

MITTAL STEEL CO N.V.  
Form F-4/A  
May 26, 2006  
Table of Contents

As filed with the Securities and Exchange Commission on May 26, 2006

Registration No. 333-132642

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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**AMENDMENT NO. 2**  
**TO**  
**FORM F-4**  
**REGISTRATION STATEMENT**  
*UNDER*  
*THE SECURITIES ACT OF 1933*

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**MITTAL STEEL COMPANY N.V.**

(Exact name of registrant as specified in its charter)

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**The Netherlands**  
(State or other jurisdiction of  
incorporation or organization)

**3312**  
(Primary Standard Industrial  
Classification Code Number)  
Mittal Steel Company N.V.

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

**Hofplein 20**  
**3032 AC Rotterdam**

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**The Netherlands**

**+31 10 217 8800**

(Address, including zip code, and telephone number, including area code, of

Registrant's principal executive offices)

---

**Carlos M. Hernandez, Esq.**

**Mittal Steel USA Inc.**

**1 S. Dearborn, 19<sup>th</sup> Floor**

**Chicago, Illinois 60603**

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(Name, address, including zip code, and telephone number,

including area code, of agent of service)

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this Registration Statement becomes effective and all other conditions to the consummation of the transaction described herein have been satisfied or waived.

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**

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Title of each class of securities to be registered	Proposed	Proposed maximum	Proposed maximum	Amount of
Class A common shares, par value 0.01 per share	Amount to be registered <sup>(1)</sup>	maximum offering price per unit	aggregate offering price <sup>(2)</sup>	registration fee <sup>(3) (4)</sup>
	112,853,947	N/A	\$3,458,412,608	\$370,050.15

(1) Calculated as the sum of (a) the product of (x) 92,131,919 (the estimated number of Arcelor shares held by U.S. holders as of the date hereof (including all of the Arcelor common shares underlying Arcelor's American Depositary Shares (ADSs))) and (y) 1.0 (the exchange ratio of 1 Mittal Steel class A common share to be exchanged for every 1 Arcelor share in the primary offer), (b) the product of (x) 6,001,948 (the Arcelor shares underlying the estimated number of Arcelor convertible bonds (the Convertible Bonds) held by U.S. holders as of the date hereof) and (y) 1.0 (the exchange ratio of 1 Mittal Steel class A common share to be exchanged for every 1 Convertible Bond) and (c) an additional 14,720,080 Mittal Steel class A common shares that may be sold in the United States following the Offer. The sum of (a) and (b) above represents the number of Mittal Steel class A common shares issuable in the Offer for all Arcelor shares (including all of the Arcelor ordinary shares underlying Arcelor's ADSs) and all Convertible Bonds, in each case estimated to be held by U.S. persons upon consummation of the Offer. Mittal Steel shares are not being registered for purposes of sales outside of the United States.

(2) Pursuant to Rule 457(c) and Rule 457(f), and solely for the purpose of calculating the registration fee, the proposed maximum aggregate offering price is equal to the sum of (a) the market value of the total number of Arcelor shares estimated to be held by U.S. holders as of the date hereof that may be exchanged for Mittal Steel class A common shares and cash in the Offer upon consummation of the Offer if all of such Arcelor shares are acquired in the Offer, based upon a market value of \$45.19 per share of Arcelor, the average of the high and low prices of the Arcelor shares reported on Euronext Paris on May 19, 2006, (b) the market value of the total number of Arcelor ADSs as of the date hereof that may be exchanged for Mittal Steel class A common shares and cash in the Offer upon consummation of the Offer if all of such Arcelor ADSs are acquired in the Offer, based upon a market value of \$44.93 per Arcelor ADS, the average of the high and low prices of the Arcelor ADSs reported through the electronic price and volume reporting system operated by the National Association of Securities Dealers, Inc. for non-NASDAQ securities on May 19, 2006, (c) the market value of the number of Convertible Bonds estimated to be held by U.S. persons as of the date hereof that may be exchanged for Mittal Steel class A common shares and cash in the Offer upon the consummation of the Offer if all of such Convertible Bonds are acquired in the Offer, based upon a market value of \$45.64 per Convertible Bond, the closing price of the Convertible Bonds reported on the Luxembourg Stock Exchange on May 19, 2006, and (d) the market value of an additional 14,720,080 Mittal Steel class A common shares that may be sold in the United States following the Offer, based on the average of the high and low prices of the Mittal Steel class A common shares reported on the NYSE on May 19, 2006; less \$1,453,500,000 the estimated maximum aggregate amount of cash to be paid by Mittal Steel in the Offer in exchange for Arcelor securities estimated to be held by U.S. holders.

(3) Computed in accordance with Rule 457(f) under the Securities Act as the proposed maximum aggregate offering price of \$3,458,412,608 multiplied by .000107.

(4) A registration fee of \$349,210.76 was previously paid in connection with the initial filing by Mittal Steel on March 23, 2006 of its Registration Statement on Form F-4.

**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 of 1933, as amended, 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.**

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**Table of Contents**

**The information contained herein is subject to completion or amendment. No securities may be sold until a registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful.**

**Subject to Completion, dated [ ], 2006**

**EXCHANGE OFFER PROSPECTUS**

Mittal Steel is offering to acquire all shares of common stock of Arcelor S.A. issued as of February 6, 2006, or issued prior to expiration of the initial acceptance period (or any subsequent offering period, as described herein), upon conversion of Arcelor Convertible Bonds, as defined herein, or upon exercise of Arcelor stock options granted prior to February 6, 2006, or in exchange for Usinor shares issued upon the exercise of Usinor stock options granted prior to February 6, 2006, and such other shares to which Mittal Steel may extend the offer as described herein (all such shares, the Arcelor shares ); all Arcelor American Depositary Shares ( Arcelor ADSs ) (each Arcelor ADS representing one share of common stock of Arcelor) that represent Arcelor Shares; and all convertible bonds, known as OCEANEs, of Arcelor issued in June 2002 and maturing on June 27, 2017 outstanding on February 6, 2006 (the Convertible Bonds ).

The Offer is comprised of both a primary mixed cash and exchange offer (the Primary Offer ) and two secondary capped offers, one for cash only and the other for class A common shares of Mittal Steel only (the Secondary Offers ).

Mittal Steel is offering to exchange pursuant to the Primary Offer:

1 Mittal Steel class A common share and 11.10 in cash for each Arcelor share or Arcelor ADS tendered; and

1 Mittal Steel class A common share and 12.12 in cash for each Convertible Bond tendered.

Mittal Steel is offering to exchange pursuant to the Secondary Offers:

37.74 in cash for each Arcelor share or Arcelor ADS tendered in the secondary cash offer; or

17 Mittal Steel class A common shares for every 12 Arcelor shares or Arcelor ADSs tendered in the secondary exchange offer.

The consideration set out above is subject to adjustment in specific circumstances as set out herein. The cash consideration paid to tendering holders of Arcelor ADSs will be in U.S. dollars, calculated by converting the applicable amount in euros into U.S. dollars using the noon buying rate, as published by the Federal Reserve Bank of New York, on the business day prior to the settlement date.

The Primary Offer and Secondary Offers set out above are collectively referred to in this prospectus as the Offer, and the Arcelor shares, Convertible Bonds and Arcelor ADSs are collectively referred to as the Arcelor securities.

You are not required to make the same election for all of the Arcelor securities that you tender, and you may make any of these elections for all or some of the Arcelor securities that you tender. If you tender Arcelor shares and/or Arcelor ADSs and fail to make any election, you will be deemed to have elected the Primary Offer. Tenders in the two Secondary Offers, however, are subject to a pro-rata and allocation procedure that will ensure that in the aggregate the portion of the tendered Arcelor shares and Arcelor ADSs that are exchanged for Mittal Steel shares and the portion of the tendered Arcelor shares and Arcelor ADSs that are exchanged for cash (excluding the effect of the treatment of fractional shares that would otherwise be issued and the impact of any adjustment to the Offer consideration (as noted above and described herein)) will be 70.6% and 29.4%, respectively.

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The maximum number of class A common shares that Mittal Steel will issue in connection with the Offer is 684,462,989.

Mittal Steel is conducting the Offer through two separate offers: an offer open to all holders of Arcelor shares and Convertible Bonds who are U.S. holders (within the meaning of Rule 14d-1(d) under the U.S. Securities Exchange Act of 1934, as amended) and to all holders of Arcelor ADSs, wherever located (the U.S. Offer ); and an offer open to (i) holders

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**Table of Contents**

of Arcelor shares and Convertible Bonds who are located in Belgium, France, Luxembourg and Spain and (ii) holders of Arcelor shares and Convertible Bonds who are located outside of Belgium, France, Luxembourg, Spain, Japan, The Netherlands and the United States to the extent that such holders may participate in such offer pursuant to applicable local laws and regulations (the European Offer).

THE U.S. OFFER WILL EXPIRE AT [ ], NEW YORK CITY TIME, ON [ ], 2006, UNLESS IT IS EXTENDED OR UNLESS IT LAPSES OR IS WITHDRAWN PRIOR TO THAT TIME PURSUANT TO THE CONDITIONS DESCRIBED IN THIS PROSPECTUS.

If any Arcelor securities are issued after February 6, 2006, Mittal Steel may either withdraw the Offer or extend the Offer to such new securities, possibly after amending its terms to reflect the effect of such issuance on the economics of the Offer. The completion of the Offer is subject to certain conditions. A detailed description of the terms and conditions of the Offer appears under The Offer Terms and Conditions of the Offer herein.

Arcelor shares are listed on the Eurolist market of Euronext Brussels S.A./N.V. ( Euronext Brussels ), on the Eurolist market of Euronext Paris S.A. ( Euronext Paris ), on the Luxembourg Stock Exchange and on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the Spanish Stock Exchanges ). Convertible Bonds are listed on the Luxembourg Stock Exchange. Arcelor ADSs are traded on the over-the-counter market in the United States but are not traded on any securities exchange.

Mittal Steel s class A common shares are listed on the Eurolist market of Euronext Amsterdam N.V. ( Euronext Amsterdam ) and on the New York Stock Exchange (the NYSE ) under the symbol MT . Mittal Steel will apply to list its class A common shares on these exchanges and on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and on the Spanish Stock Exchanges, subject to the completion of the Offer.

This prospectus contains detailed information concerning the U.S. Offer for Arcelor securities and the proposed combination of Mittal Steel and Arcelor. We recommend that you read this prospectus carefully.

**FOR A DISCUSSION OF RISK FACTORS THAT YOU SHOULD CONSIDER IN EVALUATING THE OFFER, SEE RISK FACTORS BEGINNING ON PAGE [45].**

This prospectus has not been approved by the French *Autorité des marchés financiers* (the AMF ), the Belgian *Commission Bancaire, Financière et des Assurances* (the CBFA ), the Luxembourg *Commission de Surveillance du Secteur Financier* (the CSSF ) or the Spanish *Comisión Nacional del Mercado de Valores* (the CNMV ). Accordingly, this prospectus may not be used to make offers or sales in France, Belgium, Luxembourg or Spain in connection with the Offer.

This prospectus is not an offer to sell securities and it is not soliciting an offer to buy securities, nor shall there be any sale or purchase of securities pursuant hereto, in any jurisdiction in which such offer, solicitation or sale is not permitted or would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION (THE SEC ) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES TO BE ISSUED IN CONNECTION WITH THE U.S. OFFER OR HAS PASSED UPON THE ADEQUACY OR ACCURACY OF THE DISCLOSURE IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

The dealer managers for the U.S. Offer are **Goldman, Sachs & Co., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc.** and **SG Americas Securities, LLC.**

The date of this prospectus is [•], 2006

**Table of Contents**

**Information Incorporated By Reference**

This prospectus incorporates important business and financial information about Mittal Steel by reference and, as a result, such information is not included in or delivered with this prospectus. Documents incorporated by reference are available from Mittal Steel without charge upon request in writing or by telephone. You may also obtain documents incorporated by reference into this prospectus by requesting them in writing or by telephone from the information agent:

D.F. King & Co., Inc.

48 Wall Street

New York, New York 10005

**Call Toll Free: 1 (800) 347-4857**

Banks and Brokers Call: 1 (212) 269-5550

**To obtain timely delivery of these documents, you must request them no later than five Business Days before the end of the Offer period.** For a list of those documents that are incorporated by reference into this prospectus, see Incorporation of Certain Documents by Reference.

In addition, you may obtain additional information on Mittal Steel and Arcelor from various public sources. For a list of such sources, please see Where You Can Find More Information.

**Table of Contents**

**TABLE OF CONTENTS**

<u>Summary</u>	1
<u>The Companies</u>	1
<u>Background to and Reasons for the Offer</u>	4
<u>Conduct of the Offer</u>	4
<u>Terms of the Offer</u>	6
<u>Presentation of Certain Financial and Other Information</u>	18
<u>Note on Arcelor Information</u>	22
<u>Exchange Rate and Currency Information</u>	23
<u>Selected Historical Financial Information for Mittal Steel</u>	24
<u>Selected Historical Financial Information for Arcelor</u>	26
<u>Mittal Steel /Arcelor Pro Forma Financial Information - Unaudited Pro Forma Condensed Combined Balance Sheet and Income Statement for the Year Ended December 31, 2005</u>	27
<u>Comparative Per-Share Information</u>	42
<u>Risk Factors</u>	45
<u>Risks Relating to the Offer</u>	45
<u>Risks Relating to Mittal Steel</u>	52
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	66
<u>The Offer</u>	68
<u>Rationale for the Offer</u>	68
<u>Intentions of Mittal Steel regarding the Business of the Group</u>	82
<u>Intentions of Mittal Steel Regarding Corporate Governance and Corporate Structure</u>	93
<u>Dividend Policy</u>	97
<u>Required Purchase of Minority Shareholdings in Arcelor Brasil S.A. and Acesita S.A., Arcelor's two Brazilian Subsidiaries</u>	97
<u>Background of the Offer: Prior Contacts</u>	98
<u>Position of Arcelor</u>	102
<u>Agreement between Mittal Steel and ThyssenKrupp regarding Dofasco</u>	102
<u>Conduct of the Offer</u>	103
<u>Terms and Conditions of the Offer</u>	107
<u>Procedures for Tendering Arcelor Securities</u>	129
<u>Acceptance and Return of Arcelor Securities</u>	134
<u>Delivery of New Mittal Steel Shares and Cash</u>	135
<u>Source and Amount of Funds</u>	137
<u>Fees and Expenses</u>	143
<u>Listing of Mittal Steel Shares</u>	144
<u>Delisting; Termination of Arcelor ADR Program; Possible Redemption of Convertible Bonds</u>	144
<u>Compulsory Acquisition</u>	145
<u>Treatment of Arcelor Stock Options and Arcelor Employee Shareholding Plan</u>	146
<u>Comparison of the Rights of Arcelor Shareholders and Mittal Steel Shareholders</u>	146
<u>Accounting Treatment</u>	146
<u>Financial Analysis of the Offer</u>	147
<u>Information about Mittal Steel</u>	160
<u>Overview</u>	160
<u>Competitive Strengths</u>	161
<u>Business Strategy</u>	163
<u>Key Strategic Initiatives</u>	165



**Table of Contents**

<u>Information about Arcelor</u>	168
<u>General</u>	168
<u>Principal Business Sectors</u>	168
<u>Recent Development Relating to Arcelor</u>	170
<u>Regulatory Matters</u>	171
<u>Competition and Antitrust</u>	171
<u>Mittal Steel's Management</u>	174
<u>Board of Directors</u>	174
<u>Senior Management</u>	179
<u>Description of Mittal Steel's Share Capital</u>	185
<u>Share Capital</u>	185
<u>Major Shareholders</u>	186
<u>New Class A Common Shares</u>	187
<u>Form and Transfer of Shares</u>	188
<u>Issuance of Common Shares</u>	188
<u>Pre-emptive Rights</u>	188
<u>Repurchase of Shares</u>	189
<u>Capital Reduction</u>	190
<u>General Meeting</u>	190
<u>Voting Rights</u>	190
<u>Reduction of Class B Voting Rights</u>	192
<u>Corporate Governance</u>	193
<u>Annual Accounts</u>	194
<u>Dividends</u>	194
<u>Significant Transactions</u>	195
<u>Amendment to the Articles of Association</u>	195
<u>Merger and Demerger</u>	196
<u>Liquidation</u>	196
<u>Information Rights</u>	196
<u>Mandatory Bid</u>	197
<u>Dutch Squeeze Out Proceedings</u>	197
<u>Disclosure of Significant Ownership of Shares</u>	197
<u>Disclosure of Insider Transactions</u>	198
<u>Share Trading, Clearing and Settlement</u>	199
<u>Comparison of Rights of Shareholders Under Luxembourg and Dutch Law</u>	203
<u>Voting Rights</u>	203
<u>Amendment of Charter Documents</u>	204
<u>Appraisal Rights</u>	205
<u>Issuance of Shares</u>	205
<u>Pre-emptive Rights</u>	206
<u>Action by Written Consent of Shareholders</u>	206
<u>Shareholders' Meetings</u>	207
<u>Election of Directors and Representation</u>	208
<u>Removal of Directors</u>	210
<u>Filling of Vacancies</u>	210
<u>Shareholder Nominations and Proposals</u>	210
<u>Dividends</u>	211
<u>Rights of Purchase and Reduction of Share Capital</u>	213
<u>Limitation of Directors' Liability/ Indemnification of Officers and Directors</u>	214
<u>Special Meetings</u>	215
<u>Shareholder Votes on Certain Reorganizations</u>	215
<u>Certain Provisions Relating to Business Combinations</u>	216

---

**Table of Contents**

<u>Rights of Inspection</u>	216
<u>Shareholder Suits</u>	217
<u>Conflict-of-Interest Transactions</u>	217
<u>Financial Information Available to Shareholders</u>	217
<u>Taxation</u>	219
<u>United States Taxation</u>	219
<u>Luxembourg Taxation</u>	222
<u>Dutch Taxation</u>	224
<u>Market Price and Dividend Data</u>	228
<u>Mittal Steel Trading History</u>	228
<u>Arcelor Trading History</u>	229
<u>Mittal Steel Dividends</u>	231
<u>Arcelor Dividends</u>	232
<u>Where You Can Find More Information</u>	233
<u>Incorporation of Certain Documents by Reference</u>	234
<u>Service of Process and Enforceability of Civil Liabilities</u>	236
<u>Validity of Securities</u>	237
<u>Experts</u>	238
<u>Summary of Certain Differences between IFRS and U.S. GAAP (Unaudited)</u>	A-1
Information Relating to Arcelor	B-1

**Table of Contents**

**SUMMARY**

*This summary highlights selected information from this prospectus. It does not contain all of the information that is important to evaluate the Offer. You should read carefully the entire prospectus and the additional documents referred to in this prospectus to fully understand the Offer.*

**The Companies**

***Mittal Steel***

Mittal Steel is the world's largest and most global steel producer with an annual production capacity of approximately 75 million tonnes. The Company is the largest steel producer in the Americas and Africa and the second largest in Europe. The Company has steel-making operations in 15 countries on four continents, including 31 integrated, mini-mill and integrated mini-mill steel-making facilities. At December 31, 2005, we had approximately 224,000 employees.

Mittal Steel produces a broad range of high-quality finished and semi-finished carbon steel products, encompassing the main categories of steel products (flat products, long products and pipes and tubes). Specifically, the Company produces hot-rolled and cold-rolled sheets, plates, electrogalvanized and coated steel, bars, wire rods, wire products, pipes, billets, blooms, slabs, tinplate, structural sections and rails. Mittal Steel sells these products in local markets and through our centralized marketing organization to customers in over 150 countries. The Company's products are used in a diverse range of end-markets, including the automotive, appliance, engineering, construction and machinery industries.

Our steel-making operations have a high degree of geographic diversification. Almost 41% of our steel is produced in the Americas, with the balance being produced in Europe (38%) and in other countries, such as Kazakhstan, Algeria and South Africa (21%). We are further increasing our geographic production diversification. In September 2005, we completed the acquisition of a 36.67% interest (subsequently diluted to 29.49% by the exercise of convertible bonds by other investors) in Hunan Valin, an 8.5 million ton steel producer in China. In October 2005, we signed a memorandum of understanding with the local government to construct a 12 million tonne steel-making operation in Jharkhand, India. In November 2005, we completed the acquisition of a 93% stake in Kryvorizhstal (since renamed Mittal Steel Kryviy Rih), the largest carbon steel long products producer in Ukraine.

We produced approximately 30.1 million, 47.2 million and 53.9 million tons of liquid steel in 2003, 2004 and 2005, respectively and shipped approximately 27.4 million, 42.1 million and 49.2 million tons of steel in such years. Our shipments are well-balanced geographically and are also balanced as between developed and developing markets, which have different characteristics.

We have access to high-quality and low-cost raw materials through our captive sources and long-term contracts. In 2005, on a pro forma basis after giving effect to the acquisition of ISG and Kryvorizhstal, approximately 56% of our iron ore requirements (of which we are one of the world's largest producers) and approximately 42% of our coal requirements were supplied from our own mines or from long-term contracts at many of our operating units. We are actively developing our raw material self-sufficiency, including

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**Table of Contents**

through recent initiatives to gain access to iron ore deposits in Liberia and Senegal, and expanding our existing iron ore sources in various parts of the world, including Ukraine. We are one of the world's largest producers of coke, a critical raw material derived from coal, and we satisfy approximately 81% of our own coke requirements. We are the world's largest producer of direct reduced iron, or DRI, which is a scrap substitute used in the mini-mill steel-making process, with total production capacity of approximately 11 million tonnes. Our DRI production satisfies all of our mini-mill input requirements. Our facilities have good access to shipping facilities, including deep-water port facilities and railway sidings.

In 2004, we generated sales of \$22.2 billion, operating income of \$6.1 billion and net income of \$4.7 billion. In 2005, we generated sales of \$28.1 billion, operating income of \$4.7 billion and net income of \$3.4 billion. At December 31, 2005, we had shareholders' equity of \$10.2 billion, total debt of \$8.3 billion, and cash and cash equivalents, including short-term investments and restricted cash, of \$2.1 billion.

Mittal Steel is a successor to a business founded in 1989 by Mr. Lakshmi N. Mittal, our Chairman and Chief Executive Officer. We have experienced rapid and steady growth since then, largely through the consistent and disciplined execution of a successful consolidation-based strategy. We made our first acquisition in 1989, leasing the Iron & Steel Company of Trinidad & Tobago. Some of the principal acquisitions since then include Sibalsa (Mexico) in 1992, Karmet (Kazakhstan) in 1995, Thyssen Duisburg (Germany) in 1997, Inland Steel (USA) in 1998, Unimétal (France) in 1999, Sidex (Romania) and Annaba (Algeria) in 2001, Nova Hut (Czech Republic) in 2003, BH Steel (Bosnia), Balkan Steel (Macedonia), PHS (Poland) and Iscor (South Africa) in 2004, and ISG (USA), Hunan Valin (China) and Kryvorizhstal (Ukraine) in 2005.

We have proven expertise in acquiring companies and turning around under-performing assets. We believe that we have successfully integrated our previous key acquisitions by implementing a best practice approach in operations and management to enhance profitability. Specifically, our focused capital expenditure programs and implementation of improved management practices at the acquired facilities have resulted in overall increases in production and shipment of steel products, reductions in cash costs of production and increases in productivity. Mittal Steel's aggregate capital expenditures were approximately \$421 million, \$898 million and \$1,181 million in the years ended December 31, 2003, 2004 and 2005, respectively.

The mailing address and telephone number of Mittal Steel's principal executive offices are:

**Mittal Steel Company N.V.**

Hofplein 20

3032 AC Rotterdam

+31 10 217 8800

***Arcelor***

Arcelor was created in February 2002 by the combination of three steel-making companies, Aceralia Corporación Siderurgica, Arbed and Usinor. The Arcelor group operates in four market sectors: Flat Carbon Steels, Long Carbon Steels, Stainless Steels and Arcelor Steel Solutions and Services (A3S, formerly Distribution, Transformation and Trading). Arcelor is the second largest steel producer in the world in terms of production, with production of 47 million and 46.7 million tonnes of steel in 2004 and 2005, respectively. It generated revenues of \$30.2 billion in 2004 and \$32.6 billion in 2005. For the same periods, its net result (group share) was \$2.3 billion and \$3.8 billion, respectively. Arcelor recorded capital expenditure of \$1.4 billion in 2004 and \$2.1 billion in 2005.

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## Table of Contents

In 2004, 30% of its production was obtained from scrap used in electric arc furnaces and 70% from iron ore. The Arcelor group is a leading operator in all its key end markets: the automotive industry, construction, household appliances, packaging and general industry. Arcelor is the market leader in Western Europe; 71.2% of its sales in 2005 were in the European Union. Arcelor also has a strong position in South America, particularly due to its Brazilian operations; 10.8% of its sales in 2005 were in South America.

Arcelor is a leading producer of flat carbon steels, in terms both of volume and value, having shipped approximately 28.5 million tonnes in 2004 and 28.1 million tonnes in 2005. In 2005, total production of flat carbon steel was 32.9 million tonnes. This sector employed approximately 46,000 people at year-end 2005, generated revenues of approximately 16.1 billion in 2004 and 18.1 billion in 2005 and recorded operating results of 1.7 billion in 2004 and 2.8 billion in 2005. Its product portfolio covers the full range of flat carbon steels, including slabs, heavy plate, hot-rolled coils, cold-rolled coils and metallic and organic coated steel. These products are used in the automotive, household appliance, packaging, construction, civil engineering, mechanical engineering and processing industries.

Arcelor is one of the world's leading producers of long carbon steels, having shipped approximately 13.4 million tonnes in 2004 and 12.3 million tonnes in 2005. In 2005, total long carbon steels production was 11.2 million tonnes. This sector employed over 20,000 people at year-end 2005 and reported revenues of approximately 6.2 billion in 2004 and 6.6 billion in 2005 and operating results of 1.1 billion in 2004 and 1.1 billion in 2005, from sales of products in the following three categories:

commodity products (rolled products): lightweight and medium-weight beams, merchant steel, concrete reinforcing bar and commodity quality wire rod;

specialty products (rolled products): sheet pile, heavy beams, special sections, rails and special quality wire rod; and

wiredrawn products: steelcord, hose wire, saw wire and low carbon steel wire products.

Arcelor is a leading global producer of stainless steels, in both volume and revenues, having shipped 2.1 million tonnes in 2004 and 1.6 million tonnes in 2005. In 2005, total production of stainless steels was 1.7 million tonnes. This sector employed over 13,500 people at year-end 2005 and generated revenues of approximately 4.6 billion in 2004 and 4.0 billion in 2005 and operating results of 127 million in 2004 and 93 million in 2005. Arcelor produces virtually the entire range of stainless steels and stainless steel alloy products.

The A3S sector uses steels produced by the Arcelor group and also purchases steels from third parties. This sector is organized into five operating units that work in specialist but complementary markets. It employed over 11,000 people at year-end 2005 and generated revenues of approximately 8.3 billion in 2004 and 8.7 billion in 2005, corresponding to 15.0 million and 13.7 million tonnes of shipped steel, respectively, 70% in 2004 and 81% in 2005 of which came from the other sectors of the Arcelor group. The A3S sector recorded operating results of 398 million in 2004 and 254 million in 2005.

### *Recent Development Relating to Arcelor*

Arcelor announced on May 26, 2006 that it has signed an agreement with Alexey Mordashov, the controlling shareholder of Severstal, a steel company organized in Russia, providing for the contribution by Mr. Mordashov to Arcelor of his 89% interest in Severstal (including related mining interests and Italian steelmaker Lucchini) and 1.25 billion cash in exchange for 295 million newly-issued shares representing an interest of approximately 32% in Arcelor. The following description is based entirely on Arcelor's announcement and public statements. According to the announcement, this transaction values Arcelor at 44 per share. Following these transactions, Arcelor's existing shareholders will hold approximately 68% of the shares of the enlarged Arcelor. Arcelor's announcement states an intention to continue with its previously announced dividend and self-tender offer, the results of which could change these percentages, increasing Mr. Mordashov's stake..

According to Arcelor statements, the agreements with Mr. Mordashov are subject to a number of termination provisions:

the agreement will be terminated if Arcelor shareholders representing more than 50% of outstanding Arcelor shares vote against the transaction at a shareholders' meeting on June 28; and

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the agreement automatically unwinds if Mittal Steel acquires more than 50% of Arcelor's diluted share capital;

Mr. Mordashov has the option to unwind the transaction within three months if Mittal Steel acquires less than 50% of Arcelor. In addition, the transaction is subject to antitrust approvals in Europe, the United States and perhaps elsewhere. There is a mutual break-up fee of 140 million. Mr. Mordashov has committed to a standstill on Arcelor shares for 4 years and to a lock-up for 5 years.

Arcelor's executive management will remain in place, supplemented by Severstal executives, and Arcelor's current Chief Executive Officer and Chairman of the Board will retain their positions. Mr. Mordashov will become non-executive President of the Arcelor Board of Directors and will chair a newly-created Strategic Committee (comprised of two independent members and two Severstal nominees) which must approve key strategic decisions by simple majority. In addition, he will have the right to nominate 6 out of 18 directors on the Arcelor Board of Directors. Mr. Mordashov has agreed to vote his shares in accordance with the recommendations of the Board of Directors for an unspecified period. Further, Mr. Mordashov retains a non-economic voting interest of 25.01% in Severstal, which affords him a blocking interest in certain major corporate decisions and changes.

According to the Arcelor press release, Severstal is the largest Russian steel producer, with 2005 annual steel production of 17.1 million tonnes. It is the second largest flat steel producer in Russia with annual steel production of 10.9 million tonnes. In addition, Severstal owns Severstal North America, the fifth largest integrated steel maker in the U.S. with 2005 production of 2.7 million tonnes, and Lucchini, Italy's second largest steel group with 2005 production of 3.5 million tonnes. Severstal-Resource produces coking coal, thermal coal, iron ore pellets and iron ore concentrate, and generated revenues of 1.12 billion in 2005.

See Information Relating to Arcelor Press release announcing Arcelor's agreement to merge with Severstal (released May 26, 2006).

## **Table of Contents**

The mailing address and telephone number of Arcelor's principal executive offices are:

### **Arcelor S.A.**

19, avenue de la Liberté

L-2930 Luxembourg

+352 4792-1

### **Background to and Reasons for the Offer**

Mittal Steel is making the Offer to unite the world's two largest steel companies and to offer all shareholders the opportunity to participate in the combined entity's future growth. The combined company would have unrivalled geographic scope, including leadership positions in five of the nine major world markets (South America, NAFTA, Western Europe, Central and Eastern Europe and Africa), and would be the first steel company to produce over 100 million tons of steel annually. Operational cost synergies, primarily in the areas of purchasing, marketing and trading, and manufacturing process optimization, generated by the combination are estimated to reach \$1 billion, before tax, by the end of 2009. There is no guarantee, however, that the combined company will be able to recognize these operational cost synergies in full or at all. Mittal Steel's inability, due to its lack of access to non-public Arcelor information, to assess items such as loss contingencies may affect the amount of any potential synergies.

The steel industry remains relatively fragmented and the transaction represents a step change in its consolidation. The combined entity will offer a strengthened range of products and solutions for global customers while maximizing opportunities with a global distribution and trading network. It will benefit from increased efficiency in the combined asset base through investment and operational excellence, with input costs being controlled through the substantial vertical integration of mining and steel making operations.

See The Offer Rationale for the Offer.

### **Conduct of the Offer**

#### ***The U.S. Offer and the European Offer; Documentation***

The Offer is being conducted through two separate offers:

the U.S. Offer, open to all holders of Arcelor shares and Convertible Bonds who are U.S. holders (within the meaning of Rule 14d-1(d) under the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act)), and to all holders of Arcelor ADSs, wherever located; and

the European Offer, open to (i) holders of Arcelor shares and Convertible Bonds who are located in Belgium, France, Luxembourg and Spain and (ii) holders of Arcelor shares and Convertible Bonds who are located outside of Belgium, France, Luxembourg, Spain, Japan, The Netherlands and the United States to the extent that such holders may participate in the European Offer pursuant to applicable local laws and regulations.

**Table of Contents**

The U.S. Offer and the European Offer have identical terms and conditions other than the date of commencement and the duration of the initial acceptance period (see Terms and Conditions of the Offer Expiration Date ).

The U.S. Offer is being made using this prospectus. The European Offer is being made using a European offer document (consisting of an offer document and a share prospectus).

See The Offer Conduct of the Offer The U.S. Offer and the European Offer; Documentation.

***Applicable Rules***

Mittal Steel intends to conduct the Offer in compliance with the applicable regulatory requirements in the jurisdictions in which Arcelor s securities are listed (Belgium, France, Luxembourg and Spain) and in Arcelor s seat of incorporation (Luxembourg), as determined by the regulatory authorities of such jurisdictions, as well as the applicable requirements of the U.S. tender offer rules found in Regulation 14E under the Exchange Act. The European requirements and procedures applicable to the Offer conflict with our ability to comply with Rules 14e-1(c) and 14e-1(d) under the Exchange Act, and Mittal Steel is relying on the so-called Tier II exemption under the Exchange Act with respect to those rules. See The Offer Conduct of the Offer Applicable Rules; Differences from U.S. Requirements.

***SEC Relief***

In connection with the Offer, Mittal Steel s financial advisors have sought and received from the SEC exemptive relief from the requirements of Rule 14e-5 under the Exchange Act that permits Mittal Steel s financial advisors or their affiliates to make purchases of, or arrangements to purchase, Arcelor securities outside the United States other than pursuant to the Offer. Mittal Steel expressly draws attention to the fact that, subject to applicable regulatory requirements, Mittal Steel s financial advisors and their affiliates or nominees or brokers (acting as agents) have the ability to make certain purchases of, or arrangements to purchase, Arcelor securities outside the United States, other than pursuant to the Offer, before or during the period in which the Offer remains open for acceptance. In the event they were made, these purchases or arrangements to purchase would only be conducted to the extent permitted by the relevant regulators in Belgium, Luxembourg, France and Spain, or by the relevant regulation in these four jurisdictions, and applicable U.S. securities laws (except to the extent of any exemptive relief granted by the SEC).

In addition, Mittal Steel will request SEC exemptive relief to confirm that the conduct of the European Offer concurrently with the U.S. Offer would not conflict with the requirements of Rule 14e-5 under the Exchange Act.

See The Offer Conduct of the Offer SEC Relief.



## Table of Contents

### Terms of the Offer

#### *Scope of the Offer*

The Offer is made for all Arcelor shares and Convertible Bonds that were outstanding as of the first filing date of the European Offer with certain competent European securities regulatory authorities (*i.e.*, February 6, 2006), namely (and based on then-publicly available Arcelor information):

all issued Arcelor shares as of February 6, 2006, *i.e.*, 639,774,327 shares (including 19,771,296 Arcelor shares held as treasury shares and including shares represented by ADSs);

all Convertible Bonds outstanding as of February 6, 2006, *i.e.*, 38,961,038 Convertible Bonds;

all Arcelor shares that will be issued prior to the expiration of the initial acceptance period of the Offer (or any subsequent offering period, as described herein) upon the conversion of Convertible Bonds, *i.e.*, up to 40,012,986 shares (based on a conversion ratio of 1.027; on April 14, 2006, Arcelor announced that following the payment of the 1.85 dividend per share in respect of the 2005 fiscal year, the conversion/exchange ratio of the Convertible Bonds would be modified to 1.078 with effect from May 29, 2006); and

all Arcelor shares that will be issued before the end of the initial acceptance period of the Offer (or any subsequent offering period, as described herein) upon the exercise of Arcelor stock subscription options granted prior to February 6, 2006 or in exchange for Usinor shares issued upon the exercise of Usinor stock subscription options granted prior to February 6, 2006, *i.e.*, up to 4,675,676 shares.

The Offer is also made for all outstanding Arcelor ADSs that represent any of the securities listed above.

See The Offer Terms and Conditions of the Offer Offer Scope and Consideration Securities Covered by the Offer.

#### *Consideration*

The Offer is comprised of both a Primary Offer and two Secondary Offers. Pursuant to the Primary Offer, we are offering to exchange:

1 Mittal Steel class A common share and 11.10 in cash for each Arcelor share or each Arcelor ADS tendered; and

1 Mittal Steel class A common share and 12.12 in cash for each Convertible Bond tendered.



**Table of Contents**

If you hold Arcelor shares or Arcelor ADSs, then, in addition to, or instead of, this mix of Mittal Steel class A common shares and cash, you may elect to tender all or a portion of your Arcelor shares or Arcelor ADSs into one or both of the Secondary Offers. We are offering to exchange:

37.74 in cash for each Arcelor share or Arcelor ADS tendered in the secondary cash offer (the Secondary Cash Offer ); or

17 Mittal Steel class A common shares for every 12 Arcelor shares or Arcelor ADSs tendered in the secondary exchange offer (the Secondary Exchange Offer ).

The cash consideration paid to tendering holders of Arcelor ADSs will be in U.S. dollars, calculated by converting the applicable amount in euros into U.S. dollars using the noon buying rate, as published by the Federal Reserve Bank of New York, on the business day prior to the settlement date, and will be distributed, less any required withholding taxes and without interest thereon, to such holders.

The consideration set out above in the Primary and Secondary Offers is subject to adjustment if Arcelor makes specified distributions in respect of its share capital, acquires its shares or issues new voting securities or securities conferring the right to subscribe for, acquire or convert into voting securities, as set out in detail herein.

You are not required to make the same election for all of the Arcelor shares and Arcelor ADSs that you tender, and you may make any of these elections for all or some of the Arcelor shares and Arcelor ADSs that you tender. Tenders in the two Secondary Offers set out above, however, are subject to a pro-ration and allocation procedure that will ensure that in the aggregate the portion of the consideration paid in the European Offer and the U.S. Offer, on a combined basis, consisting of New Mittal Steel Shares (the Share Portion of the Offer ) and the portion of the consideration paid in the European Offer and the U.S. Offer, on a combined basis, consisting of cash (the Cash Portion of the Offer ) (excluding the effect of the treatment of fractional shares that would otherwise be issued) will be 70.6% and 29.4%, respectively, subject to adjustment if the consideration is adjusted as described above.

The annual Arcelor shareholders meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend

**Table of Contents**

in respect of the 2005 fiscal year. Such payment is currently scheduled to be paid on May 29, 2006. If otherwise paid or a record date for payment is set on a date that is prior to the settlement date of the Offer, the share portion or cash portion of the Offer consideration would be adjusted as set out in detail herein. For example, if the approved dividend of 1.85 per share were to be paid, the cash portion of the consideration in the Primary Offer and the consideration in the Secondary Cash Offer would be reduced to 10.05 per Arcelor share or Arcelor ADS and the number of Mittal Steel class A common shares offered as consideration in the Secondary Exchange Offer would be reduced accordingly. The cash portion of the offer for the Convertible Bonds will be increased by 0.80 to 12.92 and the exchange ratio of the offer for the Convertible Bonds will remain unchanged.

Any price adjustment could result in the extension of the initial acceptance period of the Offer, depending on its timing.

See The Offer Terms and Conditions of the Offer.

***Conditions***

The Offer is subject to the following conditions:

Arcelor securities representing more than 50% of the total share capital and voting rights of Arcelor, on a fully-diluted basis, are tendered in the U.S. Offer and the European Offer, on a combined basis;

(i) Between February 6, 2006 and the end of the initial acceptance period of the Offer, no exceptional event beyond the control of Mittal Steel occurs relating to Arcelor (other than any decision or action taken by competent competition authorities in relation to the currently proposed combination of Mittal Steel and Arcelor), and (ii) between February 6, 2006 and the settlement date of the Offer, Arcelor does not take any action that, in either case, materially alters Arcelor's substance, substantially and adversely affects the economics of the Offer or substantially and adversely affects the ability of Mittal Steel to complete the Offer; and

Any new voting securities or any new securities conferring the right to subscribe for, acquire or convert into voting securities (other than securities specifically covered by the Offer as set out herein), such securities being referred to herein as New Securities, issued by Arcelor between February 6, 2006 and the settlement date of the Offer shall have been issued pursuant to specific authorization by Arcelor shareholders granted after February 6, 2006.

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**Table of Contents**

The conditions are for the benefit of Mittal Steel, and Mittal Steel reserves the right to maintain the Offer even if one or more of them is not satisfied. Without prejudice to the generality of the foregoing, Mittal Steel specifically reserves the right to waive the first condition summarized above at any time until the announcement of the results of the Offer. The timing of Mittal Steel's waiver of this condition could result in the extension of the initial acceptance period of the Offer.

See The Offer Terms and Conditions of the Offer and The Offer Terms and Conditions of the Offer Conditions to the Offer; Possible Withdrawal of Offer.

***Grounds for Withdrawing the Offer***

Mittal Steel may withdraw the Offer if any of the conditions summarized under Conditions above is not satisfied. In addition, in the event that New Securities are issued after February 6, 2006 pursuant to specific authorization of Arcelor shareholders granted after such date, Mittal Steel may withdraw the Offer subject to the prior consent of the French *Autorité des marchés financiers* (the AMF), the Belgian *Commission Bancaire, Financière et des Assurances* (the CBFA), the Luxembourg *Commission de Surveillance du Secteur Financier* (the CSSF) and/or the Spanish *Comisión Nacional del Mercado de Valores* (the CNMV, and, together with the AMF, the CBFA and the CSSF, the European Regulators), insofar as required by applicable law. As an alternative to withdrawal of the Offer in the event of the issuance of New Securities between February 6, 2006 and the settlement date of the Offer, irrespective of whether such issuance is pursuant to specific Arcelor shareholder authorization granted after February 6, 2006, Mittal Steel may extend the Offer to such New Securities, possibly after amending its terms to reflect the changed economics of the Offer resulting from the issuance of the New Securities.

The extension of the Offer to New Securities could result in the extension of the initial acceptance period for the Offer, depending on its timing. See The Offer Terms and Conditions of the Offer Offer Scope and Consideration Issuance of New Securities.

Mittal Steel may also withdraw the Offer within five Business Days following the publication of an offer document relating to a competing or improved competing offer.

See The Offer Terms and Conditions of the Offer Grounds for Withdrawing the Offer.

***Expiration Date***

The initial acceptance period for the U.S. Offer starts on the date of commencement of the U.S. Offer ([ ], 2006) and will close at [ ] pm, New York City time, on [ ], 2006, unless it is extended.

The initial acceptance period of the Offer could be extended if a competing bid is made for Arcelor securities, we increase the Offer consideration or make other material changes in the terms and conditions of the Offer, if Arcelor adopts certain defensive measures or to comply with applicable regulatory requirements.

In particular, the initial acceptance period shall be extended such that it is open for ten Business Days after publication of any of (i) or (ii) below or for five Business Days after the publication of (iii) below:

- (i) the first public announcement by Mittal Steel of an adjustment to the consideration offered for Arcelor securities pursuant to Offer Scope and Consideration Offer for Arcelor Shares Tenders in Primary Offer or Secondary Offers Primary Mixed Cash and Exchange Offer and Tenders in Primary Offer

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or Secondary Offers Secondary Cash and Exchange Offers;

- (ii) the first public announcement by Mittal Steel of Mittal Steel's extension of the Offer to New Securities issued by Arcelor after amending the terms of the Offer in accordance with Offer for Arcelor Shares and Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities; or

**Table of Contents**

- (iii) a supplement to this prospectus containing a material change other than those described in (i) and (ii) above.

The initial acceptance period for the European Offer has been set by the European Regulators and is scheduled to expire on June 29, 2006. If the initial acceptance period of the European Offer is extended, Mittal Steel intends to extend the initial acceptance period of the U.S. Offer so that the initial acceptance periods of the European Offer and the U.S. Offer expire on the same date.

If Mittal Steel decides to extend the initial acceptance period, as described above, it will publish a press release announcing such decision.

See The Offer Terms and Conditions of the Offer Expiration Date.

***Subsequent Offering Period***

Mittal Steel may elect and reserves the right to provide a subsequent offering period of at least ten Business Days if Mittal Steel acquires at least two-thirds of Arcelor's total share capital and voting rights, or more than 50% if there is a concurrent competing offer for the Arcelor securities. Mittal Steel shall make such election within ten Business Days from the date on which the results of the Offer are published in the manner described in The Offer Acceptance and Return of Arcelor Securities. If it so elects, Mittal Steel will issue a press release to announce the date of opening and duration of such subsequent offering period.

In the event that Mittal Steel acquires 90% or more of Arcelor's shares, it will issue a press release announcing a subsequent offering period of at least 15 Business Days. This subsequent offering period shall start within the month following the date on which the results of the Offer are published in the manner described in The Offer Acceptance and Return of Arcelor Securities. This mandatory offer requirement would also apply in the event that Mittal Steel were to acquire 90% of Arcelor following completion of a subsequent offering period, triggering an additional subsequent offering period.

In addition, pursuant to applicable Luxembourg takeover regulations if Mittal Steel acquires control of Arcelor (which would be the case if Mittal Steel acquires 33 1/3% or more of Arcelor's voting securities), the remaining Arcelor securityholders would be entitled to tender their Arcelor securities in a subsequent 15-day offer period starting on the day of publication of the results of the Offer.

**Table of Contents**

If a subsequent offering period for the European Offer is announced, Mittal Steel intends to announce a corresponding subsequent offering period for the U.S. Offer.

A subsequent offering period, if one is provided, will be an additional period of time beginning after Mittal Steel has acquired Arcelor securities tendered during the Offer, during which holders may tender their Arcelor securities. The terms of such subsequent offering period will differ from those provided in subsequent offering periods found in U.S. domestic tender and exchange offers pursuant to Rule 14d-11 under the Exchange Act.

During any subsequent offering period, Mittal Steel shall offer the same consideration as that offered during the initial acceptance period (subject to the same adjustment mechanisms).

The subsequent offering period will be subject to a number of conditions and the right of Mittal Steel to terminate the subsequent offering period. Specifically, the subsequent offering period will be subject to the condition set forth in clause (ii) of the second bullet summarized in Summary Terms of the Offer Conditions above (and Terms and Conditions of the Offer Events or Actions that Alter Arcelor's Substance herein) and the condition set forth in the third bullet summarized in Summary Terms of the Offer Conditions above (and Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities herein). Failure of such conditions during any subsequent offering period will entitle Mittal Steel to terminate the subsequent offering period.

Moreover, the grounds available to Mittal Steel for withdrawing the Offer as described in Summary Terms of the Offer Grounds for Withdrawing the Offer will apply to any subsequent offering period. Thus, in the event that New Securities are issued after February 6, 2006 pursuant to Arcelor shareholder authorization, Mittal Steel may terminate the subsequent offering period subject to the prior consent of the relevant European Regulators, and Mittal Steel may also terminate the subsequent offering period within five Business Days following the publication of an offer document relating to a competing or an improved competing offer.

Any termination of the subsequent offering period shall



**Table of Contents**

not affect securities tendered during the initial acceptance period, since such securities would have been purchased on the settlement date of the initial acceptance period. If the subsequent offering period is not terminated as a result of the issuance of New Securities, the Offer will be extended to the New Securities, possibly after amendment of its terms.

During any subsequent offering period, withdrawal rights shall apply with respect to tenders made during such subsequent offering period; however, holders who previously tendered during the initial offering period will not be able to withdraw their tenders since their securities will have already been purchased.

See The Offer Terms and Conditions of the Offer Subsequent Offering Period.

***Procedures for Tendering Arcelor Securities***

The procedure for tendering Arcelor securities into the U.S. Offer varies depending on a number of factors, including (i) whether you hold Arcelor shares, Convertible Bonds or Arcelor ADSs, (ii) whether you possess physical certificates or a financial intermediary holds physical certificates for you, and (iii) whether you hold your Arcelor securities through a U.S. custodian or directly through a financial intermediary located in France, Belgium, Luxembourg, Spain or elsewhere. You should read carefully the detailed summary of procedures for tendering the different types of Arcelor securities set forth in The Offer Procedures for Tendering Arcelor Securities.

***Withdrawal Rights of Securityholders***

Holders of Arcelor securities may withdraw tendered securities at any time during the initial acceptance period for the Offer. Moreover, if the initial acceptance period for the Offer is extended as described in The Offer Terms and Conditions of the Offer Expiration Date, holders of Arcelor securities who have previously tendered their securities may withdraw them until the end of the initial acceptance period so extended.

See The Offer Terms and Conditions of the Offer Withdrawal Rights of Securityholders.

**Table of Contents**

***Delivery of Mittal Steel Shares and Cash***

The Global Centralizing Agent will deliver New Mittal Steel Shares and cash to local centralizing agents for Arcelor shares and Convertible Bonds held through a European central depository, to Arcelor for Arcelor shares directly registered in the Arcelor share register and to the ADS Centralizing Agent for Arcelor ADSs promptly following the publication of the final results of the Offer. See The Offer Delivery of New Mittal Steel Shares and Cash.

***Regulatory Approvals***

Antitrust notifications have been made in the European Union pursuant to Council Regulation (EC) 139/2004, in the United States pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and in other jurisdictions around the world. The statutory waiting periods have expired in the United States and in Canada. In the United States, the Department of Justice's investigation continues with respect to one area of overlap between the parties' North American operations. Mittal and the DOJ have agreed that, if the DOJ were to conclude that a remedy is necessary to resolve a competitive concern in this area, Mittal's proposed sale of Dofasco to ThyssenKrupp would satisfy the Department's concerns. If Mittal is unable to sell Dofasco to ThyssenKrupp, Mittal may instead resolve any competitive concern by selling an identified alternative asset. The European Union antitrust authorities will decide by June 7, 2006 whether to approve the proposed acquisition or to open an in-depth ( Phase II ) investigation. Mittal Steel has proposed commitments to the European Commission in this regard.

See Regulatory Matters.

***Listing of Mittal Steel Class A Common Shares***

Mittal Steel class A common shares are currently listed on the NYSE and Euronext Amsterdam. Mittal Steel will apply to list the shares issued pursuant to the Offer on these exchanges, as well as on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges. See The Offer Listing of Mittal Steel Shares.

**Table of Contents**

***Compulsory Acquisition; Delisting***

To the extent permitted under applicable laws and stock exchange regulations, Mittal Steel may petition to cause the delisting of the Arcelor securities from all stock exchanges on which they are currently listed. Furthermore, subject to the completion of the Offer, Mittal Steel intends to cause Arcelor to terminate its deposit agreement with respect to the Arcelor ADR program. Should any of Arcelor's shares remain outstanding after completion of the Offer, Mittal Steel will consider possible options to attain ownership of all of Arcelor's share capital, including through any available compulsory buy-out procedure, merger or other corporate reorganization. As of May 22, 2006, Luxembourg law provides for a compulsory buy-out of minority shareholders, if following an offer the offeror owns 95% of the capital and voting rights of the target company. If Mittal Steel does not hold 95% or more of the capital and the voting rights of Arcelor following the Offer, Mittal Steel would consider other possible options to increase its shareholding in Arcelor. See *The Offer Delisting; Termination of Arcelor ADR Program; Possible Redemption of Convertible Bonds, The Offer Compulsory Acquisition and The Offer Intentions of Mittal Steel regarding Corporate Governance and Corporate Structure Intentions Regarding Minority Buy-Out and Delisting.*

***Dividends***

The New Mittal Steel Shares issued in connection with the Offer will have the same dividend and other rights as Mittal Steel's other class A common shares. Holders of the New Mittal Steel Shares will be entitled to any dividend declared as from the registration of the capital increase effected in connection with the issuance of such shares.

**Table of Contents**

***Early Redemption Rights Relating to Convertible Bonds***

Holders of Convertible Bonds and Arcelor each have early redemption rights in certain circumstances. If neither Mittal Steel nor Arcelor provides a fairness opinion with respect to the Offer for Convertible Bonds, bondholders may, during the 60 days following the closing of the Offer, request early redemption at the higher of (i) the principal amount of the Convertible Bonds plus accrued interest, and (ii) the value of the consideration paid in the Offer for Arcelor shares as of the closing date multiplied by the conversion / exchange ratio for the Convertible Bonds then in effect. If the Arcelor shares are delisted from all regulated markets, bondholders may request redemption at a price equal to the Convertible Bonds' principal amount plus accrued interest.

If less than 10% of the Convertible Bonds remain outstanding, Arcelor has the right to redeem all of the Convertible Bonds at their principal amount plus accrued interest.

See The Offer Terms and Conditions of the Offer Offer Scope and Consideration Offer for Convertible Bonds for further information.

***Mandatory Offer for Minority Interests in the Brazilian Subsidiaries***

Arcelor holds a majority interest in two companies that are listed on the Brazilian stock exchange. Under Brazilian law, Mittal Steel will be required to offer to acquire the minority interests in these companies if it acquires control of Arcelor. The value of the interests and the consideration to be paid in such offer is subject to a number of variables. See The Offer Required Purchase of Minority Shareholdings in Arcelor Brasil S.A. and Acesita S.A., Arcelor's two Brazilian Subsidiaries for further information.

***Comparison Of The Rights Of Arcelor Shareholders And Mittal Steel Shareholders***

Depending on the consideration you elect and the results of the pro-ration and allocation procedures, you may receive Mittal Steel class A common shares if you tender your Arcelor securities. There are numerous differences between the rights of a shareholder in Arcelor, a Luxembourg *société anonyme*, and the rights of a shareholder in Mittal Steel, a Dutch *naamloze vennootschap*. For a summary of these differences, please see Comparison of Rights of Shareholders Under Luxembourg and Dutch Law.

**Table of Contents**

<b><i>Interests of Directors and Executive Officers of Mittal Steel and Arcelor; Post-Offer Shareholding</i></b>	<p>No Mittal Steel director or executive officer owns any Arcelor securities. Mittal Steel's Controlling Shareholder holds a number of the issued and outstanding Mittal Steel class A common shares and 100% of the issued and outstanding Mittal Steel class B common shares, together representing approximately 98% of the combined voting interest in Mittal Steel. Following the Offer, the Controlling Shareholder will retain at least a substantial minority shareholding.</p> <p>Based on publicly available information, members of Arcelor's Management Board together owned approximately 0.02% of the outstanding shares of Arcelor as of December 31, 2005. No information regarding ownership of Mittal Steel shares by any director or executive officer of Arcelor is publicly available.</p>
<b><i>Material U.S. Federal and Dutch Income Tax Consequences of the Exchange</i></b>	<p>The sale of Arcelor securities for cash and the exchange of Arcelor securities for Mittal Steel class A common shares will constitute a taxable disposition under U.S. federal income tax law. See Taxation United States Taxation. Dividends distributed by Mittal Steel generally will be subject to Dutch withholding tax. See Taxation Dutch Taxation Withholding Tax.</p>

**Table of Contents**

***Requests for Assistance***

If you have questions or want copies of additional documents, you may contact:

The information agent:

D.F. King & Co., Inc.  
48 Wall Street  
New York, New York 10005  
1 800 347 4857  
Banks and Brokers: 1 212 269 5550

or the dealer managers (solely for the U.S. Offer):

Goldman, Sachs & Co.  
1 New York Plaza, 48th Floor  
New York, New York 10004  
1 800 323 5678;

Citigroup Global Markets Inc.  
388 Greenwich Street  
New York, New York 10013  
1 800 754 1370;

Credit Suisse Securities (USA) LLC  
Eleven Madison Avenue  
New York, New York 10010  
1 800 881 8320;

HSBC Securities (USA) Inc.  
452 Fifth Avenue  
New York, New York 10018  
1 800 975 4722; and

SG Americas Securities, LLC  
1221 Avenue of the Americas  
New York, New York 10020  
1 212 278 5595.

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**Table of Contents**

**PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION**

**Company Names**

Unless indicated otherwise, or the context otherwise requires, references in this prospectus to *Mittal Steel*, *we*, *us*, *our* and *the Company* or similar terms are to Mittal Steel Company N.V., formerly known as Ispat International N.V., and its subsidiaries (which include LNM Holdings N.V. and its subsidiaries and International Steel Group Inc. and its subsidiaries). *Ispat International* refers to Ispat International N.V. and its subsidiaries as they existed prior to the business combination with LNM Holdings on December 17, 2004 and to its 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 business combination with Ispat International on December 17, 2004 and to its predecessor companies for the periods prior to the organization of LNM Holdings. On December 20, 2004, LNM Holdings' name was changed to Mittal Steel Holdings N.V. On December 28, 2005, Mittal Steel Holdings N.V. was redomiciled to Switzerland and changed its name to Mittal Steel Holdings A.G.

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

All references in this prospectus to *Mittal Steel Kryviy Rih* refer to the operations of Kryvorizhstal, Ukraine, which was acquired by the Company on November 25, 2005 and subsequently renamed OJSC Mittal Steel Kryviy Rih, or Mittal Steel Kryviy Rih.

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

References to *Arcelor* refer to Arcelor S.A., a *société anonyme* incorporated under Luxembourg law, having its registered office at 19 Avenue de la Liberté, L-2930 Luxembourg, Grand Duchy of Luxembourg, and, where applicable, its consolidated subsidiaries.

**Certain Defined Terms**

Unless indicated otherwise, or the context otherwise requires, references in this prospectus to:

*Articles of Association* refers to the amended and restated Articles of Association of Mittal Steel Company N.V., dated June 21, 2005;

*Business Day* means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is operating and that is not a federal holiday in the United States. TARGET as a whole is closed on Saturdays, Sundays, New Year's Day, Good Friday and Easter Monday, May 1, Christmas Day and December 26. For the avoidance of doubt a *Business Day* shall be deemed to end at 12:00 midnight New York City time;

**Table of Contents**

C\$ or Canadian dollars are to the lawful currency of Canada;

Controlling Shareholder refers to Mr. Lakshmi N. Mittal and his wife, Mrs. Usha Mittal;

euro and are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union of January 1, 1999 pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union;

production capacity are to the annual production capacity of plant and equipment based on existing technical parameters as estimated by management;

steel products are to finished and semi-finished steel products and exclude direct reduced iron, or DRI;

tons or net tons or ST are to short tons and are used in measurements involving steel products, including liquid steel (a short ton is equal to 907.2 kilograms or 2000 pounds);

tonnes or MT are to metric tonnes and are used in measurements involving iron ore, iron ore pellets, DRI, hot metal, coke, coal, pig iron and scrap (a metric tonne is equal to 1,000 kilograms or 2,204.62 pounds); and

USD, US dollars or \$ are to the lawful currency of the United States.

All volume figures for shipments of our steel products include inter-company sales.

**Financial Information**

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

***Mittal Steel***

All of the financial statements included in this prospectus for Mittal Steel have been prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ). The financial records of each of the operating subsidiaries are maintained in the currency of the country in which each subsidiary is located and using that country's statutory or generally accepted accounting principles. For consolidation purposes, financial statements have been prepared in conformity with U.S. GAAP and are expressed in U.S. dollars, the reporting currency.

For purposes of its regulatory filings in Europe relating to its listing on Euronext Amsterdam, Mittal Steel also prepares, beginning with the fiscal year ended December 31, 2005, financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union ( IFRS ). In addition, the pro forma financial information included herein to reflect the



## **Table of Contents**

acquisition of Arcelor by Mittal Steel was prepared on the basis of IFRS. IFRS differs in certain significant respects from U.S. GAAP and therefore our financial statements prepared under IFRS are not comparable with our financial statements prepared under U.S. GAAP that are incorporated by reference herein. See Summary of Certain Differences between IFRS and U.S. GAAP (Unaudited).

Incorporated by reference in this prospectus are: (i) the audited consolidated financial statements of Mittal Steel Company N.V. and its consolidated subsidiaries (adjusted after giving effect to the business combination with LNM Holdings, which has been accounted for on the basis of common control accounting), including the consolidated balance sheets as of December 31, 2004 and 2005, and the consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years ended December 31, 2003, 2004 and 2005; (ii) the audited consolidated financial statements of ISG and its consolidated subsidiaries as of and for the year ended December 31, 2004, and the unaudited condensed consolidated financial statements of ISG for the three months ended March 31, 2005; and (iii) the unaudited pro forma condensed combined statement of operations of Mittal Steel for the year ended December 31, 2005, adjusted after giving effect to the acquisition of ISG using the purchase method of accounting and presented as if the acquisition was completed on January 1, 2005. The ISG annual consolidated financial statements as of and for the year ended December 31, 2004 have not been audited by Mittal Steel's auditors.

On December 17, 2004, Ispat International N.V. completed its acquisition of Mittal Steel Holdings N.V., formerly LNM Holdings N.V. On December 20, 2004, LNM Holdings' name was changed to Mittal Steel Holdings N.V. On December 28, 2005, Mittal Steel Holdings N.V. was redomiciled to Switzerland and changed its name to Mittal Steel Holdings A.G. As Ispat International N.V. and LNM Holdings N.V. were affiliates under common control, the acquisition of LNM Holdings N.V. was accounted for on the basis of common control accounting, which is similar to a previously permitted method of accounting known as pooling-of-interests. Therefore, these consolidated financial statements reflect the financial position and results of operations of Mittal Steel from the accounts of Ispat International N.V. and LNM Holdings N.V. as though Mittal Steel had been a stand-alone legal entity during 2003 and 2004. These consolidated financial statements as of and for the years ended December 31, 2003 and 2004 have been prepared using the historical basis in the assets and liabilities and the historical results of operations relating to Ispat International N.V. and LNM Holdings N.V. based on the separate records maintained for each of these businesses. Inter-company balances and transactions have been eliminated on consolidation.

### ***Arcelor***

The annex to this prospectus includes the following financial information and documents published by Arcelor: (i) audited consolidated financial statements as of and for the years ended December 31, 2003, 2004 and 2005 and the management reports relating to such years; (ii) unaudited selected consolidated interim financial data as of March 31, 2006, as posted on Arcelor's website on May 12, 2006; and (iii) the press release announcing Arcelor's agreement to merge with Severstal, as posted on Arcelor's website on May 26, 2006. The financial statements and data were prepared in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP. For a narrative discussion of certain relevant differences between IFRS and U.S. GAAP, see Summary of Certain Differences between IFRS and U.S. GAAP (Unaudited).

### **Market Information**

This prospectus includes industry data and projections about our markets obtained from industry surveys, market research, publicly available information and industry publications, including but not limited to, publications of the International Iron and Steel Institute. Industry publications generally state that the information they contain has been

## **Table of Contents**

obtained from sources believed to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. We have not independently verified this data or determined the reasonableness of such assumptions. In addition, in many cases we have made statements in this prospectus regarding our industry and our position in the industry based on internal surveys, industry forecasts, market research, as well as our own experience. While these statements are believed to be reliable, they have not been independently verified.

## **Internet Sites**

Each of Mittal Steel and Arcelor maintains an Internet site. Mittal Steel's Internet address is [www.mittalsteel.com](http://www.mittalsteel.com). Arcelor's Internet address is [www.arcelor.com](http://www.arcelor.com). Information contained in or otherwise accessible through these Internet sites is not a part of this prospectus unless otherwise incorporated by reference in this prospectus, as described in Incorporation of Certain Documents by Reference. All references in this prospectus to Mittal Steel's and Arcelor's Internet sites are inactive textual references to these URLs and are for your information only.

**Table of Contents**

**NOTE ON ARCELOR INFORMATION**

Mittal Steel has included in or annexed to this prospectus information concerning Arcelor insofar as it is known or reasonably available to Mittal Steel. However, Arcelor is not affiliated with Mittal Steel and has not permitted Mittal Steel access to its books and records or any other non-public information about it. Therefore, information concerning Arcelor that has not been made public is not available to Mittal Steel. Although Mittal Steel has no knowledge that would indicate that statements relating to Arcelor contained in this prospectus in reliance on publicly available information are inaccurate or incomplete, Mittal Steel was not involved in the preparation of such information or statements and, for the foregoing reasons, is not in a position to verify any such information or statements. See Risk Factors Risks Relating to the Offer Mittal Steel has not been given the opportunity to conduct a due diligence review of the non-public records of Arcelor. Therefore, Mittal Steel may be subject to unknown liabilities of Arcelor that may have a material adverse effect on Mittal Steel's profitability and results of operations and Risk Factors Risks Relating to the Offer Mittal Steel has not verified the reliability of the Arcelor information included in this prospectus.

Pursuant to Rule 409 under the Securities Act, Mittal Steel requested in correspondence over the period from February 14 to April 7, 2006 that Arcelor provide Mittal Steel with information required for complete disclosure relating to its business, operations and financial condition in compliance with the requirements of Item 17 of Form F-4, including financial statements prepared in accordance with or reconciled to U.S. GAAP. During this correspondence, Arcelor requested clarification of Mittal Steel's request, which Mittal Steel provided, and confirmation from Mittal Steel that Arcelor's accession to its request would be without prejudice to Arcelor's right to oppose Mittal Steel's hostile offer, which Mittal Steel also provided. The correspondence culminated with Arcelor's provision of an estimate of the time and cost (which Mittal Steel had offered to defray, subject to agreement on a budget) necessary for the preparation by Arcelor of a reconciliation to U.S. GAAP of its financial statements prepared in accordance with IFRS. This estimate led Mittal Steel to conclude that such information relating to Arcelor is not reasonably available to it.

Mittal Steel also requested in such correspondence with both Arcelor and Arcelor's independent public accountants that the latter consent in a customary manner to the inclusion of their audit reports with respect to the financial statements of Arcelor included in this prospectus. Arcelor ultimately offered to request its independent public accountants to consider to provide such consent subject to several conditions. Arcelor also stated that its independent public accountants had advised that their ability to issue such consent would be subject to Mittal Steel obtaining from the SEC staff confirmation that the staff would not object to the inclusion of audit reports which relate to audits conducted in accordance with International Standards of Auditing (IAS) rather than the standards promulgated by the Public Company Accounting Oversight Board. Based on Mittal Steel's understanding that an audit report prepared on the basis of IAS would not be acceptable to the SEC, Mittal Steel considers that obtaining such consent is impracticable.

Mittal Steel will provide any and all information that it receives from Arcelor or its independent public accountants at least five Business Days prior to the expiration of the Offer that Mittal Steel deems material, reliable and appropriate in a subsequently prepared amendment or supplement hereto.

**Table of Contents****EXCHANGE RATE AND CURRENCY INFORMATION**

Certain financial information contained herein is presented in euro. References herein to euro, EUR and refer to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the European Union. References to \$, U.S.\$ and U.S. dollars are to the lawful currency of the United States.

Mittal Steel publishes its financial statements in U.S. dollars, and Arcelor publishes its financial statements in euro. This prospectus contains translations of some euro amounts into U.S. dollars. These amounts are provided solely for your convenience. Unless otherwise indicated, translations of euro amounts into U.S. dollars were made at the rate of 1.00 = \$1.2214, which was the Bloomberg EURUSD exchange rate at the close of trading in Mittal Steel class A common shares on NYSE on January 26, 2006.

The following table shows the period-end, average, high and low Noon Buying Rate in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York (the Noon Buying Rate ) for the euro, expressed in U.S. dollars per one euro, for the periods and dates indicated.

<b>Month</b>	<b>Period End</b>	<b>Average rate<sup>(1)</sup></b>	<b>High</b>	<b>Low</b>
<b>U.S. dollar/Euro</b>				
Month to May 24, 2006	1.27	1.28	1.29	1.26
April 2006	1.26	1.23	1.26	1.21
March 2006	1.21	1.20	1.22	1.19
February 2006	1.19	1.19	1.21	1.19
January 2006	1.22	1.21	1.23	1.20
December 2005	1.18	1.19	1.20	1.17
November 2005	1.18	1.18	1.21	1.17
October 2005	1.20	1.20	1.21	1.19
September 2005	1.21	1.22	1.25	1.20
August 2005	1.23	1.23	1.24	1.21
First Half 2005	1.21	1.28	1.35	1.20
<b>Year</b>				
<b>U.S. dollar/Euro</b>				
2005	1.18	1.24	1.35	1.17
2004	1.35	1.25	1.36	1.18
2003	1.26	1.14	1.26	1.04
2002	1.05	0.95	1.05	0.86
2001	0.89	0.89	0.95	0.84
2000	0.94	0.92	1.03	0.83

Source: Federal Reserve Bank of New York

<sup>(1)</sup> The average of the Bloomberg EURUSD exchange rates on the last business day of each month (or portion thereof) during the relevant period for annual and semi-annual averages; on each business day of the month (or portion thereof) for monthly average.

Fluctuations in exchange rates that have occurred in the past are not necessarily indicative of fluctuations in exchange rates that may occur at any time in the future. No representations are made herein that the euro or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or euro, as the case may be, at any particular rate.

**Table of Contents****SELECTED HISTORICAL FINANCIAL INFORMATION FOR MITTAL STEEL**

The following table presents selected consolidated historical financial information for Mittal Steel for the years ended December 31, 2001, 2002, 2003, 2004 and 2005. This selected consolidated financial information is derived from and should be read in conjunction with the audited consolidated financial statements of Mittal Steel for the years ended December 31, 2003, 2004 and 2005, including the notes thereto, incorporated by reference herein.

	Year Ended December 31,				
	2001	2002	2003	2004	2005
<b>Statement of Income Data</b>					
(All amounts in \$ millions except per share data and percentages)					
Sales	\$ 5,423	\$ 7,080	\$ 9,567	\$ 22,197	\$ 28,132
Cost of sales (exclusive of depreciation)	4,952	5,752	7,568	14,694	21,495
Depreciation	229	266	331	553	829
Selling, general and administrative expenses	204	298	369	804	1,062
Other operating expenses	75	62			
Operating income / (loss)	(37)	702	1,299	6,146	4,746
Operating margin as a percentage of sales	(0.7)%	9.9%	13.6%	27.7%	16.9%
Other income (expense) net	22	32	70	128	77
Income from equity investments	(2)	111	162	66	69
Financing costs:					
Net interest expense	(235)	(222)	(175)	(187)	(229)
Net gain / (loss) from foreign exchange	(18)	15	44	(20)	40
Income / (loss) before taxes, minority interest and cumulative effect of change in accounting principle	(270)	638	1,400	6,133	4,703
Net income / (loss)	(199)	595	1,182	4,701	3,365
Basic earnings / (loss) per common share after cumulative effect of change in accounting principle <sup>(1)</sup>	\$ (0.31)	\$ 0.92	\$ 1.83	\$ 7.31	\$ 4.90
Diluted earnings / (loss) per common share after cumulative effect of change in accounting principle <sup>(1)</sup>	\$ (0.31)	\$ 0.92	\$ 1.83	\$ 7.31	\$ 4.89
Dividends declared per share <sup>(2)</sup>					0.30

	At December 31,				
	2001	2002	2003	2004	2005
<b>Balance Sheet Data</b>					
(All amounts in \$ millions except number of shares)					
Cash and cash equivalents, including short-term investments and restricted cash	\$ 225	\$ 417	\$ 900	\$ 2,634	\$ 2,149
Property, plant and equipment net	4,138	4,094	4,654	7,562	15,539
Total assets	7,161	7,909	10,137	19,153	31,042
Payable to banks and current portion of long-term debt	470	546	780	341	334
Long-term debt (including affiliates)	2,262	2,187	2,287	1,639	7,974
Net Assets	1,106	1,442	2,561	5,846	10,150
Share capital <sup>(3)</sup>	539	541	533	488	2,405
Weighted average common shares outstanding (millions)	646	648	647	643	687

**Table of Contents**

	Year Ended December 31,				
	2001	2002	2003	2004	2005
	(All amounts in \$ millions except quantity information)				
<b>Other Financial and Operating Data:</b>					
Net cash provided by operating activities	\$ 237	\$ 539	\$ 1,438	\$ 4,611	\$ 3,974
Net cash (used in) investing activities	(214)	(360)	(814)	(801)	(7,612)
Net cash (used in) provided by financing activities	(92)	16	(282)	(2,329)	3,349
Total production of DRI (thousands of tonnes)	4,918	5,893	7,202	9,664	8,321
Total shipments of steel products (thousands of tons) <sup>(4)</sup>	18,634	24,547	27,446	42,071	49,178

- (1) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented considering retroactively the shares issued by Mittal Steel in connection with the acquisition of LNM Holdings.
- (2) This does not include the dividends declared by LNM Holdings to its shareholder prior to its acquisition by Ispat International.
- (3) Comprised of common shares and additional paid-in capital less treasury stock.
- (4) Includes all inter-company shipments.

**Table of Contents****SELECTED HISTORICAL FINANCIAL INFORMATION FOR ARCELOR**

The following table presents selected consolidated financial information of Arcelor for the years ended December 31, 2002, 2003, 2004, 2005, as set forth in (except as otherwise indicated) Arcelor's annual reports for such years as posted on Arcelor's web site. This selected consolidated financial information is derived from and should be read in conjunction with the respective consolidated financial statements of Arcelor for the years ended December 31, 2003, 2004 and 2005, including the notes thereto, annexed to this prospectus. In order to facilitate meaningful year-on-year comparisons, the financial statements as of and for the year ended December 31, 2004 have been adjusted to conform to the presentation in Arcelor's 2005 annual report. See Note on Arcelor Information and Risk Factors Risks Relating to the Offer Mittal Steel has not verified the reliability of the Arcelor information included in this prospectus.

Mittal Steel prepares its financial statements under U.S. GAAP. Arcelor prepares its financial statements under IFRS, which differs in certain significant respects from U.S. GAAP. These differences, as they relate to Arcelor, cannot be quantified based solely on the publicly available financial information of Arcelor and may be significant. For a narrative discussion of certain relevant differences between IFRS and U.S. GAAP, see Summary of Certain Differences between IFRS and U.S. GAAP (Unaudited).

	As at and for the Year Ended December 31,			
	2002 <sup>(1)</sup>	2003	2004	2005
	(All amounts in millions, except per share data)			
<b>Income statement data</b>				
<i>Amounts in accordance with IFRS</i>				
<b>Revenue</b>	<b>24,533</b>	<b>25,923</b>	<b>30,176</b>	<b>32,611</b>
<b>Operating result</b>	<b>680</b>	<b>738</b>	<b>3,314</b>	<b>4,376</b>
Operating margin <sup>(2)</sup>	2.8%	2.8%	11.0%	13.4%
Net financing costs	(434)	(321)	(521)	(254)
Share of results in companies accounted for using the equity method	102	140	413	317
<b>Result before tax</b>	<b>348</b>	<b>557</b>	<b>3,206</b>	<b>4,439</b>
Taxation	(488)	(141)	(513)	(161)
<b>Result after tax</b>	<b>(140)</b>	<b>416</b>	<b>2,693</b>	<b>4,278</b>
Minority interests	(46)	(159)	(403)	(432)
<b>Net result group share</b>	<b>(186)</b>	<b>257</b>	<b>2,290</b>	<b>3,846</b>
Basic earnings per share	(0.38)	0.54	4.21 <sup>(3)</sup>	6.26 <sup>(4)</sup>
Diluted earnings per share	(0.38)	0.54	3.80	5.90
<b>Balance sheet data (at period end)</b>				
<i>Amounts in accordance with IFRS</i>				
Total shareholders' equity	6,732	6,733	10,812	15,109
Minority interests	661	730	1,415	2,524
Total assets	25,836	24,608	31,238	35,916
Total non-current assets	12,853	12,590	15,265	18,196
Total non-current liabilities	8,178	8,757	8,624	8,279
<b>Cash Flow Data</b>				
<i>Amounts in accordance with IFRS</i>				
Cash flows from operating activities	1,946 <sup>(5)</sup>	2,502 <sup>(5)</sup>	3,205 <sup>(5)</sup>	4,464 <sup>(5)</sup>
Cash flows from (used in) investing activities	(591)	(1,109)	(1,382)	(1,606)
Cash flows from (used in) financing activities	(1,251)	(686)	354	(2,389)

(1) Includes the results of operations for the entire fiscal year for Usinor and from March 1, 2002 for Aceralia Corporación Siderurgica and Arbed, each of which was acquired on February 28, 2002 and has been accounted for under the purchase method of accounting in accordance with International Accounting Standards 22.

