland \$21 million to release Ryerson Tull from various environmental and other indemnification obligations arising out of the sale by Ryerson Tull of Inland to Mittal Steel in 1998. The \$21 million received from Ryerson Tull was paid into Inland's pension plan, and went to

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

reduce the amount of a Ryerson Tull guaranty/letter of credit provided to the Pension Benefit Guaranty Corporation, or PBGC, upon the sale of Inland. Inland also agreed with Ryerson Tull to, among other things, make specified monthly contributions to Inland's pension plan totaling \$29 million over the 12-month period beginning January 2004, thereby eliminating, by the end of such year, the obligation of Ryerson Tull to



**Table of Contents**

provide the continuing guaranty and letter of credit to the PBGC, which guaranty/letter of credit Inland had previously committed to take all necessary action to eliminate. On September 15, 2004, Inland contributed the remaining \$29 million. In addition, Inland committed to reimburse Ryerson Tull for the cost of the letter of credit to the PBGC, and to give Ryerson Tull one-third of any proceeds that may become payable in connection with the NRDA settlement under an environmental insurance policy.

Inland has made cash contributions to its pension plan of approximately \$313 million since 1998 through December 31, 2003, including approximately \$125 million during 2003. The contribution required in 2004 is \$111 million, of which \$67 million had been paid as of September 30, 2004.

Funding obligations depend upon future asset performance, the level of interest rates used to measure Employee Retirement Income Security Act minimum funding levels, actuarial assumptions, union negotiated changes and future government regulation. Any such funding requirements could have an unfavorable impact on Mittal Steel's borrowing arrangements and cash flows.

For further details concerning Mittal Steel's pension plans, please refer to Note 12 to its Supplemental Combined Financial Statements.

*Shareholders' Equity.* Shareholders' equity increased to \$2,561 million at December 31, 2003. During 2003, Mittal Steel took an after tax charge of \$79 million through other comprehensive income, primarily as a result of reduction in discount rate in pension liabilities (2002: \$272 million). In addition, during 2003, Mittal Steel repurchased 2.6 million of its own shares for \$9 million.

***Year Ended December 31, 2002 compared to Year Ended December 31, 2001***

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

	<u>2002</u>	<u>2001</u>
	(\$ Millions)	
Net cash provided from operating activities	539	237
Net cash used in investing activities	(360)	(214)
Net cash used by financing activities	16	(92)

In 2002, Mittal Steel generated \$539 million of cash from its operating activities as compared with \$237 million during 2001. Since volumes of operations and sales were higher than the last year, particularly in the fourth quarter, inventory levels were higher, and net working capital (defined as Accounts Receivable plus Inventories plus Other Current Assets minus Trade Accounts Payable minus Accrued Expenses) was also higher.

Capital expenditures during 2002 were \$265 million compared to \$200 million in 2001. Capital expenditures during the year included partial relining of Blast Furnace No. 5 at Inland at a cost of approximately \$17 million. Mittal Steel also incurred \$13 million for the preparatory work for the relining of Blast Furnace No. 7 of Inland and completion of a bar mill upgrade (Kocks Block) at Unimétal at a cost of \$4 million and the relining of a blast furnace at Ispat Karmet and modernization of a hot strip mill at Ispat Annaba.

**Table of Contents**

At December 31, 2002, Mittal Steel's cash and cash equivalents (inclusive of restricted cash) were \$417 million (\$225 million at December 31, 2001). In addition, Mittal Steel's operating subsidiaries had available borrowing capacity under their various credit lines, including receivables factoring and securitization facilities, of \$364 million (\$395 million at December 31, 2001). The following table gives the details of working capital credit facilities at various units:

Regions	Limit		Utilization		Availability	
	2002	2001	2002	2001	2002	2001
(\$ Millions)						
Americas	462	491	304	296	158	195
Europe	117	117	92	61	25	56
Rest of World	69	69	13	28	56	41

**Off-Balance Sheet Arrangements.** For a discussion of Mittal Steel's off-balance sheet arrangements, refer to Note 20 to its Supplemental Combined Financial Statements.

Mittal Steel is not contingently liable for the debt of any of its affiliates or joint ventures. However, Inland has guaranteed \$55 million of long-term debt attributable to I/N Kote, one of its equity investments.

**Sources and Uses of Cash.**

**Factoring and Securitization.** In addition to the credit facilities listed above, certain of Mittal Steel's European operating subsidiaries were parties to receivables factoring and securitization facilities as per the following details:

Regions	Limit		Utilization		Availability	
	2002	2001	2002	2001	2002	2001
(\$ Millions)						
Americas						
Europe	257	213	132	110	125	103
Rest of World						

**Debt (Refer to Note 9 to Mittal Steel's Supplemental Combined Financial Statements).** Mittal Steel's total external debt, both long and short term, was \$2,693 million. The corresponding amount as at December 31, 2001 was \$2,724 million. The following table gives significant details:

Regions	Long-Term Debt (LTD)		Payable to Bank		Current Portion of LTD		Total Debt	
	2002	2001	2002	2001	2002	2001	2002	2001
(\$ Millions)								
Americas	1,872	1,913	96	127	118	178	2,086	2,218
Europe	260	138	72	121	7	2	339	261
Rest of World	239	203	13	27	15	15	267	245

Most of the debt is secured by liens on specified assets of the relevant subsidiary and carry interest rates at varying levels based on a combination of fixed and variable interest rates. The details are given in Note 9 to Mittal Steel's Supplemental Combined Financial Statements. Most of the loan agreements require Mittal Steel's subsidiaries to comply with certain financial and other covenants. At December 31, 2002, all Mittal Steel's subsidiaries were in compliance with all such covenants.

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Approximately \$1.8 billion of the above debt was guaranteed by Mittal Steel.

The main sources of the improvements in cash generated by operations are higher average selling prices of its products, higher shipments and cost savings from its ongoing cost reduction program (offset partly by expected increases in certain key cost items). However, the expected improvements in liquidity are not entirely dependent on higher prices and cost reductions. If average selling prices and cost levels were to stay at the same levels as in the fourth quarter of 2002, Mittal Steel's overall liquidity would still be adequate to take

## **Table of Contents**

care of working capital needs of the business, capital expenditures as planned and scheduled amortization of debt. In such an event, the impact will be only on cash availability to repay debt over and above the scheduled amortizations.

*Shareholders Equity.* Shareholders equity increased by \$336 million to \$1,442 million at December 31, 2002. During 2002, Mittal Steel took an after tax charge of \$272 million through other comprehensive income, primarily as a result of lower discount rates on pension liability and reduction in value of pension assets.

*Treasury Stock Movements.* During the year 2002, Mittal Steel sold 2,117,781 of its treasury stock shares to Ispat Inland Savings and Investment Plan for a total consideration of \$5 million. Also, Mittal Steel bought back 139,200 of its shares from the open market during the year at an average consideration of \$2.25 per share under a share buy-back program announced by Mittal Steel on October 28, 2002.

## **Research and Development, Patents and Licenses**

Mittal Steel has not incurred significant research and development costs in the past. These costs are fully expensed as incurred.

## **Trend Information**

### ***Overview***

Market conditions for Mittal Steel's products are expected to continue to remain good in the fourth quarter of 2004. Shipments in the fourth quarter of 2004 will be lower than the third quarter of 2004 due to seasonal factors. Mittal Steel expects improved selling prices due to prior order bookings. Mittal Steel also believes that there is likely to be continued pressure on the availability and cost of all major production inputs.

Working capital is expected to continue to increase in the fourth quarter of 2004 due to increases in costs and selling prices. Capital expenditure is expected to be slightly higher in the fourth quarter of 2004 than the average capital expenditure over the first three quarters of 2004.

Overall Mittal Steel expects its financial results in the fourth quarter to be similar to the third quarter of 2004 and higher than the average for the first 9 months of 2004. Mittal Steel expects to realise positive cash flow and reduce its debt further in 2005.

Mittal Steel does not anticipate major changes in market conditions for steel, either for its products or for its key raw materials, in 2005. A marginal increase in sales volumes compared to 2004 and operating profit margins similar to 2004 are expected in 2005. Mittal Steel expects to maintain positive cash flows and pursue further debt reduction in 2005.

### ***Steel Industry***

In 2003-2004, steel markets have been dominated by increased consumption in China due to the high GDP growth and capital investment. In 2004, China increased production of crude steel by approximately 23% and contributed approximately 26% of global steel output. Steel production in China is expected to grow in 2005 by between 6% and 10%, compared to 13% in 2004. Excluding China, steel production increased by approximately 4.5% in 2004 and is expected to increase further by 3% in 2005, driven by a strong economic recovery in Asia, Europe, Japan and the United States.

Steel producers in Europe are expected to pass on announced price increases for the fourth quarter of 2004 on the back of high world price rises during the summer, due to strong U.S. stock rebuilding and a rebound in Chinese industrial investment. The general expectation is that steel prices will rise in tandem with raw material prices in 2005.

In the Americas region, base price increases and price surcharges to compensate for the surge in raw material prices were announced in December 2003, 2004. The full impact on the contract side of the business of base price increases have benefited the second half of 2004 and are expected to continue in the first half of 2005. However, spot prices for hot rolled and cold rolled products have slightly softened since August 2004.



## **Table of Contents**

In the European region, real steel consumption increased in 2004 and is expected to increase in 2005. 2004 started with lower stocks and the economic recovery in Europe has seen improving demand in capital goods, which is expected to increase steel consumption in tubes, mechanical engineering, automotives and construction sectors. However, the slow pace of recovery in Germany is likely to dampen growth.

In the Rest of World Mittal Steel expects steel prices in the countries in which it operates to generally track international prices. Further, Mittal Steel believes that the accession of 10 new countries into the European Union in May 2004 will add steel producing capacity, and may lead to some pressure on prices after the transitional arrangements come to an end. Production in end-user steel industries is expected to continue the modest recovery observed during the last year.

### ***Sales***

The first half of 2005 should continue to see increases in sales due to stronger demand, improved steel prices and higher operating levels. Higher demand for steel is driven not only by China but also the recovery in United States, Europe, Japan and Asia. Mittal Steel expects to show better results in the second half of 2004 in the Americas region. Mittal Steel expects that operating subsidiaries in the European region will benefit from price increases together with increases in demand and that they will recover increasing raw material costs. Mittal Steel also expects to increase its steel production and shipments of steel products in the Rest of World region in response to favorable steel prices and increased demand. Overall, for the remainder of 2004 Mittal Steel expects higher shipments, higher average prices and improved product mix across all of its segments driven by strong demand for its products and a favorable pricing environment.

### ***Costs***

The increased global demand for steel has resulted in significant price increases for key commodity inputs such as iron ore, scrap, coke and alloys. Price increases that occurred during 2004 are expected to continue for the first half of 2005 and are expected to be exacerbated by limited availability and continuing volatility in the commodities markets. Input price increases will adversely impact Mittal Steel's operating costs significantly. Shortage of supply of key raw materials may also result in production constraints. However, Mittal Steel's internal resources and negotiated commitments should enable it to avoid any material decrease in steel production resulting from shortfalls in raw materials.

In 2004, world iron ore prices increased by 9%, in addition to approximately 20% increase in the previous two years. This trend is expected to continue in the foreseeable future with iron ore producers already announcing price increases of 20% for 2005 contracts. Most of the increase in demand is expected to come from China, Europe, Japan and other countries as world steel production is forecast to exceed one billion tons. Mittal Steel's iron ore requirements will be met through production from its wholly or partly owned mines, long-term purchase contracts and some spot purchases.

Mittal Steel does not have any long-term contracts for scrap. Consequently, IEG and Sidbec are vulnerable to movements in spot market scrap prices. However, scrap constitutes only a portion of the metallics requirements of these two subsidiaries.

Coking coal availability is expected to continue to be tight in 2005. Mittal Steel's major coke requirements are at Inland. Approximately 65% of Mittal Steel's coke requirements are satisfied under long-term purchase contracts.

The surge in oil prices, expectations of a severe winter in the Northern Hemisphere and increase in consumption of natural gas has contributed to higher prices during 2004. High natural gas prices are expected to continue throughout 2005 and the foreseeable future. The natural gas futures contracts for December 2004 in North America are currently trading at around \$8 per mmbtu.

Ocean freight costs have marginally eased from peak levels in early 2004, but the market continues to be firm. The continuing increases in global demand, particularly in China for iron ore and metallics are expected to continue to fuel demand and consequently increase freight costs for the first half of 2005. Mittal Steel has contracted a portion of its ocean freight requirements for 2005.

## **Table of Contents**

### ***Funding***

As at December 31, 2004 it is estimated that Mittal Steel would have approximately \$200 million of scheduled debt amortization between 2005 and 2006.

On March 25, 2004, Mittal Steel and Inland guaranteed \$800 million principal amount of senior secured notes issued by Ispat Inland ULC, a wholly owned subsidiary of Mittal Steel. This offering was comprised of \$150 million of floating rate notes bearing interest at LIBOR plus 6.75% due April 1, 2010 and \$650 million of fixed rate notes bearing interest at 9.75% (issued at 99.212% to yield 9.875%) due April 1, 2014. The \$775.5 million net proceeds from the offering were used (i) to retire the entire balance outstanding of \$661.5 million of Tranche B and Tranche C loans under the Credit Agreement dated July 16, 1998, as amended, with a syndicate of financial institutions for whom Credit Suisse First Boston was the agent, and (ii) repay the entire balance outstanding of \$105 million under the inventory revolving credit facility, with the remainder of the proceeds used to reduce the amount outstanding under the receivables revolving credit facility. Series U and W First Mortgage Bonds were retired at the close of the refinancing. The early retirement of the term loans was done at par, without prepayment penalty.

### **Other Developments**

#### ***Carbon Emissions Trading***

Under Directive 2003/87/ EC, or the Directive, dated October 13, 2003 the European Union, established a scheme for greenhouse gas emission allowance trading within the European Community. Member States must ensure that, from January 1, 2005, no installation undertakes any activity listed in Annex I of the Directive, resulting in emissions specified in relation to that activity unless its operator holds a permit issued by a competent authority. Mittal Steel is currently examining the matter and will formulate a response to this development designed to ensure compliance.

#### ***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. However, Mittal Steel's U.S. operating subsidiary has guaranteed \$55 million of long term debt attributable to I/N Kote, one of its equity investments. For a discussion of off-balance sheet arrangements for the year ended December 31, 2002 compared to year ended December 31, 2001, refer to Note 20 to Mittal Steel's Supplemental Combined Financial Statements.

### **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. Management believes that these commitments are not in excess of current market prices and reflect normal business operations. Mittal Steel had outstanding at December 31, 2003, various long-term obligations that will become due in 2004 and beyond.

**Table of Contents**

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 long-term obligations outstanding as of December 31, 2003, Mittal Steel's current estimate of their annual maturities.

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>4-5 Years</u>	<u>More than 5 Years</u>
(\$ Millions)					
Long-Term Debt Obligations Note 8 to Mittal Steel's Supplemental Combined Financial Statements	2823	296	1702	213	612
Capital (Finance) Lease Obligations Note 15 to Mittal Steel's Supplemental Combined Financial Statements	89	19	27	4	39
Environment Commitments*					
I/ N Kote Debt Guarantee	55		55		
Pension Agreements*	139	112	27		
Other Post Retirement Benefits*	249	48	98	103	
Operating Lease Obligations					
Purchase Obligations	3717	716	693	629	1679
Other Long-Term Liabilities Reflected on the Company's Balance Sheet	233	18	120	8	87
Acquisition/ SPA Commitments	798	189	361	172	76
<b>Total*</b>	<b>8,103</b>	<b>1,398</b>	<b>3,083</b>	<b>1,129</b>	<b>2,493</b>

\* These are not total obligations, refer to the discussion below.

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, 2003. The ultimate 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 17 to Mittal Steel's Supplemental Combined Financial Statements. For further details on commitments, please refer to Note 16 to Mittal Steel's Supplemental Combined Financial Statements.

In addition to the long-term obligations and commitments disclosed above, Mittal Steel has, in the normal course of business, provided guarantees to third parties in connection with indebtedness of its subsidiaries. Mittal Steel estimates that the fair value of these guarantees is not material and does not expect to incur material losses as a result of these guarantees. Mittal Steel has provided guarantees to third parties for indebtedness of its subsidiaries, the outstanding value of which was approximately \$1.8 billion as at December 31, 2003.

***Environmental Commitments***

On June 10, 1993, the U.S. District Court for the Northern District of Indiana entered the EPA Consent Decree that resolved all matters raised by a lawsuit led by the EPA against, among others, Inland. Inland cannot presently reasonably estimate the costs or time required to satisfy these obligations under the EPA Consent Decree. In October 1996, the Indiana Department of Environmental Management, as lead administrative trustee, notified Inland and other potentially responsible parties that the natural resource trustees (which also include the Indiana Department of Natural Resources, the U.S. Department of the Interior, the Fish and Wildlife Service and the National Park Service) intended to perform a natural resource damage assessment on the Grand Calumet River and Indiana Harbor Canal System. It is not possible to



**Table of Contents**

predict the timing or the total obligation. At December 31, 2003, Mittal Steel had recognized \$37 million for environmental liabilities.

**Quantitative and Qualitative Disclosures Concerning Market Risk**

Our primary market risk exposures are to interest rate fluctuations and to exchange rate movements. Mittal Steel uses financial instruments, including fixed and variable rate debts, as well as swap and collar contracts to finance its operations and to hedge interest rate exposures. Mittal Steel does not hold or issue derivative financial instruments for trading purposes. The fair value information presented is based on the information available to management as of the date of the balance sheet. Although Mittal Steel is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since the debt dates, and therefore, the current estimates of fair value may differ significantly from the amounts presented herein. 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 the developing estimates. The estimates presented herein are not necessarily indicative of the amounts that Mittal Steel could realize in the current market exchange.

**Interest Rate Sensitivity**

For debt obligations the following table presents principal cash flows and related interest rates by fiscal year of maturity. Variable rates disclosed represent the weighted average rate of the portfolio at the end of the period. For the interest rate swaps and collars, the table presents notional amounts and related interest rates by fiscal year of maturity. For these instruments, the variable rates presented are based on employed forward (spot) rates in the yield curve as of the end of each fiscal year. Employed forward (spot) rates should not be considered the predictor for actual or future interest rates.

Long-term Debt	Interest Rate at December 31,						Years Thereafter	Total	Fair- Value
	2003	2004	2005	2006	2007	2008			
(\$ Millions)									
VARIABLE INTEREST RATES:									
First Mortgage Bonds (USD)		7	331	324	0	0	0	662	582
Average Interest Rate	5.41%	6.10%	7.58%	8.49%					
Revolving credit facilities		0	150	0	90	0	0	240	240
Average Interest Rate	2% to 4%		2.69% to 4.69%		5.08% to 7.08%				
Senior Secured Credit Facilities (USD)		119	117	0	0	0	0	236	236
Average Interest Rate	5.41% to 5.91%	6.10% to 6.60%	7.58% to 8.08%						
Bank loans (USD)		5	35	84	84	84	56	348	348
Average Interest Rate	3.35% to 4.99%	4.03% to 5.68%	5.52% to 7.16%	6.43% to 8.07%	7.09% to 8.73%	7.56% to 9.20%	7.56% to 9.20%		
Debt from an Affiliate (USD)		0	94	0	0	0	0	94	94
Average Interest Rate	4.15%		6.32%						
EXIM Bank United States (USD)		6	6	6	6	5	0	29	29
Average Interest Rate	2.05%	2.74%	4.22%	5.13%	5.79%	6.26%			
International Financial Corporation (USD)		8	3	2	0	0	0	13	13
Average Interest Rate	5.19% to 5.30%	5.36% to 5.47%	6.71% to 6.82%	7.77% to 7.88%					
Others	1% to 10%	14	10	4	4	1	0	33	33
EBRD	5.50%	8	8	8		0		24	
IFC	5.50%	5	5	5		0		14	
Romanian Commercial Bank	4.22%			14		0		14	
IFC (tranche A)	2.66%	2	4	4	4	0	23	38	

**Table of Contents**

Long-term Debt	Interest Rate at December 31,						Years Thereafter	Total	Fair- Value
	2003	2004	2005	2006	2007	2008			
	(\$ Millions)								
IFC (tranche B)	2.66%	4	9	9	9	0	49	81	
GE Capital Hire Purchase	4.30%	1	1	1	1	0	30	33	
CSFB, Repalon	4.67%	25				0		25	
EBRD	4.72%	17	17	17	17	0	33	100	
<b>Total Variable \$</b>		221	789	478	215	90	192	1,984	

Long-term Debt	Interest Rate at December 31,						Years Thereafter	Total	Fair- Value
	2003	2004	2005	2006	2007	2008			
	(Amounts in million USD)								
<b>FIXED INTEREST RATES:</b>									
Senior Secured Notes		15	18	24	22	9	0	88	84
	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%	10.40%		
Senior Export Notes		20	21	0	0	0	0	41	41
	11.17%	11.17%	11.17%						
First Mortgage bonds		0	1	5	40	0	38	84	69
	5.75% to 7.90%		5.75% to 7.90%	5.75% to 7.90%	5.75% to 7.90%		5.75% to 7.90%		
Industrial development revenue Bonds		0	0	0	15	0	84	99	53
	5.75% to 7.25%				5.75% to 7.25%		5.75% to 7.25%		
Senior Secured Notes denominated in Euro		0	0	0	0	0	137	137	107
	11.88%						11.88%		
Others	0.06% to 7.54%	2	1	0	0	3	0	6	6
Gov t of Algeria	5.00%	0	0	0	0	0	143	143	
Ministry of Finance, Romania	6.30%	0	1	1	1	0	2	5	
Ministry of Finance, Romania	7.24%	0	0	1	1	0	10	12	
Eximbank	8.82%	1	0	0	0	0	0	1	
Romanian Commercial bank	8.00%	0	0	0	0	0	0	0	
<b>Total Fixed \$</b>		38	42	31	79	12	414	616	

Variable	Actual Int. Rate	2004	2005	2006	2007	2008	Thereafter	Total
	(Euros Million)							
KFW-Germany	2.63%	4	4	4	4	0	9	24
IFC	3.65%	2	4	4	4	0	25	40
IFC	3.65%	5	10	10	10	0	54	89
<b>Total Variable Euro</b>		11	18	18	18		89	153

Fixed	Actual Int. Rate	2004	2005	2006	2007	2008	Thereafter	Total
	(CZK Million)							
Union Banka in Bankruptcy	22.00%	13				0		13
Ceska	44.00%	0.209				0		0.209
Konpo	25.00%	2				0		2
<b>Total Fixed CZK</b>		15	0	0	0	0	0	15



**Table of Contents**

	<u>Actual Int. Rate</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Thereafter</u>	<u>Total</u>
		(CZK Million)						
<b>Variable</b>								
Konpo	5.10%	5				0		5
Czech Syndicated	3.56%	3	5	5	5	0	29	47
Ceska	5.07%	3				0		3
<b>Total Variable CZK</b>		11	5	5	5	0	29	55

**Table of Contents****MAJOR SHAREHOLDERS OF MITTAL STEEL AND NOTIFICATION OBLIGATIONS****Major Shareholders of Mittal Steel**

As at December 31, 2004, 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 0.10 per share. At December 31, 2004, 194,509,790 class A common shares and 457,490,210 class B common shares were issued and 185,154,392 (2003: 45,640,434) class A common shares (excluding treasury shares) and 457,290,210 (2003: 72,150,000) class B common shares were outstanding.

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 disparity in voting power and conversion rights. Holders of Mittal Steel class A common shares are entitled to one vote per share and holders of Mittal Steel class B common shares are entitled to 10 votes per share on all matters submitted to a vote of shareholders. Each Mittal Steel class B common share is convertible, at the option of the holder, into one Mittal Steel class A common share.

The following table sets forth information as of December 31, 2004 with respect to the beneficial ownership of Mittal Steel class A common shares and Mittal Steel class B common shares by each person who is known to be the beneficial owner of more than 5% of either class of shares, and all directors and senior management as a group.

	Mittal Steel Class A Common Shares(1)		Mittal Steel Class B Common Shares		Total Common Shares(1)	
	Number	Percentage of Class	Number	Percentage of Class	Number	Percentage of Total Common Shares
Controlling Shareholder(2)	166,048,123	85.37%	457,490,210	100%	623,538,333	95.63%
Treasury Stock(3)	8,802,397(4)	4.53			8,802,397	1.35
Other Public Shareholders	19,659,270	10.10			19,659,270	3.02
<b>Total</b>	<b>194,509,790</b>	<b>100.00%</b>	<b>457,490,210</b>	<b>100%</b>	<b>652,000,000</b>	<b>100.00%</b>
Directors and Senior Management(5)	403,268(6)(7)	0.21%			403,268(6)(7)	0.06%

- (1) For purposes of this table a person or group of persons is deemed to have beneficial ownership of any Mittal Steel class A common shares as of a given date which such person or group of persons has the right to acquire within 60 days after December 31, 2004 upon exercise of vested portions of stock options. The remaining non-vested stock options will be vested on April 5, 2005. The amounts in the table do not include the number of Mittal Steel class A common shares to be received upon conversion of the Mittal Steel class B common shares.
- (2) Mr. Lakshmi Mittal and his wife, Mrs. Usha Mittal, together control Mittal Steel through direct ownership of Mittal Steel class A common shares and through indirect ownership of holding companies that own both Mittal Steel class A common shares and Mittal Steel class B common shares. Ispat International Investments S.L. is the owner of 26,100,000 Mittal Steel class A common shares and 72,150,000 Mittal Steel class B common shares. As a result, Ispat International Investments S.L. is the beneficial owner of 98,250,000 class A common shares (assuming conversion of the Mittal Steel class B common shares into Mittal Steel class A common shares). Mittal Steel S.à.r.l., a limited liability company organized under the laws of Luxembourg, is the owner of 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal class B common shares. As a result, Mittal Steel S.à.r.l. is the beneficial owner of 525,000,000 Mittal Steel class A common shares (assuming conversion of the Mittal Steel class B common shares into Mittal Steel class A common shares). Mr. Mittal is the direct owner of 30,000 Mittal Steel class A common shares and holds options to acquire an additional 240,000 Mittal Steel class A common shares of which 213,333 are, for the purposes of this table, deemed to be beneficially owned by Mr. Mittal due to the fact that those options are exercisable within 60 days.



**Table of Contents**

Mrs. Mittal is the direct owner of 5,000 Mittal Steel class A common shares and holds options to acquire an additional 40,000 Mittal Steel class A common shares of which all 40,000 options are, for the purposes of this table, deemed to be beneficially owned by Mrs. Mittal due to the fact that those options are exercisable within 60 days. Mr. Mittal and Mrs. Mittal share equally beneficial ownership of 100% of Ispat International Investments S.L. and share equally beneficial ownership of 100% of Mittal Steel S.à.r.l. Accordingly, Mr. Mittal is the beneficial owner of 623,493,333 Mittal Steel class A common shares and Mrs. Mittal is the beneficial owner of 623,295,000 class A common shares (in each case, assuming conversion of the Mittal Steel class B shares into Mittal Steel class A common shares). Excluding options and assuming no conversion of the Mittal Steel class B common shares into Mittal Steel class A common shares, Mr. Lakshmi Mittal and Mrs. Usha Mittal, together directly and indirectly through intermediate holding companies, own 165,794,790 Mittal Steel class A common shares and 457,490,210 Mittal Steel class B common shares.

- (3) Represents Mittal Steel class A common shares repurchased by Mittal Steel pursuant to the previously announced share repurchase programs of Mittal Steel.
- (4) Consisting of 5,300,000 Mittal Steel class A common shares repurchased in the twelve months ended December 31, 2004, 2,263,000 Mittal Steel class A common shares repurchased in fiscal year ended December 31, 2003, 139,200 Mittal Steel class A common shares repurchased in fiscal year ended December 31, 2002, 368,000 Mittal Steel class A common shares repurchased in fiscal year ended December 31, 2001, 242,600 Mittal Steel class A common shares repurchased in fiscal year ended December 31, 2000, 5,358,200 Mittal Steel class A common shares repurchased in the fiscal year ended December 31, 1998 and 1,458,960 Mittal Steel class A common shares repurchased in the fiscal year ended December 31, 1997 and excluding 253,140 Mittal Steel class A common shares awarded to certain senior executives of Mittal Steel, 23,532, 2,117,781 and 2,081,833 Mittal Steel class A common shares issued to Inland's pension fund in 2003, 2002 and 2001 respectively and 91,166 Mittal Steel class A common shares for options exercised under Mittal Steel's pension plan during 2003 and excluding 1,207,110 Mittal Steel class A common shares for options exercised between December 31, 2003 and December 31, 2004, excluding 299,668 stock options that can be exercised by Directors and Senior Management (other than the controlling shareholder) and excluding 253,333 stock options that can be exercised by the controlling shareholder, in each case within 60 days of December 31, 2004.
- (5) Excludes shares beneficially owned by the controlling shareholder.
- (6) These 403,268 Mittal Steel class A common shares are included in shares owned by public shareholders indicated above.
- (7) During 1998, Mittal Steel awarded 198,750 common shares to certain senior management of Mittal Steel in connection with Mittal Steel's initial public offering undertaken in 1997 and also awarded 54,390 common shares to certain senior executives as bonus shares in connection with Mittal Steel's stock bonus plan.

The Mittal Steel class A common shares may be held in registered form or bearer form, as the holder may elect. Registered shares may consist of either shares traded on the New York Stock Exchange, or New York Shares, which are registered in a register kept by or on behalf of Mittal Steel by its New York transfer agent, or shares traded on Euronext Amsterdam, which are registered in a register kept by or on behalf of Mittal Steel by its Dutch transfer agent. Shares in registered form may be evidenced by certificates.

At January 10, 2005, there were 60 U.S. record holders holding an aggregate of 27,871,206 New York Shares, representing 15% of the class A common shares issued (including treasury shares). Mittal Steel's knowledge of the number of New York Shares held by U.S. holders is based solely on the records of its New York transfer agent regarding registered Mittal Steel class A common shares.

At January 10, 2005, there were 933,745 of the Mittal Steel class A common shares being held in The Netherlands. Mittal Steel cannot present the number of holders in The Netherlands because a portion of the shares are held as bearer shares.

## **Table of Contents**

### **Notification Obligations**

Holders of Mittal Steel common shares may be subject to notification obligations under the Dutch Act on Disclosure of Holdings in Listed Companies 1996 (*Wet Melding Zeggenschap in ter beurze genoteerde vennootschappen 1996*), as amended, or the Disclosure Act, and the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), as amended, or the Dutch Securities Act. The following description summarizes those obligations. Shareholders of Mittal Steel are advised to consult with their own legal advisers to determine whether the notification obligations apply to them.

Pursuant to the Disclosure Act, any person who, directly or indirectly, acquires or disposes of an interest in Mittal Steel's share capital or voting rights must immediately give written notice to Mittal Steel and, by means of a standard form, The Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) if, as a result of such acquisition or disposal, the percentage of Mittal Steel's capital interest or voting rights held by such person falls within a different percentage range as compared with the percentage range applicable to the capital interest or voting rights held by such person prior to the acquisition or disposal. The percentage ranges referred to in the Disclosure Act are 0-5%, 5-10%, 10-25%, 25-50%, 50-66 2/3% and 66 2/3% or more.

On July 3, 2003, a draft bill to amend the Disclosure Act was submitted to the Second Chamber of the Dutch Parliament. According to the Explanatory Notes to the proposed bill, it is anticipated that the following percentage ranges will be introduced: 0% to less than 5%, 5% to less than 10%, 10% to less than 15%, 15% to less than 20%, 20% to less than 25% and 25% or more. Under the proposed bill, above 25%, all direct or indirect transactions in a company's share capital or voting rights must be reported.

Upon notification, The Netherlands Authority for the Financial Markets shall arrange for publication of the notification in a newspaper distributed throughout the member state or states of the European Economic Area in which Mittal Steel is officially listed on the relevant stock exchange.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account:

common shares that are directly held (or acquired or disposed of) by any person,

common shares that are held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, and

common shares that such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of). Special rules apply to the attribution of common shares that are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of common shares can also be subject to a notification obligation if such person has, or can acquire, the right to vote on the common shares. If a pledgor or usufructuary as holder of the common shares retains such voting rights, this may trigger notification obligations for such holder.

The Disclosure Act requires the members of Mittal Steel's board of directors to give written notification of the capital interest and controlling interest held by them with regard to Mittal Steel and with regard to affiliated companies of Mittal Steel. The directors must notify the number of shares they hold and voting rights they have and all changes thereto. The Disclosure Act defines an affiliated company as a company:

belonging to the same group as Mittal Steel or in which Mittal Steel has a participating interest as defined in Article 2:24(c) of the Dutch Civil Code, if its most recently established turnover amounts to at least 10% of the consolidated turnover of Mittal Steel, or

providing, directly or indirectly, at least 25% of the capital of Mittal Steel.



**Table of Contents**

On the basis of the notifications received by Mittal Steel under the Disclosure Act, members of Ispat International's board of directors have the following interest in Mittal Steel securities. All option rights are option rights on Mittal Steel class A common shares.

Name	Date of Notification	Number
Lakshmi N. Mittal	December 17, 2004	165,789,790 class A common shares 457,490,210 class B common shares 240,000 options
Aditya Mittal	September 1, 2002	19,500 class A common shares 40,000 options
Malay Mukherjee	September 1, 2002	14,500 class A common shares 130,000 options
Ambassador Andrés Rozental	September 1, 2002 July 19, 2004	10,000 options 5,000 options
Fernando Ruiz Sahagun	September 1, 2002 July 19, 2004	10,000 options 5,000 options
Narayanan Vaghul	September 1, 2002 July 19, 2004	10,000 options 5,000 options
Vanisha Bhatia Mittal	January 13, 2005	15,000 class A common shares

On July 19, 2004, Mittal Steel notified The Netherlands Authority for the Financial Markets that 5,000 options had been granted to each of Ambassador Andrés Rozental, Mr. Fernando Ruiz Sahagun and Mr. Narayanan Vaghul. These options were granted on June 1, 2000, but were not reported to The Netherlands Authority for the Financial Markets on September 1, 2002, the date on which the notification obligations for directors came into force.

In addition, pursuant to the Dutch Securities Act, and a decree based thereon, a shareholder who directly or indirectly holds a capital interest of more than 25% in Mittal Steel must, by means of a standard form, within 10 days after the month in which the transaction occurs, notify The Netherlands Authority for the Financial Markets of such transaction in the common shares issued by Mittal Steel. If that shareholder is a legal entity and not an individual, the obligations under the Dutch Securities Act also apply to its members of the board of directors and members of its supervisory board. In addition, these obligations apply to the following persons related to such 25% shareholder (if the 25% shareholder is not a legal entity):

spouses,

relations by blood or affinity to the first degree and other persons who share a household with these persons, and

relations by blood or affinity to the first degree who do not share a household with these persons but hold a capital interest of at least 5% or will obtain this percentage through the transaction. The Netherlands Authority for the Financial Markets keeps a public register of all notifications made pursuant to the Disclosure Act and the Dutch Securities Act and publishes any notification received by it.

Non-compliance with the reporting obligations under the Disclosure Act or the Dutch Securities Act could lead to criminal fines, administrative fines, imprisonment or other sanctions. In addition, non-compliance with the reporting obligations under the Disclosure Act may lead to civil sanctions, including suspension of the voting rights relating to the common shares held by the offender for a period of not more than three years and a prohibition on the acquisition by the offender of the common shares or the voting on the common shares for a period of not more than five years.

**Table of Contents**

**Voting Rights**

As of December 31, 2004, Mittal Steel's controlling shareholder owned directly and indirectly through holding companies 165,794,790 Mittal Steel class A common shares (approximately 89.5% of the issued and outstanding class (save for class A common shares held in treasury)) and 457,490,210 Mittal Steel class B common shares (100% of the issued and outstanding class), representing approximately 99.6% of the combined voting interest in Mittal Steel. On completion of the acquisition of LNM Holdings on December 17, 2004, 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares were issued to an intermediate holding company owned by the controlling shareholder. Prior to the recent completion of the acquisition of LNM Holdings, the controlling shareholder owned 26,135,000 Mittal Steel class A common shares (approximately 57.5% of the then issued and outstanding class (save for class A common shares held in treasury)) and 72,150,000 Mittal Steel class B common shares (100% of the then issued and outstanding class), representing approximately 97.5% of the then combined voting interest in Mittal Steel.