(2) Calculated by Mittal Steel as operating result divided by revenue.

(3) Including 106,629,054 new shares issued on July 27, 2004, and excluding treasury shares.

(4) Excluding treasury shares.

(5) Including taxes paid in the amount of 82 million in 2002, 29 million in 2003, 199 million in 2004 and 405 million in 2005, and net interest paid in the amount of 387 million in 2002, 261 million in 2003, 151 million in 2004 and 107 million in 2005.





**Table of Contents**

**MITTAL STEEL /ARCELOR PRO FORMA FINANCIAL INFORMATION**  
**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET AND**  
**INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005**

The following unaudited condensed combined balance sheet and income statement ( Unaudited Pro Forma Condensed Combined Financial Information ) were prepared to illustrate the estimated effects of the acquisition of ISG and the estimated effects of the proposed acquisition of Arcelor as if such acquisitions had occurred on January 1, 2005.

The Unaudited Pro Forma Condensed Combined Financial Information has not been prepared in accordance with Article 11 of Regulation S-X under the Securities Act. It is therefore not consistent in terms of content and presentation with pro forma financial information typically included in prospectuses for the public offering of securities in the United States. It is included in this prospectus because it is required to be included in the prospectus for the European Offer and is considered to provide important information in the context of the U.S. Offer as well. A principal difference from pro forma information prepared in accordance with Article 11 of Regulation S-X is that the Unaudited Pro Forma Condensed Combined Financial Information has been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ( IFRS ) rather than US GAAP. Other differences include, without limitation, the fact that the Unaudited Pro Forma Condensed Combined Financial Information does not give effect to (i) Arcelor 's acquisition of Dofasco since, among other things, such acquisition was not reflected in the historical financial statements of Arcelor as of and for the year ended December 31, 2005, (ii) the planned post-acquisition sale of Dofasco by Mittal Steel, or (iii) the offers that Mittal Steel will be required to make for Arcelor 's two Brazilian subsidiaries (Acesita and Arcelor Brazil) following its acquisition of control of Arcelor since, among other things, the amount and form of consideration for such offers is subject to variables and cannot be ascertained with certainty in advance. Furthermore, the Unaudited Pro Forma Condensed Combined Financial Information does not give effect to the offer for repayment of the 2005 Credit Facility (\$2.8 billion outstanding as of December 31, 2005) on the \$800 million letter of credit facility (\$0 outstanding as of December 31, 2005), that would be required under their terms were the Mittal family to own less than 50% of Mittal Steel 's voting shares following completion of the Offer.

The Unaudited Pro Forma Condensed Combined Financial Information was prepared in accordance with IFRS because both Mittal Steel and Arcelor prepared and published audited consolidated financial statements as of and for the year ended December 31, 2005 in accordance with IFRS. Conversely, while Mittal Steel also prepared and published such financial statements in accordance with US GAAP, Arcelor did not prepare audited consolidated financial statements in accordance with US GAAP, and such financial statements or a quantitative reconciliation to US GAAP of Arcelor 's financial statements as of and for the year ended December 31, 2005 prepared in accordance with IFRS are not reasonably available to Mittal Steel. See Note on Arcelor Information . The audited consolidated financial statements of Mittal Steel, incorporated by reference in this prospectus, were prepared in accordance with US GAAP. The audited consolidated balance sheet as of December 31, 2005 and the audited consolidated income statement for the year then-ended of Mittal Steel used as the basis of preparation for the Unaudited Pro Forma Condensed Combined Financial Information were prepared in accordance with IFRS. To assist in understanding the Unaudited Pro Forma Condensed Combined Financial Information, a quantitative and qualitative reconciliation of Mittal Steel 's shareholders equity as of December 31, 2005 and net income for the year then-ended, as reported in accordance with US GAAP and IFRS, is included in Note 7 hereto.

On April 15, 2005, Mittal Steel acquired all of the issued and outstanding shares of ISG common stock in exchange for approximately \$2.1 billion in cash and 60,891,883 Mittal Steel class A common shares. The acquisition of ISG has been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed were recorded at their fair values as of the date of completion of the acquisition. As ISG is included in the historical balance sheet of Mittal Steel as of December 31, 2005, the estimated effects of this acquisition are only shown for the income statement.

**Table of Contents**

Mittal Steel is proposing to acquire all of the issued and outstanding shares of Arcelor in exchange for Mittal Steel class A common shares and cash. 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 Arcelor common stock. Under the terms of the revised Offer, Arcelor shareholders will receive 1 Mittal Steel share and 11.10 for each Arcelor share. The maximum amount of cash to be paid by Mittal Steel will be approximately 7.6 billion (approximately \$9.8 billion) and the maximum number of Mittal Steel shares to be issued will be approximately 684 million, assuming tender of all of the outstanding Arcelor shares as a result of the conversion of Arcelor Convertible Bonds, the tender of the treasury stock of Arcelor and the conversion of all of the outstanding Arcelor and Usinor stock options and the tender of the underlying shares. The acquisition of Arcelor 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 acquisition. The pro forma effect of the acquisition is shown as of and for the year ended December 31, 2005. The Arcelor historical consolidated financial statements have been translated from euros into US dollars, using an average exchange rate for 2005 of 1 to \$1.2454 for the income statement and the closing exchange rate at December 31, 2005 of 1 to \$1.1844 for the balance sheet.

The Unaudited Pro Forma Condensed Combined Financial Information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had these acquisitions been completed at the beginning of the period presented, nor is it indicative of the results of operations in future periods or the future financial position of the combined businesses. The pro forma adjustments are based upon available information and certain assumptions that Mittal Steel believes to be reasonable. These adjustments could materially change during the course of an independent valuation of Arcelor's assets and liabilities. In addition, as explained in more detail in the accompanying notes to the Unaudited Pro Forma Condensed Combined Financial Information, the allocation of the purchase price for Arcelor reflected therein is subject to adjustment. The purchase price allocation presented will vary from the actual purchase price allocation that will be recorded upon the completion of the acquisition of Arcelor based upon access to detailed information enabling an assessment of the fair value of Arcelor's assets and liabilities.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the notes thereto, the audited consolidated financial statements and the notes thereto of Mittal Steel as of and for the year ended December 31, 2005 prepared in accordance with US GAAP, incorporated by reference herein, and the audited consolidated financial statements and the notes thereto of Arcelor as of and for the year ended December 31, 2005, included herein.

**Table of Contents****Unaudited Pro Forma Condensed Combined Balance Sheet**

As of December 31, 2005

(in millions of U.S. dollars, except per share data)

	Mittal Steel Historical	Arcelor Historical	Pro Forma Adjustments		Pro Forma Combined Mittal Steel and Arcelor
<b>Current Assets</b>					
Cash and cash equivalents, restricted cash and short - term investment	\$ 2,149	\$ 5,502	\$ 181	A	\$ 7,832
Trade accounts receivable	2,287	4,401			6,688
Inventories	5,994	8,978			14,972
Prepaid expenses and other current assets	1,040	2,107			3,147
<b>Total Current Assets</b>	<b>11,470</b>	<b>20,988</b>	<b>181</b>		<b>32,639</b>
Goodwill and intangible assets	1,706	229	14,369	B	16,304
Property, plant and equipment, net	18,651	16,306	(54)	Q	34,903
Investments	1,204	2,524			3,728
Other assets	414	898	(103)	Q	1,209
Deferred tax asset, net	314	1,595			1,909
<b>Total Assets</b>	<b>\$ 33,759</b>	<b>\$ 42,540</b>	<b>\$ 14,393</b>		<b>\$ 90,692</b>
<b>Current Liabilities</b>					
Payable to banks and current portion of long-term debt	\$ 334	\$ 1,922	\$		\$ 2,256
Trade accounts payable	2,504	6,192			8,696
Accrued expenses and other liabilities	2,661	3,734	(23)		6,372
<b>Total Current Liabilities</b>	<b>5,499</b>	<b>11,848</b>	<b>(23)</b>		<b>17,324</b>
Long-term debt, net of current portion	7,974	5,141	9,778	A	22,893
Deferred employee benefits	1,054	2,704			3,758
Deferred tax liabilities	2,253	676	(61)	Q	2,868
Other long-term obligations	1,395	1,284	53	Q	2,732
<b>Total Liabilities</b>	<b>18,175</b>	<b>21,653</b>	<b>9,747</b>		<b>49,575</b>
<b>Equity attributable to the equity holders of the parent</b>	<b>13,423</b>	<b>17,898</b>	<b>4,646</b>	<b>C</b>	<b>35,967</b>
<b>Minority Interest</b>	<b>2,161</b>	<b>2,989</b>			<b>5,150</b>
<b>Total Equity</b>	<b>15,584</b>	<b>20,887</b>	<b>4,646</b>		<b>41,117</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 33,759</b>	<b>\$ 42,540</b>	<b>\$ 14,393</b>		<b>\$ 90,692</b>

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Information, which is not prepared in accordance with Article 11 of Regulation S-X (see introductory statement)

**Table of Contents****Unaudited Pro Forma Condensed Combined Income Statement**

For the year ended December 31, 2005

(in millions of U.S. dollars, except per share data)

	Mittal Steel Historical	ISG Historical			Pro Forma Combined Mittal Steel	Arcelor Historical	Pro Forma Adjustments		Pro Forma Combined Mittal Steel and Arcelor
	(including ISG from April 15, 2005)	(January 1, 2005 to April 15, 2005)	Pro Forma Adjustments						
Sales	\$ 28,132	\$ 3,128	\$		\$ 31,260	\$ 40,613	\$		\$ 71,873
Depreciation and amortization	1,101	54	19	F	1,174	1,575		B	2,749
Operating income				D,E,F, G, and					
	4,728	299	108	H	5,135	5,450			10,585
Other income net	344		(130)	Q	214				214
Income from equity method investments	86				86	395			481
Gain on sale of assets		9			9				9
Interest and other financing costs, net	(353)	(18)	(17)	I, J	(388)	(317)	(380)	L	(1,085)
<b>Income before taxes</b>	<b>4,805</b>	<b>290</b>	<b>(39)</b>		<b>5,056</b>	<b>5,528</b>	<b>(380)</b>		<b>10,204</b>
Income tax expense	(881)	(116)	(35)	K	(1,032)	(201)	75	M	(1,158)
<b>Net Income</b> (including minority interest)	<b>\$ 3,924</b>	<b>\$ 174</b>	<b>(74)</b>		<b>4,024</b>	<b>5,327</b>	<b>(305)</b>		<b>9,046</b>
Attributable to									
Minority interest	\$ (494)	\$	\$		\$ (494)	\$ (538)	\$		\$ (1,032)
<b>Equity holders of the parent</b>	<b>3,430</b>	<b>174</b>	<b>(74)</b>		<b>3,530</b>	<b>4,789</b>	<b>(305)</b>		<b>8,014</b>
Basic earnings per common share	\$ 4.99				\$ 5.01				\$ 5.86
Diluted earnings per common share	4.98				5.00				5.85
Weighted average shares outstanding in millions:									
Basic	687				704				1,368
Diluted	689				706				1,370

Shares issued in connection with ISG  
acquisition

17

Shares to be issued in connection with  
the Arcelor acquisition (excluding  
treasury shares)

664

See accompanying notes to Unaudited Pro Forma Condensed Combined Financial Information, which is not prepared in accordance with Article  
11 of Regulation S-X (see introductory statement).

**Table of Contents**

**Mittal Steel Company N.V. and Subsidiaries**

**Notes to Unaudited Pro Forma Condensed**

**Combined Financial Information as of and for the**

**Year Ended December 31, 2005**

**1. Basis of Pro Forma Presentation**

The Unaudited Condensed Combined Financial Information has been prepared in accordance with IFRS.

The Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2005 reflects adjustments as if the acquisition of ISG, accounted for using the purchase method of accounting, had occurred on January 1, 2005. The Unaudited Pro Forma Condensed Combined Financial Information reflects adjustments for the finalization of purchase accounting in connection with the acquisition of ISG.

The Unaudited Pro Forma Condensed Combined Balance Sheet reflects adjustments as if the acquisition of Arcelor, accounted for using the purchase method of accounting, had occurred at December 31, 2005. The Unaudited Pro Forma Condensed Combined Income Statement for the year ended December 31, 2005 reflects adjustments as if the acquisition of Arcelor, accounted for using the purchase method of accounting, had occurred on January 1, 2005.

The Unaudited Pro Forma Condensed Combined Financial Information are not necessarily indicative of the historical results that would have occurred had Mittal Steel, ISG and Arcelor been combined for the full year ended December 31, 2005 or the future results that may be achieved after the acquisition of ISG and Arcelor. In addition, they do not reflect cost savings or other synergies resulting from the acquisitions that may be realized in future periods.

The Unaudited Pro Forma Condensed Combined Financial Information should be read in conjunction with the Mittal Steel Consolidated Financial Statements and the Arcelor Consolidated Financial Statements as of and for the year ended December 31, 2005.

Intercompany sales between ISG and Mittal Steel, ISG and Arcelor and Arcelor and Mittal Steel are not material and have been excluded from the Unaudited Pro Forma Condensed Combined Information.

The Unaudited Pro Forma Condensed Combined Financial Information does not give effect to the offer for repayment of the 2005 Credit Facility (\$2.8 billion outstanding as of December 31, 2005) on the \$800 million letter of credit facility (\$0 outstanding as of December 31, 2005), that would be required under their terms were the Mittal family to own less than 50% of Mittal Steel's voting shares following completion of the Offer.

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 Mittal Steel, ISG and Arcelor filed consolidated income tax returns during the periods presented.

**Table of Contents****2. Purchase Price for ISG**

In connection with the purchase, former ISG stockholders received in the aggregate approximately \$2.1 billion in cash and 60,891,883 Mittal Steel Class A common shares valued at \$28 per share, the published price of such shares on the NYSE on the close of April 15, 2005, for a total of approximately \$3.8 billion (\$3.2 billion net of cash acquired). The total purchase price is summarized below.

	Preliminary purchase price allocation* (in millions)	Final purchase price allocation (in millions)
Cash paid to stockholders	\$ 2,072	\$ 2,072
Bankers' fees and other transaction costs	52	56
Cash acquired	(600)	(600)
Cash paid, net	1,524	1,528
Value of Mittal Steel shares issued	1,705	1,705
Total purchase price, net of cash acquired	\$ 3,229	\$ 3,233

\* As reflected in the historical IFRS financial information of Mittal Steel.

**3. ISG Purchase Price Allocation**

The acquisition has been accounted for as a purchase business combination. Under the purchase method of accounting, the assets acquired and liabilities assumed are recorded at the date of the acquisition, at their respective fair values.

The following table presents the amounts recorded for the net assets, as a result of the acquisition:

	Preliminary purchase price allocation* (in millions)	Final purchase price allocation (in millions)	Adjustment to Pro Forma Information (in millions)
<b>Assets:</b>			
Current assets	\$ 3,024	\$ 3,024	\$
Property, plant and equipment	4,066	4,012	(54)
Other non-current assets	598	495	(103)
<b>Liabilities:</b>			
Current liabilities	1,613	1,590	(23)
Debt and capital lease obligations	844	844	
Other long term liabilities	1,560	1,613	53
Deferred taxes	165	104	(61)
Net assets acquired	\$ 3,506	\$ 3,380	\$ (126)

\* As reflected in the historical IFRS financial information of Mittal Steel.

The preliminary purchase price allocation, which was recorded in the 2005 historical IFRS financial statements, has been allocated based on the fair value of assets acquired and liabilities assumed, resulting in the recognition of \$277 million of negative goodwill, which has been recorded

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as a component of other income- net. Intangible assets consist of \$4 million assigned to patents and \$499 million assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years. Intangible liabilities consist of \$1,060 million assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years. These values were assigned based on the fair value of the contracts on the date of completion of the acquisition of ISG on April 15, 2005 and not on the

**Table of Contents**

date of acquisition deemed for this pro forma financial information presentation which is January 1, 2005. Mittal Steel recognized \$139 million of income during the period from April 15, 2005 through December 31, 2005 related to the net amortization of these intangibles.

Subsequent to the issuance of Mittal Steel's 2005 consolidated financial statements and the March 31, 2006 unaudited condensed consolidated financial data, purchase price accounting for ISG was finalized, which resulted in differences to the preliminary estimates recorded in the 2005 financial statements. Net assets decreased by \$126 million and the purchase price consideration increased by \$4 million, resulting in decreased negative goodwill of \$130 million to \$147 million. The value of intangibles acquired decreased by \$124 million to \$375 million and the fair value assigned to unfavorable supply contracts increased by \$35 million to \$1,095 million.

**4. Preliminary Purchase Price for Arcelor**

Mittal Steel is proposing to acquire all the issued and outstanding shares of Arcelor in exchange for Mittal Steel class A common shares and cash. 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 Arcelor common stock. Under the terms of the Offer, Arcelor shareholders will receive 1 Mittal Steel shares and 11.10 for each Arcelor share. The maximum amount of cash to be paid by Mittal Steel will be approximately 7.6 billion (approximately \$9.8 billion) and the maximum number of Mittal Steel shares to be issued will be approximately 684 million, assuming tender of all of the outstanding Arcelor shares as a result of the conversion of Arcelor Convertible Bonds, the tender of the treasury stock of Arcelor and the conversion of all of the outstanding Arcelor and Usinor stock options and the tender of the underlying shares. For purposes of this Pro Forma Condensed Combined Financial Information, the share price used to estimate the value of the Mittal Steel class A common shares, is \$34.16, the closing price as of the last trading day prior to the public announcement of the revised Offer.

The estimated total purchase price for the acquisition is as follows:

	<b>(in millions)</b>
Preliminary estimated value of Mittal Steel shares issued	\$ 23,345
Estimated banker's fees and other transaction costs	100
Cash paid to security holders	9,778
	33,223
Less: Shares issued and cash paid for treasury stock of Arcelor	956
Total purchase price	\$ 32,267

IFRS requires the use of the published price of Mittal Steel class A common shares as of the date of the exchange and accordingly the purchase price may differ from that which results from applying the published price of \$34.16 at May 18, 2006, the date of the announcement of the revised Offer. For US GAAP purposes, the purchase price may differ since, in accordance with paragraph 4 of Emerging Issues Task Force (EITF) 99-12: Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination, the measurement date for the fair value of the Mittal Steel class A common shares is when the proposed transaction is announced and sufficient shares have been tendered to make the Offer binding or when Arcelor agrees to the purchase price. If the published price of Mittal Steel class A common shares at the date of the acquisition were \$3 higher or lower than the January 24, 2006 reference price currently assumed, the total purchase price would be \$34,257 million and \$30,276 million, respectively.

**5. Preliminary Arcelor Purchase Price Allocation**

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared on the basis of assumptions described in these notes, including assumptions related to the calculation of the purchase price. The purchase price allocation does not comply with paragraphs 51 through 55 of IFRS 3 since Mittal Steel does not have access to the books and records of Arcelor. For the allocation of the total purchase price it is assumed therefore that the excess of the purchase price over the historical book value of the net assets of Arcelor as of December 31, 2005 is goodwill. The actual allocation may materially differ from this assumption after valuations and other procedures are completed. During the actual allocation process Mittal Steel expects to identify the following intangible assets:



patents;

**Table of Contents**

customer relationships / customer lists; and

favorable and unfavorable long-term contracts.

Mittal Steel expects that upon completion of the acquisition or shortly thereafter, it will engage an independent third-party to assist the Company in developing a definitive allocation of the purchase price. Such allocation may be materially different from the preliminary assessment.

In addition to the receipt of the final valuation, the impact of ongoing integration activities, the timing of completion of the acquisition and other changes in Arcelor's net tangible and intangible assets which occur prior to completion of the acquisition could cause material differences between actual and pro forma results in the information presented.

**6. Pro Forma Adjustments**

- A. Mittal Steel entered into agreements on January 30, 2006 (subsequently amended) and May 23, 2006 with certain financial institutions for credit facilities totaling 7.8 billion (approximately \$10.0 billion), of which \$9,778 million will be utilized towards the cash settlement of the purchase consideration of the Arcelor acquisition. The cash is reduced for estimated transaction costs of \$100 million, offset by an increase of \$281 million, being the cash received by Arcelor against the tender of its treasury shares under the terms of the Offer.
- B. Reflects the estimated excess of purchase price over the historical net assets of Arcelor. As the fair value of the assets acquired and liabilities assumed has not yet been determined, the excess of the purchase price over the historical net assets of Arcelor as of December 31, 2005 of \$14,369 has been allocated to goodwill.

If the result of the determination of the fair value of the net assets acquired indicate that the excess of the purchase price over the historical net assets of Arcelor should have been fully allocated to acquired property, plant and equipment, which, as disclosed in the Arcelor financial statements, have an estimated useful life of between 5 and 25 years, and assuming the excess, currently allocated to goodwill, is allocated to property, plant and equipment with a weighted average remaining useful life that ranges from 10 to 25 years, the pro forma depreciation for 2005 would have been \$1,437 million to \$575 million higher and net income would have been \$1,150 million to \$460 million lower.

- C. Represents the net effect of the issuance of 664 million Mittal Steel class A common shares (excluding the Mittal Steel shares to be issued for the tender of the treasury stock of Arcelor) as part of the purchase price consideration, the net effect of the pro forma adjustments and the elimination of the shareholders' equity of Arcelor.

	(in millions)
Preliminary estimated value of Mittal Steel shares issued	\$ 23,345
Mittal Steel shares issued for treasury stock of Arcelor	(675)
Historical book value of net assets of Arcelor as of December 31, 2005	(17,898)
Pro forma effect on shareholders' equity from Arcelor's acquisition	4,772
<b>Final ISG purchase price allocation adjustment</b>	<b>(126)</b>
Total pro forma effect on shareholders' equity	\$ 4,646

- D. Represents the net decrease in other post-employment healthcare expense of \$2 million resulting primarily from the elimination of previously unrecognized prior service cost as of the acquisition date.



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**Table of Contents**

- E. Represents amortization of unfavorable and favorable contracts. The Mittal Steel audited consolidated financial statements for the year ended December 31, 2005 reflected \$139 million of income related to the net amortization of these intangibles. The following pro forma adjustments have been made for the net amortization for the year ended December 31, 2005. The adjustments are preliminary and may change materially when the purchase accounting and fair value exercise is completed. These adjustments are based on the following assumptions:

The amortization will follow the same pattern as the actual amortization reflected in the Mittal Steel audited consolidated financial statements for the period from April 15, 2005 to December 31, 2005.

The contracts which are now reflected in the purchase price allocation may have been designated as such on January 1, 2005. This assumption ignores the impact of the cyclical nature of the steel industry during 2004 and 2005 and its impact on the valuation of such contracts.

For the year ended December 31, 2005, incremental pro forma adjustment is \$57 million since \$139 million is reflected in the Mittal Steel audited consolidated financial statements for the year ended December 31, 2005.

- F. Reflects the increase in depreciation expense of \$19 million resulting from the step-up of property, plant and equipment depreciated on a straight-line basis over an average period of 22 years. This increase in depreciation was partially offset by the change in average useful lives to those used by Mittal Steel. Prior to the acquisition, the average useful lives of property, plant and equipment at ISG was ten years.
- G. Represents the elimination of \$23 million for the increase in value of the ISG stock option expense and the acceleration of vesting which was a result of the acquisition and previously recognized by ISG during the period. The ISG stock options were cancelled at the date of the acquisition.
- H. Represents the elimination of \$45 million of costs directly attributable to the acquisition that were charged to results during the period. The costs are primarily comprised of legal and other professional fees paid to complete the transaction and severance payments made to former ISG executives as a result of the acquisition. Assuming the acquisition occurred on January 1, 2005 these costs would not have been expensed in 2005.
- I. Represents the incremental interest expense of \$20 million resulting from the \$1,700 million of additional borrowings incurred to complete the acquisition. Interest is calculated based on a six month LIBOR rate plus 60 basis points and a facility maintenance fee. Mittal Steel has assumed an interest rate of 3.941% for the year ended December 31, 2005.
- J. Represents the elimination of \$3 million of expenses related to the write-off of remaining deferred debt fees on the previous ISG credit facility that was terminated as a result of the acquisition. Assuming the acquisition occurred on January 1, 2005 these costs would not have been expensed in 2005.
- K. Assumes an effective tax rate of 39%.
- L. Represents the incremental interest expense resulting from the borrowings discussed in A above. Interest is calculated based on EURIBOR plus a margin. The interest rate has been estimated at 3.8875% or \$380 million per annum. A 0.5% or 50 basis point change in the interest rate would increase or decrease net income by \$49 million, before tax.

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- M. Assumes an effective tax rate of 20%.
  
- N. Subject to the successful completion of the Offer for Arcelor, Mittal Steel has agreed to sell the Dofasco shares acquired by Arcelor during 2006 to ThyssenKrupp for consideration of 68

**Table of Contents**

Canadian dollars per share. As the acquisition of Dofasco by Arcelor is not reflected in the historical financial statements of Arcelor as of and for the year ended December 31, 2005, the effects of the disposition of Dofasco have not been reflected in the Unaudited Pro Forma Condensed Combined Financial Information. If the agreement with ThyssenKrupp is not consummated and Mittal Steel does not sell Dofasco for any reason, Mittal Steel has agreed with the U.S. Department of Justice that, if asserted by the relevant authorities, any antitrust issues arising in the United States as a result of Mittal Steel's existing North American operations can be satisfactorily resolved by the disposition of an alternative Mittal Steel asset. Mittal Steel currently expects that consideration of such issues by the relevant authorities will be completed before the end of the Offer period. Mittal Steel also expects that any necessary disposition of such alternative asset would not be material and would have no adverse effect on Mittal Steel's sales or operations, particularly in light of the related retention of Dofasco. Accordingly, the effect of disposition of such alternative asset has not been reflected in the Unaudited Pro Forma Condensed Combined Financial Information.

- O. Based on publicly available information, Arcelor currently holds approximately 66% of the outstanding voting stock of Arcelor Brazil and approximately 91% of the voting stock of Acesita. Article 254-A of the Brazilian Corporation Law requires that, in the event of a direct or indirect acquisition of control of a company listed in Brazil, the acquiror must make an offer for all voting shares not already controlled. Assuming that acquisition of control of Arcelor would constitute a change of control of its Brazilian subsidiaries, tender offers for all minority voting shares must be launched. The determination of the price for the minority interest in Arcelor Brazil and Acesita will be made with the assistance of an independent expert designated by Mittal Steel and is subject to judicial review at the request of the minority shareholders. As Mittal Steel cannot predict with certainty the values that the independent expert will ultimately assign to the shares of Arcelor Brazil and Acesita, or whether such offers will be accepted, the effects of the offer have not been included in the Unaudited Pro Forma Condensed Combined Financial Information. For an example of the amount and form of consideration that would be paid based on various specified assumptions, see "The Offer Required Purchase of Minority Shareholdings in Arcelor's two Brazilian Subsidiaries."
  
- P. Subject to the successful completion of its Offer for Arcelor, Mittal Steel envisions adopting a dividend policy to distribute 25% of the combined group's annual net income. Had this policy been in effect as of January 1, 2005, the pro forma dividend per share of Mittal Steel and Arcelor combined would have been \$1.67 on a basic and diluted basis.
  
- Q. Adjustments resulting from the final purchase price allocation for ISG. See note 2 and 3 for further explanation.

**Table of Contents****7. Reconciliation from US GAAP to IFRS**

The audited consolidated financial statements of Mittal Steel, incorporated by reference in this prospectus, were prepared in accordance with US GAAP. The audited consolidated balance sheet as of December 31, 2005 and the audited consolidated income statement for the year then-ended of Mittal Steel used as the basis of preparation for the Unaudited Pro Forma Condensed Combined Financial Information were prepared in accordance with IFRS. The following tables set out a reconciliation of Mittal Steel's shareholders' equity as of December 31, 2005 and net income for the year then-ended, each as reported in accordance with US GAAP and IFRS.

	<b>December 31,</b>
	<b>2005</b>
Shareholders' equity as reported in accordance with US GAAP	\$ 10,150
Minority interest as reported in accordance with US GAAP	1,834
	<b>11,984</b>
Adjustments recorded to reconcile to IFRS	
Employee benefits	1,322
Business combinations	3,481
Other	3
Tax effect on the above	(1,206)
<b>Total increase</b>	<b>3,600</b>
<b>Total equity as reported in accordance with IFRS</b>	<b>\$ 15,584</b>
	<b>Year ended</b>
	<b>December 31, 2005</b>
Net income as reported in accordance with US GAAP	\$ 3,365
Minority interest as reported in accordance with US GAAP	520
	<b>3,885</b>
Adjustments recorded to reconcile to IFRS	
Employee benefits	232
Business combinations	(110)
Other	(20)
Tax effect on the above	(63)
<b>Total increase</b>	<b>39</b>
<b>Net income as reported in accordance with IFRS</b>	<b>\$ 3,924</b>

**Table of Contents**

	Mittal Steel Historical	Employee Benefits	IFRS Adjustments			Reclass	Mittal Steel Historical			
			US GAAP	Combination	Other			Tax Effect	(5)	IFRS
<b>As of December 31, 2005</b>										
<b>Current Assets</b>										
Cash and cash equivalents, restricted cash and short - term investment	\$ 2,149						\$ 2,149			
Trade accounts receivable	2,287						2,287			
Inventories	6,036			7		(49)	5,994			
Prepaid expenses and other current assets	1,040						1,040			
Deferred tax assets	200					(200)				
<b>Total Current Assets</b>	11,712			7		(249)	11,470			
Goodwill and intangible assets	1,439	(123)				390	1,706			
Property, plant and equipment, net	15,539		3,481	26		(395)	18,651			
Investments	1,187	14		3			1,204			
Other assets	380					34	414			
Deferred tax asset, net	785				(671)	200	314			
<b>Total Assets</b>	\$ 31,042	\$ (109)	\$ 3,481	\$ 36	\$ (671)	\$ (20)	\$ 33,759			
<b>Current Liabilities</b>										
Payable to banks and current portion of long-term debt	\$ 334						\$ 334			
Trade accounts payable	2,504						2,504			
Accrued expenses and other liabilities	2,661						2,661			
Deferred tax liabilities	116					(116)				
<b>Total Current Liabilities</b>	5,615					(116)	5,499			
Long-term debt, net of current portion	7,974						7,974			
Deferred employee benefits	2,506	(1,431)		(1)		(20)	1,054			
Deferred tax liabilities	1,602				535	116	2,253			
Other long-term obligations	1,361			34			1,395			
<b>Total Liabilities</b>	19,058	(1,431)		33	535	(20)	18,175			
Minority Interest	1,834		390	(14)	(49)		2,161			
Equity attributable to the equity holders of the parent	10,150	1,322	3,091	17	(1,157)		13,423			
<b>Total</b>	<b>11,984</b>	<b>1,322</b>	<b>3,481</b>	<b>3</b>	<b>(1,206)</b>		<b>15,584</b>			
<b>Total Liabilities and Shareholders Equity</b>	\$ 31,042	\$ (109)	\$ 3,481	\$ 36	\$ (671)	\$ (20)	\$ 33,759			



**Table of Contents**

	Mittal Steel Historical		IFRS Adjustments				Mittal Steel Historical	
	(including ISG from April 15, 2005)	Employee Benefits	Business Combinations	Other	Tax Effect	Reclass	(including ISG from April 15, 2005)	
	US GAAP	(1)	(2)	(3)	(4)	(5)	IFRS	
(Millions of U.S. Dollars, except share data and per share data)								
<b>For the year ended December 31, 2005</b>								
Sales	\$ 28,132	\$	\$	\$	\$	\$	\$ 28,132	
Depreciation and amortization	829		277			(5)	1,101	
Operating income	4,746	226	(377)	9		124	4,728	
Other income net	77		267	2		(2)	344	
Income from equity method investments	69	6		4		7	86	
Interest and other financing costs, net	(189)			(35)		(129)	(353)	
Income before taxes	4,703	232	(110)	(20)			4,805	
Income tax expense	(818)				(63)		(881)	
Net Income (including minority interest)	\$ 3,885	\$ 232	\$ (110)	\$ (20)	\$ (63)	\$	\$ 3,924	
Attributable to								
Minority interest	\$ 520	\$	\$ (14)	\$ (12)	\$	\$	\$ 494	
Equity holders of the parent	3,365	232	(96)	(8)	(63)		3,430	
Basic earnings per common share	\$ 4.90						\$ 4.99	
Diluted earnings per common share	4.89						4.98	
Basic weighted average common share outstanding (in millions)	687						687	
Diluted weighted average common share outstanding (in millions)	689						689	

**Table of Contents**

The following tables further explain and quantify the effect on equity and net income as of and for the year ended December 31, 2005 resulting from the differences between US GAAP and IFRS noted in the table above (all amounts in millions of U.S. Dollars).

	Impact on Equity	Impact on Net Income
<b>1. Employee benefits</b>		
Under US GAAP prior service cost is amortized over the remaining working lives for both vested and unvested rights, whereas under IFRS only unvested rights remain unrecognized.	\$ 205	\$ 226
Under US GAAP a company is required to recognize a minimum pension liability if certain conditions have been met. IFRS does not require such a minimum pension liability.	1,103	
Effect of the above on equity investments	14	6
	\$ 1,322	\$ 232
<b>2. Business combinations</b>		
Under US GAAP, negative goodwill is deducted, on a pro-rata basis, from the value of the non-current assets acquired, primarily property, plant and equipment (\$3,269), including \$178 million negative goodwill for minority interest. The higher carrying amount results in higher depreciation (\$277).	\$ 3,269	\$ (277)
Furthermore under US GAAP, fair values are assigned only to the parent company's share of the net assets acquired. Minority interest is valued at its historical book value. Under IFRS fair values are assigned to 100% of the net assets acquired. Minority interest is therefore measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.	212	
Under IFRS the acquirer may only recognize a restructuring provision when the acquiree at the acquisition date has an existing liability for restructuring in accordance with IAS 37. Under US GAAP the requirements are less stringent. In IFRS a restructuring provision was recognized in December 2005.		(100)
Sub total	3,481	(377)
Under US GAAP the fair value of equity instruments issued in a business combination should be measured considering the market price for a reasonable period before and after the date that the terms of the acquisition are agreed to and announced. Under IFRS the fair value of equity instruments issued in a business combination is measured at the published price as of the date of acquisition. The resulting adjustment decreased the purchase price and resulted in negative goodwill. Under IFRS negative goodwill is directly recognized in the income statement		
The effect on equity is \$217 decrease in paid in capital and (through the income statement) an increase in retained earnings to the same amount (net effect nil).		217
Under IFRS the acquirer may only recognize a restructuring provision when the acquiree at the acquisition date has an existing liability for restructuring in accordance with IAS 37. Under US GAAP the requirements are less stringent. This resulted in an increase in negative goodwill, net of tax.		60
Other		(10)
Sub total		267
	\$ 3,481	\$ (110)

**Table of Contents**

	Impact on Equity	Impact on Net Income
<b>3. Other includes:</b>		
Difference in accounting for hyper-inflationary economies	\$ 26	\$ (1)
Difference in accounting for inventory valuation	10	10
Difference in accounting for changes in discount rate for asset retirement obligations	(34)	(34)
Others	1	5
	\$ 3	\$ (20)

	Impact on Equity	Impact on Net Income
<b>4. Deferred income tax</b>		
Business combinations Under US GAAP, negative goodwill is deducted, on a pro-rata basis, from the value of the non-current assets acquired, primarily property, plant and equipment. A corresponding tax asset for the temporary difference thus created is recorded, less a valuation allowance if applicable. As under IFRS negative goodwill is directly recognized in the income statement such tax asset is not recorded under IFRS.	\$ (627)	\$ 20
Employee benefits	(522)	(89)
Other	(57)	6
	\$ (1,206)	\$ (63)

**5. Reclassifications**

The major reclassifications, adjusting the US GAAP presentation to confirm with IFRS, are as follows:

Current deferred tax assets and current deferred tax liability are under IFRS presented as non-current.

Major spare parts and stand-by equipment as well as spare parts that can be used in connection with an item of property, plant and equipment are accounted for under IFRS as property, plant and equipment.

Under IFRS, certain software and ground rent are classified as intangible assets, while under US GAAP these items are presented as part of property, plant and equipment.

Under US GAAP the interest component of discounted obligations is presented as part of cost of sales. Under IFRS the interest component of discounted obligations is presented as part of interest.

**Table of Contents****COMPARATIVE PER-SHARE INFORMATION**

Mittal Steel's class A common shares are listed on the NYSE and on Euronext Amsterdam under the symbol MT. Arcelor's common shares are listed on Euronext Brussels under the symbol LORB and on Euronext Paris, the Luxembourg Stock Exchange and on the Spanish Stock Exchanges under the symbol LOR, and the Convertible Bonds are listed on the Luxembourg Stock Exchange under the symbol LORFP. The following table presents the closing market prices per share for Mittal Steel class A common shares, Arcelor common shares and the Convertible Bonds, in euro and in U.S. dollars, as the case may be, as reported on:

the NYSE for Mittal Steel class A common shares (including euro equivalent value);

Euronext Amsterdam for Mittal Steel class A common shares;

Euronext Paris for Arcelor common shares; and

the Luxembourg Stock Exchange for the Convertible Bonds.

The following table presents the implied equivalent closing market prices for Arcelor common shares and the Convertible Bonds in U.S. dollars. The prices for the Arcelor common shares were calculated by multiplying the closing market prices per share of Mittal Steel class A common shares by the exchange ratio of 1 Mittal Steel class A common share for each Arcelor common share, and then adding to those amounts the cash portion of the exchange consideration of 11.10 (or the U.S. dollar equivalent, as the case may be) (the cash consideration per share to be reduced to 10.05 upon payment by Arcelor of the announced 1.85 per share dividend) for each Arcelor common share. The prices for the Convertible Bonds were calculated by multiplying the closing market prices per share of Mittal Steel class A common shares by the exchange ratio of 1 Mittal Steel class A common shares for each Convertible Bond, and then adding to those amounts the cash portion of the exchange consideration of 12.12 (or the U.S. dollar equivalent, as the case may be) (the cash consideration per Convertible Bond to be increased by 0.80 upon payment by Arcelor of the announced 1.85 per share dividend) for each Convertible Bond. Certain of the amounts set forth in U.S. dollars were originally in euro, and have been translated into U.S. dollars for January 26, 2006, at a rate of 1.00 = \$1.2214, which was the Bloomberg EURUSD exchange rate at the close of trading in Mittal Steel class A common shares on NYSE on that day, and, for [ ], 2006, a rate of 1.00 = \$[ ], which was the Bloomberg EURUSD exchange rate at the close of trading in Mittal Steel class A common shares on NYSE on that day.

The prices given are first, as of January 26, 2006, which was the last full trading day prior to the public announcement of the proposed Offer, and, second, as of [ ], 2006, the most recent practicable trading day prior to the date of this prospectus. See Market Price and Dividend Data for further information about the historical market prices and average daily trading volumes of these securities.

	Mittal Steel (NYSE)		Mittal Steel (Euronext Amsterdam)		Arcelor		Implied Equivalent Value per Arcelor Security			
	Class A common shares (\$)	( )	Class A common shares ( )	Common shares ( )	Convertible bonds ( )	Common shares (\$)	Common shares ( )	Convertible bonds (\$)	Convertible bonds ( )	
January 26, 2006	\$ 32.30	26.45	26.03	22.22	24.49	\$ 45.86	37.55	\$47.11	38.57	
[ ], 2006	\$[ ]	[ ]	[ ]	[ ]	[ ]	\$[ ]	[ ]	\$[ ]	[ ]	

**Table of Contents**

The market prices of Mittal Steel class A common shares, Arcelor common shares and Convertible Bonds are likely to fluctuate prior to the expiration date of the Offer and cannot be predicted. We urge you to obtain current market information regarding Mittal Steel class A common shares, Arcelor common shares and Convertible Bonds.

The following tables present unaudited comparative per share income, dividends and book value data for the twelve months ended December 31, 2005 for (i) Mittal Steel ordinary shares on a historical basis calculated in accordance with IFRS, (ii) Arcelor ordinary shares on a historical basis calculated in accordance with IFRS, (iii) Mittal Steel class A common shares on a pro forma basis reflecting the acquisition of Arcelor, calculated in accordance with IFRS and (iv) Arcelor ordinary shares on an equivalent pro forma basis calculated in accordance with IFRS.

The unaudited pro forma per share information has been derived from the Unaudited Pro Forma Condensed Combined Financial Information included elsewhere in this prospectus. The data presented below should be read together with the historical annual consolidated financial statements of Mittal Steel and Arcelor, and the unaudited pro forma consolidated financial information appearing elsewhere in or incorporated by reference into this prospectus. Mittal Steel prepares its financial statements in accordance with U.S. GAAP, while Arcelor prepares its financial statements in accordance with IFRS. See Summary of Certain Differences between IFRS and U.S. GAAP (Unaudited). For the purposes of the Unaudited Pro Forma Condensed Combined Financial Information included herein, Mittal Steel has provided a reconciliation of its shareholders' equity and net income as of and for the year ended December 31, 2005 from U.S. GAAP to IFRS. See Unaudited Pro Forma Condensed Combined Financial Information.

The weighted average number of ordinary shares outstanding during the year ended December 31, 2005 for the combined entity is based on the equivalent weighted average number of ordinary shares for Mittal Steel and Arcelor. For illustrative purposes, earnings per share are presented below as if the exchange of Arcelor ordinary shares for Mittal Steel equivalent class A common shares, including class A common shares underlying the ADSs, had occurred on January 1, 2005. For these purposes, the exchange ratio in the Primary Offer (*i.e.*, 1 Mittal Steel share for 1 Arcelor share) has been used. One Arcelor ADS equals one Arcelor ordinary share.

	<b>Pro Forma Combined Mittal Steel /ISG</b>	<b>Arcelor</b>	<b>Pro Forma Combined</b>
Average number of basic shares outstanding during the year ended December 31, 2005 (in millions)	704	614	1,368
Average number of diluted shares outstanding during the year ended December 31, 2005 (in millions)	706	655	1,370

The following pro forma per share data for Mittal Steel class A common shares and equivalent pro forma per share data for Arcelor ordinary shares and ADSs has been calculated assuming that 100% of Arcelor ordinary shares are tendered in the Offer, including ordinary shares underlying (i) ADSs, (ii) all Arcelor and Usinor stock options outstanding as of February 6, 2006 and (iii) all Convertible Bonds outstanding as of February 6, 2006. The equivalent pro forma per share data for Arcelor ordinary shares has been calculated by multiplying the applicable pro forma per share amounts for Mittal Steel class A common shares by 1.0, the exchange ratio for each Arcelor ordinary share in the Primary Offer. Because of the pro-ration and allocation procedures applicable to the Offer (see The Offer Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Shares Pro-Ration and Allocation Procedures ), the calculation remains constant regardless of whether the Arcelor ordinary shares are tendered into the Primary Offer or either of the Secondary Offers (see The Offer Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Shares Tenders in Primary Offer or Secondary Offers ).

**Table of Contents**

	Historical Mittal Steel IFRS	Historical Arcelor IFRS	Mittal Steel pro forma IFRS	Arcelor equivalent pro forma IFRS <sup>(1)</sup>
	For the year ended December 31, 2005 (\$ in millions, except per share amounts) <sup>(2)</sup>			
<b>Income (loss) from operations</b>	3,530	4,789	8,014	
<b>Basic EPS</b>	5.01	7.80	5.86	5.86
<b>Diluted EPS</b>	5.00	7.31	5.85	5.85
<b>Dividends declared<sup>(3)</sup></b>	213	1,428	1,641 <sup>(5)</sup>	
<b>Dividends declared per basic share<sup>(3)</sup></b>	0.30	2.30	1.20 <sup>(5)</sup>	1.20 <sup>(5)</sup>
<b>Book value at period end<sup>(4)</sup></b>	13,423	17,898	35,967	
<b>Book value per basic share<sup>(4)</sup></b>	19.07	29.15	26.29	26.29

<sup>(1)</sup> The pro forma per share data does not reflect the effect of the mandatory offer for the minority interests in Arcelor's Brazilian subsidiaries.

<sup>(2)</sup> All Arcelor amounts converted to dollars at the average euro-to-dollar exchange rate for 2005 of 1.2454 except for book value amounts, which have been converted at the euro-to-dollar exchange rate at December 31, 2005 of 1.1844.

<sup>(3)</sup> Historical dividends not giving effect to envisaged combined group dividend policy.

<sup>(4)</sup> Book value per share is calculated by dividing capital and reserves attributable to the equity holders of the company by the number of shares outstanding at the end of the period.

<sup>(5)</sup> Calculation of Mittal Steel pro forma and Arcelor equivalent pro forma dividend data takes account of the Arcelor dividend of 1.85 per share approved by Arcelor shareholders on April 28, 2006.

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**Table of Contents**

**RISK FACTORS**

*You should carefully consider the following risks, together with the other information contained in this prospectus, before making any decision concerning the terms of the Offer or whether to accept the Offer. Any of these risks could have a material adverse effect on our business, financial condition and results of operations, which could in turn affect the price of our shares.*

**Risks Relating to the Offer**

*The consideration offered for Arcelor shares may be adjusted at any time prior to settlement in the event of certain actions taken in relation to Arcelor's net equity.*

The consideration offered for Arcelor shares is subject to adjustment if, between February 6, 2006 and the day before the settlement date of the Offer, Arcelor makes specified distributions in respect of its share capital, acquires its shares, or issues new voting securities or securities conferring the right to subscribe for, acquire or convert into voting securities, as set out in detail herein. Depending on the event triggering the adjustment, consent of the relevant European Regulators may be required and, in each case, securityholders who have previously tendered their Arcelor securities will be entitled to withdraw such tenders at any time during the initial acceptance period or any subsequent offering period, including any extension of the initial acceptance period or subsequent offering period, following the publication of such adjustment. Nonetheless, such adjustments to the consideration offered in the Offer could reduce its absolute value and reduce the aggregate relative percentage of cash received by tendering shareholders to below 29.4%.

The annual Arcelor shareholders' meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend in respect of the 2005 fiscal year. Such payment is currently scheduled to be made on May 29, 2006. If such payment is made on such date or such dividend is otherwise paid or a record date for payment is set on a date that is prior to the settlement of the Offer, this payment would result in an adjustment to the Offer consideration as set out in The Offer Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Shares Primary Mixed Cash and Exchange Offer or Secondary Cash and Exchange Offers below. On April 4, 2006, the Board of Directors of Arcelor also announced its intention to distribute a total amount of 5 billion to Arcelor shareholders through one or a combination of a share buy-back, an exceptional dividend distribution or a self-tender offer. On May 12, 2006, Arcelor's Board of Directors called an extraordinary shareholders' meeting for May 19, 2006 and, since the required quorum was not met, called a second extraordinary shareholders' meeting for June 21, 2006, with an agenda including a proposal to reduce the Company's capital through a self-tender offer for and subsequent cancellation of, up to a maximum of 150 million shares at a maximum price of 50 per share. If such capital reduction and self-tender are in fact approved by Arcelor's shareholders and the self-tender offer is completed before the settlement date of the Offer, this would result in an adjustment of the Offer consideration as set out in The Offer Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Shares Primary Mixed Cash and Exchange Offer or Secondary Cash and Exchange Offers below.

*The fixed exchange ratio will not reflect market fluctuations.*

Arcelor securityholders are being offered a fixed number of Mittal Steel shares in the Offer, rather than Mittal Steel shares with a fixed market value. The market values of Mittal Steel shares and the Arcelor securities at the time of the completion of the Offer may vary significantly from their values at the date of this prospectus or the date that you tender your Arcelor securities.

## **Table of Contents**

***Even if Mittal Steel consummates the Offer, there may be a delay before Mittal Steel can obtain management control of Arcelor.***

In order for Mittal Steel to take management control of Arcelor following completion of the Offer, Mittal Steel will need to take control of Arcelor's Board of Directors. In order to do so, Mittal Steel must, under Luxembourg law, request that Arcelor's Board of Directors convene a shareholders' meeting with an agenda that will provide for the removal and election of directors. Pursuant to Luxembourg law, Mittal Steel would be permitted to make such a request once it holds 20% or more of the issued capital of Arcelor. Arcelor's Board of Directors is obliged to convene such meeting within a period of one month after such request. In such a case, Arcelor's Board of Directors could not refuse to convene a shareholders' meeting. If, however, the Arcelor Board of Directors fails to convene such meeting, the only option open to Mittal Steel is to apply to the court to have the meeting convened, which would entail further delay. According to the Articles of Association of Arcelor, at the shareholders' meeting, the removal and nomination of directors must be approved by a majority of the shareholders present and represented at the meeting. There is no quorum requirement for such meeting. In addition, there are no restrictions on Mittal Steel's ability to vote the shares it acquired in the Offer at such meeting.

***Regulatory approvals of the Offer may not be obtained or may impose adverse conditions and obligations.***

Although Mittal Steel does not anticipate that there will be any investigations or proceedings in any jurisdiction that would have a material impact on the operations of Mittal Steel or Arcelor, it is not certain that all necessary approvals will be granted or, if granted, that they will be granted on favorable terms. In particular, a number of countries will have or claim to have jurisdiction to review the transaction under their competition or antitrust laws. It is possible that certain regulatory approvals will be subject to conditions and obligations, which could include the divestiture of certain assets or business divisions or the imposition of obligations on Mittal Steel that restrict the manner in which it operates. Any such divestitures or obligations could reduce the anticipated benefits of the combination of Mittal Steel and Arcelor, including the expected synergies. Furthermore, Mittal Steel may decide that significant amounts of additional assets should be disposed of in connection with such divestitures for various business reasons. Any divestitures required for regulatory reasons, or any related divestitures, may adversely affect Mittal Steel's business or profitability.

***Mittal Steel has not been given the opportunity to conduct a due diligence review of the non-public records of Arcelor. Therefore, Mittal Steel may be subject to unknown liabilities of Arcelor that may have a material adverse effect on Mittal Steel's profitability and results of operations.***

In commencing the Offer and determining its terms and conditions, Mittal Steel has relied solely and exclusively upon publicly available information relating to Arcelor, including periodic and other reports of Arcelor posted on its website. Mittal Steel has not conducted an independent due diligence review of any non-public information about Arcelor. As of the date of this prospectus, Mittal Steel has not had access to due diligence materials or the management or independent public accountants of Arcelor. As a result, after the consummation of the Offer, Mittal Steel may be subject to unknown liabilities of Arcelor, which may have a material adverse effect on Mittal Steel's profitability, results of operations and financial position, which Mittal Steel might have otherwise discovered if it had been permitted by Arcelor to conduct a complete due diligence review.



## **Table of Contents**

***The integration of the operations of Arcelor and Mittal Steel may not be fully successful and the integration process may disrupt operations.***

The anticipated benefits and synergies expected to result from the Offer will depend in part upon whether the operations of Arcelor can be integrated in an efficient and effective manner with those of Mittal Steel. Successful integration will require the integration of various aspects of each company's business. There may be delays in achieving the anticipated benefits expected to result from this integration. These anticipated benefits could be more difficult to achieve in an unsolicited transaction opposed by, or not supported by, the Arcelor Board of Directors or if we fail to successfully integrate the operations of Mittal Steel and Arcelor. The integration of the operations of Mittal Steel and Arcelor could interfere with the activities of one or more of the businesses of the companies, and may involve a number of other risks, including the diversion of management's attention from the day-to-day operations of each company's business.

Factors affecting the pace, extent and effectiveness of integration will include, inter alia, our ability to elicit the willing cooperation of existing Arcelor management and employees at numerous levels. Our success in communicating our own business model and corporate culture to Arcelor and in aligning existing business methods and practices, and our ability to foster a sense of common enterprise.

***Consummation of the Offer could trigger change of control payments in the employment agreements of certain members of Arcelor's senior management, as well as change of control provisions in other contracts of Arcelor.***

The employment agreements of certain members of Arcelor's senior management and other employees may contain change of control clauses providing for compensation to be granted in the event the employment of these employees is terminated, following the consummation of the Offer, either by Arcelor or by those employees. If completed, the Offer would result in such a change of control, thereby giving rise to potential change of control payments, which could be substantial and which could reduce Mittal Steel's results of operations in the period they become payable.

In addition, other contracts to which Arcelor is a party may contain change of control provisions that could be triggered by the completion of the Offer, possibly resulting in termination of those contracts or increased obligations or loss of benefits to Arcelor. Because Mittal Steel has not been given the opportunity to conduct a due diligence review of the non-public records of Arcelor, Mittal Steel is unable to provide accurate details of, or to determine the possible risks relating to, such arrangements.

***Consummation of the Offer may negatively impact Mittal Steel's or Arcelor's corporate tax position.***

Mittal Steel has not had access to information concerning Arcelor's tax position. It is possible that the consummation of the Offer negatively impacts Mittal Steel's or Arcelor's corporate tax position. The tax consequences of a change of ownership of a corporation can lead to an inability to carry over certain tax attributes, including, but not limited to, tax losses, tax credits and/or tax basis of assets. In addition, the change of ownership may result in other tax costs not normally associated with the ordinary course of business. Such other tax costs include, but are not limited to, stamp duties, land transfer taxes, franchise taxes and other levies.

***The existence of minority interests in Arcelor's share capital may reduce the anticipated benefits of the Offer to Mittal Steel.***

The existence of minority interests in Arcelor's share capital after the completion of the Offer may have various adverse effects upon Mittal Steel. If significant minority interests are present, Mittal Steel could have difficulty realizing the synergies and other operating efficiencies of the combination of the two companies, as well as the revenue and earnings growth that it seeks to achieve by combining Arcelor and Mittal Steel. Under applicable Luxembourg law, Mittal Steel would need to acquire 95% of the shares and 95% of the voting rights of Arcelor in the Offer to effect a compulsory second-step buy-out of the minority shareholders.

## Table of Contents

*Mittal Steel is a Dutch company, and being a shareholder of a Dutch company involves different rights and privileges than being a shareholder of a Luxembourg company.*

The rights of Mittal Steel's shareholders are governed by Dutch law and by Mittal Steel's Articles of Association. Dutch law extends to shareholders certain rights and privileges that may not exist under Luxembourg law and, conversely, does not extend certain rights and privileges that shareholders of a company governed by Luxembourg law may have. For example, Arcelor has one class of shares, each of which is entitled to one vote, while Mittal Steel has two classes of shares, with the class A common shares carrying one vote each and the class B common shares, which are exclusively held by the Controlling Shareholder, carrying ten votes each (to be reduced to one vote each following completion of the Offer). Pursuant to Luxembourg law, shareholders representing at least 20% of the issued capital can convene a shareholders meeting, while pursuant to Dutch law, shareholders representing at least 10% of the issued share capital can convene such a meeting. Mittal Steel shareholders are required to vote on major transactions involving a significant change in the identity or character of the company, while no such shareholder approval is required under Arcelor's Articles of Association or Luxembourg law. Arcelor's shareholders can appoint, suspend and dismiss directors by a simple majority vote. Mittal Steel's shareholders can also appoint, suspend and dismiss directors, but the holder of the class B common shares may make a binding nomination for the appointment of directors, which nomination can be set aside by an absolute majority of votes cast provided that such majority represents at least one-third of the issued capital; Mittal Steel's shareholders may suspend and remove directors by a two-thirds majority, provided that such qualified majority represents at least one-half of the issued capital, unless upon proposal of the holder of the class B common shares in which case a simple majority suffices. For a detailed description of the principal differences between the rights of shareholders under Luxembourg and Dutch law and Arcelor and Mittal Steel's Articles of Association, see Comparison of Rights of Shareholders under Luxembourg and Dutch Law.

The above summary as it relates to Mittal Steel is subject to change upon completion of the Offer. As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend Mittal Steel's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast. Finally, as a result of the amendment, the approval of the holders of the class B common shares will no longer be required for a resolution to dissolve the Company. The amendment to Mittal Steel's Articles of Association will be discussed and put to a vote at the extraordinary shareholders meeting of Mittal Steel to be held on [June 16,] 2006. The Controlling Shareholder has committed to vote in favor of the amendment. Once approved, the amendment will be conditional upon completion of the Offer and the issuance of the New Mittal Steel Shares in exchange for Arcelor securities pursuant thereto.

As disclosed in The Offer Intentions of Mittal Steel Regarding Corporate Governance and Corporate Structure, upon completion of the Offer, Mittal Steel may reorganize the combined group as a result of which the parent company of the group may become a company governed by Luxembourg Law.

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**Table of Contents**

***Mittal Steel must make a mandatory tender offer for minority interests in Arcelor's listed Brazilian subsidiaries at a price determined by independent experts, which may be higher than expected.***

Arcelor Brasil S.A. and Acesita S.A. are two Brazilian companies listed on the Bolsa de Valores de São Paulo (BOVESPA). Arcelor holds approximately 66% of the outstanding voting stock of Arcelor Brasil S.A. Following an offer to acquire the voting stock of Acesita S.A. not already owned by it that closed on April 26, 2006, Arcelor holds, directly or indirectly, approximately 56% of the share capital (consisting of voting common shares and non-voting preferred shares) and approximately 91% of the voting stock in Acesita S.A. Article 254-A of the Brazilian corporation law requires that, in the event of a direct or indirect acquisition of control of a company listed in Brazil, the acquirer must make an offer for all voting shares not already controlled.

Assuming that acquisition of control of Arcelor would constitute a change of control of its Brazilian subsidiaries, tender offers for all minority voting shares must be launched within 30 days following the acquisition of control of Arcelor. The offer price must be at least 80% of the part of the overall acquisition consideration, including premium that is fairly attributable to the Brazilian companies. In the case of Arcelor Brasil S.A., its by-laws increase this percentage to 100%. The determination of the price for Arcelor Brasil and Acesita will be made by an independent expert designated by the company and is subject to judicial review at the request of the minority shareholders.

Mittal Steel may offer the Brazilian shareholders the same mix of shares and cash as in the Offer or it may offer all cash. These offers would be financed out of one or a combination of existing resources, cash flow and proceeds of new financings. Mittal Steel does not expect to make this decision before the Offer is completed. For purposes of example only, based on (i) the current Arcelor shareholding in the two companies (as set out above), (ii) the respective closing market prices of Acesita S.A. and Arcelor Brasil S.A. voting shares on May 18, 2006 as per Bloomberg (which prices may differ from the fair values of such shares as finally determined in the manner described above), (iii) an offer price equal to 80% and 100%, respectively, of such current market prices, in each case without assigning any premium value related to the Offer, and (iv) the Mittal Steel Reference Share Price of 26.64 (\$34.16) used for purposes of calculations in the context of the Offer, the minority interests in these companies would have an aggregate value of approximately 2.7 billion, requiring the issuance of approximately 72 million shares and the payment of 0.8 billion in cash if Mittal Steel offers the same mix (*i.e.*, 70.6%/29.4%) of shares and cash as in the Offer.

The issuance of Mittal Steel shares in such an offer would result in dilution of existing shareholders in proportion to their economic interests, and Mittal Steel cannot predict with certainty the values that the independent experts will ultimately assign to the shares of Arcelor Brasil and Acesita. If such values are higher than expected, Mittal Steel will have to finance a higher cash purchase price and possibly issue more shares, resulting in greater dilution.

***In certain limited circumstances, Mittal Steel has the right to withdraw and terminate the Offer at any time until the settlement date of the Offer, including during the period between the end of the initial acceptance period and the settlement date. In this case, the value of Arcelor securities may decrease during the period between your tender of such securities in the Offer and the return of such securities to you.***

Mittal Steel has the right to withdraw and terminate the Offer upon the failure of any of the three conditions to the Offer (see The Offer Terms and Conditions of the Offer Conditions to the Offer; Possible Withdrawal of Offer ):

in the event that the Minimum Tender Condition is not satisfied or waived, at any time until (and including) the announcement of the results of the Offer;

**Table of Contents**

subject to the prior consent of the European Regulators (insofar as required by applicable law), (i) in the event that certain events beyond the control of Mittal Steel occur or (ii) if Arcelor takes certain actions, that, in either case, materially alter Arcelor's substance, substantially and adversely affect the economics of the Offer or substantially and adversely affect the ability of Mittal Steel to complete the Offer, at any time prior to the end of the initial acceptance period of the offer (with respect to (i)) and to the settlement date of the Offer (with respect to (ii)); or

in the event that any New Securities (defined below) are issued by Arcelor on or after February 6, 2006 without specific authorization by Arcelor's shareholders (other than issuances pursuant to the exercise of Convertible Bonds or outstanding options and ordinary course issuances pursuant to existing management or employee incentive plans), at any time prior to the settlement date of the Offer. Whether the Minimum Tender Condition is satisfied and any decision to invoke or waive this condition will be announced by press release and, at the latest, in the press release publishing the results of the Offer. Any decision to withdraw the Offer due to the failure of either of the other two conditions will be announced by press release as soon as possible following the relevant event or action.

In addition, Mittal Steel has the right to withdraw and terminate the Offer at any time up to the settlement date of the Offer, with the prior consent of the European Regulators (insofar as required by applicable law), in the event that any New Securities are issued by Arcelor on or after February 6, 2006, even with the specific authorization of Arcelor's shareholders. (See The Offer Terms and Conditions of the Offer Offer Scope and Consideration Securities Covered by the Offer. )

Upon Mittal Steel's termination of the Offer, any Arcelor securities tendered in the Offer will be promptly returned to their holders; they will be credited to the relevant financial intermediaries' accounts with the relevant common security depositaries within three Business Days from the date of publication of the above-mentioned press release. However, the value of your Arcelor securities may decrease between the time you tender them into the Offer and the time they are returned to you following any such termination of the Offer. In particular, you will not be able to withdraw tendered securities following the expiration of the initial acceptance period of the Offer unless and until Mittal Steel terminates the Offer as described above; during this period, you will not be able to dispose of such securities. You will bear the risk of any decrease in value during this time. Mittal Steel will not compensate or indemnify you for any such losses or reduction in value of your securities or your inability to sell your securities.

***If the Offer is completed, the liquidity and market value of Arcelor securities not tendered in the Offer may be significantly reduced.***

If the Offer is completed, the liquidity and market value of the remaining Arcelor securities held by the public could be significantly reduced by the fact that they will be held by a smaller number of holders.

Depending upon the number of Arcelor securities acquired pursuant to the Offer, following the completion of the Offer, the Arcelor shares and Convertible Bonds may no longer meet the requirements for continued listing on the security exchanges on which they are currently listed. Moreover, to the extent permitted under applicable law and stock exchange regulations, Mittal Steel may seek to cause the delisting of the Arcelor shares and Convertible Bonds on any exchanges on which they are admitted to trading.

## **Table of Contents**

If any of the stock exchanges on which Arcelor securities are listed were to delist the Arcelor shares or Convertible Bonds, the market for these securities would be limited. Although it is possible that the Arcelor shares and Convertible Bonds would be traded on other stock exchanges or in the over-the-counter market, and the price quotations would be reported by such exchanges or by other sources, Mittal Steel cannot guarantee that any such trading quotations will occur.

In addition, the extent of the public market for the Arcelor shares and Convertible Bonds and the availability of such quotations would depend upon the number of holders and/or the aggregate market value of the Arcelor shares and Convertible Bonds, as the case may be, remaining at such time, and the interest in maintaining a market in the Arcelor shares and Convertible Bonds, as the case may be, on the part of securities firms. To the extent the availability of such listings or quotations depends on steps taken by Mittal Steel or Arcelor, Mittal Steel or Arcelor may or may not take such steps. Arcelor securityholders should therefore not rely on any such listing or quotation being available.

***Historically, the value of the average volume of trading in Mittal Steel shares has been lower than the value of the average volume of trading in Arcelor shares; the post-Offer volume of trading in Mittal Steel shares will depend on the level of acceptances in the Offer and other factors and may be lower than the historical volume of trading in Arcelor shares.***

Historically, the free float, representing the shares available to public shareholders to trade compared to the total outstanding shares, has been lower for Mittal Steel than for Arcelor. As at January 26, 2006, the day prior to the announcement of the Offer, the free float of Mittal Steel was 11.4% (or \$2.6 billion) and the free float of Arcelor was 85.9% (or \$14.3 billion).

Historically, the value of the average daily trading volume of Mittal Steel has been lower than the value of the average daily trading volume of Arcelor. During the six- and twelve-month periods prior to announcement of the Offer, the value of the average daily trading volume was 23.2 million (\$28.0 million) and 21.5 million (\$26.6 million), respectively, for Mittal Steel (representing 1.3% and 1.2% of the free float, respectively) and 90.2 million (\$108.7 million) and 92.1 million (\$114.0 million), respectively, for Arcelor (representing 0.9% and 1.0% of the free float, respectively). Mittal Steel shares are listed for trading on Euronext Amsterdam and the NYSE and have therefore satisfied the liquidity criteria set out in Article 48 of EU Directive 2001/34/EC of May 28, 2001 relating to the admission of securities to trading on a regulated market in the European Union. Mittal Steel expects that its shares will be listed following the Offer on the European exchanges on which Arcelor shares are currently listed, in addition to Euronext Amsterdam and the NYSE.

Post-Offer, the size of the free float and trading volume of Mittal Steel shares will depend on the number of Arcelor Securities actually tendered in the Offer and, as to trading volume, other factors common to all listed securities (*e.g.*, the general volatility of financial markets, changes in prevailing interest rates, general economic conditions and the overall political and social situation in the financial markets where the shares are listed). Depending on these factors, such post-Offer free float and trading volume may be smaller than those of Arcelor pre-Offer. For further information regarding the prospective free float of Mittal Steel shares at various levels of acceptance of the Offer, see The Offer Intentions of Mittal Steel regarding the Business of the Group Capital Markets Position of the Group.

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## **Table of Contents**

*Mittal Steel has not verified the reliability of the Arcelor information included in this prospectus.*

In respect of information relating to Arcelor presented in this prospectus, including all Arcelor financial information, we have relied exclusively upon publicly available information. Although we have no knowledge that would indicate that any statements contained herein based upon such reports and documents are inaccurate, incomplete or untrue, we were not involved in the preparation of such information and statements and therefore cannot verify the accuracy, completeness or truth of such information or any failure by Arcelor to disclose events that may have occurred, but that are unknown to us, that may affect the significance or accuracy of any such information. Arcelor has not provided representatives of Mittal Steel access to Arcelor's accounting records and has not permitted its independent public accountants to provide us with any information, including an independent public accountant's consent.

### **Risks Relating to Mittal Steel**

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

Mittal Steel has experienced rapid growth and development through acquisitions in a relatively short period of time and may continue, following the contemplated acquisition of Arcelor, to pursue acquisitions in order to meet 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 away 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 and supervision of such personnel and the ability to manage the risks and liabilities associated with the acquired businesses. Failure to manage such growth, while at the same time maintaining adequate focus on the existing assets of Mittal Steel, could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects.

*Mr. Lakshmi N. Mittal currently can appoint Mittal Steel's directors and determine the outcome of shareholder votes. If the Offer is completed, Mr. Lakshmi N. Mittal will maintain a substantial minority shareholding and may be able as a practical matter to determine the outcome of shareholder votes with respect to significant corporate events.*

Mr. Lakshmi N. Mittal currently has the power to elect the members of the Mittal 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, issuances of equity and the incurrence of indebtedness. In particular, Mr. Lakshmi N. Mittal currently has the ability to prevent or cause a change of control of Mittal Steel. Mr. Lakshmi N. Mittal and two of his relatives currently constitute three of the nine members of Mittal Steel's Board of Directors.

Mr. Lakshmi N. Mittal's proportionate voting rights will decrease following the completion of the Offer, both as a result of dilution as well as of the elimination, conditional upon the completion of the Offer, of all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). Assuming 100% acceptance of the Offer, upon its completion Mr. Lakshmi N. Mittal will have 45.4% of the voting rights in Mittal Steel. This substantial shareholding may as a practical matter enable Mr. Lakshmi N. Mittal to prevent or cause a change of control of Mittal Steel and to determine the outcome of shareholder votes regarding significant corporate events, and will enable him to control the outcome of shareholder votes requiring supermajority approval.

**Table of Contents**

***Mittal Steel may not achieve the expected synergies from its recent significant acquisitions, including the acquisitions of ISG (now Mittal Steel USA) and Kryvorizhstal (now Mittal Steel Kryviy Rih).***

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

Mittal Steel announced at the time of the acquisition of ISG that it expected to achieve cost synergies of approximately \$250 million per annum by 2007 relating to purchasing, manufacturing, operating and other improvements, including inventory reduction, reduced capital expenditures and contract-related improvements in productivity. Through the fourth quarter of 2005, Mittal Steel had achieved \$120 million of synergies on an annualized basis. In connection with its acquisition of Kryvorizhstal, Mittal Steel announced that it expected to achieve cost synergies of up to approximately \$200 million by the end of 2006, relating to sales, marketing and procurement. The announced synergies from either or both of these acquisitions may not be achieved to the fullest extent or within the expected timeframe, which could significantly harm Mittal Steel's results of operations.

***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, may have a material adverse effect on its business, financial condition, results of operations or prospects. Mittal Steel competes primarily on the basis of quality and the ability to meet customers' product specifications, delivery schedules and price. 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-employment benefit costs.

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

**Table of Contents**

***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 harm the operations of these subsidiaries and may limit Mittal Steel's flexibility in managing its business. See Note 17 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

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

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. For example, steel workers at Mittal Steel's Lázaro Cárdenas production facilities went on strike on two occasions in the period of February to April of 2006 following the removal of the steel workers' union leader by the Mexican government. See Note 17 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

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

Representatives of various unions representing Arcelor employees have made statements critical of the Offer. Following the acquisition of Arcelor, the combined group may be subject to strikes and other labor actions by former Arcelor employees that would disrupt Mittal Steel's operations and prevent it from achieving the anticipated synergies and efficiencies arising from the acquisition.

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

Steel production requires substantial amounts of raw materials and energy, including iron ore, scrap, electricity, natural gas, coal and coke. 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; wars, natural disasters and other similar events; changes in exchange rates; consolidation in steel-related industries; the bargaining power of raw material suppliers; worldwide price fluctuations and other factors; and the availability and cost of transportation.

In addition, energy costs, including the cost of electricity and natural gas, make up a substantial portion of the cost of goods sold by steel companies. The price of energy has varied significantly in the past several years and may vary significantly in the future largely as a result of market conditions and



**Table of Contents**

other factors beyond the control of steel companies, including significant increases in oil prices. In addition, natural gas prices in North America reached \$15 per mmbtu in 2005 versus a high of \$9 per mmbtu in 2004. Because the production of direct reduced iron and the re-heating of steel involve the use of significant amounts of natural gas, steel companies are sensitive to the price of natural gas.

Further, global developments, particularly the dramatic increase in 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 significantly harm the business, financial condition, results of operations or prospects of steel companies.

There can be no assurance that Mittal Steel will be able to procure adequate supplies in the future. In addition, a substantial portion of Mittal Steel's raw materials are procured under contracts that are either short-term or are subject to periodic price negotiations. Any prolonged interruption, discontinuation or other disruption in the supply of raw materials or energy, or substantial increases in their costs, could significantly harm Mittal Steel's business, financial condition, results of operations or prospects.

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

At December 31, 2005, Mittal Steel had outstanding \$8.3 billion in aggregate principal amount of debt consisting of \$334 million of short-term indebtedness (including the current portion of long-term debt) and \$8.0 billion of long-term indebtedness. At December 31, 2005, Mittal Steel also had \$2.1 billion of cash and cash equivalents, including short-term investments and restricted cash, and for the year ended December 31, 2005 it recorded operating income of \$4.7 billion. A significant portion of such indebtedness consists of funds that were drawn down under a \$3.2 billion term and revolving credit facility that Mittal Steel entered into in April 2005 (the 2005 Credit Facility). On October 19, 2005, Mittal Steel entered into a \$3.0 billion bridge term facility to finance part of the acquisition of 93% of the issued share capital of Kryvorizhstal (the 2005 Bridge Finance Facility). The amount of the 2005 Bridge Finance Facility was increased to \$3.5 billion in November 2005. Part of the Kryvorizhstal acquisition was also funded through further drawdowns under the 2005 Credit Facility. As of December 31, 2005, the 2005 Bridge Finance Facility was fully drawn (*i.e.*, \$3.5 billion). In December 2005, Mittal Steel entered into an \$800 million committed multi-currency letter of credit and guarantee facility to support its day-to-day business.

In connection with the Offer, Mittal Steel has entered into three new credit facilities, a \$5 billion (approximately \$6.1 billion) credit facility and a \$2.8 billion (approximately \$3.4 billion) credit facility to finance the Cash Portion of the Offer and a separate \$3 billion (approximately \$3.7 billion) credit facility to refinance the 2005 Bridge Finance Facility (the New Credit Facilities). It is also possible that some of Arcelor's outstanding debt may require refinancing, although Mittal Steel has not had access to all the information it needs to assess whether change-of-control provisions exist or would be triggered.

As a result of its offer for Arcelor and its increased level of indebtedness, including a significant increase in its short-term debt, Mittal Steel could suffer credit rating downgrades. Following Mittal Steel's initial announcement of the proposed Offer on January 27, 2006, Moody's Investors Service placed Mittal Steel's Baa3 Corporate Family Rating as well as the Ba1 ratings of its subsidiaries' debt on credit review for possible downgrade, and Standard & Poor's Rating Services placed its BBB+ long-term

## **Table of Contents**

credit rating for Mittal Steel on credit watch with negative implications. Fitch has also placed Mittal Steel's credit rating on negative ratings watch. Both Moody's Investors Service and Standard & Poor's Rating Services issued releases following Mittal Steel's announcement of a revised offer on May 19, 2006 stating that the revised terms put increased pressure on Mittal Steel's ability to maintain its current ratings. Such credit rating downgrades could also result from a cyclical downturn in the steel industry, as Mittal Steel has experienced in the past. Any decline in its credit rating would increase Mittal Steel's cost of borrowing and may significantly harm its financial condition, results of operations and profitability, including its ability to refinance its existing indebtedness. In addition, any downgrade of Arcelor's credit rating, if it remains a separate subsidiary of Mittal Steel following the completion of the Offer, could significantly harm its financial condition, results of operations and profitability.