The controlling shareholder, by virtue of its indirect ownership of Mittal Steel class B common shares, indirectly has the right to make binding nominations for the appointment of all members of Mittal Steel's board of directors and to determine the outcome of any action requiring shareholder approval. In addition, the controlling shareholder will have the ability, by virtue of its indirect ownership of Mittal Steel class B common shares, to prevent or cause a change in control of Mittal Steel and its subsidiaries.

**Conversion: Restriction on Transfers**

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. However, the conversion of a Mittal Steel class B common share into a Mittal Steel class A common share is a reduction of the issued share capital of Mittal Steel under the laws of The Netherlands and requires approval by the shareholders. In addition, the conversion of a Mittal Steel class B common share into a Mittal Steel class A common share will result in a reduction of the votes of the holder from 10 to one. The Mittal Steel class A common shares have no conversion rights.

Mr. Lakshmi N. Mittal, Ispat International Investment S.L. (formerly known as LNM Holdings S.L.) and Mittal Steel have entered into a shareholder and registration rights agreement, or the Shareholder's Agreement. Pursuant to the Shareholder's Agreement, no person holding record or beneficial ownership of Mittal Steel class B common shares may transfer as defined in the Shareholder's Agreement such Mittal Steel class B common shares, except to a permitted transferee, or a Permitted Transferee. A purported transfer of Mittal Steel class B common shares other than pursuant to the Shareholder's Agreement will be null and void. A Permitted Transferee means:

Mr. Lakshmi N. Mittal;

his parents, spouse, children (natural or adopted), grandchildren or other issues;

trusts the primary beneficiaries of which are any of the foregoing persons or any charitable organization designated by any of them, which trusts are controlled, directly or indirectly, by any of the persons under the first, second and fifth bullets of this paragraph;

corporations, partnerships, limited liability companies and other persons if at least 80% of the economic interest in any such person is owned by any of the persons under the first and second bullets of this paragraph or any charitable organization designated by any of them; and

in the case of any person under the first and second bullets of this paragraph, the heirs, executors, administrators or personal representatives upon the death of such person or upon the incompetence or disability of such person for the purposes of the protection and management of such individual's assets.

## **Table of Contents**

The Shareholder's Agreement further provides that if at any time a record or beneficial holder of Mittal Steel class B common shares ceases to be a Permitted Transferee, such holder

will not be entitled to exercise the voting rights attached to such Mittal Steel class B common shares and

will notify Mittal Steel's board of directors that it is no longer a Permitted Transferee, which notification shall be deemed to be a request to convert such Mittal Steel class B common shares into Mittal Steel class A common shares.

Notwithstanding the foregoing, if at any time a holder of Mittal Steel class B common shares enters into a contract to transfer to a person that is not a Permitted Transferee, a Non-Permitted Transferee, a number of Mittal Steel class A common shares equivalent to that which would result from the conversion of all or a portion of such holder's Mittal Steel class B common shares and thereafter such conversion is opposed by creditors of Mittal Steel in accordance with applicable Dutch law, which opposition has not been finally determined within six months after the commencement thereof, such holder shall be free to transfer its Mittal Steel class B common shares to such Non-Permitted Transferee. By its terms, the Shareholder's Agreement may not be amended, other than for manifest error, except by approval of a majority of the Mittal Steel class A common shareholders (other than Mr. Lakshmi N. Mittal, Ispat International Investments S.L. (formerly known as LNM Holdings S.L.) and Permitted Transferees) at a general shareholders meeting.

In addition, according to the terms of the Shareholder's Agreement, each of Ispat International Investments S.L., Mr. Lakshmi N. Mittal and any Permitted Transferee will not permit or cause Mittal Steel to issue any additional Mittal Steel class B common shares other than to Ispat International Investments S.L., Mr. Lakshmi N. Mittal or any Permitted Transferee. Any additional Mittal Steel class B common shares issued by Mittal Steel will be subject to the terms of this Shareholder's Agreement.

## **Non-Competition Agreement**

Pursuant to the LNM Holdings acquisition agreement, Mr. Lakshmi N. Mittal has entered into a non-competition agreement with Mittal Steel. Pursuant to the non-competition agreement, Mr. Lakshmi N. Mittal has agreed, for a period commencing upon the completion of the LNM Holdings acquisition agreement (December 17, 2009) and expiring June 30, 2007, not to, without the consent of Mittal Steel's Audit Committee, directly or indirectly acquire an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or be connected with, as an officer, employee, partner, shareholder, consultant or otherwise, any person anywhere in the world that engages in the business of manufacturing, producing or supplying iron ore, coke, iron, steel or iron or steel products, hereinafter referred to as a Competitor. The non-competition agreement contains certain exceptions relating to limited lending on the part of Mr. Lakshmi N. Mittal. The non-competition agreement further provides that ownership of securities having no more than five percent of the outstanding voting power of any Competitor that is listed on any national securities exchange anywhere in the United States, Canada or Europe or 10% of the outstanding voting power of any Competitor that is listed on a national securities exchange anywhere else in the world, will not be deemed to be in violation of the non-competition agreement, so long as Mr. Lakshmi N. Mittal does not have any other connection or relationship with such Competitor. In addition, Mittal Steel will not be deemed to be a Competitor under the non-competition agreement, and Pt. Ispat Indo will not be deemed to be a Competitor so long as Pt. Ispat Indo does not (i) own an interest in, manage, operate, join, control, lend money or render financial or other assistance to or participate in or become connected with, as a partner, shareholder, consultant or otherwise, any Competitor carrying on business outside Indonesia (provided that Pt. Ispat Indo may own an equity interest in any joint venture so long as Pt. Ispat Indo's direct and indirect equity or partnership interest therein does not exceed 20% and is not the largest equity or partnership interest therein) or (ii) own, manage or operate any material assets located outside Indonesia and relating to the business of manufacturing, producing or supplying iron ore, coke, iron, steel, or iron or steel products.

**Table of Contents**

**Related Party Transactions**

Mittal Steel engages in certain commercial and financial transactions with affiliated companies and/or joint ventures (such as I/N Tek, I/N Kote, Empire Iron Mining Partnership, PCI Associates, WDI, Pena Colorada, Sersiin, Sorevco, Polski Koks (since 2004), Orind International/Orind Refractories. Many of these transactions are pursuant to joint venture and partnership agreements.

Mittal Steel also engages in certain commercial transactions with individuals and companies that are related to certain directors, directly or indirectly, (such as Lindsay International, Alkharsh International, Glacier Trade Centre, Dalijita Investments, Chevez Ruiz Zamarripa, LK Advisors, Dhamm Steel Services, Mr A.K. Hada and P.T. Ispat Indo).

P.T. Ispat Indo, an indirect wholly owned subsidiary of the controlling shareholder, has entered into a management services agreement with Mittal Steel pursuant to which P.T. Ispat Indo pays fees to Mittal Steel as compensation for management services as and when services are rendered by Mittal Steel. Mittal Steel also charges fees to P.T. Ispat Indo for usage of the Ispat trade mark. Mittal Steel also supplies direct reduced iron to P.T. Ispat Indo/Glacier Trade Centre.

Please refer to Note 7 of the Mittal Steel Supplemental Combined Financial Statements.

Other than the foregoing and in connection with the recently completed acquisition of LNM Holdings, Mittal Steel declares that, to the best of its knowledge, no member of its board of directors has an interest with regard to transactions effected by Mittal Steel, that are unusual as to their nature and to their terms and conditions in the course of the last and current financial year.

In addition, except as otherwise referred to in this section MAJOR SHAREHOLDERS OF MITTAL STEEL AND NOTIFICATION OBLIGATIONS Related Party Transactions , Mittal Steel declares that, to the best of its knowledge, between members of its board of directors on the one hand, including (i) legal entities (other than Mittal Steel) or businesses in which they, directly or indirectly, hold 5% or more of the shares or interest and (ii) their close family members, and Mittal Steel on the other hand, no transactions or agreements (excluding employment agreements) currently exist.

**Table of Contents**

**DESCRIPTION OF MITTAL STEEL S COMMON SHARES**

Mittal Steel (formerly known as Ispat International N.V.) was originally incorporated under the laws of The Netherlands on May 27, 1997 and has its statutory seat in Rotterdam. Mittal Steel s Articles of Association were last amended on December 17, 2004 in conjunction with the approval of the acquisition of LNM Holdings on December 15, 2004.

The following description of Mittal Steel s share capital does not purport to be complete and is qualified in its entirety by reference to, and should be read in conjunction with, the full text of Mittal Steel s Articles of Association. The full text of Mittal Steel s Articles of Association, including the recent amendments, is incorporated in this proxy statement/ prospectus by reference and is available, in Dutch and English, at Mittal Steel s offices and the addresses referred to in WHERE YOU CAN FIND MORE INFORMATION on page 1.

**Share Capital**

The authorized share capital of Mittal Steel is 122,150,000, consisting 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 0.10 per share. As at December 17, 2004, there were 194,509,790 Mittal Steel class A common shares and 457,490,210 Mittal Steel class B common shares in issue, of which 9,355,398 class A common shares were held in treasury.

The rights of the holders of Mittal Steel class A common shares and the Mittal Steel class B common shares are substantially identical in all respects, except for disparity in voting power and conversion rights. Upon the conversion of each Mittal Steel class B common share into one Mittal Steel class A common share, the number of authorized class B common shares will be reduced by one and the number of authorized class A common shares will be increased by ten. Furthermore, upon such conversion, an amount of 0.09 per Mittal Steel class B common share so converted shall be added to a special share premium reserve.

Following a resolution of a shareholders meeting held on December 21, 2001, Mittal Steel s Articles of Association were amended on December 31, 2001 and the nominal value of the share capital of the company was re-denominated from Dutch guilders into euro. The nominal value of each class A common share was re-denominated from NLG 0.01 to 0.01 and the nominal value of each class B common share was re-denominated from NLG 0.10 to 0.10. The increase in the nominal value of the class A common shares and the class B common shares was paid up by charging 299,601.56 and 3,940,975.74, respectively, to the share premium reserve. Following the re-denomination, the issued share capital of Mittal Steel was 7,763,500 made up of 54,850,000 class A common shares of 0.01 each and 72,150,000 class B common shares of 0.10 each.

Pursuant to an amendment to the Articles of Association adopted by the extraordinary meeting of Mittal Steel shareholders held on December 15, 2004 the authorized share capital of Mittal Steel increased from 12,215,000 consisting of 500,000,000 class A common shares and 72,150,000 class B common shares to 122,150,000, divided into 5,000,000,000 Mittal Steel class A common shares and 721,500,000 Mittal Steel class B common shares. In connection with the acquisition of LNM Holdings the managing board of Mittal Steel passed resolutions on October 23 and 24, 2004 resolving to issue 139,659,790 Mittal Steel class A common shares and 385,340,210 Mittal Steel class B common shares and these shares were issued on December 17, 2004 increasing the issued share capital of Mittal Steel from 7,763,500 divided into 54,850,000 Mittal Steel class A common shares and 72,150,000 class B common shares to 47,694,118.90 divided into 194,509,790 class A common shares and 457,490,210 class B common shares.

**Corporate Purpose**

Under the Articles of Association, the objects and purposes of Mittal Steel are the following:

to participate in, take an interest in any other way in, and conduct the management of business enterprises;

to finance, provide security for or undertake the obligations of third parties; and

to conduct all activities which are incidental to or which may be conducive to any of the foregoing.

## **Table of Contents**

### **Dividends**

Mittal Steel's board of directors may reserve a portion of Mittal Steel's annual profits. The portion of Mittal Steel's annual profits that remains unreserved shall be distributed to shareholders of Mittal Steel pro rata based on the number of common shares held by each shareholder, without regard to the class or par value of such common shares. Mittal Steel's board of directors may resolve that Mittal Steel make distributions out of its general share premium account or out of any other reserves available for distributions under the laws of The Netherlands, not being a legal reserve or the special share premium reserve that Mittal Steel is required to maintain pursuant to Article 36.1 of its Articles of Association, or the Special Reserve. Mittal Steel may declare dividends in the form of common shares as well as in cash. Mittal Steel's board of directors may also decide that Mittal Steel pay interim dividends. Mittal Steel may only declare distributions, including interim dividends, insofar as its shareholders' equity exceeds the sum of its paid up issued share capital and certain reserves that are required to be maintained by the laws of The Netherlands or Mittal Steel's Articles of Association (including the Special Reserve). Distributions that have not been claimed within five years and two days after the date on which they became due and payable revert to Mittal Steel.

All calculations to determine the amounts available for dividends will be based on Mittal Steel's statutory accounts, which will, as a holding company, be different from its consolidated accounts. Because Mittal Steel is a holding company and has no operations of its own, it is dependent on dividends or other advances from its operating subsidiaries to fund any dividends.

The holders of Mittal Steel class A common shares and Mittal Steel class B common shares are entitled to receive pro rata such distributions, if any, as may be declared by Mittal Steel's board of directors out of funds legally available for distribution. Kas Bank N.V. is the paying agent for dividends payable on Mittal Steel common shares in The Netherlands, and the Bank of New York is the paying agent for dividends payable on Mittal Steel common shares in the United States.

### **Shareholder Meetings and Voting Rights**

Each shareholder of Mittal Steel has the right to attend general meetings of shareholders, either in person or by proxy, to address shareholder meetings and to exercise voting rights, subject to the provisions of Mittal Steel's Articles of Association. An annual general meeting of shareholders will be held within six months after the end of each financial year in The Netherlands, in Amsterdam, Haarlemmermeer (Schiphol Airport), The Hague or Rotterdam. Extraordinary general meetings of shareholders may be held as often as Mittal Steel's board of directors deems necessary. In addition, one or more shareholders and other persons entitled to attend such meetings jointly representing at least 10% of the total outstanding share capital may request that a general meeting of shareholders be convened.

Mittal Steel will give notice of each meeting of shareholders by notice published by advertisement, which shall be published in at least one national daily newspaper distributed throughout The Netherlands and in the Official Price List (*Officiële Prijscourant*) of Euronext Amsterdam N.V. and, if required, elsewhere. In addition, holders of registered shares shall be notified by letter that the meeting is being convened. Such notices will be given no later than on the 15<sup>th</sup> day prior to the day of the meeting and will include, or be accompanied by, an agenda (or state where such agenda may be obtained) identifying the business to be considered at the meeting.

Each Mittal Steel class A common share entitles its holder to one vote and each Mittal Steel class B common share entitles its holder to 10 votes on each matter to be voted upon by shareholders. Shareholders will vote as a single class on all matters submitted to a vote of the general meeting of shareholders, including, without limitation, the appointment of members of Mittal Steel's board of directors and any proposed amendment of Mittal Steel's Articles of Association. The holders of Mittal Steel class B common shares have the right to make a binding nomination for the appointment of a member of Mittal Steel's board of directors. The general meeting of shareholders may at all times resolve by a resolution passed by an absolute majority of the votes cast at the meeting and representing at least one-third of the issued share capital to overrule such binding nomination. Class B and class C directors will be elected to serve one-year terms, whereas Mittal Steel class A directors are appointed for a period of four years. Unless otherwise required by Mittal Steel's Articles

## **Table of Contents**

of Association or the laws of The Netherlands, resolutions of the general meeting of shareholders will be validly adopted by a simple majority of the votes cast. Except in limited circumstances provided for in Mittal Steel's Articles of Association or under the laws of The Netherlands, there is no quorum requirement for the valid adoption of shareholder resolutions.

### **Liquidation Rights**

In the event of the dissolution and liquidation of Mittal Steel, holders of Mittal Steel common shares are entitled to receive all of the assets of Mittal Steel available for distribution after payment of all liabilities pro rata to the number of common shares held by each such shareholder irrespective of the par value of the common shares held by such holders. As a holding company, Mittal Steel's sole material assets are the capital stock of its operating subsidiaries. Therefore, in the event of dissolution or liquidation, Mittal Steel will either distribute the capital stock of the operating subsidiaries or sell such stock and distribute the net proceeds thereof, after satisfying its liabilities. During liquidation, Mittal Steel's Articles of Association will, to the extent possible, remain in full force and effect.

### **Preemptive Rights**

Unless limited or excluded by Mittal Steel's shareholders or board of directors as described below, holders of each class of common shares have a pro rata preemptive right to subscribe for any newly issued common shares of such class, except for common shares issued for consideration other than cash or issued to Ispat International employees or employees of any of its operating subsidiaries. At the extraordinary meeting held on December 15, 2004, shareholders delegated authority to members of Mittal Steel's board of directors to limit or exclude preemptive rights in respect of issues of Mittal Steel class A common shares for a period of five years (the maximum permitted by the laws of The Netherlands).

The Mittal Steel board of directors will adopt a resolution under the authority delegated to it by shareholders to limit or exclude preemptive rights in respect of the issue of class A common shares in connection with the issue of Mittal Steel class A common shares to ISG stockholders pursuant to the merger agreement.

### **Issue of Common Shares**

Shareholders, upon a proposal by Mittal Steel's board of directors, have the power to resolve upon the issue of additional common shares by Mittal Steel and the terms and conditions of such issue.

At the extraordinary meeting held on December 15, 2004, shareholders delegated authority to Mittal Steel's board of directors, for a period of five years (the maximum permitted by the laws of The Netherlands), to issue:

class A common shares with respect to all unissued class A common shares into which the authorized share capital of Mittal Steel is divided at the time the resolution to issue common shares is taken by Mittal Steel's board of directors; and

such number of class B common shares to be issued pursuant to the LNM Holdings acquisition agreement.

The Mittal Steel board of directors will adopt a resolution under this authority in order to issue such number of Mittal Steel class A common shares required to be issued to ISG stockholders pursuant to the merger agreement.

## **Table of Contents**

### **Purchase of Own Common Shares**

Mittal Steel may acquire its own common shares, subject to certain provisions of the laws of The Netherlands and of its Articles of Association, if and insofar as:

shareholders' equity, less the amount to be paid for the common shares to be acquired is not less than the sum of Mittal Steel's issued share capital plus any reserves required to be maintained by the laws of The Netherlands or Mittal Steel's Articles of Association; and

Mittal Steel and its subsidiaries would thereafter not hold, or hold as pledgee, common shares with an aggregate par value exceeding one-tenth of Mittal Steel's issued share capital.

Purchases by Mittal Steel of its common shares may be effected by Mittal Steel's board of directors only if the shareholders have authorized Mittal Steel's board of directors to effect such repurchases and such authorization has been granted within 18 months (the maximum permitted by the laws of The Netherlands) prior to the date of purchase. At the extraordinary meeting held on December 15, 2004, shareholders granted the authority to Mittal Steel's board of directors to repurchase Mittal Steel class A common shares and class B common shares for a period of 18 months effective from the date of the extraordinary meeting until June 14, 2006.

### **Reduction of Share Capital**

The shareholders of Mittal Steel may reduce the issued share capital of Mittal Steel by cancellation of common shares held by Mittal Steel, all common shares of a specific class or by reducing the par value of common shares, subject to certain statutory provisions. A resolution to reduce the issued share capital requires the approval of at least a majority of the votes cast and, if less than half of the issued share capital is represented at the meeting at which the vote is taken, the approval of at least two-thirds of the votes cast. In addition, the prior or simultaneous approval of each group of holders of the class of common shares to which the capital reduction relates is required. Mittal Steel is required to file any resolution of shareholders reducing its share capital with the trade register of the Chamber of Commerce and Industry in the district in which it has its corporate seat and to publish the filing in a national daily newspaper. During the two-month period after the filing is made, creditors of Mittal Steel may oppose such reduction of share capital.

### **Board of Directors**

Mittal Steel's board of directors is made up of five or more class A, class B and class C directors (and must be composed at all times of one class A director and at least two class C directors). The members of Mittal Steel's board of directors are appointed by the general meeting of shareholders. Class A directors are appointed for a period of four years starting on the day after the annual general meeting of shareholders at which they were appointed and ending on the day of the annual general meeting of the shareholders held in the fourth year after their appointment. Class B and class C directors are appointed for a period of one year starting on the day after the annual general meeting of shareholders on which they were appointed and ending on the day of the annual general meeting of shareholders held the next year. When a member of Mittal Steel's board of directors is to be appointed, the meeting of holders of class B common shares may make a binding nomination. The general meeting of shareholders may overrule a binding nomination by a resolution passed by an absolute majority of votes cast representing at least one-third of the issued share capital of Mittal Steel. If such a resolution is passed by an absolute majority of votes cast but that majority does not represent at least one-third of the issued share capital of Mittal Steel, a new meeting may be convened at which a resolution passed by an absolute majority of votes cast will be sufficient to cancel the binding nature of the nomination.

A member of Mittal Steel's board of directors may be suspended or dismissed by the general meeting of shareholders by a resolution passed by at least a two-thirds majority of votes cast representing more than half of the issued share capital of Mittal Steel. If the proposal for suspension or dismissal is made by the holder of a majority of the class B common shares, it is sufficient if the resolution is passed by a simple majority of votes cast.



**Table of Contents**

Mittal Steel's board of directors acting together, and each class A director acting alone, has the authority to represent Mittal Steel. Two class B directors acting jointly, and a class C director acting jointly with either two class B directors or a class A director, also have the authority to represent Mittal Steel.

**Amendment of Ispat International Articles of Association**

The Articles of Association may be amended by resolution of the shareholders upon proposal by Mittal Steel's board of directors. The resolution of the shareholders to amend the Articles of Association shall require the prior or simultaneous approval of each group of holders of shares of the class whose rights are prejudiced by the amendment of the Articles of Association.

**Annual Accounts**

Each year, Mittal Steel's board of directors must prepare annual accounts within five months after the end of Mittal Steel's financial year, unless the shareholders have approved an extension of this period for up to six additional months due to certain special circumstances recognized as such under the laws of The Netherlands.

**Table of Contents**

**COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW**

As a result of the merger, stockholders of ISG will become shareholders of Mittal Steel, and their rights will be governed by Mittal Steel's Articles of Association which differ in material respects from ISG's Certificate of Incorporation and Bylaws. The following is a summary of the material differences between the rights of holders of ISG common stock and holders of Mittal Steel class A common shares and Mittal Steel class B common shares. These differences arise from differences between the DGCL and the Dutch Civil Code as well as from differences between the governing documents. This summary is not a complete description of the laws of the State of Delaware or of The Netherlands, ISG's Certificate of Incorporation and Bylaws or Mittal Steel's Articles of Association. For information on how to obtain ISG's Certificate of Incorporation and Bylaws and Mittal Steel's Articles of Association, see **WHERE YOU CAN FIND MORE INFORMATION**. This summary should be read in conjunction with **DESCRIPTION OF MITTAL STEEL'S COMMON SHARES** beginning on page 223.

**Voting Rights**

*ISG*

Under the DGCL, each stockholder is entitled to one vote per share of stock, unless the certificate of incorporation provides otherwise. In addition, the certificate of incorporation may provide for cumulative voting at all elections of directors of the corporation. Either the certificate of incorporation or the by-laws may specify the number of shares and/or the amount of other securities that must be represented at a meeting in order to constitute a quorum, but in no event will a quorum consist of less than one-third of the shares entitled to vote at a meeting.

ISG's Certificate of Incorporation provides for one vote per share of ISG common stock, but does not provide for cumulative voting. Under ISG's Bylaws, the presence in person, or by proxy, of holders of a majority of the outstanding shares of stock entitled to vote at the meeting is required to constitute a quorum at stockholder meetings of ISG.

*Mittal Steel*

Under Dutch law, each shareholder is entitled to one vote per share, unless the articles of association of the company provide otherwise. All shareholder resolutions are taken by an absolute majority of the votes cast, unless the articles of association or Dutch law prescribe otherwise. The validity of shareholder decisions is not dependent on a quorum, unless Dutch law or the articles of association stipulate otherwise.

Mittal Steel's Articles of Association provide for one vote per share of Mittal Steel class A common shares and ten votes per share of Mittal Steel class B common shares. Generally, all resolutions may be adopted by a simple majority of the total votes cast, and there are no quorum requirements. A resolution by the general meeting of shareholders to limit or exclude pre-emptive rights or to designate the managing board as the authorized organ (corporate body) for this purpose requires, in order to be validly adopted, a majority of at least two-thirds of the votes cast in a meeting of shareholders if less than half of the issued share capital is present or represented at such meeting. The same applies to a resolution to reduce the issued share capital. A binding nomination for the appointment of a managing director may be overruled by a resolution of the general meeting of shareholders adopted by an absolute majority of the votes cast, provided such majority represents at least one-third of the issued share capital. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute

**Table of Contents**

*ISG*

Under the DGCL, amendments to a corporation's certificate of incorporation require a resolution of the board of directors, followed by a majority vote of the holders of the outstanding stock entitled to vote on such amendment and, in certain circumstances, of the holders of a majority of the outstanding stock of each class entitled to vote on such amendment as a class, unless a greater number or proportion is specified in the certificate of incorporation or by other provisions of the DGCL. Under the DGCL, the by-laws may be amended only by the stockholders, unless the company's certificate of incorporation also confer the power to amend the by-laws on the directors.

ISG's Certificate of Incorporation requires the approval of 80% of the voting power of the shares of ISG common stock entitled to vote generally in the election of directors to amend or adopt any provision inconsistent with, or to repeal, provisions of ISG's Bylaws and certain provisions of ISG's Certificate of Incorporation relating to stockholder meetings and to the board of directors.

*Mittal Steel*

majority of the votes cast, regardless of the proportion of the capital represented at the meeting. A member of Mittal Steel's managing board may be suspended or dismissed by the general meeting of shareholders by a resolution passed by at least a two-thirds majority of votes cast representing more than half of the issued share capital of Mittal Steel.

**Amendment of Charter Documents**

*ISG*

Under the DGCL, amendments to a corporation's certificate of incorporation require a resolution of the board of directors, followed by a majority vote of the holders of the outstanding stock entitled to vote on such amendment and, in certain circumstances, of the holders of a majority of the outstanding stock of each class entitled to vote on such amendment as a class, unless a greater number or proportion is specified in the certificate of incorporation or by other provisions of the DGCL. Under the DGCL, the by-laws may be amended only by the stockholders, unless the company's certificate of incorporation also confer the power to amend the by-laws on the directors.

ISG's Certificate of Incorporation requires the approval of 80% of the voting power of the shares of ISG common stock entitled to vote generally in the election of directors to amend or adopt any provision inconsistent with, or to repeal, provisions of ISG's Bylaws and certain provisions of ISG's Certificate of Incorporation relating to stockholder meetings and to the board of directors.

*Mittal Steel*

Under Dutch law, shareholders of a Dutch company may resolve to amend the company's articles of association, although the prior approval of the Dutch Ministry of Justice is required for any such amendment.

Under Mittal Steel's Articles of Association, the general meeting of shareholders may pass a resolution for an amendment to Mittal Steel's Articles of Association that will be valid only if the resolution was proposed to the general meeting of shareholders by the managing board and the complete proposal has been made freely available to the shareholders and other persons entitled to attend meetings of shareholders, at the office of the company and, in the event that shares have been listed on Euronext Amsterdam, at a bank in Amsterdam specified in the notice convening the meeting from the day of notice convening such meeting until the close of that meeting. The resolutions of the shareholders to amend Mittal Steel's Articles of Association will require the prior or simultaneous approval of each group of holders of shares of the class whose rights are prejudiced by the amendment of Mittal Steel's Articles of Association.

**Appraisal Rights**

*ISG*

The DGCL provides for appraisal rights in connection with certain mergers and consolidations. Appraisal rights are not available for any shares of stock of the constituent corporation surviving the merger if the merger did not require for its approval the vote of the holders of the surviving corporation. In addition, unless otherwise provided in the certificate of incorporation, no appraisal rights are available to holders of shares of any class of stock which, as of the record date, is either: (a) listed on a national securities exchange or designated as a national

*Mittal Steel*

Dutch law does not recognize the concept of appraisal or dissenters rights and, accordingly, holders of shares in a Dutch company have no appraisal rights.

**Table of Contents**

*ISG*

*Mittal Steel*

market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc., or NASD, or (b) held of record by more than 2,000 holders, unless such holders are required by the terms of the merger to accept anything other than: (1) shares of stock of the surviving corporation; (2) shares of stock of another corporation which are or will be so listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the NASD or held of record by more than 2,000 holders; (3) cash in lieu of fractional shares of such stock; or (4) any combination of the above.

ISG's Certificate of Incorporation has no provision relating to appraisal rights and as a result, holders of ISG common stock who do not vote in favor of the adoption of the merger agreement will have the right to seek appraisal.

**Preemptive Rights**

*ISG*

Under the DGCL, stockholders have no preemptive rights to subscribe to additional issues of stock or to any security convertible into such stock unless, and except to the extent that, such rights are expressly provided for in the certificate of incorporation.

ISG's Certificate of Incorporation does not provide for preemptive rights.

*Mittal Steel*

Under Dutch law, in the event of an issuance of shares, each shareholder will have a pro rata preemptive right to the number of shares held by such shareholder (with the exception of shares to be issued to employees or shares issued against a contribution other than in cash). Unless the articles of association state otherwise, holders of preferred shares have no preemptive rights. Preemptive rights in respect of newly issued common shares may be limited or excluded by the general meeting of shareholders.

Mittal Steel's Articles of Association conform to Dutch law and authorize the general meeting of shareholders or the managing board, if so designated by a resolution of the general meeting of shareholders, to limit or exclude preemptive rights for holders of Mittal Steel common shares. In order for such a resolution to be adopted, a majority of at least two-thirds of the votes cast in a meeting of shareholders is required, if less than half of the issued share capital is present or represented at the meeting. By a resolution passed at the December 15, 2004 extraordinary meeting, the shareholders delegated authority to Mittal Steel's board of directors to limit or exclude preemptive rights relating to issues of Mittal Steel class A common shares for a period of five years, until December 14, 2009 (the maximum period permitted under Dutch law).

**Table of Contents**

**Action by Written Consent of Shareholders**

*ISG*

The DGCL provides that, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize such action at a meeting, consent in writing.

ISG's Certificate of Incorporation provides that any action required or permitted to be taken by ISG stockholders must be effected at a duly called annual or special meeting of ISG stockholders and may not be effected by any consent in writing by such stockholders.

*Mittal Steel*

Under Dutch law, resolutions may be adopted by shareholders in writing without holding a meeting of shareholders, provided the articles of association expressly so allow and provided no bearer shares are issued.

As Mittal Steel's Articles of Association do not contain such an express provision and Mittal Steel has issued bearer shares, shareholders of Mittal Steel may not adopt resolutions outside a meeting of shareholders.

**Shareholders Meetings**

*ISG*

Under the DGCL, an annual meeting of stockholders must be held for the election of directors on a date and at a time designated by or in the manner provided in the by-laws. Any other proper business may be transacted at the annual meeting.

ISG's Bylaws provide that the ISG board of directors will designate the time and place of the meeting.

*Mittal Steel*

Under Dutch law, a company must hold at least one annual general meeting, to be held not later than six months after the end of the fiscal year. Pursuant to Mittal Steel's Articles of Association, general meetings will be held in Amsterdam, Haarlemmermeer (Schiphol Airport), Rotterdam or The Hague. An extraordinary general meeting of the shareholders may be held as often as deemed necessary by the managing board. In addition, in accordance with Dutch law, shareholders representing at least one-tenth of the issued share capital may request the managing board of Mittal Steel to convene a general meeting of shareholders. If the managing board of Mittal Steel has not convened a meeting within six weeks of the request, the persons who have made the request may be authorized by the president of the district court in Rotterdam to convene the meeting themselves.

Under Mittal Steel's Articles of Association, the notice convening a general meeting of the shareholders must be sent no later than the fifteenth day prior to the day of the general meeting. Such notice must be accompanied by the agenda for the meeting or state where such agenda can be obtained. No valid resolutions may be adopted at a general meeting of shareholders in respect of items that are not included on the agenda. The agenda must contain such items as the person convening the meeting

**Table of Contents**

*ISG*

*Mittal Steel*

decides and other items, as one or more shareholders, representing at least one-hundredth of the issued share capital have so requested the managing board in writing, at least five days before the date on which the meeting is convened.

**Election of Directors and Representation**

*ISG*

Under the DGCL, the board of directors of a corporation must consist of one or more members. The number of directors must be fixed by, or in the manner provided in, the by-laws, unless the certificate of incorporation fixes the number of directors. Each director will hold office until his or her successor is elected and qualified or until his or her earlier resignation or removal. The directors are elected at the annual meeting of stockholders. The directors may be divided into one, two or three classes.

ISG's Certificate of Incorporation provides that the number of directors which will constitute the ISG board of directors will be fixed, from time to time by, or in the manner provided in, ISG's Bylaws. ISG's Bylaws provide that the authorized number of directors will be such number as will from time to time be fixed by a vote of a majority of the total number of directors ISG would have if there were no vacancies. The ISG board of directors currently consists of six directors. As provided by ISG's Certificate of Incorporation, the ISG board of directors is divided into three classes of directors, with the number of directors in each class as nearly equal in number as possible. The directors of each class serve for a three-year term, with the term of office of one class expiring at each annual meeting of stockholders.

*Mittal Steel*

The executive board of a Dutch company is in charge of the management of the company. Under Dutch law, the executive board must consist of at least one member.

Mittal Steel's managing board is made up of five or more class A, class B and class C directors (and must be composed at all times of one class A director and at least two class C directors). The members of Mittal Steel's managing board are appointed by the general meeting of shareholders. Class A directors are appointed for a period of four years starting on the day after the annual general meeting of shareholders at which they were appointed and ending on the day of the annual general meeting of the shareholders held in the fourth year after their appointment. Class B and class C directors are appointed for a period of one year starting on the day after the annual general meeting of shareholders on which they were appointed and ending on the day of the annual general meeting of shareholders held the next year. When a member of Mittal Steel's managing board is to be appointed, the meeting of holders of class B common shares may make a binding nomination. The general meeting of shareholders may overrule a binding nomination by a resolution passed by an absolute majority of votes cast representing at least one-third of the issued share capital of Mittal Steel. If such a resolution is passed by an absolute majority of votes cast but that majority does not represent at least one-third of the issued share capital of Mittal Steel, a new meeting may be convened at which a resolution passed by an absolute majority of votes cast will be sufficient to cancel the binding nature of the nomination.

The managing directors will have such titles as the managing board may from time to time determine. The managing board will appoint a class A managing director as Chairman of the managing board, who will have the title of Chief Executive Officer.

**Table of Contents**

*ISG*

*Mittal Steel*

Mittal Steel's managing board of directors acting together, and each class A director acting alone, has the authority to represent Mittal Steel. Two class B directors acting jointly, and a class C director acting jointly with either two class B directors or a class A director, also have the authority to represent Mittal Steel.

Pursuant to Mittal Steel's Articles of Association, resolutions of the managing board are validly adopted if adopted by a simple majority of the votes cast. An absent managing director may issue a proxy but only to another managing director. In addition, the managing board is permitted to adopt resolutions in writing without holding a meeting if the proposals for such resolutions have been communicated in writing to all managing directors and no managing director has objected to this method of adoption of a resolution.

**Removal of Directors**

*ISG*

Under the DGCL, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors, except (a) if the certificate of incorporation provides otherwise, in the case of a corporation whose board is classified, stockholders may effect such removal only for cause, or (b) in the case of a corporation having cumulative voting, if less than the entire board is to be removed, no director may be removed without cause if the votes cast against his removal would be sufficient to elect him if then cumulatively voted at an election of the entire board of directors, or, if there are classes of directors, at an election of the class of directors of which he is a part.

ISG's Certificate of Incorporation provides that any director may be removed by the stockholders only for cause by an affirmative vote of at least 80% of the voting power of the stock entitled to vote in an election of the directors of the board, at an annual or special meeting, the notice of which must state that the removal of a director or directors is among the purposes of the meeting.

*Mittal Steel*

Under Dutch law, the general meeting of shareholders has the authority to suspend or remove members of the managing board at any time. Removal without cause is possible but may be contrary to principles of reasonableness and fairness, which are imposed under Dutch law. Any removal without cause, therefore, could result in the liability of the company for damages.

Mittal Steel's Articles of Association provide that the general meeting of shareholders is entitled to suspend or dismiss a member of the managing board at any time. The general meeting may adopt a resolution to suspend or dismiss a director by at least a two-thirds majority of the votes cast, provided that such majority represents more than half of the issued share capital. However, if the proposal for suspension or dismissal is made by a meeting of the holders of Mittal Steel class B common shares, such resolutions need only be adopted by a simple majority of votes cast.

**Table of Contents**

**Filling of Vacancies**

*ISG*

The DGCL provides that vacancies and newly created directorships may be filled by a majority of the directors then in office (even though less than a quorum) unless (1) otherwise provided in the certificate of incorporation or by-laws of the corporation or (2) the certificate of incorporation directs that a particular class of stock is to elect such director, in which case any other directors elected by such class, or a sole remaining director elected by such class, will fill such vacancy.

ISG's Certificate of Incorporation provides that board vacancies that result from an increase in the number of directors may be filled by a majority of the directors then in office (provided that a quorum is present), and any other vacancy occurring in the ISG board of directors may be filled by a majority of the directors then in office (even if no quorum is present) or by a sole remaining director.

*Mittal Steel*

Under Dutch law, a decision to appoint a new member of the managing board must be taken by the general meeting of shareholders. For a more detailed description of this process see COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW Election of Directors and Representation beginning on page 232.

Mittal Steel's Articles of Association provide that a managing director who is appointed to fill an interim vacancy will be in office for the remainder of the term of his predecessor. In case a managing director is prevented from acting or permanently absent, the remaining managing directors will be temporarily responsible for the entire management of Mittal Steel. If all managing directors are prevented from acting or permanently absent, the person designated by the general meeting of shareholders will be temporarily responsible for the management.

**Shareholder Nominations and Proposals**

*ISG*

ISG's Bylaws provide that stockholders may nominate individuals for election to the board of directors or propose business at an annual meeting of ISG stockholders. In order to nominate an individual, a stockholder must deliver written notice to the principal executive offices of ISG not less than 60 days nor more than 90 days prior to the first anniversary of the date on which ISG first mailed its proxy materials for the preceding year's annual meeting of stockholders; provided, however, that in the event the annual meeting is either more than 30 days before or more than 30 days after the anniversary of the preceding year's annual meeting, to be timely, notice by the stockholder must be received not later than the later of the 90th calendar day prior to the annual meeting or the 10th calendar day following the day on which public disclosure of the date of the annual meeting was first made. As to each person whom the stockholder proposes to nominate for election or reelection as a director, the written notice must set forth: (i) the name and address, as they appear on ISG's books, of the stockholder giving the notice and of the beneficial owner, if any, on whose behalf the nomination is made; (ii) a

*Mittal Steel*

Pursuant to Mittal Steel's Articles of Association, the managing board must invite the meeting of holders of Mittal Steel class B common shares to make a binding nomination each time a managing director is to be appointed, within a period of sixty days, so that for each appointment a choice can be made between two individuals. The nomination of holders of Mittal Steel class B common shares will be included in the notice of the general meeting of shareholders at which the appointment will be considered. If the holders of Mittal Steel class B common shares do not make a nomination or do not make a nomination in due time for inclusion in the notice of the general meeting, this should be stated in the notice. In such a case, the general meeting will vote on the appointment of a managing director as provided in the agenda to the general meeting by a simple majority of the votes cast.

Pursuant to Mittal Steel's Articles of Association, extraordinary meetings will be held when one or more shareholders and other persons entitled to attend such meetings who jointly represent one-tenth of the issued share capital make a written request for a special



**Table of Contents**

*ISG*

representation that the stockholder giving the notice is a holder of record of shares of ISG common stock entitled to vote at such annual meeting; (iii) the class and number of shares of ISG common stock owned beneficially and of record by the stockholder giving the notice and by the beneficial owner, if any, on whose behalf the nomination is made; (iv) a description of all arrangements or understandings between or among any of (A) the stockholder giving the notice, (B) the beneficial owner on whose behalf the notice is given, (C) each nominee, and (D) any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder giving the notice; (v) the name, age, business address, residence address and occupation of the nominee proposed by the stockholder; (vi) such other information regarding each nominee proposed by the stockholder giving the notice as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC had the nominee been nominated, or intended to be nominated, by the board; (vii) the signed consent of each nominee to serve as a director of ISG if so elected; (viii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of ISG common stock entitled to vote required to elect such nominee or nominees, and (ix) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice.

For any other business that a stockholder proposes to bring before an annual meeting, the written notice must be delivered by the same deadline as that applicable to notices for nominating directors and contain: (i) a description in reasonable detail of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on ISG's books, of the stockholder proposing such business and the beneficial owner, if any, on whose behalf the proposal is made; (iii) the class and number of shares of ISG common stock that are owned beneficially and of record by the stockholder proposing such business and by the beneficial owner, if any, on whose behalf the proposal is made; (iv) a description of all arrangements or understandings among such stockholder, the beneficial owner on whose behalf the notice is given

*Mittal Steel*

meeting to the managing board. Such written request must specify in detail the business to be discussed. If the managing board of Mittal Steel has not convened a meeting within six weeks of the request, the persons who have made the request may be authorized by the president of the district court in Rotterdam to convene the meeting themselves.

The agenda to a meeting of shareholders must contain such items as the person convening the meeting decides and other items, as one or more shareholders, representing at least one-hundredth of the issued share capital have so requested the managing board in writing, at least five days before the date on which the meeting is convened.

**Table of Contents***ISG*

and any other person or persons (including their names) in connection with the proposal of such business of such stockholder and any material interest of such stockholder in such business; (v) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of at least the percentage of shares of ISG entitled to vote required to approve the proposal; and (vi) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the annual meeting. ISG's stockholders may not independently bring any business at a special meeting of the stockholders.

*Mittal Steel***Dividends***ISG*

Under the DGCL, a Delaware corporation may pay dividends out of its surplus (the excess of net assets over capital), or in case there is no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year (provided that the amount of the capital of the corporation is not less than the aggregate amount of the capital represented by the issued and outstanding stock of all classes having a preference upon the distribution of assets). In determining the amount of surplus of a Delaware corporation, the assets of the corporation, including stock of subsidiaries owned by the corporation, must be valued at their fair market value as determined by the board of directors, without regard to their historical book value.

The ISG Bylaws provide that the board of directors have the full power to declare and pay dividends on the capital or stock of ISG.

*Mittal Steel*

Dutch law provides that dividends may only be distributed after adoption of the annual accounts by the general meeting of shareholders. Moreover, dividends may be distributed only to the extent that net assets exceed the sum of the amount of issued and paid-up or called-up capital and increased by reserves that must be maintained under the law or the articles of association. Interim dividends may be declared as provided in the articles of association and may be distributed to the extent that net assets exceed the amount of the issued and paid-up capital plus required legal reserves. Under Dutch law, the articles of association may prescribe that the managing board decide what portion of the profits are to be held as reserves.

Pursuant to Mittal Steel's Articles of Association, the Mittal Steel managing board may reserve a portion of Mittal Steel's annual profits. The portion of Mittal Steel's annual profits that remains unreserved will be distributed to shareholders of Mittal Steel pro rata based on the number of common shares held by each shareholder, without regard to the class or par value of such common shares. Mittal Steel's managing board may resolve that Mittal Steel make distributions out of its general share premium account or out of any other reserves available for distributions under Dutch law, not being a legal reserve or the special share premium reserve that Mittal Steel is required to maintain pursuant to Article 36.1 of its Articles of Association, or Special Reserve. Mittal Steel may declare dividends in the form of common shares as well as in cash. Mittal Steel's managing board may also decide that Mittal Steel pay interim

**Table of Contents**

*ISG*

*Mittal Steel*

dividends. Mittal Steel may only declare distributions, including interim dividends, insofar as its shareholders' equity exceeds the sum of its paid-up or called-up issued share capital and increased by certain reserves that are required to be maintained by the laws of The Netherlands or Mittal Steel's Articles of Association (including the Special Reserve). Distributions that have not been claimed within five years and two days after the date on which they became due and payable revert to Ispat International.

**Rights of Purchase and Reduction of Share Capital**

*ISG*

Under the DGCL, a corporation may redeem or repurchase its own shares, except that a corporation cannot generally make such a purchase or redemption if it would cause impairment of its capital.

*Mittal Steel*

Under Dutch law, a company may not subscribe for newly issued shares in its own capital. A Dutch company may, subject to certain restrictions, purchase shares in its own capital, provided the nominal value of the shares acquired by the company (or its subsidiaries) does not exceed 10% of the issued share capital. Under a resolution adopted by the extraordinary meeting of the shareholders held on December 15, 2004, Mittal Steel shareholders delegated authority to Mittal Steel's board of directors to acquire Mittal Steel class A common shares and Mittal Steel class B common shares for a period of 18 months, until June 14, 2006 (the maximum permitted under Dutch law).

The shareholders of Mittal Steel may reduce the issued share capital of Mittal Steel by cancellation of common shares held by Mittal Steel, all common shares of a specific class or by reducing the par value of common shares, subject to certain statutory provisions. A resolution to reduce the issued share capital requires the approval of at least a majority of the votes cast and, if less than half of the issued share capital is represented at the meeting at which the vote is taken, the approval of at least two-thirds of the votes cast. In addition, the prior or simultaneous approval of each group of holders of the class of common shares to which the capital reduction relates is required. Mittal Steel is required to file any resolution of shareholders reducing its share capital with the trade register of the Chamber of Commerce and Industry in the district in which it has its corporate seat and to publish the filing in a national daily newspaper. During the two-month period after the filing is made, creditors of Mittal Steel may oppose such reduction of share capital.

**Table of Contents**

**Limitation of Directors Liability/ Indemnification of Officers and Directors**

*ISG*

The DGCL permits a corporation to include in its certificate of incorporation a provision eliminating or limiting a director's personal liability to the corporation or its stockholders for monetary damages for breaches of fiduciary duty. However, the DGCL expressly provides that the liability of a director may not be eliminated or limited for (1) breaches of his or her duty of loyalty to the corporation or its stockholders, (2) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) the unlawful purchase or redemption of stock or unlawful payment of dividends or (4) any transaction from which the director derived an improper personal benefit. The DGCL further provides that no such provision will eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective.

ISG's Certificate of Incorporation provides for indemnification of directors and executive officers to the fullest extent permitted by the DGCL. Generally, the DGCL permits a corporation to indemnify certain persons made a party to any action, suit or proceeding by reason of the fact that such person is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise provided that such person acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation. To the extent that person has been successful in any such matter, that person will be indemnified against expenses actually and reasonably incurred by him. In the case of an action by or in the right of the corporation, no indemnification may be made in respect of any matter as to which that person was adjudged liable to the corporation unless and only to the extent that the Delaware Court of Chancery or the court in which the action was brought determines that despite the adjudication of liability that person is fairly and reasonably entitled to indemnity for proper expenses.

*Mittal Steel*

The concept of indemnification of directors of a company for liabilities arising from their actions as members of the executive or supervisory boards is, in principle, accepted in The Netherlands and sometimes is provided for in a company's articles of association. Although the laws of The Netherlands do not contain any provisions in this respect, Mittal Steel's Articles of Association provide that managing directors be indemnified by Mittal Steel to the fullest extent permitted by Dutch law against liabilities, expenses and amounts paid in settlement relating to claims, actions, suits or proceedings to which a managing director becomes a party by virtue of his or her position. Mittal Steel's Articles of Association also provide that expenses incurred in connection with the defense of any such claim, action, suit or proceeding may be advanced to the managing director prior to the final disposition thereof. No right to indemnification exists in the case of, among other things, wilful malfeasance, bad faith or gross negligence.

**Special Meetings**

*ISG*

*Mittal Steel*

**Table of Contents**

*ISG*

Under the DGCL, a special meeting of stockholders may be called by the board of directors or by any other person authorized in the certificate of incorporation or the by-laws. The DGCL does not provide stockholders with an automatic right to call special meetings of stockholders.

ISG's Certificate of Incorporation and Bylaws provide that a special meeting of stockholders may be called only by the Chairman of the ISG board of directors, the Chief Executive Officer, President or Secretary within ten calendar days after receipt of the written request of a majority of the total number of directors that the board would have if there were no vacancies.

*Mittal Steel*

Pursuant to Mittal Steel's Articles of Association, extraordinary general meetings of shareholders may be held whenever the managing board of Mittal Steel deems necessary. In addition, extraordinary meetings will be held when one or more shareholders and other persons entitled to attend such meetings who jointly represent one-tenth of the issued share capital make a written request for a special meeting to the managing board. Such written request must specify in detail the business to be discussed. If the managing board of Mittal Steel has not convened a meeting within six weeks of the request, the persons who have made the request may be authorized by the president of the district court in Rotterdam to convene the meeting themselves.

**Shareholder Votes on Certain Reorganizations**

*ISG*

Under the DGCL, the vote of a majority of the outstanding shares of capital stock entitled to vote thereon generally is necessary to approve a merger or consolidation. The DGCL permits a corporation to include in its certificate of incorporation a provision requiring for any corporate action the vote of a larger portion of the stock or of any class or series of stock than would otherwise be required. ISG's Certificate of Incorporation does not contain such a provision.

Under the DGCL, no vote of the stockholders of a surviving corporation to a merger is needed, however, unless required by the certificate of incorporation, if (1) the agreement of merger does not amend in any respect the certificate of incorporation of the surviving corporation, (2) the shares of stock of the surviving corporation are not changed in the merger and (3) the number of shares of common stock of the surviving corporation into which any other shares, securities or obligations to be issued in the merger may be converted does not exceed 20% of the surviving corporation's common shares outstanding immediately prior to the effective date of the merger. In addition, stockholders may not be entitled to vote in certain mergers with other corporations that own 90% or more of the outstanding shares of each class of stock of such corporation.

*Mittal Steel*

Under Dutch law, the general meeting of shareholders must approve any legal merger (*juridische fusie*) in which the company would not be the surviving entity. In addition, the general meeting of shareholders must approve resolutions of the board of directors about an important change in the identity or character of the company or its business, in any event including:

the transfer of the enterprise or a substantial part thereof to a third party;

the entering into or ending of a long-lasting co-operation of the company or a subsidiary with a third party, if this co-operation or the ending thereof is of far-reaching significance for the company; and

the acquiring or disposing of an interest in the share capital of a company with a value of at least one-third of the company's assets according to the most recent annual accounts, by the company or a subsidiary.

Mittal Steel's Articles of Association provide, partly in addition to the above, that the general meeting of shareholders must approve a sale, lease or exchange of all or substantially all of the company's property or assets.

**Table of Contents**

**Certain Provisions Relating to Business Combinations**

*ISG*

The DGCL generally prevents a corporation from entering into certain business combinations with an interested stockholder (defined generally to include any person or entity that is the beneficial owner of at least 15% of a corporation's outstanding voting stock or an affiliate of any person or entity that owned 15% or more of the corporation's outstanding stock within a three-year period immediately prior to the time that such stockholder became an interested stockholder), unless (1) the business combination or the transaction which resulted in the stockholder becoming an interested stockholder is approved by the board of directors of the corporation, prior to such time as the stockholder became an interested stockholder, (2) the interested stockholder acquired at least 85% of the corporation's voting stock in the same transaction in which it became an interested stockholder or (3) at or subsequent to such time in which the stockholder became an interested stockholder, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by a vote of 66 2/3% of the outstanding voting stock not owned by the interested stockholder.

*Mittal Steel*

Neither Dutch law nor Mittal Steel's Articles of Association specifically prevent business combinations with interested shareholders.

**Rights of Inspection**

*ISG*

Under the DGCL, any stockholder may inspect for any proper purpose the corporation's stock ledger, a list of its stockholders and its other books and records during the corporation's usual hours for business.

*Mittal Steel*

Under Dutch law, the annual accounts of a company are submitted to the general meeting of shareholders for their approval. Under Dutch law, the shareholders' register is available for inspection by the shareholder.

Mittal Steel's Articles of Association grant the managing board power to permit inspection of the share register by authorities who supervise and/or implement the trading of securities on a foreign stock exchange if Mittal Steel common shares are registered on such foreign exchange or are in the process of being registered.

**Shareholder Suits**

*ISG*

Under the DGCL, a stockholder may bring a derivative action on behalf of the corporation to enforce the rights of the corporation. An individual

*Mittal Steel*

Dutch law does not provide for derivative suits. However, the Dutch Civil Code does provide for class actions. Only a foundation or an association whose

**Table of Contents**

*ISG*

also may commence a class action suit on behalf of himself and other similarly situated stockholders where the requirements for maintaining a class action under Delaware law have been met. A person may institute and maintain such a suit only if such person was a stockholder at the time of the transaction which is the subject of the suit. Additionally, under Delaware case law, the plaintiff generally must be a stockholder not only at the time of the transaction that is the subject of the suit, but also through the duration of the derivative suit. Delaware law also requires that the derivative plaintiff make a demand on the directors of the corporation to assert the corporate claim before the suit may be prosecuted by the derivative plaintiff, unless such demand would be futile.

*Mittal Steel*

objective is to protect the rights of a group of persons having similar interests can institute a class action. Such class action can only result in a declaratory judgment (*verklaring voor recht*) on the basis of which each individual person may institute civil proceedings. The class action itself cannot result in an order for payment of monetary damages.

**Conflict of Interest Transactions**

*ISG*

The DGCL generally permits transactions involving a Delaware corporation and an interested director of that corporation if (a) the material facts as to his relationship or interest are disclosed and a majority of disinterested directors consents, (b) the material facts are disclosed as to his relationship or interest and a majority of shares entitled to vote thereon consents or (c) the transaction is fair to the corporation at the time it is authorized by the board of directors, a committee or the stockholders.

*Mittal Steel*

Mittal Steel's Articles of Association provide that if a managing director has a conflict of interest, he or she will continue to represent the company as each of the other managing directors have power to represent the company. An exception to this is the situation in which a managing director, acting in his personal capacity, enters into an agreement with the company, or if he, acting in his personal capacity, conducts any litigation against the company, in which case the company will be represented by one or more other managing directors (with due observance of the representation principles, as described under **COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW** Election of Directors and Representation).

**Financial Information Available to Shareholders**

Mittal Steel and ISG are each required to file Annual Reports with the SEC containing certain financial information. ISG files Annual Reports on Form 10-K, which contain audited financial statements prepared in accordance with U.S. GAAP, and Quarterly Reports on Form 10-Q, which contain unaudited quarterly financial statements prepared in accordance with U.S. GAAP. Mittal Steel files Annual Reports on Form 20-F, which contain audited annual financial statements prepared in accordance with U.S. GAAP. Mittal Steel, as a foreign private issuer, is not required, however, to file Quarterly Reports, but chooses to furnish quarterly financial information prepared in accordance with U.S. GAAP under cover of a Report on Form 6-K.

**Table of Contents****MARKET DATA**

Mittal Steel class A common shares are listed and traded on the New York Stock Exchange, Mittal Steel's principal United States trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol "MT". ISG common stock is listed and traded on the New York Stock Exchange under the symbol "ISG".

The following table sets forth, for the periods indicated, the high and low sales prices per share of Mittal Steel class A common shares as reported on the Euronext Amsterdam and the New York Stock Exchange Composite Tape and ISG common stock as reported on the New York Stock Exchange Composite Tape.

	EURONEXT AMSTERDAM MITTAL STEEL CLASS A COMMON SHARES		THE NEW YORK STOCK EXCHANGE			
	HIGH	LOW	MITTAL STEEL CLASS A COMMON SHARES		ISG COMMON STOCK	
(in Euros)			(in U.S. dollars)		(in U.S. dollars)	
2004						
First Quarter	9.00	5.19	11.06	6.80	43.50	33.70
Second Quarter	12.50	8.30	15.06	9.41	41.50	25.45
Third Quarter	26.50	11.50	30.45	14.16	35.50	27.98
April	9.86	8.60	11.88	10.58	41.50	28.64
May	10.76	8.30	13.00	9.44	31.00	25.45
June	12.50	9.50	15.06	12.40	31.98	27.69
July	15.19	11.50	18.17	14.16	33.75	27.98
August	24.14	14.39	27.79	17.56	32.50	28.83
September	26.50	20.52	30.45	24.78	35.50	30.11
October	27.79	19.60	35.75	24.50	37.70	27.86
November	32.29	26.10	42.20	33.45	40.91	36.47
December	32.45	27.00	42.80	36.10	41.25	39.15
January	28.89	22.54	38.84	30.04	40.63	37.79
February (through February 2, 2005)	29.45	27.75	37.43	36.40	40.79	40.27

Note: Includes intraday highs and lows.

The following chart sets forth the stock price history of Mittal Steel class A common shares on the New York Stock Exchange from January 30, 2004 to February 2, 2005.



**Table of Contents**

The following table sets forth the closing stock price history of Ispat International class A common shares on the New York Stock Exchange from February 2, 2004 to February 2, 2005.

2/02/2004	7.56
2/03/2004	7.45
2/04/2004	7.41
2/05/2004	7.30
2/06/2004	7.70
2/09/2004	7.75
2/10/2004	7.75
2/11/2004	7.98
2/12/2004	8.03
2/13/2004	8.00
2/17/2004	8.23
2/18/2004	8.36
2/19/2004	8.35
2/20/2004	8.24
2/23/2004	8.26
2/24/2004	8.25
2/25/2004	8.26
2/26/2004	8.30
2/27/2004	8.48
3/01/2004	8.60
3/02/2004	8.82
3/03/2004	8.91
3/04/2004	8.97
3/05/2004	9.09
3/08/2004	9.06
3/09/2004	9.05
3/10/2004	8.99
3/11/2004	8.94
3/12/2004	9.02
3/15/2004	9.01
3/16/2004	9.40
3/17/2004	9.44
3/18/2004	9.65
3/19/2004	10.88
3/22/2004	10.18
3/23/2004	10.23
3/24/2004	9.97
3/25/2004	10.07
3/26/2004	10.15
3/29/2004	10.61
3/30/2004	10.80
3/31/2004	10.95
4/01/2004	11.20
4/02/2004	11.49
4/05/2004	11.66
4/06/2004	11.78
4/07/2004	11.63
4/08/2004	11.39
4/12/2004	11.65
4/13/2004	11.31
4/14/2004	11.08
4/15/2004	11.00
4/16/2004	11.37
4/19/2004	11.45
4/20/2004	11.26

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

4/21/2004	11.19
4/22/2004	11.45
4/23/2004	11.47
4/26/2004	11.55
4/27/2004	11.56
4/28/2004	11.25
4/29/2004	10.90
4/30/2004	10.76
5/03/2004	10.65
5/04/2004	10.75
5/05/2004	10.77
5/06/2004	11.03
5/07/2004	11.00
5/10/2004	10.85
5/11/2004	10.90
5/12/2004	10.85
5/13/2004	10.93
5/14/2004	10.92
5/17/2004	10.91
5/18/2004	11.50
5/19/2004	11.60
5/20/2004	11.66
5/21/2004	12.50
5/24/2004	12.20
5/25/2004	12.49
5/26/2004	12.46
5/27/2004	12.65
5/28/2004	12.61
6/01/2004	12.74
6/02/2004	12.77
6/03/2004	12.60
6/04/2004	12.60
6/07/2004	12.68
6/08/2004	12.74
6/09/2004	12.65
6/10/2004	13.25
6/14/2004	12.95
6/15/2004	13.10
6/16/2004	12.94
6/17/2004	13.44
6/18/2004	13.45
6/21/2004	13.45
6/22/2004	13.50
6/23/2004	14.16
6/24/2004	14.17
6/25/2004	14.34
6/28/2004	14.76
6/29/2004	15.00
6/30/2004	14.70
7/01/2004	14.95
7/02/2004	14.95
7/06/2004	14.77
7/07/2004	15.04
7/08/2004	14.99
7/09/2004	15.01
7/12/2004	15.03
7/13/2004	15.14
7/14/2004	15.82
7/15/2004	15.70
7/16/2004	16.02
7/19/2004	15.90
7/20/2004	16.00

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

7/21/2004	15.80
7/22/2004	15.70
7/23/2004	15.70
7/26/2004	15.78
7/27/2004	16.01
7/28/2004	16.51
7/29/2004	17.00
7/30/2004	17.55
8/02/2004	19.10
8/03/2004	19.50
8/04/2004	19.37
8/05/2004	23.76
8/06/2004	24.74
8/09/2004	25.65
8/10/2004	27.65
8/11/2004	27.29
8/12/2004	25.22
8/13/2004	25.90
8/16/2004	26.10
8/17/2004	26.10
8/18/2004	26.08
8/19/2004	26.24
8/20/2004	26.10
8/23/2004	25.64
8/24/2004	25.65
8/25/2004	25.60
8/26/2004	25.29
8/27/2004	25.40
8/30/2004	25.45
8/31/2004	25.20
9/01/2004	24.99
9/02/2004	25.77
9/03/2004	27.14
9/07/2004	29.68
9/08/2004	29.98
9/09/2004	29.81
9/10/2004	29.94
9/13/2004	30.02
9/14/2004	29.99
9/15/2004	29.45
9/16/2004	29.26
9/17/2004	28.35
9/20/2004	27.30
9/21/2004	27.75
9/22/2004	27.37
9/23/2004	27.04
9/24/2004	27.10
9/27/2004	26.40
9/28/2004	27.90
9/29/2004	27.75
9/30/2004	29.00
10/01/2004	28.91
10/04/2004	31.71
10/05/2004	31.89
10/06/2004	32.87
10/07/2004	31.85
10/08/2004	31.57
10/11/2004	31.11
10/12/2004	31.18
10/13/2004	27.25
10/14/2004	28.88
10/15/2004	29.05

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

10/18/2004	28.67
10/19/2004	25.75
10/20/2004	25.73
10/21/2004	25.34
10/22/2004	25.34
10/25/2004	32.30
10/26/2004	34.69
10/27/2004	33.35
10/28/2004	33.18
10/29/2004	33.66
11/01/2004	34.00
11/02/2004	35.36
11/03/2004	36.30
11/04/2004	36.35
11/05/2004	36.31
11/08/2004	37.31
11/09/2004	37.77
11/10/2004	37.12
11/11/2004	37.38
11/12/2004	38.40
11/15/2004	38.21
11/16/2004	38.01
11/17/2004	38.79
11/18/2004	38.36
11/19/2004	38.00
11/22/2004	38.41
11/23/2004	38.12
11/24/2004	37.88
11/26/2004	42.05
11/29/2004	40.98
11/30/2004	41.95
12/01/2004	40.55
12/02/2004	39.94
12/03/2004	40.30
12/06/2004	40.02
12/07/2004	39.56
12/08/2004	39.35
12/09/2004	39.28
12/10/2004	39.45
12/13/2004	38.50
12/14/2004	37.56
12/15/2004	38.40
12/16/2004	38.00
12/17/2004	38.60
12/20/2004	39.51
12/21/2004	39.65
12/22/2004	40.28
12/23/2004	39.23
12/27/2004	38.74
12/28/2004	38.84
12/29/2004	39.25
12/30/2004	37.75
12/31/2004	38.65
1/3/2005	36.96
1/4/2005	34.55
1/5/2005	34.39
1/6/2005	35.22
1/7/2005	34.12
1/10/2005	33.63
1/11/2005	30.77
1/12/2005	32.10
1/13/2005	34.00

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

1/14/2005	35.25
1/18/2005	35.53
1/19/2005	35.58
1/20/2005	35.20
1/21/2005	35.45
1/24/2005	35.00
1/25/2005	36.13
1/26/2005	35.50
1/27/2005	35.75
1/28/2005	35.78
1/31/2005	36.38
2/1/2005	36.82
2/2/2005	37.20

243

---

**Table of Contents**

**ENFORCEABILITY OF CIVIL LIABILITIES**

Mittal Steel is organized under the laws of The Netherlands and the members of Mittal Steel's board of directors are residents of The Netherlands or other countries outside the United States. Although some of Mittal Steel's affiliates have substantial assets in the United States, substantially all of Mittal Steel's assets and the assets of the members of Mittal Steel's board of directors are located outside the United States. As a result, U.S. investors may find it difficult in a lawsuit based on the civil liability provisions of the U.S. federal securities laws:

to effect service of process within the United States upon Mittal Steel and the directors of Mittal Steel located outside the United States;

to enforce in U.S. courts or outside the U.S. judgments obtained against the directors of Mittal Steel in U.S. courts;

to enforce in U.S. courts judgments obtained against the directors of Mittal Steel in courts in jurisdictions outside the United States; and

to enforce against the directors of Mittal Steel in the Netherlands, whether in original actions or in actions for the enforcement of judgments of U.S. courts, civil liabilities based solely upon the U.S. federal securities laws.

The United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States federal securities laws, would not be enforceable in The Netherlands. However, if the party in whose favor such judgment is rendered brings a new suit in a competent court in The Netherlands, that party may submit to a Dutch court the final judgment that has been rendered in the United States. If the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds that are internationally acceptable and that the final judgment concerned results from proceedings compatible with Dutch concepts of due process, to the extent that the Dutch court is of the opinion that reasonableness and fairness so require, the Dutch court would, in principle, under current practice, recognize the final judgment that has been rendered in the United States and generally grant the same claim without re-litigation on the merits, unless the consequences of the recognition of such judgment contravene public policy in The Netherlands. It is not certain, however, that these court practices also apply to default judgments.

In addition, punitive damages awarded in the United States or elsewhere may be unenforceable in The Netherlands.

Dutch civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery exists under the laws of The Netherlands.

Furthermore, a shareholder of a company incorporated under the laws of The Netherlands cannot sue individual members of the board of directors derivatively; that is, in the name of and for the benefit of Mittal Steel. Moreover, under Dutch law, the duties owed by members of the board of directors are owed primarily to Mittal Steel, not to its shareholders. This may limit the rights of the shareholders of a Dutch company to sue members of its board of directors. Although, the Dutch Civil Code does provide for class actions, it can only be instituted by a foundation or association whose object it is to protect the right of a group of persons having similar interests. Such class action can only result in a declaratory judgment (*verklaring voor recht*) on the basis of which each individual person may institute civil proceedings. The class action itself cannot result in an order for payment of monetary damages.

**Table of Contents**

**SUBMISSION OF FUTURE SHAREHOLDER PROPOSALS AND NOMINATIONS**

If the merger agreement is terminated, ISG will hold an annual meeting in 2005. To be considered for inclusion in ISG's proxy statement for the 2005 annual stockholders meeting, stockholder proposals must have been received at ISG's offices no later than December 30, 2004. Proposals must be in compliance with Rule 14a-8 under the Securities Exchange Act of 1934 and ISG's Bylaws, and must be submitted in writing, delivered or mailed to the Corporate Secretary, International Steel Group Inc., 4020 Kinross Lakes Parkway, Richfield, Ohio 44286.

Stockholders who intend to present a proposal at the 2005 annual meeting must also comply with the advance notice provisions in ISG's Bylaws, which are summarized in "COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW - Shareholder Nominations and Proposals" beginning on page 234 of this proxy statement/prospectus.

ISG's Bylaws require that if a stockholder desires to introduce a stockholder proposal from the floor at the 2005 annual meeting of the stockholders, the proposal must be delivered to or mailed and received at the above address not less than 60 nor more than 90 days prior to the first anniversary of the date on which ISG first mailed its proxy materials for the 2004 annual meeting of the stockholders. If, however, the date of the 2005 annual meeting is advanced more than 30 days prior to or delayed more than 30 days after the preceding anniversary date, notice by the stockholder will be timely if delivered no later than the close of business on the later of (i) the 90th calendar day prior to the 2005 annual stockholders meeting or (ii) the 10th day following public announcement of the 2005 annual stockholders meeting.

As an ISG stockholder, you may nominate a person to serve as a director of ISG. Each nomination must be submitted in a manner that complies with all of the requirements of ISG's Bylaws. You may also recommend a person to ISG's Nominating and Corporate Governance Committee for nomination by following the procedures for a stockholder to recommend a candidate for nomination as a director of ISG set forth on ISG's website.

ISG's Bylaws require that if a stockholder desires to nominate a person to serve as a director of ISG from the floor at the 2005 annual meeting of the stockholders, the nomination must be delivered to or mailed and received at the above address not less than 60 nor more than 90 days prior to the first anniversary of the date on which ISG first mailed its proxy materials for the 2004 annual meeting of the stockholders. If, however, the date of the 2005 annual meeting is advanced more than 30 days prior to or delayed more than 30 days after the preceding anniversary date, notice by the stockholder will be timely if delivered no later than the close of business on the later of (i) the 90th calendar day prior to the 2005 annual stockholders meeting or (ii) the 10th day following public announcement of the 2005 annual stockholders meeting.

**Table of Contents**

**LEGAL MATTERS**

The validity of the Mittal Steel class A common shares offered in the merger through this proxy statement/ prospectus will be passed upon for Mittal Steel by NautaDutilh.

The material U.S. federal income tax consequences of the merger will be passed upon for Mittal Steel by Shearman & Sterling LLP, New York, New York. The material U.S. federal income tax consequences of the merger for ISG, and of the ownership of Mittal Steel class A common shares received by ISG stockholders in the merger, will be passed upon by Jones Day, Washington, D.C.

**EXPERTS**

The supplemental combined financial statements of Mittal Steel Company N.V. and its consolidated subsidiaries (adjusted to give effect to the acquisition of LNM Holdings), except the consolidated financial statements of LNM Holdings N.V. as of December 31, 2003, and for each of the three years in the period ended December 31, 2003, the combined financial statements of Ispat Hamburg Group of Companies and Caribbean Ispat Limited, as of December 31, 2002, and for each of the two years in the period ended December 31, 2002 and Ispat Unimetal S.A., for the year ended December 31, 2001, included in this proxy statement/ prospectus and the related financial statement schedules included elsewhere in the registration statement have been audited by Deloitte Accountants B.V., independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein. The financial statements of: LNM Holdings N.V. have been audited by Ernst & Young Accountants, independent registered public accounting firm, Ispat Hamburg Group of Companies (not separately presented herein) have been audited by Ernst & Young A.G., independent auditors, Caribbean Ispat Limited (not separately presented herein) have been audited by Ernst & Young Auditors, independent auditors, and Ispat Unimetal S.A. (not separately presented herein), have been audited by Ernst & Young Audit, independent auditors (consolidated with those of Mittal Steel (adjusted to give effect to the acquisition of LNM Holdings)), as stated in their reports included herein. Such financial statements of Mittal Steel and its consolidated subsidiaries (adjusted to give effect to the acquisition of LNM Holdings) are included and incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing.

The financial statements and the related financial statement schedules of Ispat International N.V. and its consolidated subsidiaries, except the combined financial statements of Ispat Hamburg Group of Companies and Caribbean Ispat Limited, as of December 31, 2002, and for each of the two years in the period ended December 31, 2002 and Ispat Unimetal S.A., for the year ended December 31, 2001, included in this proxy statement/ prospectus have been audited by Deloitte Accountants B.V., independent registered public accounting firm, as stated in their report, which is included and incorporated by reference herein. The financial statements of Ispat Hamburg Group of Companies (not separately presented herein) have been audited by Ernst & Young A.G., independent auditors, of Caribbean Ispat Limited (not separately presented herein) have been audited by Ernst & Young Auditors, independent auditors and of Ispat Unimetal S.A. (not separately presented herein), have been audited by Ernst & Young Audit, independent auditors, as stated in their reports included herein. Such financial statements of the Ispat International are included and incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing.