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

The 2005 Credit Facility and the New Credit Facilities contain provisions that limit Mittal Steel's ability to encumber its assets and incur debt and require compliance with maximum leverage and minimum interest coverage ratios. Limitations arising from these credit facilities could adversely affect Mittal Steel's ability to maintain its current dividend policy and make additional strategic acquisitions.

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

Mittal Steel has, as of December 31, 2005, also guaranteed \$0.9 billion of debt of its operating subsidiaries and some of these guarantees have provisions whereby a default by 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 liquidity pressures. In addition, the Company has, as of December 31, 2005, guaranteed approximately \$76 million of certain debts at its joint ventures I/N Tek and I/N Kote.

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

Following completion of the Offer, a substantial portion of Mittal Steel's debt may be denominated in euro. Accordingly, Mittal Steel could be exposed to fluctuations in the exchange rates between the U.S. dollar and the euro. Any such fluctuations could harm Mittal Steel's cash flow and profitability and make its operating results highly unpredictable.

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

As 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, its operating subsidiaries to pay expenses, meet its debt service obligations, and pay any cash dividends or distributions on its common shares. Some of these operating subsidiaries have debt outstanding or are subject to acquisition agreements that impose restrictions or prohibitions on such operating subsidiaries' ability to pay dividends.

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## **Table of Contents**

Since Mittal Steel is incorporated under the laws of The Netherlands, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its operating subsidiaries, recognizes gains from the sale of its assets or records share premium as a result of the issuance of common shares. See Note 11 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

### ***Mittal Steel's mining operations are subject to mining risks.***

Mittal Steel's mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources, any of which could result in production shortfalls or damage to persons or property. In particular, hazards associated with open-pit mining operations include, among others: flooding of the open pit; collapses of the open-pit wall; accidents associated with the operation of large open-pit mining and rock transportation equipment; accidents associated with the preparation and ignition of large-scale open-pit blasting operations; production disruptions due to weather; and hazards associated with the disposal of mineralized waste water, such as groundwater and waterway contamination. Hazards associated with underground mining operations include, among others: underground fires and explosions, including those caused by flammable gas; cave-ins or ground falls; discharges of gases and toxic chemicals; flooding; sinkhole formation and ground subsidence; and other accidents and conditions resulting from drilling, blasting and removing, and processing material from an underground mine.

Mittal Steel is at risk of experiencing any or all of these hazards. The occurrence of any of these hazards could delay production, increase production costs and result in injury to persons and damage to property, as well as liability for Mittal Steel, all or some of which may not be covered by insurance.

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

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

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

Mittal Steel's principal operating subsidiaries in Canada, France, Germany, Trinidad, the United States, South Africa and Ukraine provide defined benefit pension plans to their employees. Some of these plans are currently under-funded. At December 31, 2005, the value of Mittal Steel USA's pension plan assets with respect to former Ispat Inland pension plans was \$2.2 billion, while the projected benefit obligation was \$3.0 billion, resulting in a deficit of \$795 million. A large part of Mittal Steel's pension liabilities and funding requirements are at Mittal Steel USA. Mittal Steel USA also has an under-funded post-retirement benefit obligation of \$951 million relating to life insurance and medical benefits as of December 31, 2005. See Note 12 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

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**Table of Contents**

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 the Pension Benefit Guaranty Corporation ( 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 and other post-employment benefit 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.

Arcelor's 2005 annual report discloses that, as of December 31, 2005, the present value of its unfunded pension obligations was 1.0 billion. The acquisition of Arcelor would therefore substantially increase Mittal Steel's exposure to the risks identified above relating to unfunded pension obligations.

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

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

***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. Some of these countries, such as Poland, the Czech Republic, Romania, Ukraine and Kazakhstan, have been undergoing substantial political transformations from centrally controlled command economies to pluralist market-oriented democracies. Political and economic reforms necessary to complete such transformation may not continue. On occasion, ethnic, religious, historical and other divisions have given rise to tensions and, in certain cases, widescale civil disturbances and military conflict, as in Algeria, Bosnia-Herzegovina and South Africa. The political systems in these countries may be vulnerable to the populations

## **Table of Contents**

dissatisfaction with reforms, social and ethnic unrest and changes in governmental policies, any of which could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects and its ability to continue to do business in these countries.

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

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

In connection with the acquisition of certain of its operating subsidiaries, Mittal Steel has made significant capital expenditure commitments and other commitments with various governmental bodies involving expenditures required to be made over the next few years. In 2005, capital expenditure rose to \$1.2 billion. As at December 31, 2005, Mittal Steel and its subsidiaries had capital commitments outstanding of \$1.5 billion under privatization contracts and \$144 million under other major contracts. 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 Note 16 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

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 several years following the date of acquisition. The inability to make such dismissals may affect Mittal Steel's ability to coordinate its workforce and efficiently manage its business in response to changing market conditions.

Although Mittal Steel has remained in compliance with its obligations under the relevant acquisition agreements and restructuring programs, 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.

In addition, Arcelor has announced a number of significant capital projects. Mittal Steel is not currently in a position to assess fully the potential financial impact on it of such projects were the Offer to be completed.

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

Mittal Steel has acquired formerly state-owned companies in the Czech Republic, Poland and Romania, some of which benefited from state aid granted prior to, or in connection with, their respective privatization and restructuring. Moreover, the restructuring of the steel industries in each of the Czech Republic, Poland and Romania is subject to certain transitional arrangements and related rules, which determine the legality of restructuring aid. The transitional arrangements form part of the respective treaties concerning the accession of the Czech Republic, Poland and Romania to the European Union.

## **Table of Contents**

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

### ***Mittal Steel is susceptible to the cyclical nature of the steel industry, making its results of operations unpredictable.***

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 have historically experienced pronounced cyclical fluctuations, driven recently by the substantial increase in production and consumption of steel in China. This trend, combined with rising costs of key inputs, mainly metallics, energy, as well as transportation and logistics, presents an increasing challenge for steel producers.

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

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

Over the last several years, steel consumption in China and other developing economies such as India has increased at a rapid pace. Steel companies have responded by developing steel production capabilities in these countries. Steel production, especially in China, has been expanding significantly and could be well in excess of Chinese demand depending on continuing demand growth rates. Because China is now the largest worldwide steel producer by a significant margin, any significant excess Chinese capacity could have a major negative impact on world steel trade and prices if excess production is exported to other markets.

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

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

### ***Competition from other materials could significantly reduce market prices and demand for steel products and thereby reduce our cash flow and profitability.***

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 significantly reduce market prices and demand for steel products and thereby reduce our cash flow and profitability.

## **Table of Contents**

***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 the South African rand and the Kazakh tenge are subject to limitations imposed by the South African Reserve Bank and National Bank of Kazakhstan, respectively.

***Disruptions to Mittal Steel's operations 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 such equipment may incur downtime as a result of unanticipated failures or other events, such as fires or furnace breakdowns. Mittal Steel's manufacturing plants have experienced, and may in the future experience, plant shutdowns or periods of reduced production as a result of such equipment failures or other events. 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 become subject to adverse interpretations or 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.

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. 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 significantly reduce Mittal Steel's cash flow and profitability. 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 Note 13 to the Mittal Steel consolidated financial statements, incorporated by reference herein.

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 significantly reduce Mittal Steel's cash flow and profitability.

It is possible that taxing authorities in the countries in which Mittal Steel operates will introduce additional revenue-raising measures. The introduction of any such provisions may affect the overall tax

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**Table of Contents**

efficiency of Mittal Steel and may result in significant additional taxes becoming payable. Mittal Steel cannot offer any assurance that additional tax exposure will not arise or that any such additional tax exposure will not significantly reduce its cash flow and profitability.

Mittal Steel may face a significant increase in its income taxes if tax rates and tax laws and regulations in the jurisdictions and treaties between 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.

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

At December 31, 2005, Mittal Steel had \$985 million recorded as deferred tax assets on its balance sheet. These assets 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 offset the tax loss carryforwards and reverse the temporary differences before they expire. At December 31, 2005, the amount of future income required to recover Mittal Steel's deferred tax assets is approximately \$4.0 billion at certain operating subsidiaries. Mittal Steel's ability to generate taxable income is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. If Mittal Steel generates lower taxable income than the amount it has assumed in determining the deferred tax assets, then additional valuation reserves will be required, with a corresponding charge against income.

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

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

Currently, Mittal Steel is involved in a range of compliance actions and legal proceedings concerning environmental matters, all of which relate to legacy obligations arising from acquisitions. Mittal Steel understands that Arcelor is also involved in proceedings relating to alleged environmental liabilities. Mittal Steel is also conducting significant remedial activities at various facilities to address environmental liabilities as part of the settlement of these actions and, in some cases, in the absence of any governmental action. See Note 17 to the Mittal Steel consolidated financial statements. Mittal Steel has established reserves for environmental remediation activities and liabilities. However, environmental matters cannot be predicted with certainty, and the reserved amounts may not be adequate, especially in



## **Table of Contents**

light of the potential for change in environmental conditions or the discovery of previously unknown environmental conditions, the risk of governmental orders to carry out additional activities not initially included in the remediation estimates, and the potential for Mittal Steel to be liable for remediation of other sites for which provisions have not been previously established. Such future developments could result in significantly higher environmental costs and liabilities.

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. Failure to comply with its commitments under these agreements could result in significant monetary penalties.

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

Natural disasters could significantly damage Mittal Steel's production facilities and general infrastructure. In particular, Mittal Steel Lázaro Cárdenas's production facilities are located in Lázaro Cárdenas, Michoacan, Mexico and Mittal Steel Temirtau is located in the Karaganda region of the 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 severely affect our ability to conduct business operations and, as a result, reduce our future operating results.

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

The occurrence of an event that is uninsurable or not fully insured could have a material adverse effect on Mittal Steel's business, financial condition, results of operations or prospects. Mittal Steel maintains insurance on property and equipment in amounts believed to be consistent with industry practices but it may not be fully insured against some business risks. Mittal Steel's insurance policies cover physical loss or damage to its property and equipment on a reinstatement basis arising from a number of specified risks and certain consequential losses, including business interruption arising from the occurrence of an insured event under the policies. 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 types of insurance, such as workmen's compensation insurance and marine insurance. Notwithstanding the insurance coverage that Mittal Steel and its subsidiaries carry, the occurrence of an accident that causes losses in excess of limits specified under the policy, or losses arising from events not covered by their insurance policies, could materially harm Mittal Steel's financial condition and future operating results.

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

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

## **Table of Contents**

***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 profit margins and, as a result, its 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 materially disrupt its ability to conduct 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.***

Section 404 of the Sarbanes-Oxley Act and the regulations of the SEC thereunder require senior executive and senior financial officers of Mittal Steel to assess on a regular basis the internal controls over financial reporting, evaluate the effectiveness of such internal controls and disclose any material weaknesses in such internal controls. Mittal Steel's external auditors will also be required to provide an attestation of management's evaluation, including with respect to entities acquired by Mittal Steel (such as Arcelor), some of which may not be subject to Section 404 or may have internal control weaknesses or deficiencies. In the event that Mittal Steel's senior management or independent accountants determine that Mittal Steel's internal controls over financial reporting are not effective as defined under Section 404, we could incur significant additional costs to remedy our internal controls and our reputation among investors may be harmed. The rules regarding management's report on internal controls and attestation will apply to Mittal Steel from the fiscal year ending December 31, 2006.

***Mittal Steel's results of operations may differ significantly from the unaudited pro forma condensed combined financial information included in this prospectus.***

The prospectus includes unaudited pro forma condensed combined financial information giving effect to our acquisition of Arcelor and to our acquisition of ISG as if they had occurred as of January 1, 2005. This pro forma financial information is presented for illustrative purposes only and does not necessarily indicate the results of operations or the combined financial position that would have resulted had these acquisitions been completed at the beginning of the period presented, nor is it indicative of the results of operations in future periods or the future financial position of the combined businesses. In particular, it does not reflect benefits of expected cost savings or revenue opportunities with respect to Arcelor nor does it reflect a detailed allocation of the purchase price to Arcelor assets and liabilities, as such exercise can only be performed with access to detailed and non-publicly available information. Accordingly, Mittal Steel's results and financial condition may differ significantly from those portrayed by the unaudited pro forma condensed combined financial information included herein.

**Table of Contents**

***The reconciliation of Arcelor's financial statements to U.S. GAAP could result in a decrease of the reported financial results of the combined entity.***

Arcelor has prepared its historical financial statements in accordance with IFRS. If the Offer is completed, it will be necessary to reconcile Arcelor's financial results to U.S. GAAP to comply with Mittal Steel's U.S. reporting obligations in the future. It is not possible to quantify the impact that this reconciliation will have on Mittal Steel's financial statements, although Arcelor's U.S. GAAP reported results could be lower than Mittal Steel's U.S. GAAP reported results.

***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 could have an adverse effect on the market price of its common shares. Assuming 100% acceptance of the Offer, upon its completion the Controlling Shareholder will own approximately 45% of Mittal Steel's common shares after the Offer and will not be subject to resale restrictions.

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

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

**Table of Contents**

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This prospectus and the documents incorporated by reference herein contain forward-looking statements based on estimates and assumptions. Forward-looking statements include, among other things, statements concerning the financial condition, the results of operations and the business of Mittal Steel, including its acquired subsidiaries, the anticipated financial and other benefits resulting from Mittal Steel's acquisitions and the proposed acquisition of Arcelor, and Mittal Steel's plans and objectives following these transactions. These statements usually contain the words believes, plans, expects, anticipates, intends, estimates or other similar expressions. For each of these statements, you should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although it is believed that the expectations reflected in these forward-looking statements are reasonable, there is no assurance that the actual results or developments anticipated will be realized or, even if realized, that they will have the expected effects on the business, financial condition, results of operations or prospects of Mittal Steel. These forward-looking statements speak only as of the date on which the statements were made and no obligation has been undertaken to update publicly or revise any forward-looking statements made in this registration statement 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 prospectus, it is believed the following factors, among others, could cause actual results to differ materially from those discussed in the forward-looking statements:

Mittal Steel's ability to obtain regulatory approvals for the proposed acquisition of Arcelor without materially onerous conditions;

costs or difficulties related to the integration of acquisitions, including the proposed acquisition of Arcelor, may be greater than expected;

the risk of unexpected consequences resulting from acquisitions, including the proposed acquisition of Arcelor;

operating results following acquisitions, including the proposed acquisition of Arcelor, may be lower than expected;

any change-of-control provisions in Arcelor's agreements which might be triggered by the transaction;

Mittal Steel's ability to manage its growth;

uncertainty as to the actions of the Controlling Shareholder of Mittal Steel;

the timing of realization of cost savings expected to result from Mittal Steel's acquisitions, including the proposed acquisition of Arcelor;

the risk of decreasing prices for Mittal Steel's and Arcelor's products and other forms of competition in the steel industry;

the risk of labor disputes, including as a result of the proposed acquisition of Arcelor;

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

any downgrade of Mittal Steel's credit rating as a result, among other things, of a downturn in the steel industry cycle, the debt to be incurred in connection with the proposed acquisition of Arcelor or any possible refinancing of Arcelor debt thereafter, as well as any

downgrade of Arcelor's credit rating if it remains a separate subsidiary of Mittal Steel following the completion of the Offer;

**Table of Contents**

Mittal Steel's ability to refinance existing debt and obtain new financing on acceptable terms to finance its growth;

Mittal Steel's ability to operate within the limitations imposed by financing arrangements;

Adverse changes in interest rates;

Mittal Steel's and Arcelor's ability to attract and retain talented management;

Mittal Steel's ability to fund under-funded pension liabilities;

general economic conditions, whether globally, nationally or in the market areas in which Mittal Steel and Arcelor conduct business;

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

Mittal Steel's and Arcelor's ability to operate successfully within a cyclical industry;

increased competition from substitute materials, such as aluminum;

fluctuations in currency exchange and interest rates;

legislative or regulatory changes, including those relating to protection of the environment and health and safety, and those resulting from international agreements and treaties related to trade, accession to the European Union or otherwise, may adversely affect the businesses in which Mittal Steel and Arcelor are engaged; and

the threat, institution or adverse determination of claims against Mittal Steel and Arcelor.

Some of these factors are discussed in more detail in this prospectus, including under the section Risk Factors.

**Table of Contents**

**THE OFFER**

**Rationale for the Offer**

***Introduction***

Mittal Steel believes that further consolidation in the global steel industry is both highly desirable and inevitable. Despite a trend toward increasing consolidation over the past several years, the industry remains too regional and fragmented in relation to the many challenges that it faces, including increased globalization and concentration of end-market customers and raw material suppliers, the need to expand energetically into emerging markets where future growth will be highest, the drive for greater economies of scale in plant utilization and research and development ( R&D ), and the overall objectives of reducing earnings volatility and creating sustainable returns on capital. Arcelor's senior management has similarly noted the need and desirability of industry rationalization and consolidation.

In this light, Mittal Steel considers that the combination of Mittal Steel and Arcelor (together, the Group ) has a strong strategic and economic rationale. It represents a step change in consolidation, which will bring together two largely complementary businesses both in terms of geographic presence and product offerings, to create a European-based, leading global steel supplier with approximately 10% of worldwide crude steel production. In doing so, Mittal Steel believes that the combination will lead to better service to a globalizing customer base, more effective purchasing from concentrated suppliers, lower production costs, enhanced R&D, better resistance to volatility in what traditionally has been a highly cyclical industry, and improved access to growth opportunities in emerging economies.

Mittal Steel expects the combination to generate cost synergies in the range of \$1.0 billion annually by 2009 (approximately 1.5% of the Group's sales in 2005) from a combination of purchasing savings and improved logistics (\$600 million), manufacturing and process optimization (\$200 million), and marketing and trading (\$200 million).

Moreover, because there is very limited overlap between the two companies' existing facilities and operations and because Arcelor is already performing well overall, Mittal Steel sees no need for significant restructuring programs or other changes in Arcelor's existing business beyond what has already been announced by Arcelor's management. Indeed, the impact of the combination on Arcelor's European operations will be positive. Mittal Steel plans to respect fully all of Arcelor's social commitments, to maintain and possibly expand the role of European R&D in a more global company, to continue to partner with public laboratories and universities, and to continue investments to maintain the high performance levels of existing facilities.

If less than 50% of the total issued share capital and voting rights of Arcelor is tendered in the Offer as required to satisfy the Minimum Tender Condition described in Terms and Conditions of the Offer Conditions to the Offer; Possible Withdrawal of Offer below, Mittal Steel has the right to waive this condition and purchase the tendered securities anyway. Any such decision would depend on an evaluation of all the circumstances prevailing at the time. In any such case, however, Mittal Steel would be an important shareholder of Arcelor, and there would be a substantial basis for cooperation between the two companies, allowing each of them to realize a significant portion of the mutual benefits described herein.

This section includes forward-looking statements. Please see in this regard the section entitled Cautionary Statement Concerning Forward-Looking Statements included elsewhere in this prospectus.

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## **Table of Contents**

### ***Factors Driving Consolidation in the Steel Industry***

As evidenced by numerous statements by both Mittal Steel and Arcelor, both companies see industry consolidation as an important strategic objective. The proposed combination would turn both companies' vision into reality for the benefit of all stakeholders.

The steel industry remains fragmented despite gradual consolidation over the past decade. From 1993 to 2004, the top ten producers' global production share grew from 20% in volume (with production of roughly 140 million tonnes) to 28% (approximately 300 million tonnes). The top five steel producers commanded a 19% share of the global market in 2004 by tonnes of steel produced. Market leader Mittal Steel accounted for only 5.6% of the global production, while Arcelor, the second-largest producer, had a 4.4% share. Nippon Steel (Japan), Posco (Korea) and JFE Holding (Japan) each had shares of approximately 3%, by volume. (Source: Metal Bulletin Magazine, *Top Steelmakers of 2004*, dated March 21, 2005).

Compared to other asset intensive industries, steel is far behind in the consolidation process. The top five steel producers account for roughly 20% of the global production, versus roughly 70% for the top five automotive manufacturers and about 35 to 40% in aluminum or copper. (Sources: AME Mineral Economics, quoted in PricewaterhouseCoopers, *Forging Ahead: Mergers and Acquisitions Activity in the Global Metals Industry*, 2005; Citigroup, *M/Metals Prospects*, March 2006.)

Today, most of the large steel companies are 20 to 50 million ton regional producers that are seeking to become increasingly multi-regional. Mittal Steel is the most global producer, with a presence in four regions and customers in over 150 countries. Mittal Steel's sales are balanced across regions, while those of other leaders tend to be concentrated in specific regions, such as Asia, North America or Europe. Arcelor, the second-largest producer, operates primarily in Western Europe and South America (Brazil and Argentina). Arcelor's acquisition of the Canadian company Dofasco is an attempt to develop a position in North America. Arcelor currently has limited exposure to Eastern Europe, Africa and Asia, which offer promising growth opportunities to steel producers.

In Mittal Steel's view, there are five powerful forces driving consolidation.

#### *1. Globalizing and Consolidating Customer Industries.*

The emergence of clear global industry leaders will create benefits for globalizing customer industries: global products, seamless service capabilities, global quality assurance and processes, and critical mass in R&D for faster new product and solution development. The automotive industry, a major purchaser of steel (around 20% to 25% of total steel output in mature markets—source: GIA, *Steel: A Global Strategic Business Report*, January 2006), has seen increasing consolidation, as manufacturers seek to achieve economies of scale, expand and globalize model lines, diversify risk, and optimize costs. In 1970, there were 57 independent car manufacturers; in 2000, only 13 major producers. It is Mittal Steel's expectation that, by 2015, only six to eight such producers will remain. Automotive manufacturers are also pursuing global strategies. Volkswagen and Toyota, for example, produce 60% to 70% of their vehicles outside their home market, and international production is growing faster than their domestic production. The share of global producers (present in more than two regions, e.g., Toyota, Daimler-Chrysler, Renault-Nissan) has been rising. In 2000, they produced 45% of all vehicles; they produced 62% in 2005. That percentage is expected to reach nearly 90% in 2020 (Source: JD Power, *Global Car and Truck Forecast*, Q2 2005).



## **Table of Contents**

Automotive manufacturers' tendency to locate their production sites in emerging countries is also significant. This is due in part to stronger demand than in mature markets. For instance, Renault's fastest growth in 2005 took place in Eastern Europe, where its volume increased by about 50% (source: Renault press release, January 2006), spurred by the popularity of its cars in Romania and the launch of the Logan in Russia. In June 2005, Toyota and PSA jointly established a plant in the Czech Republic.

Global customers increasingly require suppliers to follow them into new regions in order to limit transportation costs, inventory, and risk, and to allow them increased flexibility, lower production costs and consistent quality. For example, Bosch, like many other automotive component suppliers, is investing in Central and Eastern Europe to gear up for the manufacturing expansion taking place there.

Similar changes are taking place in the white-goods industry (which consumes around 15% to 20% of total steel output in mature markets Source: GIA, Steel: A Global Strategic Business Report, January 2006). In the 1980s, 350 white-goods manufacturers competed in Europe. By 2000, only about 15 remained (source: Lambert & Gillan, University of Western Australia and Nichols & Cam, The World of White Goods, 2005; companies' annual reports). Global producers accounted for about 30% of the goods in 1990 (Source: Lambert & Gillan, University of Australia and Nichols & Cam, The World of White Goods, 2005; companies' annual reports); by 2015, they are expected to produce more than one-half of global supply. Manufacturers' trend toward off-shoring in emerging countries is also very clear: Electrolux currently operates plants in eight low-cost countries, one-half of which are in Eastern Europe. Whirlpool already manufactures around 50% of its output in emerging markets and has increased its investment to levels not seen since the late 1990s, expanding in Mexico and Poland.

Global customers increasingly require global framework contracts, demanding consistency of products and services across different regions to achieve the same quality standards on a global basis. At present, both Arcelor and Mittal Steel negotiate long-term contracts with their customers in industries such as automotive or white goods, and set up international coordination and partnerships to achieve global reach. The possibility and desirability of entering into long-term supply contracts depends upon a number of factors, including the maturity of the market, the role of steel in the customers' procurement mix and the relative importance of price versus other factors in the buying decision. Long-term contracts are more commonly used in developed markets, such as North America and Western Europe, and in sectors requiring uniformly high quality, such as automotive and appliances, than in other markets.

Thus, in fiscal 2005, Mittal Steel realized approximately 45% by volume of its sales in the Americas (primarily the United States) under long-term contracts (defined for internal record-keeping purposes as contracts having a term of six months or greater), while Arcelor realized approximately 52% by volume of comparable flat carbon sales in Western Europe under long-term price contracts (defined by Arcelor as contracts having a term of 12 months or greater). Overall, approximately one-third by volume of each of Mittal Steel's and Arcelor's worldwide shipments of flat and long carbon steel in 2005 were under such respective contracts as described above.

### *2. Consolidation Provides Greater Bargaining Power with Highly Concentrated Supplier Industries.*

Several suppliers to the steel industry have disproportionate negotiating power over raw materials. Raw materials represent approximately 50% of steel producers' purchasing expense. The markets for these materials, meanwhile, are often consolidated. In sea-borne iron ore trade, which represents 20% of raw materials costs for steel producers, three companies (CVRD, Rio Tinto, BHP Billiton) together control more than 70% of the market. In coking coal, which accounts for about 15% of raw materials costs, nearly 60% of exports are controlled by only five companies (including Rio Tinto and BHP Billiton). The picture is similar for other metals representing about 20% of raw materials costs:

## Table of Contents

the top ten producers of zinc control over 50% of sales (source: RBC Capital Markets, *Metal Prospects: 2006 Zinc Market Outlook*, December 2005; Citigroup, *Zinc and Lead Market Outlook*, February 2004). And 50% of nickel is sold by four producers (Norilsk, BHP Billiton, Inco & Falconbridge sources: RBC Capital Markets, *Metal Prospects: 2006 Nickel Market Outlook*, December 2005; companies annual reports). By contrast, Mittal Steel and Arcelor together represent only about 10% of total steel production.

The disproportionate bargaining power wielded by suppliers enables them to obtain price increases from steel producers (*e.g.*, in 2005, prices of coking coal and iron ore increased by 111% and 71%, respectively) even against a backdrop of falling steel prices. (Source: Morgan Stanley, *Basic Materials: Global Supply/Demand Outlook Through 2009*, December 2005)

In addition, beyond pure commercial relationships, a more consolidated steel industry will be in a better position to establish true partnerships and therefore develop more integrated relationships with raw materials suppliers (*e.g.*, joint process improvement for logistics optimization).

### *3. Growth Prospects Differ Significantly from Region to Region and Large Producers in Mature Regions Need to Pursue New Growth Opportunities.*

Mature regions (North America, Western Europe, Japan) are expected to experience relatively slow growth in coming years. In these regions, volume growth from 2005 to 2015 is expected to be about 1.8% annually in North America, 1.9% annually in Europe (excluding CIS and Russia) and 1.0% in Japan (source: Dexia Report, September 29, 2005). The mature regions are less fragmented than the developing regions.

Production in many developing countries is fragmented, in particular the BRICET countries Brazil, Russia, India, China, Eastern Europe and Turkey. For example, the top ten Chinese steel producers together represent barely 30% of the Chinese steel market, with the top producer, Baosteel, accounting for only 7% of the market.

In addition, the BRICET countries are expected to contribute most of the growth in the steel industry (over 5% per year) over the next decade. For example, from 2005 to 2015 the Chinese steel market is expected to grow at a rate just under 7% per year, and India at a rate just over 7% per year. (source: Dexia Report, September 2005)

In order to pursue new growth opportunities, large producers in mature regions seem to be following two approaches: filling their gaps in developed countries and expanding in developing countries (particularly BRICET countries). The recent competitive bidding for the same companies, such as Ukrainian Kryvorizhstal (eventually acquired by Mittal Steel) and Turkish Erdemir (eventually acquired by OYAK, a Turkish industrial conglomerate), is illustrative of the growing importance of increasing presence in the BRICET countries.

As noted above, most large producers operate in developed mature regions, where growth opportunities will remain limited in the next decade. The exception is Mittal Steel, which has invested in emerging countries for many years: starting in Latin America in Mexico in 1992, in Kazakhstan in 1995, in Africa in 2001, in Central and Eastern Europe from 2001 onwards (up to its recent acquisition of Kryvorizhstal in Ukraine). Most recently Mittal Steel has entered China through a shareholding in Hunan Valin, and Mittal Steel also signed a memorandum of understanding with the Government of Jharkhand in India to develop a 12 million tonnes per year steel plant and an iron ore mine. Mittal Steel is currently preparing a detailed project report (DPR), the estimated duration of which is 18 months, to identify the location of the steel plant, iron ore and coal mines and water sources. It is expected that the first phase of

## **Table of Contents**

the project would be completed within 48 months once the DPR is completed and found acceptable to both Mittal Steel and the Government of Jharkhand, and the second phase within a further 54 months after completion of the first phase. Arcelor has followed a similar track: it acquired a significant stake in CST in Brazil in 1998, Acindar in Argentina in 2004 (through Belgo Mineira) and Huta Warszawa in Poland in 2005, three transactions which underscore Arcelor's announced intention of expanding as well in the BRICET countries.

### *4. Consolidation Fosters Economies of Scale, Better Returns, and Greater Ability to Sustain R&D Investments.*

Large steel producers can specialize their plants on certain types of products and thus create more value from their assets. Plants dedicated to either high-end or commodity products, for instance, generally perform better than generalist plants making both, because they can eliminate costs of switching equipment to handle the different kinds of output. Large producers are also better equipped to improve manufacturing excellence, because they can share best practices and perform internal benchmarking across a wider number of sites. In addition, with large networks of plants, it is easier to cost-effectively manage the supply chain, because increased scale helps companies improve product flow, lower logistics costs and manage inventory better. Investments in innovative products, technologies and additional R&D can be amortized on a larger scale.

### *5. Consolidation Reduces Volatility and Creates a More Stable Industry.*

The steel industry has suffered considerable volatility for many years. Larger producers, having better visibility into their end-markets, are better able to balance supply and demand.

### ***New Industry Configuration***

As a result of the above factors, Mittal Steel believes that the global steel industry will reconfigure during the course of the next decade into a three-tier structure comprised of (1) a small number of large global manufacturers operating in both mature markets and throughout the BRICET countries and producing over 150 million tons per year, (2) a number of mid-size regional manufacturers that are primarily focused on their regional markets and producing up to 100 million tons per year, and (3) smaller local producers focusing on one or a few countries and very specific product lines.

Mittal Steel believes that the large global producers will have a number of common characteristics:

Global production in excess of 150 million tonnes. Mittal Steel believes that growth rates combined with consolidation trends will move the leadership threshold closer to 150-200 million tonnes by 2015. This target represents 12 to 15% of the global steel market expected by 2015.

Strong business relationships with increasingly global customers. Customers of large steel companies are also globalizing and consolidating. That makes global key account management, including services through state-of-the-art downstream operations, distribution and global product capabilities, even more crucial. As an example, Renault and Nissan have merged their purchasing organizations into RNPO (Renault-Nissan Purchasing Organization) and are rationalizing their common suppliers' panel. For each product category, their objective is to have a restricted number of suppliers (between three and five). RNPO wants most suppliers to be global so they can work closely with them to develop products and have those products made by the same supplier in all Renault-Nissan production locations. (Source: Financial Times, March 2005; Automotive News, June 2002 and March 2005)

## Table of Contents

Multi-regional operations to capitalize on R&D and process innovations. Innovation will become critical, as customers increasingly demand higher product quality, sophistication, and even customization. Approximately 40% of the steels which will exist in five years do not exist yet, and 40% of steels which exist today will have disappeared in five years. And steels of tomorrow will undoubtedly be composite steels, predicts Michel Lahousse, head of Arcelor Research, in Lorraine (source: Les Echos, October 2005). The most successful companies will be those that develop and keep introducing innovative products.

Global footprint to capture BRICET countries' growth and benefit from low-cost operations. As described above, future growth in demand for steel is expected to be highest in the BRICET countries, spurred by the increasing local need for steel-based products (construction and infrastructure, cars, appliances, etc.). Leading producers will also need to reduce their production costs to meet competition from emerging countries by tapping into these currently low-cost production areas, including for semi-finished products such as slabs.

Integration into mining operations. Raw materials represent a large portion of the industry's cost structure, and integrating upstream will reduce raw material price volatility (hedging). This has been one of the key elements of Mittal Steel's strategy over the last 15 years. More recently, other large competitors have adopted this strategy. Nippon Steel acquired 28% of Beasley River iron ore mines in Australia, which it will operate jointly with Rio Tinto, one of the world's largest iron ore producers (source: JCN Newswire, April 2004). It also acquired an 8% stake in Hail Creek Joint Venture, which operates a new mine that produces high-grade coking coal. Following the same strategy, Posco will have access to 600 million tonnes of iron ore reserves for captive consumption in its future Indian steel plant in Orissa (source: The Press Trust of India, October 2005).

World-class sustainable development practices and operational excellence. Knowledge sharing and technology transfer will improve operational performance. A significant part of Mittal Steel's success has stemmed from its ability to share experiences and best practices across the whole group between units spread around the world (*e.g.*, Kazakhstan, Romania, South Africa, Algeria, USA, Western Europe, Trinidad). Continuous improvement is a key driver within Mittal Steel and it is supported by a knowledge management program, detailed benchmarking, process development and inter-plant visits of technical experts. Meanwhile, emerging countries' top producers are quickly catching up with the technological advances made by leaders in developed countries. Sustainable development practices will be essential to equip the organization to respond most effectively to the needs and priorities of all its stakeholders, including their communities.

Mittal Steel believes that large transactions, such as the combination with Arcelor, can create a global leadership position faster, more efficiently and with less risk than a series of medium-sized acquisitions and organic growth. With ongoing consolidation in the steel industry, attractive acquisition targets are becoming more scarce, which has inevitably led to greater competition for a decreasing number of companies. Organic growth combined with small acquisitions will not be sufficient to reach truly global size. Therefore large acquisitions are imperative. Dofasco represents a significant acquisition for Arcelor and yet only contributes an additional 5 million tonnes to Arcelor's annual production. Similarly, Mittal Steel's recent acquisition of Mittal Steel Kryviy Rih (Ukraine) added just 7 million tonnes, although with scope for expansion. Reaching the size of between 150 and 200 million tonnes will require larger transactions.

## **Table of Contents**

### ***Mittal Steel and Arcelor are Highly Complementary***

For a summary of the respective businesses and operations of Mittal Steel and Arcelor, see [Information about Mittal Steel](#) and [Information About Arcelor](#).

#### ***1. Arcelor and Mittal Steel have been Following a Similar Strategy in Recent Years with Respect to Growth by Acquisitions, Particularly in Emerging Markets.***

From a strong foundation in mature markets (Western Europe and North America for Arcelor and Mittal Steel, respectively), and some existing operations in selected BRICET regions (Latin America and Eastern Europe for Arcelor and Mittal Steel, respectively), both companies are aiming to expand into other BRICET countries. For example, both bid for the same companies on several occasions: Ukrainian Kryvorizhstal and Turkish Erdemir (eventually acquired by OYAK, a Turkish industrial conglomerate).

In terms of growth by consolidation and expansion in developing regions, Mittal Steel has been a pioneer, acquiring over 20 companies of various sizes and activities, and in a variety of world regions, over the last 15 years (see details in [Item 4D Information on the Company Property, Plant and Equipment](#) of Mittal Steel's Annual Report on Form 20-F, incorporated by reference herein, for a summary of Mittal Steel's existing operations in various countries). As a result of these acquisitions, Mittal Steel has a strong presence in the United States, Central and Eastern Europe, Central Asia and Africa, and has now oriented its development towards Asia.

Similarly, Arcelor has grown significantly through major acquisitions from 1984 to 2002, mainly in the European region (where it generates 77% of its revenues as the leading producer of crude steel, with a 16% market share in 2004). Recently, Arcelor demonstrated its desire to grow in developed countries by acquiring Dofasco in February 2006 for C\$5.6 billion, and has indicated a commitment to growth and consolidation in developing markets, particularly the BRICET countries. Arcelor's senior management recently stated the goal of increasing its crude steel production to 80 million tonnes over the next ten years, emphasizing that growth would be targeted at lower-cost regions abroad.

#### ***2. Mittal Steel and Arcelor are Committed to Substantial Levels of Capital Investment.***

Conscious of the capital intensity of the steel industry, Mittal Steel practices disciplined capital management. It seeks to make prudent and focused capital investments to enable operational improvements and to move up the value chain. This investment represents a commitment to maintaining its existing asset base at a competitive level of productivity and quality while growing capabilities in important geographic and market segments. Capital expenditure has increased with the company's growth from \$898 million in 2004 to \$1.2 billion in 2005 and a budgeted \$1.7 billion in 2006. The bulk of the capital expenditure in 2004 and 2005 was directed at sustaining maintenance and upgrading and modernizing plant and equipment. See [Item 5B Operations and Financial Review Liquidity and Capital Resources](#) of Mittal Steel's Annual Report on Form 20-F, incorporated by reference herein, for details of Mittal Steel's capital expenditures in 2004 and 2005 and projected in 2006.

Arcelor's capital expenditures amounted to 1.4 billion in 2004 and 2.1 billion in 2005. The increase from 2004 to 2005 can mainly be attributed to a 600 million development capital expenditure in Brazil (capacity expansion of 2.5 million tonnes per year). Other identified projects include capital projects to sustain operations as well as capacity expansions and investments to enable the industrial restructuring plans in Belgium.

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## Table of Contents

In the main areas of carbon steel production, flat products and long products, capital investment rates in the two companies were \$21 per ton for Mittal Steel and \$25.6 per ton for Arcelor in 2004 source: Mittal Steel and Arcelor 2004 annual reports. Much of the difference on a per ton basis is explained by the different geographies in which the capital was spent. Arcelor's investments were concentrated in the developed world, where a larger proportion of the capital expenditure goes to labor. For example, Mittal Steel's reline of Blast Furnace #7 in the USA cost \$100 million, of which 55% was directly attributable to the labor and professional services component. In comparison, a similar reline of Mittal Steel's Blast Furnace #4 in Kazakhstan cost \$40 million, of which only 24% was directly attributable to labor. The direct difference in labor was therefore almost \$40 million on a \$100 million blast furnace reline.

### *3. The Combination of Mittal Steel and Arcelor will be Highly Beneficial for Both Parties.*

The Group will have a clear leadership role in serving global automotive customers.

A global footprint will be required to be a successful leader for global customers. The automotive industry, which represents 20% to 25% of steel output in mature markets, is the main end market for high-end products. Automotive manufacturers in the United States, Japan and Europe are becoming increasingly global and require their suppliers to provide them with the same quality standard products on a global basis.

The complementary footprint and product offering of Mittal Steel and Arcelor will give the Group a clear leadership position in the automotive industry. The Group will be an industry leader better able to serve US and European auto manufacturers, and will enable the Group to match the more global offerings of leading suppliers of alternative materials such as aluminum and plastics. The respective businesses of Mittal Steel and Arcelor show a high degree of complementarity in that they are focused on similar customers and similar products but in different geographical markets. Both Mittal Steel and Arcelor have similar overall growth plans for developing markets but have started in different locations, and both companies favor greater vertical integration but Mittal Steel is more developed upstream while Arcelor is more developed downstream.

Flat carbon steel products. Mittal Steel is the leading steel supplier to the North American automotive industry, providing a portfolio of sophisticated high-end products, including Ultra High Strength Steels (UHSS) and Advanced High Strength Steels (AHSS). Approximately 67% of Mittal Steel's US production is classed as value-added (*i.e.*, products other than simple hot-rolled coil). In the United States, Mittal Steel sells roughly 50% of its steel under term contracts (*i.e.*, contracts with a term of six months or longer). Arcelor enjoys an equivalent leading position in the Western European automotive market, with similar levels of value-added business and 52% of sales under term contracts (*i.e.*, contracts with a term of twelve months or longer). In addition, Mittal Steel has a strong presence in the higher growth markets of Central and Eastern Europe, Central Asia and Africa, while Arcelor has a strong presence in South America (Brazil). Mittal Steel believes that there are numerous possibilities for successful collaboration. For example, Arcelor's announced Apollo restructuring plan envisages supplying low-cost slab from Brazil to its Western European mills. Mittal

## Table of Contents

Steel's plants in Eastern Europe (including Mittal Steel Kryviy Rih in the future) and Africa could offer a more diverse and potentially lower cost option to fulfill this requirement. (This may be one reason that Arcelor also bid in the October 2005 auction of Kryvorizhstal, the predecessor of Mittal Steel Kryviy Rih.) Further, Mittal Steel's and Arcelor's respective plants across Europe can complement each other to provide a full range of products to the growing market in Central and Eastern Europe.

Long carbon steel products. Mittal Steel and Arcelor have complementary footprints, with limited geographical overlap, in long carbon steel products. Mittal Steel is present in North America and Africa, while Arcelor is present in South America. In Europe, both companies have a presence, but with limited overlap. The complementary footprints provide opportunities for better market coverage. For example, in wire rod, Arcelor has operations in Spain and Poland, while Mittal Steel has operations in France, Germany, Poland and the Czech Republic. In sections, Arcelor has operations in Spain, Italy, France, Luxembourg and Germany, while Mittal Steel has operations in Poland, the Czech Republic, Romania and Bosnia.

Along the value chain, the two companies have complementary positions. Mittal Steel is more vertically integrated upstream, providing access to raw materials supply, while Arcelor is more integrated downstream. Arcelor has stated a goal to develop its downstream business in Eastern Europe, where Mittal Steel has the upstream operational presence to complement this objective; downstream distribution businesses would be strengthened by such close proximity to production plants.

Mittal Steel's production presence in higher growth countries of Central and Eastern Europe, Africa and Asia, where construction is a major driver of growth, offers a complementary position to enhance the international growth prospects of Arcelor. Arcelor's stated strategy is to attempt to grow in the BRICET countries. In a number of these countries, Mittal Steel already has a leading presence, providing operational experience in those markets.

R&D and product offerings are complementary.

Both Arcelor and Mittal Steel have the capabilities to produce innovative high-end products in partnership with customers. High-end products are steel products that require advanced and refined processes to match clients' specifications. They usually involve licensed processes and significant R&D investments. Since the most demanding clients are the automotive original equipment manufacturers (OEMs) and suppliers, steelmakers must be able to cooperate with auto manufacturers at the early stage of vehicle design to be competitive.

Steelmakers must have R&D capabilities to drive innovation and growth. This is especially true in the automotive segment, where Mittal Steel has a leading position in the United States and Arcelor has a leading position in Western Europe. Steel once represented up to 75% of the car body structure, but has now fallen to 50%. Already, steelmakers have introduced lighter and more resistant steels (High Strength Steel), Ultra High Strength Steels (UHSS) and Advanced High Strength Steels (AHSS). UHSS and AHSS prices per sheet are higher than those of ordinary steel, but these steels actually help to reduce automobile manufacturing costs. For example, product development has helped the steel industry in the United States to regain lost market share for steel wheels at the expense of aluminum. In construction, product development and marketing efforts should capture latent demand given the different intensity of steel usage in construction around the world.

## Table of Contents

Arcelor has five R&D centers focused on flat carbon steel and four on stainless steel. Arcelor flat carbon steel research centers are addressing the industrial, packaging and automotive end markets' challenges, and also investigating how to decrease OEM's manufacturing costs. The two R&D centers in Metz, France, and Asturias, Spain, are core knowledge centers dedicated to the development of fundamental metallurgical processes and product knowledge, as well as to cutting edge topics such as artificial intelligence and nanotechnology.

Mittal Steel has R&D expertise in both product development and manufacturing processes. Mittal Steel currently employs over 500 professionals devoted to R&D activities and is actively recruiting additional professionals. It operates two primary R&D centers. One, located in East Chicago in the United States, focuses on steelmaking and flat products. The other, in Gandrange, France, focuses on long products. The centers' activities include process technology development, the development of steels with special properties, and product research and application development. Mittal Steel is currently working on establishing a third R&D hub in the near future: the Central and Eastern European technical center, in Poland. This new facility will be focused on process research.

In Mittal Steel's vision, R&D centers have a dual role, acting as centers of excellence dedicated to specific products and processes, and supporting business units located in the same regions. This allows for specialization while maintaining close proximity between R&D centers and production units.

R&D synergy between Mittal Steel and Arcelor. The expertise of both groups in the various applications and end-markets, along with the large R&D divisions of the Group in Europe and North America, can be combined to generate new leverage and market opportunities from the cross-sharing of experience. For example, production of Ultra High Strength Steels with low elongation developed in North America could be transferred to the Arcelor operations in Western Europe. Serving the needs of a larger, more diverse group of global customers would enhance the role of all the R&D centers. And the increased scale and diversity of technologies used and products made would provide additional opportunities for knowledge transfer. Here, the scale and diversity of operations would add impetus to efforts to improve energy efficiency, as well as the environmental profile of steel operations. Finally, fundamental product and process research would have a better return on investment as it would be applied across more operations. Centers of excellence, which would specialize in unique kinds of expertise, would generate intellectual property that all R&D centers and business units could use. Both Mittal Steel and Arcelor R&D have partnerships with public institutions and universities. Mittal Steel expects that these partnerships will be enhanced in the future.

Mittal Steel believes that its position in raw materials would be an asset for the Group, enabling it to better absorb cyclical fluctuations in demand and to reduce volatility. Economic performance varies along the value chain. Extraction activity benefits from a consolidated market on the one hand and raw materials' increasing scarcity on the other. As a consequence, leading ore miners have enjoyed higher margins than leading steel producers in recent years (source: leading mining and steel companies 2004 annual reports).



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**Table of Contents**

Extraction operations performance depends on demand for raw materials, which has grown with China's economic expansion. At the second stage of the value chain, steelmakers confront two major risks, increased raw material costs and tightening of supply.

Arcelor would benefit from Mittal Steel's proprietary access to raw materials and ability to optimize costs. Mittal Steel is one of the world's most self-sufficient steelmakers. In 2005, on a pro-forma basis after giving effect to Mittal Steel's acquisition of ISG, approximately 56% of its iron ore requirements and approximately 42% of its coal requirements were supplied from its own mines or from long-term contracts at many of its operating units. Moreover, Mittal Steel is actively developing its raw material self-sufficiency, including through recent initiatives to gain access to iron ore deposits in Liberia and Senegal, and expanding its existing iron ore sources in various parts of the world including Ukraine. Production is expected to grow following recent acquisitions of mines. Mittal Steel satisfies approximately 81% of its own coke requirements. Moreover, in 2004 Mittal Steel produced more DRI and coke than it consumed (1.7 million tonnes of excess DRI and 1.1 million tonnes of excess coke).

Arcelor has recently bid (unsuccessfully) for Kryvorizhstal (Ukraine) and acquired Dofasco (Canada). Both of these companies own major raw material assets.

The Group could improve regional raw material supply and will enhance Arcelor's sourcing strategy. Mittal Steel believes the combination of Mittal Steel's and Arcelor's operations would lead to improved, internally purchased raw material supply. Arcelor's coastal upstream plants could be cost-effectively supplied by Mittal Steel's Liberian mines.

Arcelor's strong position in downstream distribution (A3S) would create benefits for both groups:

Arcelor's A3S distribution operations currently source externally 30% of the products it distributes, mainly in low-end products. Through its distribution and services capabilities, Arcelor sells steel produced by its own plants (70%) and steel bought from outside sources (30%). These external products are not available within Arcelor's group or are cheaper to source locally (compared with transporting them from Arcelor's plants).

Mittal Steel would be able to distribute its products through Arcelor's A3S division and to increase A3S intra-group sourcing, because its product lines and geographic footprint complement Arcelor's. That complementary footprint would enable the Group to source more internally, thereby reducing overall costs and increasing margins.

In addition, Arcelor has developed a strong expertise in custom steel solutions for the construction of major civil engineering, public works, and offshore projects through its subsidiaries Arcelor Projects and Paul Wurth. These subsidiaries would benefit from an extended portfolio of solutions and products, from the Group's increased R&D support and from an expanded network across the world.

The geographical range of the two groups is highly complementary:

The Group will operate 61 plants in over 27 countries. Arcelor is a leading producer in the Western European market, and has a strong position in South America. Mittal Steel's locations are complementary, with a leading position in the North American region, and strong footprints in Eastern Europe and Africa.

**Table of Contents**

The combination will enable each group to fill its respective geographical gaps, and to join forces to develop in Asia (China and India), which is their shared future strategy. On top of this, both groups will benefit from their respective alliances.

**The combination of Mittal Steel and Arcelor will create a Group with a unique global footprint**

The combination will redefine the industry.

The Group will be a global leader with a capacity of approximately 130 million tonnes, a production of 106 million tonnes and shipments of 97 million tonnes on a 2005 pro forma basis (including ISG and Mittal Steel Kryviy Rih on a full year basis but excluding synergies). On an actual 2005 basis (*i.e.*, including ISG since April 15, 2005 and Mittal Steel Kryviy Rih since November 26, 2005), the production is 95 million tonnes and shipments are 87 million tonnes.

On a pro forma basis (*i.e.*, as if ISG and Arcelor had been acquired on January 1, 2005), 2005 revenues amount to roughly \$72 billion.

The Group will have a production 2.9 times that of its nearest competitor, which comparatively provides the Mittal Steel-Arcelor combination with financial strength and ample resources.

**Table of Contents**

80

**Table of Contents**

*2005 Shipments Breakdown per Region*

*2005 Shipments Breakdown per Product Type*

Within the 2005 pro forma shipments of 87 million tonnes, flat products account for 68%, long products for approximately 27%, while stainless products and pipes and tubes represent only 2% and 3%, respectively.

On a 2005 pro forma basis, the Group will count approximately 320,000 employees, of which 65% will be located in Europe, 13% in the Americas and 22% in Asia and Africa.

## **Table of Contents**

Mittal Steel believes that the Group will be well placed to benefit from further external growth opportunities. Mittal Steel believes that the proposed combination represents a unique opportunity for Arcelor to achieve such a large size and substantial synergies in a single transaction. In Mittal Steel's view, potential targets in Europe and North America lack a strong presence in emerging markets, and those in Asia and other regions lack global reach.

In sum, Mittal Steel believes that the combination will create a global industry leader, with unprecedented scale and growth opportunities and the opportunity to increase its technological advantage by strengthening its R&D to better focus on its customers' needs. Mittal Steel-Arcelor will be a leader in the automotive and domestic appliances industries. The Group will be able to bolster this strong product offering by deepening business relationships with its customers through a state-of-the-art global distribution network.

On the cost side, the global presence will allow further optimization of industrial operations. Mittal Steel believes that its access to low-cost production sites, as well as to mining assets, will afford some protection against fluctuations in raw material costs. In addition, the Group can realize significant synergies without major disruptions (see Intentions of Mittal Steel regarding the Business of the Group Synergies below).

Finally, as a result of Mittal Steel's strong presence in emerging countries, Arcelor's position in South America and the Group's prospective ability to invest heavily in China and India (funded both by prospective internal cash flows and by external financing), Mittal Steel believes that the Group will be able to take advantage of many of the world's strongest growth opportunities.

### **Intentions of Mittal Steel regarding the Business of the Group**

#### ***Mittal Steel's Strategy for the Group***

Mittal Steel's strategy for the Group is based on the following objectives:

Use a strong position in high-end products in mature economies (in the automotive, electrical appliance and packaging sectors) to build a global customer platform and capture future growth in BRICET countries.

Achieve cost leadership.

Maintain a high level of vertical integration along the entire value chain to hedge against raw material price fluctuations and to manage distribution in selected geographic regions.

Accelerate growth in BRICET countries to build a strong market position in developing economies worldwide, with the goal of significantly increasing global market share over the next ten years.

*1. Use of a Strong Position in High-End Products in Mature Economies (in the Automotive, Electrical Appliance, and Packaging Sectors) to Build a Global Customer Platform and Capture Future Growth in BRICET Countries.*

Mittal Steel believes that, together, Mittal Steel and Arcelor will have a very strong position with

## **Table of Contents**

high-end customers. As noted above, customers for high-end applications, which are primarily based in mature economies, are becoming increasingly global and value suppliers' ability to deliver the same products everywhere. Automotive manufacturers, for example, can significantly reduce the cost of developing moulds if they can use the same grades of steel in all of their plants. Mittal Steel and Arcelor are well positioned to capture market share in mature economies through their presence in North America and Western Europe and their scale in R&D, which will allow them to invest and innovate faster to meet customer needs.

Mittal Steel and Arcelor must accompany their customers in emerging markets. Automotive, electrical and appliance manufacturers are expanding capacities in developing countries to serve rising local demand. The quality and service requirements of these customers in developing economies will quickly catch up with their current standards in mature economies. Mittal Steel and Arcelor are well positioned to serve this market. Their current combined presence in Brazil, in Eastern Europe, in Africa and Central Asia, as well as their prospective presence in China and India, make the Group the natural partner of automotive and electrical appliances manufacturers growing in emerging economies.

Mittal Steel believes that no other steel company in the world will have a similar reach. Steel companies in developing economies generally do not possess the know-how and technology to serve sophisticated customers such as automotive manufacturers. Other steel companies in developed economies lack a truly global footprint in mature economies combined with a growing presence in developing economies. The Group will be well positioned to leverage Mittal Steel's and Arcelor's developed-world product capabilities with its operations in the developing economies as the market needs develop.

In terms of industrial implications for the Group, Mittal Steel will remain committed to high-end products and will therefore maintain and reinforce the advanced R&D capabilities of both groups. In line with Arcelor's plans, European R&D centers will become global centers of excellence. Furthermore, Mittal Steel expects that the Group will maintain, and indeed strengthen, its R&D links with research institutes and universities located near these European centers of excellence. The objective is to generate growth for the Group on a global basis. This is quite different from the previous European mergers, which aimed primarily at reducing overcapacity in Europe.

### *2. Achieve Cost Leadership*

Cost leadership is essential to ensure profitability throughout the economic cycle. Mittal Steel and Arcelor both pursue the goal of continental or global cost leadership. This will continue to be a driving force for the Group. Mittal Steel believes that the combination of Mittal Steel and Arcelor will result in synergies that will improve the overall cost position of both groups.

The Group will also benefit from the purchasing, marketing and trading synergies referred to in *Synergies*.

Mittal Steel expects capital expenditure to be more efficient in the Group. Some capital expenditure duplication will be avoided. This will liberate resources to fund other investments. Examples of capital expenditure optimization opportunities include the development of a distribution and service center network in Central and Eastern Europe.

The industrial implications of cost leadership will not be disruptive and will complement the existing improvement plans of each organization. Mittal Steel expects to implement Arcelor's existing restructuring plans in Europe. Mittal Steel is aware of four rationalization initiatives that Arcelor is pursuing or intends to pursue in Western Europe (carbon steel only) and subscribes to each of them. Mittal Steel will broadly follow the current plans, honoring all of Arcelor's social commitments. Mittal Steel does not see a need for further restructuring in Europe beyond the current Arcelor plans.

## Table of Contents

Mittal Steel's own cost improvement plans will continue. These include implementation of strategic investments and productivity improvements in Central and Eastern Europe, Asia and Africa, capturing of synergies from the ISG merger in the United States, and improvements at Kryviy Rih. These improvements will be supported by the Group's growing access to raw materials.

With respect to Arcelor's stainless steel facilities, Mittal Steel will review a range of options based on their structural cost-competitiveness. In general, Mittal Steel's strategy with all of its product lines is to become the world's leading producer. In the case of flat stainless steel, Mittal Steel will review whether Arcelor's assets provide the right platform for this objective. In its review of this sector, Mittal Steel will assess a wide range of options and believes that under Mittal Steel's ownership, the range of options open to the stainless sector will be enlarged. For example, when Mittal Steel purchased Unimetal, a long products company that was not profitable, from Usinor in 1999, Mittal Steel was able to make selective investments, improve performance and return it to profitability.

Mittal Steel plans to continue to invest in Western European carbon steel plant productivity, in order to ensure long-term cost competitiveness through sustained investment, consistent with Arcelor's past practices. Examples of planned investment projects that Mittal Steel plans to continue include:

Strengthening the costal plants at Fos-sur-Mer and Dunkerque, France, to increase capacity and productivity;

Zaragoza, Spain, where Arcelor intends to double production in a new facility by 2007.

In general, Mittal Steel expects the Group to continue to invest in world-class low cost slab capacity. Both groups have plans to expand low-cost slab making facilities. Arcelor intends to increase slab capacity in Brazil in order to cover a slab short fall in Europe following a restructuring. Mittal Steel intends to increase its slab capacity in Mittal Steel Kryviy Rih (Ukraine), South Africa and Kazakhstan. These plants are already very competitive as a result of direct access to raw materials and low energy and labor costs. The combined entity will continue this strategy to the benefit of its plants in Europe, all of which will have access to low cost slabs.

*3. Maintain a High Level of Vertical Integration along the Entire Value Chain to Hedge against Raw Material Price Fluctuations and to Manage Distribution in Selected Geographic Regions. Mittal Steel Believes that Integration Brings Numerous Benefits.*

Upstream integration allows steel companies to hedge against raw material price fluctuations. Mittal Steel's strategy is to be highly vertically integrated through captive access to iron ore mining, coke production and DRI production.

Downstream integration allows steel companies to capture a greater share of value-added activities, particularly for high-end customers (such as automotive manufacturers) that tend to outsource more and more operations. It also puts steelmakers more in touch with their end markets and allows them to benefit from better marketing intelligence. Finally, in the downswing of an economic cycle, captive distribution channels provide a buffer against volume decreases. This is particularly true in Europe, where steelmakers tend to own distribution channels.

The Group will follow a strategy of upstream and downstream integration, where market conditions make that an attractive option. Mittal Steel expects to pursue a strategy of upstream integration, which will benefit Arcelor.

## **Table of Contents**

In Eastern Europe, Mittal Steel expects the Group to aggressively expand its distribution and steel service network, but with a higher capital efficiency due to avoidance of duplication of investment. In other parts of the world, Mittal Steel will carefully review the benefits of being present in distribution and leverage Arcelor's experience in distribution to make selective acquisitions and pursue organic growth.

### *4. Accelerate Growth in BRICET Countries to Build a Strong Market Position in Developing Economies Worldwide, with the Goal of Significantly Increasing Global Market Share over the Next Ten Years.*

Mittal Steel expects that worldwide growth in steel demand will be driven largely by developing economies, and particularly the BRICET countries. The combined operations of Mittal Steel and Arcelor will give the Group a strong presence in Brazil, Eastern Europe and Africa. These countries and Turkey are a key area for growth for the Group.

The Group will not yet, however, have a significant presence in India or China. In 2010, it is estimated that India and China will account for close to 40% of total world steel consumption (source: World Steel Dynamics, Global Steel Products Matrix forecasts to 2015, March 2005). It is therefore a priority for the Group, as it is for each group individually, to establish a strong presence in these two countries.

The combination of Mittal Steel and Arcelor will facilitate and accelerate growth in BRICET countries. Each company already has stand-alone plans to grow in developing countries and would also likely pursue additional growth opportunities in BRICET countries in the coming years (through acquisitions, joint ventures and start-up, greenfield projects). Joint development, however, will be faster and yield greater returns. Arcelor's track record of growth outside Europe is limited to Brazil (and, in 2006, North America). By contrast, Mittal Steel has grown chiefly through acquisitions and has developed significant capabilities in evaluating, planning, negotiating and executing large international projects. Arcelor could greatly benefit from this expertise.

Moreover, by uniting to bid for the same assets, Mittal Steel and Arcelor will improve their chances of success. With a larger presence in individual BRICET countries, the Group would also reap the benefits in distribution and customer service, and also better optimize logistics. Given the larger size and more global geographic footprint of the Group, geographic expansion would present a lower degree of risk. It is uncertain whether each group individually could achieve a significant presence in BRICET countries. Together, this goal is much more likely to be achieved.

In order to implement its strategy Mittal Steel aims to build a world-class organization, relying heavily on Arcelor's existing organization and employees in addition to its own.

### ***Implications of Mittal Steel's Strategy for Arcelor***

#### ***Employment***

Mittal Steel anticipates no negative impact on the overall level of employment in Western Europe as a result of the combination. Unlike most acquisitions, in which there are significant overlaps in operations and the realization of synergies depends on reducing or eliminating such overlaps, in this case there are virtually no overlaps. The two organizations are almost entirely complementary.



## **Table of Contents**

Mittal Steel has publicly stated that it will respect all of Arcelor's commitments with respect to employment and other social and human relations policies. Mittal Steel intends to maintain existing Arcelor operations and employment in all current locations, except where Arcelor has already announced restructuring plans. In general, Mittal Steel intends to implement such Arcelor restructuring plans as announced.

It is possible, moreover, that a detailed review of Arcelor's current plans may lead to increased employment in key R&D and management functions, as well as to possible delays in the implementation of selected upstream site closures. In particular, Mittal Steel anticipates that employment in R&D will increase as a result of the growth of the Group and the growing role of R&D within the Group. European R&D centers of excellence will become the R&D focus for the Group. R&D efforts will be a key element of the service strategy for global customers. It is expected that the deeper and broader application of R&D across a more diverse group of businesses in different regions will lead to enhanced employment opportunities.

Further, Mittal Steel believes that the overall growth of the Group will likely lead to increased employment in managerial positions in Europe, as has occurred following prior acquisitions in Central and Eastern Europe in the marked expansion of its Rotterdam corporate office. Finally, Mittal Steel has indicated that it would carefully review Arcelor's announced plan to close a mill in Liège, Belgium, in order to determine whether this closure might be delayed by linking the Liège mill to Mittal Steel's Central and Eastern European operations so as to facilitate specialization, and to use capital more efficiently.

Mittal Steel intends to provide for employee representation on the Board of Directors of the Group, and the practice of European works council will be maintained.

### *R&D*

The role of R&D will be enhanced, with European centers becoming global centers of excellence, which will then be able to leverage their experience over a larger organization. The current level of R&D spending will be maintained, and possibly raised as the overall size and scope of the business increases. Existing links with local universities and research institutes will also benefit from the increased role of European R&D centers as global centers of excellence.

### *Investments*

Mittal Steel will continue to invest to maintain the high level of performance of current facilities. Duplication of capital expenditure in Central and Eastern Europe distribution and steel service centers will be avoided. This will lead to greater capital efficiency, with savings to be re-invested in other value-creation activities. Mittal Steel expects overall investment to be consistent with the combined levels of current expenditure on maintenance capital.

Aside from Arcelor's previously announced restructuring plans and the announced agreement to sell Arcelor's shareholdings in Dofasco to ThyssenKrupp if Mittal Steel acquires effective control of Arcelor (see Agreement between Mittal Steel and ThyssenKrupp regarding Dofasco below), Mittal Steel does not intend to close, sell or discontinue any existing locations, activities, product lines or geographic areas. Mittal Steel's external growth policy will be to continue to make targeted investments and acquisitions, particularly in the higher growth BRICET countries.

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## **Table of Contents**

### *Treatment of Arcelor Indebtedness*

Mittal Steel will evaluate the external debt of Arcelor as soon as it has access to the details thereof. At this stage and based on public information, Mittal Steel has only limited knowledge of the financing structure and the terms and conditions of Arcelor's debt. If economically attractive, certain debts may be refinanced by a mix of external and inter-company financings. The eventual overall debt structure will also depend on whether and when Mittal Steel and Arcelor are merged.

### *Synergies*

Mittal Steel expects to realize synergies of at least \$1 billion before taxes (1.5% of combined pro forma sales in 2005) by 2009 of the combination from three sources: purchasing, about \$600 million; marketing and trading, about \$200 million; and manufacturing and process optimization, about \$200 million. The magnitude of the expected synergies is entirely consistent with Mittal Steel's recent experience in the acquisition of ISG, is less than the synergies reported by Arcelor following the merger of Usinor, Arbed and Acelialia, and is in line with Arcelor's announced expectations for synergies with regard to its acquisition of Dofasco. There is no guarantee, however, that the combined company will be able to recognize these operational cost synergies in full or at all. Mittal Steel's inability, due to its lack of access to non-public Arcelor information, to assess items such as loss contingencies may affect the amount of any potential synergies.

These synergies are in addition to the savings that are expected under the companies' respective existing plans to reduce costs.

Purchasing savings should amount to \$600 million per year by 2009. They will be achieved through leveraging the combined size of the Group to negotiate better prices and reduced expenditures. Mittal Steel estimates that the total annual purchasing expense of the Group is currently approximately \$48 billion, including raw materials (scrap, various metals, and iron ore), maintenance, repairs and operations (MRO) (maintenance services, production subcontracting, spare parts, and steel consumables), logistics, energy, investment, semi-finished goods and general expenses. Synergies are expected in the categories of expenses where Arcelor and Mittal Steel could potentially share suppliers. This excludes very local categories (*e.g.*, energy, general expenses, some logistics and MRO costs) and categories in which Mittal Steel does not purchase significant quantities (*e.g.*, nickel and chrome that Arcelor purchases to make stainless steel). The \$600 million savings estimate is based on a category-by-category review of such potentially shared suppliers. Where necessary for purposes of this review, Mittal Steel made good faith estimates of Arcelor information based on Mittal Steel's experience in the steel industry and Arcelor's public information.

Marketing and trading synergies should generate \$200 million per year by 2009. This is expected to be achieved by cross-selling through the companies' respective distribution networks and by optimizing the flow of semi-finished products, so as to reduce shipping and handling costs via shorter supply routes. This will allow the Group to absorb unused capacities, free-up other capacities and remove bottle-necks in its overall supply chain. The main sources of these synergies are savings on distribution costs, better capacity utilization of Arcelor's distribution network via additional volumes and cross product flows between the two companies. Mittal Steel estimates that the largest part of the savings will come from lower logistics costs due to shorter supply routes arising from the elimination of cross-product-flows within the Group, currently estimated to be on the order of two to four million tonnes per annum. Further, Mittal Steel estimates that approximately 50% of its volumes that are currently sold through third parties could be sold through Arcelor's distribution and trading network, saving fees on the order of 3% on the value of the trade.

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## **Table of Contents**

The estimated savings of \$200 million from manufacturing and process optimization are expected to result from manufacturing process improvements and yield gains, which will provide savings on raw materials and energy consumption, and productivity gains relating to higher throughput rates and better sequencing rates, which will improve asset utilization. On a production of approximately 100 million tonnes, this implies a cost savings of \$2 per tonne on a \$400/tonne cost base. Based on its experience with other combinations, most recently the integration of ISG, Mittal Steel expects these benefits to result from a sharing of knowledge and experience between the organizations and from increased specialization of production facilities within the Group.

With regard to the timing of realization of the synergies discussed above, Mittal Steel expects to realize on an annualized basis approximately \$600 million in synergies (consisting of the full amount of estimated purchasing synergies) by the end of the first year following the acquisition; approximately \$900 million in synergies (consisting of such purchasing synergies plus the full amount of the estimated marketing and trading synergies (\$200 million) and one-half of the estimated manufacturing and process optimization synergies (\$100 million)) by the end of the second year following the acquisition; and approximately \$1,000 million in synergies (consisting of the synergies noted above plus the remainder (\$100 million) of the estimated manufacturing and process synergies) by the end of the third year following the acquisition.

The costs of implementing these synergies are estimated to be insignificant, since they require no restructuring or redundancies. As these synergies are not from restructuring or redundancy, the normal cost of capturing such synergies (*i.e.*, closure and clean-up) are not required. The processes that would be used to capture the synergies in this case are already a part of the day-to-day management approach of Mittal Steel. These synergies come from benchmarking and knowledge management processes. The costs required are only for the travel and meeting time of Mittal Steel and Arcelor management.

Regarding the prospective resale of Dofasco to ThyssenKrupp, there are not currently any particular costs of resale, as Mittal Steel has already entered into a binding agreement for such resale. Following consummation of the resale, Mittal Steel will compensate Arcelor for the difference between the price paid by Arcelor for Dofasco's shares (C\$71 per share) on the one hand and the price agreed by ThyssenKrupp (the euro equivalent of C\$68 per share) plus earnings received by Arcelor, on the other hand.

In addition to the above synergies, Mittal Steel's upstream integration in iron-ore mining, coal mining and coke production will provide natural hedging for the entire Group. Because steel producers cannot fully adjust their prices to reflect their costs, their margins suffer from volatility. Mittal Steel's upstream integration and access to iron-ore and coal mining, coke and DRI production, and shipping would provide a natural hedge against this risk.

Finally, in the medium term, Mittal Steel expects further benefits, which have not yet been quantified, to accrue through ongoing knowledge sharing. These will arise from general economies of scale, further cost savings, improved productivity, accelerated product and process development, better distribution, more efficient use of capital, increased investment in R&D and faster innovation, and other factors.

## ***Governance and Management***

### ***Principles***

Mittal Steel's vision is to build the world's most admired steel institution. Mittal Steel's corporate culture is based on a spirit of entrepreneurship, diversity and, most importantly, respect for employees,

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## **Table of Contents**

and seeks to promote the qualities of openness, expertise, reliability and innovation. Mittal Steel has a non-hierarchical structure, especially designed to encourage managers at all levels to think entrepreneurially, to make decisions in the best interests of the company, to take responsibility and to support one another in all efforts to continually improve the company. Mittal Steel believes that Arcelor shares these values and that the strength of the Group will arise from the culture and principles that will unify all employees.

As noted above, the operational overlap between Arcelor and Mittal Steel is limited, which creates a unique opportunity to build upon the strengths of both organizations. Accordingly, the combination is not expected to result in a reduction in employment levels. Rather, the combination will provide a strong platform for growth, which will provide ongoing employment opportunities globally. The specifics of a new organizational structure for the Group will need to be developed with senior management of both groups, taking time to ensure that the outcome respects the principles above, delivers the utmost level of service to customers, and deploys the Group's talent and facilities to their fullest.

### *Management*

No decision has yet been made with respect to the allocation of management responsibilities within the Group and the composition of the management team, including the top management and the executive committee in particular. Mittal Steel will allocate management responsibilities on the basis of the best available talent within Mittal Steel and Arcelor for each position, and the current expectation is that a substantial number of management positions in the Group will be allocated to current members of Arcelor's management. The new organizational structure will be developed with senior management of both companies.

Both in general and in relation to the workforce, Mittal Steel will continue to employ best practices across the organization designed to meet the highest standards in health and safety, social responsibility, cultural diversity and respect for the environment. Mittal Steel is convinced that its employees make up the heart of the organization and it is only by stimulating and harnessing the talents of each and every individual towards the common goals of the business that success will be created. Mittal Steel's distinctiveness and success results in part from the bringing together of teams of people with diverse backgrounds, skills and abilities. The combination with Arcelor substantially enlarges and deepens the talent pool and new and innovative ways of conducting business. The Group will have a sustainable future and therefore sustainable employment in the competitive world of steel.

### *Capital Markets Position of the Group*

The combination of Mittal Steel and Arcelor will form the largest company in the steel industry by market capitalization. The pro forma market capitalization of the Group will be approximately 36.4 billion (approximately \$46.7 billion) (based on the respective closing stock prices on May 18, 2006 and excluding the Cash Portion of the Offer financed through a credit facility. See "Source and Amount of Funds" below). (The pro forma market capitalization of the Group was calculated by adding the stand-alone market capitalization of Mittal Steel and Arcelor as of May 18, 2006 and deducting the Cash Portion of the Offer financed through bank debt. Mittal Steel's market capitalization has been calculated on the basis of a share price of 26.64 per share (the Mittal Steel Reference Share Price) multiplied by 704.1 million outstanding shares as at March 31, 2006. Arcelor's market capitalization is based on a share price of 37.74 (the Arcelor Reference Share Price), calculated on the basis of the Offer terms (1.0 multiplied by the Mittal Steel Reference Share Price of 26.64, plus 11.10 of cash), multiplied by 664.7 outstanding shares (including shares issued upon conversion of Convertible Bonds and stock options)).

**Table of Contents**

*Pro forma Mittal Steel and Arcelor vs. other steel companies*

The Group will form the largest group  
in the steel industry in terms of market capitalization

Equity market capitalization ( billions)

Source: Datastream (May 18, 2006)

With a pro forma market capitalization of about 36 billion, the Group will become one of the flagship industrial companies in Europe. Ranked by market capitalization, it will be the 15th largest company on Euronext Paris.

*Pro forma Mittal Steel /Arcelor vs. other leading industrial companies*

The Group will rank among the largest industrial companies  
in terms of market capitalization

Equity market capitalization ( billions)

Source: Datastream (May 18, 2006)

**Table of Contents**

The Group will be listed on five of the leading stock exchanges in Europe: Euronext Amsterdam, Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges, as well as on the NYSE. Mittal Steel believes that this will provide good access to the capital markets, enhanced profile with investors and a high level of liquidity for trading of the Company's shares.

The following table presents an analysis of the liquidity of Mittal Steel shares both prior to the announcement of the Offer and after completion of the Offer. It is provided for illustrative purposes and the actual future liquidity of Mittal Steel shares may be different from that shown in the table. Four scenarios are presented based on different assumed Offer acceptance levels: 100%, 50%, 33% and 25% (the latter two assuming a waiver of the Minimum Tender Condition).

	Arcelor (pre-offer)	Mittal (pre-offer)	New Mittal (post-offer)	New Mittal (post-offer)	New Mittal (post-offer)	New Mittal (post-offer)
<b>Overall level of acceptances from Arcelor shareholders</b>			<b>100%</b>	<b>50%</b>	<b>33%</b>	<b>25%</b>
<b>Number of Shares (in millions of shares)</b>						
Total shares outstanding	620.0	704.1 <sup>(6)</sup>	1,368.8	1,036.5	923.5	870.3
Free float shares	539.9	80.9	665.5	373.2	273.8	227.0
<b>ADTV* (in millions of shares)<sup>(1)</sup></b>						
1-month ADTV <sup>(2)</sup>	3.99	1.23	5.55	3.39	2.65	2.31
3-month ADTV <sup>(3)</sup>	4.31	1.17	5.83	3.50	2.71	2.33
6-month ADTV <sup>(4)</sup>	4.68	1.05	6.13	3.59	2.73	2.32
12-month ADTV <sup>(5)</sup>	5.15	0.97	6.56	3.77	2.82	2.37
<b>ADTV* as a percentage of total shares outstanding</b>						
1-month ADTV <sup>(2)</sup>	0.64%	0.17%	0.41%	0.33%	0.29%	0.27%
3-month ADTV <sup>(3)</sup>	0.70%	0.17%	0.43%	0.34%	0.29%	0.27%
6-month ADTV <sup>(4)</sup>	0.76%	0.15%	0.45%	0.35%	0.30%	0.27%
12-month ADTV <sup>(5)</sup>	0.83%	0.14%	0.48%	0.36%	0.31%	0.27%
<b>ADTV* as a percentage of free float</b>						
1-month ADTV <sup>(2)</sup>	0.74%	1.52%	0.83%	0.91%	0.97%	1.02%
3-month ADTV <sup>(3)</sup>	0.80%	1.44%	0.88%	0.94%	0.99%	1.03%
6-month ADTV <sup>(4)</sup>	0.87%	1.30%	0.92%	0.96%	1.00%	1.02%
12-month ADTV <sup>(5)</sup>	0.95%	1.21%	0.98%	1.01%	1.03%	1.04%

\* Average daily trading volume based on data from Bloomberg for Arcelor (pre-offer) and Mittal (pre-offer). New Mittal (post-offer) is a result of calculations.