The consolidated financial statements of LNM Holdings N.V. and subsidiaries at December 31, 2002 and 2003, and for each of the three years in the period ended December 31, 2003, appearing in this proxy statement/ prospectus and the registration statement have been audited by Ernst & Young Accountants, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein which, as to the years 2002 and 2003, is based in part on the report of another auditor. The financial statements referred to above are included in reliance upon such reports given on the authority of Ernst & Young Accountants and KPMG Inc., as experts in accounting and auditing.

Ernst & Young Accountants, LNM Holdings independent registered public accounting firm, has recently advised the Audit Committee of Mittal Steel that it has identified an independence issue related to providing prohibited payroll services in The Netherlands. These services involved processing payroll for



**Table of Contents**

approximately 17 employees of LNM Holdings Rotterdam office in 2002, 2003 and early 2004. In connection with the performance of these payroll processing services, Ernst & Young Accountants received LNM Holdings funds into a bank account jointly controlled by Ernst & Young Accountants and LNM Holdings totaling approximately fifty thousand dollars per month which were used to make monthly payroll payments. This service ceased in February 2004. Ernst & Young Accountants received fees for these payroll services of approximately seven thousand dollars per year in 2002 and 2003, respectively.

The AICPA independence rules prohibit a bank account jointly controlled by LNM Holdings and Ernst & Young Accountants. Mittal Steel's Audit Committee and Ernst & Young Accountants have discussed Ernst & Young Accountants' independence with respect to LNM Holdings in light of the foregoing facts. Both the Mittal Steel Audit Committee and Ernst & Young Accountants have considered the impact that the holding and paying of these funds may have had on Ernst & Young Accountants' independence with respect to LNM Holdings and have each independently concluded that there has been no impairment of Ernst & Young Accountants' independence. In making this determination, Ernst & Young Accountants and the Mittal Steel Audit Committee considered, among other matters, the de minimis amount of funds involved and that the payroll expenses involved were not material to the consolidated financial statements of LNM Holdings. Furthermore, the payroll calculations for 2002 through February 2004 have been recalculated by an unrelated third party.

The consolidated financial statements and schedule of International Steel Group Inc. and its subsidiaries, as of December 31, 2003 and 2002, and for the year ended December 31, 2003 and the period from inception, February 22, 2002, through December 31, 2002, have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Bethlehem Steel Corporation as of December 31, 2002 and 2001 and for each of the three years in the period ended December 31, 2002 included in this document have been so included in reliance on the report (which contains an explanatory paragraph relating to Bethlehem Steel Corporation's ability to continue as a going concern as described in Note B to the financial statements) of PricewaterhouseCoopers LLP, independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The consolidated financial statements and schedule of Weirton Steel Corporation and its subsidiaries as of December 31, 2003 and 2002, and for each of the two years in the period ended December 31, 2003, have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon their authority of said firm as experts in accounting and auditing. The audit report covering the December 31, 2003, consolidated financial statements contains an explanatory paragraph that states that Weirton Steel Corporation's recurring losses from operations and accumulated deficit raise substantial doubt about the entity's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of that uncertainty. As discussed in note 1 to the consolidated financial statements, Weirton Steel Corporation adopted the provisions of Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB No. 13, and Technical Corrections, and No. 150, Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity, in 2003.

The consolidated financial statements of Weirton Steel Corporation as of December 31, 2001, and for the year ended December 31, 2001, included herein, were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 24, 2002. The audit report covering the December 31, 2001 consolidated financial statements of Weirton Steel Corporation contains an explanatory paragraph that states that recurring losses from operations and Total Stockholders' deficit raise substantial doubt about Weirton Steel Corporation's ability to continue as a going concern. The December 31, 2001 consolidated financial statements of Weirton Steel Corporation do not include any adjustments that might result from the outcome of that uncertainty. These financial statements are included herein in reliance upon the authority of that firm, at that time, as experts in accounting and auditing.

**Table of Contents****CERTAIN DEFINED TERMS****General Terms**

All references in this document to:

<b>Acme:</b>	Acme Steel Company.
<b>Articles of Association:</b>	The Amended and Restated Articles of Association of Mittal Steel, dated December 17, 2004.
<b>Bethlehem:</b>	Bethlehem Steel Corporation.
<b>BAA:</b>	Business Assistance Agreement.
<b>BH Steel:</b>	BH Steel Zelgezara Zenica.
<b>CDSOA:</b>	U.S Continued Dumping and Subsidy Offset Act of 2000.
<b>CERCLA:</b>	Comprehensive Environmental Response, Compensation and Liability Act of 1980.
<b>CFIUS:</b>	Committee on Foreign Investment in the United States.
<b>CIL:</b>	Caribbean Ispat Limited.
<b>CIS:</b>	Commonwealth of Independent States.
<b>CIT:</b>	U.S. Court of International Trade.
<b>Company shareholder support agreement:</b>	The Company Shareholder Support Agreement, dated as of October 24, 2004, among Mittal Steel and certain shareholders of ISG.
<b>Controlling shareholder:</b>	All references to the controlling shareholder refer, collectively, to Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal.
<b>Corporacion del Balsas:</b>	Corporacion del Balsas, S.A. de C.V.
<b>DGCL:</b>	Delaware General Corporation Law.
<b>Directive:</b>	EU Directive 2003/87/ EC of October 13, 2003.
<b>Disclosure Act:</b>	Dutch Act on Disclosure of Holdings in Listed Companies 1996, as amended.
<b>Double G:</b>	Double G Coatings Company, L.P.
<b>DSG:</b>	DSG Dradenauer Stahlgesellschaft GmbH.
<b>Dutch Securities Act:</b>	Dutch Act on Supervision of the Securities Trade 1995, as amended.
<b>Environmental Liability Directive:</b>	EU Directive 2004/35/ EC of April 21, 2004 on Environmental Liability with Regard to the Prevention and Remedy of Environmental Damage.
<b>EPA:</b>	U.S. Environmental Protection Agency.
<b>EPS:</b>	earnings per share.
<b>ERISA:</b>	Employee Retirement Income Security Act of 1974, as amended.
<b>Exchange Act:</b>	Securities Exchange Act of 1934, as amended.
<b>FCO:</b>	Federal Cartel Office.
<b>Ferphos:</b>	Enterprise Publique Economique du Feret du Phosphate.
<b>FMA:</b>	Franklin Mutual Advisors, LLC.
<b>GDP:</b>	gross domestic product.
<b>Georgetown:</b>	Georgetown Steel Corporation.
<b>Goldman Sachs:</b>	Goldman Sachs & Co.

**Table of Contents**

<b>IAA:</b>	Autorità Garante della Concorrenza e del Mercato.
<b>IBES:</b>	Institutional Brokerage Estimate System.
<b>IDEM:</b>	Indiana Department of Environmental Management.
<b>IEG:</b>	Ispat Europe Group S.A., which includes IHSW, ISRG, IWHG, Unimétal, Trefileurope and Societe Metallurgique de Revigny S.N.C.
<b>IHSW or Ispat Hamburg:</b>	Ispat Hamburger Stahlwerke GmbH.
<b>Imexsa:</b>	Ispat Mexicana, S.A. de C.V.
<b>INDAL:</b>	Indian Aluminum Company Ltd.
<b>Inland:</b>	Ispat Inland Inc.
<b>Iscor:</b>	Ispat Iscor Limited.
<b>Ispat Annaba:</b>	Ispat Annaba SPA.
<b>Ispat Germany:</b>	collectively, ISRG, IWHG and IHSW.
<b>Ispat Karmet:</b>	Ispat Karmet OJSC.
<b>Ispat Nova Hut:</b>	Ispat Nova Hut a.s.
<b>Ispat Petrotub:</b>	Petrotub Roman S.A.
<b>Ispat Polska:</b>	Ispat Polska Stal S.A.
<b>Ispat Siderurgica:</b>	Ispat Siderurgica S.A.
<b>Ispat Sidex:</b>	Ispat Sidex S.A.
<b>Ispat Tebessa:</b>	Ispat Tebessa SPA.
<b>Ispat Tepro:</b>	SC Ispat Tepro S.A.
<b>ITC:</b>	U.S. International Trade Commission.
<b>ISRG:</b>	Ispat Stahlwerk Ruhrort GmbH.
<b>IWHG:</b>	Ispat Walzdraht Hochfeld GmbH.
<b>KPM:</b>	Knowledge Management Program.
<b>LIBOR:</b>	London Interbank Offered Rate.
<b>LNM Marketing:</b>	LNM Marketing FZE.
<b>LTV:</b>	LTV Steel Company Inc.
<b>MACT:</b>	maximum achievable control technology.
<b>Merger agreement:</b>	The Agreement and Plan of Merger and Reorganization, dated as of October 24, 2004, among Mittal Steel, Park Acquisition Corp. and ISG.
<b>MOFCOM:</b>	Ministry of Commerce.
<b>NAFTA:</b>	North American Free Trade Agreement.
<b>NASD:</b>	National Association of Securities Dealers, Inc.
<b>NautaDutilh:</b>	NautaDutilh N.V.
<b>New York Shares:</b>	shares traded on the New York Stock Exchange.
<b>NPDES:</b>	national pollution discharge elimination system.
<b>NRDA:</b>	Natural Resource Damages Act.
<b>NYDEC:</b>	New York State Department of Environmental Conservation.
<b>Opinion 25:</b>	APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations.
<b>Option Premium:</b>	The amount in cash equal to \$3.50 that Mittal Steel paid to each ISG stockholder that is a party to the Company shareholder support agreement.
<b>PaDEP:</b>	Pennsylvania Department of Environmental Protection.

**Table of Contents**

<b>Parent shareholder support agreement:</b>	The Parent Shareholder Support Agreement, dated as of October 24, 2004, between ISG and Ispat International Investments, S.L.
<b>PCI:</b>	PCI Associates.
<b>PFIC:</b>	passive foreign investment company.
<b>PHS:</b>	Polski Huty Stali S.A. (now Ispat Polska).
<b>PLIPDECO:</b>	Point Lisas Industrial Port Development Company.
<b>RCRA:</b>	Resource Conservation and Recovery Act.
<b>RFI:</b>	RCRA Facility Investigation.
<b>RHTL:</b>	Ruhrstahl Heraeus Top Lance.
<b>Richmond support letter agreement:</b>	The Letter Agreement, dated as of October 24, 2004, between The Richmond Investment Holdings Limited and ISG.
<b>RMB:</b>	Renminbi.
<b>RUG:</b>	Rijks Universiteit Groningen.
<b>SAIC:</b>	State Administration for Industry and Commerce.
<b>SEC:</b>	U.S. Securities and Exchange Commission.
<b>Securities Act:</b>	Securities Act of 1933, as amended.
<b>SFAS 123:</b>	Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation.
<b>SFAS 148:</b>	SFAS No. 148, Accounting for Stock-Based Compensation.
<b>Sidbec:</b>	Ispat Sidbec Inc.
<b>Sider:</b>	Groupe Sider.
<b>SIP:</b>	Sidex International Plc.
<b>Special Reserve:</b>	The special share premium reserve that Mittal Steel is required to maintain pursuant to Article 36.1 of its Articles of Association.
<b>STB:</b>	Surface Transportation Board.
<b>Total Consideration:</b>	The sum of (a) the value of the total consideration received by all ISG stockholders in the merger and (b) the value of all other amounts, if any, paid to ISG stockholders in connection with the merger.
<b>Trefileurope:</b>	Trefileurope S.A.
<b>UBS:</b>	UBS Securities LLC.
<b>Unimétal:</b>	Ispat Unimétal S.A.
<b>US Steel:</b>	United States Steel Corporation.
<b>USWA:</b>	United Steelworkers of America.
<b>Valin:</b>	Hunan Valin Iron & Steel Group Co., Ltd.
<b>Valin Group:</b>	Hunan Valin Steel Tube & Wire Co., Ltd.
<b>Weirton:</b>	Weirton Steel Corporation.

**Table of Contents****INDEX TO FINANCIAL STATEMENTS**

	<u>Page</u>
<u>Unaudited Pro Forma Condensed Combined Financial Statements of Mittal Steel and International Steel Group Inc. for the year ended December 31, 2003 and as of and for the nine months ended September 30, 2004</u>	F-2
<u>Unaudited Pro Forma Condensed Consolidated Financial Statements of International Steel Group Inc., Bethlehem Steel Corporation and Weirton Steel Corporation for the year ended December 31, 2003 and nine months ended September 30, 2004</u>	F-15
<u>Ispat International N.V. and Subsidiaries Consolidated Financial Statements as of December 31, 2001, 2002 and 2003 and for each of the three years ended December 31, 2003</u>	F-22
<u>Ispat International N.V. and Subsidiaries Unaudited Consolidated Balance Sheet as of December 31, 2001</u>	F-110
<u>Ispat International N.V. and Subsidiaries Unaudited Condensed Consolidated Financial Statements for the nine months ended September 30, 2003 and 2004</u>	F-112
<u>LNM Holdings N.V. and Subsidiaries Consolidated Financial Statements as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003</u>	F-153
<u>LNM Holdings N.V. and Subsidiaries Unaudited Consolidated Financial Statements as of September 30, 2004 and for the nine months ended September 30, 2003 and 2004</u>	F-186
<u>Mittal Steel Company N.V. and Subsidiaries Supplemental Combined Financial Statements as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003</u>	F-201
<u>Mittal Steel Company N.V. and Subsidiaries Supplemental Unaudited Combined Financial Statements for the nine months ended September 30, 2003 and 2004</u>	F-304
<u>International Steel Group Inc. Consolidated Financial Statements as of December 31, 2002 and 2003 and for the period from inception, February 22, 2002, through December 31, 2002 and the year ended December 31, 2003</u>	F-349
<u>International Steel Group Inc. Unaudited Consolidated Financial Statements as of September 30, 2004 and December 31, 2003, for the Third Quarter 2003 and 2004, and for the nine months ended September 30, 2003 and 2004</u>	F-377
<u>Bethlehem Steel Corporation Consolidated Financial Statements as of December 31, 2001 and 2002 and for each of the three years ended December 31, 2002</u>	F-387
<u>Bethlehem Steel Corporation Unaudited Consolidated Financial Statements as of March 31, 2003 and December 31, 2002, and for the</u>	F-410

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

three months ended March 31, 2002 and 2003

Weirton Steel Corporation Consolidated Financial Statements as of  
December 31, 2002 and 2003 and for each of the years in the two-year  
period ended December 31, 2003

F-418

Weirton Steel Corporation Unaudited Consolidated Financial  
Statements as of March 31, 2004 and December 31, 2003, and for the  
three months ended March 31, 2003 and 2004

F-461

F-1

---

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**  
**OF MITTAL STEEL COMPANY N.V.**  
**AND INTERNATIONAL STEEL GROUP INC.**  
**for the year ended December 31, 2003 and as of and for the nine months ended September 30, 2004.**

F-2

---

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

The following unaudited pro forma financial statements are prepared to illustrate the estimated effects of the merger with ISG.

Mittal Steel is proposing to acquire all the issued and outstanding shares of ISG common stock in exchange for cash and Mittal Steel class A common shares. The number of Mittal Steel class A common shares is based on certain assumptions about the value of Mittal Steel class A common shares and ISG common stock. Under the terms of the agreement with ISG, ISG stockholders will be entitled to receive: (1) \$42.00 per share in cash, (2) a number of Mittal Steel class A common shares equal to \$42.00 divided by the average closing price of Mittal Steel class A common shares on the New York Stock Exchange during the 20-trading-day period ending on (and including) the trading day that is two days prior to the closing of the merger, up to a maximum of 1.21740 shares and a minimum of 0.95865 shares, or (3) a combination of cash and Mittal Steel class A common shares. ISG stockholders may elect to receive cash or Mittal Steel class A common shares or a combination of the two, but may receive a different proportion of cash and shares because 50% of the shares of ISG common stock will be converted into cash and 50% of the shares of ISG common stock will be converted into Mittal Steel class A common shares. The value received by ISG stockholders in the merger would be \$42.00 per ISG share, or \$4.25 billion in the aggregate, if the average price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days before the effective date of the merger is between \$34.50 and \$43.81 per share.

The merger with ISG will be accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed will be recorded at their fair values as of the date of the merger.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2004 and for the year ended December 31, 2003 give effect to the merger with ISG, accounted for using the purchase method of accounting, as if such merger had occurred on January 1, 2003. The impact of the merger with ISG is shown only for the latest fiscal year and interim period.

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects the issuance of 54,989,911 Mittal Steel class A common shares in exchange for each share of ISG common stock.

The Unaudited Pro Forma Condensed Combined Statements of Cash Flows are presented to comply with the listing requirements of Euronext and have been prepared using the pro forma and historical financial statements of ISG and the supplemental combined financial statements of Mittal Steel. Accordingly, such cash flow information is presented on a different basis from the Pro Forma Condensed Combined Statements of Operations to the extent that it does not give effect to ISG's acquisitions of Bethlehem Steel Corporation and Weirton Steel Corporation as if they occurred on January 1, 2003.

Pro forma statements of cash flows are not required by Article 11 of Regulation S-X of the Securities and Exchange Commission (SEC). Therefore, this information is not purported to be, and is not in compliance with the rules and regulations of the SEC.

The pro forma adjustments are based upon available information and certain assumptions that management believes are reasonable. The Unaudited Pro Forma Condensed Combined Financial Statements do not purport to represent Mittal Steel's results of operations or financial condition for any future period or as of any date. The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with the supplemental combined financial statements of Mittal Steel and the pro forma and historical financial statements of ISG and the notes thereto and MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR MITTAL STEEL.



**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

As of September 30, 2004

	Supplemental Combined Mittal Steel	ISG	Pro Forma Adjustments See Note 4	Pro Forma Combined Mittal Steel and ISG
(Amounts in \$ millions)				
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 2,098	\$ 604	\$(2,245) <sup>(A)</sup> 1,700(D)	\$ 157
			(2,000) <sup>(H)</sup>	
Restricted cash	227			227
Trade accounts receivable	2,228	913		3,141
Inventories, net	3,174	1,126	347(B)	4,647
Prepaid expenses	754	124		878
Deferred tax asset	124			124
<b>Total Current Assets</b>	<b>8,605</b>	<b>2,767</b>	<b>(2,198)</b>	<b>9,174</b>
Property, plant and equipment, net	7,294	1,023	2,190(A)	10,507
Goodwill			442(A)	442
Intangible asset-order backlog			30(A)	30
Investments in affiliates and others	597	35		632
Deferred tax asset, net	360			360
Intangible pension assets	113			113
Other assets	329	96		425
<b>Total Assets</b>	<b>\$17,298</b>	<b>\$3,921</b>	<b>\$ 464</b>	<b>\$21,683</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current Liabilities</b>				
Payable to banks	\$ 601	\$	\$	\$ 601
Current portion of long-term debt	144	56		200
Trade accounts payable	1,733	712		2,445
Deferred tax liabilities	44			44
Accrued expenses and other liabilities	1,794	636	61(A)	2,491
<b>Total Current Liabilities</b>	<b>4,316</b>	<b>1,404</b>	<b>61</b>	<b>5,781</b>
Long-term debt and loan from shareholder	2,066	638	1,700(D)	4,404
Deferred tax liabilities	788			788
Employee benefit obligation	1,996	121		2,117
Other long-term obligations	808	361		1,169
<b>Total Liabilities</b>	<b>9,974</b>	<b>2,524</b>	<b>1,761</b>	<b>14,259</b>
<b>Minority Interest</b>	<b>1,556</b>			<b>1,556</b>
<b>Shareholder's Equity</b>				
Common shares	59	1	(A)	60
Treasury Stock	(125)	(20)	20(A)	(125)
Additional Paid-in Capital	555	1,014	1,085(A)	2,654
Retained earnings	5,184	393	(2,393) <sup>(H)</sup>	3,184

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Accumulated other comprehensive income	95	9	(9) <sup>(A)</sup>	95
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Shareholders' Equity</b>	5,768	1,397	(1,297)	5,868
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Liabilities and Shareholders' Equity</b>	17,298	3,921	464	21,683
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to unaudited pro forma condensed combined financial statements

F-4

---

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS****For the Nine Months Ended September 30, 2004**

	<b>Supplemental Combined Mittal Steel</b>	<b>Pro Forma ISG including Bethlehem and Weirton</b>	<b>Pro Forma Adjustments See Note 4</b>	<b>Pro Forma Combined Mittal Steel and ISG</b>
(Amounts in \$ millions, except for per share amounts)				
<b>Sales</b>	\$ 16,019	\$ 6,919	\$	\$ 22,938
<b>Costs and Expenses:</b>				
Cost of sales (exclusive of depreciation shown separately below)	10,677	6,038	(334) <sup>(B)(F)</sup>	16,381
Depreciation	411	101	164 <sup>(C)</sup>	676
Selling, general and administrative	512	180		692
	<u>11,600</u>	<u>6,319</u>	<u>(170)</u>	<u>17,749</u>
Operating income	4,419	600	170	5,189
Other income (expense) net	65			65
Income from equity method investment	7			7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Financing Costs:</b>				
Interest (expense) net	(137)	(48)	(38) <sup>(E)</sup>	(223)
Net gain/(loss) from foreign exchange	9			9
	<u>(128)</u>	<u>(48)</u>	<u>(38)</u>	<u>(214)</u>
Income before taxes and minority interest	4,363	552	132	5,047
<b>Income tax (expense)/benefit</b>				
Current	(465)	(149)		(614)
Deferred	(349)	37	(53) <sup>(G)</sup>	(365)
	<u>(814)</u>	<u>(112)</u>	<u>(53)</u>	<u>(979)</u>
<b>Net income before minority interest</b>	3,549	440	79	4,068
Minority Interest	(402)			(402)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net Income</b>	3,147	440	79	3,666
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Basic earnings per common share	4.89	4.49		5.25
Diluted earnings per common share	4.89	4.31		5.25
Weighted average shares outstanding (in millions)				
Basic	643	98		698
Diluted	643	102		698
Shares issued in connection with Ispat International and LNM merger	525			
Estimate of shares issued in connection with ISG merger				55

See accompanying notes to unaudited pro forma condensed combined financial statements

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF CASH FLOWS****For the Nine Months Ended September 30, 2004**

The Unaudited Pro Forma Condensed Combined Statements of Cash Flows are presented to comply with the listing requirements of Euronext and have been prepared using the historical financial information of ISG and the supplemental combined financial statements of Mittal Steel. Accordingly, such cash flow information is presented on a different basis from the Pro Forma Condensed Combined Statements of Operations to the extent that it does not give effect to ISG's acquisitions of Bethlehem Steel Corporation and Weirton Steel Corporation as if they occurred on January 1, 2003.

Pro forma statements of cash flows are not required by Article 11 of Regulation S-X of the Securities and Exchange Commission (SEC). Therefore, this information is not purported to be, and is not in compliance with the rules and regulations of the SEC.

	Supplemental Combined Mittal Steel	ISG	Adjustments	Pro Forma Combined Mittal Steel and ISG
(Amounts in \$ millions)				
<b>Operating activities:</b>				
Net income	\$ 3,147	\$ 440	\$ 79	\$ 3,666
<b>Adjustments required to reconcile net income to net cash provided from operations:</b>				
Depreciation	411	98	164 (C)	673
Deferred employee benefit costs	(7)			(7)
Net foreign exchange loss (gain)	(3)			(3)
Deferred income tax	349	(37)	58 (D)	371
Undistributed earnings from joint ventures	(96)			(96)
Minority interest	402			402
Other (operating)	(3)	11		7
<b>Changes in operating assets and liabilities, net effects from purchases of subsidiaries:</b>				
Trade accounts receivable	(835)	(272)		(1,107)
Short-term investments				
Inventories	(809)	(173)	(310) <sup>(B)</sup>	(1,292)
Prepaid expense & other	(362)	(32)		(394)
Trade accounts payable	253	244		497
Accrued expenses & other liabilities	420	309		729
Net cash provided by operating activities	<u>2,867</u>	<u>588</u>	<u>(9)</u>	<u>3,446</u>
<b>Investing activities:</b>				
Purchase of property, plant & equipment	(523)	(150)		(673)
Proceeds from sale of property, plant and equipment	22	16		38
Investments in affiliate & joint ventures	23			23
Acquisition of net assets of subsidiaries	(7)	(223)	(2,270) <sup>(A)</sup>	(2,500)
Restricted cash	(87)			(87)
Other investing activities	5			5
Net cash used in investing activities	<u>(567)</u>	<u>(357)</u>	<u>(2,270)</u>	<u>(3,194)</u>
<b>Financing activities:</b>				
Proceeds from payable to banks	2,165	594	1,700 (O)	4,459
Proceeds from long-term debt	1,034			1,034

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Proceeds from long-term debt to affiliates				
Payments of payable to banks	(2,375)	(348)		(2,723)
Payments of long-term debt	(1,375)			(1,375)
Payments of long-term debt to affiliates				
Issue of share capital		10		10
Capital contribution	(7)			(7)
Purchase of treasury stock	(54)	(20)		(74)
Sale of treasury stock	16			16
Dividends	(411)		(2,000)	(2,411)
Others		(38)		(38)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used in) financing activities	(1,007)	198	(300)	(1,109)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net increase (decrease) in cash	1,293	429	(2,579)	(857)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Effect of exchange rate changes on cash	45			45
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Opening Cash Balance</b>	760	194		1,094
<b>Closing Cash Balance</b>	\$ 2,098	\$ 623	\$ (2,579)	\$ 142
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to unaudited pro forma condensed combined financial statements

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS****For the Year Ended December 31, 2003**

	<b>Supplemental Combined Mittal Steel</b>	<b>Pro Forma ISG Including Bethlehem and Weirton</b>	<b>Pro Forma Adjustments See Note 4</b>	<b>Pro Forma Combined Mittal Steel and ISG</b>
(Amounts in \$ millions, except for per share amounts)				
<b>Sales</b>	\$9,567	\$6,367	\$	\$ 15,934
<b>Costs and Expenses:</b>				
Cost of sales (exclusive of depreciation shown separately below)	7,568	5,917	14(B)(F)	13,501
Depreciation	331	196	219(C)	746
Selling, general and administrative	369	95		464
Special charges		5		5
	8,268	6,213	235	14,716
Operating income	1,299	154	(235)	1,218
Other income net	70			70
Income from equity method investment	162			162
<b>Financing Costs:</b>				
Interest (expense) net	(175)	(45)	(51) <sup>(E)</sup>	(271)
Net gain from foreign exchange	44			44
	(131)	(45)	51	(227)
Income (loss) before taxes and minority interest	1,400	109	(286)	1,223
<b>Income tax expense:</b>				
Current	(43)	(38)		(81)
Deferred	(141)		(114) <sup>(G)</sup>	(255)
	(184)	(38)	(114)	(336)
<b>Net income (loss) before minority interest</b>	1,216	71	(400)	887
Deemed dividend on conversion of class B common stock		(74)		(74)
Minority Interest	(35)			(35)
<b>Net Income</b>	\$ 1,181	\$ (3)	\$ (400)	\$ 778
Basic and diluted earnings (loss) per common share	1.83	(0.03)		1.11
Weighted average common shares outstanding in millions Basic and Diluted	647	95		702
Estimate of shares issued in connection with ISG merger				55

See accompanying notes to unaudited pro forma condensed combined financial statements

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF CASH FLOWS****For the Year Ended December 31, 2003**

The Unaudited Pro Forma Condensed Combined Statements of Cash Flows are presented to comply with the listing requirements of Euronext and have been prepared using the historical financial information of ISG and the supplemental combined financial statements of Mittal Steel. Accordingly, such cash flow information is presented on a different basis from the Pro Forma Condensed Combined Statements of Operations to the extent that it does not give effect to ISG's acquisitions of Bethlehem Steel Corporation and Weirton Steel Corporation as if they occurred on January 1, 2003.

Pro forma statements of cash flows are not required by Article 11 of Regulation S-X of the SEC. Therefore, the information is not purported to be, and is not in compliance with the rules and regulations of the SEC.

	Supplemental Combined Mittal Steel	ISG	Pro Forma Adjustments	Pro Forma Combined Mittal Steel
(Amounts in \$ millions)				
<b>Operating activities:</b>				
Net income after minority interest	\$ 1,181	\$ (3)	\$(400)	\$ 778
<b>Adjustments required to reconcile net income to net cash provided by operations:</b>				
Depreciation and amortization	331	76	219(C)	626
Deferred employee benefit costs	(167)			(167)
Net foreign exchange loss (gain)	(32)			(32)
Deferred income tax	141	21	(82) <sup>(D)</sup>	80
Undistributed earnings from joint ventures	(92)			(92)
Minority interest in the share of net income	35			35
Other (operating)	15	16		31
<b>Changes in operating assets and liabilities, net effects from purchases of subsidiaries:</b>				
Trade accounts receivable		11		11
Inventories	(18)	68	(14) <sup>(B)</sup>	36
Prepaid expenses & other	(87)			(87)
Trade accounts payable	(51)	59		8
Accrued expenses & other liabilities	181	62		243
Net cash provided by operating activities	<u>1,438</u>	<u>310</u>	<u>(277)</u>	<u>1,471</u>
<b>Investing activities:</b>				
Purchase of property, plant & equipment	(421)	(97)		(518)
Proceeds from sale of property, plant and equipment	26	34		60
Investments in affiliate & joint ventures	(280)			(280)
Acquisition of net assets of subsidiaries	(21)	(822)		(843)
Restricted cash	(118)			(118)
Net cash used in investing activities	<u>(814)</u>	<u>(885)</u>	<u></u>	<u>(1,699)</u>
<b>Financing activities:</b>				
Proceeds from payable to banks	3,646	941		4,587
Proceeds from long-term debt	52	710		762
Proceeds from long-term debt from affiliates	94			94
Payments of payable to banks	(3,636)	(1,002)		(4,638)
Payments of long-term debt	(226)	(469)		(695)

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Payments of long-term debt to affiliates	(40)			(40)
Issue of share capital		648		648
Purchase of treasury stock	(8)			(8)
Dividends	(164)			(164)
Others		(48)		(48)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net cash provided by (used in) financing activities	(282)	780		498
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net increase (decrease) in cash	342	205	(277)	270
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Effect of exchange rate changes on cash	23			23
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents:</b>				
At the beginning of the year	395	10		405
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At the end of the year	\$ 760	\$ 215	\$ (277)	\$ 698
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

See accompanying notes to unaudited pro forma condensed combined financial statements



**Table of Contents**

**MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES**

**NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

**1. Basis of Pro Forma Presentation**

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects adjustments as if the merger with ISG (accounted for using the purchase method of accounting) occurred at September 30, 2004.

The Unaudited Pro Forma Condensed Combined Statements of Operations for the nine months ended September 30, 2004 and for the year-ended December 31, 2003 reflect adjustments as if the merger with ISG, accounted for using the purchase method of accounting, had occurred on January 1, 2003.

The Unaudited Pro Forma Condensed Combined Statements of Cash Flows are presented to comply with the listing requirements of Euronext and have been prepared using the historical financial information of ISG and the supplemental combined financial statements of Mittal Steel. Accordingly, such cash flow information is presented on a different basis from the Pro Forma Condensed Combined Statements of Operations to the extent that it does not give effect to ISG's acquisitions of Bethlehem Steel Corporation and Weirton Steel Corporation as if they occurred on January 1, 2003.

Pro forma statements of cash flows are not required by Article 11 of Regulation S-X of the Securities and Exchange Commission (SEC). Therefore, this information is not purported to be, and is not in compliance with the rules and regulations of the SEC.

The selected Unaudited Pro Forma Condensed Combined Financial Statements are not necessarily indicative of the historical results or financial position that would have occurred had Mittal Steel and ISG been combined during these time periods or the future results that may be achieved after the merger. In addition, they do not reflect cost savings or other synergies resulting from the acquisition.

The Unaudited Pro Forma Condensed Combined Financial Statements should be read in conjunction with the historical consolidated financial statements of Mittal Steel included herein and the historical financial statements of ISG previously filed on Forms 10-K and 10-Q.

The significant difference identified to date between the accounting policies of Mittal Steel and ISG relates to the valuation of inventories. ISG's inventories are valued on a last-in-first-out (LIFO) basis. Mittal Steel values its inventory on a first-in-first-out (FIFO) or a weighted average cost basis. Mittal Steel has given effect to this difference in the pro forma condensed combined financial information. Please see Note 4 below.

The pro forma combined provision for income taxes and the pro forma combined balances of deferred taxes may not represent the amounts that would have resulted had Ispat International, LNM Holdings and ISG filed consolidated income tax returns during the periods presented.

**2. Preliminary Purchase Price For ISG**

The Unaudited Pro Forma Condensed Combined Financial Statements reflect the following terms of the merger. Under the terms of the agreement with ISG, ISG stockholders will be entitled to receive: (1) \$42.00 per share in cash, (2) a number of Mittal Steel class A common shares equal to \$42.00 divided by the average closing price of Mittal Steel class A common shares on the New York Stock Exchange during the 20-trading-day period ending on (and including) the trading day that is two days prior to the closing of the merger, up to a maximum of 1.21740 shares and a minimum of 0.95865 shares, or (3) a combination of cash and Mittal Steel class A common shares. ISG stockholders may elect to receive cash or Mittal Steel class A common shares or a combination of the two, but may receive a different proportion of cash and shares because 50% of the shares of ISG common stock will be converted into cash and 50% of the shares of ISG common stock will be converted into Mittal Steel class A common shares. The value in the merger would be \$42.00 per ISG share, or \$4.25 billion in the aggregate, if the average price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days before the effective date of the merger is between \$34.50 and \$43.81 per share. ISG stockholders, on a fully diluted basis, will own

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

between approximately 7% and 9% of Mittal Steel depending on the average price of Mittal Steel class A common shares during the 20-trading-day period ending on (and including) the trading day that is two days before the effective date of the merger. All outstanding stock options of ISG will be settled by ISG in cash prior to the effective time of the merger. For purposes of estimating the total purchase price, we have assumed the fair value of the Mittal Steel class A common shares to be \$42 per share.

The estimated total purchase price for the merger with ISG is as follows:

	<u>\$ million</u>
Preliminary estimate of the value of Mittal Steel class A common shares issued	2,100
Estimated transaction costs	61
Estimated settlement value of ISG stock options to be paid	145
Cash	2,100
<b>Total estimated purchase price</b>	<b>4,406</b>

**3. Preliminary ISG Purchase Price Allocation**

The Unaudited Pro Forma Condensed Combined Financial Statements have been prepared on the basis of assumptions described in the notes thereto, including assumptions related to the calculation of the purchase price and the allocation of the total purchase price to the assets and liabilities of ISG based upon preliminary estimates of fair value. The actual allocation may differ from those assumptions after valuations and other procedures are completed.

Under the purchase method of accounting, the total estimated purchase price as shown in the table in Note 2 above will be allocated to ISG's net tangible and identifiable intangible assets based on their estimated fair values as of the date of completion of the merger.

In the preliminary assessment of fair values to allocate the purchase price consideration, Mittal Steel has made the following assumptions:

Fair value of property, plant and equipment is based on the net book value at September 30, 2004 and includes the write up to fair values of the assets of LTV and Bethlehem of \$2,190 million based upon appraisals done at the time of these acquisitions. This amount largely represents the negative goodwill adjusted against the fair value of LTV and Bethlehem's property, plant and equipment. The final purchase price allocation will be based on an updated valuation upon completion of the merger with ISG.

Inventory value is based on the FIFO or weighted average cost of inventory disclosed in ISG's Form 10-Q for the quarter ended September 30, 2004.

ISG has a deferred tax asset of \$1,000 million which has a full valuation allowance. Mittal Steel has not re-evaluated this deferred tax asset and related valuation allowance at this stage. A reduction in the valuation allowance will reduce goodwill.

For all other assets and liabilities, Mittal Steel has assumed the values reflected in the ISG's Form 10-Q for September 30, 2004 to approximate fair values.

Mittal Steel expects that upon completion of the proposed merger or shortly thereafter, an independent third-party valuation of ISG's assets and liabilities will be performed to develop a definitive allocation of the purchase price.

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

Based upon the estimated purchase price and valuation, the following represents the preliminary allocation of the aggregate purchase price to the net assets and liabilities of ISG as of September 30, 2004.

	<u>\$ million</u>
Property, plant and equipment, net	3,213
Patents	6
Favorable supply contracts	21
Current assets, excluding inventories	1,641
Inventories	1,473
Other assets, excluding Patents and Favourable supply contracts	104
Order backlog	30
	<u>          </u>
<b>Total Assets</b>	<b>\$ 6,488</b>
	<u>          </u>
Less:	
Total liabilities	(2,524)
	<u>          </u>
<b>Net assets</b>	<b>3,964</b>
Goodwill	442
	<u>          </u>
<b>Preliminary estimate of purchase consideration</b>	<b>4,406</b>
	<u>          </u>

In the preliminary allocation of the aggregate purchase price, Mittal Steel identified ISG's customer order backlog as an identifiable intangible asset. The value and amortization of this identifiable intangible asset is estimated based on currently available information and best estimates of management. Upon completion by an independent third party valuation of ISG's assets and liabilities, the valuation and amortization period of this asset could materially change, resulting in a higher amortization charge.

Mittal Steel has not allocated amounts to any other intangible assets with indefinite lives or to intangible assets with definite lives other than those identified in the above table. If the purchase price is allocated to such assets then it is likely to increase the amortization charge (in the case that intangible assets with definite lives are identified) or may result in an impairment charge in a future period (in the case that intangible assets with indefinite lives are identified). The actual amounts recorded as of the completion of the merger may differ materially from the information presented in these unaudited pro forma condensed combined consolidated financial statements.

In addition to the receipt of the final valuation, the impact of ongoing integration activities, the timing of completion of the merger and other changes in ISG's net tangible and intangible assets which occur prior to completion of the merger could cause material differences in the information presented.

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS****4. Pro Forma Adjustments**

The following pro forma adjustments are based on preliminary estimates which may change as additional information is obtained:

A. This adjustment gives effect to the merger with ISG as if the merger was completed on September 30, 2004 as follows:

**Allocation of purchase price**

	Debit	Credit
	\$ million	\$ million
Common Stock of ISG	1	
Additional paid in capital ISG	1,014	
Retained earnings ISG	393	
Accumulated Other comprehensive income ISG	9	
Property, plant and equipment, net	2,190	
Intangible asset-order backlog	30	
Inventory, FIFO valuation difference	347	
Goodwill	442	
Common Stock Mittal Steel		1
ISG Treasury stock cancellation		20
Accrual for transaction costs		61
Additional paid in capital Mittal Steel		2,099
Cash ISG Stock Options		145
Cash Purchase Consideration		2,100
	4,426	4,426

B. Adjustment to record cost of goods sold based on FIFO amounts calculated as follows:

LIFO reserve at September 30, 2004	\$ 347
LIFO reserve at January 1, 2004	\$ (36)
	—
Difference = Increase in LIFO reserve	\$ 311
	—
LIFO reserve at December 31, 2003	\$ 36
LIFO reserve at January 1, 2003	\$ (22)
	—
Difference = Increase in LIFO reserve	\$ 14
	—

C. Adjustment to reflect the incremental depreciation in the income statement arising out of the increase in fair value of property, plant and equipment. Depreciation has been calculated based on an assumed average useful life of 10 years and calculated as follows.

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

Incremental allocation to PPE	2,190
Estimated average life in years	10
Depreciation charge per annum	219
	<hr/>
Depreciation for nine months of 2004	164
	<hr/>

D. In January 2005, Mittal Steel entered into a commitment letter with certain financial institutions for a facility of \$3,200 million. Mittal Steel will utilize \$1,700 million towards the cash settlement of the purchase consideration of the ISG merger. This adjustment reflects utilization of the facility for the ISG merger.

E. Interest on the facility discussed in D. above will be charged at LIBOR plus 50 basis points. We have estimated the interest charge at 3% based on the current LIBOR of 2.50% plus 50 basis points. A 0.5% or 50 basis points change in the interest rate would increase or decrease net income by \$9 million.

F. Based on management's preliminary estimate, the order backlog is expected to be amortized within one year. This adjustment reflects the amortization of order backlog for the first nine months of 2004.

G. Represents the net tax effect of pro forma adjustments to inventories, depreciation, amortization of order backlog and interest on additional long-term debt, for the nine months ended September 30, 2004 and the year ended December 31, 2003.

H. On October 11, 2004, LNM Holdings declared a dividend of \$2,000 million which was a condition precedent to Ispat International's acquisition of LNM Holdings. LNM Holdings made a dividend payment of \$350 million in December 2004 to The Richmond Investment Holdings Limited, its sole shareholder on October 11, 2004, and has indicated that it intends to pay the balance of this dividend in the first quarter of 2005.

The pro forma basic and diluted earnings per share are based on the weighted average number of Mittal Steel common shares outstanding and weighted average number of ISG common stock outstanding multiplied by the exchange ratio.

Certain reclassifications have been made to conform ISG's historical amounts to Mittal Steel's presentation.

**5. Sensitivity Analysis**

The pro forma basic and diluted earnings per share and pro forma average shares outstanding are based on an estimated fair value of Mittal Steel class A common shares of \$42 per share. Under the terms of the purchase agreement with ISG, the number of shares issued in connection with the acquisition of ISG will vary in accordance with the average per share price of Mittal Steel class A common shares during the 20-day trading period ending on (and including) the trading day that is two days before the effective date of the merger. The table set forth below shows the effect on pro forma basic and diluted earnings per share based on specified market price scenarios.

As noted above, the ISG acquisition agreement specifies a fixed acquisition price of \$42 per ISG share as long as the average market price of Mittal Steel class A common shares is within the range set forth below. We currently believe that, based on current market prices, the average market value of the shares will not vary outside of this range, and have therefore not presented the estimated effects on the total purchase consideration if this were to occur.

**Table of Contents****MITTAL STEEL COMPANY N.V. AND SUBSIDIARIES****NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS**

<b>Illustrative Average Closing Price of Mittal Steel Class A Common Shares on the New York Stock Exchange During the 20 Consecutive Trading Days Ending on (and Including) the Trading Day that is Two Days Prior to the Day of the Effective Time of the Merger</b>	<b>Number of Mittal Steel Class A Common Shares to be Issued in the Merger (2)</b>	<b>Total Shares Outstanding After Giving Effect to the Merger (1), (3)</b>	<b>Pro Forma EPS for Nine Months to September 30, 2004 for All Shares</b>	<b>Pro Forma EPS for year ended December 31, 2003 for All Shares</b>
Less than \$34.50	60,891,449	703,301,983	\$5.21	\$1.15
\$34.50	60,891,449	703,301,983	5.21	1.15
\$36.83	57,039,234	699,499,768	5.24	1.16
\$39.16	53,645,428	696,055,983	5.27	1.16
\$41.48	50,645,010	693,055,544	5.29	1.17
\$43.81	47,951,495	690,361,029	5.31	1.17
Greater than \$43.81	47,951,495	690,361,029	5.31	1.17

- (1) Determined by dividing \$42.00 by the Illustrative Average Closing Price of Mittal Steel class A common shares on the New York Stock Exchange during the 20 consecutive trading days ending on (and including) the trading day that is two days prior to the day of the effective time of the merger.
- (2) Assumes that 100,035,950 shares of ISG Common stock are issued and outstanding at the effective time of the merger and thus 50% of these shares are converted into Mittal Steel class A common shares at the effective time of the merger.
- (3) Assumes that 185,120,224 Mittal Steel class A common shares and 457,290,310 Mittal Steel class B common shares are issued and outstanding.

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED  
CONSOLIDATED FINANCIAL INFORMATION OF  
INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND  
WEIRTON STEEL CORPORATION  
For the year ended December 31, 2003 and  
the nine months ended September 30, 2004**

F-15

---

**Table of Contents**

**UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**OF INTERNATIONAL STEEL GROUP, INC., BETHLEHEM STEEL CORPORATION  
AND WEIRTON STEEL CORPORATION**

**For the year ended December 31, 2003 and the nine months ended September 30, 2004**

The following unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and nine months ended September 30, 2004 have been prepared to give effect to the following as if each of these transactions had occurred on January 1, 2003:

the acquisition of the Bethlehem (May 2003) and Weirton (May 2004) assets and assumption of certain liabilities;

borrowings under our credit facilities, in part, to finance the Bethlehem asset acquisition; and

initial public offering of ISG common stock on December 12, 2003

Because Georgetown Steel Company was winding down operations during 2003, ceased operations in October 2003 and is not expected to resume full operations until early 2005, the following pro forma condensed consolidated financial information does not include any amounts related to Georgetown operations.

This unaudited pro forma condensed consolidated financial information should be read in conjunction with the historical financial statements and related notes of ISG, Bethlehem and Weirton included herein. This unaudited pro forma condensed combined financial information includes estimates regarding the allocation of the purchase price and other assumptions that management believes are reasonable. The pro forma financial information is not necessarily indicative of the results that would have occurred if the above transactions had been in effect on the dates indicated, or which may result in the future, and do not include any cost reductions or other effects of our planned integration of the acquired assets.

The unaudited pro forma condensed consolidated statements of operations do not reflect the following non-recurring charges or credits, which result directly from our acquisition of the Bethlehem and Weirton assets and assumption of certain liabilities:

an increase in the value of the Bethlehem acquired inventory of \$40.8 million for the manufacturing profit added to inventory in accordance with GAAP under purchase accounting requirements which was charged to cost of sales during the year ended December 31, 2003;

a reduction in the value of the Weirton acquired inventory, which was estimated to be \$5.0 million recognizing the estimated lower margins on inventory in accordance with GAAP under purchase accounting requirements which was credited to cost of sales during the nine months ended September 30, 2004;

a charge of \$19.4 million for the initial contribution to the USWA multi-employer pension plan under the collective bargaining agreement covering employees at the acquired Bethlehem facilities which was charged to expense in May 2003; and

a charge of \$2.8 million for the initial contribution to the ISU pension plan under the collective bargaining agreement covering employees at the acquired Weirton facilities which was charged to expense in May 2004. Payment of the contribution will be paid two years from the date of the acquisition.

In addition, the following pro forma condensed consolidated financial information does not include the full impact of the expected labor cost reductions resulting from our collective bargaining agreements, or the other synergies and cost reductions that we expect to realize from the ongoing integration of the Bethlehem and Weirton assets into our business.



**Table of Contents****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED**

**STATEMENTS OF OPERATIONS OF INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND WEIRTON STEEL CORPORATION  
For the year ended December 31, 2003**

	<u>Historical ISG</u>	<u>Historical Bethlehem *</u>	<u>Bethlehem Pro Forma Adjustments</u>	<u>Weirton Historical</u>	<u>Weirton Pro Forma</u>	<u>Equity Offering Adjustments</u>	<u>Pro Forma Combined</u>
(\$ in millions, except per share information)							
Net Sales	\$ 4,070.0	\$ 1,238.8	\$	\$ 1,057.8	\$	\$	\$ 6,366.6
Costs and expenses:							
Cost of sales	3,836.9	1,152.5	(128.5)(1)	1,100.4	(44.7)(7)		5,916.6
Marketing, administrative and other expenses	153.6	22.5		19.4			195.5
Other income (loss) net				0.9	(0.9)(7)		
Depreciation and amortization	76.0	70.8	(53.3)(2)	59.1	(57.4)(8)		95.2
Equity in income from affiliates				(0.4)	0.4(7)		
Special charges		2,300.0	(2,300.0)(3)	544.2	(539.6)(9)		4.6
<b>Total costs and expenses</b>	<b>4,066.5</b>	<b>3,545.8</b>	<b>(2,481.8)</b>	<b>1,723.6</b>	<b>(642.2)</b>		<b>6,211.9</b>
Income (loss) from operations	3.5	(2,307.0)	2,481.8	(665.8)	642.2		154.7
Reorganization items		7.7	(7.7)(4)	12.8	(12.8)(10)		
Interest and other financing expense, net	50.9	16.7	(4.8)(5)	21.4	(21.2)(11)	(17.8)(13)	45.2
<b>Income (loss) before income taxes</b>	<b>(47.4)</b>	<b>(2,331.4)</b>	<b>2,494.3</b>	<b>(700.0)</b>	<b>676.2</b>	<b>17.8</b>	<b>109.5</b>
Provision (benefit) for income taxes	(23.9)		63.6(6)		(9.0)(12)	6.9(12)	37.6
<b>Net (loss) income before cumulative effect of accounting change</b>	<b>(23.5)</b>	<b>(2,331.4)</b>	<b>2,430.7</b>	<b>(700.0)</b>	<b>685.2</b>	<b>10.9</b>	<b>71.9</b>
Deemed dividend on conversion of Class B common stock	(73.6)						(73.6)
<b>Net (loss) income before cumulative effect of accounting change applicable to common stock</b>	<b>\$ (97.1)</b>	<b>\$ (2,331.4)</b>	<b>\$ 2,430.7</b>	<b>\$ (700.0)</b>	<b>\$ 685.2</b>	<b>\$ 10.9</b>	<b>\$ (1.7)</b>
(Loss) per share:							
Common Stock							
Basic	\$ (1.26)	\$ (17.76)	\$	\$ (16.64)	\$	\$	\$ (0.02)
Diluted	\$ (1.26)	\$ (17.76)	\$	\$ (16.64)	\$	\$	\$ (0.02)
Average shares outstanding:							
Common Stock							
Basic	77,100,000	131,258,000		42,078,000			94,550,633
Diluted	77,100,000	131,258,000		42,078,000			94,550,633

\* Historical Bethlehem amounts are for the four months ended April 30, 2003 since the results of the Bethlehem asset acquisition are included in the consolidated ISG results beginning May 1, 2003.



**Table of Contents****UNAUDITED PRO FORMA CONDENSED CONSOLIDATED****STATEMENTS OF OPERATIONS OF INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND WEIRTON STEEL CORPORATION  
For the nine months ended September 30, 2004**

	Historical ISG	Historical* Weirton	Weirton Pro Forma Adjustments	Pro Forma Combined
	(\$ in millions except per share information)			
Net Sales	\$ 6,462.4	\$ 456.7	\$	\$ 6,919.1
Costs and expenses:				
Cost of sales	5,633.2	406.8	(2.1)(7)	\$ 6,037.9
Marketing, administrative and other expenses	174.5	5.4		\$ 179.9
Other (income) loss net		(0.2)	0.2(7)	\$
Depreciation and amortization	98.3	18.5	(15.8)(8)	\$ 101.0
Equity in income from affiliates		(2.2)	2.2(7)	\$
Special charges				\$
<b>Total</b>	<b>5,906.0</b>	<b>428.3</b>	<b>(15.5)</b>	<b>6,318.8</b>
Operating income	556.4	28.4	15.5	600.3
Reorganization items		7.7	(7.7)(10)	\$
Interest and other financing expense, net	48.1	11.4	(11.3)(11)	\$ 48.2
Income (loss) before income taxes	508.3	9.3	34.5	552.1
Tax provision	86.9		24.6(12)	\$ 111.5
Net income (loss)	421.4	9.3	9.9	440.6
Income per share:				
Common Stock				
Basic	\$ 4.29	\$ 0.22	\$	\$ 4.46
Diluted	\$ 4.15	\$ 0.22	\$	\$ 4.33
Average shares outstanding				
Common Stock				
Basic	98,263,718	42,279,231		98,263,718
Diluted	101,761,309	42,279,231		101,761,309

\* Historical Weirton amounts are for the period January 1, 2004 through May 16, 2004, since the results of the Weirton asset acquisition are included in the consolidated ISG results beginning May 17, 2004.

**Table of Contents****NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED**

**STATEMENT OF OPERATIONS OF INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND WEIRTON STEEL CORPORATION  
For the year ended December 31, 2003 and the nine months ended September 30, 2004  
(\$ in millions)**

(1) Represents the net decrease in pension and other post employment expenses as a result of ISG's acquisition of the Bethlehem assets, the elimination of amortization of deferred gains recognized on Bethlehem historical results, the impact of acquired below-market contracts and elimination of the increase in inventory value required by generally accepted accounting principles for purchase accounting.

Effect of Labor Agreement	
Elimination of Bethlehem OPEB	\$ (85.6)
Implementation of new ISG OPEB	4.6
Elimination of pension charge under new labor agreement	(19.4)
	<hr/>
Subtotal	(100.4)
Impact of acquired below market contracts	5.5
Elimination of amortization of deferred gains	7.2
Elimination of the increase in inventory value under purchase accounting	(40.8)
	<hr/>
Total adjustment to cost of sales	\$ (128.5)
	<hr/>

(2) Represents a reduction of depreciation expense due to the revaluation of the acquired property, plant and equipment in the acquisition of the Bethlehem assets.

(3) Represents the elimination of special charges related to pensions and other post-retirement obligations for liabilities that were not assumed in connection with the Bethlehem asset acquisition and impairment charges of long-lived assets acquired in the acquisition.

Employee benefit plan	\$ (10.0)
Impairment of long-lived assets	(2,290.0)
	<hr/>
Total cost of products sold adjustment	\$ (2,300.0)
	<hr/>

(4) Represents the elimination of the reorganization costs incurred in connection with Bethlehem's Chapter 11 bankruptcy proceedings.

(5) Represents the net adjustments to interest expense as a result of the borrowings under the new credit facility and other debt incurred in the acquisition of the Bethlehem assets.

Amortization of new deferred debt fees	\$ 2.1
Eliminate Bethlehem interest expense	(16.7)
Eliminate ISG debt fee amortization	(4.5)
Eliminate ISG historical interest expense	(1.7)
Record interest expense on new ISG debt	16.0
	<hr/>
Total interest expense	\$ (4.8)
	<hr/>

(6) Represents the net tax effect of the Bethlehem purchase accounting adjustments. Assumes a full valuation allowance for any net deferred tax asset generated.

F-19

---

**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF OPERATIONS OF INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND WEIRTON STEEL CORPORATION (continued)  
For the year ended December 31, 2003 and the nine months ended September 30, 2004  
(\$ in millions)**

(7) Represents the net decrease in pension and other post employment expenses as a result of ISG's new labor agreement in connection with the acquisition of the Weirton assets and the reclassification of the equity in income from affiliates and other income (loss) to cost of sales in conformity with ISG's classification.

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
Effect of Labor Agreement		
Elimination of Weirton OPEB expense	(26.0)	(5.8)
Elimination of Weirton pension expense	(29.8)	
Elimination of pension charge under new labor agreement		(2.8)
Implementation of new ISG pension expense	10.6	3.9
Subtotal	(45.2)	(4.7)
Reclassification from equity in income from affiliates to cost of sales	(0.4)	(2.2)
Reclassification other income (loss) to cost of sales	0.9	(0.2)
Elimination of the decrease in inventory value under purchase accounting		5.0
Total cost of sales adjustment	\$(44.7)	\$(2.1)

(8) Represents a reduction of depreciation expense due to the revaluation of the acquired property, plant and equipment in the acquisition of the Weirton assets.

(9) Represents the elimination of special charges related to pensions and other post-retirement obligations for liabilities that were not assumed in connection with the Weirton asset acquisition, the elimination of the write off of reimbursement contingency and elimination of the gain on early extinguishment of debt and elimination of the restructuring and severance charges.

	Year Ended December 31, 2003
Pension and OPEB curtailment	\$(572.1)
Write off of reimbursement contingency	19.0
Gain on early extinguishment of debt	13.5
Total special charges adjustment	\$(539.6)

(10) Represents the elimination of the reorganization costs incurred in connection with Weirton's Chapter 11 bankruptcy proceedings.

**Table of Contents**

**NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED  
STATEMENT OF OPERATIONS OF INTERNATIONAL STEEL GROUP, INC.,  
BETHLEHEM STEEL CORPORATION AND WEIRTON STEEL CORPORATION (continued)  
For the year ended December 31, 2003 and the nine months ended September 30, 2004  
(\$ in millions)**

(11) Represents the elimination of the Weirton interest expense less interest expense associated with the term loan assumed by ISG as follows.

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
Elimination of the Weirton interest expense	\$(21.4)	\$(11.4)
Interest on loan assumed by ISG	0.2	0.1
	<u>          </u>	<u>          </u>
Total interest expense adjustment	\$(21.2)	\$(11.3)
	<u>          </u>	<u>          </u>

(12) Represents the net tax effect of the purchase accounting and equity offering adjustments. Assumes a full valuation allowance for any net deferred tax asset generated.

(13) Represents the decrease in interest expense as a result of the repayment of the Tranche A term loan and a portion of the Tranche B term loan less interest on additional revolving credit facility borrowings to finance the Weirton acquisition from the proceeds of the initial public offering of ISG common stock on December 12, 2003.

	Year Ended December 31, 2003
Elimination of Tranche A interest expense	\$(10.6)
Elimination of Tranche B interest expense	(5.8)
Elimination of amortization of deferred debt issuance costs	(4.8)
Interest on borrowing to finance Weirton acquisition	3.4
	<u>          </u>
Total interest expense adjustment	\$(17.8)
	<u>          </u>

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
as of December 31, 2001, 2002 and 2003 and  
for each of the three years ended December 31, 2003**

F-22

---



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Shareholders of Ispat International N.V.

We have audited the accompanying consolidated balance sheets of Ispat International N.V. and subsidiaries (the Company) at December 31, 2002 and 2003, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003, all expressed in millions of U.S. dollars. These consolidated 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 the Ispat Hamburg Group of Companies and the financial statements of Caribbean Ispat Limited as of December 31, 2002 and for the year ended December 31, 2002. We did not audit the combined financial statements of the Ispat Hamburg Group of Companies, the financial statements of Caribbean Ispat Limited and the consolidated financial statements of Ispat Unimetal S.A. as of December 31, 2001 and for the year ended December 31, 2001 (each of which is a consolidated subsidiary of the Company), which financial statements reflect total assets constituting 13% of consolidated total assets at December 31, 2002, and total sales constituting 25% and 14%, respectively, of consolidated total sales for the years ended December 31, 2001 and 2002. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the reports of such other auditors.

We conducted our audits in accordance with 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 reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of Ispat International N.V. and subsidiaries at December 31, 2002 and 2003, and the results of their operations and cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE ACCOUNTANTS B.V.

Rotterdam, The Netherlands

March 4, 2004

and for Note 20 as of March 16, 2004 and for Note 21 as of August 9, 2004.

/s/ Deloitte Accountants B.V.

**Table of Contents**

Deutsche Allgemeine Treuhand AG  
Wirtschaftsprüfungsgesellschaft  
Valentinskamp 24  
20354 Hamburg  
Postfach 30 17 09  
20306 Hamburg  
Telefon (0 40) 3 61 32-0  
Telefax (0 40) 3 61 32-777  
hamburg-@ernst-young.de  
www.ernst-young.de

**REPORT OF INDEPENDENT AUDITORS**

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF

THE ISPAT HAMBURG GROUP OF COMPANIES

We have audited the consolidated balance sheet of the Ispat Hamburg Group of Companies (collectively the Group, which is a subsidiary of Ispat International N.V.) as at December 31, 2002 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year ended December 31, 2002 and the combined balance sheet of the Ispat Hamburg Group of Companies as at December 31, 2001 and the related combined statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the two years in the period ended December 31, 2001. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Ispat Hamburg Group of Companies as of December 31, 2002 and the consolidated results of their operations and their cash flows for the year ended December 31, 2002 and the combined financial position of the Ispat Hamburg Group of Companies as of December 31, 2001 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Ernst & Young

Deutsche Allgemeine Treuhand AG  
Wirtschaftsprüfungsgesellschaft

/s/ M. Tabel  
Wirtschaftsprüfer

/s/ E.-W. Schlüschen  
Wirtschaftsprüfer

Hamburg, Germany

February 12, 2003

**Table of Contents**

ERNST & YOUNG  
P.O. Box 158  
517 Sweet Briar Road Phone: (868) 628-1105  
St. Clair Fax: (868) 622-0918  
Port-of-Spain  
Trinidad and Tobago

**INDEPENDENT AUDITORS REPORT**

TO THE STOCKHOLDERS OF CARIBBEAN ISPAT LIMITED

We have audited the balance sheets of Caribbean Ispat Limited as of December 31, 2002 and 2001, and the related statements of operations and comprehensive loss, changes in stockholders equity, and cash flows for each of the three years in the period ended December 31, 2002 (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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Caribbean Ispat Limited as of December 31, 2002 and 2001, and the results of its operations and cash flows for the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Port of Spain,

TRINIDAD:  
February 14, 2003

/s/ Ernst & Young

F-25

---

**Table of Contents**

Ernst & Young Audit  
S.A. au capital de 2.784.960(euro)  
344 366 315 R.C.S. Paris  
Tour Europe  
20, place des Halles  
67055 Strasbourg cedex  
Telephone: 03.88.15.24.40  
Fax: 03.88.22.21.16

**REPORT OF INDEPENDENT AUDITORS**

The Board of Directors and Shareholders

Ispat Unimetal, a wholly-owned subsidiary of Ispat International, N.V.

We have audited the accompanying consolidated balance sheets of the Ispat Unimetal Group as of December 31, 2001 and December 31, 2000 and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years ended December 31, 2001 and December 31, 2000. These financial statements are the responsibility of Ispat Unimetal's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Ispat Unimetal Group as of December 31, 2001 and December 31, 2000 and the consolidated results of its operations and its cash flows for the years ended December 31, 2001 and December 31, 2000 in conformity with generally accepted accounting principles in the United States of America.

This report has been prepared solely for the purpose of consolidation with the financial statements of the Company's ultimate parent Ispat International N.V. and should not be used for any other purpose.

Paris, January 28, 2002

Ernst & Young Audit

/s/ Daniel Noel

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

as of December 31, 2002 and 2003

	December 31,	
	2002	2003
	(Millions of U.S. Dollars, except share data)	
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	77	80
Trade accounts receivable, net of allowance for doubtful accounts of \$31 at December 31, 2001, \$41 at December 31, 2002 and \$47 at December 31, 2003	529	507
Inventories (Note 3)	873	828
Prepaid expenses and other	95	105
Deferred tax assets (Note 12)	38	30
	<hr/>	<hr/>
Total Current Assets	1,612	1,550
Property, Plant and Equipment net (Note 4)	3,035	3,091
Investments in Affiliates and Joint Ventures (Note 5)	257	252
Deferred Tax Assets (Note 12)	438	535
Intangible Pension Assets (Note 11)	84	117
Other Assets	86	90
	<hr/>	<hr/>
Total Assets	\$5,512	\$5,635
	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current Liabilities:		
Payable to banks and current portion of long-term debt (Note 7)	\$ 262	\$ 363
Trade accounts payable	607	577
Accrued expenses and other liabilities	377	492
Deferred tax liabilities (Note 12)	28	28
	<hr/>	<hr/>
Total Current Liabilities	1,274	1,460
Long-Term Debt (Notes 8 and 9)	2,022	1,914
Deferred Tax Liabilities (Note 12)	69	74
Deferred Employee Benefits (Note 11)	1,881	1,906
Other Long-Term Obligations	138	132
	<hr/>	<hr/>
Total Liabilities	5,384	5,486
	<hr/>	<hr/>
Commitments and Contingencies (Notes 15 and 16)		
Shareholders Equity (Note 10)		
Common Shares:		
Class A shares, 0.01 par value per share, 500,000,000 shares authorized, 54,850,000 shares issued and 49,587,492, 51,735,794 and 49,757,213 outstanding at December 31, 2003, 2002 and 2001, respectively	7	7

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Class B shares, 0.10 par value per share, 72,150,000 shares authorized, 72,150,000 shares issued and outstanding		
Treasury Stock	(103)	(110)
Additional Paid-in Capital	587	586
Retained Earnings	141	207
Cumulative Other Comprehensive Income	(504)	(541)
	<u>        </u>	<u>        </u>
Total Shareholders' Equity	128	149
	<u>        </u>	<u>        </u>
Total Liabilities and Shareholders' Equity	\$5,512	\$5,635
	<u>        </u>	<u>        </u>

See notes to the consolidated financial statements

F-27

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME**

for each of the three years ended December 31, 2003

	Year Ended December 31,		
	2001	2002	2003
	(Millions of U.S. Dollars, except share data)		
Sales	4,486	4,889	5,441
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	4,273	4,356	4,943
Depreciation	177	177	183
Selling, general and administrative	155	152	164
Other operating expenses (Note 13)	75	62	0
	<u>4,680</u>	<u>4,747</u>	<u>5,290</u>
Operating income (loss)	(194)	142	151
Other income (expense) net	13	44	53
Financing costs:			
Interest expense net of capitalized interest of \$2 in 2001, \$1 in 2002 and \$2 in 2003	(242)	(208)	(167)
Interest income	14	5	16
Net gain (loss) from foreign exchange	(9)	23	4
	<u>(237)</u>	<u>(180)</u>	<u>(147)</u>
Income (loss) before taxes	(418)	6	57
Income tax expense (benefit): (Note 12)			
Current	8	18	22
Deferred	(114)	(61)	(30)
	<u>(106)</u>	<u>(43)</u>	<u>(8)</u>
Net income (loss) before cumulative effect of change in accounting principle	(312)	49	65
Cumulative effect of change in accounting principle	0	0	1
Net income (loss)	<u>(312)</u>	<u>49</u>	<u>66</u>
Basic and diluted earnings per common share before cumulative effect of change in accounting principle	(2.58)	0.40	0.53
Basic and diluted earnings per common share	(2.58)	0.40	0.53
Weighted average common share outstanding (in millions)	121	123	122

See notes to the consolidated financial statements

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

for each of the three years ended December 31, 2003

	Year Ended December 31,		
	2001	2002	2003
	(Millions of U.S. Dollars, except share data)		
Net income (loss)	(312)	49	66
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment net income taxes of \$2 in 2001, \$2 in 2002 and \$1 in 2003	(20)	6	36
Minimum pension liability adjustment net of income taxes of \$120 in 2001, \$148 in 2002 and \$46 in 2003	(213)	(273)	(79)
Unrealized gains (losses) on derivative financial instruments net of income taxes of \$(5) in 2001, \$3 in 2002 and \$4 in 2003	(8)	4	6
	(241)	(263)	(37)
Comprehensive income (loss)	(553)	(214)	29

See notes to the consolidated financial statements



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY**

for each of the three years ended December 31, 2003

	Common Stock		Treasury Stock	Additional Paid-In Capital	Retain Earnings
	Shares	Amount			
Balance at December 31, 2000	120	4	(111)	590	401
Net Loss		0	0	0	(312)
Other Comprehensive Income (loss)		0	0	0	0
Treasury Stock (Note 10)	2	0	4	0	0
Redenomination in Euro (Note 10)		3	0	(3)	0
Other (Note 10)		0	0	0	3
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2001	122	7	(107)	587	92
Net Income		0	0	0	49
Other Comprehensive Income (loss)		0	0	0	0
Treasury Stock (Note 10)	2	0	4	0	0
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2002	124	7	(103)	587	141
Net Income		0	0	0	66
Other Comprehensive Income (loss)		0	0	0	0
Treasury Stock (Note 10)	(2)	0	(7)	(1)	0
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2003	122	7	(110)	586	207

**Cumulative Other Comprehensive Income**

	Foreign Currency	Minimum Pension	Derivative	Shareholder s
	Translation Adjustment	Liability	Financial Instrument	Equity
Balance at December 31, 2000	36	(36)	0	884
Net Loss	0	0	0	(312)
Other Comprehensive Income (loss)	(20)	(213)	(8)	(241)
Treasury Stock (Note 10)	0	0	0	4
Redenomination in Euro (Note 10)	0	0	0	0
Other (Note 10)	0	0	0	3
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2001	16	(249)	(8)	338
Net Income	0	0	0	49
Other Comprehensive Income (loss)	6	(273)	4	(263)
Treasury Stock (Note 10)	0	0	0	4
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2002	22	(522)	(4)	128
Net Income	0	0	0	66
Other Comprehensive Income (loss)	36	(79)	6	(37)
Treasury Stock (Note 10)	0	0	0	(8)
	<u>    </u>	<u>    </u>	<u>    </u>	<u>    </u>
Balance at December 31, 2003	58	(601)	2	149

See notes to the consolidated financial statements



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF CASH FLOWS**

for each of the three years ended December 31, 2003

	Year Ended December 31,		
	2001	2002	2003
	Restated (See Note 21)	Restated (See Note 21)	
	(Millions of U.S. Dollars, except share data)		
Operating activities:			
Net income (loss)	(312)	49	66
Adjustments required to reconcile net income to net cash provided from operations:			
Depreciation	177	177	183
Deferred employee benefit costs	(106)	(52)	(164)
Net foreign exchange loss (gain)	9	(23)	(5)
Gain from Early Extinguishment of debt	(5)	(30)	0
Deferred income tax	(114)	(61)	(30)
Undistributed earnings from joint ventures	12	0	(28)
Other non-cash operating expenses	56	62	0
Other	2	(2)	(5)
Changes in operating assets and liabilities:			
Trade accounts receivable	101	(64)	49
Short-term investments	78	0	0
Inventories	169	(37)	106
Prepaid expenses and other	24	(31)	18
Trade accounts payable	(81)	45	(72)
Accrued expenses and other liabilities	12	105	71
Net cash provided from operating activities	<u>22</u>	<u>138</u>	<u>189</u>
Investing activities:			
Purchase of property, plant and equipment	(97)	(108)	(164)
Proceeds from sale of assets and investments including affiliates and joint ventures	37	18	21
Investments in affiliates and joint venture	21	11	19
Other	4	(1)	0
Net cash used in investing activities	<u>(35)</u>	<u>(80)</u>	<u>(124)</u>
Financing activities:			
Proceeds from payable to banks	2,416	2,359	3,576
Proceeds from long-term debt net of debt issuance costs	125	125	52
Proceeds from long-term debt from an affiliate	0	0	94
Payments of payable to banks	(2,418)	(2,346)	(3,570)
Payments of long-term debt	(245)	(213)	(207)
Purchase of treasury stock	(1)	(1)	(8)
Sale of treasury stock	5	5	0
Net cash used by financing activities	<u>(118)</u>	<u>(71)</u>	<u>(63)</u>
Net increase (decrease) in cash and cash equivalents	<u>(131)</u>	<u>(13)</u>	<u>2</u>

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Effect of exchange rate changes on cash	2	5	1
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents:			
At the beginning of the year	214	85	77
	<u>          </u>	<u>          </u>	<u>          </u>
At the end of the year	85	77	80
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest net of amounts capitalized	\$ 244	\$ 199	\$ 166
Income taxes	4	20	13

See notes to the consolidated financial statements

F-31

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**  
**(Millions of U.S. dollars, except share data and per share data)**

**Note 1: Nature of Business and Basis of Presentation***Nature of Business*

Ispat, together with its subsidiaries, is a manufacturer of steel and steel related products. Ispat owns and operates manufacturing facilities in the U.S., Mexico, Canada, Trinidad and Tobago ( Trinidad ), Germany and France. These manufacturing facilities, each of which includes its respective subsidiaries, are referred to herein as the Operating Subsidiaries.

*Organization*

Ispat 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. Ispat has no manufacturing operation of its own and its major assets are interests in the common and preferred stock of the Operating Subsidiaries.

*Basis of Presentation*

The consolidated financial statements, which include the accounts of Ispat and its subsidiaries, all of which are controlled by Ispat, have been prepared in accordance with US Generally Accepted Accounting Principles ( US GAAP ) (see also Note 2). Intercompany balances and transactions have been eliminated on consolidation.

The records of each of the Operating Subsidiaries are maintained in the currency of the country in which the Operating Subsidiary is located, using the statutory or generally accepted accounting principles of such country. For consolidation purposes, the financial statements that result from such records have been adjusted to conform to US GAAP, using the U.S. Dollar as the reporting currency.