(1) Includes all listings with available volume information

(2) December 26, 2005 to January 26, 2006 (inclusive)

(3) October 26, 2005 to January 26, 2006 (inclusive)

(4) July 26, 2005 to January 26, 2006 (inclusive)

(5) January 26, 2005 to January 26, 2006 (inclusive)

(6) As at March 31, 2006

The analysis of post-Offer liquidity is based on the following assumptions:

- (i) Arcelor treasury shares are not tendered in the Offer;

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- (ii) all Convertible Bonds and all Arcelor and Usinor stock options (granted prior to February 6, 2006) are exchanged for Arcelor newly issued shares resulting in a fully-diluted Arcelor free float of 584.6 million shares (based on the total number of outstanding Arcelor shares as of February 6, 2006 of 620.0 million (excluding 19.8 million treasury

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**Table of Contents**

shares) and 664.7 million shares on a fully-diluted basis (taking into account Arcelor shares underlying the outstanding Convertible Bonds on February 6, 2006 and the Arcelor and Usinor stock options granted prior to February 6, 2006, *i.e.*, 40 million shares and 4.7 million shares, respectively, and excluding 19.8 million treasury shares), with the Grand Duchy of Luxembourg holding 36.0 million shares, Corporacion JMAC B.V. holding 22.7 million shares, the Walloon Region (through Sogepa S.A.) holding 15.4 million shares and Arcelor employees holding 6.0 million shares);

(iii) Mittal Steel's free float represents 80.9 million shares (based on the total number of outstanding Mittal Steel shares (excluding shares held in treasury by Mittal Steel) of 704.1 million shares as at March 31, 2006 (including 246.7 million outstanding Mittal Steel class A common shares and 457.5 million outstanding Mittal Steel class B common shares), with the Controlling Shareholder holding 623.3 million shares);

(iv) former Arcelor shareholders trade Mittal Steel shares at the same level (in terms of number of shares per day) as they traded Arcelor shares prior to January 27, 2006, the date of the announcement of the Offer; and

(v) Mittal Steel shareholders trade at the same level (in terms of number of shares per day) as they did prior to January 27, 2006. The prospective average daily trading volumes (ADTV) are calculated based on the ADTV for Mittal Steel pre-Offer increased by the ADTV for Arcelor pre-Offer pro-rata for the offered exchange ratio of 1 Mittal Steel share for 1 Arcelor share and the assumed acceptances from Arcelor shareholders. The prospective free float is calculated based on the Mittal Steel free float pre-Offer and increased by the Arcelor free float pre-Offer pro-rata for the offered exchange ratio of 1 Mittal Steel share for 1 Arcelor share and the assumed acceptances from Arcelor shareholders.

Based on published criteria, Mittal Steel believes that, following the transaction, Mittal Steel can be expected to be included in a number of stock market indices, including the CAC 40 and SBF 120. As per May 18, 2006, Arcelor's weighting in the CAC 40 is 2.3%, and in the SBF 120 is 1.9%. Following the transaction, the weighting of the Group in these indices would increase, making the stock more attractive to stock index tracking funds. Mittal Steel believes that other funds would also increase their position in the stock to reflect its increased weighting in the indices.

For a description of Mittal Steel's intentions regarding dividend policy, please refer to [Dividend Policy](#).

***Approach to Integration***

Both Mittal Steel and Arcelor have substantial experience in integrating acquisitions. Over the past 15 years, Mittal Steel has integrated more than 20 companies to create an integrated international network of operations, beginning with Iron & Steel Co. of Trinidad & Tobago in 1989, and ending with Kryvorizhstal (Ukraine) in 2005. Arcelor itself is the result of numerous transactions, in particular the three-way merger of Aceralia, Arbed and Usinor in 2002.

Mittal Steel's philosophy toward integration is based on following best practices and learning from each and every unit where those practices are found. Mittal Steel has shown, for example, in the ISG integration, that its approach respects the contributions and leadership capabilities of acquired companies' staff. A requirement of any new business partnership is ensuring that employees have a clear understanding of the overall business plan and are fully on board with the business objectives of the group. This set of objectives would be developed together with Arcelor management teams and reflect input from representatives in all areas of both organizations.



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## **Table of Contents**

The governing principle for the integration of Arcelor will be to carefully identify the best talent from both companies and the organizational structure that would best serve the customers and markets in which Mittal Steel operates. As such, when it comes to talent Mittal Steel is committed to a true merger of equals, in which the new company not only retains but builds upon the wealth of talent residing in both Arcelor and Mittal Steel. Taking the time to identify the best model and the best people is possible because of the complementary and limited overlap of the customer segments and geographies that Arcelor and Mittal Steel currently serve. This reduces the complexity of integration.

The first stage of the integration process would be to form an integration leadership team. This team would oversee combined working groups that would identify operational synergies in key areas. Each team would develop a working plan and timetable of activities. The focus of activities would be on value creation. Teams would be expected to identify and set ambitious targets based upon the opportunities and benchmarks. The focus on outcomes and an accelerated timetable helps the teams to integrate faster. Mittal Steel's recent experience from the integration of the ISG operations in North America indicates that these teams can identify opportunities, prepare action plans and commence implementation expeditiously.

### **Intentions of Mittal Steel Regarding Corporate Governance and Corporate Structure**

#### ***Intentions Regarding Corporate Governance for the Group***

##### *General: Composition of the Board of Directors*

Mittal Steel intends that the Board of Directors of the ultimate parent company of the Group will:

be enlarged to 14 members;

continue to be composed of a majority of independent (non-executive) directors;

reflect both the geographical diversity of the Group and its key stakeholders;

include directors appointed upon nomination by or on behalf of the Group's employees; and

continue to have an Audit Committee, a Nomination Committee and a Remuneration Committee composed solely of independent directors.

For so long as Mittal Steel Company N.V. remains the parent company of the Group, the independence of directors will continue to be determined on the basis of the criteria set forth in the Dutch Corporate Governance Code, the NYSE listing standards applicable to non-US issuers, which themselves reflect the relevant provisions of the Sarbanes-Oxley Act, and any other applicable laws or rules. In addition upon the closing of the Offer and the issuance of the New Mittal Steel Shares in exchange for Arcelor Securities pursuant thereto, the terms of appointment for the Mittal Steel class A, class B and class C directors (see Mittal Steel's Management Board of Directors and Description of Mittal Steel's Share Capital New Class A Common Shares) will be harmonized; all directors will serve three-year terms. In addition, a majority of the directors at Mittal Steel's Board of Directors will remain independent non-executive directors. Finally, all directors will be elected, and can be removed and suspended, by the general meeting of shareholders by a simple majority of the votes cast.

**Table of Contents**

Should the ultimate parent company of the Group become a company governed by Luxembourg law, the independence of directors would be determined on the basis of the independence criteria set forth in the corporate governance recommendations of the Luxembourg Stock Exchange (once effective), the NYSE listing standards, and any other applicable laws or rules.

The exact composition and size of the Group's Board of Directors will depend, mainly, on discussions with Arcelor management and other stakeholders.

*Reduction of Voting Rights Attached to the Class B Common Shares*

As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend Mittal Steel's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held (see the procedure described in Description of Mittal Steel's Share Capital Reduction of Class B Voting Rights). The amendment to Mittal Steel's Articles of Association will be discussed and put to a vote at the extraordinary shareholders' meeting of Mittal Steel to be held on [16 June] 2006. The Controlling Shareholder has committed to vote in favour of the amendment. Once approved, the amendment will be conditional upon completion of the Offer and the issuance of the New Mittal Steel Shares in exchange for Arcelor Securities pursuant thereto.

In addition, as a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. Finally, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast.

*Post-Offer Shareholding*

The following tables show, based on share ownership information as at March 31, 2006, the evolution of the number of Mittal Steel's shares held by the Controlling Shareholder and other categories of Mittal Steel shareholders, as well as the percentages of Mittal Steel's share capital and voting rights that these shares represent, based on four different levels of acceptance of the Offer by Arcelor securityholders, and assuming that the voting rights attaching to all of the class B common shares (which class of shares is exclusively held by the Controlling Shareholder) will be reduced from ten to one per class B common share.

**Assuming 100% acceptance by Arcelor securityholders**

	Number of class A common shares	Number of class B common shares	Total	% of share capital	% of voting rights
Controlling Shareholder	165,794,790	457,490,210	623,285,000	44.5%	45.4%
Treasury stock	28,522,684		28,522,684	2.0%	
Other current Mittal Steel shareholders <sup>(1)</sup>	80,855,495		80,855,495	5.8%	5.9%
Former Arcelor shareholders	620,003,031		620,003,031	44.2%	45.2%
Former Convertible Bonds holders <sup>(2)</sup>	38,961,038		38,961,038	2.8%	2.8%
Former Mittal Steel optionholders <sup>(3)</sup>	4,979,910		4,979,910	0.4%	0.4%
Former Arcelor optionholders <sup>(4)</sup>	4,675,676		4,675,676	0.3%	0.3%
Total	943,792,624	457,490,210	1,401,282,834	100.0%	100.0%

**Table of Contents****Assuming 75% acceptance by Arcelor securityholders**

	Number of class A common shares	Number of class B common shares	Total	% of share capital	% of voting rights
Controlling Shareholder	165,794,790	457,490,210	623,285,000	50.7%	51.6%
Treasury stock	23,579,860		23,579,860	1.9%	
Other current Mittal Steel shareholders <sup>(1)</sup>	80,855,495		80,855,495	6.6%	6.7%
Former Arcelor shareholders	465,002,273		465,002,273	37.8%	38.5%
Former Convertible Bonds holders <sup>(2)</sup>	29,220,779		29,220,779	2.4%	2.4%
Former Mittal Steel optionholders <sup>(3)</sup>	4,979,910		4,979,910	0.4%	0.4%
Former Arcelor optionholders <sup>(4)</sup>	3,506,757		3,506,757	0.3%	0.3%
Total	772,939,864	457,490,210	1,230,430,074	100.0%	100.0%

**Assuming 50% acceptance by Arcelor securityholders**

	Number of class A common shares	Number of class B common shares	Total	% of share capital	% of voting rights
Controlling Shareholder	165,794,790	457,490,210	623,285,000	58.8%	59.9%
Treasury stock	18,637,036		18,637,036	1.8%	
Other current Mittal Steel shareholders <sup>(1)</sup>	80,855,495		80,855,495	7.6%	7.8%
Former Arcelor shareholders	310,001,516		310,001,516	29.3%	29.8%
Former Convertible Bonds holders <sup>(2)</sup>	19,480,519		19,480,519	1.8%	1.9%
Former Mittal Steel optionholders <sup>(3)</sup>	4,979,910		4,979,910	0.5%	0.5%
Former Arcelor optionholders <sup>(4)</sup>	2,337,838		2,337,838	0.2%	0.2%
Total	602,087,104	457,490,210	1,059,577,314	100.0%	100.0%

**Assuming 25% acceptance by Arcelor securityholders**

	Number of class A common shares	Number of class B common shares	Total	% of share capital	% of voting rights
Controlling Shareholder	165,794,790	457,490,210	623,285,000	70.1%	71.2%
Treasury stock	13,694,212		13,694,212	1.5%	
Other current Mittal Steel shareholders <sup>(1)</sup>	80,855,495		80,855,495	9.1%	9.2%
Former Arcelor shareholders	155,000,758		155,000,758	17.4%	17.7%
Former Convertible Bonds holders <sup>(2)</sup>	9,740,260		9,740,260	1.1%	1.1%
Former Mittal Steel optionholders <sup>(3)</sup>	4,979,910		4,979,910	0.6%	0.6%
Former Arcelor optionholders <sup>(4)</sup>	1,168,919		1,168,919	0.1%	0.1%
Total	431,234,343	457,490,210	888,724,553	100.0%	100.0%

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- (1) Includes Mittal Steel's minority shareholders holding free float shares as at March 31, 2006.
  - (2) Assumes tender of 100%, 75%, 50% or 25%, depending on the applicable scenario, of the Convertible Bonds.
  - (3) Assumes all Mittal Steel stock options outstanding as at March 31, 2006 are exercised.
  - (4) Assumes all Arcelor or Usinor stock options outstanding as at February 6, 2006 are exercised and tender of 100%, 75%, 50% or 25%, depending on the applicable scenario, of the Arcelor shares received upon such exercise.

***Intentions Regarding Corporate Governance for Arcelor***

Mittal Steel will revise the structure and composition of the Board of Directors of Arcelor to a greater or lesser extent depending on the level of Mittal Steel's shareholding in Arcelor following completion of the Offer. Mittal Steel's representation on Arcelor's Board of Directors will be proportional to its shareholding. So long as Mittal Steel and Arcelor remain separate legal entities, Mittal Steel intends to maintain a significant number of independent directors on Arcelor's Board of Directors and the two current Board of Directors committees, *i.e.*, the Audit Committee and the Appointments and Remuneration Committee, both to be composed solely of independent directors.

## **Table of Contents**

For so long as Arcelor remains a listed subsidiary, Mittal Steel does not foresee making substantial changes to Arcelor's Articles of Association, other than deletion of the mandatory bid provision that has become unnecessary following the implementation of the European Union Directive 2004/25/EC on takeover bids in Luxembourg.

### ***Intentions Regarding Workforce and Management***

See Intentions of Mittal Steel regarding the Business of the Group Implications of Mittal Steel's Strategy for the Group Employment and Intentions of Mittal Steel regarding the Business of the Group Governance and Management.

### ***Intentions Regarding Corporate Restructuring***

Mittal Steel is analyzing various options to streamline the structure of the post-acquisition Group, such as the merger of Mittal Steel into Arcelor, the merger of both Mittal Steel and Arcelor into a new Luxembourg holding company (whether or not in the form of a European Company (SE)), and the transfer of Mittal Steel's global headquarters to Luxembourg.

Mittal Steel will make its determination as to the precise structural measures to be implemented based on discussions with the relevant government authorities on legal, tax, listing and operational matters, and an analysis of information relating to Arcelor (to which it will have access only with the cooperation of Arcelor management or following completion of the Offer). Mittal Steel plans to have such discussions with the relevant government authorities as soon as possible. Irrespective of the structuring option chosen, Mittal Steel intends to relocate its global headquarters and domicile to Luxembourg.

### ***Intentions Regarding Minority Buy-Out and Delisting***

It is Mittal Steel's intention to acquire all of Arcelor's outstanding shares. Should any shares remain outstanding after completion of the Offer, Mittal Steel will consider various options to attain ownership of all of Arcelor's share capital, including through any available compulsory buy-out procedure, merger or other corporate reorganization.

As of May 22, 2006, Luxembourg law provides that following an offer made to all the holders of a Luxembourg company's voting securities, the offeror may buy-out remaining securityholders at a fair price if such offeror has acquired 95% of the capital carrying voting rights and 95% of the voting rights of such company. Accordingly, if Mittal Steel held 95% or more of the share capital and voting rights in Arcelor, Mittal Steel could require the remaining shareholders of Arcelor to sell their shares to Mittal Steel at a fair price. The price offered in the Offer would be considered a fair price in the buy-out proceedings if 90% of the Arcelor shares carrying voting rights were acquired in the Offer. The consideration paid in the buy-out proceedings must take the same form as the consideration offered in the Offer or consist solely of cash. Moreover, under Luxembourg law, an all-cash option must be offered to these remaining Arcelor shareholders. Finally, pursuant to Luxembourg law, the right to initiate such buy-out proceedings must be exercised within three months following the expiration of the initial acceptance period in the public offer or of the subsequent offering period, if any, depending on when the threshold is met.

If Mittal Steel does not acquire 95% or more of the share capital and the voting rights of Arcelor, Mittal Steel would consider other possible options to increase its shareholding in Arcelor. To the extent permitted by Luxembourg and other applicable laws, Mittal Steel could, in principle, further dilute the remaining shareholders in Arcelor through the acquisition of additional shares in Arcelor, causing Arcelor to repurchase shares in its capital, and/or contributing assets to Arcelor in exchange for shares in Arcelor.

## **Table of Contents**

In addition, to the extent permitted by Luxembourg and other applicable laws, Mittal Steel could, in principle, attain full ownership of Arcelor by merging Arcelor with Mittal Steel or transferring all of Arcelor's assets and liabilities in exchange for Mittal Steel shares which would be distributed to the remaining shareholders in Arcelor upon the liquidation of Arcelor.

In the event that Mittal Steel does not attain ownership of all of Arcelor's share capital and depending on the level of success of the Offer, Mittal Steel will also consider whether to maintain any of Arcelor's stock exchange listings. Mittal Steel would likely seek to delist Arcelor's shares if the public float and trading volume following completion of the Offer are low. Such delisting would require the approval of the stock exchange regulatory authorities in Belgium, France, Luxembourg and Spain, and would be effected in a coordinated manner among these jurisdictions.

Finally, as of May 22, 2006, Luxembourg law also provides for a sell-out right if following an offer the offeror owns 90% of the share capital and 90% of the voting rights of a Luxembourg company. Accordingly, if Mittal Steel acquires 90% or more of the share capital and voting rights in Arcelor, all of the remaining shareholders of Arcelor, irrespective of their country of residence, could sell their shares to Mittal Steel at a fair price. The price offered in the Offer would be considered a fair price in the sell-out proceedings if 90% of the Arcelor shares were acquired in the Offer. The consideration paid in the sell-out proceedings must take the same form as the consideration offered in the Offer or consist solely of cash. Moreover, under Luxembourg law, an all-cash option must be offered to the remaining Arcelor shareholders. Pursuant to Luxembourg law, the right to initiate such sell-out proceedings must be exercised within three months following the expiration of the initial acceptance period in the public offer or of the subsequent offering period, if any, depending on when the threshold is met.

### ***Intentions Regarding Arcelor stock options***

Mittal Steel has not had access to important information relating to Arcelor's stock option plans and employee shareholding plans, if any, including the terms of these plans. If this Offer is consummated, Mittal Steel will determine the treatment of stock options (including Arcelor stock subscription options and Usinor stock subscription options whose beneficiaries are entitled to exchange their Usinor shares for Arcelor shares) and of Arcelor shares held in any Arcelor employee shareholding plan, in each case in accordance with the terms of these plans, that could not be tendered in the Offer.

### **Dividend Policy**

Should Mittal Steel's offer for Arcelor succeed, it is envisaged that the Group would adopt a policy of distributing approximately 25% of its annual net income to its shareholders. The Group would not be required to pay dividends, however, and there can be no guarantee that dividends will be paid in the future and any dividends may be decreased or eliminated in the future.

For so long as Arcelor remains listed, Mittal Steel intends to align Arcelor's dividend policy with the one to be adopted by the Group, *i.e.*, distributing approximately 25% of Arcelor's annual net income to Arcelor's shareholders.

### **Required Purchase of Minority Shareholdings in Arcelor Brasil S.A. and Acesita S.A., Arcelor's two Brazilian Subsidiaries**

Arcelor Brasil S.A. and Acesita S.A. are two Brazilian companies listed on the Bolsa de Valores de São Paulo (BOVESPA). Arcelor holds approximately 66% of the outstanding voting stock of Arcelor Brasil S.A. Following an offer to acquire the voting stock of Acesita S.A. not already owned by it, which closed on April 26, 2006, Arcelor holds, directly or indirectly, approximately 56% of the share capital

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## **Table of Contents**

(consisting of voting common shares and non-voting preferred shares) and approximately 91% of the voting stock in Acesita S.A. Article 254-A of the Brazilian corporation law requires that, in the event of a direct or indirect acquisition of control of a company listed in Brazil, the acquiror must make an offer for all voting shares not already controlled.

Assuming that acquisition of control of Arcelor would constitute a change of control of its Brazilian subsidiaries, tender offers for all minority voting shares must be launched within 30 days following the acquisition of control of Arcelor. The offer price must be at least 80% of the part of the overall acquisition consideration, including premium, that is fairly attributable to the Brazilian companies. In the case of Arcelor Brasil S.A., its by-laws increase this percentage to 100%. The determination of the price for Arcelor Brasil and Acesita will be made by an independent expert designated by the company and is subject to judicial review at the request of the minority shareholders.

Mittal Steel may offer the Brazilian shareholders the same mix of shares and cash as in the Offer or it may offer all cash. These offers would be financed out of one or a combination of existing resources, cash flow and proceeds of new financings. Mittal Steel does not expect to make this decision before the Offer is completed. For purposes of example only, based on (i) the current Arcelor shareholding in the two companies (as set out above), (ii) the respective closing market prices of Acesita S.A. and Arcelor Brasil S.A. voting shares on May 12, 2006 as per Bloomberg (which prices may differ from the fair values of such shares as finally determined in the manner described above), (iii) an offer price equal to 80% and 100%, respectively, of such current market prices, in each case without assigning any premium value related to the Offer, and (iv) the Mittal Steel Reference Share Price of 26.64 (\$34.16) used for purposes of calculations in the context of the Offer, the minority interests in these companies would have an aggregate value of approximately 2.7 billion (\$3.5 billion), requiring the issuance of approximately 72 million shares and the payment of 0.8 billion (\$1.0 billion) in cash if Mittal Steel offers the same mix (*i.e.*, 70.6%/29.4%) of shares and cash as in the Offer.

See Mittal Steel must make a mandatory tender offer for minority interests in Arcelor's listed Brazilian subsidiaries at a price determined by independent experts, which may be higher than expected in Risk Factors Risks relating to the Offer above for a discussion of certain uncertainties and attendant risks relating to this matter.

### **Background of the Offer; Prior Contacts**

In late October 2005, Mr. Aditya Mittal, President and Chief Financial Officer of Mittal Steel, proposed the concept of a merger between Arcelor and Mittal Steel to Mr. Lakshmi Mittal, Chairman and Chief Executive Officer of Mittal Steel, and others at Mittal Steel. In the course of late October and November 2005, Mr. Aditya Mittal had a couple of brief conversations with Mr. Alain Davezac, an Arcelor executive, regarding possible areas of cooperation. During the 3rd Steel Success Strategies Europe Conference, which took place from November 27 to 29, 2005 in London, Mr. Aditya Mittal suggested to Mr. Davezac that a meeting be arranged between Mr. Guy Dollé, President of the Management Board and Chief Executive Officer of Arcelor, and Mr. Lakshmi Mittal. Thereafter, during December 2005 and early January 2006, various dates for a meeting between Mr. Dollé and Messrs. Lakshmi and Aditya Mittal were considered, and it was finally agreed on January 10, 2006 that the meeting would take place on January 13, 2006 in London.

At the meeting on January 13, 2006, Messrs. Lakshmi and Aditya Mittal proposed the concept of a combination between Mittal Steel and Arcelor to Mr. Dollé. Mr. Dollé was non-committal and pointed out certain difficulties that he saw relating to such a transaction, including integration risks.

## Table of Contents

On January 20, 2006, Mr. Lakshmi Mittal called Mr. Dollé to request a meeting over the weekend to discuss a global strategy, to be described at the meeting. Mr. Dollé was unavailable over the weekend, and the earliest he was available was January 24, 2006. It was agreed that a meeting would take place on the evening of January 24, 2006 in Luxembourg.

On January 23, 2006, ThyssenKrupp announced that it would not increase its offer for Dofasco, as a result of which the Board of Directors of Dofasco recommended the offer by Arcelor for Dofasco. On the morning of January 24, 2006, Mr. Dollé postponed the meeting with Mr. Lakshmi Mittal scheduled for that evening, as he was traveling to Canada. Later on January 24, 2006, Mr. Lakshmi Mittal contacted Dr. Ekkehard Schulz, Chairman of the Executive Board of ThyssenKrupp, to discuss the possible acquisition of Dofasco by ThyssenKrupp following a successful offer by Mittal Steel for Arcelor. On January 26, 2006, Mittal Steel and ThyssenKrupp signed a binding agreement to this effect.

During the course of January 26, 2006, Mittal Steel received a number of press calls as to whether it was planning to make an offer for Arcelor leading to concern about possible leaks. Accordingly, Mittal Steel's Board of Directors met (by conference call) in the afternoon of January 26, 2006 and approved the Offer and the financing arrangements for the Offer and decided to announce the Offer the following morning. In the evening of January 26, 2006, after the U.S. stock markets closed, Mr. Lakshmi Mittal called Mr. Dollé to inform him that Mittal Steel was planning to announce the Offer the following day, and Mr. Dollé terminated the call. Mr. Lakshmi Mittal then left a detailed voicemail message on Mr. Dollé's mobile phone explaining Mittal Steel's intentions. Mr. Aditya Mittal separately spoke to Mr. Davezac at Arcelor and advised him of the same. No Arcelor executive has made personal contact with Mr. Lakshmi Mittal, Mr. Aditya Mittal or any other Mittal Steel executive in response to either of these two calls.

On January 27, 2006, Mittal Steel issued a press release announcing its intention to launch the Offer.

On February 10, 2006, Mr. Lakshmi Mittal called Mr. Joseph Kinsch, Chairman of the Arcelor Board of Directors, to suggest a meeting to discuss the proposed combination of Mittal Steel and Arcelor. Mr. Kinsch wrote to Mr. Mittal on February 17, 2006 to decline this request, stating that a meeting on the proposed topic would serve no practical purpose.

On April 19, 2006, Mr. Mittal telephoned Mr. Kinsch stating Mittal Steel's desire to engage in friendly discussions and to seek a meeting. Mr. Mittal also indicated a willingness to revise Mittal Steel's proposal in return for a recommendation.

On April 21, 2006, Mr. Kinsch sent Mr. Mittal an e-mail requesting a written proposal as a prerequisite to any meeting. Mr. Kinsch requested that such a proposal include a summary of the main elements relating to valuation, corporate governance, industrial plan, business plan, social plans and customer policy.

On April 27, 2006, Mr. Mittal called Mr. Kinsch to inform him that in the interest of maintaining the momentum created by their recent contacts and fostering an amicable merger, Mittal Steel would accede to his request to provide a written proposal. Mr. Mittal requested a meeting shortly following Mr. Kinsch's receipt and review of the written proposal.

On April 28, 2006, Mr. Mittal sent Mr. Kinsch a detailed letter addressing the areas raised by Mr. Kinsch in his e-mail. The letter reiterated that, in the context of a recommended transaction, Mittal Steel would be prepared to offer significant corporate governance changes, including the introduction of a single class of Mittal Steel shares, and to revise the terms of its offer.

Along with the letter, Mr. Mittal also sent Mr. Kinsch the following documents: Mittal Steel's full industrial plan for the merger setting out in detail its intentions for the integration of the two companies; a detailed review of its social commitments globally; and a customer relationship policy statement.



## Table of Contents

The April 28, 2006 letter included the following specific corporate governance improvements proposed in the context of an offer that would be recommended by the Arcelor Board of Directors:

Board Composition: enlargement of Mittal Steel's Board of Directors to 14 members of which a majority would be independent directors. Of the total directors, six would be selected by Mittal Steel, six would be selected by Arcelor (including employee and Luxembourg government representatives) and two would be mutually agreed by Mittal Steel and Arcelor. The latter two directors, who would be among the independent directors, would be of European industrial background to reinforce the European representation on the Board. The existing three Board committees—Audit, Nomination and Remuneration—would be maintained.

Nomination Procedure and Term of Office for Directors: the existing right of holders of Class B common shares to make a binding nomination for appointments to the Mittal Steel Board of Directors would be rescinded. Instead, directors would be elected by the general meeting of the shareholders, by a simple majority of the votes of all shareholders present or represented at the meeting, for a three-year term.

Voting Rights: a voting structure would be implemented that satisfies two objectives: (i) a one share-one vote principle for all shareholders, and (ii) rewarding long-term shareholder ownership and loyalty through enhanced voting power. The letter indicated that the latter objective could be accomplished, for example, through the adoption of a structure in which shares held for a certain period of time would become entitled to double voting rights.

Management Board: six-person Management Board comprised of three representatives of each of Mittal Steel and Arcelor.

The April 28, 2006 letter further stated that in the context of a recommended transaction, Mittal Steel was prepared to revise the value of its offer. The letter specified that the extent of such revision would depend on the nature and extent of other changes to Mittal Steel's overall proposal and, hence, on Mittal Steel's ability to enter into discussions with representatives of the Board of Directors of Arcelor. The letter noted in this context that Mittal Steel's offer had already created significant value for the shareholders of both companies.

Mr. Kinsch responded to Mittal Steel's proposal in writing on May 4, 2006. While not ruling out the possibility of discussions between the two companies under appropriate circumstances, Mr. Kinsch stated that Arcelor's Board of Directors and management:

continue to believe that Mittal Steel's offer is wholly inadequate;

Mr. Kinsch stated specifically that the Board and management had significant concerns relating to the valuation of Mittal Steel's shares;

questioned the merits of the proposed combination

and considered that Mittal Steel's industrial plan does not contain the specific elements of a business plan nor does it justify the strategic logic of a combination.

Furthermore, Mr. Kinsch specifically conditioned any meeting on the prior receipt and detailed review by Arcelor of Mittal Steel's business plan.

Mr. Mittal sent a letter in response to Mr. Kinsch on May 8, 2006, which again addressed Mr. Kinsch's stated concerns. Mr. Mittal reiterated Mittal Steel's desire to pursue the proposed combination between the two companies in an agreed and amicable way. Mr. Mittal stated that he regretted the fact that, after several attempts to engage and have a proper discussion with Arcelor, Mittal Steel had not made meaningful progress. Mr. Mittal then addressed various points relating to Mittal Steel's offer that Mr. Kinsch had made in his letter and that Arcelor representatives had made in public statements.



## **Table of Contents**

First, as to concerns relating to the potential for value creation from the proposed combination, the letter stated Mittal Steel's belief that that it is very significant and that the positive market reaction consistently observed since the announcement of its proposal attests to this. The letter also noted Mittal Steel's belief that the combined group's value creation potential significantly exceeds that of Arcelor on a stand-alone basis.

Second, regarding corporate governance, Mr. Mittal noted that the April 28, 2006 letter had contained significant concessions in the context of a friendly transaction. Mr. Mittal further stated that Mittal Steel's proposals in this area were consistent with a merger of equals, notwithstanding the significant premium offered to Arcelor shareholders.

Third, as to concerns relating to the valuation of the Mittal Steel shares, especially in comparison with the Arcelor shares, the letter noted that Mittal Steel is a large, global company listed on the NYSE and Euronext Amsterdam whose shares are widely followed by the investor and research analyst communities.

Fourth, as to Arcelor's assessment that the proposed combination lacks industrial logic, the letter stated that Mittal Steel, along with a very broad range of market participants and industry experts, holds a clear contrary view. With respect to Arcelor's request for Mittal Steel's business plan, Mr. Mittal stated that sharing such material in the current context would raise significant regulatory issues, including from a competition standpoint. The letter also stated that in the context of large scale public company combinations or mergers in Europe, the level of detail and disclosure provided by Mittal Steel in support of the business and industrial logic and plan for the proposed combination is unprecedented.

Fifth, as to the characterization of Mittal Steel's offer as wholly inadequate, Mr. Mittal stated Mittal Steel's strong disagreement. The letter noted in this regard that the value of Mittal Steel's offer currently stands at close to a 50% premium to the Arcelor share price on the eve of the announcement of Mittal Steel's bid, which itself was at an all-time high.

Finally, Mr. Mittal reiterated that Mittal Steel would be prepared to revise its offer in the context of a friendly transaction that would be supported by a recommendation of Arcelor's Board of Directors. Mr. Mittal specified that Mittal Steel's initiative to engage Arcelor in discussions reflected its preference for a friendly transaction, and did not in any way reflect any notion that its offer undervalues Arcelor. Mr. Mittal stated that Mittal Steel did not intend to revise the offer absent such a recommendation of Arcelor's Board of Directors.

Prior to sending the May 8, 2006 letter to Mr. Kinsch and after the close of markets in Europe, Mr. Mittal placed a courtesy call to Mr. Kinsch informing him that he would soon be receiving the letter and that, in compliance with regulatory requirements, Mittal Steel would be issuing a press release on May 9, 2006 regarding their exchange of correspondence. Shortly after Mr. Mittal's call, Mr. Kinsch responded by e-mail to reiterate Arcelor's view that receipt of Mittal Steel's business plan was a prerequisite to discussions, and Arcelor issued a press release providing its views on the exchange of correspondence.

On May 10, 2006, Mr. Kinsch wrote to Mr. Mittal to renew Arcelor's request to receive Mittal Steel's business plan as a condition to a meeting with Mittal Steel. Mr. Kinsch also reiterated that Arcelor's Board of Directors and management believe that Mittal Steel's offer undervalues Arcelor and question the strategic logic of a combination of Arcelor and Mittal Steel.

On May 16, 2006, Mittal Steel's Board of Directors met (by conference call) and approved revisions to the Offer, including certain of the corporate governance aspects previously included in the April 28th letter and May 8th press release noted above and improved financial terms, as well as the revised financing arrangements for the Offer. On May 19, 2006, Mittal Steel issued a press release announcing the revised Offer.

On May 21, 2006, Arcelor's Board of Directors met to consider, among other things, Mittal Steel's revised Offer. Arcelor then issued a press release stating that the Board would examine the contents of the revised Offer following regulatory approval of the Offer document, and stating the Board's wish to examine Mittal Steel's business plan.

On May 22, 2006, Mr. Mittal sent Mr. Kinsch a confidentiality letter as a basis for further information sharing and discussions. On May 23, 2006, Mr. Kinsch sent Mr. Mittal a draft confidentiality agreement and noted in the cover letter some critical points that needed to be reflected.

On May 23, 2006, Mr. Mittal wrote to Mr. Kinsch to inform him that Mittal Steel would be providing Arcelor with its business plan subject to the signature of the confidentiality agreement, and that a summary of it would be published and included in investor presentations.

On May 24, 2006, Mr. Mittal tried to reach Mr. Kinsch by phone and e-mail to discuss the timing of the sharing of the business plan.

On May 26, 2006, Mr. Kinsch sent Mr. Mittal an e-mail saying that he had received his e-mail the day before, which was a holiday in Luxembourg, and informing him that Arcelor's Board of Directors had approved a strategic transaction the day before. He also noted his understanding that the confidentiality agreement had been agreed by the legal advisors.



## **Table of Contents**

### **Position of Arcelor**

On January 29, 2006, Arcelor's supervisory board rejected the Offer as initially announced. The Arcelor board has not yet state a position with respect to the revised Offer announced on May 19, 2006. Under applicable United States federal securities laws, Arcelor is required, no later than ten Business Days following commencement of the Offer in the United States, to publish, send or give its securityholders a statement disclosing whether Arcelor recommends acceptance or rejection of the Offer, expresses no opinion towards the Offer, or is unable to take a position with respect to the Offer. The statement must also include the reasons for the position disclosed therein with respect to the Offer. Under applicable European regulations, Arcelor is required to publish a document setting out its position in response to the Mittal Steel offer document following the approval of the European offer document by the relevant European Regulators, which occurred on May 18, 2006.

### **Agreement between Mittal Steel and ThyssenKrupp regarding Dofasco**

On January 24, 2006, Dofasco and Arcelor signed an agreement whereby Dofasco agreed to support Arcelor's previously announced all-cash offer to acquire all of Dofasco's outstanding common shares for C\$71.00 per common share or total consideration of approximately C\$5.6 billion. On February 20, 2006, Arcelor purchased 88.38% of Dofasco's common shares and extended its offer to March 7, 2006. On February 21, 2006, a majority of Arcelor designees were elected to the Dofasco board of directors. On March 7, 2006, Arcelor increased its holdings to about 98.5% of the outstanding common shares of Dofasco. Mittal Steel understands that Arcelor is in the process of acquiring the remaining shares through a compulsory acquisition procedure under Canadian law, the results of which have not yet been announced.

Given its existing extensive and well-positioned North American operations, Mittal Steel believed that the inclusion of Dofasco within the Group would be redundant and would thus not make strategic sense. Accordingly, on January 24, 2006, Mr. Lakshmi Mittal contacted Dr. Ekkehard Schulz, Chairman of the Executive Board of ThyssenKrupp, to discuss the possible acquisition of Dofasco by ThyssenKrupp following a successful offer by Mittal Steel for Arcelor. On January 26, 2006, Mittal Steel agreed with ThyssenKrupp that, if Mittal Steel acquires a controlling interest in Arcelor, Mittal Steel will cause Arcelor to sell ThyssenKrupp all of the Dofasco stock then held by Arcelor at a price equal to the euro equivalent of C\$68.00 per share, subject to the receipt of necessary regulatory approvals and the absence of certain material adverse changes in Dofasco between January 26, and the date of transfer to ThyssenKrupp. The agreed sale price is the amount of the last bid by ThyssenKrupp for Dofasco in the competitive bidding process that resulted in Arcelor's acquisition of Dofasco. The purchase price is subject to adjustment for changes in net financial debt and net working capital between the acquisition of Dofasco by Arcelor and the resale to ThyssenKrupp. Upon completion of the sale of Dofasco to ThyssenKrupp, Mittal Steel will compensate Arcelor for the difference between the aggregate price paid by Arcelor for Dofasco and the resale price to ThyssenKrupp, approximately C\$235 million, minus any Dofasco earnings received by Arcelor. The compensation will be made at the time of sale to

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## **Table of Contents**

ThyssenKrupp. The precise means of compensation will be determined in light of circumstances prevailing at the time, including tax considerations, but will clearly deliver the requisite value to Arcelor. Assuming that Arcelor is consolidated for financial accounting purposes, such compensation should have no impact on our consolidated financial statements, except perhaps to the extent of any remaining minority interests in Arcelor. Mittal Steel plans to use the proceeds of the sale of Dofasco to repay debt incurred by Arcelor to finance its acquisition of Dofasco, to replenish cash balances depleted for that purpose, and/or for general corporate purposes. If the sale of Dofasco to ThyssenKrupp is not completed by April 26, 2007, either party will have the right to terminate the agreement.

On April 4, 2006, Arcelor announced that it had transferred its Dofasco holdings to S3, an independent Dutch foundation, in order to prevent any sale of Dofasco for five years, unless S3's board of directors decides to dissolve S3 earlier. Arcelor's announcement further indicated that Arcelor retained all decision-making power and all economic interest relating to Dofasco, with the exception of any decision to sell Dofasco. Since Arcelor has thus far refused to make all material terms of S3 public, it is impossible to fully evaluate the circumstances in which Dofasco might be sold before the end of five years. As more is learned about S3 and the circumstances of its formation, Mittal Steel intends to seek ways to dissolve S3 or otherwise to render interests in Dofasco transferable to ThyssenKrupp. At present, due to the unavailability of all material terms of S3, Mittal Steel is unable to form a clear view as to whether or precisely how these objectives might be achieved.

If S3 cannot in fact be dissolved within five years and if it prevents consummation of the sale of Dofasco to ThyssenKrupp (or any other buyer), Mittal Steel will manage Dofasco as effectively as possible within the context of S3. In this case, some antitrust issues may arise in the United States and Canada as a result of Mittal Steel's existing North American operations. Mittal Steel has agreed with the U.S. Department of Justice that, if asserted by the relevant authorities, any such antitrust issues can be satisfactorily resolved by the disposition of an alternative Mittal Steel asset. Mittal Steel currently expects that consideration of such issues by the relevant authorities will be completed before the end of the Offer period. Mittal Steel also expects that any necessary disposition of such alternative asset would not be material and would have no adverse effect on Mittal Steel's sales or operations, particularly in light of the related retention of Dofasco.

Further, an inability to consummate the sale of Dofasco to ThyssenKrupp would mean that the prospective sales proceeds of approximately \$3.75 billion would not be available to reduce indebtedness or for other corporate purposes. While Mittal Steel had planned to sell Dofasco and to use the proceeds to reduce indebtedness, Mittal Steel does not anticipate any adverse effect from an inability to do so, particularly in light of the economic benefits of continuing ownership of Dofasco. No Mittal Steel financing is contingent upon or requires the sale of Dofasco, and Mittal Steel has adequate financial resources to retain Dofasco permanently if need be.

In the event that Dofasco can be sold but, for any reason, the resale to ThyssenKrupp is not consummated as planned, Mittal Steel will evaluate all available options at the time, including the sale of all of Dofasco to a single, alternative buyer, the sale of different parts of Dofasco to multiple buyers and the possible retention of all or certain parts of Dofasco.

### **Conduct of the Offer**

#### ***The U.S. Offer and the European Offer; Documentation***

Mittal Steel is offering to acquire the Arcelor securities described in [Terms and Conditions of the Offer](#) [Offer Scope and Consideration](#) [Securities Covered by the Offer](#) through two separate offers:

the U.S. Offer, open to all holders of Arcelor shares and Convertible Bonds who are U.S. holders (within the meaning of Rule 14d-1(d) of the Exchange Act) and to all holders of Arcelor ADSs, wherever located; and

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**Table of Contents**

the European Offer, open to (i) holders of Arcelor shares and Convertible Bonds who are located in Belgium, France, Luxembourg and Spain and (ii) holders of Arcelor shares and Convertible Bonds who are located outside of Belgium, France, Luxembourg, Spain, Japan, The Netherlands and the United States to the extent that such holders may participate in the European Offer pursuant to applicable local laws and regulations.

The U.S. Offer and the European Offer have identical terms and conditions other than the date of commencement and the duration of the initial acceptance period (see Terms and Conditions of the Offer Expiration Date ). However, holders of Arcelor shares and Convertible Bonds located in the United States, and holders of Arcelor ADSs, wherever located, do not have the right to tender their Arcelor securities in the European Offer, and holders of Arcelor shares and Convertible Bonds who are not located in the United States do not have the right to tender their Arcelor shares or Convertible Bonds in the U.S. Offer. The U.S. Offer is being made using this prospectus. The European Offer is being made using a European offer document (consisting of an information document and a share prospectus, as supplemented).

*The European Offer is not being made, directly or indirectly, in or into, and may not be accepted in or from, the United States. Copies of the offer documentation being used in the European Offer and any related materials are not being and should not be mailed or otherwise distributed or sent in or into the United States.*

*The distribution of this prospectus and the making of the U.S. Offer may, in some jurisdictions, be restricted by law. This prospectus has not been approved by the AMF, the CBFA, the CSSF or the CNMV. Accordingly, this prospectus may not be used to make offers or sales in France, Belgium, Luxembourg or Spain in connection with the U.S. Offer or the European Offer. The U.S. Offer is not being made, directly or indirectly, in or into, and may not be accepted from within, any jurisdiction in which the making of the U.S. offer or the acceptance thereof would not be in compliance with the laws of that jurisdiction. Persons who come into possession of this prospectus should inform themselves of and observe any and all of these restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of that jurisdiction. We do not assume any responsibility for any violation by any person of any of these laws or restrictions.*

***Applicable Rules; Differences from U.S. Requirements***

Because Mittal Steel is making the Offer by means of the U.S. Offer and the European Offer, it intends to conduct the Offer in compliance with the applicable regulatory requirements in the jurisdictions in which Arcelor's securities are listed (Belgium, France (Arcelor's primary trading market), Luxembourg (also Arcelor's jurisdiction of incorporation) and Spain) (all such requirements together, the European requirements ), as well as in compliance with the applicable requirements of the U.S. tender offer rules (namely, Regulation 14E under the Exchange Act), for which an exemption is unavailable. The European Regulators have coordinated with each other to determine which European requirements to apply to the European Offer. In general, we are, with the authorization of the European Regulators, following the most stringent of the applicable European requirements in structuring the European Offer. Therefore, to the extent there is a conflict between certain of the otherwise applicable European requirements, for purposes of the European Offer, the relevant European Regulators have determined which rule we should follow and are allowing a derogation from any rules that conflict with such determination.

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**Table of Contents**

The European requirements and procedures authorized by the European Regulators for application to the European Offer conflict with our ability to comply with Rules 14e-1(c) and 14e-1(d) promulgated under the Exchange Act with respect to the U.S. Offer, since we intend to follow the same procedures in the European Offer and the U.S. Offer. We are relying on the Tier II exemption with respect to such rules.

In determining that the Tier II exemption applies to the Offer, Mittal Steel relied generally on the presumption set forth in Instruction 3 to Rules 14d-1(c) and (d) promulgated under the Exchange Act. In particular, Mittal Steel relied on the fact that the Offer is being made on an unsolicited basis (Instruction 3.i); the aggregate trading volume of Arcelor ADSs on the over-the-counter market as reported to the NASD, over the 12-calendar-month period ending April 30 (the date which is 30 days before the anticipated commencement of the U.S. Offer assuming commencement on or about May 30), was approximately 0.6% of the worldwide aggregate trading volume of Arcelor common stock over the same period (Instruction 3.ii); there is no U.S. market for Arcelor Convertible Bonds (Instruction 3.ii); and Arcelor's latest annual report does not indicate the percentage of Arcelor shares or Convertible Bonds held by U.S. holders (Instruction 3.iii).

In connection with structuring and evaluating its unsolicited offer, however, Mittal Steel gathered certain information from market sources concerning ownership of Arcelor shares and Convertible Bonds that may be relevant to its assessment of the availability of Tier I and/or Tier II relief in accordance with Instruction 3.iv to Rules 14d-1(c) and (d). Based on the available information, Mittal Steel has reason to believe that U.S. holders held at the time of the calculation no more than 10 percent of Arcelor Convertible Bonds and that U.S. holders held at the time of the calculation no more than 16.6 percent (and possibly as little as 9.5 percent) of Arcelor shares. The U.S. Offer qualifies for the Tier II exemption if less than 40% of the Arcelor securities in question are held by U.S. holders.

Rule 14e-1(c) under the Exchange Act provides that a person who makes a tender offer may not fail to pay the consideration offered or return the securities deposited by or on behalf of securityholders promptly after the termination or withdrawal of the tender offer. Under the Tier II exemption in Rule 14d-1(d)(2)(iv), payment made in accordance with the requirements of the home jurisdiction law or practice will satisfy the requirements of Rule 14e-1(c). Mittal Steel plans to pay for Arcelor securities tendered in the U.S. Offer or return the Arcelor securities deposited in accordance with the timetable adopted by the European Regulators for the European Offer. Because of the complexities of the centralization process and other payment procedures in place, the final results of the Offer are not expected to be announced until approximately nine Business Days after the expiration of the Offer and determination of whether the Minimum Tender Condition has been satisfied will not be known until such date. Moreover, payment is not expected to be made until approximately four Business Days after such determination (thirteen Business Days after expiration of the Offer, assuming satisfaction of the Minimum Tender Condition).

In addition, the Offer may be withdrawn altogether up until the settlement date of the Offer upon the occurrence of certain events outside the control of Mittal Steel discussed in detail in Risk Factors Risks Related to the Offer. In certain limited circumstances, Mittal Steel has the right to withdraw and terminate the Offer at any time until the settlement date of the Offer, including during the period between the end of the initial acceptance period and the settlement date. In this case, the value of Arcelor securities may decrease during the period between your tender of such securities in the Offer and the return of such securities to you and Terms and Conditions of the Offer Conditions to the Offer; Possible Withdrawal of Offer.

Rule 14e-1(d) under the Exchange Act, among other things, prohibits a person making a tender offer from extending the length of the offer without issuing a notice of such extension by press release or other public announcement, which includes disclosure of the approximate number of securities deposited



**Table of Contents**

to date and which must be issued by 9:00 a.m., Eastern time, on the next business day after the scheduled expiration date of the offer. Under the Tier II exemption in Rule 14d-1(d)(2)(iii), notices of extensions made in accordance with the requirements of the home jurisdiction law or practice will satisfy the requirements of Rule 14e-1(d). Mittal Steel plans to announce extensions of the Offer, if any, in the same way for all Arcelor securities subject to the Offer that is to include the information it will have about tenders of Arcelor ADSs to date and any information it may have about tenders of Arcelor shares or Convertible Bonds to date to the extent permitted by the European Regulators. It is likely that Mittal Steel will not have accurate information about the approximate aggregate number of Arcelor shares or Convertible Bonds tendered in the Offer at the time of any extension of the initial acceptance period of the Offer due to the manner in which the global centralizing process will work.

***SEC Relief***

Certain financial advisors of Mittal Steel, including Goldman Sachs International, Citigroup Global Markets Limited, Credit Suisse Securities (Europe) Limited, HSBC Bank plc and Société Générale (the Financial Advisors), applied to the SEC for exemptive relief from the provisions of Rule 14e-5 under the Exchange Act (Rule 14e-5). The SEC granted the requested relief on May 5, 2006. Rule 14e-5, among other things, prohibits a person making a cash tender offer or exchange offer for an equity security, as well as any advisors to such person whose compensation is dependent on such offer's outcome, from purchasing, directly or indirectly, or making any arrangement to purchase such security or any related security except pursuant to such tender offer or exchange offer. The relief granted to the Financial Advisors permits them, as well as their affiliates and separately identifiable departments, to engage in certain trading activities involving Arcelor shares and various related derivative securities (collectively, the Arcelor Related Securities) in the ordinary course of their businesses, none of which will be undertaken for the purpose of facilitating the Offer. Relief is subject to the following conditions, among other things: (i) any trading activities will be conducted outside the United States; (ii) no purchases or arrangements to purchase Arcelor Related Securities, otherwise than pursuant to the Offer, will be made directly or indirectly on behalf of Mittal Steel; (iii) all purchases of the Arcelor Related Securities by the Financial Advisors during the Offer will be effected in the ordinary course of business and in compliance with applicable local laws and regulations; (iv) if a purchase outside the Offer is not allowed in any of Belgium, France, Luxembourg and Spain, it will not be conducted in any of the four jurisdictions, except to the extent that the relevant European Regulators, or relevant European regulation (*i.e.*, the Belgian Takeover Decree, the Spanish Tender Offer Decree and all of the other laws, regulations and rules of Belgium, France, Luxembourg and Spain, including the rules of Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange, and the Spanish Stock Exchanges, to the extent applied to the Offer by the European Regulators), permit the purchase outside the Offer to be conducted in the other relevant jurisdictions in which it is not prohibited; (v) the Offer documents will prominently disclose the possibility that the Financial Advisors may purchase Arcelor Related Securities outside the Offer; (vi) the Financial Advisors will disclose in the United States information regarding such purchases to the extent such information is made public in the relevant European jurisdictions; and (vii) the Financial Advisors will provide to the SEC, upon request, a daily schedule of all transactions in Arcelor Related Securities made by them or their affiliates and departments during the Offer, on a transaction-by-transaction basis, including the size, broker (if any), price and manner of such transaction. In addition, the Financial Advisors have agreed to comply with the relevant provisions of the U.K. City Code on Takeovers and Mergers applicable to U.K. exempt principal traders as if they were subject to such provisions, except that trades would be reported to the relevant local regulators instead of to the U.K. Takeover Panel.

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## **Table of Contents**

In addition, Mittal Steel will request SEC exemptive relief to confirm that the conduct of the European Offer concurrently with the U.S. Offer would not conflict with the requirements of Rule 14e-5 under the Exchange Act.

### **Terms and Conditions of the Offer**

#### ***Offer Scope and Consideration***

##### *Securities Covered by the Offer*

Subject to the terms and conditions of the Offer set forth herein and the statements under Conduct of the Offer The U.S. Offer and the European Offer; Documentation, Mittal Steel hereby irrevocably offers to acquire all of the shares and Convertible Bonds of Arcelor that were issued and outstanding at February 6, 2006 (the date of first filing of the Offer with the European Regulators), namely (and based on publicly available Arcelor information):

all issued Arcelor shares (including 19,771,296 Arcelor shares held as treasury shares (source: Arcelor 2005 Annual Report)) as at February 6, 2006, *i.e.*, 639,774,327 shares (source: Arcelor 2005 Annual Report);

all of the Arcelor 3% convertible bonds issued in June 2002 maturing on June 27, 2017 outstanding as at February 6, 2006 (the Convertible Bonds ), *i.e.*, 38,961,038 Convertible Bonds (source: Arcelor 2005 Annual Report);

all of the Arcelor shares that will be issued prior to the expiration of the initial acceptance period (or any subsequent offering period, as described in Subsequent Offering Period ) upon the conversion of Convertible Bonds, *i.e.*, up to 40,012,986 shares (based on a conversion ratio of 1.027 as stated in Arcelor's 2005 Annual Report; on April 14, 2006, Arcelor announced that following the payment of the 1.85 dividend per share in respect of the 2005 fiscal year, the conversion/exchange ratio of the Convertible Bonds would be modified to 1.078 with effect as from May 29, 2006); and

all Arcelor shares that will be issued before the end of the initial acceptance period (or any subsequent offering period, as described in Subsequent Offering Period ) upon the exercise of Arcelor stock options granted prior to February 6, 2006 or in exchange for Usinor shares issued upon the exercise of Usinor stock options granted prior to February 6, 2006, *i.e.*, up to 4,675,676 shares (source: Arcelor 2005 Annual Report).

In addition, Mittal Steel offers to acquire all outstanding Arcelor ADSs that represent any of the above securities. For the avoidance of doubt, the term Arcelor shares, as used in this prospectus, refers to both Arcelor shares and Arcelor ADSs, unless the context otherwise requires.

Holders of Arcelor stock options and of Usinor stock options granted prior to February 6, 2006 who wish to tender into the Offer must exercise their options (and with respect to Usinor stock options, exchange their Usinor shares for Arcelor shares), and the Arcelor shares must be credited to their accounts, prior to the expiration date of the initial acceptance period or of any subsequent offering period in order to be able to participate.

Mittal Steel undertakes not to repurchase any of its shares until the closing of the Offer. Mittal Steel has no current intention to make any material distributions of reserves or dividends or other securities issuances during the pendency of the Offer, with the exception of the distribution of dividends paid out of earnings. In the event that Mittal Steel decides to make a distribution and/or an issuance of

## Table of Contents

securities, it will issue a press release informing the market of such transaction and of the main terms thereof in order to allow securityholders to factor such transaction into their determination of the value of the offered consideration.

For a description of the possible extension of the Offer to New Securities issued by Arcelor after February 6, 2006, see Issuance of New Securities below.

### *Offer for Arcelor Shares*

The Offer for Arcelor shares and Arcelor ADSs shall consist of a primary mixed cash and exchange offer (as described in Primary Mixed Cash and Exchange Offer below, the Primary Offer ) and two secondary capped offers, one for cash only and the other for New Mittal Steel Shares only (as described in Secondary Cash and Exchange Offers below, the Secondary Offers ). The Primary Offer and Secondary Offers form an integral part of one single offer.

The main reason for structuring the Offer with a Primary Offer and two Secondary Offers is to provide Arcelor securityholders with several options. Arcelor securityholders may elect to tender all or part of their Arcelor shares or Arcelor ADSs in any of the Primary and Secondary Offers, in exchange for cash, New Mittal Steel Shares or a mix of the two, depending on their economic and tax preference. The total amounts of cash and New Mittal Steel Shares offered as consideration are capped in order for Mittal Steel to calibrate the financing in advance and to limit the potential dilution of its existing shareholders.

Based on its understanding of previous takeover bids structured in the same manner as the Offer, Mittal Steel considers that the probability is low that an Arcelor securityholder tendering shares or Arcelor ADSs in the Secondary Cash Offer would receive only cash consideration.

The Mittal Steel class A common shares to be issued as consideration in the Offer are referred to herein as the New Mittal Steel Shares.

### Tenders in Primary Offer or Secondary Offers

Arcelor shareholders may elect to tender their Arcelor shares or ADSs in any or all of the Primary Offer and the Secondary Offers. Tenders in the Secondary Offers are, however, subject to a pro-ration and allocation procedure, described in Pro-Ration and Allocation Procedures below, that will ensure that in the aggregate the portion of the consideration paid in the European Offer and the U.S. Offer, on a combined basis, consisting of New Mittal Steel Shares (the Share Portion of the Offer ) and the portion of the consideration paid in the European Offer and the U.S. Offer, on a combined basis, consisting of cash (the Cash Portion of the Offer ) (excluding the effect of the treatment of fractional shares that would otherwise be issued), will be 70.6% and 29.4%, respectively, subject to adjustment as described below.

The Cash Portion of the Offer has been determined on the assumption that Mittal Steel would pay in cash 29.4% of the aggregate Offer consideration for all of the fully-diluted issued share capital of Arcelor outstanding as of February 6, 2006, *i.e.*, up to 644,450,003 shares (including shares held in treasury and shares that may be issued as a result of the exercise of stock subscription options as set forth in this section but excluding conversion of Convertible Bonds). In the event that Arcelor either (i) makes a Distribution (as defined below) to shareholders that is either paid or has a record date for payment before the settlement date of the Offer, or (ii) acquires Arcelor shares, directly or indirectly, by any means whatsoever, before the settlement date of the Offer, then the Cash Portion of the Offer shall correspondingly be reduced below 29.4%, in accordance with the provisions of paragraphs Primary Mixed Cash and Exchange Offer and Secondary Cash and Exchange Offers below. These

**Table of Contents**

adjustments are intended to ensure that the maximum amount of cash paid in the Offer for all Arcelor outstanding shares (including ADSs) does not exceed 6,933,933,648 (so that the maximum amount of cash paid for all Arcelor shares (including ADSs) and Convertible Bonds does not exceed 7.626 billion, as indicated in Maximum Cash Payable below) after taking into account the amounts of cash disbursed by Arcelor in Distributions and/or share repurchases, so as to neutralize the overall cash impact of such Distributions and/or share repurchases for the Group. Arcelor shareholders will receive the same amount of cash as initially offered by Mittal Steel in case of a Distribution or in case of a share repurchase, if they sell to Arcelor a portion of their shares corresponding to the total number of shares repurchased by Arcelor divided by the total number of Arcelor shares outstanding.

In the event that any of the above adjustments is made to the Offer consideration, securityholders who would have previously tendered their Arcelor shares will be entitled to withdraw such tenders as set forth in paragraphs Withdrawal Rights of Securityholders and in paragraphs Primary Mixed Cash and Exchange Offer and Secondary Cash and Exchange Offers below. The Offer consideration could be adjusted as set forth herein until and including on the day before the settlement date of the Offer.

Any adjustment to the Offer consideration will be announced by press release and also notified to investors by distribution of a prospectus supplement.

With respect to Arcelor shares or ADSs tendered in the Secondary Exchange Offer and in the Secondary Cash Offer, the amount of stock or cash that a specific Arcelor shareholder actually receives will depend upon the elections of other holders of Arcelor shares or ADSs.

For an assessment of the consideration offered in the Primary Offer and the Secondary Offers, please refer to Financial Analysis of the Offer below.

**Primary Mixed Cash and Exchange Offer**

In the Primary Offer, Mittal Steel offers Arcelor shareholders 1 New Mittal Steel Share and 11.10 in cash (subject to possible adjustments concerning the amount of cash and the number of shares offered as further described in this section of this Prospectus) in exchange for each Arcelor share or each Arcelor ADS. Arcelor shares and ADSs that are tendered in the Primary Offer are referred to as Mixed Consideration Shares. The cash consideration paid to tendering holders of Arcelor ADSs will be in U.S. dollars, calculated by converting the applicable amount in euros into U.S. dollars using the noon buying rate, as published by the Federal Reserve Bank of New York, on the business day prior to the settlement date, and will be distributed, less any required withholding taxes and without interest thereon, to such holders.

The annual Arcelor shareholders meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend in respect of the 2005 fiscal year. If such dividend is in fact paid or a record date for payment is set on a date that is prior to the settlement date of the Offer, the cash component of the Primary Offer would be reduced by 1.05 (i.e., 1.85 less 0.8) per Arcelor share to 10.05, as per the adjustment formula set forth below. The exchange ratio would remain unchanged at 1.0 New Mittal Steel Share per Arcelor share. As a consequence, the relative proportion of the value of New Mittal Steel Shares and cash offered would be 72.6% and 27.4%, respectively, assuming a reference Mittal Steel share price of 26.64 (the closing price on May 18, 2006). Assuming such share price, this results in a reduction of the offered value per Arcelor share to 36.69, reflecting the distribution of 1.05 per outstanding Arcelor share over and above the threshold of 0.80.

**Table of Contents**

*Possible Adjustment*

If, between February 6, 2006 and the day before the settlement date of the Offer, Arcelor takes one or more of the actions set out below, the consideration set out above will be adjusted to take into account the cumulative impact of all such actions on the share value. The adjustment may consist of either a reduction of the value of the consideration offered, or a rebalancing of the proportion of cash and New Mittal Steel Shares offered as indicated above, or both a reduction of the value and a rebalancing as described and illustrated below. Specifically:

If Arcelor, by any means whatsoever, either (i) declares one or more dividends (including any interim dividends) whose aggregate gross amount exceeds 0.80 per share, distributes reserves or a share premium (including pursuant to a reduction or amortization of stated capital) or reduces its stated capital and any of the above is paid or has a record date for payment before the settlement date of the Offer (each, a Distribution and collectively, the Distributions ), or (ii) directly or indirectly acquires Arcelor shares, before the settlement date of the Offer, then:

The amount of cash C(new) to be received in exchange for each Arcelor share or Arcelor ADS will be calculated as follows:

$$C(new) = \text{MAX} [(C(old) * N) - (n * p) - D, 0] / (N - n)$$

The number X of New Mittal Steel Share(s) to be received in exchange for each Arcelor share or Arcelor ADS will be calculated as follows:

$$X = \frac{N}{(N - n)} + \frac{E}{((N - n) * m)}$$

- with MAX means the largest number in a set of values
- n the number of Arcelor shares acquired, directly or indirectly, by Arcelor, as published pursuant to applicable regulations
- p the weighted average purchase price paid per Arcelor share for the n shares acquired, directly or indirectly, by Arcelor, as provided above, as published pursuant to applicable regulations
- m 26.64, the closing Mittal Steel share price of \$34.16 (or 26.64) as of May 18, 2006 (the Mittal Steel Reference Share Price )
- C(old) 11.10, the initial amount of cash to be received per Arcelor share pursuant to the Primary Offer
- D the total amount of Distributions (before any applicable withholding tax) paid or payable by Arcelor prior to the settlement date
- E represents a positive number and is the amount by which the aggregate of the total Distributions (before any applicable withholding tax) and the total amount paid by Arcelor to repurchase its own shares exceeds 6,933,933,648, the maximum cash payable in respect of N shares as defined below. In case such amount is not exceeded, E will be zero.

**Table of Contents**

N 624,678,707 shares, the total fully-diluted number of Arcelor outstanding shares as per Arcelor's 2005 annual report, excluding treasury shares and any conversion of Convertible Bonds.

Treasury shares are not entitled to dividends nor subject to share repurchases. Therefore, treasury shares do not benefit from any Distribution made by Arcelor and have been excluded from the adjustment calculation.

*Example 1:* If Arcelor were to acquire 50 million of its own shares for an average price of 50.00 per share, the cash element of the Primary Offer would be reduced by 3.38 per Arcelor share to 7.72 [ $(11.10 \times 624.7m - 50m \times 50) / (624.7m - 50m) = 7.72$ ] and the exchange ratio would be increased to 1.087 [ $624.7m / (624.7m - 50m) = 1.087$ ] New Mittal Steel Shares per Arcelor share. As a consequence, the relative proportion of New Mittal Steel Shares and cash offered would be 79.0% and 21.0%, respectively. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 36.67, reflecting the prepayment of 1.07 [ $(50.00 - 37.74) \times 50m / (624.7m - 50m) = 1.07$ ] per outstanding Arcelor share as a result of the share repurchase made by Arcelor.

*Example 2:* If Arcelor were to acquire 100 million of its own shares for an average price of 50.00 per share, the cash element of the Primary Offer would be reduced by 7.41 per Arcelor share to 3.69 [ $(11.10 \times 624.7m - 100m \times 50) / (624.7m - 100m) = 3.69$ ] and the exchange ratio would be increased to 1.191 [ $624.7m / (624.7m - 100m) = 1.191$ ] New Mittal Steel Shares per Arcelor share. As a consequence, the relative proportion of New Mittal Steel Shares and cash offered would be 89.6% and 10.4%, respectively. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 35.40, reflecting the prepayment of 2.34 [ $(50.00 - 37.74) \times 100m / (624.7m - 100m) = 2.34$ ] per outstanding Arcelor share as a result of the share repurchase made by Arcelor.

*Example 3:* If Arcelor were to acquire 150 million of its own shares for an average price of 50.00 per share, the cash element of the Primary Offer would be reduced by 11.10 per Arcelor share to 0, as the total Distributions exceed the cash element of the Primary Offer [ $150m \times 50 = 7,500m > 6,934m$ ], and the exchange ratio would be increased to 1.271 [ $624.7m / (624.7m - 150m) [(7,500m - 6,934m) / ((624.7m - 150m) \times 26.64)] = 1.271$ ] New Mittal Steel Shares per Arcelor share. As a consequence, the relative proportion of New Mittal Steel Shares and cash offered would be 100% and 0%, respectively. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 33.87, reflecting the prepayment of 3.87 [ $(50.00 - 37.74) \times 150m / (624.7m - 150m) = 3.87$ ] per outstanding Arcelor share as a result of the share repurchase made by Arcelor.

*Example 4:* If Arcelor were to acquire 50 million of its own shares for an average price of 37.74 per share, the cash element of the Primary Offer would be reduced by 2.32 per Arcelor share to 8.78 [ $(11.10 \times 624.7m - 50m \times 37.74) / (624.7m - 50m) = 8.78$ ], and the exchange ratio would be increased to 1.087 [ $624.7m / (624.7m - 50m)$ ] New Mittal Steel Shares per Arcelor share. As a consequence, the relative proportion of New Mittal Steel Shares and cash offered would be 76.7% and 23.3% respectively. Assuming a reference Mittal Steel share price of 26.64, this results in no change to the offered value per Arcelor share of 37.74.

**Table of Contents**

*Example 5: If Arcelor were to acquire 125 million of its own shares for an average price of 40.00 per share, the cash element of the Primary Offer would be reduced by 7.23 per Arcelor share to 3.87 [ $(11.10 \times 624.7m - 125m \times 40) / (624.7m - 125m) = 3.87$ ] and the exchange ratio would be increased to 1.250 [ $624.7m / (624.7m - 125m) = 1.250$ ] New Mittal Steel Shares per Arcelor share. As a consequence, the relative proportion of New Mittal Steel Shares and cash offered would be 89.6% and 10.4%, respectively. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 37.18, reflecting the prepayment of 0.57 [ $(40.00 - 37.74) \times 125m / (624.7m - 125m) = 0.57$ ] per outstanding Arcelor share as a result of the share repurchase made by Arcelor.*

Under Arcelor's current share buy-back program (approved at Arcelor's annual shareholders' meeting held on April 28, 2006), Arcelor's Board of Directors is authorized to repurchase a maximum of 64 million shares (10% of Arcelor's total share capital) at a maximum price of 55 per share. As of February 6, 2006, and based on Arcelor's annual report for 2005 published on April 7, 2006, Arcelor held 19,771,296 shares in treasury, representing 3.09% of Arcelor's share capital as at such date.

On April 4, 2006, the Board of Directors of Arcelor also announced its intention to distribute a total amount of 5 billion to Arcelor shareholders through one or a combination of a share buy-back, an exceptional dividend distribution or a self-tender offer. On May 12, 2006, Arcelor's Board of Directors called an extraordinary shareholders' meeting for May 19, 2006, and, since the required quorum was not met, called a second extraordinary shareholders' meeting for June 21, 2006, with an agenda including a proposal to reduce the Company's capital through a self-tender offer for, and subsequent cancellation of, up to a maximum of 150 million shares at a maximum price of 50 per share. If such capital reduction and self-tender are in fact approved by Arcelor's shareholders and the self-tender offer is completed before the settlement date of the Offer, this would result in an adjustment of the Offer consideration. The extent of such adjustment would depend on the actual number of shares repurchased by Arcelor in the self-tender offer and their purchase price. Examples 2 and 5 above provide examples of such possible adjustment.

The above adjustments are without prejudice to the right of Mittal Steel to withdraw the Offer pursuant to Conditions to the Offer; Possible Withdrawal of Offer Events or Actions that Alter Arcelor's Substance below. This could be the case, for example, in the event that Arcelor makes a significant Distribution that would substantially and adversely affect the economics of the Offer to the extent that such Distribution adversely affects Arcelor's net debt, shareholders' equity and/or gearing.

The Offer consideration will also be automatically adjusted to take into account any modification made by Arcelor to its shares, consisting of issuances of free shares, stock splits or reverse stock splits. Arcelor shares delivered to Mittal Steel on the settlement date of the Offer shall give right to any dividend or other distribution whatsoever decided by Arcelor prior to, but not yet paid on, or whose record date has been set on or after, the settlement date of the Offer.

Any adjustment of the Offer consideration is (insofar as required by applicable law) subject to the prior verification by the European Regulators as to its consistency with the conditions set forth in the Offer documentation for the European Offer, which are substantially the same as those set forth in this prospectus, and the correct application thereof. If the consideration is adjusted, Mittal Steel will issue a press release and deliver a prospectus supplement setting forth the new adjusted consideration and the new end date of the initial acceptance period of the Offer if extended under applicable regulations and will be the same in all relevant jurisdictions. If the adjustment occurs less than ten Business Days prior to the end of the initial acceptance period of the Offer or after the end of such period, the initial acceptance period of the Offer shall be extended to end at least ten Business Days after the publication of Mittal Steel's press release announcing said adjustment. During any such extension, shareholders who have

**Table of Contents**

previously tendered their Arcelor shares or ADSs will be entitled to withdraw such tenders (see *Withdrawal Rights of Securityholders* for more detail) and Arcelor securityholders who have not yet tendered their Arcelor shares or ADSs will be able to do so. The Offer consideration could be adjusted as set forth above until and including the day before the settlement date of the Offer.

*Secondary Cash and Exchange Offers*

In the Secondary Offers, Mittal Steel offers to Arcelor securityholders to tender all or part of their Arcelor shares or ADSs in one or both of the Secondary Offers described below:

*Secondary Cash Offer:* 37.74 in cash for each Arcelor share or ADS (the Cash Consideration, with all Arcelor shares or ADSs for which this election is made being referred to herein as Cash Election Shares ). The Cash Consideration paid to tendering holders of Arcelor ADSs will be in U.S. dollars, calculated by converting the applicable amount in euros into U.S. dollars using the noon buying rate, as published by the Federal Reserve Bank of New York, on the business day prior to the settlement date, and will be distributed, less any required withholding taxes and without interest thereon, to such holders.

The annual Arcelor shareholders meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend in respect of the 2005 fiscal year. If such dividend is in fact paid or a record date for payment is set on a date that is prior to the settlement date of the Offer, the Cash Consideration for the Cash Election Shares would be reduced by 1.05 (i.e., 1.85 less 0.8) per Arcelor share to 36.69, as per the adjustment formula set forth below. This reduction reflects the distribution of 1.05 per outstanding Arcelor share over and above the threshold of 0.80.

*Possible Adjustment*

If, between February 6, 2006 and the day before the settlement date of the Offer, Arcelor takes one or more of the actions as set out below, the consideration set out above will be adjusted to take into account the cumulative impact of all such actions on the share value. Specifically:

If Arcelor, by any means whatsoever, makes a Distribution to shareholders that is either paid or has a record date for payment before the settlement date of the Offer, the Cash Consideration of 37.74 per Arcelor share or ADS will be reduced by the amount of such Distribution (before any applicable withholding tax).

If Arcelor acquires, directly or indirectly, Arcelor shares for cash before the settlement date of the Offer, by any means whatsoever, the Cash Consideration of 37.74 per Arcelor share or ADS payable will be reduced by an amount Y calculated as follows:

$$Y = \frac{n * (p - V)}{N - n}$$

With n the number of Arcelor shares acquired, directly or indirectly, by Arcelor, as published pursuant to applicable regulations



**Table of Contents**

- p the weighted average purchase price paid per Arcelor share for the n shares acquired, directly or indirectly, by Arcelor, as provided above, as published pursuant to applicable regulations
- V 37.74, the initial Cash Consideration
- N 624,678,707 shares, the total fully-diluted number of Arcelor outstanding shares as known to Mittal Steel based on then-publicly available information as at February 6, 2006, excluding treasury shares and any conversion of Convertible Bonds

Treasury shares are not entitled to dividends nor subject to share repurchases. Therefore, treasury shares do not benefit from any Distribution made by Arcelor and have been excluded from the adjustment calculation.

*Example 1: If Arcelor were to acquire 50 million of its own shares for an average price of 50.00 per share, the Cash Consideration for the Cash Election Shares would be reduced by 1.07 [ $50m \times (50.00 - 37.74) / (624.7m - 50m) = 1.07$ ] per Arcelor share to 36.67, reflecting the prepayment of 1.07 per outstanding Arcelor share as a result of the share repurchase made by Arcelor.*

*Example 2: If Arcelor were to acquire 100 million of its own shares for an average price of 50.00 per share, the Cash Consideration for the Cash Election Shares would be reduced by 2.34 [ $100m \times (50.00 - 37.74) / (624.7m - 100m) = 2.34$ ] per Arcelor share to 35.40, reflecting the prepayment of 2.34 per outstanding share as a result of the share repurchase made by Arcelor.*

*Example 3: If Arcelor were to acquire 150 million of its own shares for an average price of 50.00 per share, pursuant to the above adjustment formula, the Cash Consideration for the Cash Election Shares would be reduced by 3.87 [ $150m \times (50.00 - 37.74) / (624.7m - 150m) = 3.87$ ] per Arcelor share to 33.87. However, as indicated in Example 4 for the Primary Offer above, since such an acquisition of shares would result in the relative proportion of New Mittal Steel Shares and cash offered of 100% and 0%, respectively, the Cash Consideration would be reduced to 0 and all the Arcelor shares tendered in the Secondary Cash Offer would be exchanged for New Mittal Steel Shares only. As illustrated in Example 4 for the Secondary Exchange Offer below, Arcelor shareholders would receive 1.271 New Mittal Steel Share for each Arcelor share tendered in the Offer.*

*Example 4: If Arcelor were to acquire 50 million of its own shares for an average price of 37.74 per share, the Cash Consideration for the Cash Election Shares would remain unchanged at 37.74 per Arcelor share [ $50m \times (37.74 - 37.74) / (624.7m - 50m)$ ].*

*Example 5: If Arcelor were to acquire 125 million of its own shares for an average price of 40.00 per share, the Cash Consideration for the Cash Election Shares would be reduced by 0.57 [ $125m \times (40.00 - 37.74) / (624.7m - 125m) = 0.57$ ] per Arcelor share to 37.18, reflecting the prepayment of 0.57 per outstanding share as a result of the share repurchase made by Arcelor.*

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**Table of Contents**

Under Arcelor's current share buy-back program (approved at Arcelor's annual shareholders' meeting held on April 28, 2006), Arcelor's Board of Directors is authorized to repurchase a maximum of 64 million shares (10% of Arcelor's total share capital) at a maximum price of \$55 per share. As of February 6, 2006, and based on Arcelor's annual report for 2005 published on April 7, 2006, Arcelor held 19,771,296 Arcelor shares in treasury, representing 3.09% of Arcelor's share capital as at such date.