The principal subsidiaries of Ispat, each of which is a wholly owned subsidiary, included in the consolidated financial statements are as follows:

<b>Operating Subsidiary</b>	<b>Location</b>
Caribbean Ispat Limited	Trinidad
Ispat Mexicana, S.A. de C.V.	Mexico
Ispat Sidbec Inc.	Canada
Ispat Hamburger Stahlwerke GmbH	Germany
Irish Ispat Limited(1)	Ireland
Ispat Stahlwerk Ruhrort GmbH and Ispat Waldraht Hochfeld GmbH	Germany
Ispat Inland Inc.	U.S.
Ispat Unimetal S.A. (including Society Metallurgique de Revigny S.N.C.)	France
Trefileurope S.A.	France

- (1) On June 15, 2001 Ispat announced the shutdown of its steel making operations in Haulbowline, County Cork, Ireland and the calling of a creditors meeting for the appointment of a liquidator. This decision was taken in view of continuing losses at Irish Ispat and after months of evaluating ways to make the plant more competitive in light of market conditions at that time.

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

***Foreign Currency Translation and Translation of Financial Statements***

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 rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of income.

Upon consolidation, the results of operation of the subsidiaries and affiliates whose functional currency is other than the U.S. Dollar are translated into U.S. dollars at weighted average exchange rates in the year and assets and liabilities are translated at year end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the financial statements and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or affiliated company. At Canadian and European Operating Subsidiaries, the functional currency is Canadian Dollar and Euro respectively.

**Note 2: Summary of Significant Accounting Policies**

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions used.

***Cash Equivalents***

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

***Inventories***

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the average cost and first in, first out ( FIFO ) method. 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.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. All property, plant and equipments 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 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. 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 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 reflected in the statement of income.

***Long-Lived Assets***

Long-lived assets held and used by Ispat are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

evaluating the recoverability of long-lived assets, the recoverability test is performed using undiscounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If the undiscounted future net cash flows are less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset.

***Investment in Affiliates and Joint Ventures***

Investments in majority owned affiliates and joint ventures, where control does not exist and 20% to 50% owned affiliates and joint ventures in which Ispat has the ability to exercise significant influence, are accounted for under the equity method of accounting whereby the investment is carried at cost of acquisition, plus Ispat's equity in undistributed earnings or losses since acquisition, less dividends received.

***Investments in Less than 20% Owned Affiliates are Accounted for by the Cost Method***

Ispat periodically reviews all of its investments in affiliates and joint ventures for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in other operating expenses.

***Debt Issuance Costs***

Debt issuance costs, which are included in other assets, are stated at cost and amortized over the life of the related debt using the effective interest method. Amortization of debt issuance costs is included in interest expense, which is a component of financing costs, or alternatively, capitalized as borrowing costs on qualifying assets where applicable.

***Retirement Benefits***

Ispat has defined benefit pension plans covering the majority of its employees in U.S. and Canadian operations. Benefits are based on, generally, the employee's years of service and compensation. For those plans, which are funded, the assets are held in separate trustee administered funds. Ispat's policy is to amortize prior service costs over the average future service period of active plan participants. Experience gains and losses in excess of 10% of the greater of the accumulated benefit obligation and fair value of plan assets are amortized over the average remaining service period of active participants. The liabilities and net periodic pension cost related to these plans are calculated by independent actuaries on the basis of formulas defined in the plans using the projected unit actuarial credit method.

In addition to providing certain pension benefits, Ispat sponsors several unfunded defined post-retirement plans that provide health care and life insurance benefits to majority of its active and retired employees and their covered dependent and beneficiaries. These plans are contributory, with contributions adjusted periodically, and contain other cost-sharing features, such as deductibles and coinsurance. Covered employees generally are eligible for these benefits when they have reached a certain age and these benefits are based on length of service.

***Revenue Recognition***

Revenues are recognized when products are shipped or services are provided to customers, the sales price is fixed and determinable, collectibility is reasonably assured, and title and risks of ownership have passed to the buyer. Costs associated with revenues, including shipping and other transportation costs, are recorded in cost of sales.



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

***Accounting for Shipping and Handling Costs***

Ispat classifies all amounts billed to a customer in a sale transaction related to shipping and handling, fees and 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.

***Research and Development Costs***

Research and development costs are expensed as incurred.

***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 Ispat 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.

***Taxes on Income***

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. Deferred tax assets and liabilities are measured using 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 statement of operations in the period in which the enactment date changes. Deferred tax assets are reduced through the establishment of a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

***Derivative Financial Instruments***

Derivative financial instruments are utilized by Ispat to manage commodity price and foreign exchange risks. Ispat has established a control environment, which includes policies and procedures for risk assessment and the approval and monitoring of derivative financial instrument activities. Derivative financial instruments utilized by Ispat also include foreign currency forward contracts. Additionally, derivatives are used to hedge exposure to interest rate fluctuations for floating rate debt for which the gains or losses are recognized in interest expense. Ispat does not enter into foreign currency hedging contracts related to its investment in affiliated companies.

All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

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 other comprehensive income ( OCI ) and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. 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 or service when the contracts are closed.

***Earnings Per Common Share***

Earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during the periods presented. The computation of diluted earnings per common share is similar to basic earnings per common share, except that diluted earnings per share reflects the potential dilution that could occur if dilutive securities and other contracts to issue common shares were exercised or converted into common shares or resulted in the issuance of common shares that then shared in the earnings (losses) of Ispat.

***Stock Option Plan***

In 1999, Ispat established the Ispat N.V. Global Stock Option Plan (the Ispat Plan ), which are described more fully in Note 10. Awards under Ispat s plans vest over three years. Prior to 2003, Ispat accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in 2001 and 2002 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of grant.

Effective January 1, 2003, Ispat adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ( SFAS 123 ), prospectively to all employee awards granted, modified, or settled after January 1, 2003. This prospective adoption of the fair value provisions of SFAS 123 is in accordance with the transitional provisions of SFAS No. 148, Accounting for Stock-Based Compensation ( SFAS 148 ) issued in December 2002 for recognizing compensation cost of stock options. There were no stock options granted, modified or settled during 2003 and accordingly, no compensation expense has been recognized in 2003.

SFAS 148 also requires that if awards of stock-based employee compensation were outstanding and accounted for under the intrinsic value method of Opinion 25 for any period in which an income statement is presented, a tabular presentation is required as follows:

	<b>Year Ended December 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Net income (loss), as reported	(312)	49	66
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	0	0	0
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	3	3	1
Pro forma net income (loss)	<u>(315)</u>	<u>46</u>	<u>65</u>
Earnings (loss) per share:			
Basic and diluted as reported	(2.58)	0.40	0.53
Basic and diluted pro forma	(2.60)	0.37	0.53



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

***Segment Reporting***

Ispat operates in a single business segment, which is composed of the manufacturing of semi-finished and finished steel products.

***Reclassifications***

Certain reclassifications have been made to the prior periods' financial statements in order to conform to the 2003 classifications.

***Recent Accounting Pronouncements***

***FIN 46R***

In January 2003, the Financial Accounting Standards Board ( FASB ) issued Interpretation No. 46, Consolidation of Variable Interest Entities ( FIN 46 ), an interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements, which requires the consolidation by a business enterprise of variable interest entities if the business enterprise is the primary beneficiary. The FASB has amended FIN 46, now known as FIN 46 Revised December 2003 ( FIN 46R ). The requirements of FIN 46 or FIN 46R are effective to those entities that are considered to be special-purpose entities no later than as of the end of the first reporting period that ends after December 15, 2003. There is no impact from the adoption of FIN 46R on Ispat's consolidated results of operations, financial condition or liquidity.

***SFAS 149***

In April 2003, the FASB issued SFAS No. 149, Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this statement clarifies the circumstances under which a contract with an initial net investment meets the characteristics of a derivative, clarifies when a derivative contains a financing component, amends the definition of an underlying to conform it to the language used in FIN No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others and amends certain other existing pronouncements. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not have a material impact on Ispat's consolidated results of operations, financial condition or liquidity.

***SFAS 150***

In May 2003, the FASB issued SFAS No. 150, Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity. The statement requires issuers to classify as liabilities (or assets in some circumstances) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, the statement is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Adoption of SFAS No. 150 does not have a material impact on the consolidated financial statements of Ispat.

***SFAS 132R***

In December 2003, the FASB issued SFAS 132 (revised 2003), Employers' Disclosures about Pensions and Other Postretirement Benefits. This statement replaces the original SFAS 132 and revises employers' disclosures about pension plans and other postretirement benefit plans to require more information about the economic resources and obligations of such plans. SFAS 132 (revised 2003) amends the disclosure

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

requirements of SFAS 87, SFAS 88, and SFAS 106, however, the measurement and recognition guidance is not affected. SFAS 132 (revised 2003) requires additional disclosures for plan assets, obligations, tabular presentation of key assumptions and measurement dates used for a majority of the plans. Ispat has adopted the provisions of SFAS 132R (See Note 11 for further information).

**Note 3: Inventories**

	December 31,	
	2002	2003
Finished Products	280	293
Production in process	252	215
Raw materials	224	195
Manufacturing supplies, spare parts and other	117	125
	<u>873</u>	<u>828</u>

**Note 4: Property, Plant and Equipment**

Property, plant and equipment are summarized as follows:

	Land	Buildings and Improvements	Machinery and Equipment	Construction in Process	Total
Balance at December 31, 2002					
Gross value	\$ 68	\$ 543	\$ 3,574	\$ 48	\$ 4,233
Accumulated depreciation	0	(160)	(1,038)	0	(1,198)
Net carrying value	<u>68</u>	<u>383</u>	<u>2,536</u>	<u>48</u>	<u>3,035</u>
Balance at December 31, 2003					
Gross value	81	598	3,998	30	4,707
Accumulated depreciation	0	(194)	(1,422)	0	(1,616)
Net carrying value	<u>\$ 81</u>	<u>\$ 404</u>	<u>\$ 2,576</u>	<u>\$ 30</u>	<u>\$ 3,091</u>

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Note 5: Investments in Affiliates and Joint Ventures**

Ispat's investments in affiliates and joint ventures, which include joint ventures accounted for using the equity method, are as follows:

Investee	Operating Activity	Ownership Percentage		
Located in U.S.				
Empire Iron Mining Partnership ( E.I.M.P. )(1)	Taconite/Pellets	21%		
PCI Associates	Pulverized coal	50%		
I/ N Tek(2)	Cold rolling	60%		
I/ N Kote	Galvanizing	50%		
Located in Mexico				
Consortio Minero Benito Juarez Pena Colorada S.A. de C.V. ( Pena Colorada )	Mining and palletizing plant	50%		
Servicios Siderurgicos Integrados, S.A. de C.V. ( Sersiin )	Port operations, lime, industrial gases and engineering workshop	50%		
Located in Canada				
Sorevco	Galvanizing plant	50%		
Delta Tube	Tubes	40%		
Located in Germany				
Westfalische Drahtindustrie GmbH ( WDI )	Wire drawing	33.30%		
Other	0	0		
		<b>December 31,</b>		
		<b>Type of Ownership</b>	<b>2002</b>	<b>2003</b>
Located in U.S.				
Empire Iron Mining Partnership ( E.I.M.P. )(1)	Partnership	0	0	
PCI Associates	Partnership	22	22	
I/ N Tek(2)	Partnership	52	51	
I/ N Kote	Partnership	140	141	
Located in Mexico				
Consortio Minero Benito Juarez Pena Colorada S.A. de C.V. ( Pena Colorada )	Common stock	10	4	
Servicios Siderurgicos Integrados, S.A de C.V. ( Sersiin )	Common stock	9	9	
Located in Canada				
Sorevco	Limited partnership	7	7	
Delta Tube	Limited partnership	2	2	
Located in Germany				
Westfalische Drahtindustrie GmbH ( WDI )	Common stock	11	12	
Other		4	4	
		<u>257</u>	<u>252</u>	

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

- (1) U.S. Operating Subsidiary sold 47.5% of its 40% interest in E.I.M.P. effective December 31, 2002, of the mine to Cleveland Cliffs, and its entire investment in the partnership was written off. See also Note 13.

F-39

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

- (2) I/ N Tek, a general partnership formed for a joint venture between Ispat and Nippon Steel Corporation ( NSC ), owns and operates a cold-rolling facility. I/ N Tek is 60% owned by a wholly owned subsidiary of Ispat and 40% owned by NSC. Ispat has rights to the productive capacity of the facility, except in certain limited circumstances and has an obligation to use the facility for the production of cold rolled steel, under a tolling arrangement with I/ N Tek. Due to this lack of control by Ispat, Ispat accounts for its investment in I/ N Tek under the equity method. Ispat does not exercise control over I/ N Tek as all significant management decisions of the joint venture require agreement by both the partners.

Summary condensed information, in the aggregate, of Ispat s investments accounted for using the equity method is disclosed as follows:

	December 31,		
	2001	2002	2003
<b>Condensed Statement of Income Data</b>			
Gross revenue	1,508	1,088	1,282
Gross profit	115	83	102
Net Income	24	40	79

	December 31,	
	2002	2003
<b>Consolidated Balance Sheet Data</b>		
Current assets	388	346
Total assets	1,598	1,323
Current liabilities	455	388
Total liabilities	1,110	806
Net assets	488	516



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Note 6: Balances and Transactions with Related Parties**

Transactions with related parties, all of which are affiliates and joint ventures of Ispat were as follows:

	December 31,		
	2001	2002	2003
Transactions			
Purchases of raw material:			
Pena Colorada	\$ 26	\$ 33	\$ 44
Sersiin	14	18	12
E.I.M.P	106	102	101
PCI Associates (Tolling fee)	43	34	32
LNM Holdings and its subsidiaries	0	29	28
Sales:			
WDI	104	100	115
Sorevco	32	44	43
I/ N Kote	311	346	342
LNM Holdings and its subsidiaries	9	8	11
Other	9	18	21
Purchases:			
I/ N Tek (Tolling charges)	143	142	137
Other	4	7	2
Sale of plant property & equipment net of loan:			
LNM Holdings	16	0	0
Other income			
LNM Holdings and its subsidiaries (Management fees)(1)	6	5	8
LNM Holdings (Royalty income)	0	0	6

- (1) LNM Holdings, Ispat Karmet JSC and P.T. Ispat Indo, indirectly wholly-owned subsidiaries of the controlling shareholder, have entered into management services agreements with Ispat pursuant to which LNM Holdings, Ispat Karmet JSC and P.T. Ispat Indo pay fees to Ispat as compensation for management as and when services are rendered by Ispat.

F-41

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	December 31,	
	2002	2003
Receivables:		
WDI	\$ 32	\$ 33
LNM Holdings and its subsidiaries	3	10
Others	7	5
Payables:		
Sersiin	9	14
LNM Holdings and its subsidiaries	5	6
Others	8	14
Accrued expenses and other liabilities:		
LNM Holdings and its subsidiaries	5	0
Long term debt to affiliates:		
The Richmond Investment Holdings Limited	0	94
Other long-term obligation:		
LNM Holdings	25	20

Ispat and LNM Holdings completed an agreement effective June 17, 2002 under which Ispat, through its subsidiaries, will provide management and support services to LNM Holdings and its subsidiaries. These services will be offset against an advance payment of \$30 over the next several years. The amount outstanding as at December 31, 2003 against this advance was \$25(2002-\$30).

**Note 7: Payable to Banks**

Payable to banks include borrowings and overdraft. Ispat has the following secured and unsecured bank lines and other working capital facilities:

	December 31,	
	2002	2003
Committed	\$485	\$581
Uncommitted	60	80
	\$545	\$661
Ispat had the following under such bank lines and working capital facilities:		
Presented under current liabilities (includes overdraft of \$21 in 2002 and \$41 in 2003)	\$ 137	\$ 167
Presented under long-term liabilities	225	240
	\$ 362	\$ 407
Borrowings under the lines are primarily denominated in U.S. dollars, except for the following:		
43 million (2002: 45 million) inventory financing credit facility	\$ 29	\$ 34
Other Euro credit facilities	8	12

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

TT \$ (Trinidad & Tobago)	0	10
British Pound	5	3
	<b>—</b>	<b>—</b>

These facilities do not include securitizations and factoring of receivables, which are discussed in Note 19.

F-42

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

The credit facilities provide for borrowing at various interest rates and support letters of credit in addition to providing borrowings to fund local working capital requirements at the Operating Subsidiaries. Weighted-average interest rate on the bank lines, working capital facilities and temporary overdrafts ranged from 2.6% to 6.5% in 2002 and 2.0% to 6.5% in 2003.

Certain of the credit facilities contain restrictive covenants that (i) require Ispat's subsidiaries to comply with certain financial maintenance tests including the ratio of current assets to current liabilities and the ratio of total liabilities to total capital; (ii) require the maintenance of specified levels of net worth, (iii) prohibit subsidiaries from entering into agreements that restrict their ability to pay dividends and (iv) limit the payment of dividends (see Note 10).

Certain of the lines of credit are collateralized by current assets and property, plant and equipment with a net carrying value of \$760 at December 31, 2003 (2002 \$893).

**Note 8: Long-Term Debt**

	<b>December 31,</b>	
	<b>2002</b>	<b>2003</b>
<b>AT U.S. OPERATING SUBSIDIARY</b>		
First Mortgage Bonds:		
Series U, Tranche B, \$350, due July 16, 2005	\$334	\$331
Series U, Tranche C, \$350, due July 16, 2006	334	331
Series R, 7.9% due January 15, 2007	29	28
Series 1977, 5.75% due February 1, 2007	20	19
Series 1993, 6.8% due June 1, 2013	26	25
Series 1995, 6.85% due December, 2012	13	12
Industrial Development Revenue Bonds:		
Pollution Control Project No. 11, 7.125% due June 1, 2007	21	15
Pollution Control Project No. 13, 7.250% due November 1, 2011	32	32
Exempt Facilities Project No. 14, 6.7% due November 1, 2012	5	3
Exempt Facilities Project No. 15, 5.75% due October 1, 2011	46	47
Exempt Facilities Project No. 16, 7% due January 1, 2014	8	2
Revolving Credit Facilities 2% to 4%	225	240
<b>AT MEXICO OPERATING SUBSIDIARY</b>		
Bank loans denominated in U.S. dollars, floating interest	352	348
Senior Structured Export Certificates, 10.625%	62	41
Export-Import Bank of the U.S., LIBOR plus 0.30%	29	29
<b>AT CANADA OPERATING SUBSIDIARY</b>		
Senior Secured Credit Facilities(1):		
Tranche A, \$150, LIBOR plus 1.25%-4.05%	54	0
Tranche B, \$125, LIBOR plus 1.75%-4.55%	118	118
Tranche C, \$125, LIBOR plus 2.25%-5.05%	118	118

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	December 31,	
	2002	2003
<b>AT TRINIDAD OPERATING SUBSIDIARY</b>		
Senior Secured Notes, 10.4%	101	88
International Finance Corporation, LIBOR plus 3.25%-3.38%	26	13
Others	8	5
<b>AT ISPAT EUROPE GROUP</b>		
Senior Secured 150 million, due February 1, 2011, 11.875%	129	137
<b>FROM AN AFFILIATE</b>		
The Richmond Investment Holdings Limited, due October 6, 2005, LIBOR plus 3.00%	0	80
The Richmond Investment Holdings Limited, due December 30, 2005, LIBOR plus 3.00%	0	14
<b>OTHER</b>		
Shipping Subsidiaries	30	19
Other	27	15
Total long-term debt including current portion	2,147	2,110
Less current portion of long-term debt	125	196
Total long-term debt	\$2,022	\$1,914

(1) Interest rates are contingent on the achievement of certain financial ratios.  
At U.S. Operating Subsidiary:

**First Mortgage Bonds**

Series U, Tranche B and C (the Term Loans) are with a syndicate of financial institutions (the Term Loan Lenders) for whom Credit Suisse First Boston is the agent. Each of the Tranche B and Tranche C Loan is repayable in quarterly installments of \$1 until maturity.

Borrowings under the Term Loans bear interest at a rate per annum equal to, at Ispat's option, (1) the higher of (a) the Agent's prime rate or (b) the rate which is 0.5 of 1% in excess of the Federal Funds effective rate (together the Base Rate), plus 2.75% or (2) the London Interbank Offered Rates (LIBOR) (as defined in the Credit Agreement) plus 3.75%. The fee for the Letter of Credit (the LC) is 4.00% of the LC amount per annum (the LC Fee). The spread over the LIBOR and Base Rate and the LC Fee will be reduced if the U.S. Operating Subsidiary's Consolidated Leverage Ratio (as defined in the Credit Agreement) falls to specified levels. The effective rate of interest paid on Series U First Mortgage Bonds was 5.1% for the year ended December 31, 2003 (5.6% for the year ended December 31, 2002).

Ispat entered into a hedge as required under the agreement. It is a 5 year interest rate collar based on LIBOR with a floor of 4.50% and a ceiling of 6.26% on a notional amount of \$450. The facilities and the hedge are fully and unconditionally guaranteed by Ispat. The hedge expired on October 16, 2003.

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

A substantial portion of Ispat's facilities at its Indiana Harbor Works is subject to a lien to First Mortgage. This property had a book value of approximately \$1,600 at December 31, 2003 (2002 \$1,600).

F-44

---

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

The U.S. Operating Subsidiary must also maintain a minimum Consolidated EBITDA, as defined in the Credit Agreement. The U.S. Operating Subsidiary was in compliance with this covenant at December 31, 2003. The Credit Agreement also contains other covenants that, among other things, prohibit or limit the ability of Ispat or the Borrower to pay dividends and other restricted payments, incur indebtedness, create liens, engage in transactions with affiliates, sell assets and engage in mergers and consolidations. Any loans from Ispat to its U.S. Operating Subsidiary cannot be repaid until the U.S. Operating Subsidiary's leverage falls to specified levels.

***Industrial Development Revenue Bonds***

During 2003, Ispat purchased \$29 (2002 \$40) bonds at discounts from face value. As a result of these early redemptions and recognized a gain of \$14, net of tax \$14 (2002 \$30, net of tax \$19).

***Revolving Credit Facilities***

Revolving credit facilities are denominated in U.S. dollars and are from the Chase Manhattan Bank, as agent. These credit facilities are shown as long-term debt as Ispat has the ability and intent to refinance these obligations as they mature under the respective credit agreements. The average interest rates on these facilities range from 2% to 4% and \$150 of the outstanding balance is repayable in 2005 and \$90 in 2007.

***Contingent Liability***

A standby letter of credit in the amount of \$160 that expired on July 9, 2003 was provided to the Pension Benefit Guarantee Corporation ( PBGC ), which is arranged by Credit Suisse First Boston. The letter of credit was not drawn upon. In July 2003, Ispat reached an agreement with the PBGC regarding alternative security for the \$160 letter of credit. The letter of credit was allowed to expire, and in its place, Ispat agreed to contribute \$160 to its pension plan over next two years. The U.S. Operating Subsidiary contributed \$50 in July 2003, and is required to contribute \$83 in 2004 and \$28 in 2005. Outside of this Agreement, the U.S. Operating Subsidiary also contributed \$21 in September 2003. Additionally, Ispat pledged \$160 of non-interest bearing First Mortgage Bonds to the PBGC as security until the remaining \$110 has been contributed to the Pension Plan and certain tests have been met.

At Mexico Operating Subsidiary:

***Bank Loans Denominated In U.S. dollars, Floating Interest***

***California Commerce Bank, USA***

Loan payable to California Commerce Bank, USA under a line-of-credit agreement is denominated in U.S. dollars with an annual variable interest rate of LIBOR plus 300 basis points (effective annual interest rate at December 31, 2003 and 2002 are 4.99% and 5.53%, respectively). Principal is payable in quarterly installments with maturities until August 2005. \$8 was outstanding at December 31, 2003 (2002 \$10).

***Bancomer, Mexico***

Loan payable to Bancomer, Mexico is denominated in U.S. dollars. The loan bears interest at floating rate of LIBOR plus 325 basis points (effective annual interest rate at December 31, 2003 and 2002 are 4.35% and 5.25%, respectively). Principal is payable in semi-annual installments until 2008. \$48 was outstanding at December 31, 2003 (2002 \$49).

Loan payable to Bancomer, Mexico is denominated in U.S. dollars. The loan bears interest at floating rate of LIBOR plus 225 basis points (effective annual interest rate at December 31, 2003 and 2002 are 3.35%





**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

and 4.20%, respectively). Principal is payable in semi-annual installments until 2008. \$72 was outstanding at December 31, 2003 (2002 \$73).

***Banamex, Mexico***

Loans payable to Banamex, Mexico under a line-of-credit agreement is denominated in U.S. dollars, with annual variable interest rates of LIBOR plus 375 basis points (effective annual interest rate at December 31, 2003 and 2002 are 4.88% and 5.86%, respectively). Principal is payable in semi-annual installments of \$28 with maturities from 2005 to 2009. \$220 was outstanding at December 31, 2003 and at December 31, 2002.

***Senior Structured Export Certificates, 10.625%***

The New Senior Structured Export Certificates due 2005 (the New Senior Certificates) are denominated in U.S. dollars with interest payable quarterly at 10.625% per annum. The principal amount of the New Senior Certificates is payable in quarterly installments till May 2005.

The New Senior Certificates are redeemable in whole or in part at a price equal to 100% of the outstanding principal amount, plus accrued interest thereon and a prepayment make whole premium (only in case of trigger event) as defined in the agreement.

The New Senior Certificates are payable primarily from the proceeds of U.S. Dollar denominated accounts receivable to be generated from sales of steel slabs to Mitsubishi Corporation (the steel purchaser), under a long-term supply agreement and sales of steel slabs to certain other customers. Subject to certain exceptions, the supply agreement with Mitsubishi requires the steel purchaser to purchase sufficient volumes of slabs to generate receivables in each quarter in an aggregate face amount equal to 1.3 times the scheduled quarterly debt service on the New Senior Certificates.

***Export-Import Bank of The United States***

Loan payable to a financial institution guaranteed by the Export-Import Bank of the United States is denominated in U.S. dollars. The loan bears interest at an annual variable rate of LIBOR plus 0.30% (effective annual interest rate at December 31, 2003 and 2002 are 2.05% and 2.54%, respectively). Principal is payable in semi-annual installments of \$3 with maturities ranging from 2004 to 2008.

***Debt Restructuring at Mexico Operating Subsidiary***

In response to the reduction in sales volume and prices and other negative developments faced by Ispat, Ispat initiated the process in 2001 to restructure its debt. The debt restructuring was successfully completed on September 6, 2002. The principal elements of debt restructuring are as noted below:

1. Exchange Offer and Consent Solicitation. All outstanding 1996 Senior Certificates were exchanged for New Senior Certificates. The terms of the New Senior Certificates are substantially similar to the terms of the 1996 Senior Certificates except that, among other things, the New Senior Certificates (i) have interest payable at 10 5/8% per annum; (ii) have a final maturity at May 2005; (iii) are guaranteed by certain subsidiaries of Mexico Operating Subsidiary; (iv) are secured, along with Mexico Operating Subsidiary's existing bank lenders, by certain assets of Mexico Operating Subsidiary (as discussed below) on pro rata basis; and (v) have the benefit of the Excess Cash Flow Sweep (as discussed below).

2. Bank Amendments and Waivers. Mexico Operating Subsidiary's bank lenders deferred principal payments on most of the outstanding bank debt for a period of three years. The bank lenders also waived certain financial covenants during this period, eliminated certain restrictions on the disposition of non-



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

core assets and granted permission to enter into a new working capital facility. Existing bank lenders have the benefit of the Excess Cash Flow (as discussed below) and are secured, along with the New Senior Certificates, by certain assets of Mexico Operating Subsidiary (as discussed below) on a pro rata basis.

3. Excess Cash Flow Sweep. Mexico Operating Subsidiary is required, on a semi-annual basis commencing December 31, 2002, to apply all of its excess cash flows (as defined in the Inter-creditor Agreement) to repurchase New Senior Certificates and retire debt owed to its existing bank lenders (the Excess Cash Flow Sweep) in the proportion of 20% to the New Senior Certificates and 80% to Mexico Operating Subsidiary's existing bank debt, at a price equal to 100% of the principal amount thereof.

4. Ranking and Collateral. The New Senior Certificates are secured by receivables generated under a new supply agreement with Mitsubishi and those of certain other customers of Mexico Operating Subsidiary (the Receivables). In addition, Mexico Operating Subsidiary's existing bank lenders and the New Senior Certificates are secured, on a pro rata basis, by (i) a first priority lien on all property, plant and equipment of Mexico Operating Subsidiary; (ii) a pledge on the stock of Mexico Operating Subsidiary and its immediate parent; and (iii) a first priority lien on the inventory and receivable not otherwise pledged to secure the new working capital facility or the Receivables.

5. New Working Capital Facility. Mexico Operating Subsidiary is entitled to draw up to \$68 for its working capital needs, subject to the condition that amounts outstanding owed under the new working capital facility cannot exceed \$35 unless authorized by Mexico Operating Subsidiary's other bank lenders. The new working capital facility is secured by a first priority lien on certain inventory and receivables.

6. Shareholder Loan. An amount of \$20 was loaned to Mexico Operating Subsidiary by Ispat for working capital needs. The loan is subordinated to other debt of Mexico Operating Subsidiary and secured by a second priority lien on certain inventory and receivables.

7. Sale of Non-Core Assets. Mexico Operating Subsidiary was entitled to sell certain non-core assets in 2002 in order to repay some of the debt relating to its shipping loans.

The Structured Senior Export Certificates due 2005 (the 1996 Certificates) are denominated in U.S. dollars with effective interest payable quarterly at 11.64% per annum. The principal amount of the Senior Certificates is payable in quarterly installments until May 2005.

At Canada Operating Subsidiary:

***Senior Secured Credit Facilities***

The Tranche B facility is bearing an interest at rates ranging from LIBOR plus 1.75% to LIBOR plus 4.55% depending on the achievement of certain financial ratios. For 2003 the effective average rate is 6.46% (2002 effective average rate was 7.60%). The facility will mature in July 2004 and is repayable in installments of \$0.3 in March 2004 and \$118 in July 2004.

The Tranche C facility is bearing an interest at rates ranging from LIBOR plus 2.25% to LIBOR plus 5.05% depending on the achievement of certain financial ratios. For 2003 the effective average rate is 6.96% (2002 effective average rate was 8.11%). The facility will mature in January 2005 and is repayable in installments of \$0.3 in March 2004, \$0.3 in June 2004 and \$118 in January 2005.

The Senior Secured Credit Facility is collateralized by all property, plant and equipment of the Canadian Operating Subsidiary and a second ranking charge on accounts receivables and inventories. Ispat has no interest rate swap agreement as of December 31, 2003 (2002 \$200).

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

At Trinidad Operating Subsidiary:

***Senior Secured Notes, 10.4%***

The 10.4% Senior Secured Notes are denominated in U.S. dollars and have been used to finance the construction of a direct reduced iron plant. The notes mature in May 2008 with principal and interest repayable in semi-annual installments started in November 2002.

***International Finance Corporation***

Loans payable to the International Finance Corporation are denominated in U.S. dollars and collateralized by property, plant and equipment with a net book value of \$397 at December 31, 2003 (2002-\$410). Principal and interest are due in semi-annual installments beginning December 1998 with interest accruing at LIBOR plus 3.25% to 3.38%, maturing in 2004 through 2006.

At the request of the Trinidad Operating Subsidiary, the International Finance Corporation and their Participants have agreed to a waiver of the current ratio requirement for December 31, 2001, an amendment to the current ratio covenant for 2002 and a waiver of the late payment of principal due on December 15, 2001.

At Ispat Europe Group:

***Senior Secured Notes Denominated in Euro, Due February 1, 2011, 11.875%***

Ispat Europe Group SA, a wholly owned subsidiary of Ispat has issued Senior Secured Notes worth 150 million. The Bonds issued on February 1, 2001 will mature on February 1, 2011. These Notes are secured by mortgage over the Property plant and equipment of the German Subsidiaries and an indirect pledge on the shares of the French Operating Subsidiary. The interest rate is fixed at 11.875% per annum and payable semi-annually.

From An Affiliate:

Loans are payable to an affiliate The Richmond Investment Holdings Limited and are denominated in U.S. dollars. The interest rates on these loans are three months LIBOR plus 300 basis points (4.15% at December 31, 2003). Out of \$94 outstanding as on December 31, 2003 (2002-\$nil) \$80 is payable on October 6, 2005 and \$14 is payable on December 30, 2005.

Other:

***Shipping Subsidiaries***

Loans payable at shipping subsidiaries are denominated in U.S. dollars to finance the purchase of equipment collateralized by the related assets. The interest rates on the loans range from 7.36% to 8.11%. Principal and interest are due in monthly/semi-annual installments with maturities ranging from 2005 to 2007.

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

Other:

Various loans with interest rates ranging from 0.6% to 7.5% for other loans.

Maturities of long-term debt at December 31, 2003 are as follows:

<b>Years Ending December 31,</b>	
2004	\$ 196
2005	787
2006	449
2007	261
2008	102
Subsequent years	315
Total	\$2,110

Certain long-term debt and other agreements of Ispat and its subsidiaries provide for various covenants that restrict the ability of certain of Ispat's subsidiaries to pay dividends, make certain payments, incur additional indebtedness, make certain investments, create liens, guarantee indebtedness, sell or acquire assets, enter into mergers or consolidations and form subsidiaries, as well as require compliance with certain other financial maintenance tests in certain cases. Such financial maintenance tests include certain financial ratios and minimum levels of net worth. A significant part of Ispat's net assets at December 31, 2003 (see Note 10) was subject to restrictive covenants, affecting capital distributions and the ability of the subsidiaries to loan or advance funds to the shareholders and other restrictions.

**Note 9: Financial Instruments and Credit Risk*****Fair Value of Financial Instruments***

The estimated fair values of Ispat's financial instruments at December 31, 2002 and 2003 are summarized below:

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 Ispat 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 Ispat's cash and cash equivalents, accounts receivable and short-term investments approximate their fair values. Cash equivalents are carried at cost, which approximates market value and accounts receivable and short-term investments are short-term in nature.

Ispat'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 Ispat's variable rate debt approximates its carrying amount given the floating rate nature of the debt at prevailing market rates. The fair value of fixed rate debt is

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

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 Ispat's short and long-term debt are as follows:

	December 31, 2002		December 31, 2003	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Instruments payable bearing interest at variable rates	\$ 1,646	\$ 1,421	\$ 1,655	\$ 1,575
Instruments payable bearing interest at fixed rates	501	379	455	360
Long-term debt, including current portion	\$ 2,147	\$ 1,800	\$ 2,110	\$ 1,935
Payable to banks	\$ 137	\$ 137	\$ 167	\$ 167

The fair value of forward exchange contracts, all of which are short-term in nature, was estimated based on the applicable year-end exchange rates and are presented below:

	Foreign Currency Forward Contracts	
	December 31,	
	2002	2003
Fair value	\$ 16	\$ 78
Carrying Amount	\$ 16	\$ 78

The fair value information presented herein is based on information available to management at the dates presented. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively valued for purposes of these financial statements.

Ispat uses futures and swap contracts to manage fluctuations in the cost of natural gas and certain nonferrous metals, primarily zinc which is used in the coating of steel. Timing of these transactions corresponds to the expected need for the underlying physical commodity and is intended as a hedge against the cost volatility of these commodities.

A portion of the floating rate debt used in connection with the financing of the acquisition of the U.S. Operating Subsidiary was hedged through the use of an interest collar that expired on October 16, 2003. Due to the decline in interest rates during fiscal years 2002, the fair value of the collar represented a derivative liability of approximately \$14 at December 31, 2002.

**Credit Risk**

## Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Credit risk represents the accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted and from movements in interest rates and foreign exchange rates. Ispat does not anticipate non-performance by counterparties. Ispat 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.

F-50

---

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

Financial instruments that potentially subject Ispat to credit risk primarily consist of trade accounts receivable and derivative contracts.

Ispat considers its credit risk associated with trade accounts receivable to be somewhat limited due to a large number of customers comprising Ispat's customer base and their geographic dispersion. Ispat sells a significant amount of product pursuant to orders throughout its main markets. Ispat 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.