On April 4, 2006, the Board of Directors of Arcelor also announced its intention to distribute a total amount of \$5 billion to Arcelor shareholders through one or a combination of a share buy-back, an exceptional dividend distribution or a self-tender offer. On May 12, 2006, Arcelor's Board of Directors called an extraordinary shareholders' meeting for May 19, 2006 and, since the required quorum was not met, called a second extraordinary shareholders' meeting for June 21, 2006, with an agenda including a proposal to reduce the Company's capital through a self-tender offer for, and subsequent cancellation of, up to a maximum of 150 million shares at a maximum price of \$50 per share. If such capital reduction and self-tender are in fact approved by Arcelor's shareholders and the self-tender offer is completed before the settlement date of the Offer, this would result in an adjustment of the Offer consideration. The extent of such adjustment would depend on the actual number of shares repurchased by Arcelor in the self-tender offer and their purchase price. Examples 2 and 5 above provide examples of such possible adjustment.

The above adjustments are without prejudice to the right of Mittal Steel to withdraw the Offer pursuant to Conditions to the Offer; Possible Withdrawal of Offer Events or Actions that Alter Arcelor's Substance below. This could be the case, for example, in the event that Arcelor makes a significant Distribution that would substantially and adversely affect the economics of the Offer to the extent that such Distribution adversely affects Arcelor's net debt, shareholders' equity and/or gearing.

The Offer consideration will also be automatically adjusted to take into account any modification made by Arcelor to its shares, consisting of issuances of free shares, stock splits or reverse stock splits. Arcelor shares delivered to Mittal Steel on the settlement date of the Offer shall give right to any dividend or other distribution whatsoever decided by Arcelor prior to, but not yet paid on, or whose record date has been set on or after, the settlement date of the Offer.

Any adjustment of the Offer consideration is (insofar as required by applicable law) subject to the prior verification by the European Regulators as to its consistency with the conditions set forth in the Offer documentation for the European Offer, which are substantially the same as those set forth in this prospectus, and the correct application thereof. If the consideration is adjusted, Mittal Steel will issue a press release and deliver a prospectus supplement setting forth the new adjusted consideration and the new end date of the initial acceptance period of the Offer if extended under applicable regulations and will be the same in all relevant jurisdictions. If the adjustment occurs less than ten Business Days prior to the end of the initial acceptance period of the Offer or after the end of such period, the initial acceptance period of the Offer shall be extended to end at least ten Business Days after the publication of Mittal Steel's press release announcing said adjustment. During any such extension, shareholders who have previously tendered their Arcelor shares or ADSs will be entitled to withdraw such tenders (see Withdrawal Rights of Securityholders for more detail) and Arcelor securityholders who have not yet tendered their Arcelor shares or ADSs will be able to do so. The Offer consideration could be adjusted as set forth above until and including the day before the settlement date of the Offer.

*Secondary Exchange Offer:* 17 New Mittal Steel Shares for every 12 Arcelor shares or ADSs (the Stock Consideration, with all Arcelor shares or ADSs for which this election is made being referred to as Stock Election Shares).

**Table of Contents**

The annual Arcelor shareholders meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend in respect of the 2005 fiscal year. If such dividend is in fact paid or a record date for payment is set on a date that is prior to the settlement date of the Offer, the exchange ratio for the Secondary Exchange Offer would be reduced to 1.377 New Mittal Steel Shares per Arcelor share, as per the adjustment formula set forth below. This results in a reduction of the offered value per Arcelor share to 36.69, reflecting the distribution of 1.05 per Arcelor share over and above the threshold of 0.8.

*Possible Adjustment*

If, between February 6, 2006 and the day before the settlement date of the Offer, Arcelor takes one or more of the actions as set out below, the consideration set out above will be adjusted to take into account the cumulative impact of all such actions on the share value. Specifically:

If Arcelor, by any means whatsoever, either (i) makes a Distribution to shareholders that is either paid or has a record date for payment before the settlement date of the Offer, or (ii) directly or indirectly acquires Arcelor shares, by any means whatsoever, before the settlement date of the Offer, then the number Z of New Mittal Steel Shares to be received in exchange for each Arcelor share will be calculated as follows:

$$Z = \left[ \frac{17}{12} \right] * \frac{N}{(N - n)} * \frac{(n * p) + D}{[(N - n) * m]}$$

With D the total amount of Distributions (before any applicable withholding tax) paid or payable by Arcelor prior to the settlement date of the Offer

m 26.64, the Mittal Steel Reference Share Price

N624,678,707 shares, the total fully-diluted number of Arcelor outstanding shares as known to Mittal Steel based on then-publicly available information as at February 6, 2006, excluding treasury shares and any conversion of Convertible Bonds

n the number of Arcelor shares acquired, directly or indirectly, by Arcelor, as published pursuant to applicable regulations

p the weighted average purchase price paid per Arcelor share for the n shares acquired, directly or indirectly, by Arcelor, as provided above, as published pursuant to applicable regulations

Treasury shares are not entitled to dividends nor subject to share repurchases. Therefore, treasury shares do not benefit from any Distribution made by Arcelor and have been excluded from the adjustment calculation.

**Table of Contents**

*Example 1: If Arcelor were to acquire 50 million of its own shares for an average price of 50.00 per share, the exchange ratio would be reduced to 1.377 [ $17/12 \times 324.7m / (324.7m - 50m) - (50m \times 50) / ((624.7m - 50m) \times 26.64) = 1.377$ ] New Mittal Steel Shares per Arcelor share. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 36.67, reflecting the prepayment made by Arcelor of 1.07 [ $(50.00 - 37.74) \times 50m / (624.7m - 50m) = 1.07$ ] per outstanding Arcelor share post share repurchase made by Arcelor.*

*Example 2: If Arcelor were to acquire 100 million of its own shares for an average price of 50.00 per share, the exchange ratio would be reduced to 1.329 [ $17/12 \times 624.7m / (624.7m - 100m) - (100m \times 50) / ((624.7m - 100m) \times 26.64) = 1.329$ ] New Mittal Steel Shares per Arcelor share. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 35.40, reflecting the prepayment made by Arcelor of 2.34 [ $(50.00 - 37.74) \times 100m / (624.7m - 100m) = 2.34$ ] per outstanding Arcelor share post share repurchase made by Arcelor.*

*Example 3: If Arcelor were to acquire 150 million of its own shares for an average price of 50.00 per share, the exchange ratio would be reduced to 1.271 [ $17/12 \times 624.7m / (624.7m - 150m) - (150m \times 50) / ((624.7m - 150m) \times 26.64) = 1.271$ ] New Mittal Steel Shares per Arcelor share. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 33.87, reflecting the prepayment made by Arcelor of 3.87 [ $(50.00 - 37.74) \times 150m / (624.7m - 150m) = 3.87$ ] per outstanding Arcelor share post share repurchase made by Arcelor.*

*Example 4: If Arcelor were to acquire 50 million of its own shares for an average price of 37.74 per share, the exchange ratio would remain unchanged at 1.417 [ $17/12 \times 624.7m / (624.7m - 50m) - (50m \times 37.74) / ((624.7m - 50m) \times 26.64) = 1.417$ ] New Mittal Steel Shares per Arcelor share.*

*Example 5: If Arcelor were to acquire 125 million of its own shares for an average price of 40.00 per share, the exchange ratio would be reduced to 1.395 [ $17/12 \times 624.7m / (624.7m - 125m) - (125m \times 40) / ((624.7m - 125m) \times 26.64) = 1.395$ ] New Mittal Steel Shares per Arcelor share. Assuming a reference Mittal Steel share price of 26.64, this results in a reduction of the offered value per Arcelor share to 37.18, reflecting the prepayment made by Arcelor of 0.57 [ $(40.00 - 37.74) \times 125m / (624.7m - 125m) = 0.57$ ] per outstanding Arcelor share post share repurchase made by Arcelor.*

Under Arcelor's current share buy-back program (approved at Arcelor's annual shareholders' meeting held on April 28, 2006), Arcelor's Board of Directors is authorized to repurchase a maximum of 64 million shares (10% of Arcelor's total share capital) at a maximum price of 55 per share. As at February 6, 2006, and based on Arcelor's annual report for 2005 published on April 7, 2006, Arcelor held 19,771,296 Arcelor shares in treasury, representing 3.09% of Arcelor's share capital as at such date.

On April 4, 2006, the Board of Directors of Arcelor also announced its intention to distribute a total amount of 5 billion to Arcelor shareholders through one or a combination of a share buy-back, an exceptional dividend distribution or a self-tender offer. On May 12, 2006, Arcelor's Board of Directors called an extraordinary shareholders' meeting for May 19, 2006 and, since the required quorum was not met, called a second extraordinary shareholders' meeting for June 21, 2006 with an agenda including a proposal to reduce the Company's capital through a self-tender offer for, and subsequent cancellation of,

## **Table of Contents**

up to a maximum of 150 million shares at a maximum price of \$50 per share. If such capital reduction and self-tender are in fact approved by Arcelor's shareholders and the self-tender offer is completed before the settlement date of the Offer, this would result in an adjustment of the Offer consideration. The extent of such adjustment would depend on the actual number of shares repurchased by Arcelor in the self-tender offer and their purchase price. Examples 2 and 5 above provide examples of such possible adjustment.

The above adjustments are without prejudice to the right of Mittal Steel to withdraw the Offer pursuant to Conditions to the Offer; Possible Withdrawal of Offer Events or Actions that Alter Arcelor's Substance below. This could be the case, for example, in the event that Arcelor makes a significant Distribution that would substantially and adversely affect the economics of the Offer to the extent that such Distribution adversely affects Arcelor's net debt, shareholders' equity and/or gearing.

The Offer consideration will also be automatically adjusted to take into account any modification made by Arcelor to its shares, consisting of issuances of free shares, stock splits or reverse stock splits. Arcelor shares delivered to Mittal Steel on the settlement date of the Offer shall give right to any dividend or other distribution whatsoever decided by Arcelor prior to, but not yet paid on, or whose record date has been set on or after, the settlement date of the Offer.

Any adjustment of the Offer consideration is (insofar as required by applicable law) subject to the prior verification by the European Regulators as to its consistency with the conditions set forth in the Offer documentation for the European Offer, which are substantially the same as those set forth in this prospectus, and the correct application thereof. If the consideration is adjusted, Mittal Steel will issue a press release and deliver a prospectus supplement setting forth the new adjusted consideration and the new end date of the initial acceptance period of the Offer if extended under applicable regulations and will be the same in all relevant jurisdictions. If the adjustment occurs less than ten Business Days prior to the end of the initial acceptance period of the Offer or after the end of such period, the initial acceptance period of the Offer shall be extended to end at least ten Business Days after the publication of Mittal Steel's press release announcing said adjustment. During any such extension, shareholders who have previously tendered their Arcelor shares or ADSs will be entitled to withdraw such tenders (see Withdrawal Rights of Securityholders for more detail) and Arcelor securityholders who have not yet tendered their Arcelor shares or ADSs will be able to do so. The Offer consideration could be adjusted as set forth above until and including the day before the settlement date of the Offer.

### **Pro-Ration and Allocation Procedures**

Tenders in the Secondary Offers of the European Offer and the U.S. Offer are subject to an adjustment mechanism designed to ensure that in the aggregate (*i.e.*, in the Offer as a whole) the portion of tendered Arcelor shares (including Arcelor ADSs) that are exchanged for New Mittal Steel Shares and the portion of tendered Arcelor shares (including Arcelor ADSs) that are exchanged for cash (excluding the impact of any adjustment referred to above) will be 70.6% and 29.4%, respectively. As a result, shareholders having tendered Arcelor shares or ADSs in the Secondary Cash Offer of each of the European Offer and the U.S. Offer may receive between 29.4% and 100% in cash and the balance in New Mittal Steel Shares, and shareholders having tendered in the Secondary Exchange Offer of each of the European Offer and the U.S. Offer may receive between 70.6% and 100% in New Mittal Steel Shares and the balance in cash. The exact proportions will depend on the total number of Arcelor shares or ADSs tendered in each of the Secondary Offers of the European Offer and the U.S. Offer.

If the ratio of the total number of Cash Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, to the total number of Stock Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, is not equal to the Ratio (as defined below), then the

**Table of Contents**

following pro-ration and allocation adjustment will be applied to the Cash Election Shares or the Stock Election Shares, as the case may be, tendered in the European Offer and the U.S. Offer. For purposes of this section, the Ratio means (i) initially 29.4 divided by 70.6 and (ii) if there has been an adjustment to the consideration in the Primary Offer of the European Offer and the U.S. Offer pursuant to Primary Mixed Cash and Exchange Offer, then the ratio of C(new) divided by  $[X * 26.64]$  using the last adjusted values of C(new) and X.

In the event that the total number of Cash Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, divided by the total number of Stock Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, exceeds the Ratio, then each tendered Stock Election Share will receive the Stock Consideration, while the number of tendered Cash Election Shares will be reduced to the number required to achieve the Ratio. This reduction will be effected proportionately among the holders of all Cash Election Shares tendered in the European Offer and the U.S. Offer. The adjusted number of Cash Election Shares will be rounded down to the nearest whole Cash Election Share. All tendered Arcelor shares deemed not to be Cash Election Shares as a result of this pro-ration and allocation procedure will be deemed Mixed Consideration Shares.

*Example: If 706 Arcelor shares are tendered into the Secondary Cash Offer of the European Offer and the U.S. Offer, on a combined basis, and 706 Arcelor shares are tendered into the Secondary Exchange Offer of the European Offer and the U.S. Offer, on a combined basis, the total number of tendered Cash Election Shares divided by the total number of tendered Stock Election Shares  $[706 / 706]$  will exceed  $29.4/70.6$ . As a result, each tendered Stock Election Share will receive the Stock Consideration, while the number of tendered Cash Election Shares will be reduced to 294. The remaining 412 Arcelor shares will be deemed Mixed Consideration Shares.*

In the event that the total number of Cash Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, divided by the total number of Stock Election Shares tendered in the European Offer and the U.S. Offer, on a combined basis, is less than the Ratio, then each tendered Cash Election Share will receive the Cash Consideration, while the number of tendered Stock Election Shares will be reduced to the number required to achieve the Ratio. This reduction will be effected proportionately among the holders of all Stock Election Shares tendered in the European Offer and the U.S. Offer. The adjusted number of Stock Election Shares will be rounded down to the nearest whole Stock Election Share. All tendered Arcelor securities deemed not to be Stock Election Shares as a result of this pro-ration and allocation procedure will be deemed Mixed Consideration Shares.

*Example: If 294 Arcelor shares are tendered into the Secondary Cash Offer of the European Offer and the U.S. Offer, on a combined basis, and 1000 Arcelor shares are tendered into the Secondary Exchange Offer of the European Offer and the U.S. Offer, on a combined basis, the total number of tendered Cash Election Shares divided by the total number of tendered Stock Election Shares  $[294 / 1000]$  will be less than  $29.4/70.6$ . As a result, each tendered Cash Election Share will receive the Cash Consideration, while the number of tendered Stock Election Shares will be reduced to 706. The remaining 294 Arcelor shares will be deemed Mixed Consideration Shares.*

If there is a subsequent offering period (see Subsequent Offering Period ), the same pro-ration and allocation procedures described above will apply to all Arcelor shares and ADSs tendered into the Secondary Offers of the European Offer and the U.S. Offer during the subsequent offering period. For the avoidance of doubt, such procedures will be applied only to the pool of Arcelor shares (including

## **Table of Contents**

Arcelor ADSs) tendered during such subsequent offering period since settlement concerning the pool of shares (including Arcelor ADSs) tendered during the initial acceptance period will have previously occurred.

### *Offer for Convertible Bonds*

Mittal Steel offers to exchange 1 New Mittal Steel Share and 12.12 in cash for each Convertible Bond.

The possible adjustments to the consideration offered for Arcelor shares tendered in the Offer described in Offer for Arcelor Shares above do not relate to, and will have no effect on, the consideration offered for the Convertible Bonds. The events that would give rise to an adjustment of the consideration offered for Arcelor shares and ADSs could result in an adjustment of the conversion/exchange ratio of the Convertible Bonds. Pursuant to the terms and conditions of the Convertible Bonds (see Arcelor's prospectus prepared in connection with the admission to trading of the Convertible Bonds and the underlying shares on the Luxembourg Stock Exchange, approved by the Luxembourg Stock Exchange on June 27, 2002), the conversion/exchange ratio of the Convertible Bonds would be automatically adjusted, under certain conditions, in the event that (i) Arcelor repurchases its own shares through an offer made to all of its shareholders and (ii) Arcelor distributes an exceptional dividend (as defined in such terms and conditions). The impact of the events that are not covered in the terms and conditions of the Convertible Bonds being minimal, Mittal Steel has decided that no adjustment to the consideration offered to holders of Convertible Bonds tendered in the Offer shall be made.

The annual Arcelor Shareholders' meeting of April 28, 2006 approved the payment of a 1.85-per-share dividend in respect of the 2005 fiscal year. Upon payment of such dividend, the conversion/exchange ratio of the Convertible Bonds would be modified from 1.027 to 1.078. By exception to the above, in order to keep the offer for the Convertible Bonds comparable to the offer for Arcelor shares, as adjusted, if such dividend is in fact paid or a record date for payment is set on a date that is prior to the settlement date of the Offer, the cash portion of the offer for the Convertible Bonds will be increased by 0.80 to 12.92 and the exchange ratio of the offer for the Convertible Bonds will remain unchanged.

In the event that the Offer is extended as a result of an adjustment to the consideration offered to Arcelor shareholders being made, this extension will apply to both the offer for Arcelor shares and the offer for Convertible Bonds.

### *Fractional Shares*

No fractional shares will be issued to any Arcelor shareholders, ADS holders or holders of Convertible Bonds. Securityholders who tender a number of Arcelor securities that does not entitle them to receive a round number of New Mittal Steel Shares will be deemed to have expressly accepted to participate in the exchange pool facility described below with respect to the fraction of New Mittal Steel Shares to which they would be entitled.

Arcelor shareholders, ADS holders or holders of Convertible Bonds that do not own a number of shares, ADSs or Convertible Bonds entitling them to receive a round number of New Mittal Steel Shares will have the following two options:

Arcelor shareholders opting to tender their shares or ADSs in the Primary Offer (given the pro-ration mechanism applicable in the Secondary Offers, shareholders tendering their Arcelor shares or ADSs in the Secondary Offers should not expect to be able to calculate with certainty the

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**Table of Contents**

number of Arcelor shares or ADSs that they would need, as at the end of the initial acceptance period of the Offer, in order to receive a round number of New Mittal Steel Shares) and holders of Convertible Bonds may, before tendering their Arcelor securities in the Offer and until the end of the initial acceptance period of the Offer, purchase or sell Arcelor shares, ADSs or Convertible Bonds on one of the regulated markets where their Arcelor securities are listed (or, in the case of the ADSs, the over-the-counter market), in order to own a number of Arcelor shares, ADSs or Convertible Bonds entitling them to receive a round number of New Mittal Steel Shares. (Investors should be aware that the application of the adjustment mechanisms triggered by certain Distributions made by Arcelor, as further described above, would modify the exchange ratio of the Offer and, hence, the determination of the number of Arcelor shares, ADSs or Convertible Bonds that would correspond to a round number of New Mittal Steel Shares.); or

after the end of the initial acceptance period of the Offer, (i) Société Générale will operate an exchange pool facility for the benefit of holders of Arcelor shares (other than Arcelor shares represented by Arcelor ADSs) and Convertible Bonds tendered into both the European Offer and the U.S. Offer that hold a number of Arcelor shares or Convertible Bonds that do not entitle such holders to receive a round number of New Mittal Steel Shares. Société Générale will pool those fractions of New Mittal Steel Shares into an integral number of such shares and sell them on a regulated market for the account of participating holders of Arcelor shares and Convertible Bonds, at dates to be determined but not later than 10 Business Days following the settlement date of the Offer. The proceeds of such sales will be paid to holders of Arcelor shares and Convertible Bonds pro rata to their participation in the pool. No interest shall be paid in respect of the cash proceeds resulting from the sale. Mittal Steel shall pay the brokerage and related fees and stock exchange tax connected with such exchange pool facility, and (ii) the ADS Centralizing Agent will operate an exchange pool facility for the benefit of holders of Arcelor ADSs that hold a number of Arcelor ADSs that do not entitle such holders to receive a round number of New Mittal Steel Shares. The ADS Centralizing Agent will pool those fractions of New Mittal Steel Shares into an integral number of such shares and sell them on the NYSE for the account of participating holders of Arcelor ADSs, at dates to be determined but not later than 10 Business Days following the settlement date of the Offer. The proceeds of such sales will be paid to holders of Arcelor ADSs pro rata to their participation in the pool. No interest shall be paid in respect of the cash proceeds resulting from the sale and any relevant withholding tax will be deducted. Mittal Steel shall pay the brokerage and related fees and stock exchange tax connected with such exchange pool facility.

Arcelor shareholders and holders of Convertible Bonds will bear the risk that Société Générale may not be able to sell all or part of the New Mittal Steel Shares pooled in the exchange pool facility, or may sell New Mittal Steel Shares at a price lower than the Mittal Steel Reference Share Price. Arcelor ADS holders will bear the risk that the ADS Centralizing Agent may not be able to sell all or part of the New Mittal Steel Shares pooled in the exchange pool facility, or may sell New Mittal Steel Shares at a price lower than the Mittal Steel Reference Share Price.

If there is a subsequent offering period (see Subsequent Offering Period), additional exchange pool facilities will be implemented for fractional shares resulting from tenders therein.

*Issuance of New Securities*

If, between February 6, 2006 and the settlement date of the Offer, Arcelor issues any new voting securities or any new securities conferring the right to subscribe for, acquire or convert into voting



**Table of Contents**

securities (other than the securities listed above in Offer Scope and Consideration Securities covered by the Offer) (the New Securities ), Mittal Steel will (without prejudice to the provisions set forth in Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities below):

- (i) withdraw the Offer, subject to the prior consent of the European Regulators (insofar as required by applicable law); or
- (ii) extend the Offer to the New Securities, possibly after amending the terms of the Offer to reflect the changed economics; provided that (x) such amendment is (insofar as required by applicable law) subject to the prior verification by the European Regulators of the fact that it reflects the changed economics, and (y) if the terms of the Offer are so amended, Arcelor securityholders who have already tendered securities in the Offer will be entitled to withdraw their tenders as described in Offer for Arcelor Shares Primary Mixed Cash and Exchange Offer and Offer for Arcelor Shares Secondary Cash and Exchange Offers.

It is difficult to predict in which circumstances Mittal Steel would opt to withdraw the Offer and not extend it to the New Securities issued by Arcelor. In making its decision, Mittal Steel would take into account various elements, including, but not limited to, the size of the issuance and the dilutive effect of the New Securities, whether such issuance is made to all existing shareholders or instead to one or several identified investors, the price at which such New Securities are issued, and if the New Securities entitle their holders to acquire Arcelor shares, the price at which such Arcelor shares may be so acquired. In any event, such decision would be subject to the prior consent of the securities authorities as indicated above.

For purposes of illustration only, if Arcelor's Board of Directors were to issue new shares representing 10% of the share capital of Arcelor (pre-capital increase) at a discount of 1 compared to the then-applicable value of the Offer, for this example assumed to be 37.74 per Arcelor share based on a Mittal Steel share price of 26.64, Mittal Steel would have the following options: (i) extend the Offer to the newly-issued securities on the same conditions, (ii) withdraw the Offer (unless such capital increase is decided by Arcelor's Board of Directors without any specific shareholder approval (see Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities below), such withdrawal would be subject to the prior consent of the European Regulators (insofar as required by applicable law)), or (iii) extend the Offer to the newly-issued securities and amend the terms of the Offer, for example, by reducing the cash component by 0.10 [ $1 \times 10\% = 0.10$ ] per Arcelor share to 11.00 and keeping the exchange ratio unchanged at 1 New Mittal Steel Share per Arcelor share in order to take into account the dilutive effect of such capital increase. As a consequence, in this example, the relative proportion of New Mittal Steel Shares and cash offered would be 29.2% and 70.8% respectively, assuming a Mittal Steel share price of 26.64 (the closing price on May 18, 2006). Assuming such share price, this results in a reduction of the offered value per Arcelor share to 37.64, reflecting the dilution of 0.10 per Arcelor share outstanding as a result of the share issuance made by Arcelor.

In the event a share issuance is made at the then-applicable value of the Offer, for purposes of this example 37.74 per Arcelor share based on a Mittal Steel share price of 26.64, this would not dilute the value of the Offer and the Cash Portion of the Offer would therefore remain unchanged (in the event that Mittal Steel were to decide to extend the Offer to the newly issued shares).

As stated in Expiration Date below, the initial acceptance period of the Offer will be extended to end at least ten Business Days after the publication of Mittal Steel's press release announcing such extension of the Offer to the New Securities and the changes to the terms of the Offer, if any.

## **Table of Contents**

### *Maximum Cash Payable*

The maximum aggregate amount of cash payable in the Offer in respect of Arcelor shares, ADSs and Convertible Bonds, in accordance with the terms set out herein will not exceed 7.626 billion (including shares held in treasury by Arcelor). In the event that the terms of the Offer are changed or the Offer is extended to New Securities, however, this maximum amount of cash may be changed. If the Offer is extended to New Securities, this maximum amount will be increased, unless Mittal Steel then chooses to amend the terms of the Offer in accordance with subsection (ii) of Securities Covered by the Offer above by decreasing the Cash Portion of the Offer *pari passu* for all securities tendered.

### *Characteristics and Origin of the Mittal Steel Shares Offered in Consideration*

For a discussion of the origin of the New Mittal Steel Shares and the rights associated with these shares, please see Description of Mittal Steel's Share Capital and Comparison of Rights of Shareholders Under Luxembourg and Dutch Law.

### *Conditions to the Offer; Possible Withdrawal of Offer*

#### *Minimum Tender Condition*

The Offer is subject to the condition that the number of Arcelor shares (including Arcelor shares represented by Arcelor ADSs) tendered in the European Offer and the U.S. Offer, on a combined basis, represents on the date of public announcement of the results of the Offer more than 50% of the total issued share capital and voting rights of Arcelor, on a fully-diluted basis (the Minimum Tender Condition). For the purpose of calculating whether this Minimum Tender Condition has been met, the numerator will include all the Arcelor securities tendered in the European Offer and the U.S. Offer including (i) all Arcelor shares (including Arcelor shares represented by Arcelor ADSs) tendered, and (ii) the Arcelor shares underlying all tendered Convertible Bonds (taking into account the number of Arcelor shares into which the tendered Convertible Bonds could be converted on the expiration date of the initial acceptance period of the Offer). The denominator for this calculation will be comprised of Arcelor's fully-diluted share capital, including, without limitation, all issued Arcelor shares (including, but not limited to, treasury shares held by Arcelor and, for the avoidance of doubt, Arcelor shares represented by Arcelor ADSs) and all Arcelor shares underlying (i) the Convertible Bonds and (ii) all outstanding Arcelor stock options and Usinor stock options upon exercise of which the underlying Usinor shares may be exchanged for Arcelor shares (whether all such options are exercisable or not before the end of the initial acceptance period of the Offer).

Mittal Steel reserves the right to waive the Minimum Tender Condition at any time until the announcement of the results of the Offer. In the event that Mittal Steel waives the Minimum Tender Condition less than five Business Days prior to, or after, the end of the initial acceptance period, the initial acceptance period shall be extended to end at least five Business Days after publication by press release of the waiver of such Minimum Tender Condition (see Expiration Date). During any such extension of the initial acceptance period of the Offer, holders of Arcelor securities who have previously tendered may withdraw their tenders and holders who have not tendered may tender (see Withdrawal Rights of Securityholders).

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## **Table of Contents**

### *Events or Actions that Alter Arcelor's Substance*

The Offer is subject to the condition that:

- (i) between February 6, 2006 and the end of the initial acceptance period of the Offer, no exceptional event beyond the control of Mittal Steel occurs relating to Arcelor (other than any decision or action taken by competent competition authorities in relation to the currently proposed combination of Mittal Steel and Arcelor), and
- (ii) between February 6, 2006 and the settlement date of the Offer, Arcelor does not take any action that, in either case, materially alters Arcelor's substance, substantially and adversely affects the economics of the Offer or substantially and adversely affects the ability of Mittal Steel to complete the Offer.

Upon occurrence of such an event or action, Mittal Steel may withdraw the Offer, subject to the prior consent of the European Regulators (insofar as required by applicable law).

### *Shareholder Approval of New Securities*

The Offer is subject to the condition that if New Securities (as defined in *Summary Terms of the Offer Conditions*) are issued between February 6, 2006 and the settlement date of the Offer, they must be issued or specifically authorized by the shareholders' meeting of Arcelor after February 6, 2006 (in the manner required for amendment of the Articles of Association), except for (i) shares issued upon conversion of existing Convertible Bonds or upon exercise of the subscription options and exchange rights referred to in *Offer Scope and Consideration Securities Covered by the Offer* above, and (ii) securities issued in the ordinary course pursuant to management or employee incentive schemes in effect on February 6, 2006. Any failure of this condition of shareholder approval will entitle Mittal Steel to withdraw the Offer. Unless the Offer is withdrawn, it will be extended to the New Securities, possibly after amendment of its terms in accordance with *Offer Scope and Consideration Securities Covered by the Offer* above.

As described in *Offer Scope and Consideration Issuance of New Securities* above, Mittal Steel may also withdraw the Offer, subject to the prior consent of the relevant European Regulators (insofar as required by applicable law) in the event that the shareholders' meeting of Arcelor were, between February 6, 2006 and the settlement date of the Offer, to decide to issue, or specifically authorize the issuance of, New Securities prior to the settlement date of the Offer.

### *Consequences of Failure to Meet Conditions to the Offer*

The conditions listed above are for the exclusive benefit of Mittal Steel, which reserves the right to maintain the Offer, even if one or more of the conditions are not satisfied. Mittal Steel's decisions in respect of the above will be announced as follows:

- (i) the decision to invoke or waive the condition set forth in *Minimum Tender Condition*: by press release and, at the latest, in Mittal Steel's press release announcing the results of the Offer; and
- (ii) any decision to withdraw the Offer for failure of one of the conditions set forth in *Events or Actions that Alter Arcelor's Substance* and *Shareholder Approval of New Securities* above: by press release as soon as possible after the occurrence of the relevant event or action and in any event no later than the scheduled end of the initial acceptance period of the Offer (with respect to condition (i) of *Events or Actions that Alter Arcelor's Substance*) and the scheduled settlement date of the Offer (with respect to condition (ii) of *Events or Actions that Alter Arcelor's Substance* and the condition set forth in *Shareholder Approval of New Securities*).

## **Table of Contents**

If the Offer is withdrawn, or, subject to applicable regulations, lapses because any of the conditions are not met, Mittal Steel reserves the right to commence a new offer in accordance with applicable law and regulations, or not to commence a new offer, at its discretion. If the Offer is withdrawn, or, subject to applicable regulations, lapses, the Arcelor securities tendered in this Offer will be promptly returned to their holders. No indemnity, interest or any other payment shall be paid in the event of any reasonable delay in such return.

### ***Grounds for Withdrawing the Offer***

Mittal Steel may withdraw the Offer under the circumstances and conditions specified in Conditions to the Offer; Possible Withdrawal of Offer Events or Actions that Alter Arcelor's Substance and Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities above. In addition, in the event that an improved competing bid or an increased competing bid for Arcelor is approved by the relevant European Regulators, Mittal Steel reserves the right to withdraw its Offer within five Business Days following the publication of the offer document relating to such competing or improved competing bid.

If Mittal Steel withdraws its Offer, Arcelor securities tendered in the Offer shall be returned to their holders. No indemnity, interest or any other payment shall be paid in the event of any reasonable delay in such return.

### ***Expiration Date***

The initial acceptance period for the U.S. Offer will start on [ ] 2006, and will close on [ ], 2006.

The initial acceptance period of the European Offer has been set by the European Regulators. It began on May 18, 2006 (except in Spain, where the initial acceptance period began on May 24, 2006) and is scheduled to close on June 29, 2006. The initial acceptance period for the U.S. Offer and for the European Offer will close on the same date as indicated above or at the end of any extension of the initial acceptance period as set forth below. If the initial acceptance period of the European Offer is extended, Mittal Steel intends to extend the initial acceptance period of the U.S. Offer, so that the initial acceptance periods of the European Offer and the U.S. Offer expire on the same date.

Under applicable regulations, the initial acceptance period of the Offer could be extended as a result of a competing bid, an improvement in the Offer, another material change in the terms and conditions of the Offer, the adoption by Arcelor of defensive measures or otherwise to comply with applicable regulatory requirements (applicable to either the European Offer or the U.S. Offer). In the event that the initial acceptance period for the Offer is extended in accordance with applicable regulations, the last day of the initial acceptance period will be determined and published in accordance with such applicable regulations and will be the same in the European Offer and the U.S. Offer.

In addition to the above, if any of the publications set out in (i) or (ii) below occurs either less than ten Business Days prior to the end of the initial acceptance period, or after the end of the initial acceptance period, or if the publication described in (iii) below occurs either less than five Business Days prior to the end of the initial

**Table of Contents**

acceptance period, or after the end of the initial acceptance period, the initial acceptance period shall be extended to end at least ten Business Days (in the case of (i) or (ii) below) or five Business Days (in the case of (iii) below) after such publication, in order to afford Arcelor securityholders the opportunity to assess the new information and, potentially, to tender Arcelor securities not previously tendered or to withdraw their tenders:

- (i) the first public announcement by Mittal Steel of an adjustment to the consideration offered for Arcelor securities pursuant to Offer Scope and Consideration Offer for Arcelor Shares Tenders in Primary Offer or Secondary Offers Primary Mixed Cash and Exchange Offer and Tenders in Primary Offer or Secondary Offers Secondary Cash and Exchange Offers above;
- (ii) the first public announcement by Mittal Steel of Mittal Steel's extension of the Offer to New Securities issued by Arcelor after amending the terms of the Offer in accordance with Offer for Arcelor Shares and Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities; or

(iii) a supplement to this prospectus containing a material change other than those described in (i) and (ii) above.

Finally, in the event that Mittal Steel waives the Minimum Tender Condition, the initial acceptance period of the Offer will be extended for a period of at least five Business Days after the publication of Mittal Steel's press release announcing such decision (see Conditions to the Offer; Possible Withdrawal of Offer Minimum Tender Condition ).

Mittal Steel will publish a press release to announce the expiration date of the U.S. Offer, including in the event it is extended, at least five Business Days before such expiration date.

In the event that the initial acceptance period is extended, the settlement procedures (including centralization of tenders, pro-ration and allocation procedures and actual settlement) will be postponed until after the end of the initial acceptance period so extended within the same timetable as described herein.

***Withdrawal Rights of Securityholders***

Holders of Arcelor securities may revoke their orders and withdraw Arcelor securities tendered in the Offer at any time until the last day of the initial acceptance period or during any extension thereof (see Expiration Date ), including any extension arising from Mittal Steel's waiver of the Minimum Tender Condition (see Conditions to the Offer; Possible Withdrawal of Offer Minimum Tender Condition ) and extension of the Offer to New Securities (see Offer Scope and Consideration Issuance of New Securities ).

The Offer consideration could be adjusted as set forth in Offer Scope and Consideration Offer for Arcelor Securities above until and including on the day before the settlement date of the Offer. As discussed in detail in Offer Scope and Consideration Offer for Arcelor Securities and Expiration Date, any such adjustment will allow holders of Arcelor securities who have tendered their Arcelor Securities in the Offer to withdraw their tenders.

In order to so withdraw their tenders, holders who have tendered their Arcelor shares and Convertible Bonds through a financial intermediary must provide notice of withdrawal to the financial intermediary within the initial acceptance period, including any extension thereof (see

Expiration Date ). Such notice of withdrawal may be given by completing the Form of Withdrawal Request and delivering it to the financial intermediary. The financial intermediary shall notify the relevant Centralizing Agent, which shall notify the Global Centralizing Agent thereof.

## **Table of Contents**

In order to so withdraw their tenders, Arcelor ADSs holders shall deliver their withdrawal request to the ADS Centralizing Agent within the initial acceptance period, including during any extension thereof (see Expiration Date ). Arcelor ADS holders who tender according to the book-entry facility procedures of DTC must include in their withdrawal request the name and account number at DTC to be credited with the withdrawn ADSs. The ADS Centralizing Agent shall notify the Global Centralizing Agent of the withdrawal.

In order to so withdraw their tenders, shareholders directly registered in the Arcelor share register must provide notice of withdrawal to Arcelor, in its capacity as share registrar, within the initial acceptance period, including during any extension thereof (see Expiration Date ). Such notice of withdrawal may be given by completing the Form of Withdrawal Request and delivering it to Arcelor. Arcelor shall notify the Global Centralizing Agent of such withdrawal. Such shareholders must also inform the Global Centralizing Agent (by fax or email) of such decision.

During any subsequent offering period, withdrawal rights shall also apply with respect to tenders made during such subsequent offering period. Withdrawal rights shall not apply during any such subsequent offering period to Arcelor securities tendered during the initial acceptance period, since such Arcelor securities would have already been acquired by Mittal Steel on the settlement date for the initial acceptance period.

### ***Improvement of the Offer***

In the event that Mittal Steel were to improve the terms of the Offer during the initial acceptance period in an improved bid, Arcelor securityholders who had previously tendered their securities in the Offer would automatically benefit from such improvement.

### ***Subsequent Offering Period***

If, upon settlement, Mittal Steel acquires at least two-thirds of Arcelor's total share capital and voting rights, or more than 50% if there is a concurrent competing bid for the Arcelor securities, Mittal Steel may elect, subject to applicable law and regulations, to provide a subsequent offering period of the Offer of at least ten Business Days. Mittal Steel shall make such election within ten Business Days from the date on which the results of the Offer are published in the manner described in Acceptance and Return of Arcelor Securities. If it so elects, Mittal Steel will issue a press release to announce the date of opening and duration of such subsequent offering period.

In the event that Mittal Steel acquires at least 90% of Arcelor's shares, Mittal Steel will issue a press release announcing a subsequent offering period of the Offer of at least 15 Business Days. This subsequent offering period shall start within the month following the date on which the results of the Offer are published in the manner described in Acceptance and Return of Arcelor Securities. Mittal Steel will publish a press release to announce the date of opening and duration of such subsequent offering period. This mandatory offer requirement would also apply in the event that Mittal Steel were to acquire 90% of Arcelor following completion of a subsequent offering period, triggering an additional subsequent offering period.

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**Table of Contents**

As of May 22, 2006, Luxembourg law provides that in the event that, following an offer made to the holders of a Luxembourg company's voting securities, the offeror acquires control of the Luxembourg company (which, according to Luxembourg law, means acquiring 33 1/3% of the voting rights of such company, with the percentage calculated on all the company's securities except those securities that have a right to vote only in specific circumstances), the remaining securityholders of such company may tender their voting securities in the offer within the 15-day period following the publication of the final results of the offer. Accordingly, if Mittal Steel acquired control (*i.e.*, 33 1/3% of the voting rights) of Arcelor as a result of the Offer, which would be the case if the Minimum Tender Condition were satisfied, the remaining Arcelor securityholders could tender their Arcelor Securities in a subsequent 15-day offering period of the Offer starting on the day of publication of the results of the Offer (see Procedures for Tendering Arcelor Securities Centralization Procedures and Publication of Results of the Offer).

A subsequent offering period, if one is provided, will be an additional period of time beginning after Mittal Steel has acquired Arcelor securities tendered during the Offer, during which holders may tender their Arcelor securities. The terms of such subsequent offering period will differ from those provided in subsequent offering periods found in U.S. domestic tender and exchange offers pursuant to Rule 14d-11 under the Exchange Act.

During any subsequent offering period, Mittal Steel shall offer the same consideration as that offered during the initial acceptance period of the Offer (subject to the same adjustment mechanisms, *mutatis mutandis*). As in the initial acceptance period, if the consideration is adjusted during the subsequent offering period, the subsequent offering period will be extended if required so that it ends at least 10 Business Days following the announcement of such extension.

The subsequent offering period will be subject to a number of conditions and the right of Mittal Steel to terminate the subsequent offering period. Specifically, the subsequent offering period will be subject to the condition set forth in clause (ii) of Terms and Conditions of the Offer Events or Actions that Alter Arcelor's Substance and the condition set forth in Conditions to the Offer; Possible Withdrawal of Offer Shareholder Approval of New Securities. Failure of such conditions during any subsequent offering period will entitle Mittal Steel to terminate the subsequent offering period.

Moreover, the grounds available to Mittal Steel for withdrawing the Offer as described in Summary Terms of the Offer Grounds for Withdrawing the Offer will apply to any subsequent offering period. Thus, in the event that New Securities are issued after February 6, 2006 pursuant to Arcelor shareholder authorization, Mittal Steel may terminate the subsequent offering period subject to the prior consent of the relevant European Regulators, and Mittal Steel may also terminate the subsequent offering period within five Business Days following the publication of an offer document relating to a competing or an improved competing offer.

Any termination of the subsequent offering period shall not affect securities tendered during the initial acceptance period, since such securities would have been purchased on the settlement date of the initial acceptance period. If the subsequent offering period is not terminated as a result of the issuance of New Securities, the Offer will be extended to the New Securities, possibly after amendment of its terms.

During any subsequent offering period, withdrawal rights shall apply with respect to tenders made during such subsequent offering period; however, holders who previously tendered during the initial offering period will not be able to withdraw their tenders since their securities will have already been purchased.

Mittal Steel will apply to the Arcelor securities tendered during any subsequent offering period the same pro-ration and allocation procedures as that set out herein for the initial acceptance period of the

## **Table of Contents**

Offer, so as to ensure that 70.6% of the Offer consideration allotted in such subsequent offering period consists of New Mittal Steel Shares and 29.4% of the Offer consideration consists of cash, as adjusted, as the case may be, as set forth in Offer Scope and Consideration Offer for Arcelor Shares Tenders in Primary Offer or Secondary Offers. Additional exchange pool facilities shall also be implemented with respect to fractional shares resulting from tenders during such subsequent offering period, as described in Offer Scope and Consideration Fractional Shares.

The tender and settlement procedures described in Terms and Conditions of the Offer and Procedures for Tendering Arcelor Securities will apply to tenders made in any subsequent offering period.

A subsequent offering period of the Offer may only be made in the circumstances described in this section. If a subsequent offering period for the European Offer is announced, Mittal Steel intends to announce a corresponding subsequent offering period in the United States.

### **Procedures for Tendering Arcelor Securities**

The following are the procedures to tender your Arcelor shares, Arcelor ADSs or Convertible Bonds. The tender materials described below provide for the election of New Mittal Steel Shares, cash or a combination of New Mittal Steel Shares and cash in exchange for tendered Arcelor shares and Arcelor ADSs in accordance with the terms of the Primary Offer and the Secondary Offers. Arcelor shareholders who validly tender Arcelor shares or Arcelor ADSs but fail to make an election will be deemed to have elected to receive the consideration offered in the Primary Offer with respect to such Arcelor shares or Arcelor ADSs. See Terms and Conditions of the Offer.

**If you are in any doubt about the procedures for tendering Arcelor securities, please telephone the information agent at the telephone numbers set forth on the back cover of this prospectus.**

### ***Procedures for Tendering Arcelor Shares and Convertible Bonds***

*Arcelor Shares and Convertible Bonds held through U.S. Custodians.* If you hold your Arcelor shares or Convertible Bonds through a U.S. custodian, you should not complete the ADS Letter of Transmittal. Instead, your U.S. custodian should deliver to you the Share Form of Acceptance for Shares Deposited with a Financial Intermediary or the Convertible Bond Form of Acceptance for the U.S. Offer or a separate form prepared directly by the U.S. custodian. In order to accept the U.S. Offer, you must complete the Share Form of Acceptance for Shares Deposited with a Financial Intermediary or the Convertible Bond Form of Acceptance and deliver it to your U.S. Custodian before the end of the initial acceptance period. If you have not yet received instructions from your U.S. custodian, please contact your U.S. custodian directly.

*Arcelor Shares and Convertible Bonds held through European Financial Intermediaries.* If your Arcelor shares or Convertible Bonds are held through a European financial intermediary, you should not complete the ADS Letter of Transmittal. Instead, you should request the financial intermediary to deliver the Share Form of Acceptance for Shares Deposited with a Financial Intermediary or the Convertible Bond Form of Acceptance for the U.S. Offer to you. In order to accept the U.S. Offer, you must complete the Share Form of Acceptance for Shares Deposited with a Financial Intermediary or the Convertible Bond Form of Acceptance and deliver it to your financial intermediary before the end of the initial acceptance period. If you have not yet received instructions from your financial intermediary, please contact your financial intermediary directly.



## **Table of Contents**

The financial intermediaries will be required to notify the relevant local centralizing agent (a Centralizing Agent ) of tender orders received from securityholders holding Arcelor securities through them, as described below.

*Arcelor Shares held directly on Arcelor's Share Register.* Shareholders directly registered in the Arcelor share register must notify Arcelor, in its capacity as share registrar, of their decision to tender their Arcelor shares into the U.S. Offer before the end of the initial acceptance period of the Offer. In order to do so, such shareholders may complete the Share Form of Acceptance for Shares Registered Directly with Arcelor. They shall also inform the Global Centralizing Agent by sending it a copy of their acceptance form(s) (by e-mail or fax at the address and fax number provided below).

Except as otherwise provided by applicable law, if the legal ownership of the Arcelor shares or the Convertible Bonds tendered is separated from the beneficial ownership, the legal owner and the beneficial owner must jointly sign the acceptance form.

### ***Procedures for Tendering Arcelor ADSs***

*Arcelor American Depositary Receipts.* If you hold your Arcelor ADSs in the form of American Depositary Receipts ( ADRs ), you may tender your Arcelor ADSs by delivering prior to the expiration date the following materials to the ADS Centralizing Agent at its address set forth on the back cover of this prospectus:

your Arcelor ADRs;

a properly completed and duly executed ADS Letter of Transmittal, or a manually executed copy, with any required Medallion signature guarantees; and

any other documents required by the ADS Letter of Transmittal.

*Arcelor ADSs in Book-Entry Form.* If you hold your Arcelor ADSs in book-entry form, you may tender your Arcelor ADSs following the procedure for book-entry transfer described below. If you tender your Arcelor ADSs in this way, you must deliver prior to the expiration date the following materials to the ADS Centralizing Agent at its address set forth on the back cover of this prospectus:

a timely confirmation of a book-entry transfer (a book-entry confirmation ) of such Arcelor ADSs into the ADS Centralizing Agent's account at the Depository Trust Corporation, or DTC, pursuant to the procedures described below;

a properly completed and duly executed ADS Letter of Transmittal, or a manually executed copy, with any required Medallion signature guarantees, or an agent's message (as defined below); and

any other documents required by the ADS Letter of Transmittal.

The ADS Centralizing Agent will establish an account with respect to Arcelor ADSs at DTC for purposes of the Offer within two Business Days after the launch of the U.S. Offer. Any financial institution that is a participant in DTC's systems may make book-entry delivery of Arcelor ADSs by

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**Table of Contents**

causing DTC to transfer such Arcelor ADSs into the ADS Centralizing Agent's account in accordance with DTC's procedure for the transfer. You must deliver prior to the expiration date of the initial acceptance period to the ADS Centralizing Agent at one of its addresses set forth on the back cover of this prospectus: (1) the ADS Letter of Transmittal, or a manually executed copy thereof, properly completed and duly executed, together with any required Medallion signature guarantees, or (2) an agent's message in lieu of the ADS Letter of Transmittal, and any other required documents. An agent's message is a message transmitted by DTC to, and received by, the ADS Centralizing Agent as part of a book-entry confirmation. The book-entry confirmation states that DTC has received an express acknowledgment from the DTC participant tendering the Arcelor ADSs that such participant has received and agrees to be bound by the terms of the ADS Letter of Transmittal and that we may enforce such agreement against such participant.

If you are unable to comply with these procedures for book-entry transfer on a timely basis, you must comply with the notice of guaranteed delivery procedure described below. See **Guaranteed Delivery**. **Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the ADS Centralizing Agent.**

*Signature Guarantees.* Signatures on all ADS Letters of Transmittal must be guaranteed by a firm that is a member of the Medallion Signature Guarantee Program, or by any other eligible institution, as such term is defined in Rule 17Ad-15 under the Exchange Act (each of the foregoing is referred to as an eligible institution). Medallion Signature guarantees are not required in cases in which Arcelor ADSs are tendered:

by a registered holder of Arcelor ADSs who has not completed either the box entitled **Special Registration Instructions** or the box entitled **Special Delivery Instructions** on the ADS Letter of Transmittal; or

for the account of an eligible institution.

*Arcelor ADRs Held in Street Name.* If you hold Arcelor ADSs in street name through your broker, bank or custodian, you should contact your broker, bank or custodian to discuss the appropriate procedures for tendering.

*Arcelor ADRs Registered in Another Name.* If an Arcelor ADR is registered in the name of a person other than the signatory of the ADS Letter of Transmittal, the ADRs tendered for the ADSs must be endorsed or accompanied by appropriate stock powers. The stock powers must be signed exactly as the name or names of the registered owner or owners appear on the ADRs, with the signature(s) on the certificates or stock powers Medallion guaranteed as described above.

*Guaranteed Delivery.* If you desire to tender Arcelor ADSs pursuant to the U.S. Offer and your Arcelor ADRs are not immediately available or you cannot deliver such ADRs and all other required documents to the ADS Centralizing Agent prior to the expiration of the initial acceptance period, or you cannot complete the procedure for book-entry transfer on a timely basis, you may nevertheless tender such Arcelor ADSs provided that all of the following conditions are satisfied:

the tender is made by or through an eligible institution;

a properly completed and duly executed ADS Notice of Guaranteed Delivery, substantially in the form made available by us, is received by the ADS Centralizing Agent as provided below on or prior to the expiration of the initial acceptance period; and

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**Table of Contents**

the ADRs for all tendered Arcelor ADSs or a confirmation of a book-entry transfer of all such ADSs into the ADS Centralizing Agent's account at DTC as described above, in proper form for transfer, together with a properly completed and duly executed ADS Letter of Transmittal or a manually executed copy, with any required Medallion signature guarantee or, in the case of a book-entry transfer, an agent's message and all other documents required by the ADS Letter of Transmittal, are received by the ADS Centralizing Agent within three NYSE trading days after the date of execution of such ADS Notice of Guaranteed Delivery.

The ADS Notice of Guaranteed Delivery may be delivered by hand or transmitted by facsimile transmission to the ADS Centralizing Agent. The ADS Notice of Guaranteed Delivery must in all cases include a Medallion guarantee by an eligible institution in the form set forth in such notice. Delivery of documents to DTC in accordance with its procedures does not constitute delivery to the ADS Centralizing Agent.

*Partial Tenders.* If you wish to tender fewer than all of your Arcelor ADSs that you deliver to the ADS Centralizing Agent, you should indicate this in the ADS Letter of Transmittal by filling in the number of ADSs that are to be tendered in the column entitled "Number of Arcelor ADSs Tendered" in the box entitled "Description of Arcelor American Depositary Shares (ADSs) Tendered." In such case, a new ADR for the remainder of the Arcelor ADSs will be sent to the person(s) signing such ADS Letter of Transmittal, or delivered as such person(s) properly indicate(s) thereon, as promptly as practicable following the date the tendered ADSs are accepted for payment.

If you do not specify otherwise in the ADS Letter of Transmittal, Mittal Steel will assume that you intend to tender all of the ADSs that you deliver to the ADS Centralizing Agent. In the case of partial tenders, Arcelor ADSs not tendered will not be reissued to a person other than the registered holder.

***Centralization Procedures and Publication of Results of the Offer***

The following centralization procedures, which have been established in coordination with the common security depositories, will apply:

for Arcelor shares and Convertible Bonds held through a direct participant of Clearstream Banking, *société anonyme*, Luxembourg (Clearstream Luxembourg) or Euroclear Bank, each of the financial intermediaries that is a member of Clearstream Luxembourg or Euroclear Bank and has received one or more tenders will notify such tenders broken down per offer (the Primary Offer, each of the Secondary Offers and the offer for the Convertible Bonds) to Clearstream Banking or Euroclear Bank, respectively, which in turn will pass on this information to the Luxembourg Centralizing Agent (as defined below);

for Arcelor shares and Convertible Bonds held through a direct participant of Euroclear France S.A. (Euroclear France), each of the financial intermediaries that is a member of Euroclear France and has received one or more tenders will notify such tenders broken down per offer (the Primary Offer and each of the Secondary Offers) to the French Centralizing Agent (as defined below) and credit the tendered Arcelor Securities to an account opened with Euroclear France in the name of the French Centralizing Agent;

for Arcelor shares and Convertible Bonds held through a direct participant of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores S.A.* (Iberclear), each of the financial intermediaries that is a member of Iberclear and has received one or more tenders will notify such tenders broken down per offer (the Primary Offer and each of the Secondary Offers) to the Spanish Centralizing Agent (as defined below);

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**Table of Contents**

for Arcelor shares and Convertible Bonds held through a direct participant of CIK S.A./N.V. ( Euroclear Belgium ), each of the financial intermediaries that is a member of Euroclear Belgium and has received one or more tenders will notify such tenders broken down per offer (the Primary Offer and each of the Secondary Offers) to the Belgian Centralizing Agent (as defined below) and credit the tendered Arcelor Securities to an account opened with Euroclear Belgium in the name of the Belgian Centralizing Agent; and

for Arcelor ADSs held in the form of ADRs (as defined below), the ADR holder, and for Arcelor ADSs held in book-entry form through a participant of The Depository Trust Company (DTC), each of the financial intermediaries that is a participant of DTC and has received one or more orders, must submit them to the ADS Centralizing Agent (as defined below).

All the financial intermediaries listed above must report tenders received per type of offer (and subsequent withdrawals, if any) to the relevant Centralizing Agent by close of business on the third Business Day following the end of the initial acceptance period, as per the instructions given by such relevant Centralizing Agent (which may, in particular, provide for a shorter deadline).

The above tender (and withdrawal) information received by the Centralizing Agents, as well as by Arcelor in its capacity as share registrar, must be notified by the Centralizing Agents and Arcelor, respectively, to the Global Centralizing Agent by close of business on the fourth Business Day following the end of the initial acceptance period.

Once all of the tender information relating to the European Offer and the U.S. Offer has been centralized by the Global Centralizing Agent in the manner described above, the Global Centralizing Agent shall complete the pro-ration and allocation procedures (see Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Shares Pro-Ration and Allocation Procedures ) and calculate the results of the Offer, broken down by type of offer. The Global Centralizing Agent will notify such results to the Centralizing Agents, which will then notify them to the competent authorities in their respective jurisdictions within eight Business Days following the expiration of the initial acceptance period of the Offer.

The final results of the Offer are expected to be published approximately nine Business Days following the expiration of the initial acceptance period of the Offer, in a coordinated manner in all the jurisdictions involved, in the manner described below:

in Luxembourg, by Mittal Steel through a press release;

in Belgium, by Mittal Steel through publication in a newspaper of national circulation;

in Spain, by the CNMV through a posting on its website (followed by a publication in the Listing Bulletins (*Boletines de Cotización*) of the Spanish Stock Exchanges);

in France, by Mittal Steel through a press release, as well as through a posting on the AMF's and Mittal Steel's respective websites and through publication in Euronext Paris notices; and

in the United States, by Mittal Steel through a press release.

## **Table of Contents**

In the event that the initial acceptance period is extended as described in Expiration Date below, the above steps (including the centralization of tenders by the Centralizing Agents and the Global Centralizing Agent, the completion of the pro-ration and allocation procedures, the notification of the results to the Centralizing Agents and the securities authorities) and the actual settlement of the Offer shall be postponed until after the end of the extended initial acceptance period.

On the settlement date of the Offer, the New Mittal Steel Shares to be delivered to, and the cash consideration to be paid to, tendering ADS holders will be transferred to the ADS Centralizing Agent for delivery and payment to the ADS holders as described below in Delivery of New Mittal Shares and Cash. Such New Mittal Steel Shares shall first be credited to the New York Share register of Mittal Steel maintained by The Bank of New York, as New York registrar and paying agent for Mittal Steel, for entry into Mittal Steel's New York Share register.

The Global Centralizing Agent and the Centralizing Agents are:

- (i) Société Générale (the Global Centralizing Agent), which may be contacted by e-mail at tender.cent@socgen.com and by fax at +33.2.51.85.56.14;
- (ii) Luxembourg: HSBC Trinkaus (the Luxembourg Centralizing Agent);
- (iii) France: Société Générale (the French Centralizing Agent);
- (iv) Belgium: Bank Degroof (the Belgian Centralizing Agent);
- (v) Spain: Caja Madrid Bolsa (the Spanish Centralizing Agent); and
- (vi) Worldwide for Arcelor ADSs: The Bank of New York (the ADS Centralizing Agent).

### ***Validity of Transfers***

In tendering Arcelor securities, each holder and, in the case of Spain, each financial intermediary that is a member of Iberclear and submits tender orders, will be deemed to represent and warrant that it has full power and authority to tender, sell, assign and transfer its Arcelor securities (and any distributions) and that it tenders good, marketable and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and the same will not be subject to any adverse claim.

In tendering Arcelor securities, each holder will also be deemed to represent and warrant that it is able to tender its Arcelor Securities in the Offer under the applicable laws and regulations of the jurisdiction in which it is located.

### **Acceptance and Return of Arcelor Securities**

In the event that the Offer is not withdrawn or, subject to applicable regulations, does not lapse, Mittal Steel will be deemed to have accepted Arcelor securities validly tendered on the expiration date of the initial acceptance period, as set forth in the final results of the Offer published in the manner described in Procedures for Tendering Arcelor Securities. Title to the Arcelor securities shall pass to Mittal Steel on the settlement date. Thereafter, the ADSs will be presented to the Arcelor Depository for cancellation by the ADS Centralizing Agent to withdraw the underlying shares, which will be transferred to Mittal Steel's account.

## **Table of Contents**

Subject to the terms and conditions of the Offer, the Offer consideration (*i.e.*, New Mittal Steel Shares and/or cash) will be transferred on the settlement date to the account of the financial intermediaries that tendered the Arcelor shares and Convertible Bonds and to the ADS Centralizing Agent with respect to tendered Arcelor ADSs. The Offer consideration will subsequently be transferred to the accounts of the Arcelor securityholders as described below. No interest shall be paid on the Offer consideration in the event of any reasonable delay in payment thereof.

If any Arcelor securities tendered in accordance with the instructions set forth in the Offer materials are not accepted for exchange pursuant to the terms and conditions of this Offer, we will cause those Arcelor securities to be returned in accordance with the procedures outlined in such materials.

### **Delivery of New Mittal Steel Shares and Cash**

In the event that the Offer is not withdrawn or, subject to applicable regulations, does not lapse, the Global Centralizing Agent will deliver New Mittal Steel Shares and cash to the financial intermediaries that tendered the Arcelor securities and the ADS Centralizing Agent promptly following the publication of the final results of the Offer in the manner described in paragraph Acceptance and Return of Arcelor Securities.

The results of the Offer should be published approximately nine Business Days following the expiration of the initial acceptance period of the Offer in the manner described in paragraph Acceptance and Return of Arcelor Securities above, once all tenders received by the Centralizing Agents have been centralized by the Global Centralizing Agent and the allocation and pro-ration procedures described in section Offer for Arcelor Shares Pro-Ration and Allocation Procedure above have been completed. If the Offer is consummated, the final settlement date for the Offer shall be set in accordance with the requirements of the European Regulators rather than U.S. practice at a date which shall take place within thirteen Business Days following the expiration of the initial acceptance period of the Offer (or, in the event that the initial acceptance period has been extended, the expiration of the extended initial acceptance period), *i.e.*, approximately four Business Days after the publication of the results of the Offer (see Procedures for Tendering Arcelor Securities) in order to allow for the allocation of the Offer consideration on a per account basis by each financial intermediary concerned. The settlement date shall be the same for the European Offer and the U.S. Offer.

On the settlement date of the Offer, as described in Description of Mittal Steel's Share Capital New Class A Common Shares, the New Mittal Steel Shares will be issued by way of a private deed pursuant to a resolution of the Board of Directors of Mittal Steel. All Dutch law formalities with respect to the issuance of the New Mittal Steel Shares can be completed on the same day (see Description of Mittal Steel's Share Capital New Class A Common Shares ).

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**Table of Contents**

***Arcelor Shares and Convertible Bonds***

On the settlement date, delivery of the New Mittal Steel Shares in exchange for Arcelor shares and Convertible Bonds tendered through Euroclear Belgium, Euroclear France, Clearstream Luxembourg, Euroclear Bank and Iberclear will take place through the book-entry facilities of Euroclear Nederland, with which the New Mittal Steel Shares will be deposited. The New Mittal Steel Shares will be credited, on the same day, to the accounts of (i) Euroclear Bank, which then will credit the respective accounts of Euroclear Belgium, which in turn will credit the account of the Belgian Centralizing Agent; Euroclear France, which in turn will credit the account of the French Centralizing Agent; and its other participants, (ii) Clearstream Luxembourg (through its custodian), and (iii) Iberclear, which in turn will credit the account of the Spanish Centralizing Agent, in each case, pro rata the number of Arcelor shares and Convertible Bonds tendered through each of them. The cash portion of the Offer consideration to be paid in exchange for Arcelor shares and Convertible Bonds tendered through Euroclear Belgium, Euroclear France, Clearstream Luxembourg, Euroclear Bank and Iberclear will be deposited with the Centralizing Agents on the settlement date of the Offer at the latest.

The New Mittal Steel Shares will be delivered, and the cash consideration will be paid, to holders of Arcelor shares and Convertible Bonds in exchange for their Arcelor shares and Convertible Bonds, as the case may be, in the following manner, which has been established in coordination with the common security depositaries:

(i) for Arcelor shares and Convertible Bonds held through a direct participant of Clearstream Luxembourg or Euroclear Bank, the Luxembourg Centralizing Agent will, on the settlement date, (a) instruct Clearstream Luxembourg and Euroclear Bank to deliver the New Mittal Steel Shares to their respective participants' accounts, and (b) pay the cash consideration to Clearstream Luxembourg and Euroclear Bank, which will credit their respective participants' accounts. Such financial intermediaries will then make the appropriate credits to the accounts of the relevant Arcelor securityholders;

(ii) for Arcelor shares and Convertible Bonds held through a direct participant of Euroclear France, the French Centralizing Agent will, on the settlement date, deliver the New Mittal Steel Shares and pay the cash consideration to the financial intermediaries that are participants in Euroclear France and that have notified one or more tenders. Such financial intermediaries will then make the appropriate credits to the accounts of the relevant Arcelor securityholders;

(iii) for Arcelor shares and Convertible Bonds held through a direct participant of Iberclear, the Spanish Centralizing Agent will, on the settlement date, deliver the New Mittal Steel Shares and pay the cash consideration to the financial intermediaries that are participants in Iberclear and that have notified one or more tenders. Such financial intermediaries will then make the appropriate credits to the accounts of the relevant Arcelor securityholders;

(iv) for Arcelor shares and Convertible Bonds held through a direct participant of Euroclear Belgium, the Belgian Centralizing Agent will, on the settlement date, deliver the New Mittal Steel Shares and pay the cash consideration to the financial intermediaries that are participants in Euroclear Belgium and that have notified one or more tenders. Such financial intermediaries will then make the appropriate credits to the accounts of the relevant Arcelor securityholders; and

(v) if a shareholder tendering his or her Arcelor shares is registered directly in Arcelor's shareholders' register, the New Mittal Steel Shares to be delivered to such shareholder will be directly registered in his or her name in Mittal Steel's shareholders' register (and the cash consideration paid to the bank accounts notified by such shareholder to Arcelor, in its capacity as share registrar and which Arcelor shall notify to the Global Centralizing Agent) upon delivery of his or her Arcelor shares to Mittal Steel.

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## **Table of Contents**

### ***Arcelor ADSs***

On the settlement date, the portion of the New Mittal Steel Shares to be delivered and the portion of the cash portion of the Offer consideration to be paid in exchange for Arcelor ADSs tendered through the ADS Centralizing Agent will be deposited with the ADS Centralizing Agent. The New Mittal Steel Shares will be delivered and cash will be paid to holders of Arcelor ADSs by the ADS Centralizing Agent. Arcelor ADS holders will receive the U.S. dollar equivalent of any cash consideration, calculated by converting the applicable amount in euros into U.S. dollars using the noon buying rate, as published by the Federal Reserve Bank of New York, on the business day prior to the settlement date, less any required withholding taxes and without interest thereon.

*Arcelor ADRs.* If you tendered your ADSs by delivering an ADR as described above under Procedures for Tendering Arcelor Securities Procedures for Tendering ADSs Arcelor ADRs, you will receive a check for any cash consideration you are allotted and you will receive a certificate for any New Mittal Steel Shares, listed on the NYSE, you are allotted.

*Arcelor ADSs in Book-Entry Form.* If you tendered your ADSs by following the procedure described in Procedures for Tendering Arcelor Securities Procedures for Tendering ADSs Arcelor ADSs in Book-Entry Form, you will receive any cash consideration you are allotted as well as any New Mittal Steel Shares, listed on the NYSE, you are allotted, in book-entry form.

### **Source and Amount of Funds**

#### ***Guarantee of Cash Component of the Offer***

In accordance with Article 3, first paragraph 1, 2<sup>o</sup> of the Belgian Royal Decree of November 8, 1989, relating to takeover bids and to the change of control of companies, and with Article 11 of the Spanish Royal Decree 1197/1991 of July 26 on the Regulation of Takeover Bids, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (also known as Rabobank), acting through its Belgian and Spanish Branches, has irrevocably and unconditionally guaranteed the Cash Portion of the Offer to be paid to shareholders tendering their shares in Belgium and Spain, up to an amount of 7.630 billion.

#### ***Acquisition Financing Agreements***

On January 30, 2006, Mittal Steel entered into a new 5 billion (approximately \$6.1 billion) credit agreement (as amended and restated on February 3, 2006, February 17, 2006, May 10, 2006 and May 23, 2006) with HSBC Bank plc, as facility agent; Citigroup Global Markets Limited, Goldman Sachs International, Société Générale Corporate & Investment Banking, Commerzbank Aktiengesellschaft, Credit Suisse (an affiliate of Credit Suisse Securities (USA) LLC) and HSBC Bank plc, as mandated lead arrangers; certain financial institutions as original lenders; and Rabobank as the issuing bank (the Initial Acquisition Financing Agreement).

On May 23, 2006, Mittal Steel entered into a new 2.8 billion (approximately \$3.4 billion) credit agreement with the same parties (the Additional Acquisition Financing Agreement and, together with the Initial Acquisition Financing Agreement, the Acquisition Financing Agreements). The terms and conditions of the Additional Acquisition Financing Agreement are substantially the same as those of the Initial Acquisition Financing Agreement, other than its term.



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**Table of Contents**

The Acquisition Financing Agreements are unsecured and make available acquisition finance facilities of up to 5 billion (approximately \$6.1 billion) (in the case of the Initial Acquisition Financing Agreement) and 2.8 billion (approximately US\$3.4 billion) (in the case of the Additional Acquisition Financing Agreement). The purpose of each Acquisition Financing Agreement is to partially finance the Cash Portion of the Offer (or, in accordance with the terms of the Acquisition Financing Agreements, to cash collateralize the indemnity obligations of Mittal Steel to Rabobank as guarantor of the Cash Portion of the Offer in an amount up to 4.875 billion (in the case of the Initial Acquisition Financing Agreement) and 2.755 billion (in the case of the Additional Acquisition Financing Agreement)) and the transaction costs relating thereto. Each agreement has a certain funds clause that allows Mittal Steel to draw down the funds subject only to essentially documentary conditions that have already been satisfied or are within Mittal Steel's control. The portion of the facilities (if any) that are not used for the Cash Portion of the Offer (or for cash collateral) and related costs can be used to refinance existing indebtedness of Arcelor. The Additional Acquisition Financing Agreement will be utilized subsequent to the utilization of the facilities under the Initial Acquisition Financing Agreement.

The Initial Acquisition Financing Agreement comprises three term facilities of equal amount, being a 364-day term facility, which can be extended by 364 days, a three-year term facility and a five-year term facility. Interest is payable at EURIBOR or LIBOR plus a margin, based on a rating grid ranging from 0.475% to 0.925%. At Mittal Steel's current ratings, the margins for the three maturities would amount to 0.533%, 0.583% and 0.633%, respectively.

The Additional Acquisition Financing Facility Agreement contains a single term facility to be repaid on December 15, 2006, which can be extended by 364 days. Interest is payable at EURIBOR or LIBOR plus a margin, based on a rating grid ranging from 0.475% to 0.75%. At Mittal Steel's current ratings, the margin would amount to 0.533%.

Assuming the Offer is successful and Mittal Steel draws down on these facilities, Mittal Steel will have interest payments to make at the end of each interest period, as well as significant principal repayments to make on December 15, 2006 and at the end of the 364-day term (unless those facilities are extended by 364 days), year three and year five. Such interest and principal repayments will be made out of existing resources, cash flow and/or refinancing of the facilities. As of December 31, 2005, Mittal Steel's cash and cash equivalents, restricted cash (\$100 million) and short-term investments, amounted to \$2.1 billion, and as of March 31, 2006, amounted to approximately \$2.2 billion. In addition, Mittal Steel, including its operating subsidiaries, had available borrowing capacity under existing debt facilities of \$1.5 billion as of December 31, 2005 and \$2.3 billion as of March 31, 2006.

Arcelor is not assuming any debt incurred by Mittal Steel to finance the Offer or guaranteeing the financing of the Offer, and there is no covenant that would require Arcelor to become a guarantor of the debt incurred pursuant to the Acquisition Financing Agreements. Upstream dividends from Arcelor may be used following completion of a successful Offer as part of the debt servicing cash flow. Mittal Steel has guaranteed the obligations of all borrowers under the Acquisition Financing Agreements but neither it nor any of its subsidiaries has granted security over any of its assets or the assets of any of its subsidiaries in favor of the lenders in respect of the obligations under the Acquisition Financing Agreements. Mittal Steel is not required to grant security over any shares it obtains in Arcelor pursuant to the Acquisition Financing Agreements and it has no intention to do so.

The terms and conditions of the Acquisition Financing Agreements are customary for these types of facilities, and the material terms of the agreements are summarized herein. For example, each Acquisition Financing Agreement includes customary negative covenants, subject to exceptions, which restrict Mittal Steel's ability to carry out certain transactions, such as:

the creation by the Mittal Steel group of security interests on its assets;

**Table of Contents**

the disposal by any member of the Mittal Steel group of all or any part of its assets, subject to certain exceptions that include the contemplated sale of shares of Dofasco to ThyssenKrupp;

the incurrence by Mittal Steel subsidiaries of financial indebtedness above a certain amount; and

the merger, demerger or amalgamation of certain members of the Mittal Steel group that are obligors under the Acquisition Financing Agreement, other than with another member of the Mittal Steel group or where the surviving entity is bound by the obligations of that obligor under the Acquisition Financing Agreement.

The first three of the negative covenants listed above would apply to Arcelor from the settlement date of the Offer, assuming Mittal Steel acquires more than 50% of the voting rights of Arcelor. The last of the negative covenants listed above would apply to Arcelor in the event that it becomes an additional borrower (and, thus, an obligor) under the relevant Acquisition Financing Agreement following the settlement date of the Offer. (If Arcelor becomes a wholly-owned subsidiary of Mittal Steel, Arcelor could become an additional borrower in the event that it wished to borrow funds available to the Mittal Steel group under the Acquisition Financing Agreement.) Each agreement provides for a clean up period, during which Mittal Steel will have a period commencing on the first settlement date and ending on the date falling 90 days after the final settlement date during which Mittal Steel will not be in default if the aggregate of Arcelor's existing financial indebtedness exceeds the amount permitted under the agreement.

Each Acquisition Financing Agreement also includes customary positive covenants relating to Mittal Steel during and following the Offer requiring, among other things and subject to certain exceptions, that:

each member of the Mittal Steel group that is an obligor under the agreement obtain, maintain and comply with the terms of any authorization required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, the agreement and certain related documents;

each member of the Mittal Steel group comply with all laws to which it is subject where the failure to so comply has, or is reasonably likely to have, a material adverse effect (as defined in the agreement);

each member of the Mittal Steel group that is an obligor under the agreement ensure that its payment obligations under the agreement and certain related documents rank at least *pari passu* with all its other present and future unsecured payment obligations, except for those obligations mandatorily preferred by law applying to companies generally;

Mittal Steel ensure that no material change is made to the general nature of its business or that of its group (including Arcelor following a successful Offer);

each member of the Mittal Steel group comply with all environmental laws and approvals applicable to it, where the failure to do so has, or is reasonably likely to have, a material adverse effect or result in liability for a finance party (as defined in the agreement);

each obligor and each material subsidiary insure its business and material assets with reputable independent insurance companies or underwriters to such an extent and against those risks as is usual for companies carrying on the same or a substantially similar business;

## **Table of Contents**

Mittal Steel provide the facility agent, among other documents, with copies of specified audited annual and unaudited interim financial statements for itself and, in the case of audited annual financial statements, each member of the Mittal Steel group that is an obligor under the agreement; and

Mittal Steel supply the facility agent with a compliance certificate with each set of its annual and interim financial statements sent to the facility agent, setting forth its compliance with the financial covenants under the agreement described below.

In the event that Arcelor becomes an additional borrower under an Acquisition Financing Agreement following the settlement date of the Offer, the positive covenants in the agreement that apply to obligors would apply to Arcelor. In addition, following the settlement date of the Offer, if Mittal Steel were to control more than 50% of the voting rights of Arcelor, Arcelor would become a member of the Mittal Steel group and the positive covenants in the agreement that apply to members of the Mittal Steel group would apply to Arcelor. Moreover, following the settlement date of the Offer, it is likely that Arcelor would qualify as a material subsidiary under the terms of the Acquisition Financing Agreements, and any positive covenants listed above that apply to material subsidiaries of Mittal Steel would apply to Arcelor.

In addition to the positive covenants listed above, Mittal Steel has agreed, with respect to the Offer and subject to obtaining the required consents to do otherwise, to comply with its obligations with respect to the Offer; to make regulatory filings promptly in connection with the Offer; to ensure that the Offer documentation filed with the various regulatory authorities is consistent with the drafts of such materials delivered to the mandated lead arrangers prior to the first drawdown of funds; not to release information concerning the mandated lead arrangers or lenders by press release without previously consulting with the mandated lead arrangers and facility agent (unless required by law to do so); not to amend, waive or vary the terms of the Offer; to request a drawing under the Refinancing Agreement in order to refinance the 2005 Bridge Finance Facility (on or prior to the first settlement date); and to ensure that all conditions to the Offer have been satisfied. The Acquisition Financing Agreements contain no obligation to sell Dofasco or to restructure the Mittal Steel group following settlement of the Offer, although Mittal Steel is permitted to do so.

Finally, each Acquisition Financing Agreement includes customary financial covenants requiring Mittal Steel to ensure that the ratio of its consolidated total net borrowings to consolidated EBITDA (as defined therein) is not greater than 2.5 to 1 and that the ratio of its consolidated EBITDA to its consolidated net interest payable is greater than 4 to 1.

The Acquisition Financing Agreements contain no restrictions on the payment of dividends by Mittal Steel or the members of its group.

In addition to the customary covenants described above, each Acquisition Financing Agreement provides for mandatory pre-payment in whole or part in certain circumstances, including:

a change of control of Mittal Steel (as defined therein, which includes the Mittal family ceasing to hold more than 35% of the voting rights of Mittal Steel);

the sale of shares or assets of Arcelor (other than a sale of the Dofasco shares to ThyssenKrupp) and, in the case of assets, where the proceeds are in excess of 50 million;

**Table of Contents**

the sale of certain assets (excluding the Arcelor shares) by any member of the Mittal Steel group (excluding members of the Arcelor group), where the proceeds are not less than \$200 million;

the borrowing by any member of the Mittal Steel group under any new loan facility, subject to exceptions including financial indebtedness the proceeds of which, when aggregated with the proceeds of any debt securities described immediately below which are not applied in prepayment of the facility, are less than \$750 million; and

the issuance, in certain cases, of equity or debt securities by any member of the Mittal Steel group, where the proceeds of such issuance are not less than \$250 million and \$750 million, respectively (in the case of debt securities, when aggregated with the proceeds of any loan facility described immediately above which are not applied in prepayment of the facility), or the issuance of debt securities issued to refinance amounts outstanding under the Additional Acquisition Financing Agreement.

Each Acquisition Financing Agreement also contains events of default customary for facilities of this nature including the following:

the failure of an obligor to pay, interest and other amounts within five business days of when due (and if such non-payment was due to technical or administrative error);

the failure of Mittal Steel to comply with any covenant under the agreement;

the failure of an obligor to comply with any other term of the agreement and related documentation, unless remedied within 21 days of notice of the breach by the facility agent to Mittal Steel or of the obligor becoming aware of the non-compliance;

if a representation made or repeated by an obligor is materially incorrect;

with respect to any obligor or material subsidiary of Mittal Steel, the cross acceleration of other indebtedness having an aggregate outstanding principal amount of \$50 million or its equivalent;

the bankruptcy or insolvency of an obligor or material subsidiary of Mittal Steel;

the cessation of, or the threat of cessation of, the business of an obligor or a material subsidiary of Mittal Steel;

the unenforceability of the agreement and related documentation; and

if an obligor is not, or ceases to be, a subsidiary of Mittal Steel.

*Refinancing Agreement*

Concurrently with the Initial Acquisition Financing Agreement, Mittal Steel entered into a 3 billion (approximately \$3.7 billion) credit agreement with HSBC Bank plc, as facility agent; Citigroup Global Markets Limited, Goldman Sachs International, Société Générale Corporate & Investment Banking, Commerzbank Aktiengesellschaft, Credit Suisse (an affiliate of Credit Suisse Securities (USA) LLC) and HSBC Bank plc, as mandated lead arrangers; and certain financial institutions as original lenders (as amended and restated on February 17, 2006, May 10, 2006 and May 23, 2006, the Refinancing Agreement ).



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**Table of Contents**

The purpose of the Refinancing Agreement is to refinance the amounts outstanding under the 2005 Bridge Finance Facility. As of December 31, 2005, the 2005 Bridge Finance Facility was fully drawn. One of the terms of the 2005 Bridge Finance Facility is that if Mittal Steel enters into a new loan such as the Initial Acquisition Financing Agreement, the proceeds of such loan must be used to refinance the 2005 Bridge Finance Facility. As a result, the 3 billion (approximately \$3.7 billion) available under the Refinancing Agreement must be drawn first to repay the 2005 Bridge Finance Facility, before any amounts are drawn on the Initial Acquisition Financing Agreement. After repayment of the 2005 Bridge Finance Facility, Mittal Steel may also utilize the facilities under the Refinancing Agreement to refinance existing indebtedness of the Mittal Steel group, which will include Arcelor if Mittal Steel acquires more than 50% of the voting rights of Arcelor. The amount remaining under the Refinancing Agreement after the repayment of the 2005 Bridge Finance Facility will depend on the \$/ exchange rate at that time. For example, at an exchange rate of 1.2 \$/ , there would be \$100 million remaining.

The Refinancing Agreement contains three facilities of equal amount with maturities that are similar to those of the Initial Acquisition Financing Agreement. Interest is also payable at EURIBOR or LIBOR plus a margin, based on the same rating grid as that of the Initial Acquisition Financing Agreement.

The terms and conditions of the Refinancing Agreement are customary for these types of facilities and are substantially the same as those of the Acquisition Financing Agreements set out above, except for the Offer-related covenants and the requirement noted above that the Refinancing Agreement be drawn to repay the 2005 Bridge Finance Facility prior to any draw down under the Initial Acquisition Financing Agreement.

*Financing Brazilian mandatory offers*

As noted in Required Purchase of Minority Shareholdings in Arcelor Brasil S.A. and Acesita S.A., Arcelor's two Brazilian Subsidiaries, upon completion of the Offer, Brazilian law will require Mittal Steel to offer to purchase all of the outstanding voting shares of Arcelor's two Brazilian subsidiaries, Arcelor Brasil and Acesita. The financing for these Brazilian mandatory offers has no effect on the financing of the Offer. Such mandatory offers will be financed out of one or more of existing resources, cash flow and proceeds of new financings.

*Impact of Offer financing*

It is possible that some of Arcelor's outstanding debt may require refinancing following completion of the Offer, although Mittal Steel has not had access to all the information it needs to assess whether change-of-control provisions exist or would be triggered. In addition, certain of Mittal Steel's outstanding debt (including the 2005 Credit Facility and its \$800 million letter of credit facility but not the Acquisition Financing Agreements or the Refinancing Agreement (which have a 35% threshold)) contain change-of-control provisions that would be triggered if the Mittal family's voting rights in Mittal Steel were to decrease below 50% of the voting shares of Mittal Steel. The change-of-control provisions require Mittal Steel to offer to repay any outstanding debt and cancel available commitments, and the relevant lenders have the right to accept the offer of repayment on an individual basis. Mittal Steel does not expect that by that time and under those circumstances a significant number of its lenders would accept such prepayment offer and does not anticipate difficulty in refinancing the amounts held by lenders that accept the offer.

## **Table of Contents**

### **Fees and Expenses**

Except as set forth below, Mittal Steel will not pay any fees or commissions to any broker or other person soliciting tenders of Arcelor securities pursuant to the Offer.

Financial intermediaries will be paid a fee, net of tax, of 0.2 per Arcelor share tendered in the Offer, in a minimum amount of 10 per account and up to a maximum amount of 200 per account. This fee will not be paid in the event that the Offer is withdrawn, or, subject to applicable regulations, lapses.

Such fee will apply to Arcelor shares tendered for a financial intermediary's own account.

If the Offer is withdrawn, all reasonable expenses incurred by Arcelor securityholders for the purpose of tendering Arcelor securities in the Offer, as well as the costs associated with the return of such Arcelor securities to such securityholders shall be borne by Mittal Steel.

Goldman, Sachs & Co., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc. and SG Americas Securities, LLC are acting as dealer managers in connection with the U.S. Offer and they or certain of their affiliates have provided certain financial advisory services to Mittal Steel in connection with the transactions. Goldman, Sachs & Co., Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, HSBC Securities (USA) Inc. and SG Americas Securities, LLC and certain of their affiliates will receive reasonable and customary compensation for their services as financial advisors and dealer managers. We will indemnify the financial advisors and their affiliates against specified liabilities and expenses in connection with the Offer, including liabilities under the U.S. federal securities laws.

We have also retained D.F. King & Co., Inc. to act as information agent in connection with the Offer. The information agent may contact holders of Arcelor securities by mail, telephone, telex, fax, e-mail and personal interview and may request brokers, dealers and other nominee shareholders to forward these Offer materials to owners of Arcelor securities. The information agent will receive reasonable and customary fees for these services, plus reimbursement of out-of-pocket expenses.

We have retained The Bank of New York to act as ADS Centralizing Agent in connection with the U.S. Offer. We will pay the ADS Centralizing Agent reasonable and customary compensation for its services in connection with the Offer, plus reimbursement for out-of-pocket expenses. We will reimburse brokers, dealers, commercial banks and trust companies for customary mailing and handling expenses incurred by them in forwarding material to their customers.

We will indemnify the information agent and the ADS Centralizing Agent against certain liabilities and expenses in connection with the U.S. Offer, including liabilities under the U.S. federal securities laws.

Indemnification for liabilities under the U.S. federal securities laws may be unenforceable as against public policy.

The amount of all fees, costs and expenses incurred by Mittal Steel in connection with the Offer, including the fees and disbursements of its financial advisors, auditors, legal counsel and other advisors, and the fees and expenses associated with public relations and publicity and other transaction-related expenses, are estimated in the aggregate to be approximately \$100 million. They will mainly be financed by drawings under the Acquisition Financing Agreement described in "Source and Amount of Funds" above.

## **Table of Contents**

### **Listing of Mittal Steel Shares**

Mittal Steel's shares are currently listed on Euronext Amsterdam and the NYSE. Subject to the completion of the Offer, Mittal Steel will apply to list its class A common shares of European Registry on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange, and the Spanish Stock Exchanges, in addition to its current listings on Euronext Amsterdam and the NYSE, with effect from the opening of trading on the respective exchanges on the settlement date of the Offer. To this effect, on the settlement date, the New Mittal Steel Shares will be credited to the accounts of Euroclear Bank and Iberclear opened with Euroclear Nederland on or before 8:00 a.m. and to the account of Clearstream Luxembourg (through its custodian) in order to allow for the concurrent listing of Mittal Steel shares on Euronext Amsterdam, Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges as from the opening of trading on the respective exchanges on the same day.

### **Delisting; Termination of Arcelor ADR Program; Possible Redemption of Convertible Bonds**

If, as a result of the Offer, there is no longer an active trading market for the Arcelor shares and Convertible Bonds, these securities may no longer meet the requirements for continued listing of the security exchanges on which they are listed. To the extent permitted under applicable law and stock exchange regulations, Mittal Steel may petition to cause the delisting of the Arcelor shares and Convertible Bonds on such exchanges where they are admitted to trading. Any such petition for delisting would be subject to the approval of such exchanges. Furthermore, subject to the completion of the Offer, Mittal Steel intends to cause Arcelor to terminate its deposit agreement with respect to the Arcelor ADR program.

Delisting Arcelor securities after completion of the Offer will depend on the laws and regulations applicable to the stock exchanges where those Arcelor securities are currently listed. It is not possible to specify in advance the post-Offer residual minority shareholding percentage or trading volume that would either require or permit a delisting, since there is no bright-line minimum threshold for delisting under the laws of the jurisdictions where Arcelor securities are currently listed.

In Belgium, delisting of securities is subject to the approval of Euronext Brussels. The procedure is initiated by a delisting request submitted in writing by the issuer to Euronext Brussels. Euronext Brussels must then inform the CBFA, which has the right to oppose the delisting for investor protection reasons. Euronext Brussels determines the date on which the delisting of the securities becomes effective, and publishes that date as well as the conditions of delisting and any other relevant information relating thereto. Euronext Brussels may subject any delisting of securities to such additional requirements as it deems appropriate. A delisting does not trigger an obligation to launch an offer for the remaining outstanding shares.

In France, delisting of securities is subject to the approval of Euronext Paris. The procedure is initiated by a delisting request submitted in writing by the issuer to Euronext Paris. Euronext Paris must then inform the AMF, which has the right to oppose the delisting for investor protection reasons. Euronext Paris determines the date on which the delisting of the securities becomes effective, and publishes that date as well as the conditions of delisting and any other relevant information relating thereto. Euronext Paris may subject any delisting of securities to such additional requirements as it deems appropriate. A delisting does not trigger an obligation to launch an offer for the remaining outstanding shares.

In Luxembourg, delisting of securities is subject to the approval of the Board of Directors of the Luxembourg Stock Exchange (the Board) or by the body to which the Board has delegated such authority. The procedure is initiated by a delisting request submitted in writing by the issuer to the Board.



## **Table of Contents**

The Board shall take the interests of the stock market, the investors, and, where applicable, the issuer into account, in considering such request. The Board may require that the announcement be made sufficiently early to allow adequate time between the announcement and the day of the definitive delisting, and may require the announcement to be published. A delisting does not trigger an obligation to launch an offer for the remaining outstanding shares.

In Spain, delisting of securities is subject to the approval of the CNMV. The procedure is initiated by a delisting request submitted in writing by the issuer to the CNMV, together with the resolution of the corporate body competent for taking such decision. The CNMV, having examined the procedures the issuer proposes to establish to protect the interests of the shareholders, may oppose the delisting or, for investor protection reasons, make it conditional upon the issuer launching an offer for the remaining shares. In such case, the offer would be open to all shareholders, irrespective of their country of residence, subject to any applicable local requirements. The price offered in this bid must consist of cash and be expressly authorized by the CNMV. The CNMV usually requires an appraisal report from an independent expert justifying the price.

Both holders of Convertible Bonds and Arcelor have early redemption rights with respect to the Convertible Bonds in certain circumstances. If neither Mittal Steel nor Arcelor provides a fairness opinion with respect to the Offer for Convertible Bonds, holders of Convertible Bonds may, during the 60 days following the closing of the Offer, request early redemption at the higher of (i) the principal amount of the Bonds plus accrued interest, and (ii) the value of the consideration paid in the Offer for Arcelor shares as of the closing date multiplied by the conversion / exchange ratio for the Convertible Bonds then in effect. Based on public statements by Arcelor, the conversion / exchange ratio is currently 1.027 and will be revised to 1.078 if the proposed dividend of 1.85 per share is actually paid. Under the terms and conditions of the Convertible Bonds, the required fairness opinion must be from an investment bank of international repute to the effect that the Offer for the Convertible Bonds is fair from a financial point of view to holders of Convertible Bonds. Mittal Steel has no obligation to arrange for such a fairness opinion and has not yet determined if it will do so. According to the terms and conditions of the Convertible Bonds, if Mittal Steel does not arrange for a fairness opinion, Arcelor is to use its best efforts to obtain such an opinion. Mittal Steel does not know if Arcelor plans to procure such an opinion.

If the Arcelor common shares are delisted from all regulated markets, holders of Convertible Bonds may request early redemption at a price equal to the Convertible Bonds principal amount plus accrued interest.

If less than 10% of the Convertible Bonds remain outstanding, Arcelor has the right to redeem all of the Convertible Bonds at their principal amount plus accrued interest.

## **Compulsory Acquisition**

Mittal Steel intends to acquire all of Arcelor's outstanding shares through the Offer. Should any shares remain outstanding after completion of the Offer, Mittal Steel will consider various options to acquire all of Arcelor's remaining share capital, including through any available compulsory buy-out procedure, merger or other corporate reorganization.

As of May 22, 2006, Luxembourg law provides that following an offer made to all the holders of a Luxembourg company's voting securities, the offeror may buy-out remaining securityholders at a fair price if such offeror has acquired 95% of the capital carrying voting rights and 95% of the voting rights of that Luxembourg company. Accordingly, if Mittal Steel held 95% or more of the capital and voting rights in Arcelor, Mittal Steel could require the remaining shareholders of Arcelor to sell their shares to Mittal Steel at a fair price. The price offered in the Offer would be considered a fair price in the buy-

## **Table of Contents**

out proceedings if 90% of the Arcelor shares carrying voting rights were acquired in the Offer. The consideration paid in the buy-out proceedings must take the same form as the consideration offered in the Offer or consist solely of cash. Moreover, under Luxembourg law, a cash option should be offered to these remaining Arcelor shareholders. Finally, pursuant to Luxembourg law, the right to initiate such buy-out proceedings must be exercised within three months following the expiration of the initial acceptance period in the public offer or of the subsequent offering period, if any, depending on when the threshold is met.

If Mittal Steel were not to hold 95% or more of the capital and the voting rights of Arcelor following the Offer, Mittal Steel would consider other possible options to increase its shareholding in Arcelor. See Intention of Mittal Steel Regarding Corporate Governance and Corporate Structure Intentions Regarding Minority Buy-Out and Delisting.

### **Treatment of Arcelor Stock Options and Arcelor Employee Shareholding Plan**

Mittal Steel has not had access to important information relating to Arcelor's stock option plans and employee shareholding plans, if any, including the terms of these plans. If the Offer is consummated, Mittal Steel will determine the treatment of stock options (including Arcelor stock subscription options and Usinor stock subscription options whose beneficiaries are entitled to exchange their Usinor shares for Arcelor shares) and of Arcelor shares held in any Arcelor employee shareholding plan, in each case in accordance with the terms of these plans, that could not be tendered in the Offer.

### **Comparison of the Rights of Arcelor Shareholders and Mittal Steel Shareholders**

You will receive Mittal Steel class A common shares if you tender your Arcelor securities in the Offer. There are numerous differences between the rights of a shareholder in Arcelor, a Luxembourg *société anonyme*, and the rights of a shareholder in Mittal Steel, a Dutch *naamloze vennootschap*. We urge you to review the discussion under Comparison of Rights of Shareholders under Luxembourg and Dutch Law for a summary of these differences.

### **Accounting Treatment**

The acquisition of the Arcelor securities will be accounted for by Mittal Steel using the purchase method under U.S. GAAP. Under the purchase method, the cost of the purchase will be based on the cash paid to Arcelor securityholders, the market value of the New Mittal Steel Shares issued to Arcelor securityholders, fair value of any stock options of Arcelor replaced with stock options of Mittal Steel and the direct transaction costs. In Mittal Steel's consolidated financial statements, the cost of the purchase will be allocated to the Arcelor assets acquired and liabilities assumed, based on their estimated fair values at the acquisition date, with any excess of the cost over the amounts allocated being recognized as goodwill. This method may result in the carrying value of assets, including goodwill, acquired from Arcelor being substantially different from the former carrying values of those assets.

## **Table of Contents**

### **Financial Analysis of the Offer**

Under the law and regulations applicable to the Offer made in various European jurisdictions, the Offer document must include a description of the financial terms of the Offer using a multi-criteria analysis. The principal sources of information and assumptions retained for the purpose of this valuation are presented below. Since this analysis has been made available to those holders of Arcelor securities eligible to participate in the Offer made in the various European jurisdictions in the European Offer document, the analysis is included in this prospectus. The analysis was performed solely in connection with the preparation of the European Offer document and was not prepared with a view towards disclosure in a U.S.-style document. This analysis was not relied on in any way by Mittal Steel in connection with establishing the consideration in the Offer.

#### ***Ordinary Shares of Arcelor***

##### *Basis for Assessing the Offer Value*

Unless stated otherwise, the financial figures used herein have been derived from the consolidated accounts of Arcelor for the twelve months ended December 31, 2004, the nine and three months ended September 30, 2005 and twelve months ended December 31, 2005, as posted on Arcelor's website. The following analyses have been prepared exclusively based on public information. Mittal Steel has not had access to Arcelor's books, records or any other non-public information or its management team.

The number of Arcelor shares outstanding as at September 30, 2005 has been estimated from information contained in Arcelor's 2005 third quarter report and is based on 639,774,327 shares issued and an average number of treasury shares of 25,561,531 during the period from June 30, 2005 to September 30, 2005.

Arcelor shares are listed on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges. Arcelor also has an unlisted ADR program in the United States. The market for the shares of Arcelor is liquid with average daily traded volume over the 12 months prior to the announcement of the Offer estimated at 5.1 million shares, which represents an estimated 0.8% of the fully-diluted share capital of Arcelor. Arcelor regularly reports to the market with regards to its financial performance, prospects and other developments and is frequently covered in reports of financial analysts. Accordingly, the share price can be assumed to reflect the publicly available information and be considered as a relevant valuation benchmark.

The closing price per Arcelor share on Euronext Paris on January 26, 2006, being the last trading day prior to the announcement of the Offer, was 22.22 (the Arcelor Reference Share Price). The closing price per Mittal Steel class A common share on the NYSE on May 18, 2006 was \$34.16 (equivalent to 26.64 per share at an exchange rate of \$1.2823 per 1.0).

##### *Value of the Primary Offer*

Under the terms of the Primary Offer, Arcelor shareholders will receive 11.10 cash and one New Mittal Steel Share (subject to possible adjustments concerning the amount of cash and the number of shares offered as further described in Terms and Conditions of the Offer Offer Scope and Consideration Offer for Arcelor Securities) for every Arcelor share held.

**Table of Contents**

Based on the Mittal Steel Reference Price and the terms of the Primary Offer, before any adjustment:

the implied value of Arcelor shares is 37.74 ( 26.64 + 11.10) and is, therefore, consistent with the price of the Secondary Cash Offer of 37.74 per share (the Offer Value ); and

the implied exchange ratio is 1.4167 (( 26.64 + 11.10)/ 26.64) and therefore consistent with the price of the Secondary Exchange Offer of 1.4167 (17/12).

The terms of the Primary Offer have been analysed on the basis of the assessment of the Secondary Cash Offer and the Secondary Exchange Offer, which are set out below.

In addition, the following table sets out the value per Arcelor share implied by the Primary Offer and related premia, based on historic share prices of both Arcelor and Mittal Steel.

Period	Share price Arcelor <sup>(9)</sup> ( )	Share price Mittal Steel <sup>(10)</sup> ( )	Implied offer value ( )	Implied premium (%)
Last trading day prior to the announcement <sup>(1)</sup>	22.22	26.45	37.55	69.0%
5-day weighted average <sup>(2)</sup>	21.59	25.16	36.26	68.0%
1-month weighted average <sup>(3)</sup>	21.53	23.99	35.09	63.0%
3-month weighted average <sup>(4)</sup>	20.70	23.03	34.13	64.9%
6-month weighted average <sup>(5)</sup>	19.52	22.85	33.95	73.9%
12-month weighted average <sup>(6)</sup>	18.18	22.80	33.90	86.5%
12-month high <sup>(7)</sup>	22.22	32.32	43.42	95.4%
12-month low <sup>(8)</sup>	15.12	18.41	29.51	95.2%

Notes: Source: Bloomberg

(1) January 26, 2006

(2) January 20, 2006 to January 26, 2006 (inclusive)

(3) December 26, 2005 to January 26, 2006 (inclusive)

(4) October 26, 2005 to January 26, 2006 (inclusive)

(5) July 26, 2005 to January 26, 2006 (inclusive)

(6) January 26, 2005 to January 26, 2006 (inclusive)

(7) January 26, 2006 for Arcelor and February 25, 2005 for Mittal Steel

(8) May 15, 2005 for Arcelor and June 24, 2005 for Mittal Steel

(9) Based on Arcelor listing on Euronext Paris

(10) Based on Mittal Steel listing on the NYSE, converted into euros by the average \$/ exchange rate for the relevant period

Between the date of initial announcement of the Offer (January 26, 2006) and May 18, 2006, the Mittal Steel share price increased by 5.8% on the NYSE and increased by 5.0% on Euronext Amsterdam. In comparison, within the same period, the S&P 500 index decreased by 0.9% and the AEX index decreased by 1.5%.

Between the date of initial announcement of the Offer (January 26, 2006) and May 18, 2006, the Arcelor share price increased by 44.0% on Euronext Paris, by 43.9% on Euronext Brussels, by 47.1% on the Luxembourg Stock Exchange, and 41.6% on the Spanish Stock Exchanges. In comparison, within the same period, the CAC 40 index increased by 0.7%, the LuxX by 10.5% and the IBEX35 by 2.9% and the Bel 20 decreased by 1.3%.

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Between the date of announcement of the Offer (January 26, 2006) and May 18, 2006, the Arcelor average daily traded volume, measured in number of shares, increased by 59% on Euronext Paris, 89% on Euronext Brussels, 35% on Luxembourg Stock Exchange, and on the Spanish Stock Exchanges it decreased by 17% compared to average daily traded volume, measured in number of shares, over the period 12 months prior to the date of announcement of the Offer (January 26, 2006).

**Table of Contents***Value of the Secondary Cash Offer*

The value of the Secondary Cash Offer of 37.74 represents a premium of 70.7% over the Arcelor Reference Share Price. The Secondary Cash Offer can be assessed based on the following criteria:

*Trading Prices*

The table below summarizes the premium levels determined on the basis of the difference between trading prices of Arcelor on Euronext Paris before the announcement of the Offer and the value of the Secondary Cash Offer.

	Arcelor share price ( )	Implied premium to Offer Value of 37.74
Last trading day prior to the announcement <sup>(1)</sup>	22.22	69.8%
5-day weighted average <sup>(2)</sup>	21.59	74.8%
1-month weighted average <sup>(3)</sup>	21.53	75.3%
3-month weighted average <sup>(4)</sup>	20.70	82.3%
6-month weighted average <sup>(5)</sup>	19.52	93.3%
12-month weighted average <sup>(6)</sup>	18.18	107.6%
Last 12 months high <sup>(7)</sup>	22.22	69.8%
Last 12 months low <sup>(8)</sup>	15.12	149.6%

Arcelor share price based on Euronext Paris

- (1) January 26, 2006
- (2) January 20, 2006 to January 26, 2006 (inclusive)
- (3) December 26, 2005 to January 26, 2006 (inclusive)
- (4) October 26, 2005 to January 26, 2006 (inclusive)
- (5) July 26, 2005 to January 26, 2006 (inclusive)
- (6) January 26, 2005 to January 26, 2006 (inclusive)
- (7) January 26, 2006
- (8) May 15, 2005

**Table of Contents**

The table below summarizes (for the period indicated) the Arcelor average share price weighted by daily volumes on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges before the announcement of the Offer:

	Euronext Paris	Luxembourg Stock Exchange	Spanish Stock Exchanges	Euronext Brussels
5-day weighted average <sup>(1)</sup>	21.59	21.65	21.54	21.66
1-month weighted average <sup>(2)</sup>	21.53	21.59	21.48	21.69
3-month weighted average <sup>(3)</sup>	20.70	20.98	20.75	20.88
6-month weighted average <sup>(4)</sup>	19.52	19.98	19.55	19.75
12-month weighted average <sup>(5)</sup>	18.18	18.29	17.94	18.46
Last 12 months high <sup>(6)</sup>	22.22	22.10	22.28	22.28
Last 12 months low <sup>(7)</sup>	15.12	15.06	15.11	15.07

(1) January 20, 2006 to January 26, 2006 (inclusive)

(2) December 26, 2005 to January 26, 2006 (inclusive)

(3) October 26, 2005 to January 26, 2006 (inclusive)

(4) July 26, 2005 to January 26, 2006 (inclusive)

(5) January 26, 2005 to January 26, 2006 (inclusive)

(6) January 26, 2006

(7) May 15, 2005

Consolidated Net Asset Value

The net asset value per share of Arcelor as of September 30, 2005 was approximately 22.20 (based on consolidated shareholders' equity of 13,635 million, issued number of shares of 639.8 million and approximately 25.6 million treasury shares). On this basis, the Offer Value of 37.74 per Arcelor share represents a premium of 70.0% over the net asset value.

As of December 31, 2005, Arcelor net asset value per share was approximately 24.37 (based on consolidated shareholders' equity of 15,109 million, 639.8 million issued shares and approximately 19.8 million treasury shares). On this basis, the Offer Value of 37.74 per Arcelor share represents a premium of 54.9% over the net asset value.

For information purposes, a comparison of price to book value of comparable companies has been included in the Comparison of listed companies section.

Comparison of Listed Companies

Valuations of listed companies in the steel industry are frequently compared on the basis of enterprise value to EBITDA ( **EV/EBITDA** ) and Price to Earnings per Share ( **P/E** ) multiples. EBITDA is defined as operating profit before depreciation and amortization. Enterprise value corresponds to the aggregate of the equity market capitalization, net indebtedness and minority interests. Investments in associates and other financial assets are excluded from enterprise value as the income associated with these assets is generally not included in EBITDA. Unfunded or under-funded pension obligations are often treated as quasi debt. If net debt is adjusted for such pension obligations, if any, then EBITDA is typically also adjusted for pension expenses for the purpose of calculating comparable multiples. There is no generally accepted convention for these adjustments and market practice differs.

Arcelor is the second largest steel company in the world in terms of production capacity (Source: *Metal Bulletin*, April 2005). The majority of Arcelor's operations are in Western Europe, which is considered a mature, developed steel market. The companies selected as comparable companies for the purpose of this analysis are all steel companies of significant size which operate in Western Europe and other developed countries such as the United States. In addition, Arcelor Brasil has been included to reflect the Brazilian exposure of Arcelor.

**Table of Contents**

A number of steel manufacturing conglomerates have been excluded as a material part of their operations are not steel related.

<b>Company</b>	<b>Non steel related operations</b>
ThyssenKrupp	ThyssenKrupp is an industrial conglomerate with diverse activities unrelated to steel, including submarine and ship building, elevators and automotive components.
JFE	JFE is an industrial conglomerate with diverse activities unrelated to steel, including microelectronics, engineering for the energy sector and environmental solutions and urban development.
Nippon Steel Corp.	Nippon Steel is an industrial conglomerate with diverse activities unrelated to steel, including power supply, chemicals, urban development, construction and engineering.
Kobe Steel	Kobe Steel is an industrial conglomerate with diverse activities unrelated to steel, including titanium, welding equipment and consumables, machinery such as crushers, tire and rubber machines and plastic processing machines, power generation plants, as well as activities in infrastructure construction.

A number of other European and North American steel companies were considered, but excluded for the purpose of trading multiple analysis due to the unique features of their businesses which exhibit less comparability to Arcelor.

<b>Company</b>	<b>Reasons for exclusion</b>
Salzgitter	Salzgitter is a regional niche steel manufacturer. Besides its steel business, it owns 23% of French company Vallourec, a producer of steel tubes. This holding represented approximately 42% of Salzgitter's market capitalization on January 26, 2006.
Svenskt Stal (SSAB)	SSAB is a Nordic focused niche producer of high strength sheets and quenched plate steels with high exposure to the booming mining equipment market, construction equipment and fuel-efficient automotive manufacturing sectors. The strong position in niche products gives SSAB greater pricing power and therefore higher and more sustainable margins and returns. SSAB is therefore not directly comparable to the major steel companies.
Rautaruukki	Rautaruukki is a company in a transition phase from a steel producer to a complete solutions provider for the construction and engineering sectors. As part of this transition, Rautaruukki has acquired companies active in construction systems and total delivery know-how, components for lifting, handling and transportation equipment. It is seeking to exit its long products business.
Nucor	Nucor is entirely focused on the US and exclusively produces steel via the EAF method.



**Table of Contents**

In general, investors typically base investment decisions on future profitability, not on historical financial results. Particularly, in the steel industry, historical financial results are not regarded as a reliable indicator of future performance due to the cyclicity of the industry. In addition, historical financial results are often affected by non-recurring and exceptional elements. Public market investors and equity research analysts in the steel industry do not evaluate steel companies based on historical results. Consequently, 2005 was excluded from the analysis.

Analyses of the relative valuations of companies are based on expectations of the future financial performance of the companies involved. The companies selected are covered by financial analysts providing estimates of future financial performance. In the steel industry, 2006 and 2007 are currently regarded as the most relevant periods as investors are looking for future profitability and value future cash flows. The selected comparable companies are covered by numerous equity research analysts and consensus estimates for the periods 2006 and 2007 are widely available.

The table below summarizes the EV/EBITDA and P/E multiples for a sample of steel producers based on consensus EBITDA and EPS estimates derived from Institutional Brokers Estimate System ( **IBES** ) and calendarized to reflect a December 31 year end. For information purposes the price to book and EV/production multiples have also been summarized in the table below.

	Share price on January 26, 2006 ( )	Fully-diluted equity market capitalization (billions of )	Enterprise value <sup>(1)</sup> (billions of )	Multiple of estimated EBITDA <sup>(1)</sup>		Multiple of estimated EPS		2004 EV/production ( /tonne <sup>3</sup> )	Price / Book
				2006	2007	2006	2007		
Arcelor Brasil	10.50	7	7	4.3	3.8	7.4	6.6	797	1.9
Corus	0.91	4	5	3.9	3.8	9.6	9.4	276	0.8
Mittal Steel	26.45	19	26	5.1	4.7	6.9	6.2	395	2.3
Posco	173.83	15	13	3.2	2.8	5.9	5.4	431	1.0
Voest-Alpine	89.50	4	5	4.5	4.7	8.2	9.1	804	1.6
US Steel	45.89	6	7	4.9	5.2	10.5	11.8	360	1.5
<b>Median Multiple</b>				<b>4.4</b>	<b>4.2</b>	<b>7.8</b>	<b>7.8</b>	<b>413</b>	<b>1.6</b>
Implied Arcelor share price based on median multiple ( <sup>2</sup> )				28.53	25.66	25.94	23.79		
Arcelor based on Offer Value				37.74	37.74	37.74	37.74		
<b>Implied Premium</b>				<b>32.3%</b>	<b>47.1%</b>	<b>45.5%</b>	<b>58.6%</b>		

The companies presented in the table above report under different accounting standards; no adjustments have been made to correct for this. Sources: IBES estimates as of January 26, 2006, financial data based on last published financials as per January 26, 2006.

- (1) Enterprise values are adjusted for unfunded obligations and the amount by which the present value of future obligations exceeds the fair value of the assets of any funded plans related to pension and other post-retirement benefits. EBITDA is adjusted to exclude total pension expenses recognized during the last twelve-month period for which figures are available.
- (2) The implied Arcelor share price as a result of EV/EBITDA multiples is based on the implied enterprise value for Arcelor implied by these multiples, which is a result of multiplying the median multiple shown above and the estimated EBITDA for Arcelor (as per IBES consensus forecast). The implied Arcelor share price as a result of P/E multiples is based on a multiplication of the median multiple and the estimated EPS for Arcelor (as per IBES consensus forecast).
- (3) Source: Metal Bulletin April 2005; Mittal Steel and Arcelor based on company estimates; Arcelor adjusted to reflect full consolidation of CST transaction and Mittal Steel adjusted to reflect full consolidation of ISG and Kryvorizhstal.

Based on the value of the Secondary Cash Offer, Arcelor is valued at a premium of 32.3% and a premium of 47.1% to the equity value implied for Arcelor when applying the median of 2006 and 2007 EV/EBITDA, respectively, of a sample of steel producers. Arcelor is valued at a premium of 45.5% and a premium of 58.6% to the equity value implied for Arcelor when applying the median of 2006 and 2007 P/E multiples, respectively, of a sample of steel producers.



## **Table of Contents**

### *Analysis of Prior Transactions*

The analysis of precedent transactions in the steel industry needs to take into account the point of the steel cycle at which a particular transaction has occurred. Due to the volatility of steel prices over the cycle and corresponding fluctuations in profitability, it is less meaningful to compare valuations over time based on traditional measures of profitability. Therefore, a comparison of precedent transactions based on price per ton of steel production is customary in the steel industry as it is a better reflection of the quality and earnings generation ability of the underlying asset base. Although the product mixture of steel produced may have an impact on the transaction valuation, the available information is too limited to make specific adjustments on that basis.

The selected transactions chosen represent all steel transactions of significant size in mature developed markets to reflect the fact that Arcelor's main operations are in developed markets. In addition the selection of precedent steel transactions has been balanced by the inclusion of a Brazilian transaction to reflect the Brazilian exposure of Arcelor.

A majority of the selected transactions represent mergers of two companies involving a significant share component as part of the offer consideration to reflect the structure of the Offer.

The period from 1999 is a good and appropriate reference period for the steel cycle as it covers both strong periods (1999, 2004) and weak periods (2000, 2002) of steel pricing. Acquisitions that have occurred since 2004 have been considered, but not included as these were deemed not comparable to Arcelor for a number of reasons:

The acquisitions of Erdemir in Turkey (2005) and Kryvorizhstal in the Ukraine (2005) represented assets with significant exposure to the Ukrainian and Turkish markets attracting higher valuations than comparable transactions in developed markets due to their higher growth prospects. Arcelor is not present in these regions and has a significantly different growth profile. As a consequence, these transactions have been deemed not comparable.

Arcelor's acquisition of Dofasco was not considered comparable as Dofasco has a high degree of vertical integration and is operating in the developed North American market. Dofasco's position, with significant upstream exposure, makes this transaction not comparable to Arcelor.

In each of these transactions, the acquiror was considerably larger than the respective target company. Conversely, the combination of Mittal Steel and Arcelor is a merger of similar sized companies.

The consideration offered in these acquisitions was cash. The selling shareholders in these companies therefore did not participate in the future development of the acquired companies. In contrast, the Offer contains a significant share component as part of the consideration.

The table below shows the implied amount per ton of crude steel production for a sample of transactions in the steel industry. The enterprise value per LTM EBITDA (Last twelve months EBITDA) has been added as well for information purposes. Due to the volatility of steel prices over the cycle and corresponding fluctuations in profitability a comparison based on this metric has not been provided.

**Table of Contents**

Year	Target	Acquiror	Enterprise Value /LTM <sup>(2)</sup> EBITDA	Enterprise Value/tonnes of steel production <sup>(1)</sup>
2004	International Steel Group	Ispat International	6.2	272
2004	CST	Arcelor	5.1	481
2001	Arbed	Usinor	5.0	337
2001	Aceralia	Usinor	4.6	260
1999	Koninklijke Hoogovens	British Steel	3.8	379
<b>Median</b>				<b>337</b>
Implied Arcelor share price <sup>(3)</sup>				17.50
Arcelor based on Offer Value				37.74
<b>Implied premium</b>				<b>115.7%</b>

The companies presented in the table above report under different accounting standards; no adjustments have been made to correct for this.  
Sources: Company filings, press releases and Datastream.

- (1) In US\$ and adjusted for pension obligations. No adjustments for non-steel activities and cross-shareholdings have been made.
- (2) LTM means last twelve months
- (3) The implied Arcelor share price as a result of the EV/Tonnes multiples is based on the implied enterprise value for Arcelor implied by this multiple, which is a result of multiplying the median multiple of \$337 per tonne shown above and the production of 50.7 million tonnes for Arcelor.

The amounts per tonne of production in precedent transactions may be compared to an implied amount per tonne of Arcelor 2004 production of \$409 based on the Arcelor Reference Share Price and \$504 based on the Offer Value, assuming a 2004 production for Arcelor of 50.7 million tonnes, pro forma for Arcelor's acquisition of CST. The Offer Value represents a premium of 61.2% compared to the implied share price of Arcelor of 17.50 (The implied Arcelor share price as a result of the EV/Tonnes multiples is based on the enterprise value for Arcelor implied by the median multiple, which is a result of multiplying this median of \$337 per tonne shown above and the 2004 production of 50.7 million tonnes for Arcelor (pro forma for Arcelor's acquisition of CST) based on the median amount per tonnes of the sample in the table above.

For information purposes, a comparison of enterprise value per production price of comparable listed companies has been included in Comparison of Listed Companies section.

**Table of Contents**Summary of the Factors Considered in the Valuation of the Secondary Cash Offer

Methodology	Implied value per share Arcelor ( )	Implied Premium
<b>Market price</b>		
Last trading day prior to the announcement <sup>(1)</sup>	22.22	69.8%
5-day weighted average <sup>(2)</sup>	21.59	74.8%
1-month weighted average <sup>(3)</sup>	21.53	75.3%
3-month weighted average <sup>(4)</sup>	20.70	82.3%
6-month weighted average <sup>(5)</sup>	19.52	93.3%
12-month weighted average <sup>(6)</sup>	18.18	107.6%
Last 12 month high <sup>(7)</sup>	22.22	69.8%
Last 12 month low <sup>(8)</sup>	15.12	149.6%
<b>Consolidated net asset value</b>		
Implied premium to net asset value as of 30 September 2005	22.20	70.0%
Implied premium to net asset value as of 31 December 2005	24.37	54.9%
<b>Comparison of listed companies</b>		
2006 est. EBITDA	28.53	32.3%
2007 est. EBITDA	25.66	47.1%
2006 est. EPS	25.94	45.5%
2007 est. EPS	23.79	58.6%
<b>Analysis of precedent transactions</b>		
Enterprise value / tonnes of steel production	17.50	115.7%

- (1) January 26, 2006  
(2) January 20, 2006 to January 26, 2006 (inclusive)  
(3) December 26, 2005 to January 26, 2006 (inclusive)  
(4) October 26, 2005 to January 26, 2006 (inclusive)  
(5) July 26, 2005 to January 26, 2006 (inclusive)  
(6) January 26, 2005 to January 26, 2006 (inclusive)  
(7) January 26, 2006  
(8) May 15, 2005

Value of the Secondary Exchange Offer

The Secondary Exchange Offer is 17 Mittal Steel shares for every 12 Arcelor shares and equates to an exchange ratio of 1.4167 Mittal Steel share for one Arcelor share. At the Mittal Steel Reference Price this equates to 37.74 per share.

Trading prices

The table below summarizes the premium of the offered exchange ratio versus the exchange ratio based on different trading prices of Arcelor on Euronext Paris and Mittal Steel on the NYSE.

**Table of Contents**

Valuation of the exchange ratio	Share price Arcelor ( )	Share price Mittal Steel (US\$)	Share price Mittal Steel ( <sup>(9)</sup> )	Implied exchange ratio	Offered exchange ratio	Premium
Last trading day prior to the announcement <sup>(1)</sup>	22.22	32.30	26.45	0.8402	1.4167	68.6%
5-day weighted average <sup>(2)</sup>	21.59	30.78	25.16	0.8582	1.4167	65.1%
1-month weighted average <sup>(3)</sup>	21.53	28.92	23.99	0.8973	1.4167	57.9%
3-month weighted average <sup>(4)</sup>	20.70	27.45	23.03	0.8987	1.4167	57.6%
6-month weighted average <sup>(5)</sup>	19.52	27.55	22.85	0.8542	1.4167	65.8%
12-month weighted average <sup>(6)</sup>	18.18	28.21	22.80	0.7974	1.4167	77.7%
12-month high <sup>(7)</sup>	22.22	42.63	32.32	0.6875	1.4167	106.1%
12-month low <sup>(8)</sup>	15.12	22.25	18.41	0.8214	1.4167	72.5%

Source: Bloomberg Euronext Paris

- (1) January 26, 2006  
(2) January 20, 2006 to January 26, 2006 (inclusive)  
(3) December 26, 2005 to January 26, 2006 (inclusive)  
(4) October 26, 2005 to January 26, 2006 (inclusive)  
(5) July 26, 2005 to January 26, 2006 (inclusive)  
(6) January 26, 2005 to January 26, 2006 (inclusive)  
(7) January 26, 2006 for Arcelor and February 25, 2005 for Mittal Steel  
(8) May 15, 2005 for Arcelor and June 24, 2005 for Mittal Steel  
(9) Mittal Steel NYSE listing in US\$ converted into euros by the average US\$/ exchange rate for the relevant period
- Consolidated net income per share

The table below summarizes the premium of the offered exchange ratio based on historical and estimated earnings per share. In general, investors typically base investment decisions on future profitability, not on historical financial results. Particularly, in the steel industry, historical financial results are not regarded as a reliable indicator of future performance due to the cyclicality of the industry. In addition, historical financial results are often affected by non-recurring and exceptional elements. Public market investors and equity research analysts in the steel industry do not evaluate steel companies based on historical results. For that reason 2005 is not deemed relevant and has been excluded from the analysis. In the steel industry, 2006 and 2007 are currently regarded as the most relevant periods as investors are looking for future profitability and value future cash flows. The estimated earnings per share are based on consensus IBES estimates as of January 26, 2006.

EPS	Arcelor ( per share)	Mittal Steel (US\$ per share)	Mittal Steel ( per share)	Implied exchange ratio	Offered exchange ratio	Premium
2006E	3.33	4.70	3.84	0.8684	1.4167	63.1%
2007E	3.03	5.21	4.25	0.7128	1.4167	98.7%

Consolidated Dividend per share

In the steel industry, dividend yield is not regarded as a relevant valuation metric given the cyclicality of the industry. As both investors as well as equity research analysis are not focused on this metric, an analysis based on consolidated dividend per share has not been included.

**Table of Contents**Summary of the factors considered in the valuation of the Secondary Exchange Offer

<b>Methodology</b>	<b>Implied premium</b>
<b>Trading Prices</b>	
Last trading day prior to the announcement <sup>(1)</sup>	69.8%
5-day weighted average <sup>(2)</sup>	74.8%
1-month weighted average <sup>(3)</sup>	75.3%
3-month weighted average <sup>(4)</sup>	82.3%
6-month weighted average <sup>(5)</sup>	93.3%
12-month weighted average <sup>(6)</sup>	107.6%
Last 12 month high <sup>(7)</sup>	69.8%
Last 12 month low <sup>(8)</sup>	149.6%
<b>Consolidated net income per share</b>	
2006E	63.1%
2007E	98.7%

(1) January 26, 2006

(2) January 20, 2006 to January 26, 2006 (inclusive)

(3) December 26, 2005 to January 26, 2006 (inclusive)

(4) October 26, 2005 to January 26, 2006 (inclusive)

(5) July 26, 2005 to January 26, 2006 (inclusive)

(6) January 26, 2005 to January 26, 2006 (inclusive)

(7) January 26, 2006 for Arcelor and February 25, 2005 for Mittal Steel

(8) May 15, 2005 for Arcelor and June 24, 2005 for Mittal Steel

**Convertible Bonds***Summary of Principal Terms of the Convertible Bonds*

Arcelor issued on June 27, 2002 a bond, due June 27, 2017, convertible into new shares and/or exchangeable for existing ordinary shares, represented by 38,961,038 Convertible Bonds with a nominal value per bond of 19.25 and bearing interest at a rate of 3.0% per annum (i.e., 0.5775 coupon payable in equal installments of 0.28875 in arrear on June 27 and December 27 of each year, commencing on December 27, 2002). The Convertible Bonds are redeemable in full on June 27, 2017 at their nominal amount.

Holders of Convertible Bonds have the right at any time to convert and/or exchange their Convertible Bonds, at the option of Arcelor, into new Arcelor shares and/or for existing Arcelor shares. They may also, at their option, request early redemption in cash in whole or in part of the Convertible Bonds they hold on June 27, 2007 and June 27, 2012, at their nominal amount plus accrued interest.

The Convertible Bonds are admitted to listing on the Luxembourg Stock Exchange. A prospectus describing the Convertible Bonds was approved by the CSSF on June 28, 2002.

*Offer Price for the Convertible Bonds*

The Offer price for each Convertible Bond is 1 New Mittal Steel Share and 12.12 in cash (to be increased by 0.80 upon distribution by Arcelor of its announced ordinary dividend). Based on a reference price for a Mittal Steel share of 26.64, the closing price on May 18, 2006, the offer price for each Convertible Bond is 38.76.

**Table of Contents***Conversion Value*

The conversion value is determined by applying the conversion ratio of the Convertible Bonds, 1.027, to the Offer price for the shares of 37.74. The conversion value of 38.76 is therefore in line with the price offered for the Convertible Bonds.

*Market Price*

The price offered for the Convertible Bonds compares as follows to the market prices of the Convertible Bonds:

	<b>Market price</b>	<b>Implied premium</b>
Last price before announcement	24.49	58%
5-day weighted average <sup>(1)</sup>	23.96	62%
1-month weighted average <sup>(2)</sup>	23.86	62%
6-month weighted average <sup>(3)</sup>	22.97	69%
12-month weighted average <sup>(4)</sup>	22.38	73%

Source: Bloomberg

- (1) January 20, 2006 to January 26, 2006 (inclusive)  
 (2) December 26, 2005 to January 26, 2006 (inclusive)  
 (3) July 26, 2005 to January 26, 2006 (inclusive)  
 (4) January 26, 2005 to January 26, 2006 (inclusive)

*Theoretical Value*

A theoretical value calculation of the Convertible Bonds based on standard market model and on market conditions as at May 18, 2006, would result in a value for the Convertible Bonds of 32.99 (including accrued interest). The price offered to the convertible bond holders of 38.76 represents a 17.5% premium to such theoretical value.

**Summary Valuation Methodology**

The Convertible Bonds have been valued on an independently produced convertible bond calculator (TrueCalc 4) used by a number of investment banks and convertible bond investors. The model uses an adaptation of the binomial tree model developed by Cox, Ross and Rubinstein [1979] to value convertible bonds. This methodology is used to develop a stock price tree determining the high and low theoretical share prices at each point in time. This can be achieved since, according to option theory, there is a maximum stock price that is possible at any point in time for each different stock price volatility level. The value of the Convertible Bonds has been established by weighting the probability that the stock reaches each of the different nodes of the tree at any point in time. The convertible price at the issue time therefore represents the sum of the values at each of the nodes, multiplied by their respective probabilities and present valued at the relevant interest rate. The model incorporates the conversion value and call features of the Convertible Bonds when establishing the value of each node (as well as the other relevant parameters, *e.g.*, dividends, coupon payments, etc). In terms of the present value of the option and fixed income values at each node, the equity-related cashflows are discounted at the risk-free rate of return, while the bond cashflows are valued using the risky rate. (This is consistent with most option pricing methodologies).



**Table of Contents**

Assumptions

The following assumptions were made from publicly available information and the interest rates used (swap rates) are those as at closing on May 18, 2006:

Arcelor Reference share price: 32.00;

Offer Value: 37.74;

Interest rates: 3.304% (interpolated between the one and two years European swap rates levels available on Bloomberg as of May 18, 2006);

Credit spread: 10bps (interpolated between the one and two years Arcelor Credit Default Swap (CDS) trading levels);

Volatility: 22.02% (100 days realized volatility on the ordinary shares prior to the bid. This volatility number refers to the degree of movement of Arcelor shares price over a past period of 100 days);

Dividend per share: 1.85, which was approved by the shareholders meeting on April 28, 2006 and an adjusted conversion ratio of 1.078 to reflect the payment of the 1.85 dividend on the May 29, 2006; and

Borrow cost: 50bps.

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**Table of Contents**

**INFORMATION ABOUT MITTAL STEEL**

**Overview**

Mittal Steel is the world's largest and most global steel producer with an annual production capacity of approximately 75 million tonnes. The Company is the largest steel producer in the Americas and Africa and the second largest in Europe. The Company has steel-making operations in 15 countries on four continents, including 31 integrated, mini-mill and integrated mini-mill steel-making facilities. At December 31, 2005, we had approximately 224,000 employees.

Mittal Steel produces a broad range of high-quality finished and semi-finished carbon steel products, encompassing the main categories of steel products (flat products, long products and pipes and tubes). Specifically, the Company produces hot-rolled and cold-rolled sheets, plates, electrogalvanized and coated steel, bars, wire rods, wire products, pipes, billets, blooms, slabs, tinplate, structural sections and rails. Mittal Steel sells these products in local markets and through our centralized marketing organization to customers in over 150 countries. The Company's products are used in a diverse range of end-markets, including the automotive, appliance, engineering, construction and machinery industries.

Our steel-making operations have a high degree of geographic diversification. Almost 41% of our steel is produced in the Americas, with the balance being produced in Europe (38%) and in other countries, such as Kazakhstan, Algeria and South Africa (21%). We are further increasing our geographic production diversification. In September 2005, we completed the acquisition of a 36.67% interest (subsequently reduced to 29.49% through the exercise of convertible bonds by other investors) in Hunan Valin, an 8.5 million ton steel producer in China. In October 2005, we signed a memorandum of understanding with the local government to construct a 12 million tonne steel-making operation in Jharkhand, India. In November 2005, we completed the acquisition of a 93% stake in Kryvorizhstal (since renamed Mittal Steel Kryviy Rih), the largest carbon steel long products producer in Ukraine.

We produced approximately 30.1 million, 47.2 million and 53.9 million tons of liquid steel in 2003, 2004 and 2005, respectively and shipped approximately 27.4 million, 42.1 million and 49.2 million tons of steel in such years. Our shipments are well-balanced geographically and are also balanced as between developed and developing markets, which have different characteristics.

We have access to high-quality and low-cost raw materials through our captive sources and long-term contracts. In 2005, on a pro forma basis after giving effect to the acquisition of ISG and Kryvorizhstal, approximately 56% of our iron ore requirements (of which we are one of the world's largest producers) and approximately 42% of our coal requirements were supplied from our own mines or from long-term contracts at many of our operating units. We are actively developing our raw material self-sufficiency, including through recent initiatives to gain access to iron ore deposits in Liberia and Senegal, and expanding our existing iron ore sources in various parts of the world, including Ukraine. In August 2005, the Liberian government granted Mittal Steel a mining concession providing exclusive ownership and exploitation rights with respect to iron ore deposits in specified regions over a 25-year period, extendible in case of continued accessible deposits. Mittal Steel signed a preliminary agreement in January 2006 with the State of Senegal and is currently negotiating definitive agreements that will give it exclusive ownership and exploitation rights with respect to iron ore deposits in the Faleme region for approximately 30 years. We are one of the world's largest producers of coke, a critical raw material derived from coal, and we satisfy approximately 81% of our own coke requirements. We are the world's largest producer of direct reduced iron, or DRI, which is a scrap substitute used in the mini-mill steel-making process, with total production capacity of approximately 11 million tonnes. Our DRI production satisfies all of our mini-mill input requirements. Our facilities have good access to shipping facilities, including deep-water port facilities and railway sidings.

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## **Table of Contents**

Mittal Steel has research and development (R&D) expertise in both product development and manufacturing processes. Mittal Steel operates two primary research and development centers. One, located in East Chicago in the United States, focuses on steel-making and flat products and is recognized throughout the industry for developing advanced high-strength steels for the automotive business and innovative products for the appliance and electric motor industries. Its Ultra High Strength Steels (UHSS) and Advanced High Strength Steels (AHSS) help automakers, appliance makers, and other manufacturers keep costs down. The other center, in Gandrange, France, focuses on long products. Activities of this center include process technology development, the development of steels with special properties, and product research and application development. In long products, recently completed projects include the development of micro-alloyed steel for truck crankshafts (which offer high torsional fatigue strength) and high-strength, low-carbon bainitic steel of >1000 MPa for tire cord applications. In addition to product R&D, Mittal Steel focuses significantly on manufacturing process improvements that increase productivity, for example in DRI and in coal blending for coke making, and energy efficiency. Mittal Steel employed approximately 200 employees in these R&D centers. This number, however, does not include over 300 researchers working in the R&D departments of various subsidiaries. Additional production and technical personnel devote part of their time to R&D activities.

In 2004, we generated sales of \$22.2 billion, operating income of \$6.1 billion and net income of \$4.7 billion. In 2005, we generated sales of \$28.1 billion, operating income of \$4.7 billion and net income of \$3.4 billion. At December 31, 2005, we had shareholders' equity of \$10.2 billion, total debt of \$8.3 billion, and cash and cash equivalents, including short-term investments and restricted cash, of \$2.1 billion.

Mittal Steel is a successor to a business founded in 1989 by Mr. Lakshmi N. Mittal, our Chairman and Chief Executive Officer. We have experienced rapid and steady growth since then, largely through the consistent and disciplined execution of a successful consolidation-based strategy. We made our first acquisition in 1989, leasing the Iron & Steel Company of Trinidad & Tobago. Some of the principal acquisitions since then include Sibalsa (Mexico) in 1992, Karmet (Kazakhstan) in 1995, Thyssen Duisburg (Germany) in 1997, Inland Steel (USA) in 1998, Unimétal (France) in 1999, Sidex (Romania) and Annaba (Algeria) in 2001, Nova Hut (Czech Republic) in 2003, BH Steel (Bosnia), Balkan Steel (Macedonia), PHS (Poland) and Iscor (South Africa) in 2004, and ISG (USA), Hunan Valin (China) and Kryvorizhstal (Ukraine) in 2005.

We have proven expertise in acquiring companies and turning around under-performing assets. We believe that we have successfully integrated our previous key acquisitions by implementing a best practice approach in operations and management to enhance profitability. Specifically, our focused capital expenditure programs and implementation of improved management practices at the acquired facilities have resulted in overall increases in production and shipment of steel products, reductions in cash costs of production and increases in productivity. Mittal Steel's aggregate capital expenditures were approximately \$421 million, \$898 million and \$1,181 million in the years ended December 31, 2003, 2004 and 2005, respectively.

### **Competitive Strengths**

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

*Scale and scope of operations.* Mittal Steel is the world's largest steel producer. We have a

**Table of Contents**

global production capacity of approximately 75 million tonnes of steel, and in 2005 we shipped 49.2 million tons of steel. We are the largest producer of steel in the Americas and Africa, the second largest producer of steel in Europe and have a growing presence in Asia. In September 2005, we acquired a significant stake in a Chinese steel producer and in November 2005, we acquired a 93% stake in the largest carbon steel long products producer in Ukraine. We have operations in each country party to the North American Free Trade Agreement, or NAFTA, and in many member states of the European Union, which enables the free trade of goods between such countries. In addition, certain of our operating units have access to markets experiencing above average growth in steel consumption. The combination of our local, regional and international distribution provides us with a global manufacturing and marketing presence, and we use our large size and global presence to achieve significant cost savings and operational efficiencies in production, procurement and marketing.

***Integrated business model focused on low-cost production.*** We believe that our access to low-cost raw materials, efficient use of steel-making facilities, global procurement strategy and implementation of overall company-wide best practices make us one of the lowest cost steel producers in each of the regions in which we operate. Most of our operating units are strategically well located to access low-cost raw materials, such as iron ore in Kazakhstan, Mexico and Ukraine and natural gas in Trinidad and Tobago. Our operations also have strong vertical integration as a result of our captive sources of raw materials such as iron ore, coal and coke, and our access to owned infrastructure such as deep-water port facilities and railway sidings. We believe that our degree of raw material integration provides us with a competitive advantage through our ability to better monitor the quality of our raw materials and through reduced exposure to the volatility of raw material spot market prices. In addition, we seek to maximize operational efficiencies by implementing strict cost management and targeting capital investments to achieve lower costs of production at each of our facilities. As a result, we believe we are well positioned to manage the cyclical nature of the steel industry.

***Diverse product portfolio and strong customer relationships.*** We produce a diversified portfolio of products to meet a wide range of customer needs across all steel consuming industries, including the automotive, appliance, engineering, construction and machinery industries. We sell our products in local markets and through our centralized marketing organization to customers in over 150 countries. We believe that our diversified product offering enables us to build strong relationships with our customers, which include many of the world's major automobile and appliance manufacturers. Our research and development facilities in North America and Europe help strengthen our relationship with our customers as we work together with them to meet their evolving product needs.

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

***Business improvement through company-wide best practices.*** Knowledge sharing and implementing best practices is an integral part of our management philosophy. Through our global

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## **Table of Contents**

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

**Research and Development.** Our research and development facilities in North America and Europe help strengthen our relationship with our customers as we work together with them to meet their evolving product needs. In addition to such product development, our R&D centers support our business units in process improvement, as well as in transferring product capabilities to meet market needs.

**Strong financial profile.** We believe our strong financial position and cash flow generation, as illustrated by our corporate investment grade credit ratings, enable us to take advantage of acquisition and investment opportunities. We currently have corporate investment grade credit ratings of BBB+ from Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and BBB from Fitch Ratings, and a senior implied rating of Baa3 from Moody's Investors Service Ltd. As at December 31, 2005, we had cash and cash equivalents (including short term investments and restricted cash) of \$2.1 billion and total debt of \$8.3 billion. In addition, while the proposed acquisition of Arcelor would substantially increase our outstanding debt, we believe we currently have a favorable debt maturity profile with modest refinancing requirements over the next several years.

**Experienced management team led by our founder, Mr. Lakshmi N. Mittal.** We are the largest steel producer in the world due to the vision and direction of our founder, Chairman and Chief Executive Officer, Mr. Lakshmi N. Mittal. Mr. Mittal is supported by a strong and experienced central and local management team. The operating model of Mittal Steel is designed to encourage the values that lie at the heart of the company's culture—openness, expertise, strength, confidence, influence, reliability, innovation and authority. This model is designed to encourage managers at all levels to act like entrepreneurs, to assume accountability, to make decisions in the best interests of the company, and to support one another in all efforts to continuously improve.

### **Business Strategy**

Mittal Steel's success has been built on a consistent strategy that emphasizes size and scale, vertical integration, product diversity and continuous growth in higher value products, and a strong customer focus. That strategy has allowed Mittal Steel to become one of the lowest cost and highest margin producers in the industry, serving many of the world's most demanding customers.

Mittal Steel intends to continue to play a leading role in the consolidation of the global steel industry and be the clear global leader in the steel industry. Key elements of our strategy are to:

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

## **Table of Contents**

Customers for high-end applications, which are today primarily based in the mature economies, are becoming increasingly global and expanding their capacities in developing countries to serve rising local demand. These globalizing customers value suppliers' ability to deliver the same products everywhere. We will continue to invest in our assets and capabilities in emerging economies in order to meet their developing needs. In regions where we have a relatively limited presence (e.g., China, South America and India), we will look at acquisition opportunities, or greenfield possibilities to complete our global footprint.

***Utilize our existing geographic diversification and strong position in high-end products in mature economies to capture future growth in BRICET countries.*** Worldwide, steel demand is driven by growth in developing economies, namely BRICET countries. Mittal Steel's acquisition strategy over recent years has given us a leading position in Africa, Central and Eastern Europe and Central Asia to benefit from this growth. We have also commenced to build our presence in China and India. As these economies develop, local customers will require increasingly advanced steel products as the market needs change. Mittal Steel will continue to transfer capability for higher-end products from our developed world operations to our operations in the developing markets to enable us to grow with these changing needs.

***Maintain a high degree of product diversification.*** A global steel producer must be able to meet the local needs of different markets. Steel consumption and product requirements clearly differ between mature economy and developing economy markets. Steel consumption in the mature economies is weighted towards flat products and higher value added mix, whereas in developing markets there is a higher proportion of long products and commodity grades. To meet these diverse needs of customers in both the mature and developing markets, we will maintain a high degree of product diversification. We will also continually seek opportunities to grow the value added proportion of our product mix over time.

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

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

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

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

## **Table of Contents**

*Continue to invest in low cost slab capacity.* Mittal Steel has some of the most cost competitive steel-making operations in the world at its facilities in South Africa, Ukraine and Kazakhstan. We intend to grow capacity at these facilities, which can advantageously supply slabs to downstream facilities in the developed world.

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

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

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

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

## **Key Strategic Initiatives**

### ***Capturing Market Growth Potential in Central and Eastern Europe***

Mittal Steel plans to leverage its asset base in Central and Eastern Europe to capture the growth potential of these markets. As with most of the emerging economies, these countries are experiencing strong growth. In addition, as their economies develop, their market needs are becoming increasingly sophisticated due to the demand of the growing automotive and white goods sectors. As an example, the shift in auto manufacturing from Western to Eastern Europe is expected to result in a substantial increase by 2010 over the current combined demand for automotive flat products from countries such as Poland, Czech Republic, Romania and Slovakia. Hence, the objective of Mittal Steel's \$1 billion investment plan currently underway in the Central and Eastern Europe is to enhance product quality and mix, and improve efficiency and productivity. Our investments in Poland in a new slab caster and a hot strip mill, upgrade of a wire rod mill and construction of a new color coating line would open further opportunities in the growing markets of Central and Eastern Europe.

## **Table of Contents**

### ***Expansion of the recently acquired Kryviy Rih Operation***

Mittal Steel believes that its recently acquired Kryviy Rih operation in Ukraine has the potential to become one of the most profitable steel plants in the world. It is the second largest steel plant in the European region and has structural cost advantages in being located adjacent to a large, captive iron ore deposit and benefiting from lower labor costs than in the developed world. We plan to expand both the mines and steel plant operations to capture the full potential of these assets. In doing this we will enhance the value-added mix of the operation, diversify its product range into flat products, and grow the market share in Ukraine, CIS and the Eastern European region.

With suitable investment there is potential to increase production from the captive iron ore mines by up to 13 million tonnes of raw iron ore by 2010. Since this will be in addition to the current output of about 17 million tonnes, incremental investment required will not be as significant as that for developing a new mine. The increase in output will meet all the concentrate requirements of the expanded steel plant operations and enable supply to other group companies as well. Capital investment in the steel plant will significantly increase finished steel shipments by 2010 from 6.7 million tons in 2005. Capital repairs on the coke batteries will make the plant self-sufficient in coke supply and reduce its dependency on purchased natural gas. Restarting an additional blast furnace and investment in steelmaking and slab casting would enable production of up to approximately 4.0 million tons of flat products by 2010. The remaining liquid steel will continue for long products production, for which improvements to the meltshop and wire rod mill will allow higher value market segments to be served.

### ***Expansion of our low-cost facilities in South Africa and Kazakhstan***

Mittal Steel has some of the most cost competitive steelmaking operations in the world at its facilities in South Africa and Kazakhstan, which have contributed significantly to an average operating profitability of about \$220 per tonne in our Asia-Africa region over the last two years. We intend to grow capacity at these facilities. For example, in South Africa, the hot metal capacity is planned to be increased by over 1 million tonnes by rebuilding Blast Furnace No.5 and Sinter Plant and enhancing productivity of Blast Furnace D during its relining. In addition, the construction of new DRI facilities will enable volume growth, enhanced quality of feed material and better costs. Such investment in steelmaking expansion will allow us to continue to benefit from expansion of low-cost iron ore mines in South Africa through our contractual arrangements at Sishen. Similarly, our investments in Kazakhstan, such as the reconstruction of Blast Furnaces 3 and 4 and addition of Coke Battery 7 are directed at de-bottlenecking the operation, enabling us to gain maximum benefit from our adjacent captive ore and coal mines. Suitable capital investments in these two facilities offer the potential to increase their combined output by approximately 4.0 million tons, a significant portion of which would be high-quality grades.

### ***Capturing productivity improvement***

Mittal Steel operations in Western Europe and USA are amongst the most productive in the steel industry. The average shipments of our operations in these developed countries is about 730 tons per employee and we intend to extend this performance to a number of our more recently acquired operations which have significant potential to improve. Combined with selective investments to improve productivity, efficiency improvements across the company operations are expected to result in headcount reduction of around 40,000 employees over a period of five years. This employee reduction will be done by capturing attrition and a voluntary retirement scheme. Thereby we will be able to achieve within a span of five years a significant increase in productivity, primarily through improvements at our operations in emerging economies. In 2005, workforce reduction through a voluntary process amounted to 11,000 employees.



## **Table of Contents**

### ***Expansion of mining assets***

To hedge against the supply side constraints and disproportionate negotiating power of key raw material suppliers, Mittal Steel continues to invest in expanding its mining operations. In the next five years, the objective is to move from 56% self-sufficiency in iron ore to 80% at current levels of steel production, driven by a mixture of acquisitions and capacity expansions. This would entail an increase in iron ore production by approximately 28 million tonnes, which would come from restarting production in Liberian iron ore mines under our management in 2007, increasing the open pit mining in Ukraine to increase raw ore production, similarly expanding our Bosnian mine, commissioning a pioneering project for dephosphorization of iron ore concentrate in Temirtau, Kazakhstan, and investment in new mines in Mexico. In addition, we may see additional supply coming from a new mine in Senegal, if the feasibility study demonstrates the viability of the project.

### ***Capturing the benefits of our global scale and scope***

Through our ongoing Continuous Improvement and Knowledge Management Programs, we will continue to drive improvement in overall business performance. These processes will allow us to accelerate integration of recent acquisitions and to capture global synergies in marketing, product development and procurement.

For example, we expect to capture identified synergies of \$250 million per annum from the ISG acquisition in the United States through best practice sharing, further optimization of the product-plant configuration and procurement scale and scope. Elsewhere our continuous improvement and technical experts are supporting efforts to de-bottleneck operations in high growth areas such as Algeria, South Africa and Central & Eastern Europe, as well as supporting management teams in North America and Western Europe to improve processes and capture value-added opportunities.

In addition, we have launched a Company-wide initiative to implement total cost of ownership approaches to the procurement and use of key materials, including iron ore, scrap, refractory materials and ferro alloys, amongst others. Company-wide initiatives are also underway to improve yields and optimize energy consumption across the Company.

Our global marketing Knowledge Management Program is driving improvements to our marketing and sales processes. Our sales teams continue to look for opportunities to promote cross selling of products across our businesses, and joint efforts of marketing, R&D and local operations management enable product transfers between our business units in order to capture market growth opportunities.

The detailed benchmarking, regular management meetings, inter-plant visits of technical and functional experts, and sharing of information at the corporate, regional and operating level, allow each business to benefit from the scale and reach of our global presence and to have access to the best practices and experience within our company. We believe these processes will continue to provide a differentiating advantage to our business performance by continuously contributing to reduced procurement and conversion costs, and enhanced productivity and profitability.

## **Table of Contents**

### **INFORMATION ABOUT ARCELOR**

The information concerning Arcelor provided below is based solely on public information, including Arcelor's annual reports for 2005, 2004, and 2003, all as posted on Arcelor's web site ([www.arcelor.com](http://www.arcelor.com)).

#### **General**

Arcelor was created in February 2002 by the combination of three steel-making companies, Aceralia Corporación Siderurgica, Arbed and Usinor. The Arcelor group operates in four market sectors: Flat Carbon Steels, Long Carbon Steels, Stainless Steels, and Arcelor Steel Solutions and Services (A3S, formerly Distribution, Transformation and Trading). Arcelor is the second largest steel producer in the world, with production of 47 million and 46.7 million tonnes of steel in 2004 and 2005, respectively. It generated revenues of 30.2 billion in 2004 and 32.6 billion in 2005. For the same periods, its net result (group share) was 2.3 billion and 3.8 billion, respectively. Arcelor recorded capital expenditure of 1.4 billion in 2004 and 2.1 billion in 2005.

In 2004, 30% of its production was obtained from scrap used in electric arc furnaces and 70% from iron ore. The group is a leading operator in all its key end markets: the automotive industry, construction, household appliances, packaging and general industry.

Arcelor is the market leader in Western Europe; 71.2% of its sales in 2005 were in the European Union. Arcelor also has a strong position in South America, particularly due to its Brazilian operations; 10.8% of its sales in 2005 were in South America. The large majority of its 96,256 employees at year-end 2005 are located in those two regions (approximately 73% in Western Europe and 21% in South America).

Arcelor has made several significant acquisitions, particularly in South America and Eastern Europe. Most recently, Arcelor acquired Dofasco, a leading Canadian steelmaker, for C\$5.6 billion.

#### **Principal Business Sectors**

##### ***Flat Carbon Steel***

Arcelor is a leading producer of flat carbon steels, in terms both of volume and value, having shipped approximately 28.5 million tonnes in 2004 and 28.1 million tonnes in 2005. In 2005, total production of flat carbon steel was 32.9 million tonnes. This sector employed approximately 46,000 people at year-end 2005, generated revenues of approximately 16.1 billion in 2004 and 18.1 billion in 2005 and recorded operating results of 1.7 billion in 2004 and 2.8 billion in 2005.

Arcelor's flat carbon steel sector produces and markets a broad range of flat carbon steel products, including slabs, plates, hot-rolled coil (upstream activities) and cold-rolled coil, coated, galvanized and finished products, formed blanks and welded blanks (downstream activities). With a presence on every global market, the flat carbon steel sector offers steel solutions to the automotive, packaging, industrial packaging, civil and mechanical engineering, construction, household appliance and processing industries. In Europe, the density of the flat carbon steel manufacturing and sales network, combined with the support of A3S (see below), means that Arcelor is geographically close to all of its flat carbon steels users. Elsewhere in the world, Arcelor has a policy of active investment and partnership, which is especially strong in South America, North America, Russia and China.

## **Table of Contents**

### ***Long Carbon Steel***

Arcelor is one of the world's leading producers of long carbon steels, having shipped approximately 13.4 million tonnes in 2004 and 12.3 million tonnes in 2005. In 2005, total long carbon steels production was 11.2 million tonnes. This sector employed over 20,000 people at year-end 2005 and reported revenues of approximately 6.2 billion in 2004 and 6.6 billion in 2005 and operating results of 1.1 billion in 2004 and 1.1 billion in 2005, from sales of products in the following three categories:

commodity products (rolled products): lightweight and medium-weight beams, merchant steel, concrete reinforcing bar and commodity quality wire rod;

specialty products (rolled products): sheet pile, heavy beams, special sections, rails and special quality wire rod; and

wiredrawn products: steelcord, hose wire, saw wire and low carbon steel wire products.

The long carbon steel sector comprises a steel-making activity and a transformation activity with wire drawing plants. The steel-making activity is based in the European Union and South America. It mainly supplies long carbon steel products to the construction, civil engineering and industrial equipment markets. Drawn-wire products are produced in the European Union, South America and the United States, through its joint ventures with the Kiswire Group in South Korea and China, and Bekaert Group in Brazil.

Rolled long products are used chiefly in the construction industry, infrastructure developments and major projects. Wiredrawn products have a variety of uses, including tire manufacture (steelcord), agriculture (vine wire, closures, etc.), manufacturing (galvanized wire for cable reinforcement) and construction (fibers).

### ***Stainless Steel***

Arcelor is a leading global producer of stainless steels, in both volume and revenues, having shipped 2.1 million tonnes in 2004 and 1.6 million tonnes in 2005. In 2005, total production of stainless steels was 1.7 million tonnes. This sector employed over 13,500 people at year-end 2005 and generated revenues of approximately 4.6 billion in 2004 and 4 billion in 2005 and operating results of 127 million in 2004 and 93 million in 2005. Arcelor produces virtually the entire range of stainless steels and stainless steel alloy products.

Stainless steels are used in four specialist markets: household appliances (large and small), automobiles (mainly in exhaust systems), construction and street furniture (facades and building products) and industry (especially the food, chemical and oil industries).