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. Additionally, Ispat utilizes a portfolio of financial institutions either headquartered or operating in the same countries in which Ispat conducts its business. As a result, Ispat considers the risk of counterparty default to be minimal.

A portion of the floating rate debt used in connection with the financing of the acquisition of the U.S. Operating Subsidiary was hedged through the use of an interest collar that expired on October 16, 2003. Due to the decline in interest rates during fiscal years 2002, the fair value of the collar represented a derivative liability of approximately \$14 at December 31, 2002.

The U.S. Operating Subsidiary had \$1,107 of long-term debt (including debt due within one year) outstanding at December 31, 2003. Of this amount \$902 is floating rate debt (fair value \$822). The remaining \$205 of fixed rate debt had a fair value of \$149. Assuming a hypothetical 10% decrease in interest rates at December 31, 2003, the fair value of this fixed rate debt would be estimated to be \$200. Fair market values are based upon market prices or current borrowing rates with similar rates and maturities.

The Mexico Operating Subsidiary utilizes derivative commodity instruments not for trading purposes but to hedge exposure to fluctuations in the costs of natural gas. In February 2001, the Mexico Operating Subsidiary entered into a fixed price natural gas contract with Pemex at a price of \$4 per mmbtu, excluding transportation charges, for a volume of 25350 G cal per day. This contract expired in December 31, 2003. For gas requirements in 2004, Ispat has entered into contracts in the futures market for a total volume of 7,300,000 MMBTU, at an average net price of \$5.59 per MMBTU (excluding transportation charges). A hypothetical 10% fluctuation on the purchase price of natural gas will have an impact on pre-tax income of approximately \$23. The fair value of such contracts as on December 31, 2003 was \$44 (2002: \$161).

At the Canadian Operating Subsidiary, an annual consumption of natural gas of Canadian Dollar 79 million (2002: Canadian Dollar 38 million) at an exchange rate of 0.76 (Canadian Dollar to U.S. Dollar) would result in an annual consumption of \$60 (2002: \$29). Therefore, a hypothetical 10% fluctuation in the purchase price of natural gas would have an impact on pre-tax income at the Canadian Operating Subsidiary of approximately \$6 (2002: \$3).

**Note 10: Shareholders' Equity**

The authorized common shares of Ispat consisted of 500,000,000 class A shares, with a par value of 0.01 per share, and 72,150,000 class B shares, with a par value of 0.10 per share. At December 31, 2002, 54,850,000 Ispat class A shares and 72,150,000 Ispat class B shares were issued and 49,587,492 (2002: 51,735,794) Ispat class A shares and 72,150,000 (2002: 72,150,000) Ispat class B shares were outstanding.

In connection with the introduction of Euro on January 1, 2002, Ispat converted the nominal value of its shares from Dutch Guilders into Euro. The articles of association were amended on December 31, 2001 based on the resolution of the shareholders meeting held on December 21, 2001. By this conversion the total



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

common stock par value of Ispat increased by \$3, which had been accounted for through Additional Paid-in Capital in Equity.

The preference and relative rights of Ispat's International's class A shares and class B shares are substantially identical except for disparity in voting power and conversion rights. Holders of Ispat's class A shares are entitled to one vote per share and holders of Ispat's class B shares are entitled to ten votes per share on all matters submitted to a vote of shareholders. Each Ispat class B share is convertible, at the option of the holder, into one Ispat class A share.

At December 31, 2003, Ispat had 5,262,508 of its own class A shares, which it purchased on the open market for a net consideration of \$110 (at December 31, 2002: 3,114,206 at a consideration of \$103).

During the year 2003, Ispat sold 23,532 (2002: 2,117,781) of its treasury stock shares to Ispat Inland Pension Fund for a total consideration of \$0.01 (2002: \$5). Also, Ispat bought back 2,263,000 (2002: 139,200) of its shares from the open market during the year at a consideration of \$9 (2002: \$1) under a share buy-back program announced by Ispat.

These shares have been acquired for the purpose of Ispat's employee stock option plan.

All calculations to determine the amounts available for dividends are based on Ispat's Dutch statutory accounts, which, as a holding company, are different from its consolidated accounts.

Ispat has no manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is able to arrange the cash dividend distribution from its subsidiaries, recognizes gains from the sale of its assets or records share premium from the issuance of (new) common shares. Certain of Ispat's Operating Subsidiaries are subject to restrictions under the terms of their debt agreements for paying dividends. As a result, subsidiaries of Ispat had \$375 in retained earnings, which are free of restriction for the payment of dividend at December 31, 2003. Dividends are payable by Ispat in either U.S. dollars or in Euros.

Ispat received no cash dividends for the years 2001, 2002 and 2003, respectively, from its operating subsidiaries.

In 2001, Ispat recorded a capital contribution of \$3 relating to the gain on the sale of assets to a party under common control of Ispat's principal shareholder.

***Stock Option Plan***

In 1999, Ispat adopted a stock option plan, the Ispat Plan. Under the terms of the Ispat Plan, Ispat may grant options to senior management of Ispat and its affiliates for up to 6,000,000 shares of common stock. The exercise price of each option equals not less than the fair market value of Ispat stock on the date of grant, with a maximum term of 10 years. Options are granted at the discretion of Ispat's Board of Director's Plan Administration 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.

Prior to 2003, Ispat had chosen to account for stock-based compensation using the intrinsic value method prescribed in APB 25, and related Interpretations. Accordingly, compensation cost for stock options is measured as the excess, if any, of the quoted market price of Ispat's stock at the date of the grant over the amount an employee must pay to acquire the stock. As indicated above, all options were granted at an exercise price equal to or greater than the fair market value on the date of grant and accordingly, no compensation expense has been recognized in these financial statements pursuant to APB 25 effective January 1, 2003. Ispat has decided to expense stock-based compensation under the fair value recognition provisions of SFAS 123 (see Note 2).

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

The fair value of each option grant of Ispat stock is estimated on the date of grant using Black-Scholes Model Method with the following weighted-average assumptions used:

	Year of Grant		
	2001	2002	2003
Dividend Yield			
Expected annualized volatility		83%	
Discount rate bond equivalent yield		5.03%	
Expected life in years		8	

The status of the Ispat Plan with respect to Ispat is summarized below at December 31, 2003:

	Number of Shares	Weighted Average Exercise Price(\$)
Opening balance as of January 1, 2001	2,512,000	10.19
Granted during the year		
Exercised		
Forfeitures	(310,000)	10.30
Outstanding at December 31, 2001	2,202,000	10.17
Granted during the year	1,349,500	2.26
Exercised		
Forfeitures	(160,000)	7.95
Outstanding at December 31, 2002	3,391,500	7.13
Granted during the year		
Exercised	(91,166)	7.08
Forfeitures/restoration	39,000	11.72
Outstanding at December 31, 2003	3,339,334	7.32

At December 31, 2003, the stock options are exercisable as follows:

	Options	Average Exercise Price (\$)(1)
2003	2,530,111	8.93
2004	2,934,723	8.01
2005	3,339,334	7.32
2006	3,339,334	7.32
2007	3,339,334	7.32

(1) Based on exercise prices of \$11.94, \$8.57 and \$2.26 for 1999, 2000 and 2002 the respective years of the grant date.

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

**Note 11: Employee Benefit Plans**

***Defined Benefit Plans***

Ispat's principal Operating Subsidiaries in the U.S., Canada, Trinidad, Germany and France provide defined benefit pension plans to their employees. A brief summary of the plans provided by the subsidiaries in the countries in which Ispat operates is as follows:

***U.S. and Canadian Plans***

The U.S. Operating Subsidiary's Pension Plan and Pension Trust which covers certain employees of Ispat, is a non-contributory benefit plan with pensions based on final pay and years of service for all salaried employees and certain wage employees, and years of service and a fixed rate (in most instances based on frozen pay or on job class) for all other wage employees including members of the United Steelworkers of America.

The Canadian Operating Subsidiary offers contributory and non-contributory defined benefit pension plans for substantially all of its employees. Benefits for the non-contributory plans are generally calculated based on the number of years of service of the unionized employees and based on actuarial computations. Benefits for the contributory plans are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years.

The Canadian Operating Subsidiary provides certain post-employment and post-retirement medical benefits and life insurance for certain groups of retired employees. Ispat is accruing the cost of these benefits for current and future retirees using the projected unit credit actuarial method.

***Trinidad Plan***

Ispat's Operating Subsidiary in Trinidad maintains a contributory defined benefit pension plan for substantially all of its employees, the benefits of which are based on the employees' length of service.

***European Plans***

The German Operating Subsidiaries maintain unfounded defined 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.

Additionally, certain of the employees at the Duisburg operations, after completing a minimum period of continuous employment are entitled to a Pension benefit based on length of service and compensation.

Under French law, the French Operating Subsidiaries have an obligation to pay lump sum retirement indemnities to employees calculated based on the length of service and compensation at retirement. The French Operating Subsidiaries also have a commitment to provide additional post-retirement benefits linked to years of service and compensation at retirement reduced by retirement benefits available from the state managed pension scheme.

Additionally, lump sum payments are also required to be paid to employees who have completed a defined number of years of service in Ispat.

*Mexican Plan*

The Mexico Operating Subsidiary is obligated to provide seniority premiums, which consist of a one-time payment of 12 days wages for each year worked, calculated on the basis of the latest salary. Maximum salary used in these calculations is limited to double the legal minimum wage.

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

The components of the net periodic benefit cost of the defined benefit plans for the years ended December 31 are as follows:

	<b>Pension Benefits U.S. and Canadian Plans</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Components of net periodic benefit cost:			
Service cost	\$ 36	\$ 42	\$ 40
Interest cost	180	177	183
Expected return on plan assets	(211)	(210)	(202)
Special termination benefits	8	0	0
Recognized actuarial gain	(1)	1	2
Amortizations	9	9	13
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 21	\$ 19	\$ 36
	<u>          </u>	<u>          </u>	<u>          </u>

	<b>Pension Benefits U.S. and Trinidad Plan</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Components of net periodic benefit cost:			
Service cost	\$ 2	\$ 2	\$ 2
Interest cost	3	3	3
Expected return on plan assets	(5)	(5)	(6)
Net amortizations	0	(1)	0
	<u>          </u>	<u>          </u>	<u>          </u>
	\$	\$(1)	\$(1)
	<u>          </u>	<u>          </u>	<u>          </u>

	<b>Pension Benefits European Plans</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Components of net periodic benefit cost:			
Service cost	\$ 1	\$ 2	\$ 2
Interest cost	2	2	2
	<u>          </u>	<u>          </u>	<u>          </u>
	\$ 3	\$ 4	\$ 4
	<u>          </u>	<u>          </u>	<u>          </u>

The following assumptions were used:

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Discount rates for obligations	6.50%-7.50%	6.50%-8.00%	6.25%-6.50%
Assumed rates of compensation increases	4.00%	4.00%-5.50%	3.00%-5.28%
Expected long-term rate of return on assets	7.75%-9.50%	7.50%-9.50%	8.00%-9.50%

F-55

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

The change of benefit obligation and plan assets and reconciliation of funded status through the measurement date are as follows:

	<b>Trinidad Plan Year Ended December 31,</b>	
	<b>2002</b>	<b>2003</b>
Change in benefit obligation		
Benefit obligation at beginning of the period	28	40
Service cost	2	2
Interest cost	3	3
Participants contributions	1	1
Benefit improvements	5	
Actuarial (gains) losses	2	8
Benefits paid	(1)	(1)
	<u>          </u>	<u>          </u>
Benefit obligation at end of the period	40	53
	<u>          </u>	<u>          </u>
Change in fair value of plan assets		
Fair value of plan assets at beginning of the period	54	61
Actual return on plan assets	7	16
Employers contribution	1	1
Participations contribution	1	1
Benefits paid	(2)	(2)
	<u>          </u>	<u>          </u>
Fair value of plan assets at end of the period	61	77
	<u>          </u>	<u>          </u>
Funded status of the plans	21	24
Unrecognized net actuarial losses	(15)	(2)
Unrecognized transition assets	(2)	(15)
Unrecognized prior service cost	12	10
	<u>          </u>	<u>          </u>
Prepaid pension at end of period	16	17
	<u>          </u>	<u>          </u>

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	U.S. and Canadian Plans(1)	
	Year Ended December 31,	
	2002	2003
Change in benefit obligation		
Benefit obligation at beginning of the period	2,482	2,605
Service cost	42	40
Interest cost	177	183
Participants' contributions	1	1
Plan amendment		41
Actuarial losses	115	242
Foreign currency exchange rate differences	3	65
Benefits paid	(215)	(214)
	<u>2,605</u>	<u>2,963</u>
Benefit obligation at end of the period	2,605	2,963
Change in fair value of plan assets		
Fair value of plan assets at beginning of the period	2,043	1,741
Actual return on plan assets	(98)	324
Employers' contribution	8	140
Participants' contribution	1	1
Foreign currency exchange rate differences	2	42
Benefits paid	(215)	(216)
	<u>1,741</u>	<u>2,032</u>
Fair value of plan assets at end of the period	1,741	2,032
Underfunded status of the plans	(864)	(931)
Unrecognized net actuarial gains	830	941
Unrecognized prior service cost	84	117
	<u>50</u>	<u>127</u>
Accrued pension liability at end of period	50	127
Accrued benefit liability(2)	(842)	(918)
Intangible asset	84	117
Accumulated other comprehensive income	808	928
	<u>50</u>	<u>127</u>
Amount recognized on balance sheet	50	127

(1) The actuarial computation for the U.S. Operating Subsidiary was performed at November 30, 2003 while the actuarial computation for the other Operating Subsidiaries was performed at December 31, 2003.

(2) At U.S. Operating Subsidiary an amount of \$112 has been recorded under current liabilities.





**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	<b>European Plans</b>	
	<b>Year Ended December 31,</b>	
	<b>2002</b>	<b>2003</b>
Change in benefit obligation		
Benefit obligation at beginning of the period	32	42
Service cost	2	2
Interest cost	2	3
Plan amendments	(2)	
Actuarial losses	3	
Foreign currency exchange rate differences	5	11
	<u>42</u>	<u>58</u>
Benefit obligation at end of the period	42	58
	<u>(42)</u>	<u>(58)</u>
Underfunded status of the plans	(42)	(58)
	<u>(42)</u>	<u>(58)</u>
Accrued pension liability at end of period	(42)	(58)
	<u>(42)</u>	<u>(58)</u>
Amount recognized on balance sheet	(42)	(58)

*Post-Retirement Benefits*

Ispat's Operating Subsidiaries in the U.S., Canada and France provide post-retirement benefits, including medical benefits and life insurance benefits to retirees. The post-retirement plans relate to the U.S., Canadian and French operating subsidiaries.

Substantially all of the U.S. Operating Subsidiary's employees are covered under post-retirement life insurance and medical benefit plans that require deductible and co-insurance payments from retirees. The post-retirement life insurance benefit formula used in the determination of post-retirement 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 prefund any of these post-retirement benefits. Effective January 1, 1994, a Voluntary Employee Benefit Association Trust was established for payment of health care benefits made to United Steel Workers of America. Funding of the Trust is made as claims are submitted for payment.

The net periodic post-retirement benefit cost was as follows:

	<b>U.S. and Canadian Plans</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Service cost	9	8	10
Interest cost	61	59	59
Amortization	(20)	(20)	(20)

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Special termination benefits	3		
Recognized (gains)	(3)	(1)	
	<u>    </u>	<u>    </u>	<u>    </u>
Net periodic benefit cost	50	46	49
	<u>    </u>	<u>    </u>	<u>    </u>

F-58

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	European Plans		
	2001	2002	2003
Service cost	1	2	1
Interest cost	1	1	1
	<u>      </u>	<u>      </u>	<u>      </u>
Net periodic benefit cost	2	3	2
	<u>      </u>	<u>      </u>	<u>      </u>

The following weighted average assumptions were used in accounting for the post-retirement benefit plan:

	November 30,		
	2001	2002	2003
Discount rates for obligations	7.50%	6.50%-7.10%	6.25%-6.50%
Rate of compensation increase	4.00%	4.00%	3.00%-5.28%
Health care cost trend rate	4.50%	4.50%	4.50-9.20%

The following tables sets forth the post-retirement benefit obligation at the dates indicated:

	U.S. and Canadian Plans	
	Year Ended December 31,	
	2002	2003
Benefit obligation at beginning of period	812	855
Service cost	8	9
Interest cost	59	59
Actuarial losses	33	172
Plan amendment		(105)
Foreign currency exchange rate changes		4
Benefits paid	(57)	(65)
	<u>      </u>	<u>      </u>
Benefits obligation at end of period	855	929
	<u>      </u>	<u>      </u>
Fair value of assets		
	<u>      </u>	<u>      </u>
Underfunded status of plan	(855)	(929)
Unrecognized net (gain)	(65)	105
Unrecognized prior service cost	(83)	(166)
	<u>      </u>	<u>      </u>
Accrued post-retirement benefit obligation at end of period	(1,003)	(990)



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	European Plans	
	Year Ended December 31,	
	2002	2003
Benefit obligation at beginning of the period	15	20
Service cost	2	1
Interest cost	1	1
Benefits paid	(1)	(1)
Foreign currency exchange rate differences	3	4
	—	—
Benefit obligation at end of the period	20	25
	—	—
Fair value of assets	—	—
	—	—
Underfunded status of the plans	(20)	(25)
Unrecognized prior service cost	—	—
	—	—
Accrued post-retirement benefit obligation at end of period	(20)	(25)
	—	—

An increase of 1% in the health care cost trend rate of the U.S. Operating Subsidiary would increase the benefit obligation by \$111 and the annual net periodic cost by \$9. A 1% decrease would reduce the benefit obligation by \$99 and the annual net periodic annual net cost by \$8.

At the Canadian Operating Subsidiary, for evaluation purposes, the annual growth rate assumption for the cost of health care for each participant was established at 9.2% in 2003. The rate is expected to gradually decline to 3.6% in 2011 and remain at this level subsequently. A 1% change would have an effect of \$2.

**Note 12: Income Tax Expense (Benefit)**

The breakdown of the income tax expense (benefit) before extraordinary gains or losses is as follows:

	Year Ended December 31,		
	2001	2002	2003
Current:			
U.S.	\$	\$ (3)	\$ 11
America s (excluding U.S.)	2	14	3
Europe	4	4	5
Others	2	3	3
	—	—	—
Total current income tax expense (benefit)	\$ 8	\$ 18	\$ 22
	—	—	—

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Deferred:			
U.S.	(75)	(17)	(22)
America s (excluding U.S.)	(38)	(59)	(18)
Europe	(1)	4	10
	<u>      </u>	<u>      </u>	<u>      </u>
Total deferred income tax expense (benefit)	\$ (114)	\$ (72)	\$ (30)
	<u>      </u>	<u>      </u>	<u>      </u>
Total income tax expense (benefit)	\$ (106)	\$ (54)	\$ (8)
	<u>      </u>	<u>      </u>	<u>      </u>

F-60

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

The following table reconciles the income tax expense compared at the statutory rate of each tax jurisdiction and Ispat's overall effective tax rate:

	Year ended December 31,		
	2001	2002	2003
Tax expense (benefit) at aggregate statutory rates of all jurisdictions:			
U.S.	\$ (69)	\$ 6	\$(13)
America s (excluding U.S.)	(124)	8	24
Europe	(3)	12	23
Others	0	1	5
	<u>          </u>	<u>          </u>	<u>          </u>
	\$(196)	\$ 27	\$ 39
Increase (decrease) resulting from:			
Benefit arising from interest in partnership	America s (21)	(13)	(15)
Valuation allowance	America s 13	(16)	(12)
Valuation allowance	Europe (8)	(2)	0
Effects of foreign currency translation	America s 18	(34)	(12)
Restructuring	Europe 12	(4)	(8)
Tax loss carryforwards	America s 33	27	0
Depreciation	America s 0	(55)	0
Export allowances	America s 0	28	1
Miscellaneous accruals	U.S. (3)	(23)	0
Inflationary effects	America s 35	14	0
Non-deductible expense	America s 6	2	0
Participation in results of subsidiaries and others	America s 0	(8)	0
Others	Various 5	3	(1)
	<u>          </u>	<u>          </u>	<u>          </u>
Income tax expense (benefit)	\$(106)	\$(54)	\$ (8)
	<u>          </u>	<u>          </u>	<u>          </u>



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Deferred Income Tax**

Temporary differences and the resulting deferred tax assets and liabilities at December 31, 2002 and 2003 are summarized as follows:

		Year Ended December 31,	
		2002	2003
Current deferred tax assets:			
Facilities relocation restructuring	U.S.	\$ 19	\$ 19
Accrued vacation	U.S.	13	11
Inventories	Europe	6	7
Inventories	U.S.	6	0
Accrued expenses	America s	1	5
Tax loss carryforwards	America s	20	0
Others	U.S.	2	4
Others	America s	2	2
Others	Europe	2	5
		<u>      </u>	<u>      </u>
Total current deferred tax assets		\$ 71	\$ 53
		<u>      </u>	<u>      </u>
		Year Ended December 31,	
		2002	2003
Noncurrent deferred tax assets:			
Employee benefit costs	U.S.	\$ 346	\$ 345
Minimum pension liability	U.S.	275	321
Net operating losses and alternative minimum tax	U.S.	191	251
Net operating losses and alternative minimum tax	America s	66	65
Others	America s	101	173
Others	Europe	58	78
Others	U.S.	48	46
		<u>      </u>	<u>      </u>
Total noncurrent deferred tax assets		1,085	1,279
		<u>      </u>	<u>      </u>
Total deferred tax assets		1,156	1,332
		<u>      </u>	<u>      </u>
Valuation allowances			
Valuation allowance	Europe	(60)	(73)
Valuation allowance	America s	0	(14)
Valuation allowance	Others	(3)	0
		<u>      </u>	<u>      </u>
		(63)	(87)
		<u>      </u>	<u>      </u>

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Net deferred tax asset after valuation allowances	\$1,093	\$1,245
---	---------	---------

F-62

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

		Year Ended December 31,	
		2002	2003
Current deferred tax liabilities:			
Amortization expense	U.S.	\$ (4)	\$ (5)
Capitalized interest	U.S.	0	(2)
Deduction in purchase in lieu of cost of sales	America s	(19)	(20)
		<u>          </u>	<u>          </u>
Total current deferred tax liabilities		\$ (23)	\$ (27)
		<u>          </u>	<u>          </u>
Noncurrent deferred tax liabilities:			
Property, plant and equipment	U.S.	(486)	(507)
Property, plant and equipment	America s	(135)	(154)
Investment in joint ventures	U.S.	(51)	(51)
Others	America s	(7)	(10)
Others	Europe	(11)	(32)
Other	U.S.	(1)	(1)
		<u>          </u>	<u>          </u>
Total noncurrent deferred tax liabilities		(691)	(755)
		<u>          </u>	<u>          </u>
Total deferred tax liabilities		(714)	(782)
		<u>          </u>	<u>          </u>
		\$ 379	\$ 463
		<u>          </u>	<u>          </u>

At December 31, 2003, Ispat had a valuation allowance of \$87 (\$63 at December 31, 2002) to reduce its deferred tax assets to estimated realizable value. The valuation allowance primarily relates to the deferred tax assets arising from tax loss operating carryforwards and capital loss carryforwards in France as well as other temporary timing differences. In France, tax loss operating carryforwards and capital loss carryforwards have no expiration date. The utilization of tax operating carryforwards is, however, restricted to the taxable income of the subsidiary generating the losses. In addition, capital loss carryforwards can only be offset against capital gains. The increase in the total valuation allowance, arising from French Operating and Canadian Operating Subsidiary, for the year ended December 31, 2003 was principally from a reduction in the temporary timing differences between the fiscal and commercial valuation of certain balance sheet items as well as a limited utilization of the tax loss carry forward. Offsetting this increase was a decrease in the valuation allowance at Trinidad Operating Subsidiary.

At December 31, 2003, 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 Ispat will realize the benefits of these deductible differences, net of the valuation allowances, at December 31, 2003. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

Ispat 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. At December 31, 2003, the cumulative undistributed earnings of these subsidiaries were approximately \$375 million (\$321 million at December 31, 2002). 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 federal and foreign income taxes is not practical.



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

***Tax Loss Carry Forward***

At December 31, 2003, the U.S., the Mexican and the Canadian Operating Subsidiary had their net operating loss carryforwards expiring as follows:

<b>Year Expiring</b>	
2009	\$ 65
2010	47
2011	33
2012	97
2013	14
2019	80
2020	190
2021	260
2023	152

At Germany, Trinidad, France and the Netherlands the net operating loss carryforwards do not expire and are indefinite.

**Note 13: Other Operating Expenses**

Other operating expenses include:

	<b>Year Ended December 31,</b>		
	<b>2001</b>	<b>2002</b>	<b>2003</b>
Closure of Company's Irish Operating Subsidiary	\$ 17	\$	\$
Arbitration settlement with respect to a scrap supply contract	19	0	0
Write-down in value of certain e-commerce software(1)	17	0	0
Impairment loss on oceangoing vessels(1)	22	0	0
Write-off of Empire Mine investments	0	39	0
Impairment loss on 2A Bloomer and 21 Bar Mill	0	23	0
	<u>75</u>	<u>62</u>	<u>0</u>
	<b>\$ 75</b>	<b>\$ 62</b>	<b>\$</b>

(1) Certain regroupings have been made to the prior period's financial statements in order to conform to 2002 groupings.

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Note 14: Provisions and Allowances**

	Balance at December 31, 2002	Additions charged to cost and expenses	Deduction/ release	Balance at December 31, 2003
Accounts receivable	\$ 41	\$ 6	\$	\$ 47
Environmental (see Note 16)	28	9	0	37
Shutdown reserves(1)	23	7	3	27
Voluntary severance offer and other	1	0	0	1
Deferred tax valuation allowances	63	0	24	87

- (1) The U.S. Operating Subsidiary maintains various shutdown reserves for former or dormant entities. Additions relate to liability recorded upon adoption of SFAS 143 on January 1, 2003 and accretion during 2003 (see Note 15).

**Note 15: Commitments**

Ispat leases various facilities, land and equipment under non-cancelable lease arrangements, which expire at various dates through 2031. 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-cancelable terms in excess of one year are as follows:

Year Ending	
2004	\$ 19
2005	16
2006	7
2007	4
2008	4
Thereafter	39
Total minimum lease payments	\$ 89

Rent expense amounted to \$29, \$27 and \$30 for the years ended December 31, 2001, 2002 and 2003, respectively.

In the normal course of business, Ispat enters into various long-term raw material supply contracts, which generally provide for the purchase prices to be negotiated annually based on market prices.

In the ordinary course of its business Ispat has guaranteed certain debts of its subsidiaries, totaling \$1,500.

On July 16, 1998, Ispat's U.S. Operating Subsidiary entered into an agreement (the Agreement) with the Pension Benefit Guaranty Corporation (the PBGC) to provide certain assurances with respect to the U.S. Operating Subsidiary's Pension Plan. In accordance with the Agreement, Ispat provided the PBGC a \$160 letter of credit, which expired on July 9, 2003, and had made \$242 of contributions to the Pension Trust through June 30, 2003. The U.S. Operating Subsidiary made a further payment of \$54.5 during the first quarter of 2003. In addition, the U.S. Operating Subsidiary granted to the PBGC a first priority lien on selected assets. In July 2003, the U.S. Operating Subsidiary reached an agreement with the PBGC regarding alternative security for the \$160 letter of credit. The letter of credit was allowed to expire, and in its place, the U.S. Operating Subsidiary agreed to contribute \$160 to its Pension Plan over the next two years. The



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

U.S. Operating Subsidiary contributed \$50 in July 2003, \$21 in September 2003, and is required to contribute \$82.5 in 2004 and \$27.5 in 2005. Additionally, the U.S. Operating Subsidiary pledged \$160 of non-interest bearing First Mortgage Bonds to the PBGC as security until the remaining \$110 has been contributed to the Pension Plan and certain tests have been met.

Also, under the Agreement, Ryerson Tull Inc., the former parent of the U.S. Operating Subsidiary, provided to the PBGC a \$50 guarantee of the U.S. Operating Subsidiary's pension plan obligations, later issuing a letter of credit to secure this guarantee. The U.S. Operating Subsidiary committed to take all necessary action to replace the guaranty/letter of credit by July 16, 2003, but was unable to do so, and therefore the guaranty and letter of credit continued in place. Separately, on September 15, 2003, the U.S. Operating Subsidiary entered into a settlement agreement with Ryerson Tull under which, among other things, Ryerson Tull paid the U.S. Operating Subsidiary \$21 to release Ryerson Tull from various environmental and other indemnification obligations arising out of the sale by Ryerson Tull of the U.S. Operating Subsidiary to Ispat. The \$21 received from Ryerson Tull was paid into the U.S. Operating Subsidiary Pension Plan and went to reduce the amount of the Ryerson Tull guaranty/letter of credit. The U.S. Operating Subsidiary has agreed to make specified monthly contributions to its Pension Plan totaling \$29 over the twelve-month period beginning January 2004, thereby eliminating any remaining guaranty/letter of credit obligations of Ryerson Tull with respect to the U.S. Operating Subsidiary's Pension Plan. In addition, the U.S. Operating Subsidiary committed to reimburse Ryerson Tull for the cost of the letter of credit to the PBGC, and to share with Ryerson Tull one-third of any proceeds which the U.S. Operating Subsidiary might receive in the future in connection with a certain environmental insurance policy.

The U.S. Operating Subsidiary has guaranteed \$55 of long-term debt attributable to I/N Kote, one of its equity investments.

The U.S. Operating Subsidiary has a 15 year agreement, with approximately 11 years remaining, with a third party to purchase approximately 1.2 million tons of coke annually, on a take or pay basis at prices determined by certain cost factors from a heat recovery coke battery facility located on land leased to the third party. Under a separate tolling agreement with another third party, the U.S. Operating Subsidiary has committed to pay tolling charges over approximately 11 remaining years to desulpharize exhaust gas from the coke battery and to convert the heat output from the coke battery to electrical power and steam. At December 31, 2003 and 2002, the estimated minimum tolling charges remaining over the life of this agreement were approximately \$199 and \$225 respectively.

The U.S. Operating Subsidiary has, as a part of the agreement covering the 1990 sale of the Inland Lime & Stone Company division assets, agreed, subject to certain exceptions, to purchase at prices which approximate market, its annual limestone needs through 2002. With the completion of that agreement, the U.S. Operating Subsidiary is considering competitive bids for its limestone needs for 2003 and beyond.

The U.S. Operating Subsidiary has a total amount of firm commitments to contractors and suppliers in connection with construction projects primarily related to additions to property, plant and equipment for an amount of \$2 million at December 31, 2003, and \$7 at December 31, 2002.

In the fourth quarter of 2002, the U.S. Operating Subsidiary recognized a write-off amounting to \$39 for the assets associated with the Empire Mine Partnership. The U.S. Operating Subsidiary agreed to sell part of its interest in the Empire Partnership to a subsidiary of Cleveland-Cliffs Inc. for one U.S. Dollar thereby reducing its interest to 21%. Cleveland-Cliffs, Inc. will indemnify the U.S. Operating Subsidiary for liabilities associated with the Operating Subsidiary's continuing ownership interest in the Empire Partnership. The U.S. Operating Subsidiary will have the option to sell its remaining interest in the Empire Partnership for one U.S. Dollar to a subsidiary of Cleveland-Cliffs Inc. at any time after December 31, 2007. In addition, for twelve years, the U.S. Operating Subsidiary will purchase from subsidiaries of Cleveland-Cliffs all of its pellet



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

requirements beyond those produced by the Minorca Mine and such subsidiary's remaining interest in Empire. The U.S. Operating Subsidiary will pay a price for such pellets based on an agreed methodology, which is fixed for 2003 and 2004 and will be adjusted thereafter based on a formula.

Under the new 10 5/8% Senior Structured Export Certificates (the "New SENs") of Imexsa Export Trust No. 96-1 issued in exchange for outstanding 10 1/8% Senior Structured Export Certificates of Imexsa Export Trust No. 96-1 (See Notes 9 and 19), Ispat's Mexican Operating Subsidiary is committed to sell steel slabs to Mitsubishi Corporation and other customers with a Standard & Poor's Ratings Services and Moody's Investor Service, Inc. credit rating no lower than Mitsubishi during the term of the agreement, which expires in May 31, 2005, based on sufficient volumes of slabs to generate receivables in each quarter in an aggregate face amount equal to 2 times the scheduled quarterly debt service (principal and interest) of the New SENs. The selling price of steel slabs to Mitsubishi Corporation or other customer for any quarter is derived from a formula based on the market price.

In August 1999, the Mexican Operating Subsidiary entered into a long-term slab supply agreement commencing in January 2001, with a local customer APM S.A. de C.V. (now IMSA-MEX, S.A. de C.V.), whereby the customer will purchase 75% of its total slab requirements at 99% of the weighted average FOB Stowed base price for Mexican Operating Subsidiary's non-affiliated customers plus the quality extras. Under this contract the Mexican Subsidiary shipped approximately 0.817 million tons in 2002 and approximately 1.012 million tons in 2003.

On March 27, 1996, the Mexican Operating Subsidiary entered into an agreement for the period to December 31, 2005, with Pemex Gas y Petroquimica Basica ("Pemex") to purchase natural gas. On February 8, 2001, Ispat's Mexican Subsidiary entered into a three year agreement for the period January 1, 2001 to December 31, 2003, with Pemex to purchase 25,350 Gcal per day of natural gas at a fixed price of \$4 per mmbtu excluding transportation charges. During 2004 the Mexican Operating Subsidiary will consume approximately 39,000 Gcal per day of natural gas to be invoiced by Pemex at the prevailing market price applied for each month.

Pursuant to its agreement with ISCOTT, Ispat was required to offer new shares representing 40% of its Trinidadian Operating Subsidiary's total issued share capital in a public offering to Trinidadian and Tobagonian nationals and locally controlled corporations by June 30, 1998. The Agreement also provides that such offering must be made at a fair price and on such other terms to be negotiated, and in default of agreement, by the Trinidad and Tobago Stock Exchange (the "TTSE"). The Government extended the deadline to make the offering in the second half of 2000 and has also agreed in principle, as an alternative arrangement, to allow the shares of Ispat to be listed and offered on the TTSE. Ispat is currently working with the Government to resolve the requirement.

In September 2002, the Trinidadian Operating Subsidiary in agreed with the National Gas Company of Trinidad and Tobago Limited ("NGC") to pay outstanding amounts for gas supplied whereby they paid to NGC approximately \$5 in 2002 and approximately \$19 in 2003 and agreed to pay \$10 in monthly installments in 2004 towards the outstanding balance including interest. The Trinidadian Operating Subsidiary further agreed to accelerate certain of these payments to NGC in the event of increased cash flow under a variable factor method.

The Trinidadian Operating Subsidiary had an agreement with a third party to purchase between 2.5 and 4.5 million metric tons of direct reduction iron ore pellets annually, for ten years, on a take or pay basis. In 2002 the parties reached an agreement to replace the remainder of the contract with annually negotiated purchase agreements and entered into an agreement for the purchase of 2.5 million metric tons of direct reduction iron ore pellets between January 1, 2002 and February 28, 2003. The Trinidadian Operating Subsidiary entered into a subsequent agreement for the purchase of 3.0 million metric tons of direct reduction

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

iron ore pellets between March 1, 2003 and February 29, 2004. It is anticipated that in 2004 a further annual purchase agreement will be negotiated.

**Asset Retirement Obligations**

In June 2001, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 143, Accounting for Asset Retirement Obligations. This Statement establishes standards for accounting for legal obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. Ispat adopted the Standard during the first quarter of 2003. SFAS 143 requires that Ispat record the fair value of a legal liability for an asset retirement obligation ( ARO ) in the period in which it is incurred and capitalize the ARO by increasing the carrying amount of the related asset. The liability is accreted to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Ispat adopted the provisions of SFAS No. 143 on January 1, 2003. Based on analysis Ispat has performed, it has been determined that there are two assets for which an asset retirement obligation must be recorded.