### ***Arcelor Steel Solutions and Services***

With a presence in over 50 countries, A3S (formerly Distribution, Transformation and Trading) offers a broad range of flat and long products and steel solutions for custom projects, and is a leading player in the automotive, household appliance and construction (public works, civil engineering and offshore) markets. Although the majority of the products it sells are supplied by Arcelor group plants, the A3S sector also relies on the market to supply between 30% and 35% of its needs. This sector is built around a network of depots, service centers and manufacturing sites, which provide its European customers with fast access to the full range of group products. A3S is organized into five operating units that work in specialist but complementary markets.

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**Table of Contents**

The business activities of Arcelor's A3S sector have the following features in common:

a strong culture of innovation;

proximity to a broad customer base, whose loyalty is maintained by a substantial sales force;

the important role played by service and logistics;

expertise in the downstream promotion of steel solutions; and

the ability to contribute added value to commercially marketed steel products.

The A3S sector employed over 11,000 people at year-end 2005 and generated revenues of approximately 8.3 billion in 2004 and 8.7 billion in 2005, corresponding to 15.0 million and 13.7 million tonnes of shipped steel, respectively, 70% in 2004 and 81% in 2005 of which came from the other sectors of the Arcelor group. The A3S sector recorded operating results of 398 million in 2004 and 254 million in 2005.

***Recent Development Relating to Arcelor***

Arcelor announced on May 26, 2006 that it has signed an agreement with Alexey Mordashov, the controlling shareholder of Severstal, a steel company organized in Russia, providing for the contribution by Mr. Mordashov to Arcelor of his 89% interest in Severstal (including related mining interests and Italian steelmaker Lucchini) and 1.25 billion cash in exchange for 295 million newly-issued shares representing an interest of approximately 32% in Arcelor. The following description is based entirely on Arcelor's announcement and public statements. According to the announcement, this transaction values Arcelor at 44 per share. Following these transactions, Arcelor's existing shareholders will hold approximately 68% of the shares of the enlarged Arcelor. Arcelor's announcement states an intention to continue with its previously announced dividend and self-tender offer, the results of which could change these percentages, increasing Mr. Mordashov's stake..

According to Arcelor statements, the agreements with Mr. Mordashov are subject to a number of termination provisions:

the agreement will be terminated if Arcelor shareholders representing more than 50% of outstanding Arcelor shares vote against the transaction at a shareholders' meeting on June 28; and

the agreement automatically unwinds if Mittal Steel acquires more than 50% of Arcelor's diluted share capital;

Mr. Mordashov has the option to unwind the transaction within three months if Mittal Steel acquires less than 50% of Arcelor.

In addition, the transaction is subject to antitrust approvals in Europe, the United States and perhaps elsewhere. There is a mutual break-up fee of 140 million. Mr. Mordashov has committed to a standstill on Arcelor shares for 4 years and to a lock-up for 5 years.

Arcelor's executive management will remain in place, supplemented by Severstal executives, and Arcelor's current Chief Executive Officer and Chairman of the Board will retain their positions. Mr. Mordashov will become non-executive President of the Arcelor Board of Directors and will chair a newly-created Strategic Committee (comprised of two independent members and two Severstal nominees) which must approve key strategic decisions by simple majority. In addition, he will have the right to nominate 6 out of 18 directors on the Arcelor Board of Directors. Mr. Mordashov has agreed to vote his shares in accordance with the recommendations of the Board of Directors for an unspecified period. Further, Mr. Mordashov retains a non-economic voting interest of 25.01% in Severstal, which affords him a blocking interest in certain major corporate decisions and changes.

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

According to the Arcelor press release, Severstal is the largest Russian steel producer, with 2005 annual steel production of 17.1 million tonnes. It is the second largest flat steel producer in Russia with annual steel production of 10.9 million tonnes. In addition, Severstal owns Severstal North America, the fifth largest integrated steel maker in the U.S. with 2005 production of 2.7 million tonnes, and Lucchini, Italy's second largest steel group with 2005 production of 3.5 million tonnes. Severstal-Resource produces coking coal, thermal coal, iron ore pellets and iron ore concentrate, and generated revenues of 1.12 billion in 2005.

See Information Relating to Arcelor Press release announcing Arcelor's agreement to merge with Severstal (released May 26, 2006).

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**Table of Contents**

**REGULATORY MATTERS**

**Competition and Antitrust**

Mittal Steel must receive approval for the transaction contemplated by the Offer from the European Commission, the United States Federal Trade Commission (the "FTC") or the Antitrust Division of the United States Department of Justice (the "DOJ") and the Canadian Commissioner of Competition, which have jurisdiction to review the Offer under applicable competition/antitrust laws. A number of other jurisdictions throughout the world also have jurisdiction to review the transaction under their competition or antitrust laws.

Although Mittal Steel does not anticipate that there will be any investigations or proceedings in any jurisdiction that would have a material impact on the completion of the Offer or the operations of Mittal Steel or Arcelor, there can be no assurance that the necessary approvals will be granted or that they will be granted on favorable terms, or that investigations or proceedings, whether by governmental authorities or private parties, will not be initiated and, if initiated, will not have a material adverse impact on the operations of Mittal Steel or Arcelor.

It is possible that the approvals will be subject to conditions and obligations that adversely affect the financial position or operations of Mittal Steel, which could include the divestiture of certain assets or business divisions or the imposition of obligations on Mittal Steel that restrict the manner in which it can carry on business. Should any such divestitures or obligations be required and implemented, there could be a material effect upon the business of Mittal Steel or Arcelor. Furthermore, Mittal Steel may decide that significant amounts of additional assets should be disposed of in connection with such divestitures for various business reasons. There can be no assurance that any divestitures ultimately required for regulatory reasons, or any related divestitures, will not have a material adverse effect upon Mittal Steel's business or results of operations in the future.

***European Union Competition Laws***

Mittal Steel and Arcelor both conduct business in the European Union. Council Regulation (EC) 139/2004 requires that certain concentrations involving parties with aggregate annual worldwide and individual European Union sales exceeding certain thresholds be notified to and cleared by the European Commission. An acquirer is entitled to implement a public bid pending the European Commission's clearance decision provided the acquirer does not exercise the voting rights attached to the securities in question or does so only to maintain the full value of its investments based on a derogation granted by the European Commission. The aforementioned Regulation gives Member States of the European Union the right to request that the European Commission refer jurisdiction to review a concentration to a national authority, although no such request was made in this case before the relevant deadline.

Mittal Steel submitted a formal notification to the European Commission on April 7, 2006. Generally, the European Commission has 25 working days (sometimes referred to as a "Phase I review") from the date of the notification of a concentration to adopt a decision to approve the notified concentration (whether unconditionally or subject to commitments) or to open an in-depth investigation (which is sometimes referred to as a "Phase II review"). The European Commission has the power at any stage during the initial review to declare a notification to be incomplete, which would result in Mittal Steel having to re-notify the concentration and in restarting the 25 working day period. The initial 25 working day period was automatically extended to 35 working days (i.e., until June 7, 2006) since Mittal Steel formally submitted commitments before the relevant deadline with a view to eliminating any aspects of the concentration that might cause the European Commission to have serious doubts that the concentration raises competition issues such that it could be incompatible with the common market.

## **Table of Contents**

The proposed commitments submitted by Mittal Steel provide for the sale of two current Arcelor mills within a specified period following the acquisition of control of Arcelor, if the European Commission ultimately concludes that the commitments are necessary to enable the European Commission to approve the concentration at the end of the Phase I review as indicated above. If necessary, the sale of the two mills would be for fair value, and the sale would be conducted, and post-sale activities organized, so as not to have an adverse impact on Arcelor's overall operations, in light of the combination with Mittal Steel.

Should the European Commission open a Phase II review, it would, at the end of a further period of 90 to 105 working days, adopt a decision either clearing the concentration (whether unconditionally or subject to conditions and obligations) or declaring the concentration incompatible with the common market. If the European Commission declares the concentration incompatible with the common market and Mittal Steel would already have acquired title to Arcelor's shares (as it is entitled to do under EU merger control rules), the European Commission would require Mittal Steel to divest the shares. In certain circumstances, the 25 working day, 35 working day, and 90 to 105 working day review periods can be extended if the European Commission requests information from the acquirer or target, which is not provided within the time period allowed; in such circumstances, the Commission may adopt a procedure that leads to the suspension of the review timetable until all the requested information is provided to it.

A decision approving the concentration can be challenged before the Court of First Instance of the European Communities by, among others, competitors, customers, or suppliers of Mittal Steel or Arcelor. A decision to prohibit the transaction can similarly be challenged by Mittal Steel. Subject to review by the Court of First Instance, once the European Commission has adopted a decision clearing the concentration, that decision can be revoked by it only if it subsequently concludes that its approval of the concentration was granted on the basis of false or misleading information furnished in the notification or otherwise furnished by Mittal Steel, or if Mittal Steel has failed to comply with conditions or obligations to which the approval decision is subject.

### ***United States Hart-Scott-Rodino Antitrust Improvements Act of 1976***

Under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), the Offer may not be completed until notification has been filed with the FTC and the DOJ, and the required 30-day waiting period has expired or been terminated. Mittal Steel submitted a notification under the HSR Act on March 8, 2006. Mittal Steel withdrew this notification on April 7, 2006, and re-filed a notification on April 11, 2006. The re-filing was a procedural step that was taken to ensure that the DOJ has adequate time to review the transaction. The HSR Act waiting period expired at 11:59 p.m. on May 11, 2006.

The DOJ's investigation is continuing with respect to one area of overlap between the companies' operations in North America. Mittal Steel and the DOJ have agreed that, if the DOJ were to conclude that a remedy is necessary to resolve a competitive concern in this area, Mittal Steel's proposed sale of Dofasco, Inc., in accordance with its January 26, 2006 agreement with ThyssenKrupp, would satisfy the Department's concerns. Mittal Steel remains committed to divesting Dofasco to ThyssenKrupp pursuant to the January 26, 2006 agreement.

## **Table of Contents**

If Mittal is unable to sell Dofasco to ThyssenKrupp due to Arcelor's transfer of its Dofasco shares to the S3 Stichting, Mittal may instead resolve any competitive concern by selling an alternative asset. Mittal believes that a divestiture of the alternative asset would have no adverse effect on Mittal Steel's sales or operations, particularly in light of the related retention of Dofasco.

The expiration of the HSR Act waiting period does not bar the FTC or the DOJ from challenging the Offer before or after its completion. If the FTC or the DOJ believes that the Offer would violate the US federal antitrust laws by substantially lessening competition in any line of commerce affecting US consumers, the FTC and the DOJ have the authority to challenge the transaction by seeking a federal court order enjoining the transaction or, if shares have already been acquired, requiring disposition of such shares. US State attorneys general and private persons may also bring legal action under the antitrust laws seeking similar relief or seeking conditions to the completion of the Offer.

### ***Canada***

The Offer is a notifiable transaction under the Competition Act (Canada). Notifiable transactions cannot be completed under the Competition Act until either (i) a required notification is filed with the Commissioner of Competition and the relevant statutory waiting period has expired or been terminated, (ii) the Commissioner of Competition has issued an Advance Ruling Certificate (ARC) in respect of the transaction or a letter stating that the Commissioner of Competition does not at that time intend to challenge the transaction, or (iii) the Commissioner of Competition has waived the notification requirement on the basis of information received in an application for an ARC.

Long-form notification materials were filed on March 7, 2006 and the statutory waiting period expired on April 18, 2006. Despite the expiry of the waiting period, the Commissioner of Competition has jurisdiction to challenge any transaction that is likely to have the effect of substantially lessening or preventing competition in a relevant market and such a challenge may be made any time before or within three years after completion of the transaction, unless an ARC has been issued in respect thereof. The expiration of the applicable statutory waiting period referred to above does not bar the Commissioner of Competition from commencing a proceeding, including seeking an order to enjoin the transaction. The Commissioner of Competition's review of the transaction is ongoing. If Mittal Steel acquires Arcelor shares and the Commissioner of Competition subsequently successfully challenges such acquisition, Mittal Steel would be required to divest assets or shares in order to resolve any such substantial lessening or prevention of competition.

### ***Other Jurisdictions***

Mittal Steel has identified that notifications are also required under the antitrust or competition laws of a number of other jurisdictions throughout the world. Mittal Steel has filed submissions in Bosnia and Herzegovina (February 3), Brazil (February 17), Bulgaria (February 3), China (April 26), Colombia (April 26), Mexico (May 15), Romania (February 27), Serbia and Montenegro (February 3), South Africa (March 10), Turkey (April 14), and Ukraine (April 21). An acquirer engaging in a public offer is entitled in all of these jurisdictions to acquire title to the target's shares pending local merger control review.



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**Table of Contents**

**MITTAL STEEL'S MANAGEMENT**

The 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.

Mittal Steel continues to have a strong emphasis on corporate governance. Five of Mittal Steel's nine directors are independent. Mittal Steel's Audit Committee, Nomination Committee and Remuneration Committee are comprised exclusively of independent directors.

**Board of Directors**

Mittal Steel's Articles of Association provide 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). Class A directors are appointed for a maximum 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. 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. There are currently no class B directors on the Mittal Steel Board of Directors.

Mittal Steel's Board of Directors currently consists of nine directors, five of whom are independent under Mittal Steel's independence criteria as well as under the independence definition in the Dutch Corporate Governance Code and the independence criteria of the NYSE standards applicable to non-US issuers.

As per the criteria set forth by Mittal Steel, in order to be considered independent a director (and his or her spouse and immediate relatives) may not, among other things, (i) in the five years prior to his or her appointment, have been an employee or director of Mittal Steel or any of its affiliates, (ii) in the year prior to his or her appointment, have had a significant business relationship with Mittal Steel or any of its affiliates, (iii) receive any financial compensation from Mittal Steel other than for the performance of his or her duties as a director or other than in the ordinary course of business, (iv) together with any concert parties, hold 10% or more of the stock of Mittal Steel, and (v) be a member of the management or supervisory board of a company owning 10% or more of the shares of Mittal Steel.

Each time a director is to be appointed, the holders of Mittal Steel class B common shares have the right to make a binding nomination for the appointment of such a class A, B or C director to Mittal Steel's Board of Directors. The Board of Directors shall invite the meeting of holders of class B common shares to make a nomination within a period of 60 days, such that for each appointment a choice can be made from at least two persons. The nomination shall be included in the notice of the general meeting of shareholders at which the appointment shall be considered. If a nomination has not been made or has not been made in time, this shall be stated in the notice and the general meeting of shareholders can decide at the shareholders' meeting whom to appoint. The holders of Mittal Steel class A common shares have no nomination right. The general meeting of shareholders can set aside such binding nomination by an absolute majority of votes cast provided that such majority represents at least one-third of the issued capital.

In addition, while the holders of Mittal Steel class B common shares may nominate directors for appointment to the Board of Directors and have the voting power to ensure their election, Mittal Steel follows a philosophy of an open board in which all directors are able to express their views on any matter for the Board of Directors' discussion. Moreover, all directors have the right to seek independent advice from outside advisers at Mittal Steel's expense for due discharge of their responsibilities.

## **Table of Contents**

Under Mittal Steel's Articles of Association and the Management Board Rules (a copy of which can be found at <http://www.mittalsteel.com>) and Dutch corporate law, the members of the Board of Directors are collectively responsible for the management, general and financial affairs and policy and strategy of Mittal Steel and its group companies.

All directors, including the independent (non-executive) directors, on Mittal Steel's Board of Directors, have, as a matter of Dutch law, a duty to act in the interests of Mittal Steel and its stakeholders, which includes its employees and creditors. Independent (non-executive) directors cannot solely take into account the interests of one group of stakeholders (*e.g.*, minority shareholders and employees).

The executive directors are responsible for managing the day-to-day business and operations of Mittal Steel as well as other responsibilities that have been delegated to the executive directors in accordance with Dutch law and Mittal Steel's Articles of Association.

The executive directors divide their tasks by mutual consultation. In case of an executive director's absence, his or her duties and powers shall be carried out by another executive director to be designated by the Board of Directors. In case of long-term absence (*i.e.*, absence of more than four weeks), the full Board of Directors shall be informed of this occurrence.

Each executive director is accountable to the Board of Directors for the fulfilment of his or her duties and must therefore report to the Board of Directors on a regular basis and in such a manner as to give the Board of Directors a proper insight into the performance of his or her duties, the foregoing also in view of the Board of Directors' collective responsibility.

Each executive director has the right to receive from other executive directors and from employees any information about matters that he or she may deem useful or appropriate in connection with his or her collective responsibility for Mittal Steel's management. He or she must consult with the other executive directors if the implementation of his or her duties affects the implementation of the duties of the other executive directors or if the significance of the matter requires consultation with the other executive directors.

The executive directors, under the Board of Directors' supervision, are responsible for establishing and maintaining internal procedures ensuring that the Board of Directors is aware of all important financial information, in order to ensure timely, complete and accurate external financial reporting. To that effect, the Board of Directors ensures that the financial information from group companies is reported directly to it and that the integrity of the information is not affected.

The Board of Directors may pass resolutions only if at least three directors, amongst whom one is a Class A and two are Class C directors, are present. The chairman of the meeting shall consult with the absent directors by telephone or telecopy whenever possible. Where possible, resolutions shall be passed by unanimous vote. If this is not possible, the resolution shall be taken, in accordance with Mittal Steel's Articles of Association, by an absolute majority of votes. If there is a tie, the chairman of the Board of Directors shall have the casting vote.

The non-executive directors discuss at least once a year on their own, *i.e.*, in the absence of the executive directors, both the functioning of the Board of Directors, the executive directors as executive management and that of its individual directors, and the conclusions that must be drawn on the basis thereof. In practice, these discussions typically occur quarterly.

**Table of Contents**

Finally, the Board of Directors has an Audit Committee, a Nomination Committee and a Remuneration Committee, each of which is comprised solely of the independent (non-executive) directors, with written charters that are published on Mittal Steel's website. In addition, Mittal Steel has adopted a code of conduct for Mittal Steel and its worldwide operations, and a whistleblower process in which reports or complaints are sent directly to the chairman of the Audit Committee.

The members of the Mittal Steel Board of Directors as of the date of this prospectus are as set forth below:

Name	Age <sup>(5)</sup>	Date		Class/Term <sup>(6)(7)</sup>	Position within Mittal Steel
		Joined	Board		
Lakshmi N. Mittal	55	May	1997	Class A 2008	Chairman of Mittal Steel's Board of Directors and Chief Executive Officer
Vanisha Mittal Bhatia	25	December	2004	Class A 2008	Member of Mittal Steel's Board of Directors
Lewis B. Kaden <sup>(3)(4)</sup>	63	April	2005	Class C 2007	Member of Mittal Steel's Board of Directors
René Lopez <sup>(3)(4)</sup>	60	November	2002	Class C 2007	Member of Mittal Steel's Board of Directors
Aditya Mittal	29	May	2000	Class A 2008	Member of Mittal Steel's Board of Directors, President and Chief Financial Officer
Muni Krishna T. Reddy <sup>(1)(2)(4)</sup>	60	November	2002	Class C 2007	Member of Mittal Steel's Board of Directors
Wilbur L. Ross, Jr.	68	April	2005	Class C 2007	Member of Mittal Steel's Board of Directors
Ambassador Andrés Rozental <sup>(1)(2)(3)(4)</sup>	60	July	1997	Class C 2007	Member of Mittal Steel's Board of Directors
Narayanan Vaghul <sup>(1)(2)(3)(4)</sup>	69	July	1997	Class C 2007	Member of Mittal Steel's Board of Directors

(1) Audit Committee

(2) Nomination Committee

(3) Remuneration Committee

(4) Non-executive and independent director

(5) Age as of December 31, 2005

(6) The expiration date of the Class A directors' term will be as of the Annual General Meeting to be held in the year 2008.

(7) The expiration date of the Class C directors' term will be as of the Annual General Meeting to be held in the year 2007.

On May 9, 2006, Mittal Steel announced that its Board of Directors has recommended appointing Mr. François Pinault as a non-executive director to the Board of Directors. The proposed appointment will be discussed and put to a vote at a general meeting of shareholders to be held on June 16, 2006 in Rotterdam, The Netherlands. Mr. Pinault will be an independent director; following his appointment, the Board of Directors will have six independent directors.

**Lakshmi N. Mittal** is the Chairman of the Board of Directors and Chief Executive Officer of Mittal Steel. He is the founder of Mittal Steel and has been responsible for the strategic direction and development of the Company. He is also a non-executive director of Mittal Steel South Africa, an executive committee member of the International Iron and Steel Institute, a member of the Foreign Investment Council in Kazakhstan, the International Investment Council in South Africa, the World Economic Forum's International Business Council, a director of ICICI Bank Ltd. and is on the Advisory Board of the Kellogg School of Management in the U.S. Mr. Mittal was awarded Fortune magazine's European Businessman of the Year 2004 and was named Entrepreneur of the Year by The Wall Street Journal. He was previously named Steel Maker of the Year in 1996 by New Steel, a



## Table of Contents

leading industry publication and was 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. Mr. Mittal has been chosen for the 2007 Dwight D. Eisenhower-Global Leadership Award.

**Vanisha Mittal Bhatia** was appointed as a member of the LNM Holdings Board of Directors in June 2004. Mrs. 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 Mittal Shipping Limited, Mittal Steel Hamburg GmbH and with an internet-based venture capital fund. She is the daughter of Mr. Lakshmi N. Mittal.

**Lewis B. Kaden** has approximately 38 years of experience in corporate governance, dispute mediation, labor and employment law, and economic policy. He is currently Vice Chairman and Chief Administrative Officer of Citigroup Inc. Prior to that, he was a partner at the law firm of Davis Polk & Wardwell, and served as Counsel to the Governor of New Jersey, as a Professor of Law at Columbia University and as director of Columbia's Center for Law and Economic Studies. He served as a director of Bethlehem Steel Corporation for ten years and is currently Chairman of the Board of Directors of the Markle Foundation. He is a member of the Council on Foreign Relations and the moderator of the Business-Labor Dialogue. Mr. Kaden is a magna cum laude graduate of Harvard College and of Harvard Law School.

**René Lopez** has approximately 37 years of experience in international finance, manufacturing and marketing with multinational corporations including Alcatel-Alsthom, Cegelec and GEC Alsthom, where he has worked since 1966. He was President and General Manager of Alcatel-Alsthom, Cegelec Industries and GEC Alsthom Canada. During this time he held various directorships, notably at the Canadian standard association and the University of Quebec in Montreal. He received the Commemorative Medal for the 125<sup>th</sup> Anniversary of the Confederation of 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 as well as coaching for growing industrial firms.

**Aditya Mittal** is President and Chief Financial Officer of Mittal Steel. He joined the Company in January 1997 and has held various finance and management roles within the Company. In addition to these responsibilities Aditya was appointed Head of Mergers and Acquisitions for the Company in 1999. In this role, he led the Company's acquisition strategy, resulting in Mittal Steel's expansion into Central Europe, Africa and most recently the United States. This led to Mittal Steel emerging as the world's largest and most global steel producer, growing its steel making capacities fourfold. These acquisitions included Polskie Huty Stali in Poland, Nova Hut in Czech Republic, Sidex in Romania, Annaba in Algeria, Iscor in South Africa, and International Steel Group in the US. Prior to his Mergers and Acquisitions responsibilities, in 1997, Aditya managed the initial public offering ( **IPO** ) for Ispat International NV. This deal was the largest ever IPO in the steel industry, raising over \$775 million and receiving the Equity Deal of the year award. Aditya is also an active participant in various charitable organizations, most notably the National Society for the Prevention of Cruelty to Children ( **NSPCC** ) in the UK, a Young Presidents' Organization ( **YPO** ) member and in 2005 was selected as one of the World Economic Forum's Young Global Leaders. He holds a Bachelor's Degree of Science in Economics from the Wharton School in Pennsylvania with concentrations in Strategic Management and Corporate Finance from where he graduated magna cum laude. He is the son of Mr. Lakshmi N. Mittal.

**Muni Krishna T. Reddy** has over 35 years of experience in financial services and he is presently the Chairman of State Bank of Mauritius Group (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 British American (Holdings) Ltd; British American International Corporation Ltd; India Growth Fund Inc,

**Table of Contents**

New York; Intercommercial Bank Ltd, Trinidad; Intercommercial Trust & Merchant Bank Ltd; Mauritius Telecom Ltd; Overseas Telecommunications Services Ltd, South East Asia Regional Fund. Mr. Reddy took over as Chairman of the SBM Group in October 2003, after having been the Chief Executive Officer for 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. Mr. Reddy also serves as a director of a number of subsidiaries of the Company.

**Wilbur L. Ross, Jr.** 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, International Textile Group, International Coal Group and of Marquis Who's Who, Inc. 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. and News Communications Inc. in the United States. He is also Director of IAC Acquisition Corporation, Ltd. (UK) and of Compagnie Européenne de Wagons SARL (Luxembourg), Oxford Automotive (Denmark) and Safety Components International (US). He is Director of the Japan Society and of the Yale School of Management. 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.

**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 Americas and a Board member of the Latin American Advisor and the Pacific Council of International Policy.

**Narayanan 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.

**Table of Contents****Senior Management**

The members of Mittal Steel's senior management as of the date of this prospectus are as set forth below. The number of members of Mittal Steel senior management has increased since 2004, in line with the Company's growth.

<b>Name</b>	<b>Age<sup>(1)</sup></b>	<b>Position within the Company</b>
Bhikam C. Agarwal	53	Managing Director, Controlling of Mittal Steel
Ashok Aranha	60	Director, Materials
Roeland Baan	49	Chief Executive Officer of Mittal Steel Europe
Vijay Bhatnagar	58	Chief Executive Officer of Mittal Steel Poland
William A. Brake, Jr.	45	Executive Vice President, Operations of Mittal Steel USA
Narendra Chaudhary	61	Chief Executive Officer of Mittal Steel Kryviy Rih
Arvind Chopra	41	Corporate Director, Internal Assurance
Nawal Kishore Choudhary	63	General Director and Chief Executive Officer of Mittal Steel Temirtau
Davinder Chugh	49	Chief Executive Officer of Mittal Steel South Africa
Simon Evans	42	General Counsel of Mittal Steel
Carlos M. Hernandez	51	General Counsel and Company Secretary - Mittal Steel USA
Richard Leblanc	63	President and Chief Executive Officer of Mittal Canada
Greg Ludkovsky	57	Chief Technology Officer
Sudhir Maheshwari	42	Managing Director, Business Development and Treasury of Mittal Steel
Aditya Mittal	29	President and Group Chief Financial Officer of Mittal Steel
Lakshmi N. Mittal	55	Chief Executive Officer of Mittal Steel
Malay Mukherjee	58	Chief Operating Officer of Mittal Steel
Gregor Münstermann	46	Chief Executive Officer of Mittal Steel Ostrava
Gerhard Renz	58	Chief Operating Officer of Mittal Steel Europe
Michael G. Rippey	48	Executive Vice President Sales and Marketing - Mittal Steel USA
David Sadler	57	Corporate Director, Health, Safety and Environment
Henk Scheffer	43	Company Secretary of Mittal Steel
Louis Schorsch	56	President and Chief Executive Officer of Mittal Steel USA
Leon V. Schumacher	38	Chief Information Officer
William A. Scotting	47	Director, Continuous Improvement
Kumar Arun Prasad Singh	61	Chief Executive Officer of Mittal Steel Galati
Mahendra Pratap Singh	59	Director, Mining
Pakkam S. Venkataramanan	49	Chief Executive Officer, Mittal Steel Lázaro Cárdenas
Viral C. Vora	52	Director, Shipping
Inder Walia	47	Director, Human Resources

<sup>(1)</sup> Age as of December 31, 2005





## Table of Contents

**Bhikam C. Agarwal** is the Managing Director, Controlling 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 was previously Chief Financial Officer since its formation as Ispat International. 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.

**Ashok Aranha** is the Director, Materials of Mittal Steel. He joined the Company in 1991 and is responsible for the development and implementation of the Company's purchasing strategy and the implementation of most global purchases for the Company. He has over 35 years of experience in materials and procurement management. Mr. Aranha was the Head of Materials at Ispat Hamburger Stahlwerke (now Mittal Steel Hamburg) and at Caribbean Ispat Limited (now Mittal Steel Point Lisas) prior to this position. He holds an MBA from XLRI, Jamshedpur, India.

**Roeland Baan** was appointed Chief Executive Officer for Mittal Steel Europe in April 2005. Prior to the merging of Mittal Steel's Central and Eastern European operations with its Western operations in April 2005, Mr. Baan was the Chief Executive Officer for Mittal Steel Central and Eastern Europe since 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 Committee and was responsible for developing and executing 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.

**Vijay Bhatnagar** was appointed the Chief Executive Officer of Mittal Steel Poland in June 2005. Mr. Bhatnagar was previously the Chief Operating Officer of Mittal Steel Temirtau and prior to that he was the Managing Director of Mittal Steel Lázaro Cárdenas a post he held from October 2002. He has over 34 years of experience in the aluminum and electronics industries. Mr. Bhatnagar worked in various line and staff positions at INDAL in India for over 31 years. He later became the Joint Managing Director and then the Managing Director of AT&S Indian operations (a subsidiary of AT&S AG Austria) and worked in these positions from 1999 until 2002. Mr. Bhatnagar is a metallurgical engineer and has a bachelor's degree in Engineering (Metallurgy) from Regional Institute of Technology, Jamshedpur, India.

**William A. Brake, Jr.** is the Executive Vice President, Operations of Mittal Steel USA. He joined the Company in April 2005 as the Executive Vice President, Eastern Operations. Previously Mr. Brake worked for International Steel Group Inc. and then prior to that LTV, for a combined work history of over 17 years holding various positions of increasing responsibility, with a consistent record of success over the years. He holds a bachelor's degree in electrical engineering and a masters' degree in business administration both from Case Western Reserve University, Cleveland.

**Narendra Chaudhary** is the Chief Executive Officer of Mittal Steel Kryviy Rih. Mr. Chaudhary was previously the Corporate Director, Operations and Maintenance, of Mittal Steel and before that the Chief Executive Officer of Mittal Steel Galati, a position he held from December 2001 until April 2005. Prior to joining Mittal Steel Galati, he was Chief Executive Officer of Mittal Steel Temirtau. Mr. Chaudhary possesses over 39 years of experience in a variety of technical and managerial functions in the steel industry. Mr. Chaudhary joined Mittal Steel Lázaro Cárdenas in Mexico, 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.

## Table of Contents

**Arvind Chopra** is the Director, Internal Assurance, of Mittal Steel and joined the Company in April 2000 and is responsible for the facilitation of management's performance of risk assessments and for the evaluation of internal controls. He is also in charge of the Company's internal auditing function. Formerly a partner with KPMG, Mr. Chopra has over 20 years of experience in internal auditing, risk management, internal control evaluations and corporate governance related matters. He has also held positions at Arthur Andersen, Nestlé and Price Waterhouse. Mr. Chopra is a member of Institute of Chartered Accountants of India and the Institute of Internal Auditors.

**Nawal Kishore 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 aluminum 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 INDAL. 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.

**Davinder Chugh** is the Chief Executive Officer of Mittal Steel South Africa and has over 25 years' experience in the steel industry, in particular in materials purchasing, logistics, warehousing and shipping. Prior to being appointed Chief Executive Officer, Mr. Chugh held the position of Commercial Director at Mittal Steel South Africa since May 2002. Before joining Mittal Steel South Africa he was vice president of purchasing at Mittal Steel Europe S.A. Mr. Chugh has been with Mittal Steel since 1995 and successfully integrated the materials management functions at newly acquired Mittal Steel 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** joined Mittal Steel in September 2001 as General Counsel. He has over 17 years of experience in corporate and commercial law in both industry and private practice. Formerly, Mr. Evans was European Counsel at Rohm and Haas Company and prior to that he worked at the law firm Taylor Joynson Garrett (renamed Taylor Wessing), London. Mr. Evans is a graduate of Oxford University in Oxford, England and the College of Law, Guildford in Surrey, England.

**Carlos M. Hernandez** is General Counsel and Secretary of Mittal Steel USA Inc. He has served in that capacity since the acquisition of ISG by Mittal Steel on April 15, 2005. Prior to that date, he served as General Counsel and Secretary of ISG. He joined ISG in 2004 after serving as Executive Vice President, General Counsel and Secretary of a large, NYSE-listed distribution company in Dallas, Texas. During the prior 19 years, Mr. Hernandez served in various capacities in the law department of Armco Inc. He began his law career with a law firm in Miami, Florida. He has a Bachelors of Science in Civil Engineering from Purdue University and a Juris Doctor from the University of Miami School of Law.

**Richard Leblanc** is the Chief Executive Officer Long Products for Mittal Steel North America and the President and Chief Executive Officer of Mittal Canada, 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 Mittal Canada 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.

## Table of Contents

**Greg Ludkovsky** is Chief Technology Officer of the Company, as well as Vice President Research and Development and Chief Technology Officer of Mittal Steel USA. Mr. Ludkovsky joined Inland Steel in 1979 and advanced through a number of positions in steel products research prior to becoming Vice President, Research and Development of Inland Steel in 1995. Dr. Ludkovsky has a Ph.D. in Metallurgical Engineering.

**Sudhir Maheshwari** is the Managing Director, Business Development and Treasury of Mittal Steel and has over 19 years of experience in steel and related industries. He was previously the Chief Financial Officer of LNM Holdings since January 2002 until its merger with Ispat International in December 2004. He has played an integral and key role in all the recent acquisitions by Mittal Steel. He has also played a key role in various corporate finance and capital market projects including the initial public offering in 1997. Mr. Maheshwari has worked for Mittal Steel for over 17 years. He held the positions of Chief Financial Officer at Mittal Steel Europe S.A., Mittal Steel Germany and Mittal Steel Point Lisas, and Director of Finance and Mergers & Acquisitions at Mittal Steel. Mr. Maheshwari also serves on the Board of various subsidiaries of Mittal Steel. 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.

**Malay Mukherjee** is the Chief Operating Officer of Mittal Steel and has over 33 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 Mittal Steel Lázaro Cárdenas and President and Chief Executive Officer of Mittal Steel Europe S.A. He has also served as Managing Director of Mittal Steel Temirtau.

**Gregor Münstermann** is the Chief Executive Officer of Mittal Steel Ostrava. Prior to this he was Chief Executive Officer at Mittal Steel Hamburg, a position he held since March 2001. He has over 16 years experience in the steel industry. His previous positions include General Manager of the Steel Plant and the Direct Reduction Plant. Mr. Münstermann holds a Diploma at University Clausthal-Zellerfeld.

**Gerhard Renz** is the President and Chief Operating Officer of Mittal Steel Europe and has over 30 years of experience in the steel industry. Mr. Renz formerly worked as Managing Director of Mittal Steel Hamburg, Mittal Steel Duisburg and Mittal Steel Germany. Mr. Renz is a board member of Verein Deutsche Eisenhüttenleute, Wirtschaftsvereinigung Stahl and the European Iron and Steel Institute (taken over by Eurofer). He holds a German (bachelor's) degree in engineering.

**Michael G. Rippey** is the Executive Vice President, Sales and Marketing of Mittal Steel USA. Prior to his current position, Mr. Rippey was executive vice president, commercial, and chief financial officer at Ispat Inland. Mr. Rippey joined Inland Steel in 1984 and has had a career of increasingly responsible assignments becoming an officer in 1998 with responsibilities for sales, finance, human resources, law and purchasing. He has a bachelor's degree in marketing from Indiana University; a master's degree in banking and finance from Loyola University; and a master of business administration degree from the University of Chicago.

**David Sadler** joined Mittal Steel in October 2005 as Director, Health, Safety and Environment. In this role he is responsible for implementing a unified code across these areas, ensuring that all Mittal Steel units work to the same common standards of excellence. Mr. Sadler has a wealth of experience in the international mining industry, in numerous roles where he was responsible for both operational and health, safety and environmental performance. He joined Mittal Steel from the world mining giant Rio Tinto, where he was Head of Safety Improvement since April 2004. Mr. Sadler holds a first class degree in Metallurgy, a Masters degree in Metallurgical Quality Control and a Certificate in Education from Garnett College, London. He has completed various management courses including the Advanced Management Program and the International Manufacturing Program, both at INSEAD, France.

## Table of Contents

**Henk Scheffer** joined Mittal Steel in March 2003 as Company Secretary and 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). In August 2005 Mr. Scheffer was re-admitted as an attorney to the Rotterdam Bar. He was previously admitted to the Amsterdam Bar.

**Louis Schorsch** was appointed President and Chief Executive Officer of Mittal Steel USA in April 2005. Prior to this, Dr. Schorsch was the President and Chief Executive Officer of Ispat Inland. He has over 26 years of experience in consulting and managerial roles predominantly relating to the steel industry. Prior to joining Ispat 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.

**Leon V. Schumacher** joined the Group in September 2003 to lead the Group's Information Technology activities. He joined Mittal Steel from the management board of Arcelor International, where he was responsible for logistics, marketing and IT. Mr. Schumacher has 12 years of experience in the steel industry in information technology, operations and financial roles. He has also held positions at GSX.Com, TradeARBED and ProfilARBED and worked for many years in the United States. Mr. Schumacher holds a Master's Degree in Electrical Engineering from Ecole Polytechnique Federale (EPF) in Zurich, Switzerland and a Master's Degree in Management from HEC Business School in Paris, France.

**William A. Scotting** joined Mittal Steel in September 2002 to lead the Company's Continuous Improvement activities. Mr. Scotting has 20 years experience in the steel industry in technical, operations management and consulting roles. Formerly an Associate Principal at McKinsey & Company, he has also held positions at BHP Steel, Pioneer Concrete (UK), Mascott Partnership and CRU International. Mr. Scotting holds a Bachelor of Science (Metallurgy) degree from the University of Newcastle in Australia, where he was awarded the Australasian Institute of Metallurgy Prize for Metallurgy, and an MBA (with distinction) from Warwick Business School in the UK. Mr. Scotting is a member of the Board of Directors of Mittal Steel Galati S.A., and JSC Mittal Steel Temirtau, and a member of the Supervisory Board of Mittal Steel Hamburg GmbH.

**Kumar Arun Prasad Singh** is the Chief Executive Officer of Mittal Steel Galati. Prior to the merging of Mittal Steel's Central and Eastern European operations with its Western operations, Mr. Singh was the Chief Operating Officer of Mittal Steel Ostrava. With over 40 years experience in the steel industry, Mr. Singh joined Mittal Steel Lázaro Cárdenas in 1999 as Executive Director, Operations and was elevated to Chief Executive Officer in 2001. He moved to Mittal Steel Ostrava in 2002 as Chief Operating Officer and a member of its Management Board to oversee all operational aspects of the business. Mr. Singh was also appointed Chief Operating Officer of Mittal Steel Poland in 2004.

**Mahendra Pratap Singh** joined the Company in 1995. Currently as Director, Mining, Mr. Singh is responsible for expanding the mining base of the Company through acquisitions of additional mining resources and through capacity expansion of existing mining resources. Prior to his current position, Mr. Singh was Director Mining at Mittal Steel Temirtau. Mr. Singh has over 37 years experience in management, control and supervision of large sized coal, iron ore and limestone mines. Besides holding the Bachelor's Degree in Mining Engineering, Mr. Singh is an Associate of the Indian School of Mines and holder of a First Class Mines Manager certificate of competency.

**Table of Contents**

**Pakkam S. Venkataramanan** has worked for Mittal Steel since 1993, when he joined Mittal Steel Lázaro Cárdenas as Manager, Sales and Marketing. He spent eleven years in Mexico, rising to Director, Marketing, where he was responsible for overseeing and implementing the company's sales strategy and building long-term relationships with customers. Having successfully developed Lázaro Cárdenas Sales and Marketing strategy, Mr. Venkataramanan then took up the position as Vice President, Sales and Marketing at Mittal Canada in 2004. Prior to joining Mittal Steel, he worked for the Steel Authority of India for 14 years in various sales and marketing positions. He holds post graduate degrees in Geology and Public Administration, from India. He was appointed as the Chief Executive Officer of Mittal Steel Lázaro Cárdenas in May 2005.

**Viral C. Vora** joined the Company in 1989. As Director, Shipping, Mr. Vora is responsible for the implementation of transportation strategy and policy for the Company's raw materials and finished products. He is also responsible for the operation, chartering and management of the Company owned/chartered ships. He has over 31 years of experience in the shipping industry and has worked in the areas of chartering, operations and insurance. Mr. Vora was formerly General Manager, Shipping at Caribbean Ispat Limited (now Mittal Steel Point Lisas). Mr. Vora has a degree in statistics and mathematics.

**Inder Walia** is Director, Human Resources of Mittal Steel and joined the Company in 2000 and is responsible for the development and implementation of human resources strategies for the Company. He has 24 years of experience in human resources positions. He has a post-graduate degree in Human Resources from Tata Institute of Social Sciences, Mumbai, India. He is also an active member of various human resource committees. Mr. Walia has held various positions in human resources at Modi Corp. and HCL Hewlett Packard.

**Table of Contents****DESCRIPTION OF MITTAL STEEL S SHARE CAPITAL**

Set out below is a summary description of the Mittal Steel class A common shares and class B common shares. For a full description of Mittal Steel s share capital, please see Mittal Steel s Articles of Association and the applicable provisions of Book 2 of the Dutch Civil Code. The full text of the Company s Articles of Association is available at Mittal Steel s offices and is available at [www.mittalsteel.com](http://www.mittalsteel.com).

The New Mittal Steel Shares are being created under Dutch law, and will be subject to the provisions attached to, and rank *pari passu* with, all existing class A common shares from the date of issue as set forth in Mittal Steel s Articles of Association and the applicable provisions of Book 2 of the Dutch Civil Code.

**Share Capital**

As at December 31, 2005, 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. As at December 31, 2005, 255,401,673 (2004: 194,509,790) class A common shares and 457,490,210 (2004: 457,490,210) class B common shares were issued and 246,572,889 (2004: 185,284,650) class A common shares and 457,490,210 (2004: 457,490,210) 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, conversion rights, and certain special rights of the holders of Mittal Steel class B common shares, such as the right to make binding nominations for the appointment of directors to Mittal Steel s Board of Directors. 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 currently entitled to ten 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.

As announced by Mittal Steel on May 19, 2006, upon completion of the Offer, Mittal Steel will propose to its shareholders to amend the Company s Articles of Association to eliminate all differences between Mittal Steel s class A common shares and class B common shares. All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held.

The following table sets forth information as at March 31, 2006 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		Mittal Steel class B common shares		Total common shares		
	Number	% of class	Number	% of class	Number	% of total	% of votes
Controlling Shareholder <sup>(1)</sup>	165,794,790	64.92%	457,490,210	100%	623,285,000	87.43%	98.32%
Treasury stock <sup>(2)</sup>	8,751,388 <sub>(3)</sub>	3.43%			8,751,388	1.23%	
Other public shareholders	80,855,495	31.66%			80,855,495	11.34%	1.68%
Total	255,401,673	100.00%	457,490,210	100%	712,891,883	100.00%	100.00%
Directors and senior management <sup>(4)</sup>	3,012,249 <sub>(4)(6)</sub>	1.18%			3,012,249 <sub>(5)(6)</sub>	0.42%	0.06%

**Table of Contents**

- (1) 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 Investments 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 Investments 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 340,000 Mittal Steel class A common shares of which 240,000 are exercisable. 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 exercisable. 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 Investments S.à r.l. Accordingly, Mr. Mittal is the beneficial owner of 623,280,000 Mittal Steel class A common shares and Mrs. Mittal is the beneficial owner of 623,255,000 class A common shares (in each case, assuming conversion of the Mittal Steel class B shares into Mittal Steel class A common shares). 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.
- (2) Represents Mittal Steel class A common shares repurchased by Mittal Steel pursuant to the previously announced share repurchase programs of Mittal Steel.
- (3) Consisting of 5,300,000 Mittal Steel class A common shares repurchased in the year 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, excluding 1,384,118 Mittal Steel class A common shares for options exercised between December 31, 2003 and December 31, 2004, excluding 349,606 Mittal Steel class A common shares for options exercised between December 31, 2004 and December 31, 2005 and excluding 77,396 Mittal Steel class A common shares for options exercised between December 31, 2005 and March 31, 2006.
- (4) Excludes shares beneficially owned by the Controlling Shareholder.
- (5) These 3,012,249 Mittal Steel class A common shares are included in shares owned by public shareholders indicated above.
- (6) 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.

Pursuant to Mittal Steel's Articles of Association, amended and restated as of June 21, 2005, the Mittal Steel class A common shares may only be held in registered form. These shares may consist of either shares traded on the NYSE, 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. Class A common shares in registered form may be evidenced by share certificates at the option of the shareholder concerned.

**Major Shareholders**

As at March 31, 2006, the Controlling Shareholder owned directly and indirectly through holding companies 165,794,790 Mittal Steel class A common shares (approximately 64.92% of the issued and outstanding class) and 457,490,210 Mittal Steel class B common shares (100% of the issued and outstanding class), representing 98.32% 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 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) 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.

## **Table of Contents**

All of the issued class B common shares can be voted directly or indirectly by Mr. Lakshmi N. Mittal. Accordingly, Mr. Lakshmi N. Mittal has the power to elect the members of the Mittal Steel Board of Directors and to exercise voting control over the Mittal Steel general meeting of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, issuances of equity and the incurrence of indebtedness. In particular, Mr. Lakshmi N. Mittal has the ability to prevent or cause a change of control of Mittal Steel. Mr. Lakshmi N. Mittal's proportionate voting rights will decrease following the completion of the Offer, however, both as a result of dilution as well as of the elimination of all differences between the rights attached to Mittal Steel's class A common shares and class B common shares, conditional upon the completion of the Offer (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). Assuming 100% acceptance of the Offer, upon its completion Mr. Lakshmi N. Mittal will have 45.4% of the voting rights in Mittal Steel. This substantial shareholding may as a practical matter enable Mr. Lakshmi N. Mittal to prevent or cause a change of control of Mittal Steel and to determine the outcome of shareholder votes regarding significant corporate events, and will enable him to control the outcome of shareholder votes requiring supermajority approval.

As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast. Finally, as a result of the amendment, the approval of the holders of the class B common shares will no longer be required for a resolution to dissolve the Company. The amendment to the Company's Articles of Association will be discussed and put to a vote at the extraordinary shareholders meeting of Mittal Steel to be held on [June 16,] 2006. The Controlling Shareholder has committed to vote in favor of the amendment. Once approved, the amendment will be conditional upon completion of the Offer and the issuance of the Shares in exchange for Arcelor securities pursuant thereto.

### **New Class A Common Shares**

The authorization of the shareholders' meeting of Mittal Steel to allow the Board of Directors to issue the New Mittal Steel requires a simple majority vote. There is no quorum requirement. Mittal Steel's shareholders have no pre-emptive rights to subscribe for any of the New Mittal Steel since the New Mittal Steel are issued in return for a contribution in kind. There is also no minimum price requirement, other than that the New Mittal Steel cannot be issued at a price below the par value of such shares (€ 0.01 per share) and that the relevant authorized body can decide to require a minimum price. Finally, since the Arcelor securities being contributed are listed on stock exchanges, there is no requirement for a valuation report by a Dutch certified accountant with respect to these securities.



## **Table of Contents**

The New Mittal Steel will be in registered form, freely transferable, and rank pari passu with all existing Mittal Steel class A common shares as from the date of issue. The maximum number of New Mittal Steel that could be issued in relation to the Offer is 684,462,989 (assuming 100% acceptance level, the conversion of all Convertible Bonds to shares, the conversion of all stock options and tender of the underlying shares, and the tender of all treasury shares).

### **Form and Transfer of Shares**

Both the class A common shares and the class B common shares of Mittal Steel are in registered form. Class A common shares are available in the form of an entry in the share register of Mittal Steel both with or without the issuance of a share certificate, at the option of the shareholder concerned. No share certificates will be issued in respect of class B common shares.

Subject to Dutch law and the Articles of Association, shares in registered form can only be transferred by a written deed of transfer and the acknowledgement of the transfer by Mittal Steel, all in accordance with the provisions of Dutch law and the Articles of Association.

The class A common shares are freely transferable. The class A common shares have no conversion rights.

Each class B common share is convertible at any time and from time to time at the option of the holder thereof into one class A common share. However, the conversion of a class B common share into a 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 class B common share into a class A common share will result in a reduction of the votes of the holder from ten to one.

### **Issuance of Common Shares**

Pursuant to the Articles of Association of Mittal Steel, a general meeting of shareholders can designate Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the issuance of shares by Mittal Steel and to determine the price and further conditions of such share issuance. Such a designation can only be valid for a specific period of no more than five years and may from time to time be extended for a period of not more than five years.

A resolution to resolve upon the issuance of shares, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the issuance of shares, requires a simple majority of the votes cast, without a quorum requirement.

At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel shareholders extended the authority to Mittal Steel's Board of Directors for a period of one year (until the annual general meeting of shareholders to be held in 2007) to issue and/or grant rights to subscribe for shares with respect to ten per cent of the unissued class A common shares in which the authorized share capital of Mittal Steel is divided at the time the resolution to issue or grant rights to subscribe for common shares taken by Mittal Steel's Board of Directors.

On April 19, 2005, Mittal Steel's Board of Directors adopted a resolution under this authority to issue Mittal Steel class A common shares in connection with the acquisition of ISG.

### **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 Mittal Steel employees or employees of any of its operating subsidiaries.

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## **Table of Contents**

A resolution to exclude or limit preemptive rights, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the exclusion or limitation of preemptive rights, requires the approval of at least an absolute majority of the votes cast and, if less than one-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.

At the extraordinary meeting of shareholders held on December 15, 2004, shareholders delegated authority to Mittal Steel's Board of Directors to limit or exclude preemptive rights in respect of issuances of Mittal Steel class A common shares for a period of five years (the maximum permitted by the laws of The Netherlands). At the annual general meeting of shareholders held on May 26, 2005, Mittal Steel shareholders resolved to reduce such authority to a period of one year (until the annual general meeting of shareholders to be held in 2006). At the annual general meeting of shareholders held on May 9, 2006, this authority was extended until the annual general meeting of shareholders to be held in 2007.

### **Repurchase of 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 and fully paid share capital plus any legal reserve and the Special Reserve 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.

A resolution to resolve upon the repurchase of shares, including the designation of Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the repurchase of shares, requires a simple majority of the votes cast, without a quorum requirement.

At the extraordinary meeting of shareholders held on December 15, 2004, shareholders granted the authority to Mittal Steel's Board of Directors to repurchase up to 10% of the issued share capital of Mittal Steel, in the form of class A common shares and class B common shares, for a period of 18 months effective from the date of the extraordinary meeting of shareholders until June 14, 2006.

At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel shareholders resolved to authorize Mittal Steel's Board of Directors, with effect from the date of the annual general meeting of shareholders held on May 9, 2006, to cause Mittal Steel to acquire up to ten per cent of its own share capital issued at the time of acquisition, in the form of class A common shares, on the NYSE, Euronext Amsterdam or otherwise, for a period of 18 months (ending on November 8, 2007), for a purchase price per class A common share to be paid in cash, of not more than 125% of the share price on the NYSE or Euronext Amsterdam and no less than the par value of the share at the time of repurchase. The price on the NYSE or Euronext Amsterdam will be the higher of: (i) the average of the final listing price per class A common share according to the Official Price List of Euronext Amsterdam during the 30 consecutive days on which Euronext Amsterdam is open for trading preceding the three trading days prior to the date of repurchase, and (ii) the average of the closing price per class A common share on the NYSE during 30 consecutive days on which the NYSE is open for trading preceding the three trading days prior to the date of repurchase.

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## **Table of Contents**

The authorization granted to Mittal Steel's Board of Directors at the extraordinary meeting of shareholders held on December 15, 2004 in respect of the class B common shares will continue and will expire on June 14, 2006.

### **Capital Reduction**

The shareholders of Mittal Steel may reduce its issued share capital by canceling common shares held by Mittal Steel, by canceling 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 an absolute majority of the votes cast and, if less than one-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 Commercial Register in Rotterdam 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.

### **General Meeting**

Each shareholder of Mittal Steel has the right to attend a general meeting 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. There is no minimum shareholding required to be able to attend or vote at a general meeting of shareholders. 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. An extraordinary general meeting 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 ten per cent of the issued 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 who have their ownership recorded directly in Mittal Steel's shareholders' register 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.

Mittal Steel's Board of Directors may set a record date to establish which shareholders are entitled to attend and vote at the meeting of shareholders.

The agenda is to contain the items selected by the person(s) convening the meeting and required by Dutch law or Mittal Steel's Articles of Association. In addition, unless it would be detrimental to the vital interests of Mittal Steel, the agenda must also contain the items requested in writing by one or more shareholders or other persons entitled to attend general meetings of shareholders, alone or together representing at least 1% of the issued share capital or representing the amount of market capitalization set by law (at present being 50 million). Such request must have been received by Mittal Steel not later than on the sixtieth day prior to that of the meeting.

### **Voting Rights**

Each Mittal Steel class A common share entitles its holder to one vote and each Mittal Steel class B common share currently entitles its holder to ten votes (to be reduced to one vote following the closing of the Offer and the issuance of Shares in exchange for Arcelor Shares and Convertible Bonds) on each matter to be voted upon by shareholders. Shareholders will vote as a single class on

## **Table of Contents**

all matters submitted to a vote of the general meeting of shareholders, including, without limitation, the appointment of Class A, B, and C directors to Mittal Steel's Board of Directors and any proposed amendment of Mittal Steel's Articles of Association.

Mittal Steel's Articles of Association currently provide that the Board of Directors must consist of five or more Class A, B and C directors, and must have at all times one Class A director and at least two Class C directors. Class A directors are appointed for a period of four years, whereas Class B and C directors will be elected to serve one-year terms.

The entire Board of Directors acting jointly can represent and bind Mittal Steel. In addition, each Class A director can represent and bind Mittal Steel individually. A Class B director acting jointly with another Class B director can represent and bind Mittal Steel, and a Class C director acting jointly with two Class B directors or one Class A director can represent and bind Mittal Steel.

The holders of Mittal Steel class B common shares currently have the right to make a binding nomination for the appointment of a Class A, B or C director to Mittal Steel's Board of Directors. The general meeting of shareholders can set aside such binding nomination by an absolute majority of votes cast provided that such majority represents at least one-third of the issued capital. Unless otherwise required by Mittal Steel's Articles 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. Major shareholders in Mittal Steel have no special or enhanced voting rights as a result of their larger shareholdings; their voting rights correspond to the number of class A and/or class B common shares they hold and the votes attached to such shares.

As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. The amendment to the Company's Articles of Association will be discussed and put to a vote at the extraordinary shareholders meeting of Mittal Steel to be held on [June 16,] 2006. The Controlling Shareholder has committed to vote in favor of the amendment. Once approved, the amendment will be conditional upon completion of the Offer and the issuance of the Shares in exchange for Arcelor securities pursuant thereto.

The Board of Directors may nominate one or more persons for appointment to the Board of Directors. In addition, one or more shareholders or other persons entitled to attend the general meeting of shareholders, who jointly represent at least 1% of the issued share capital of Mittal Steel or Mittal Steel stock with a value of at least \$50,000,000, may request the Board of Directors in writing, at least 60 days before the date on which the shareholders' meeting is convened, to insert on the agenda of such meeting the nomination of one or more persons for appointment to the Board of Directors. The Board of Directors must meet such a request, unless it would be detrimental to vital interests of Mittal Steel.

In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast. Finally, upon completion of the Offer, Mittal Steel will enlarge its Board of Directors to 14 members, with a majority of them being independent directors.

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## **Table of Contents**

### **Reduction of Class B Voting Rights**

Since Mittal Steel's shareholder base will change significantly as a result of the transaction, the Controlling Shareholder has undertaken, conditional upon the closing of the Offer and the issuance of New Mittal Steel Shares in exchange for Arcelor Shares and Convertible Bonds, to reduce the multiple voting rights attaching to its class B common shares from ten to one voting right per class B common share.

The reduction in the number of voting rights attached to the Mittal Steel class B common shares would be implemented through a reduction of the par value of each of the issued class B common shares from 0.10 per share to 0.01 per share (capital reduction) without repayment of the difference of 0.09 per share to the relevant holders of class B common shares.

The reduction of 0.09 per class B common share shall be attributed to a special reserve to be created in respect of the class B common shares. This reserve (the B Reserve) shall serve the same purpose as the Special Reserve (defined below); it shall ensure that the class A and class B common shares continue to provide for equal economic rights. Under Mittal Steel's Articles of Association, the disparity in voting rights corresponds to the nominal value attached to the class A and class B common shares, i.e., 0.01 per class A common share, and 0.10 per class B common share. In order to ensure equal economic rights, upon the issuance of the class A common shares, to date, 0.09 of any share premium paid up per such share (i.e., an amount equal to the difference between the nominal value of the class A common shares and the class B common shares) was allocated to a special share premium reserve (the Special Reserve) to provide for equal dividend entitlements on the class A and class B common shares. Going forward, the B Reserve shall serve the same purpose as the Special Reserve, i.e., it shall ensure that the class A and class B common shares continue to provide for equal economic rights, taking into account that historically the nominal value for the class B common shares was 0.10 per share, and, therefore, 0.09 of any share premium paid up on the class A common shares was allocated to the Special Reserve. Therefore, as of the moment of the reduction of the nominal value attached to the class B common shares from 0.10 to 0.01 per share, each time a class B common share shall be issued 0.09 of any share premium paid up with respect to such share shall be allocated to the B Reserve. Finally, so long as not all of the issued class B common shares have been cancelled or converted into class A common shares the amount of the Special Reserve and the B Reserve cannot be freely distributed to the shareholders. As soon as all class B common shares have been cancelled or converted into class A common shares, the balance of the Special Reserve and the B Reserve shall be added to the general share premium reserve, following which the Special Reserve and the B Reserve shall cease to exist.

The proposed capital reduction, including the proposed voting rights reduction is expected to be conditionally approved by a resolution of the general meeting of shareholders of Mittal Steel on June 16, 2006, and a resolution of the meeting of class B common shares, approving the proposed capital reduction on June 16, 2006 (the Capital Reduction Resolutions). The Controlling Shareholder has committed to vote in favor of the proposed voting rights reduction. In addition, the Controlling Shareholder has committed to exercise no more than 10% of its class B voting rights (i.e., one vote per class B common share) as of the date of settlement of the Offer and the related issuance of the class A common shares until the date when the capital reduction takes effect.

Upon the closing of the Offer and the issuance of Shares in exchange for Arcelor Shares and Convertible Bonds, the following steps will be taken:

First, Mittal Steel shall file a copy of the Capital Reduction Resolutions with the Commercial Register in Rotterdam.

Second, following the filing of the Capital Reduction Resolutions, Mittal Steel shall publish a notice regarding the filing of the Capital Reduction Resolutions in a Dutch nationally distributed daily newspaper.

## **Table of Contents**

Third, following the publication of the notice, there is a two-month waiting period during which creditors of Mittal Steel may oppose the decision to reduce the capital and request Mittal Steel to provide a guarantee or other form of security to secure the satisfaction of such creditor's claim, unless payment of such creditor's claim is sufficiently secured or if the financial condition of Mittal Steel provides sufficient security that such creditor's claim will be paid.

Finally, upon expiration of the two-month waiting period and provided that the decision to reduce the capital has not been opposed, or any opposition by a creditor of Mittal Steel has been resolved, the capital reduction will be implemented by amending the Mittal Steel Articles of Association through the execution of a notarial deed of amendment, and the registration of the capital reduction with the Commercial Register in Rotterdam.

## **Corporate Governance**

In June 2001, Mittal Steel adopted corporate governance guidelines that it considered to be in line with best practices of corporate governance. Mittal Steel monitors new, proposed and final U.S. and Dutch corporate regulatory requirements and makes 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 regulations and NYSE listing standards and the laws of The Netherlands. Examples of initiatives taken in this regard are summarized below.

The current 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 current 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 one-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. Finally, Mittal Steel's general meeting of shareholders, in which the Controlling Shareholder can determine the outcome of votes, also approved one deviation from the Dutch Corporate Governance Code, *i.e.*, the separation of the posts of Chairman and Chief Executive Officer, as it approved that Mr. Lakshmi N. Mittal could remain Mittal Steel's Chairman and Chief Executive Officer. Because this deviation was approved by the general meeting of shareholders, Mittal Steel is in compliance with the Dutch Corporate Governance Code and the relevant provisions of Book 2 of the Dutch Civil Code.

During the Mittal Steel annual general meeting of shareholders held on May 26, 2005, the shareholders approved an amendment to Mittal Steel's Articles of Association stipulating a clear division of responsibility between the Board of Directors, the Remuneration Committee and the shareholders for establishing the remuneration policy of the Board of Directors and individual executive Board members. In addition, this general meeting of shareholders approved amendments to Mittal Steel's Articles of Association to reflect recent changes in Dutch company law as contained in Book 2 of the Dutch Civil Code.

As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. The

## **Table of Contents**

amendment to the Company's Articles of Association will be discussed and put to a vote at the extraordinary shareholders meeting of Mittal Steel to be held on [June 16,] 2006. The Controlling Shareholder has committed to vote in favor of the amendment. Once approved, the amendment will be conditional upon completion of the Offer and the issuance of the Shares in exchange for Arcelor securities pursuant thereto.

As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast.

The Board of Directors may nominate one or more persons for appointment to the Board of Directors. In addition, one or more shareholders or other persons entitled to attend the general meeting of shareholders, who jointly represent at least 1% of the issued share capital of Mittal Steel or Mittal Steel stock with a value of at least 50,000,000, may request the Board of Directors in writing, at least 60 days before the date on which the shareholders' meeting is convened, to insert on the agenda of such meeting the nomination of one or more persons for appointment to the Board of Directors. The Board of Directors must meet such a request, unless it would be detrimental to vital interests of Mittal Steel.

In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast. Finally, upon completion of the Offer, Mittal Steel will enlarge its Board of Directors to 14 members, with a majority of them being independent directors.

## **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. The annual accounts must be made available for inspection by shareholders at the offices of Mittal Steel within the same period.

Subject to Dutch law, the annual accounts must be accompanied by an auditors' certificate, an annual report and certain other mandatory information. The shareholders shall appoint an accountant as referred to in Article 393 of Book 2 of the Dutch Civil Code, to audit the annual accounts. The general meeting of shareholders shall adopt the annual accounts.

## **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 (as defined elsewhere in this prospectus). The Special Reserve was created to ensure that the holders of class A common shares and class B common shares have equal dividend rights. 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, on a non-consolidated basis, the sum of its issued and fully-paid 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).

## **Table of Contents**

The Mittal Steel Board of Directors may set a record date to establish which shareholders are entitled to dividends and the date upon which such dividends will become payable. 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.

Article 36.3 of Mittal Steel's Articles of Association provides that as soon as all of the issued class B common shares have been converted into class A common shares, the balance of the Special Reserve shall be added to the general share premium reserve, whereupon the Special Reserve shall cease to exist.

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. Mittal Steel's statutory accounts have to date been prepared, and will continue to be prepared, under Dutch GAAP and are deposited with the Commercial Register in Rotterdam, The Netherlands. As at December 31, 2005, the net results and the sum of the equity as set out in the statutory accounts were \$3,430 million and \$15,584 million, respectively. 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, that may be declared by Mittal Steel's Board of Directors out of funds legally available for distribution. ABN AMRO Bank N.V. is the paying agent for dividends payable on European Shares, and The Bank of New York is the paying agent for dividends payable on New York Shares.

The New Mittal Steel Shares will rank *pari passu* with all existing Mittal Steel class A common shares from the date of issue and, accordingly, will be entitled to any dividend distributions declared following the date of issue of the New Mittal Steel Shares.

## **Significant Transactions**

As required under Dutch law, decisions of the Board of Directors involving a significant change in the identity or character of Mittal Steel are subject to the approval of the shareholders.

Such decisions include:

the transfer of all or substantially all of Mittal Steel's business to a third party;

the entry into or termination of a significant joint venture of Mittal Steel or of any of Mittal Steel's subsidiaries with another legal entity or company, or of Mittal Steel's position as a fully liable partner in a limited partnership or a general partnership; or

the acquisition or disposal, by Mittal Steel or any of Mittal Steel's subsidiaries, of a participating interest in the capital of a company valued at one third or more of Mittal Steel's assets according to Mittal Steel's most recently adopted consolidated annual balance sheet.

A resolution of the general meeting of shareholders to resolve upon a significant transaction as described above, requires a simple majority of the votes cast, without a quorum requirement.

## **Amendment to the Articles of Association**

Mittal Steel's Articles of Association may be amended by resolution of the shareholders upon a 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 to the Articles of Association.

A resolution of the general meeting of shareholders and each group of holders of shares of the class whose rights are prejudiced by the amendment to the Articles of Association to resolve upon an amendment to the Articles of Association, requires a simple majority of the votes cast, without a quorum requirement.





## **Table of Contents**

### **Merger and Demerger**

Mittal Steel's Board of Directors requires the prior approval of the general meeting of shareholders to resolve to enter into (i) a statutory merger whereby Mittal Steel acts as the acquiring legal entity, or (ii) a legal demerger (*juridische splitsing*) whereby Mittal Steel acts as the acquiring or demerging legal entity, unless the statutory merger is a merger referred to in Article 333 of Book 2 of the Dutch Civil Code (*i.e.*, a merger in which the acquiring company holds 100% of the issued capital of the disappearing entity), or in the case of a legal demerger, a demerger referred to in Article 334hh of Book 2 of the Dutch Civil Code (*i.e.*, a demerger in which the acquiring companies are newly incorporated companies and the demerged entity becomes the sole shareholder of such acquiring companies).

A resolution of the general meeting of shareholders to resolve upon a merger or demerger, requires the approval of at least an absolute majority of the votes cast and, if less than one-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.

### **Liquidation**

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 holder. As a holding company, Mittal Steel's sole material assets are the capital stock of its operating subsidiaries. Therefore, in the event of dissolution and 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.

A resolution of the general meeting of shareholders to resolve upon the dissolution and liquidation of Mittal Steel, requires a simple majority of the votes cast, without a quorum requirement.

### **Information Rights**

Holders of Mittal Steel class A common shares and class B common shares have the following information rights:

the right to obtain the annual accounts and the annual report. Within five months following the end of each fiscal year, Mittal Steel's Board of Directors must prepare annual accounts accompanied by an annual report. This period may be extended by the general meeting of shareholders on account of special circumstances by a maximum of six additional months. The annual accounts and the annual report are available free of charge to shareholders at Mittal Steel's offices from the date of the notice convening Mittal Steel's annual general meeting;

the right for (i) one or more shareholders and other persons entitled to attend such meetings jointly representing at least ten per cent of the issued share capital in Mittal Steel and (ii) one or more shareholders jointly representing a par value of at least 225,000 in the aggregate in Mittal Steel, to petition for an investigation (*enquête*) into the affairs of Mittal Steel; and

the right to obtain a copy of any proposal to amend Mittal Steel's Articles of Association or to dissolve Mittal Steel at the same time as meeting notices referring to such proposals are published or sent to all those who are entitled to vote on the subject.

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## **Table of Contents**

In addition, pursuant to the relevant provisions of Book 2 of the Dutch Civil Code, Mittal Steel's Board of Directors must provide the general meeting of shareholders with all information that it may require, unless vital interests of Mittal Steel or any law, rule or regulation applicable to Mittal Steel would prevent it from doing so.

### **Mandatory Bid**

Dutch law currently does not provide for mandatory takeover bids. Dutch rules on mandatory takeovers are expected to become effective in the course of 2006. The directive of the European Parliament and of the Council of the European Union on takeover bids (the Takeover Directive) of April 21, 2004, must be implemented by each EU member state no later than May 20, 2006. The Takeover Directive applies to all companies governed by the laws of an EU member state of which all or some voting securities are admitted to trading on a regulated market in one or more EU member states. Pursuant to the Takeover Directive, EU member states should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The laws of the EU member state in which a company has its registered office will determine the percentage of voting rights that is regarded to confer control over that company. On December 23, 2005, the Dutch government published its proposal for the implementation of the Takeover Directive (the Proposal). Pursuant to the Proposal, any shareholder or group of shareholders acting in concert who could exercise, directly or indirectly, at least 30% of the votes in the shareholders' meeting of a Dutch company is considered to control such company. Pursuant to the Proposal, shareholders with controlling interests as of the date on which the new legislation enters into force will be exempt from the obligation to make a takeover bid for the remaining shares they do not hold. Accordingly, even if at the date of implementation of the Takeover Directive into the laws of The Netherlands, the Controlling Shareholder has a greater than 30% voting interest in Mittal Steel, the Controlling Shareholder is still not obligated to launch a bid for the remaining outstanding shares in Mittal Steel.

### **Dutch Squeeze Out Proceedings**

If a person or a group of persons acting in concert holds in total 95% of a Dutch public limited liability company's issued share capital by par value for their own account, Dutch law permits that person or group of persons acting in concert to acquire the remaining ordinary shares in the company by initiating proceedings against the holders of the remaining ordinary shares. The price to be paid for such ordinary shares will be determined by the Enterprise Chamber of the Amsterdam Court of Appeal.

### **Disclosure of Significant Ownership of Shares**

Holders of Mittal Steel 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 (the Dutch Disclosure Act), and the Dutch Act on the Supervision of the Securities Trade 1995 (*Wet toezicht effectenverkeer 1995*), as amended (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 Dutch 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, to 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 Dutch Disclosure Act are 0-5%, 5-10%, 10-25%, 25-50%, 50-66<sup>2</sup>/<sub>3</sub>% and 66<sup>2</sup>/<sub>3</sub>% or more.

## **Table of Contents**

A proposal to amend the Dutch Disclosure Act is pending before the Second Chamber of the Dutch Parliament. It is anticipated that the following percentage ranges will be introduced: 0-5%, 5-10%, 10-15%, 15-20%, 20-25%, 25%-30%, 30-40%, 50-60%, 75-95% and 95% or more.

Upon notification, the Netherlands Authority for the Financial Markets shall arrange for publication of the notification in a public registry.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) common shares that are directly held (or acquired or disposed of) by any person, (ii) 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 (iii) 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.

## **Disclosure of Insider Transactions**

Members of Mittal Steel's Board of Directors and other insiders within the meaning of Article 47a of the Dutch Securities Act and/or article 2a of the Dutch Disclosure Act must report to the Netherlands Authority for the Financial Markets if they carry out or cause to be carried out, for their own account, a transaction in shares in Mittal Steel or in securities whose value is at least in part determined by the value of shares in Mittal Steel.

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**Table of Contents**

**SHARE TRADING, CLEARING AND SETTLEMENT**

**General**

Mittal Steel's class A common shares and class B common shares will be held in registered form only.

Class A common shares are either registered in a register kept by ABN AMRO Bank N.V. ( ABN AMRO ), Foppingadreef 22, 1102 BS Amsterdam, The Netherlands on Mittal Steel's behalf (the European Shares ), or registered in a register kept by The Bank of New York ( BNY ), 101 Barclay Street, 22nd Floor West, New York, New York 10286, United States of America on Mittal Steel's behalf (the New York Shares ).

The European Shares will be traded solely at Euronext Amsterdam, Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges (the European Exchanges ).

Any trades of the European Shares at Euronext Amsterdam will be settled through the book-entry transfer system maintained by Euroclear Nederland and its participants. ABN AMRO will act as paying agent for these shares.

Any trades of the European Shares at Euronext Brussels will be settled through the book-entry transfer system maintained by Euroclear Belgium and its participants. Bank Degroof will act as paying agent for these shares.

Any trades of the European Shares at Euronext Paris will be settled through the book-entry transfer system maintained by Euroclear France and its participants. Société Générale will act as paying agent for these shares.

Any trades of the European Shares at the Luxembourg Stock Exchange will be settled through the book-entry transfer system maintained by Clearstream Luxembourg and its participants. HSBC Trinkaus will act as paying agent for these shares.

Any trades of the European Shares at the Spanish Stock Exchanges will be settled through the book-entry transfer system maintained by Iberclear and its participants. Caja Madrid Bolsa will act as paying agent for these shares.

The New York Shares will be traded solely at the NYSE.

Any trades of the New York Shares will be settled through The Depository Trust Company. BNY will act as paying agent for these shares.

**Exchange of European Shares for New York Shares**

European Shares may be exchanged for New York Shares and *vice versa* at the request of the holder.

A holder may exchange its European Shares for New York Shares by instructing the relevant participant to provide a written request for this exchange at the office of ABN AMRO. ABN AMRO will instruct BNY to issue New York Shares, deliver corresponding share certificates, if any, and adjust the New York register accordingly. Mittal Steel and ABN AMRO will also arrange for corresponding adjustments to be made by Euroclear Nederland in the book-entry transfer system.

## **Table of Contents**

Similarly, a holder may exchange New York Shares for European Shares by presenting a written request for this exchange and surrendering the certificates, if any, representing their New York Shares to BNY. BNY will instruct ABN AMRO to arrange for an adjustment to be made by Euroclear Nederland in the book-entry transfer system. BNY will also make a corresponding adjustment in the New York register. Share certificates for New York Shares may be exchanged at the office of BNY for certificates of other authorized denominations.

A fee of up to \$0.05 per class A common share will be charged to shareholders for the exchange of European Shares for New York Shares and *vice versa*.

### **Transfer of European Shares from one European Exchange to another European Exchange**

Holders of European Shares can instruct the financial intermediary through which they hold their shares to trade them on any European Exchange where Mittal Class A common shares are admitted to trading. If necessary, such financial intermediary will transfer the relevant shares to its account with the clearing and settlement agent competent for that other European Exchange.

A fee may be charged to shareholders for transfer of European Shares from one European Exchange to another European Exchange.

### **Description of Clearance and Settlement Systems**

The following is a brief description of Clearstream Luxembourg, The Depository Trust Company, Euroclear Belgium, Euroclear France, Euroclear Nederland, and Iberclear. Mittal Steel will not have any responsibility for the performance by Clearstream Luxembourg, The Depository Trust Company, Euroclear Belgium, Euroclear France, Euroclear Nederland, and Iberclear or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

#### **Clearstream Luxembourg**

Clearstream Luxembourg is the central securities depository for the Luxembourg market, responsible for holding and transferring physical or dematerialized securities. Clearstream Luxembourg is an international central securities depository, providing, as its core services, the clearance and settlement of transactions in global and international securities and domestic securities traded across borders. These services are carried out by means of a computer based book-entry system operated from Luxembourg. Clearstream Luxembourg is registered as a bank in Luxembourg and as such is subject to regulation by the CSSF. Participants in Clearstream Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Clearstream Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream Luxembourg. Clearstream Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the **Euroclear Operator** ) in Brussels to facilitate settlement of trades between Clearstream Luxembourg and the Euroclear Operator.