The first asset is Ispat's Minorca Mine at Ispat Inland. The Minorca Mine, through the Environmental Impact Statement (the EIS ) process, does have a reclamation plan on file with the state of Minnesota. Each year the Minorca Mine is required by the Minnesota Department of Natural Resources (the MDNR ) to submit an annual mining and reclamation summary for the year just completed and to provide mining and reclamation plans for the coming year. When possible the Minorca Mine reclaims abandoned areas on a yearly basis. By doing this, the mine keeps up with the reclamation to avoid a huge cost at the end of the mine life. Each fall the MDNR conducts a field review of prior reclamation work, to point out deficiencies that need to be corrected. A complete environmental site assessment was done in 1996. The Minnesota Pollution Control Agency conducted a multi-media inspection of the entire property with no violations. Currently, Ispat Inland Mining Company is in compliance with all environmental standards and therefore, Ispat expects little or no environmental remediation at the time of closure of the mine. As of December 31, 2003, the estimated total future reclamation costs have a fair value of \$18 with an estimated potential reserve of 40,044,000 gross tons of pellets.

The second asset retirement obligation relates to the removal costs of the manufacturing facilities and remediation at the site property at Ispat Hamburg. Under the terms of the lease agreement, Ispat Hamburg will be responsible for removal and remediation costs for the factory land at the end of its lease in 2013. At Ispat Europe, there was a provision of \$11 for retirement obligations on the same asset but not calculated in accordance with the provisions of SFAS 143, which was reversed on adoption of SFAS 143.

The cumulative impact of adopting SFAS 143, is an increase in assets and liabilities of \$9 and \$19, respectively. Accordingly, a cumulative post-tax gain of \$1 is reflected on the Consolidated Statement of Income as a Cumulative Effect of change in Accounting Principle.

Changes in the liability for asset retirement obligations during 2003 consisted of the following:

	<b>Total</b>
Balance as of January 1, 2003	
- Liability calculated as per SFAS 143	\$ 17
- Provision for the liability created in previous years at Ispat Europe	11
Liabilities incurred	1
Reversal of provision not required	(11)
Translation adjustment	2
	<hr/>
Balance as of December 31, 2003	\$ 20



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

The asset retirement obligation liability balances as if SFAS No. 143 had been adopted on January 1, 2001 (instead of January 1, 2003) were as follows:

	<u>2002</u>	<u>2003</u>
Liability for asset retirement obligations at beginning of period	\$ 15	\$ 17
Liability for asset retirement obligations at end of period	17	20

In 2003, the cumulative effect of change in accounting principle from the application of SFAS 143 was as follows:

	<u>Total</u>
Cumulative retirement obligation arising from application of SFAS 143	\$ 10
Provision previously recognized at Ispat Europe for the asset retirement obligation	(11)
Cumulative gain effect of change in Accounting Principle	(1)

**Note 16: Contingencies**

In the ordinary course of its business, Ispat is party to various legal actions.

The U.S. Operating Subsidiary is involved in various environmental and other administrative or judicial actions initiated by governmental agencies. While it is not possible to predict the results of these matters, the U.S. Operating Subsidiary does not believe environmental expenditures, excluding amounts that may be required in connection with the 1993 Consent Decree in the 1990 Environmental Protection Agency ( EPA ) lawsuit, will materially affect the results of operations or financial position. Corrective actions relating to the EPA Consent Decree may require significant expenditures over the next several years that may be material to the results of operations, the financial position and the liquidity of Ispat. At December 31, 2003, the reserves for environmental liabilities totaled \$28, \$22 of which is related to the sediment remediation under the 1993 EPA Consent Decree. These amounts were unchanged from those outstanding at December 31, 2002.

In October 1996 the U.S. Operating Subsidiary was identified as a potentially responsible party due to alleged releases of hazardous substances from its Indiana Harbor Works facility and was notified of the Natural Resource Damages Act (NRDA) Trustees' intent to perform an environmental assessment on the Grand Calumet River and Indiana Harbor Canal System. A form of Consent Decree has been negotiated and the U.S. Operating Subsidiary currently believes it will be approved by the appropriate court in the first half of 2004 under which the U.S. Operating Subsidiary would pay approximately \$1.5 in the first year and approximately \$1.7 in each of the four years thereafter, for a total of approximately \$8.2. The U.S. Operating Subsidiary has also incurred approximately \$0.5 in costs related to this matter which will be payable within 30 days of the Consent Decree. Although the U.S. Operating Subsidiary has implemented an accounting reserve on this matter for approximately \$8.7, the U.S. Operating Subsidiary currently believes that, as a result of related ongoing negotiations with the EPA, the U.S. Operating Subsidiary will be able to reduce the amount of a separate \$28 environmental reserve established concerning the U.S. Operating Subsidiary's 1993 environmental Consent Decree by \$7-\$9. Until such time as the matter is finally resolved, it is not possible to accurately predict, beyond the currently established reserve, the amount of the U.S. Operating Subsidiary's potential liability or whether this potential liability could materially affect the U.S. Operating Subsidiary's financial position.

On July 2, 2002 the U.S. Operating Subsidiary received a notice of violation ( NOV ) issued by the U.S. Environmental Protection Agency against Ispat, Indiana Harbor Coke Company, L.P. ( IHCC ) and Cokenergy, Inc., alleging violations of air quality and permitting regulations for emissions from the Heat Recovery Coal Carbonization facility which is operated by IHCC. An amended NOV stating similar allegations was issued on August 8, 2002. Although the U.S. Operating Subsidiary currently believes that its



**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

liability with respect to this matter will be minimal, the U.S. Operating Subsidiary could be found liable for violations and this potential liability could materially affect the financial position of the U.S. Operating Subsidiary.

The U.S. Operating Subsidiary is anticipated to make capital expenditures of \$2 to \$5 annually in each of the next five years for construction, and have ongoing annual expenditures (non-capital) of \$35 to \$40 for the operation of air and water pollution control facilities to comply with current federal state and local laws and regulations.

The U.S. Operating Subsidiary and an independent, unaffiliated producer of raw materials are parties to a long-term supply agreement under which the U.S. Operating Subsidiary was obligated to fund an escrow account to indemnify said producer of raw materials against a specific contingency. Contributions to the escrow were determined by the agreement and the funds were restricted from the U.S. Operating Subsidiary's use while in the escrow. The U.S. Operating Subsidiary received full recovery of \$39, the escrowed amount, in April of 2001.

In December 2001, the Trinidadian Operating Subsidiary settled arbitration proceedings with respect to a scrap supply contract. This amounted to \$21 of which \$16 was paid in cash and the balance of \$5 is being paid in twelve quarterly installments, which started on March 31, 2002. No interest is to accrue on the remaining balance unless the remaining installments are not paid when due. During 2002 a claim by a third party for alleged entitlement to the settlement monies was the subject of separate proceedings in Trinidad which have been settled without any additional liability on Ispat.

On March 5, 2002, as a result of an investigation under Section 201 of U.S. trade laws, U.S. imposed tariffs on imports into the United States of numerous steel products. These remedies included 30% tariff rate increases for hot-rolled sheet, cold-rolled sheet, coated sheet, and hot-rolled bar with the rates declining to 24% in year two and 18% in year three. The Section 201 remedy allowed Ispat Inland to increase U.S. prices for some of the covered products, benefiting the U.S. Operating Subsidiary's financial position.

Several foreign supplying countries challenged the U.S.'s action through the dispute resolution procedures of the World Trade Organization (WTO), and on November 11, 2003 the WTO issued a final ruling against the Section 201 remedy. The European Union and Japan announced that they would impose retaliatory tariffs on a wide range of products if the United States did not repeal the Section 201 tariffs. Following the issuance of a mid-term review of the Section 201 program, the President ended the Section 201 program on December 4, 2003, finding that the domestic steel industry's increased productivity, decreased production costs, and new labor agreements demonstrate that the industry has made sufficient progress in its restructuring efforts.

On December 13, 2003, in response to the elimination of the U.S. Section 201 tariffs, the European Union repealed duties on steel products from the United States. In response to the Section 201 tariffs, the European Union had imposed quotas on several hot-rolled and cold-rolled steel products in September 2002, with tariffs ranging from 15.7 to 23.4% on imports above quota levels. Canada initiated its own steel safeguard proceedings in response to the U.S. Section 201 tariffs, but it did not impose tariffs against steel imports, citing WTO compliance issues and NAFTA market distortion concerns.

Twice, in 2000 and 2002, U.S. petitioners sought to have antidumping and countervailing duties assessed against cold-rolled imports from 12 countries and 20 countries, respectively. Both times, the U.S. International Trade Commission (ITC) issued negative final injury determinations, effectively terminating the investigations. U.S. petitioners appealed the 2000 ITC decision to the U.S. Court of International Trade (CIT), which remanded that decision to the ITC on October 28, 2003. The ITC is expected to issue its revised findings by March 31, 2004. U.S. petitioners have appealed the 2002 ITC decision to the CIT, while some of the respondents have raised on appeal issues relating to the final tariff margin determinations of the

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

U.S. Department of Commerce ( Commerce ) in that investigation. Also, in May of 2004, the U.S. government Commerce and the ITC will begin a review of existing countervailing duty and antidumping orders against hot-rolled carbon steel flat products from Brazil, Japan and Russia that could result in the orders termination. These events could have a modestly negative impact on the financial condition of Ispat s U.S. subsidiary.

In 2002, U.S. trade agencies also made affirmative determinations under U.S. anti-dumping and countervailing duty ( CVD ) laws for steel wire rod. The Operating Subsidiaries in Trinidad, Canada and Europe and certain of the operating companies under the European Operating Subsidiary were required to post bonds on their exports to the U.S. in 2001, and in 2002 final dumping and CVD margins were issued. For the Trinidadian Operating Subsidiary, the margins are 11.40% and 0% respectively, which entitles the company to receive a refund of the CVD already paid. No margins were assessed against the operating companies under the European Operating Subsidiary since the investigation was terminated as to Germany following a finding of negligibility in the German AD case. For the Canadian Operating Subsidiary, the AD and CVD margins were 2.54% and 6.61%, respectively. On November 3, 2003, following a joint request from U.S. producers and the Canadian Operating Subsidiary, the U.S. Department of Commerce initiated a changed circumstances review of the countervailing duty order on carbon and certain alloy steel wire rod from Canada. As a result the Department of Commerce revoked the countervailing duty order on January 23, 2004 and will instruct U.S. Customs to refund all countervailing duty deposits made by the Canadian Operating Subsidiary on or after February 8, 2002.

In April 2002, the U.S. Department of Commerce issued preliminary anti-dumping duty margins against cold-rolled imports from 20 countries. However, in late 2002 the U.S. ITC issued negative final injury determinations against all 20 countries, terminating the investigations and eliminating the duties. The effect on the U.S. Operating Subsidiary is likely to be somewhat negative. The U.S. petitioners have appealed the decision to the U.S. Court of International Trade ( CIT ). The CIT remanded the final determinations to the ITC on October 28, 2003. The ITC must issue its revised findings by March 31, 2004.

Under the U.S. Continued Dumping and Subsidy Offset Act of 2000 ( CDSOA ), commonly known as the Byrd Amendment, the U.S. Operating Subsidiary was awarded approximately \$1.2 million in collected customs duties for FY 2002, based on its participation in or support for various U.S. AD and CVD cases. The payment is based on qualifying expenditures and is distributed to U.S. steel companies out of funds collected from foreign producers under AD and CVD orders. The U.S. Operating Subsidiary was scheduled to receive approximately \$2 million under the CDSOA for FY 2003, but the funds have been withheld by U.S. Customs pending a resolution of the issue of whether successor companies can receive CDSOA distributions. On September 2, 2002, the WTO issued a final ruling condemning the CDSOA. In its ruling the WTO recommended that the U.S. repeal the Byrd Amendment in order to comply with its findings. The U.S. government has appealed the decision, but the future of the CDSOA and offset distributions is questionable.

While several of the developments described above may be expected to benefit certain subsidiaries of Ispat, there can be no assurance that potential benefits will ultimately accrue because of WTO challenges, exclusion requests, and various economic uncertainties.

The European Commission has raised claims of 47 million for repayment by DSG Dradenauer Stahlgesellschaft mbH ( DSG ) of loan amounts alleged to qualify as improper subsidies from the City of Hamburg. These subsidies are claimed to be contradictory to the European Commission s rulings on competitive markets in the steel industry and the European Commission has initiated legal action to settle the matter. In April 2002, the European Court of Justice decided that the loan was an unauthorized subsidy under the EC law. DSG has stated that the loan is fully repaid. The court in Hamburg, Germany has confirmed the position of DSG. An appeal is now pending in the German courts and a decision is expected in March 2004.

**Table of Contents**

**ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

Ispat cannot predict the final outcome of these proceedings. In August 2002, DSG was sold and consequently is no longer a subsidiary of Ispat.

Pursuant to a constitutional challenge to the 1999 Tax Reforms of the Mexican Tax Code's Consolidation Regime by Ispat's Mexican holding company, Grupo Ispat S.A. de C.V. ( Grupo ), Grupo and/or consolidated subsidiaries had to pay the difference between the provisional amount paid under the old rules and the provisional amount required under the new rules adjusted for actualization and penalties. The net amount payable according to the authorities was approximately \$13 and this was paid in full in June 2002. In December 2002, a settlement agreement was signed with the Mexican tax authorities concerning the final amount.

In May 2003 the Irish Government commenced proceedings against the Mexican Operating Subsidiary and Ispat, claiming certain environmental cleanup costs relating to the site of Irish Ispat Limited, which was closed in 2001 (see Note 1). The Irish Government has not yet served its Statement of Claim. Ispat is currently unable to assess the amount, if any, of the Mexican Operating Subsidiary's or Ispat's liability.

In the Autumn of 2002, three subsidiaries of Ispat (Trefileurope S.A., Trefileurope Italia S.r.l. and Fontainunion S.A.), 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. Ispat and its subsidiaries are cooperating fully with the European Commission in this investigation. Should the European Commission find that the companies have breached the EC law, it may impose a fine on the company or companies that it holds responsible for the conduct, through decisive influence or otherwise. The fine levied cannot exceed the limit set in Article 15(2) of EC Council Regulation 17/62. Ispat is currently unable to assess the ultimate outcome of the proceedings before the European Commission or the amount of any fines that may result. As the alleged anti-competitive activities would have taken place in large part prior to the acquisition of the subsidiaries, Ispat has notified the previous owners that it will hold them liable for all consequences of the investigation.

In September 2003, the owners of a bulk cargo vessel commenced arbitration proceedings against our Trinidadian Operating Subsidiary and an affiliate in connection with the loss of the vessel, which had been chartered, by the affiliate to carry a cargo of direct reduced iron from Trinidad to Indonesia. No specific claim has been made at the current time against our Trinidadian Operating Subsidiary. Ispat is unable to estimate the amount of liability, if any, of our Trinidadian Operating Subsidiary.



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Note 17: Segment and Geographic Information**

The management considers Ispat's steel operation to be a single business segment. As Ispat has no operations in its home country of the Netherlands, all of its sales are considered to be foreign sales. Annual sales to any individual customer did not exceed 10% of total sales in any of the periods presented.

Information with respect to Ispat's operations in different geographic areas is as follows:

	Americas				Europe		
	U.S.	Mexico	Canada	Trinidad	France	Germany	Ireland
Year ended December 31, 2001							
Sales to unaffiliated customers	\$2,212	\$ 534	\$503	\$103	\$535	\$582	\$ 17
Net sales	2,143	481	479	285	508	620	17
Operating income	(127)	(49)	21	(11)	15	31	(2)
Total assets at December 31, 2001	3,080	1,480	857	528	266	327	0
Depreciation	104	21	19	18	6	5	1
Capital expenditures	29	22	13	9	15	10	
Year ended December 31, 2002							
Sales to unaffiliated customer	\$2,388	\$ 588	\$557	\$129	\$618	\$609	\$
Net sales	2,316	654	534	322	598	673	0
Operating income	33	57	41	18	38	(7)	0
Total assets at December 31, 2002	3,162	1,449	883	523	451	377	0
Depreciation	99	21	20	19	7	7	0
Capital expenditures	52	9	14	6	10	16	0
Year ended December 31, 2003							
Sales to unaffiliated customers	\$2,340	\$ 868	\$591	\$238	\$642	\$719	\$
Net sales	2,268	846	560	208	608	661	0
Operating income	(4)	86	1	50	(26)	52	0
Total assets at December 31, 2003	3,183	1,458	971	492	427	658	0
Depreciation	97	22	24	20	10	7	0
Capital expenditures	111	15	8	8	6	16	0

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	<b>Others &amp; Consolidated Eliminations</b>	
	<hr/>	
Year ended December 31, 2001		
Sales to unaffiliated customers	\$	\$4,486
Net sales	(255)	4,278
Operating income	(72)	(194)
Total assets at December 31, 2001	(1,225)	5,313
Depreciation	3	177
Capital expenditures	(1)	97
Year ended December 31, 2002		
Sales to unaffiliated customers	\$	\$4,889
Net sales	(451)	4,646
Operating income	(38)	142
Total assets at December 31, 2002	(1,333)	5,512
Depreciation	4	177
Capital expenditures	1	108
Year ended December 31, 2003		
Sales to unaffiliated customers	\$ 43	\$5,441
Net sales	43	5,194
Operating income	(8)	151
Total assets at December 31, 2003	(1,554)	5,635
Depreciation	3	183
Capital expenditures	0	164

**Note 18: Financial Information for Issuer, Subsidiaries and Non-guarantor Subsidiaries**

The senior notes issued by Ispat Europe will be jointly, severally, fully and unconditionally guaranteed on a senior basis by Ispat, Ispat Germany GmbH, Ispat Hamburger Stahlwerke GmbH, Ispat Stahlwerk Ruhrort GmbH and Ispat Walzdraht Hochfeld GmbH. Presented below is condensed consolidating financial information for:

Ispat on a parent company only basis;

Ispat Europe, on a parent company only basis;

Ispat Europe's guarantor subsidiaries, Ispat Germany GmbH, Ispat Hamburger Stahlwerke GmbH, Ispat Stahlwerk Ruhrort GmbH and Ispat Walzdraht Hochfeld GmbH on a combined basis;

Ispat Europe's non-guarantor subsidiary, Ispat Unimetal;

Ispat Europe eliminations;

Ispat Europe consolidated;

Ispat's non-guarantor subsidiaries, on a combined basis;

Ispat eliminations; and

Ispat and subsidiaries consolidated.

F-74

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003**

Ispat Europe has no business operation of its own. Accordingly, it can only pay dividends or distributions to the extent it is able to arrange a distribution from its subsidiaries, recognize gain from the sale of its assets or records share premium from the issuance of common shares. Ispat Europe's operating subsidiaries are subject to certain restrictions under the terms of certain of their debt agreements for paying dividends. As a result, none of Ispat Europe's retained earnings are free of restriction for the payment of dividends as at December 31, 2003.

**Condensed consolidating statements of income for the year ended December 31, 2001**

	<b>Ispat Parent Company</b>	<b>Ispat Europe Parent Company</b>	<b>Ispat Europe Subsidiary Guarantors</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net sales	\$	\$	\$ 630
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	0	0	562
Depreciation	0	0	5
Selling, general and administrative	6	0	34
Other operating expense	0	0	0
	<u>          </u>	<u>          </u>	<u>          </u>
Operating income	(6)	0	29
Equity in earnings of subsidiaries	(306)	33	0
Other income (expense) net	0	0	2
Financing costs:			
Net interest income (expense)	0	(12)	(2)
Net gain (loss) from foreign exchange	0	0	0
	<u>          </u>	<u>          </u>	<u>          </u>
Income before taxes	(312)	21	29
Income tax (benefit) expense:			
Current	0	0	3
Deferred	0	0	(1)
	<u>          </u>	<u>          </u>	<u>          </u>
Net income	\$(312)	\$ 21	\$ 27
	<u>          </u>	<u>          </u>	<u>          </u>

F-75

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Europe Non-Guarantor Subsidiary	Ispat Europe Parent Eliminations	Ispat Europe Consolidated
Net sales	552	(38)	1,144
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	492	(29)	1,025
Depreciation	6	8	19
Selling, general and administrative	36	(8)	62
Other operating expense	—	—	—
Operating income	18	(9)	38
Equity in earnings of subsidiaries		(33)	
Other income (expense) net			2
Financing costs:			
Net interest income (expense)	(2)		(16)
Net gain (loss) from foreign exchange	—	—	—
Income before taxes	16	(42)	24
Income tax (benefit) expense:			
Current	1		4
Deferred	—		(1)
Net income	15	(42)	21

F-76

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Non- Guarantor Subsidiary	Ispat Eliminations	Ispat Consolidated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net sales	3,631	(289)	4,486
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	3,517	(269)	4,273
Depreciation	189	8	216
Selling, general and administrative	91	(4)	155
Other operating expense		36	36
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Operating income	(166)	(60)	(194)
Equity in earnings of subsidiaries		306	
Other income (expense) net	253	(242)	13
Financing costs:			
Net interest income (expense)	(212)		(228)
Net gain (loss) from foreign exchange	(126)	117	(9)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Income before taxes	(251)	121	(418)
Income tax (benefit) expense:			
Current	4		8
Deferred	(115)	2	(114)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net income	(140)	119	(312)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**Condensed Consolidating Statements of Comprehensive Income**

for the Year Ended December 31, 2001

	Ispat Europe Issuer Subsidiary		
	Ispat Parent Company	Ispat Europe Parent Company	Ispat Europe Subsidiary Guarantor
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Income	(312)	21	27
Other comprehensive income (loss)	(241)		(7)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Comprehensive Income	(553)	21	20
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	Ispat Europe Non-Subsidiary Guarantor	Ispat Europe Eliminations	Ispat Europe Consolidated
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Income	15	(42)	21
Other comprehensive income (loss)	(4)		(11)
	<u>                    </u>	<u>                    </u>	<u>                    </u>

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Comprehensive Income	<u>11</u>	<u>(42)</u>	<u>10</u>
----------------------	-----------	-------------	-----------

F-77

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Non-Guarantor Subsidiaries	Ispat Eliminations	Ispat Consolidated
	_____	_____	_____
Net Income	(140)	119	(312)
Other comprehensive income (loss)	(230)	241	(241)
	_____	_____	_____
Comprehensive Income	(370)	360	(553)
	_____	_____	_____

**Condensed Consolidating Statements of Cash Flows**

for the Year Ended December 31, 2001

	Ispat Europe Issuer Subsidiary		
	Ispat Parent Company	Ispat Europe Parent Company	Ispat Europe Subsidiary Guarantors
	_____	_____	_____
Net cash provided by operating activities	\$ 8	\$ 15	\$ 54
	_____	_____	_____
Investing activities:			
Purchases of property, plant and equipment	0	0	(10)
Proceeds from sale of investment including affiliates and joint ventures	0	0	36
Investment in affiliates and joint ventures	(13)	0	0
Other	0	0	0
	_____	_____	_____
Net cash provided (used) by investing activities	(13)	0	26
	_____	_____	_____
Financing activities:			
Proceeds from payable to banks	0	0	0
Proceeds from long-term debt	0	125	0
Proceeds from long-term debt payable to affiliated	0	10	0
Payments of payable to banks	0	0	(43)
Payments of long-term debt payable to unrelated parties	0	(13)	(36)
Payments of long-term debt payable to affiliated	0	(13)	0
Purchase of treasury stock	(1)	0	0
Sale of treasury stock	5	0	0
Dividends	0	(122)	0
Issue of share capital net	0	0	0
	_____	_____	_____
Net cash used by financing activities	4	(13)	(79)
	_____	_____	_____
Net increase (decrease) in cash and cash equivalents	(1)	2	1
	_____	_____	_____
Effect of exchange rate changes on cash	0	(2)	2
	_____	_____	_____
Cash and cash equivalents:			



Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

At the beginning of the year	<u>1</u>	<u>0</u>	<u>14</u>
At the end of the year	<u>\$</u>	<u>\$</u>	<u>\$ 17</u>

F-78

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Europe Non-Guarantor Subsidiary	Ispat Europe Eliminations	Ispat Europe Europe Consolidated
	—	—	—
Net cash provided by operating activities	\$ 3	\$ (3)	\$ 69
Investing activities:			
Purchases of property, plant and equipment	(15)		(25)
Proceeds from sale of investment including affiliates and joint ventures			36
Investment in affiliates and joint ventures			
Other	—	—	—
Net cash provided (used) by investing activities	(15)	—	11
Financing activities:			
Proceeds from payable to banks	12		12
Proceeds from long-term debt			125
Proceeds from long-term debt payable to affiliated		(10)	
Payments of payable to banks			(43)
Payments of long-term debt payable to unrelated parties			(49)
Payments of long-term debt payable to affiliated		13	
Purchase of treasury stock			
Sale of treasury stock			
Dividends			(122)
Issue of share capital net	—	—	—
Net cash used by financing activities	12	3	(77)
Net increase (decrease) in cash and cash equivalents	—	—	3
Effect of exchange rate changes on cash	(1)	—	(1)
Cash and cash equivalents:			
At the beginning of the year	5		19
At the end of the year	\$ 4	\$	\$ 21

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Subsidiaries	Non-Guarantor Subsidiaries	Ispat	Eliminations	Ispat	Consolidated
	As restated	See note 21			As restated	See note 21
Net cash provided by operating activities		(30)		(25)		22
Investing activities:						
Purchases of property, plant and equipment		(86)		14		(97)
Proceeds from sale of investment including affiliates and joint ventures		18		(17)		37
Investment in affiliates and joint ventures		(208)		242		21
Other		4				4
Net cash provided (used) by investing activities		(272)		239		(35)
Financing activities:						
Proceeds from payable to banks		2,404				2,416
Proceeds from long-term debt		14		(14)		125
Proceeds from long-term debt payable to affiliated		173		(173)		
Payments of payable to banks		(2,375)				(2,418)
Payments of long-term debt payable to unrelated parties		(206)		10		(245)
Payments of long-term debt payable to affiliated		(17)		17		
Purchase of treasury stock						(1)
Sale of treasury stock						5
Dividends		(65)		187		
Issue of share capital net		240		(240)		
Net cash used by financing activities		168		(213)		(118)
Net increase (decrease) in cash and cash equivalents		(134)		1		(131)
Effect of exchange rate changes on cash		4		(1)		2
Cash and cash equivalents:						
At the beginning of the year		194				214
At the end of the year		64				85

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Condensed Consolidating Balance Sheets**

As of December 31, 2002

	Ispat	Parent Company	Ispat Europe	Issuer Subsidiary
			Ispat Europe Parent Company	Ispat Europe Subsidiary Guarantors
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents		\$	\$	\$ 21
Trade accounts receivable	0		0	67
Inventories	0		0	86
Other current assets	95		16	113
Total current assets	95		16	287
Property, plant and equipment net	0		0	112
Investments in affiliates	359		367	11
Other assets	3		6	15
Total assets	\$457		\$389	\$425
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Current liabilities:				
Payable to banks and current portion of long-term debt	\$		\$ 4	\$ 16
Trade accounts payable	0		0	92
Accrued expenses and other current liabilities	304		71	60
Total current liabilities	304		75	168
Long-term debt	0		129	0
Deferred employee benefits	0		0	30
Other long-term obligations	25		1	21
Total liabilities	329		205	219
Shareholders equity	128		184	206
Total liabilities and shareholders equity	\$457		\$389	\$425

F-81

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Europe Guarantor	Non- Subsidiary	Ispat Europe Eliminations	Ispat Europe Consolidated
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 12		\$	\$ 33
Trade accounts receivable	71		0	138
Inventories	123		0	209
Other current assets	19		(86)	62
	<u>          </u>		<u>          </u>	<u>          </u>
Total current assets	225		(86)	442
Property, plant and equipment net	92		0	204
Investments in affiliates	0		(367)	11
Other assets	2		0	23
	<u>          </u>		<u>          </u>	<u>          </u>
Total assets	\$319		\$(453)	\$680
	<u>          </u>		<u>          </u>	<u>          </u>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>				
Current liabilities:				
Payable to banks and current portion of long-term debt	\$ 26		\$	\$ 46
Trade accounts payable	102		0	194
Accrued expenses and other current liabilities	63		(72)	122
	<u>          </u>		<u>          </u>	<u>          </u>
Total current liabilities	191		(72)	362
Long-term debt	1		0	130
Deferred employee benefits	48		0	78
Other long-term obligations	30		(14)	38
	<u>          </u>		<u>          </u>	<u>          </u>
Total liabilities	270		(86)	608
Shareholders equity	49		(367)	72
Total liabilities and shareholders equity	\$319		\$(453)	\$680
	<u>          </u>		<u>          </u>	<u>          </u>

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Non-Guarantor Subsidiaries	Ispat Eliminations	Ispat Consolidated
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 44	\$	\$ 77
Trade accounts receivable	391	0	529
Inventories	681	(17)	873
Other current assets	2,068	(2,092)	133
	<u>3,184</u>	<u>(2,109)</u>	<u>1,612</u>
Total current assets	3,184	(2,109)	1,612
Property, plant and equipment net	2,831	0	3,035
Investments in affiliates	246	(359)	257
Other assets	601	(19)	608
	<u>6,862</u>	<u>(2,487)</u>	<u>5,512</u>
Total assets	\$6,862	\$(2,487)	\$5,512
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
Current liabilities:			
Payable to banks and current portion of long-term debt	\$ 216	\$	\$ 262
Trade accounts payable	413	0	607
Accrued expenses and other current liabilities	488	(509)	405
	<u>1,117</u>	<u>(509)</u>	<u>1,274</u>
Total current liabilities	1,117	(509)	1,274
Long-term debt	1,892	0	2,022
Deferred employee benefits	1,803	0	1,881
Other long-term obligations	144	0	207
	<u>4,956</u>	<u>(509)</u>	<u>5,384</u>
Total liabilities	4,956	(509)	5,384
Shareholders equity	1,906	(1,978)	128
Total liabilities and shareholders equity	\$6,862	\$(2,487)	\$5,512

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Condensed Consolidating Statements of Income****For the Year Ended December 31, 2002**

	Ispat Parent Company	Ispat Europe	Issuer Subsidiary
		Ispat Europe Parent Company	Ispat Europe Subsidiary Guarantors
Net sales	\$	\$	\$ 688
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	4	2	609
Depreciation	0	0	7
Selling, general and administrative	7	2	35
Other operating expense	0	0	0
Operating income	(11)	(4)	37
Equity in earnings of subsidiaries	59	26	0
Other income (expense) net	0	0	3
Financing costs:			
Net interest income (expense)	1	(16)	(1)
Net gain (loss) from foreign exchange	0	0	0
Income before taxes	49	6	39
Income tax (benefit) expense:			
Current	0	0	3
Deferred	0	0	4
Net income (loss) before extraordinary income	49	6	32
Extraordinary gain	0	0	0
Net income (loss)	\$ 49	\$ 6	\$ 32

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	<u>Ispat Europe Non-Guarantor Subsidiary</u>	<u>Ispat Europe Eliminations</u>	<u>Ispat Europe Consolidated</u>
Net sales	574	(43)	1,219
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	530	(36)	1,105
Depreciation	7		14
Selling, general and administrative	39	(7)	69
Other operating expense		0	0
	<u>—</u>	<u>—</u>	<u>—</u>
Operating income	(2)	0	31
Equity in earnings of subsidiaries		(26)	0
Other income (expense) net		0	3
Financing costs:			
Net interest income (expense)	(1)	0	(18)
Net gain (loss) from foreign exchange	(1)	0	(1)
	<u>—</u>	<u>—</u>	<u>—</u>
Income before taxes	(4)	(26)	15
Income tax (benefit) expense:			
Current	2	0	5
Deferred		0	4
	<u>—</u>	<u>—</u>	<u>—</u>
Net income (loss) before extraordinary income	(6)	(26)	6
Extraordinary gain		0	0
	<u>—</u>	<u>—</u>	<u>—</u>
Net income (loss)	<u>\$ (6)</u>	<u>\$ (26)</u>	<u>\$ 6</u>



**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	Ispat Non- Guarantor Subsidiaries	Ispat Eliminations	Ispat Consolidated
Net sales	\$4,105	\$(435)	\$4,889
Costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	3,654	(407)	4,356
Depreciation	163	0	177
Selling, general and administrative	82	(6)	152
Other operating expense	62	0	62
Operating income	144	(22)	142
Equity in earnings of subsidiaries	0	(59)	0
Other income (expense) net	18	(7)	14
Financing costs:			
Net interest income (expense)	(185)	(1)	(203)
Net gain (loss) from foreign exchange	27	(3)	23
Income before taxes	4	(92)	(24)
Income tax (benefit) expense:			
Current	13	0	18
Deferred	(76)	0	(72)
Net income (loss) before extraordinary income	67	(92)	30
Extraordinary gain	19	0	19
Net income (loss)	\$ 86	\$ (92)	\$ 49

**Condensed Consolidating Statements of Comprehensive Income**

For the Year Ended December 31, 2002

	Ispat Parent Company	Ispat Europe Parent Company	Ispat Europe Issuer Subsidiary Subsidiary Guarantor
Net Income	49	6	32
Other comprehensive income (loss)	—	(28)	30
Comprehensive Income	49	(22)	62

  

	Ispat Europe Non- Subsidiary Guarantor	Ispat Europe Eliminations	Ispat Europe Consolidated
Net Income	(6)	(26)	6
Other comprehensive income (loss)	10	—	12

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

Comprehensive Income	— 4 —	— (26) —	— 18 —
----------------------	-------------	----------------	--------------

	<u>Ispat Non-Guarantor Subsidiaries</u>	<u>Ispat Eliminations</u>	<u>Ispat Consolidated</u>
Net Income	86	(92)	49
Other comprehensive income (loss)	(279)	4	(263)
Comprehensive Income	(193)	(88)	(214)

F-86

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

**Condensed Consolidating Statements of Cash Flows****For the Year Ended December 31, 2002**

	<b>Ispat Europe Issuer Subsidiary</b>		
	<b>Ispat Parent Company</b>	<b>Ispat Europe Parent Company</b>	<b>Ispat Europe Subsidiary Guarantors</b>
Net cash provided by operating activities	\$ 93	\$ 16	\$ 10
Investing activities:			
Purchases of property, plant and equipment	0	0	(10)
Proceeds from sale of investment, including affiliates and joint ventures	0	0	0
Investment in affiliates and joint ventures	(98)	0	0
Other	1	0	0
Net cash provided (used) by investing activities	(97)	0	(10)
Financing activities:			
Proceeds from payable to banks	0	0	3
Proceeds from long-term debt	0	3	0
Proceeds from long-term debt payable to affiliated	0	0	0
Payments of payable to banks	0	0	0
Payments of long-term debt payable to unrelated parties	0	(12)	0
Payments of long-term debt payable to affiliated	0	(7)	0
Purchase of treasury stock	(1)	0	0
Sale of treasury stock	5	0	0
Dividends	0	0	0
Issue of share capital net	0	0	0
	4	(16)	3
Net cash used by financing activities	4	(16)	3
Net increase (decrease) in cash and cash equivalents	0	0	3
Effect of exchange rate changes on cash	0	0	1
Cash and cash equivalents:			
At the beginning of the year	0	0	17

Edgar Filing: MITTAL STEEL CO N.V. - Form F-4/A

At the end of the year

\$

\$

\$ 21

—

—

—

F-87

---

**Table of Contents****ISPAT INTERNATIONAL N.V. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

as of December 31, 2002 and 2003 and for each of the three years ended December 31, 2003

	<b>Ispat Europe Non-Guarantor Subsidiary</b>	<b>Ispat Europe Eliminations</b>	<b>Ispat Europe Consolidated</b>
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	\$ 19	\$(3)	\$ 42
	<hr/>	<hr/>	<hr/>
Investing activities:			
Purchases of property, plant and equipment	(15)	0	(25)
Proceeds from sale of investment, including affiliates and joint ventures			