#### **The Depository Trust Company**

The Depository Trust Company is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a clearing corporation within the meaning of the Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the U.S. Exchange Act. The Depository Trust Company was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic book-entry changes in accounts of its participants, thereby

## **Table of Contents**

eliminating the need for physical movement of certificates. The Depository Trust Company participants include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to The Depository Trust Company system also is available to indirect participants of The Depository Trust Company such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant of The Depository Trust Company, either directly or indirectly.

Because The Depository Trust Company can only act on behalf of its participants, who in turn act on behalf of indirect participants of The Depository Trust Company and certain banks, the ability of an owner of a beneficial interest in New York Shares to pledge its interest to persons or entities that do not participate in The Depository Trust Company system, or otherwise take actions in respect of its interest, may be limited by the lack of a definitive certificate for its interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests in the New York Shares to persons may be limited. In addition, beneficial owners of New York Shares through The Depository Trust Company system will receive dividend payments only through The Depository Trust Company's participants.

### **Euroclear Belgium**

Euroclear Belgium is the central institution whose objects are the custody and services to its participants. Euroclear Belgium settles, on behalf of LCH.Clearnet SA, who acts as the central counterparty, the transactions executed on Euronext Brussels, operates the last resort securities lending and borrowing, set up by LCH.Clearnet, and offers real-time gross settlement for OTC-trades. Euroclear Belgium maintains links with several other central securities depositories, including Euroclear. Euroclear Belgium was registered as a settlement organization by the CBFA on November 8, 2005 pursuant to the Belgian Royal Decree of September 26, 2005, and is under the supervision of the CBFA. Participants in Euroclear Belgium are credit institutions and investment firms.

### **Euroclear France**

Euroclear France is the central securities depository for France and offers services to its participants. Euroclear France settles the transactions executed on Euronext Paris and offers real-time gross settlement for OTC-trades. As the national securities depository, Euroclear France is the custodian of all types of securities in any currency or form. Euroclear France is under the supervision of the AMF. Euroclear France's operating rules have been approved by the French AMF. Participants in Euroclear France are credit institutions, investment firms and legal entities listed in article L.442-2 of the French Monetary and Financial Code.

### **Euroclear Nederland**

Euroclear Nederland is the central institution whose objects are the safekeeping and administration of securities and the operation of a security giro on behalf of its participants. Euroclear Nederland was designated as the central institution by the Dutch Ministry of Finance pursuant to the 1977 Securities Giro Administration and Transfer Act (*Wet giraal effectenverkeer*), and is under the supervision of the Dutch Minister of Finance, the Dutch Central Bank (*De Nederlandsche Bank*) and the AFM. Participants in Euroclear Nederland are banks and brokers registered as credit institutions. Under the operation of the Securities Giro Administration and Transfer Act, book-entry transfers are made between the collective securities deposits held by Euroclear Nederland.

### **Iberclear**

Iberclear is the Spanish clearance and settlement system that performs the clearance and settlement in the Spanish Stock Exchanges. Participants in Iberclear are banks and brokers duly authorized as investment services companies. Iberclear maintains the securities registry by means of

**Table of Contents**

book-entry form of all eligible securities listed in the Spanish Stock Exchanges and provides technical and operational services directly related to registering, clearing and settlement of securities. Iberclear can collaborate in, or co-ordinate with, other foreign entities related to registering, clearing and settlement of securities, as well as allowing it to participate in them.

The European Shares have been accepted for clearance through Euroclear and Clearstream Luxembourg under common code number XS7870558.

The *Fonds Code* on Euronext Amsterdam is 36193. The CUSIP number for the New York Shares is 61684P101 and the ISIN for the New York Shares is US60684P1012.



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**Table of Contents**

**COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER  
LUXEMBOURG AND DUTCH LAW**

As a result of the Offer, shareholders of Arcelor 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 Arcelor's Articles of Association. The following is a summary of the material differences between the rights of holders of Arcelor shares and holders of Mittal Steel class A common shares and Mittal Steel class B common shares. These differences arise from differences between the Luxembourg law dated August 10, 1915, as amended, and the Dutch Civil Code as well as from differences between the governing documents of Arcelor and Mittal Steel. More information concerning shareholders' rights can be found in the corporate laws of Luxembourg, the Dutch Civil Code and the governing instruments of Mittal Steel and Arcelor. For information as to where the governing instruments of Mittal Steel and Arcelor may be obtained, see [Where You Can Find More Information](#). You are encouraged to obtain and read these documents.

**Voting Rights**

Under Luxembourg law, each shareholder is entitled, notwithstanding any provision to the contrary in the Articles of Association, to one vote per share. All shareholder resolutions are taken by a majority of the outstanding shares present or represented at the shareholders' meeting unless the Articles of Association or Luxembourg law prescribe otherwise. No quorum is required unless Luxembourg law or the Articles of Association provide otherwise.

Arcelor's Articles of Association provide for one vote per share of Arcelor. Arcelor's Articles of Association further provide that, unless there is a provision of Luxembourg law to the contrary, resolutions shall be adopted at the general meeting of shareholders by a majority of those shareholders present or represented. A resolution by the general meeting to increase or decrease the authorized or subscribed capital, to limit or exclude pre-emptive rights, to approve the acquisition by any person of one quarter or more of the shares of Arcelor or to amend the Articles of Association of Arcelor requires, in order to be validly adopted, a quorum of one-half of the subscribed capital and a majority of two-thirds of the votes of the shareholders present or represented.

*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.*

*As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. The Controlling Shareholder has committed to vote in favor of such amendment. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast.*

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## **Table of Contents**

*A resolution by the general meeting of shareholders to limit or exclude pre-emptive rights or to designate the board of directors 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 one-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. The general meeting of shareholders can set aside such binding nomination by an absolute majority of votes cast provided that such majority represents at least one-third of the issued capital. If this proportion of the capital is not represented at the meeting, but a 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 a majority of the votes cast, regardless of the proportion of the capital represented at the meeting. Mittal Steel's shareholders may suspend or remove directors by a two-thirds majority, provided that such qualified majority represents at least one-half of the issued capital, unless upon proposal of the holder of the class B common shares in which case a simple majority suffices.*

## **Amendment of Charter Documents**

Under Luxembourg law, amendments to the Articles of Association of a public limited company (*société anonyme*) require a resolution of the shareholders of the company approved by a majority of two-thirds of the votes of the shareholders present or represented at a meeting the quorum for which must be at least one-half of the subscribed capital of the company, unless the Articles of Association provide otherwise. Such meeting should be convened by the Board of Directors. The agenda of the meeting must indicate the proposed amendments to the Articles of Association. If the quorum is not reached at the shareholders' meeting, a second meeting may be convened. The convening notice to the second meeting shall reproduce the agenda and indicate the date and the results of the previous meeting. The second meeting shall validly deliberate regardless of the proportion of the capital represented, though any resolution, to be adopted, must be carried by at least two-thirds of the vote of the shareholders present or represented. Any amendments concerning the objects or form of the company must be approved by the general meeting of bondholders. Such meeting shall not validly deliberate unless at least one-half of the securities outstanding are represented and the agenda indicates the proposed amendments. If there is no quorum, a second meeting may be convened in the same manner as above. At the second meeting, bondholders who are not present or represented shall be regarded as being present and as voting for the proposals of the Board of Directors. However, in such case the convening notice must (i) reproduce the agenda of the first meeting and indicate the date and results of that meeting; (ii) specify the proposals of the Board of Directors on each of the items of such agenda, indicating the amendments proposed; and (iii) contain a notice to bondholders that failure on their part to attend the general meeting shall be deemed to indicate support for the proposals of the Board of Directors. At both meetings, resolutions shall be validly passed if they are passed by two-thirds of the votes.

The nationality of the company may be changed and the commitments of its shareholders may be increased only with the unanimous consent of the shareholders and bondholders.

Any resolutions to amend the Articles of Association of a Luxembourg company must be taken before a Luxembourg notary and such amendments must be published.

Arcelor's Articles of Association provide that the Articles of Association may be modified by a general meeting of shareholders acting in accordance with the quorum and majority requirements set out in Luxembourg law.

*Under Dutch law, shareholders of a Dutch company may resolve to amend the company's Articles of Association.*

*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*

## **Table of Contents**

*resolution was proposed to the general meeting of shareholders by the Board of Directors 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 to the Articles of Association.*

### **Appraisal Rights**

Luxembourg law does not recognize the concept of appraisal rights and, accordingly, holders of shares in a Luxembourg company have no appraisal rights.

*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.*

### **Issuance of Shares**

Any increase in capital shall be decided upon by the general meeting of shareholders with a quorum of 50% of the share capital and a majority of two-thirds of the votes present or represented. The Articles of Association may, however authorize the Board of Directors to increase capital on one or more occasions up to a specified amount which authorization shall be valid for only five years. It may be renewed on one or more occasions by the general meeting deliberating in the same manner as above.

The shareholders of Arcelor resolved on December 11, 2001 to authorize the Board of Directors for a period ending on December 11, 2006 to increase the capital on one or more occasions within the limits of the authorized capital. The Board of Directors is authorized to fix the procedure for all subscriptions and their payment in cash or in kind. An increase in capital may be carried out by (i) an incorporation of reserves, share premium or carried forward profits with or without the issue of the new shares; (ii) following the issue and exercise of subordinated or non-subordinated bonds convertible, exchangeable or reimbursable for shares or arising from other subscription rights for shares; or (iii) by means of the issue of any other type of security or instrument giving right to shares. The Board of Directors is authorized to fix the subscription price with or without a share premium, the effective date and, if necessary, the duration, amortization, rights, interest, conversion and exchange rates for said securities as well as all other conditions and procedures relating to issue, subscription and payment.

*Pursuant to the Articles of Association of Mittal Steel, a general meeting of shareholders can designate Mittal Steel's Board of Directors as the authorized corporate body for the purpose of resolving upon the issuance of shares by Mittal Steel and to determine the price and further conditions of such share issuance. Such a designation can only be valid for a specific period of no more than five years and may from time to time be extended for a period of no more than five years.*

*At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel shareholders extended the authority to Mittal Steel's Board of Directors for a period of one year (until the annual general meeting of shareholders to be held in 2007) to issue and/or grant rights to subscribe for shares with respect to 10% of the unissued Mittal Steel class A common shares in which the authorized share capital of Mittal Steel is divided into at the time the resolution to issue or grant rights to subscribe for common shares taken by Mittal Steel's Board of Directors.*

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## **Table of Contents**

### **Pre-emptive Rights**

Pursuant to Luxembourg law, shares of a company to be subscribed for in cash shall be offered on a pre-emptive basis to shareholders in the proportion of the capital represented by their shares. Luxembourg law provides that the Articles of Association of a company may not withdraw or restrict pre-emption rights. The Articles of Association may nevertheless authorize the Board of Directors to withdraw or restrict these rights in relation to an increase in capital made within the authorized capital. A general meeting of shareholders called upon to resolve either upon an increase of capital or upon the authorization to increase the capital may limit or withdraw pre-emptive subscription rights or authorize the Board of Directors to do so. Any proposal to that effect must be specifically announced in the convening notice. Detailed reasons therefor must be set out in a report prepared by the Board of Directors and presented to the meeting, dealing in particular with the proposed issue price.

The Articles of Association of Arcelor provide that the pre-emptive rights may be limited or excluded by a meeting of shareholders resolving with the quorum and majority requirements necessary for an amendment to the Articles of Association. The Articles of Association further provide that the pre-emptive rights may be limited or excluded by the Board of Directors when the general meeting of shareholders resolving within the quorum and majority requirements applicable to an amendment to the Articles of Association, delegate to the Board of Directors the power to issue shares and to limit or exclude pre-emptive rights during a period fixed by the general meeting which cannot exceed five years. The shareholders resolved on December 11, 2001 to authorize the Board of Directors, for a period ending on December 11, 2006, to increase the capital on one or more occasions within the limits of the authorized capital. This period may be extended by resolution of the shareholders. It was furthermore resolved to authorize the Board of Directors to limit or exclude the pre-emptive rights of existing shareholders.

*Under Dutch law, in the event of an issuance of shares, each shareholder will have a pre-emptive right pro rata 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).*

*Pre-emptive 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 Board of Directors, if so designated by a resolution of the general meeting of shareholders, to limit or exclude pre-emptive rights for holders of Mittal Steel common shares. In order for such a resolution to be adopted, at least a two-third majority of the votes cast in a meeting of shareholders is required, if less than one-half of the issued share capital is present or represented at the meeting.*

*At the extraordinary meeting of shareholders held on December 15, 2004, shareholders delegated authority to Mittal Steel's Board of Directors to limit or exclude pre-emptive rights in respect of issuances of Mittal Steel class A common shares for a period of five years (the maximum permitted by the laws of The Netherlands). At the annual general meeting of shareholders held on May 26, 2005, Mittal Steel shareholders resolved to reduce such authority to a period of one year (until the annual general meeting of shareholders to be held in 2006). This authority was extended at the annual general meeting of shareholders held on May 9, 2006 until the annual general meeting of shareholders to be held in 2007.*

### **Action by Written Consent of Shareholders**

Luxembourg law does not provide for the possibility for resolutions of shareholders of a public limited company (*société anonyme*) to be adopted in writing.

*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 and all shareholders vote in favor of such resolution. As Mittal Steel's Articles of Association do not contain such an express provision, shareholders of Mittal Steel may not adopt resolutions outside a meeting of shareholders.*

## Table of Contents

### Shareholders Meetings

Under Luxembourg law, an annual general meeting of shareholders of a public limited company (*société anonyme*) must be held for the approval of the annual accounts and the discharge of the directors and auditors for the period up to the date of the annual accounts. Any other proper business may be transacted at the annual general meeting. Arcelor's Articles of Association provide that the annual general meeting shall take place at the registered office of the company or at any other place in the municipality of Luxembourg as set out in the convening notice on the last Friday of the month of April at 11 am. Furthermore, Luxembourg law provides that the Board of Directors is obliged to convene a meeting of shareholders so that it is held within a period of one month if shareholders representing one fifth of the capital so require in writing with an indication of the agenda.

In accordance with the rules and regulations of the Luxembourg Stock Exchange, the convening notice for a general meeting of the shareholders of a company listed on the stock exchange, such as Arcelor, must be published in one or several newspapers circulated throughout Luxembourg or widely circulated therein or on the website of the stock exchange or may be made available to the public in written form at places indicated by announcement to be published in the same manner. Such convening notice should also be filed with the stock exchange.

Convening notices shall contain the agenda and shall take the form of announcements published twice, with a minimum interval of eight days, and eight days before the meeting, in the *Mémorial* and in a Luxembourg newspaper. Notices by mail shall be sent eight days before the meeting to registered shareholders but no proof need be given that this formality has been complied with. Where all of the shares are in registered form, the convening notices may be made only by registered letters.

The Articles of Association of Arcelor further provide that in the case of shares registered in the name of the operator of a settlement system or depositary a shareholder wishing to attend a general meeting should receive from such depositary/operator of the settlement system a certificate evidencing such shareholders ownership of the shares. Such certificates should be forwarded to the company at the latest the fifth working day prior to the general meeting unless the company has fixed a shorter period. These certificates should state that the shares will remain inscribed on the account until the end of the general meeting. All powers of attorney should be forwarded to the company within the same time delay. The Board of Directors may adopt all rules and procedures concerning entry cards and proxy forms in order to allow shareholders to exercise their right to vote.

*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 Board of Directors. In addition, in accordance with Dutch law, shareholders representing at least one tenth of the issued share capital may request the Board of Directors of Mittal Steel convene a general meeting of shareholders. If the Board of Directors 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 15th day prior to the day of the general meeting. 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, in at least one*

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## **Table of Contents**

*newspaper in each of the countries where shares of Mittal Steel are listed and, if required, elsewhere. In addition, holders of registered shares who have their ownership recorded directly in Mittal Steel's shareholders' register shall be notified by letter that the meeting is being convened. 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 decides and other items, as one or more shareholders or other persons entitled to attend the meeting, jointly representing at least 1% of the issued share capital of Mittal Steel or representing a value of at least 50,000,000 have so requested of the Board of Directors in writing, at least 60 days before the date on which the meeting is convened, unless this would be detrimental to vital interests of Mittal Steel (we note that on May 12, 2006, Arcelor's Board of Directors announced a proposed amendment to Arcelor's Articles of Association to provide that shareholders holding at least 1% of the issued share capital could request that draft resolutions of their choosing be included on the agenda of a shareholders' meeting). At the annual shareholders' meeting, the matters to be considered should include the annual report of the Board of Directors, adoption of the annual accounts, discussion of reserves and dividend policy and proposals to pay dividends, discharge of the members of the Board of Directors, appointment of members of the Board of Directors and substantial changes in corporate governance.*

*The Mittal Steel Board of Directors may resolve to set a record date prior to a shareholders' meeting and register persons who are shareholders at such date in a register. Such registered persons will be entitled to attend the shareholders' meeting and to exercise the voting rights on the registered shares regardless of whether such person is still shareholder at the time of the shareholders' meeting.*

*Shareholders and other persons entitled to attend shareholders' meetings may be represented by written proxy. Proxy holders shall be admitted upon production of the proxy instrument.*

### **Election of Directors and Representation**

Under Luxembourg law, the board of directors of a public limited company (*société anonyme*) must consist of at least three directors. The directors are elected by the general meeting of shareholders; however, the first appointment may be made in the constitutive instrument of the company. Their term of office may not exceed six years. There are no quorum requirements for the election of directors and the decision can be taken by a simple majority of the votes present or represented at the meeting.

Arcelor's Articles of Association provide that the board of directors consists of at least three members, who do not need to be shareholders of Arcelor. The directors are elected by the shareholders at the annual general meeting of shareholders or at any other general meeting of shareholders for a period expiring at the fifth annual general meeting following the date of their appointment.

It is provided in the Articles of Association of Arcelor that the board may only validly deliberate if a majority of the directors are present or represented. Decisions are taken by the simple majority of votes present or represented except in the case of decisions regarding the issue of shares or other securities giving rights to shares, within the limits of the authorized capital, which decisions may only be taken with the favorable vote of two-thirds of the directors present or represented.

*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 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*

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**Table of Contents**

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 can set aside such binding nomination by an absolute majority of votes cast provided that such majority represents at least one-third of the issued capital. If such a resolution is passed by a 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 a majority of votes cast will be sufficient to cancel the binding nature of the nomination.

As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. The Controlling Shareholder has committed to vote in favor of such amendment. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast.

The Board of Directors may nominate one or more persons for appointment to the Board of Directors. In addition, one or more shareholders or other persons entitled to attend the general meeting of shareholders, who jointly represent at least 1% of the issued share capital of Mittal Steel or Mittal Steel stock with a value of at least \$50,000,000, may request the Board of Directors in writing, at least 60 days before the date on which the shareholders' meeting is convened, to insert on the agenda of such meeting the nomination of one or more persons for appointment to the Board of Directors. The Board of Directors must meet such a request, unless it would be detrimental to vital interests of Mittal Steel.

In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast. Finally, upon completion of the Offer, Mittal Steel will enlarge its Board of Directors to 14 members, with a majority of them being independent directors.

The directors will have such titles as the Board of Directors may from time to time determine. The Board of Directors will appoint a class A director as Chairman of the Board of Directors, who will have the title of Chief Executive Officer.

Mittal Steel's Board of Directors acting together, and each class A director acting alone, have 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 Board of Directors are validly adopted if adopted by a simple majority of the votes cast. An absent director may issue a proxy but only to another director. In addition, the Board of Directors is permitted to adopt resolutions in writing without holding a meeting if the proposals for such resolutions have been communicated in writing to all directors and no director has objected to this method of adoption of a resolution.

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## **Table of Contents**

### **Removal of Directors**

Under Luxembourg law, directors may be removed, without cause, by the general meeting of shareholders. Such meeting does not require a quorum and the decision can be validly taken by a simple majority of the votes present or represented. Arcelor's Articles of Association provide that any director may be removed with or without cause and can be replaced at any time by the general meeting of shareholders.

*Under applicable Dutch law, the general meeting of shareholders has the authority to suspend or remove members of the Board of Directors at any time. Removal without cause is possible but may 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 Board of Directors at any time. Mittal Steel's shareholders may suspend or remove directors by a two-thirds majority, provided that such qualified majority represents at least one-half of the issued capital, unless upon proposal of the holder of the class B common shares in which case a simple majority suffices.*

*As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. The Controlling Shareholder has committed to vote in favor of such amendment. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast.*

### **Filling of Vacancies**

Luxembourg law provides that in case of vacancy of the office of a director appointed by the general meeting, the remaining directors in office may, unless otherwise provided in the Articles of Association, fill the vacancy on a provisional basis. In such circumstances, the next general meeting shall make the permanent appointment. Arcelor's Articles of Association provide that if the office of a director becomes vacant following his death or his removal or for any other reason, the remaining directors then in office may, by a majority of the votes cast, elect a director on a provisional basis until the next general meeting of shareholders.

*Under Dutch law, a decision to appoint a new member of the Board of Directors must be taken by the general meeting of shareholders. For a more detailed description of this process see Election of Directors and Representation. Mittal Steel's Articles of Association provide that a 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 director is prevented from acting or is permanently absent, the remaining directors will be temporarily responsible for the entire management of Mittal Steel. If all directors are prevented from acting or are permanently absent, the person designated by the general meeting of shareholders will be temporarily responsible for the management of Mittal Steel.*

### **Shareholder Nominations and Proposals**

Normally the board of directors sets the agenda for a general meeting of shareholders. However, under Luxembourg law, shareholders representing 20% of the share capital have the right to



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## **Table of Contents**

require in writing, with an indication of the agenda, the holding of a general meeting of shareholders. In such case, the board of directors shall convene the general meeting of shareholders so that it is held within a period of one month of the date of such request. In such case the shareholders can dictate what should be on the agenda of such meeting. Arcelor's Articles of Association do not contain any provisions regarding shareholder nominations and proposals.

*Pursuant to Mittal Steel's Articles of Association, the Board of Directors must invite the meeting of holders of Mittal Steel class B common shares to make a binding nomination each time a director is to be appointed, within a period of 60 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 shareholders' meeting, this should be stated in the notice. In such a case, the general meeting will vote on the appointment of a director as provided in the agenda to the shareholders' meeting by a simple majority of the votes cast.*

*As announced by Mittal Steel on May 19, 2006, Mittal Steel will propose to its shareholders to amend the Company's Articles of Association to eliminate all differences between between the rights attached to Mittal Steel's class A common shares and class B common shares (except for the right of the holders of the class B common shares to convert their class B common shares on a share-per-share basis into class A common shares). All shareholders will hold shares carrying the same voting and economic rights; each share will have one vote, irrespective of the time it has been held. The Controlling Shareholder has committed to vote in favor of such amendment. As a result of the amendment, the holders of class B common shares will no longer have the right to make a binding nomination for the appointment of class A, B or C directors to Mittal Steel's Board of Directors. All directors will be elected by the general meeting of shareholders to serve three-year terms, by a simple majority of the votes cast. In addition, as a result of the amendment, directors can be removed and suspended by the general meeting of shareholders by a simple majority of the votes cast.*

*Pursuant to Mittal Steel's Articles of Association, extraordinary meetings of shareholders 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 Board of Directors. Such written request must specify in detail the business to be discussed. If the Board of Directors 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 for a meeting of shareholders must contain such items as the person convening the meeting decides and other items, as one or more shareholders or other persons entitled to attend the meeting, jointly representing at least 1% of the issued share capital of Mittal Steel or representing a value of at least 50,000,000 have so requested the Board of Directors in writing, at least 60 days before the date on which the meeting is convened, unless this would be detrimental to vital interests of Mittal Steel.*

## **Dividends**

Under Luxembourg law, a public limited company may not pay dividends to shareholders when, on the closing date of the last financial year, the net assets as set out in the annual accounts are, or following the payment of such dividend would become, lower than the amount of the subscribed capital plus the reserves which may not be distributed under law or by virtue of the Articles of Association. Pursuant to Luxembourg law, the company must allocate at least one twentieth of the net profits to the creation of a reserve which allocation ceases to be compulsory when the reserve has reached 10% of the share capital. The amount of any dividends paid to shareholders may not exceed the amount of the profits at the end of the last financial year plus any profits carried forward and any

## Table of Contents

amounts drawn from reserves which are available for that purpose, less any losses carried forward and sums to be placed in reserve in accordance with the law or the Articles of Association. Luxembourg law also provides that interim dividends may be paid provided that the Articles of Association authorize the Board of Directors to do so. Such payments are subject to the following conditions:

they must be authorized in the Articles of Association;

interim accounts must be drawn up and show that the funds available for distribution are sufficient;

the decision of the Board of Directors to pay an interim dividend may not be taken more than two months after the date of the interim accounts mentioned above. No distribution may be decided less than six months after the closing of the preceding financial year or before the approval of the annual accounts relating to such financial year; and

the amount to be distributed may not exceed the profits made since the end of the last financial year for which the annual accounts have been approved, plus any profits carried forward and sums withdrawn from reserves available for this purpose, less losses carried forward and any sums to be allocated to a reserve pursuant to the law or the Articles of Association.

Arcelor's Articles of Association provide that of the annual net profit, 5% shall be appropriated for the legal reserve. Such appropriation shall cease to be compulsory when the reserve amounts to 10% of the capital of the company, but it must be resumed until the reserve is entirely reconstituted if the reserve falls below 10% of the capital of the company. The balance of the net profit shall be distributed by the general meeting of shareholders, upon proposal of the Board of Directors, as follows:

a minimum amount of 1,000,000 will be allocated to the Board of Directors as directors' fees. In case the profits are not sufficient, the amount of 1,000,000 will be charged in whole or part in liabilities; and

the remaining surplus of the profits shall be attributed to the shareholders as dividends, or to any reserve carried forward.

Where, upon conversion of convertible or exchangeable securities of the company, the company issues new shares or allocates its own shares, such shares do not participate in the distribution of dividends for the financial year preceding such conversion or exchange, unless the terms and conditions of such securities provide otherwise.

Interim dividends can be paid in compliance with the legal requirements pursuant to a resolution of the Board of Directors.

Declared and unpaid dividends held by the company for the account of the shareholders shall not bear interest.

*Dutch law provides that dividends may only be distributed after adoption of the statutory 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 law or the Articles of Association. Interim dividends may be declared as provided for 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 Board of Directors decide what portion of the profits are to be held as reserves.*

**Table of Contents**

*Pursuant to Mittal Steel's Articles of Association, the Mittal Steel Board of Directors 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 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 distribution 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 Board of Directors may also decide that Mittal Steel will pay interim dividends. Mittal Steel may only declare distributions, including interim dividends, insofar as its shareholders' equity exceeds the sum of its issued and paid-up share capital and increased by certain reserves that are required to be maintained by the laws of The Netherlands or by 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.*

**Rights of Purchase and Reduction of Share Capital**

The general rule under Luxembourg law is that the shares of a company may not be subscribed for by the company itself. However, a company may acquire its own shares either itself or through a person acting in his own name but on the company's behalf subject to certain conditions: (i) the authorization to acquire shares shall be given by the general meeting of shareholders, which shall determine the terms and conditions of the proposed acquisition and in particular the maximum number of shares to be acquired, the duration of the period for which the authorization is given, which may not exceed 18 months, and, in the case of acquisition for value, the maximum and minimum consideration; (ii) the par value or, in the absence thereof, the accounting par value of the shares acquired, including shares previously acquired by the company, may not exceed 10% of the subscribed capital; (iii) the acquisition may not reduce the net assets below the aggregate of the subscribed capital and the reserves; (iv) only fully paid shares may be included in the transaction.

The Board of Directors may repurchase up to 10% of the share capital without prior shareholder approval if necessary to prevent serious and imminent harm to the company.

The capital of a company may be reduced by decision of the general shareholders' meeting acting with a quorum of 50% of the subscribed capital and a majority of two-thirds of the votes present or represented. If the capital reduction is realized by repayment to the shareholders or by waiver of their obligation to pay up their shares, there is a 30-day waiting period during which time the creditors of the company have the right to apply to the court for the purpose of obtaining security. The reduction in share capital may also be carried out by the absorption of losses that are not capable of being covered by means of other funds or to include sums of money in a reserve, provided that the reserve does not exceed 10% of the reduced share capital.

The Articles of Association of Arcelor provide that Arcelor may repurchase its own shares or have one of its subsidiaries repurchase its shares, within the limits and conditions set out in Luxembourg law. At the ordinary general meeting of shareholders held on April 29, 2005, the shareholders of Arcelor renewed the authorization of the board to repurchase up to 10% of share capital notably in order to allocate shares of the company to its employees and to its management, and to allocate shares to the holders of the bonds exchangeable against or convertible into shares or to any holder of security granting the rights to shares of the company who would exercise such rights. The authorization is valid for a period ending on the earlier of 18 months from the date of such meeting or the date of its renewal by a general meeting. The Articles of Association of Arcelor provide that the capital may be reduced by decision of the shareholders' meeting acting with a quorum of 50% of the share capital and a majority of two thirds of the votes present or represented.

*Under Dutch law, a company may not subscribe for newly issued shares in its own capital. A*

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**Table of Contents**

*Dutch company may, subject to certain restrictions, purchase shares in its own capital, provided the par value of the shares acquired by the company (or its subsidiaries) does not exceed 10% of the issued share capital.*

*At the extraordinary meeting of shareholders held on December 15, 2004, shareholders granted the authority to Mittal Steel's Board of Directors to repurchase up to 10% of the issued share capital of Mittal Steel, in the form of class A common shares and class B common shares, for a period of 18 months effective from the date of the extraordinary meeting of shareholders until June 14, 2006.*

*At the annual general meeting of shareholders held on May 9, 2006, Mittal Steel's shareholders resolved to authorize Mittal Steel's Board of Directors, with effect from the date of the annual general meeting of shareholders held on May 9, 2006, to cause Mittal Steel to acquire up to 10% of its own share capital issued at the time of acquisition, in the form of class A common shares, on the NYSE, Euronext Amsterdam or otherwise, for a period of 18 months (ending on November 8, 2007), for a purchase price per class A common share to be paid in cash, of not more than 125% of the share price on the NYSE or Euronext Amsterdam and no less than the par value of the shares at the time of repurchase. The price on the NYSE or Euronext Amsterdam will be the higher of: (a) the average of the final listing price per class A common share according to the Official Price List of Euronext Amsterdam during the 30 consecutive days on which Euronext Amsterdam is open for trading preceding the three trading days prior to the date of repurchase, and (b) the average of the closing price per class A common share on the NYSE during 30 consecutive days on which the NYSE is open for trading preceding the three trading days prior to the date of repurchase.*

*The authorization granted to Mittal Steel's Board of Directors at the extraordinary meeting of shareholders held on December 15, 2004 in respect of the class B common shares will continue and will expire on June 14, 2006.*

*The shareholders of Mittal Steel may reduce the issued share capital of Mittal Steel by canceling common shares held by Mittal Steel, by canceling 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 one-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.*

**Limitation of Directors Liability/ Indemnification of Officers and Directors**

Luxembourg law does not contain any provisions in respect of indemnification of directors or officers or limitation of their liability, though the concept of indemnification is in principle accepted in Luxembourg and is sometimes provided for in a company's Articles of Association.

Arcelor's Articles of Association provide that a minimum amount of 1,000,000 will be allocated to the Board of Directors as directors' fees and will be distributed among the directors in accordance with the board's internal rules.

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## **Table of Contents**

*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 directors are 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 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 director prior to the final disposition thereof. No right to indemnification exists in the case of, among other things, willful malfeasance, bad faith or gross negligence.*

### **Special Meetings**

Pursuant to Luxembourg law, general meetings of shareholders may be held as often as is deemed necessary by the Board of Directors (as opposed to the annual general meeting which must be held once a year at the date set out in the Articles of Association). The Articles of Association of Arcelor provide that such meetings will be held on the day and time and at the place indicated in the convening notice. Luxembourg law further provides that the Board of Directors is obliged to convene a meeting of shareholders so that it is held within a period of one month if shareholders representing one fifth of the capital so request in writing with an indication of the agenda.

*Pursuant to Mittal Steel's Articles of Association, extraordinary general meetings of shareholders may be held whenever the Board of Directors of Mittal Steel deems necessary. In addition, extraordinary meetings of shareholders 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 Board of Directors. Such written request must specify in detail the business to be discussed. If the Board of Directors 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**

Under Luxembourg law, any merger has to be approved by an extraordinary shareholders' meeting of each company. Such resolution must be taken at the quorum and majority required for the amendment of the Articles of Association. Each shareholder has the right to examine all documents relating to the merger (such as the balance sheet of the three last financial years, the merger plan, the reports of the Board of Directors and of the independent auditors) at least one month before the actual meeting. The resolution of the shareholders of the absorbed company is subject to the positive vote of the surviving company of the merger and shall approve the terms and conditions of the absorption. The absorbing company's shareholders must approve the terms of the absorption and the increase of the share capital by the issuance of new shares. The merger is deemed to be effective between the parties as of the moment the two companies have adopted concordant decisions whereby they express their agreement to merge. Only the publication in the Mémorial will make the merger effective towards third parties.

Arcelor's Articles of Association do not contain any specific provision in this respect.

*Under Dutch law and Mittal Steel's Articles of Association, the general meeting of shareholders must approve any legal merger (juridische fusie) in which the company would not be the surviving entity.*

*As required under Dutch law and the Mittal Steel Articles of Association, decisions of the Board of Directors involving a significant change in the identity or character of Mittal Steel are subject to the approval of the shareholders.*

## **Table of Contents**

*Such decisions include:*

*the transfer of all or substantially all of Mittal Steel's business to a third party;*

*the entry into or termination of a significant joint venture of Mittal Steel or of any of Mittal Steel's subsidiaries with another legal entity or company, or of Mittal Steel's position as a fully liable partner in a limited partnership or a general partnership; or*

*the acquisition or disposal, by Mittal Steel or any of Mittal Steel's subsidiaries, of a participating interest in the capital of a company valued at one third or more of Mittal Steel's assets according to Mittal Steel's most recently adopted consolidated annual balance sheet.*

*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.*

## **Certain Provisions Relating to Business Combinations**

Neither Luxembourg law nor Arcelor's Articles of Association specifically prevent business combinations with interested shareholders.

*Neither Dutch law nor Mittal Steel's Articles of Association specifically prevent business combinations with interested shareholders.*

## **Rights of Inspection**

Under Luxembourg law, any shareholder may inspect for any proper purpose at the registered office of the company the company's share register and, 15 days prior to the annual general meeting of shareholders, the balance sheet and the profit and loss account; the list of sovereign debt, shares, bonds and other company securities making up the portfolio and the list of shareholders who have not paid up their shares, with an indication of the number of their shares and their domicile and the report of the auditors. The balance sheet and the profit and loss account, as well as the report of the auditors, shall be sent to registered shareholders at the same time as the convening notice for the annual general meeting. Every shareholder shall be entitled to obtain free of charge, 15 days before the meeting, a copy of the documents referred to in the foregoing sentence.

Arcelor's Articles of Association provide that, 15 days prior to the general meeting of shareholders, shareholders may inspect:

the annual accounts and the consolidated accounts;

the list of sovereign debt, shares, bonds and other company securities making up the portfolio;

the management report; and

documents issued by the independent auditor the communication of which to the shareholders is prescribed by law.

The documents enumerated under items 1, 3 and 4 above shall be sent to registered shareholders at the same time as the convening notice. Every shareholder shall be entitled to obtain free of charge, upon production of his title, 15 days before the meeting, a copy of the documents referred to in the foregoing sentence.

*Under Dutch law, the annual accounts of a company are submitted to the general meeting of shareholders for their adoption. Shareholders the right to obtain a copy of any proposal to amend Mittal Steel's Articles of Association or to dissolve Mittal Steel at the same time as meeting*

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*notices referring to such proposals are published or sent to all those who are entitled to vote on the subject. Under Dutch law, the shareholders register is available for inspection by the shareholder.*

## **Table of Contents**

*Mittal Steel's Articles of Association grant the Board of Directors 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**

Luxembourg law does not provide for derivative actions. Any shareholder action to be taken against the directors for management fault may only be taken by decision of the shareholders acting in general meeting. If a shareholder has suffered harm as a result of a directors' violation of the law or the Articles of Association or as a result of the negligence of the directors he may individually take an action against the directors.

*Dutch law does not provide for derivative suits. However, the Dutch Civil Code does provide for representative actions, which are similar to class actions. Only a foundation or an association whose objective is to protect the rights of a group of persons having similar interests can institute a representative action. Although such an action cannot result in an award of monetary damages, all other types of awards are possible for example, to cease and desist, to repay money which was not owed depending the cause of action. In most cases, however, the plaintiff's organization demands a declaratory judgment (verklaring voor recht) establishing that the defendant acted wrongfully and is liable. On the basis of such a judgment each individual person may institute civil proceedings claiming monetary damages. The judgment in the representative action itself is only between the organization and the defendant, not between individual class members and the defendant. However, the organization and the defendant may enter into a settlement to be certified by the court. Court certification will have binding effect on the individual class members who do not exercise their right to opt out from the settlement.*

### **Conflict-of-Interest Transactions**

Luxembourg law sets forth that any director having an interest in a transaction submitted for approval to the Board of Directors conflicting with that of the company shall be obliged to advise the board thereof and to cause a record of his statement to be included in the minutes of the meeting. He may not take part in these deliberations. At the next following general meeting, before any other resolution is put to vote, a special report shall be made on any transactions in which any of the directors may have had an interest conflicting with that of the company.

Arcelor's Articles of Association do not provide for any provision in this respect.

*Mittal Steel's Articles of Association provide that if a director has a conflict of interest, he or she will continue to represent the Company as each of the other directors have power to represent the Company. An exception to this is the situation in which a 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 directors (with due observance of the representation principles, as described under Election of Directors and Representation).*

### **Financial Information Available to Shareholders**

Under Luxembourg law, the annual accounts duly approved and the management report, together with the auditor's report, must be filed within one month following their approval with the Luxembourg Trade Register (*Registre de Commerce et des Sociétés, Luxembourg*). However, the management report need not be published, provided that it shall be made available to the public at the registered office of the company.



**Table of Contents**

Pursuant to the rules of the Luxembourg Stock Exchange, a company whose shares are listed on the Luxembourg Stock Exchange shall publish a half yearly report on their activities and profits and losses for the six months of each financial year. Such report shall be published in one or several newspapers circulated throughout Luxembourg or widely circulated therein, or be made available to the public either in written form at places in Luxembourg indicated by announcements to be published in one or several newspapers circulated throughout Luxembourg or widely circulated therein, or by other means approved by the Luxembourg Stock Exchange.

*Mittal Steel is required to file Annual Reports with the SEC containing certain financial information. 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.*

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**Table of Contents**

**TAXATION**

**United States Taxation**

The following discussion is a summary of the material U.S. federal income tax consequences that are likely to be relevant to U.S. Holders (as defined below) in respect of (i) the disposition of Arcelor shares or Convertible Bonds in exchange for Mittal Steel shares and/or cash pursuant to the Offer, and (ii) the ownership and disposition of Mittal Steel shares that are held as capital assets (*e.g.*, for investment purposes). This summary does not purport to address all material tax consequences that may be relevant to a particular U.S. Holder's decision to tender Arcelor securities in response to the Offer; to acquire, hold, or dispose of Mittal Steel shares; and to receive dividends or other distributions on Mittal Steel shares. This summary also does not take into account the specific circumstances of particular investors, some of which (such as tax-exempt entities, banks, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, partnerships and other pass-through entities, investors liable for the U.S. alternative minimum tax, investors that own or are treated as owning 10% or more of the voting shares of Arcelor or Mittal Steel, investors that hold Arcelor securities or Mittal Steel shares as part of a straddle, hedge, conversion, constructive sale transaction, or other integrated transaction, and investors whose functional currency is not the U.S. dollar) may be subject to special tax rules. This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the Code), the Treasury regulations issued thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (IRS), all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) or to differing interpretations.

For purposes of this discussion, a U.S. Holder is a beneficial owner of Arcelor securities or of Mittal Steel shares acquired pursuant to the Offer that is, for U.S. federal income tax purposes:

an individual citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States, any state thereof, or the District of Columbia; or

any other person that is subject to U.S. federal income tax on a net income basis in respect of the Arcelor securities or the Mittal Steel shares.

The U.S. federal income tax consequences of a partner in a partnership holding Arcelor securities or Mittal Steel shares generally will depend on the status of the partner and the activities of the partnership. We recommend that partners in such a partnership consult their own tax advisors.

Except where specifically described below, this discussion assumes that Mittal Steel is not a passive foreign investment company (PFIC) for U.S. federal income tax purposes. See Passive Foreign Investment Company Status. This summary does not address any aspects of U.S. federal tax law other than income taxation, or any state, local, or non-U.S. tax considerations that may be applicable to investors. Additionally, this summary does not apply to an investor that is not a U.S. Holder, that does not use the U.S. dollar as its functional currency, or that holds Arcelor securities or Mittal Steel shares other than as a capital asset. Investors are urged to consult their tax advisors regarding the U.S. federal, state, local, and other tax consequences of tendering Arcelor securities in response to the Offer, or of acquiring, owning, and disposing of Mittal Steel shares.

**The discussion below may not constitute a complete analysis of all U.S. federal income tax consequences that are relevant to a particular U.S. Holder in connection with the disposition of Arcelor securities pursuant to the Offer or the acquisition, ownership, and disposition of Mittal Steel shares. Investors should consult their own tax advisors concerning the tax consequences of their particular situations.**

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**Table of Contents**

***Taxation of Sales, Exchanges, or Other Dispositions of Arcelor Securities or Mittal Steel Shares***

Both the sale of Arcelor securities for cash and the exchange of Arcelor securities for Mittal Steel shares will constitute a taxable disposition under U.S. federal income tax law. A U.S. Holder that sells an Arcelor Security for cash 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 and the U.S. Holder's adjusted tax basis in such Arcelor Security. A U.S. Holder that exchanges an Arcelor Security for Mittal Steel shares will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the U.S. dollar value of the Mittal Steel shares (plus any cash received) and the U.S. Holder's tax basis in its Arcelor Security.

In general, gain or loss recognized on the sale or exchange of Arcelor securities will be capital gain or loss and, if the U.S. Holder's holding period for such Arcelor securities exceeds one year, will be long-term capital gain or loss. Certain U.S. Holders, including individuals, are eligible for preferential rates of U.S. federal income tax in respect of long-term capital gains realized prior to January 1, 2011. The deduction of capital losses against ordinary income is subject to limitations under the Code. Any gain or loss recognized by a U.S. Holder in respect of the sale or other taxable disposition of Arcelor securities generally will be treated as derived from U.S. sources for U.S. foreign tax credit purposes.

The foregoing analysis also applies to the disposition of Mittal Steel shares acquired pursuant to the Offer. Sales or other taxable dispositions by U.S. Holders of Mittal Steel shares generally will give rise to capital gain or loss equal to the difference between the amount realized on the disposition and the U.S. Holder's tax basis in such shares. A U.S. Holder generally will have an initial tax basis in each Mittal Steel share equal to its U.S. dollar value at the time such share was acquired in exchange for an Arcelor Security. Any such capital gain or loss generally will be long-term capital gain or loss, subject to taxation at reduced rates for non-corporate taxpayers in respect of long-term capital gains realized prior to January 1, 2011. As previously mentioned, the deductibility of capital losses is subject to limitations.

***Taxation of Distributions***

Cash distributions made by Mittal Steel in respect of Mittal Steel shares (including the amount of any applicable withholding tax in The Netherlands) will constitute a taxable dividend when such distribution is actually or constructively paid, to the extent such distribution is paid out of current or accumulated earnings and profits (as determined under U.S. federal income tax principles). To the extent the amount of any distribution received by a U.S. Holder in respect of Mittal Steel shares exceeds the current and accumulated earnings and profits of Mittal Steel, the distribution (i) will be treated as a non-taxable return of the U.S. Holder's adjusted tax basis in those Mittal Steel shares, and (ii) thereafter will be treated as U.S.-source capital gain. Distributions of additional Mittal Steel shares that are made to U.S. Holders with respect to their Mittal Steel shares, and that are part of a pro rata distribution to all Mittal Steel shareholders, generally will not be subject to U.S. federal income tax.

Subject to certain exceptions for short-term or hedged positions, taxable dividends received by certain non-corporate U.S. Holders (including individuals) with respect to the Mittal Steel shares prior to January 1, 2011 will be subject to U.S. federal income taxation at a maximum rate of 15% if the dividends represent qualified dividend income. Dividends paid on the Mittal Steel shares will be treated as qualified dividend income if Mittal Steel was not a PFIC in the year in which the dividend was paid or in the year prior thereto. As discussed further below, Mittal Steel believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2004 taxable year, and Mittal Steel does not anticipate being a PFIC for its 2005 or 2006 taxable years. See Passive Foreign Investment Company Status.

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**Table of Contents**

Investors should be aware that the U.S. Treasury Department has announced its intention to issue proposed rules pursuant to which shareholders (and intermediaries) will be permitted to rely on certifications from issuers to establish that dividends qualify for this reduced rate of U.S. federal income taxation. Because these proposed certification procedures have not yet been issued, Mittal Steel is uncertain that it will be able to comply therewith. U.S. Holders of Mittal Steel 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.

The U.S. dollar amount of a taxable dividend generally will be included in the gross income of a U.S. Holder as ordinary income derived from sources outside the United States for U.S. foreign tax credit purposes, and generally will be passive income for purposes of the foreign tax credit limitation. Dividends paid in euro will be included in a U.S. Holder's income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date the dividend is received; a recipient of such dividends generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. Fluctuations in the U.S. dollar-euro exchange rate between the date that U.S. Holders receive a dividend and the date that they receive any related refund of Dutch withholding tax may give rise to foreign currency gain or loss, however; such gain or loss generally is treated as ordinary income or loss for U.S. tax 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 the limitations and conditions provided in the Code, a U.S. Holder of Mittal Steel shares may claim a foreign tax credit against its U.S. federal income tax liability for the amount of any Dutch income taxes withheld at the appropriate rate applicable to the U.S. Holder from a dividend paid by Mittal Steel to such U.S. Holder and paid to the Dutch government. Alternatively, the U.S. Holder may deduct such Dutch income taxes from its U.S. federal taxable income, provided that the U.S. Holder elects to deduct rather than credit all foreign income taxes for the relevant taxable year. The rules with respect to foreign tax credits are complex, involve the application of rules that depend on a U.S. Holder's particular circumstances, and have been amended by recently enacted legislation that is effective for taxable years beginning after December 31, 2006. Accordingly, U.S. Holders are urged to consult their 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 remitted by Mittal Steel to the tax authorities in The Netherlands. See [Dutch Taxation Withholding Tax](#).

***Passive Foreign Investment Company Status***

Special U.S. federal income tax rules apply to U.S. persons owning stock of a PFIC. A foreign corporation will be considered a PFIC for any taxable year in which (i) 75% or more of its gross income is passive income, or (ii) 50% or more of the average value (or, if elected, the adjusted tax basis) of its assets are considered passive assets (generally assets that generate passive income). Mittal Steel believes that it currently is not a PFIC for U.S. federal income tax purposes, and Mittal Steel does not expect to become a PFIC in the future. This conclusion is based upon an analysis of its financial position and an interpretation of the PFIC provisions that Mittal Steel believes is correct. No assurances can be made that the applicable tax law or relevant factual circumstances will not change in a manner that affects the PFIC determination, however.

If, contrary to the foregoing discussion, Mittal Steel were classified as a PFIC, a U.S. Holder of Mittal Steel shares would be subject to increased tax liability (possibly including an interest charge) upon the sale or other disposition of Mittal Steel shares or upon the receipt of certain distributions treated as excess distributions, unless such U.S. Holder elected to be taxed currently (as discussed below) on its pro rata portion of Mittal Steel's income, regardless of whether such income was

**Table of Contents**

actually distributed. An excess distribution generally is any distribution to a U.S. Holder with respect to Mittal Steel shares during a single taxable year that is greater than 125% of the average annual distributions received by the U.S. Holder with respect to Mittal Steel shares during the three preceding taxable years or, if shorter, during the U.S. Holder's holding period for the shares.

The special PFIC tax rules described above will not apply to a U.S. Holder that elects to have Mittal Steel treated as a qualified electing fund ( QEF ). U.S. Holders should consult their tax advisors as to the availability and consequences of such election. In particular, an election to treat Mittal Steel as a QEF may not be available because information necessary to make this election may not be provided. Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

If the Mittal Steel shares are regularly traded on a registered national securities exchange or certain other exchanges or markets, then such shares will constitute marketable stock for purposes of the PFIC rules, and a U.S. Holder thereof will not be subject to the foregoing PFIC rules if such U.S. Holder makes a mark-to-market election. After making such an election, the U.S. Holder generally will include as ordinary income each year the excess, if any, of the fair market value of the Mittal Steel shares at the end of the taxable year over the U.S. Holder's adjusted basis in such shares. These amounts of ordinary income will not be eligible for the favorable tax rates applicable to qualified dividend income or long-term capital gains. The U.S. Holder also will be allowed to take an ordinary loss in respect of the excess, if any, of the adjusted basis of the Mittal Steel shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). The U.S. Holder's tax basis in the Mittal Steel shares will be adjusted to reflect any such income or loss amounts.

Notwithstanding any election made with respect to the Mittal Steel shares, dividends received on Mittal Steel shares will not constitute qualified dividend income to a U.S. Holder if Mittal Steel is a PFIC in either the taxable year of the distribution or the preceding taxable year. Dividends that do not constitute qualified dividend income are not eligible for taxation at the aforementioned reduced tax rate. Instead, U.S. Holders must include in their gross income the gross amount of any such dividend paid out of Mittal Steel's accumulated earnings and profits; such dividend will be subject to tax at ordinary income rates. A U.S. Holder that owns Mittal Steel shares during any year in which Mittal Steel is a PFIC also must file IRS Form 8621.

***Backup Withholding and Information Reporting***

Proceeds received upon the sale, exchange, or redemption of Arcelor securities or Mittal Steel shares by U.S. Holders within the United States (or through certain U.S.-related financial intermediaries), and dividends on Mittal Steel shares paid to U.S. Holders in the United States (or through certain U.S.-related financial intermediaries), will be subject to information reporting and may be subject to backup withholding unless the U.S. Holder (i) is a corporation or other exempt recipient, or (ii) provides an IRS Form W-9 (or an acceptable substitute form) that contains the U.S. Holder's taxpayer identification number and that certifies that no loss of exemption from backup withholding has occurred.

Backup withholding is not an additional tax. The amount of backup withholding imposed on a payment to a U.S. Holder will be allowed as a credit against the holder's U.S. federal income tax liability, so long as the required information is properly furnished to the IRS. Holders that are not U.S. Holders may need to comply with certification procedures to establish their non-U.S. status in order to avoid information reporting and backup withholding tax requirements.

**Luxembourg Taxation**

*The following is a general description of certain tax considerations, under the existing laws of Luxembourg, relating to a tender of Arcelor securities in return for Mittal Steel shares and/or cash*

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## Table of Contents

by holders that are not residents of Luxembourg. It does not purport to be a complete analysis of all tax considerations relating to the Offer. Holders of Arcelor securities should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes, and the tax laws of any other jurisdiction, of tendering their Arcelor securities in response to the Offer and of acquiring, holding, redeeming and disposing of Mittal Steel shares and receiving dividends, liquidation proceeds and/or other amounts under Mittal Steel shares. This summary is based upon the law as in effect on the date hereof and is subject to any change in law that may take effect after such date, and may be retroactively applicable.

### **Capital Gains**

#### *Convertible Bonds*

No Luxembourg taxation will apply to a gain realized on the sale or exchange of Convertible Bonds by a non-resident individual holder who does not have a permanent establishment in Luxembourg to which Convertible Bonds would be attributable.

However, upon disposal of the Convertible Bonds, a 15% withholding tax may be levied in Luxembourg on the unpaid interest accrued since July 1, 2005 to the extent that the beneficial owner of the Convertible Bonds is an individual resident in a Member State of the European Union and the paying agent is located in Luxembourg.

Subject to any applicable tax treaty, a non-resident corporate holder (that is, a *collectivité* within the meaning of art. 159 of the Luxembourg Income Tax Law) which has a permanent establishment in Luxembourg to which Convertible Bonds would be attributable, will bear corporate income tax and municipal business tax on a gain realized on a disposal of such bonds. The combined rate for these two taxes (including an unemployment fund contribution of 4%) is 29.63% in the City of Luxembourg.

#### *Arcelor Shares*

Subject to any applicable tax treaty, a non-resident individual holder of Arcelor shares who realizes a gain on the disposal thereof (and who does not have a permanent establishment in Luxembourg) will only be subject to Luxembourg taxation on capital gains arising upon disposal of such shares if such holder has (together with his or her spouse and underage children) directly or indirectly held more than 10% of the capital of Arcelor, at anytime during the past five years, **and**:

such holder has been a resident of Luxembourg for tax purposes for at least 15 years and has become a non-resident within the last five years preceding the realization of the gain: subject to any applicable tax treaty, such gain will bear individual income tax at a rate equal to half of the normal progressive rate (the top marginal tax rate is 38%), plus an unemployment fund contribution levied thereon at a rate of 2.5%; **or**

the disposal of Arcelor shares occurs within six months from their acquisition: subject to any applicable tax treaty, such gain will bear individual income tax at the normal progressive rate (the top marginal tax rate is 38%), plus an unemployment fund contribution levied thereon at a rate of 2.5%.

A non-resident corporate holder (that is, a *collectivité* within the meaning of art. 159 of the Luxembourg Income Tax Law), which has a permanent establishment in Luxembourg to which Arcelor shares would be attributable, will bear corporate income tax and municipal business tax on a gain realized on a disposal of such shares. The combined rate for these two taxes (including an unemployment fund contribution of 4%) is 29.63% in the City of Luxembourg. However, gains realized on the sale of Arcelor shares may benefit from the full exemption provided for by Article 166 of the Luxembourg Income Tax Law and by the Grand Ducal Decree of December 21, 2001, as amended, subject in each case to fulfillment of the conditions set out therein.

## **Table of Contents**

By way of exception, however, a capital gain on Arcelor shares will not be deemed realized subject to the conditions for availability of rollover relief set forth in articles 22bis and 102(10) of the Luxembourg Income Tax Law, including, *inter alia*, the following:

Mittal Steel shall acquire, as a result of the Offer, a stake in the share capital of Arcelor conferring to it the majority (that is, more than 50%) of voting rights in Arcelor;

Each such holder of Arcelor shares may not receive a cash balance exceeding 10% of the nominal value (or, in the absence of a nominal value, the accounting par) of the Mittal Steel shares it receives in return; **holders of Arcelor shares who elect to receive more than 10% of such value in cash will consequently not be eligible for rollover relief.**

In the hands of the shareholder, the price and date of acquisition of the Mittal Steel shares received will be the same as those of the Arcelor shares tendered.

### ***Other Taxes***

It is not compulsory that the Arcelor securities or the Mittal Steel shares be filed, recorded or enrolled with any court, or other authority in Luxembourg or that registration tax, transfer tax, capital tax, stamp duty or any other similar tax or duty be paid in respect of or in connection with the tender, execution, issue, delivery and/or enforcement by legal proceedings (including any foreign judgment in the courts of Luxembourg) of the Arcelor securities or the Mittal Steel shares, except that, in case of use of the Convertible Bonds, either directly or by way of reference (i) in a public deed, (ii) in a judicial proceeding in Luxembourg or (iii) before any other Luxembourg official authority (*autorité constituée*), registration may be ordered which implies the application of an ad valorem registration duty.

### **Dutch Taxation**

The following discussion is a summary of certain Dutch tax consequences of the acquisition, holding, and disposal of Mittal Steel shares by holders that are not residents of The Netherlands for Dutch tax purposes. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to a holder or prospective holder of Mittal Steel shares. In light of its general nature, this summary should be treated with corresponding caution. Each holder or prospective holder of Mittal Steel shares should consult with a tax adviser with regard to the tax consequences of its investment in Mittal Steel shares.

Except as otherwise indicated, this summary only addresses Dutch 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.

### ***Withholding Tax***

Dividends distributed by Mittal Steel generally are subject to a withholding tax imposed by The Netherlands at a rate of 25%. Such dividends include, among other things:

distributions in cash or in kind, deemed and constructive distributions, and repayments of paid-in capital not recognized for Dutch dividend withholding tax purposes;

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

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**Table of Contents**

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

partial repayment of paid-in capital, recognized for Dutch 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 Mittal Steel 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) Dutch dividend withholding tax. Under the terms of the double taxation convention currently in force between The Netherlands and United States (the **Dutch-U.S. Treaty** ), dividends paid by a Dutch company to a U.S. shareholder are generally subject to Dutch withholding tax at a rate of 15%. This reduction applies automatically if treaty entitlement formalities are satisfied before dividends are paid; if such formalities are satisfied after dividend payment, then the reduction applies through the refund of excess withholding tax.

A U.S. Holder generally will be entitled to the benefits of the Dutch-U.S. Treaty if such U.S. Holder is (i) the beneficial owner of Mittal Steel shares (and of dividends paid with respect thereto), (ii) an individual U.S. resident, a U.S. corporation, or a U.S.-resident partnership, estate, or trust for U.S. tax purposes, (iii) not resident in The Netherlands for Dutch tax purposes, and (iv) not subject to an anti-treaty shopping rule. In contrast, a U.S. Holder generally will not be eligible for the benefits of the Dutch-U.S. Treaty if it holds Mittal Steel shares in connection with either the conduct of business through a permanent establishment or the performance of services through a fixed base in The Netherlands.

In order to qualify for a reduction of Dutch withholding tax under the Dutch-U.S. Treaty, a U.S. Holder must fill out a certificate of residence (using Form IB 92 USA) and have it certified by a financial institution (typically the entity that holds the Mittal Steel shares as custodian for the U.S. Holder). If Mittal Steel receives the required documentation prior to the relevant dividend payment date, then Mittal Steel may apply the reduced withholding rate at the source. If the U.S. Holder fails to satisfy these requirements prior to the payment of a dividend, then the U.S. Holder may claim a refund of the excess of the amount withheld over the tax treaty rate by filing Form IB 92 USA, along with a supplemental statement, with the Dutch tax authorities. Pension funds and tax-exempt organizations qualifying for a complete exemption from tax are not entitled to claim tax treaty benefits at source, and instead must file claims for refund by filing Form IB 96 USA or Form IB 95 USA, respectively.

Pursuant to Dutch legislation enacted to counteract **dividend stripping**, a reduction, exemption, credit, or refund of dividend withholding tax will be denied if the dividend recipient is not the beneficial owner. This legislation generally targets situations in which a shareholder retains its economic interest in shares but reduces the withholding tax cost on dividends by entering into a transaction with another party. Such legislation may apply even if the dividend recipient was unaware that a dividend stripping transaction occurred, although the Dutch state secretary of finance has indicated that these rules should not apply to an unsuspecting recipient who purchased shares on the stock exchange.



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**Table of Contents**

In general, upon making a distribution to shareholders, Mittal Steel is required to remit all amounts withheld as Dutch dividend withholding tax to the Dutch tax authorities. Under certain circumstances, however, Mittal Steel may be allowed to reduce the amount of Dutch dividend withholding tax that must 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-Dutch 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 purpose 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 that Mittal Steel is required to withhold from dividends. In these circumstances, foreign tax credits generally will not be allowed in the United States to the extent that Mittal Steel is not required to remit the amount withheld as Dutch dividend withholding tax to the Dutch tax authorities. See United States Taxation Taxation of Distributions.

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

A holder of Mittal Steel shares will not be subject to Dutch taxes on income or capital gains in respect of any payment under the Mittal Steel shares, or in respect of any gain realized on the disposal or deemed disposal of the Mittal Steel shares, provided that:

such holder is neither a resident nor deemed to be a resident of The Netherlands and, if the holder is an individual, such holder has not made an election for application of the rules of the 2001 Dutch income tax act as they apply to Dutch residents;

such holder does not have an interest in an enterprise or deemed enterprise (as defined under Dutch law) that 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 shares are attributable;

such holder does not carry out any activities in The Netherlands that exceed regular asset management (normaal vermogensbeheer) and does not derive benefits that are (otherwise) taxable as benefits from other activities (resultaat uit overige werkzaamheden) to which the Mittal Steel shares are attributable; and

such holder, individuals related to such holder, and certain of their relatives by blood or marriage in the direct line (including foster children) do not have a substantial 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 non-resident holder of shares will have a substantial interest if such holder, his/her partner, certain other relatives (including foster children), or certain persons sharing his/her 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);

**Table of Contents**

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 own certain profit-participation 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***

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

such holder has at the time of the gift, or had at the time of his/her death, an enterprise (or an interest therein) 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 thereof) the Mittal Steel shares are or were attributable;

such holder is at the time of the gift, or was at the time of his/her death, entitled to share in the profits of an enterprise effectively managed in The Netherlands, other than by way of holding securities or through an employment contract, to which enterprise the Mittal Steel shares are or were attributable (or are or were deemed to be attributable); or

in the case of a gift of Mittal Steel 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, among others, a person of Dutch nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the ten years preceding the date of the gift or his/her death. Additionally, for purposes of Dutch gift tax, among others, a person not of Dutch nationality will be deemed to be resident in The Netherlands if such person has been resident in The Netherlands at any time during the 12 months preceding the date of the gift. Applicable tax treaties may override deemed residency.

***Other Taxes and Duties***

No Dutch registration tax, customs duty, transfer tax, stamp duty, or any other similar documentary tax or duty other than court fees will be payable by a holder of Mittal Steel shares with respect to or in connection with the issuance, grant, exercise, or disposal of Mittal Steel shares, or with respect to any payment of dividends by Mittal Steel thereon.

**Table of Contents****MARKET PRICE AND DIVIDEND DATA****Mittal Steel Trading History**

Mittal Steel class A common shares are listed for trading on the NYSE and Euronext Amsterdam, in each case under the symbol MT. The table below sets forth, for the periods indicated, the reported high and low quoted prices of Mittal Steel class A common shares on the NYSE (in U.S. dollars) and Euronext Amsterdam (in euro).

**Mittal Steel Shares**

	NYSE		Euronext Amsterdam	
	HIGH (in U.S. dollars)	LOW	HIGH (in Euro)	LOW
Month to May 24, 2006	42.81	28.95	34.00	23.00
<b>Month Ended</b>				
April 2006	40.14	36.00	32.51	29.10
March 2006	39.75	32.40	32.58	27.30
February 2006	36.40	31.75	30.74	26.82
January 2006	36.55	26.38	30.35	22.05
December 2005	28.73	25.46	24.49	21.75
November 2005	28.12	24.00	24.90	20.50
October 2005	29.54	22.95	25.60	19.25
September 2005	30.78	28.13	25.34	22.51
<b>Year Ended December 31, 2005</b>				
Fourth Quarter	29.54	22.95	25.60	19.25
Third Quarter	30.78	23.55	25.34	19.00
Second Quarter	34.00	22.11	26.10	17.31
First Quarter	43.86	29.70	33.25	22.55
<b>Year Ended December 31, 2004</b>				
Fourth Quarter	42.80	24.50	32.45	19.60
Third Quarter	30.45	14.16	26.50	11.50
Second Quarter	15.06	9.41	12.50	8.30
First Quarter	11.06	6.80	9.00	5.20
<b>Year Ended December 31, 2003</b>	9.06	2.05	7.50	2.05
<b>Year Ended December 31, 2002</b>	3.10	1.26	3.25	1.51
<b>Year Ended December 31, 2001</b>	4.25	0.70	4.45	0.90

Source: Bloomberg.

**Table of Contents****Arcelor Trading History**

Arcelor's shares were first listed on February 18, 2002, and are listed on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges, in each case under the symbol LOR, except for Euronext Brussels where it is listed under the symbol LORB. Arcelor's ADSs are traded in the over-the-counter market in the United States, and Arcelor's Convertible Bonds are traded on the Luxembourg Stock Exchange.

The tables below set forth, for the periods indicated, the reported high and low quoted prices (in euro) of Arcelor shares and Convertible Bonds on these exchanges, as well as the high and low quoted prices (in U.S. dollars) of Arcelor ADSs as reported through the electronic price and volume reporting system operated by the National Association of Securities Dealers, Inc. for non-NASDAQ securities (the Non-NASDAQ Reporting System).

**Arcelor Shares**

	Euronext Brussels		Euronext Paris		Luxembourg Stock Exchange		Spanish Exchanges	
	High	Low	High	Low	High	Low	High	Low
<b>2006</b>								
Month to May 24	36.04	31.43	36.16	31.21	36.00	32.00	36.18	31.37
April	34.20	32.03	34.21	32.06	34.40	32.00	34.20	32.04
March	33.31	30.03	33.40	30.31	33.25	30.50	33.37	30.33
February	31.50	28.76	31.61	28.75	31.00	28.85	31.60	28.65
January	31.00	20.65	31.29	20.60	30.50	20.80	31.16	20.61
<b>2005</b>								
December	21.40	20.22	21.47	20.03	21.50	20.31	21.45	20.14
November	20.83	19.45	20.85	19.46	20.78	19.68	20.84	19.47
October	19.93	18.14	19.95	18.12	19.89	18.30	19.95	18.12
September	19.95	17.50	19.96	17.72	19.75	17.81	19.95	17.73
August	18.72	17.23	18.71	17.27	18.72	17.30	18.69	17.25
Second Quarter	17.81	15.06	17.88	15.03	17.92	15.06	17.88	15.04
First Quarter	19.40	16.06	19.45	16.08	19.28	16.23	19.44	16.10
<b>2004</b>								
Fourth Quarter	17.34	14.36	17.26	14.27	17.18	14.20	17.65	14.31
Third Quarter	14.95	12.50	14.95	12.49	14.95	12.50	14.94	12.50
Second Quarter	14.80	12.02	14.77	12.15	14.75	12.09	14.75	12.19
First Quarter	14.98	12.96	15.00	12.81	14.91	12.67	14.98	12.82
<b>2003</b>								
Fourth Quarter	13.53	9.86	13.45	9.86	13.40	9.94	13.51	9.87
Third Quarter	12.38	9.77	12.35	9.65	12.26	9.81	12.32	9.64
Second Quarter	10.16	7.74	10.26	7.67	10.18	7.68	10.30	7.69
First Quarter	12.19	7.55	12.29	7.56	12.25	7.69	12.28	7.55
<b>2002</b>								
Fourth Quarter	12.81	8.22	12.88	8.12	12.81	8.22	12.89	8.12
Third Quarter	14.56	9.67	14.63	9.54	14.58	9.60	14.68	9.48
Second Quarter	15.68	13.15	15.71	13.16	15.67	13.16	15.69	13.15

Source: Bloomberg.

**Table of Contents****Trading of Arcelor ADSs<sup>(1)</sup>**

	ADSs	
	High	Low
<b>2006</b>		
Month to May 24	46.00	40.70
April	42.55	39.20
March	40.05	36.50
February	37.80	34.65
January	36.35	25.10
<b>2005</b>		
December	25.60	24.00
November	24.55	23.31
October	24.10	21.85
September	23.65	22.25
August	23.30	21.25
Second Quarter	23.00	18.90
First Quarter	26.05	21.35

Source: Bloomberg.

- <sup>(1)</sup> As reported through the electronic price and volume reporting system operated by the National Association of Securities Dealers, Inc. for non-NASDAQ securities (the Non-NASDAQ Reporting System). Under NASD rules, broker/dealers that are members of the NASD are required to report certain information through the Non-NASDAQ Reporting System, including, among other information, (i) the highest price at which it sold and the lowest price at which it purchased each non-NASDAQ security and (ii) the total volume of purchases and sales executed by it in each non-NASDAQ security. The Arcelor ADSs are traded over-the-counter in the United States and are not quoted on the NASDAQ Stock Market or on any United States national securities exchange, and, accordingly, there is no centralized market for the Arcelor ADSs. In addition, trading volumes for the Arcelor ADSs are generally lower than the trading volumes for the Arcelor shares on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges. As a result, the sales prices for the Arcelor ADSs represented below may not fully reflect the value of the underlying Arcelor common shares.

**Trading of Convertible Bonds on the Luxembourg Stock Exchange**

	Convertible Bonds	
	High	Low
<b>2006</b>		
Month to May 24	36.46	32.69
April	34.63	32.66
March	33.09	31.36
February	31.40	29.38
January	30.14	23.59
<b>2005</b>		
December	24.01	23.50
November	23.64	23.12
October	23.24	22.28
September	23.00	22.12
August	22.46	21.92
Second Quarter	22.04	21.14
First Quarter	22.83	21.73
<b>2004</b>		

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Fourth Quarter	22.28	21.00
Third Quarter	21.07	20.06
Second Quarter	21.62	20.42
First Quarter	21.48	20.23
<b>2003</b>		
Fourth Quarter	20.64	19.52
Third Quarter	20.05	19.28
Second Quarter	19.82	18.13
First Quarter	19.39	18.08
<b>2002</b>		
Fourth Quarter	19.40	17.46
Third Quarter	19.52	17.42
Second Quarter	19.64	18.80

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Source: Bloomberg.

## **Table of Contents**

### **Mittal Steel Dividends**

The dividends declared by LNM Holdings to its shareholder before it was acquired by the Company were \$164 million in 2003 and \$2,385 million in 2004.

On February 9, 2005, Mittal Steel's Board of Directors approved a dividend policy for the fiscal year 2005 of \$0.10 per share per quarter (as from the second quarter of 2005), which was approved by Mittal Steel's shareholders at the Annual General Meeting of Shareholders held on May 26, 2005. Quarterly dividends were paid on July 8, 2005, October 12, 2005 and December 15, 2005.

On February 14, 2006, Mittal Steel's Board of Directors declared an interim dividend of \$0.125 per share, which was paid on March 15, 2006, and decided to discuss at the next general meeting of the shareholders an amendment of the dividend policy going forward such that a quarterly dividend of \$0.125 per share would be paid in the future. This decision was approved at the annual general meeting of shareholders held on May 9, 2006. A quarterly dividend of \$0.125 per share due to be paid on June 15, 2006 was announced on May 17, 2005.

Should Mittal Steel's offer for Arcelor succeed, it is envisaged that the combined group would adopt a policy of distributing approximately 25% of its annual net income to its shareholders.

The holders of Mittal Steel class A common shares and Mittal Steel class B common shares are entitled to receive such pro rata distributions, if any, as may be declared by Mittal Steel's Board of Directors out of funds legally available for distribution. Any determination to pay cash dividends is at the discretion of Mittal Steel's Board of Directors, in accordance with Dutch law and Mittal Steel's Articles of Association, and after taking into account various factors, including our financial condition, results of operations, outstanding indebtedness, current and anticipated cash needs, plans for expansion as well as commercial restrictions and other factors affecting Mittal Steel's operating subsidiaries.

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**Table of Contents****Arcelor Dividends**

The following table sets forth the dividends declared, or, in the case of 2005, announced by the Board of Directors but not yet approved by the shareholders' meeting or declared, by Arcelor since its inception:

Year	Dividend	
	Total ( in millions)	Per Share ( )
2005	737.1	1.85
2004	415.9	0.65
2003	213.2	0.40
2002	202.3	0.38



**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 SEC under 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. You may read and copy this information, or obtain copies of this information by mail, at the SEC's Public Reference Room at 100 F Street, N.E., 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. The SEC maintains an Internet website that contains reports and other information about issuers, like Mittal Steel, who file electronically with the SEC. The address of that site is <http://www.sec.gov>.

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. Mittal Steel's officers, directors and principal shareholders are also exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Arcelor is on the list most recently published by the SEC of companies that furnish information to it pursuant to Rule 12g3-2(b) promulgated under the Exchange Act. To benefit from the exemption provided by this Rule from the registration requirements of the U.S. Securities Act of 1933, as amended (the Securities Act), an issuer must furnish to the SEC all material information made public, filed with the stock exchanges on which its securities are listed or sent to securityholders promptly after such information has become available. To the extent Arcelor currently furnishes to the SEC any such information, you may read and copy it by visiting the SEC's Public Reference Room.

Mittal Steel has filed a registration statement on Form F-4 to register with the SEC the Mittal Steel class A common shares that holders of Arcelor securities will receive in the Offer in exchange for their Arcelor securities. As permitted by SEC rules, this prospectus does not contain all of the information included in the registration statement, some parts of which are omitted in accordance with the rules and regulations of the SEC. For further information, you should refer to this registration statement.

Mittal Steel's class A common shares are listed on the NYSE and Euronext Amsterdam, and Arcelor's shares are listed on Euronext Brussels, Euronext Paris, the Luxembourg Stock Exchange and the Spanish Stock Exchanges. Each exchange has its own requirements for the provision of periodic reports, proxy statements and other information. You are free to inspect any such information by contacting the relevant stock exchange, including, for Mittal Steel, at the offices of the NYSE, 20 Broad Street, New York, New York, 10005.

**Table of Contents**

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows Mittal Steel to incorporate by reference information into this prospectus, which means that Mittal Steel 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 prospectus, except for any information superseded by information contained directly in this prospectus, any prospectus supplement or subsequent filings deemed incorporated by reference into this prospectus.

Because Arcelor does not file, but furnishes, information to the SEC, no information regarding Arcelor is permitted to be incorporated by reference herein.

This prospectus incorporates by reference the documents set forth below that Mittal Steel has previously filed with or furnished to the SEC. These documents contain important information about Mittal Steel and its results of operations and financial condition:

Exhibit 99.1 of Mittal Steel's Current Report on Form 6-K, dated September 30, 2005, relating to International Steel Group Inc.'s audited consolidated financial statements as of and for the fiscal year ended December 31, 2004;

Part I, Item 1 of Mittal Steel USA ISG Inc.'s Quarterly Report on Form 10-Q, dated May 16, 2005, containing the unaudited condensed consolidated financial statements of Mittal Steel USA ISG Inc. (formerly known as International Steel Group Inc.) for the three months ended March 31, 2005;

Mittal Steel's Annual Report on Form 20-F, dated March 20, 2006, for the fiscal year ended December 31, 2005;

Mittal Steel's Current Report on Form 6-K, dated May 12, 2006, containing Mittal Steel's press release announcing its first quarter 2006 results;

Mittal Steel's Current Report on Form 6-K, dated May 26, 2006, containing the revised unaudited pro forma condensed combined financial statements for Mittal Steel Company N.V. and International Steel Group Inc. as of and for the year ended December 31, 2005; and

Mittal Steel's Current Report on Form 6-K, dated May 26, 2006, containing Mittal Steel's Management's Discussion and Analysis of Financial Condition and Results of Operations as of and for the three months ended March 31, 2006.

In addition, all documents filed by us with the SEC pursuant to Sections 13(a) or 15(d) of the Exchange Act since December 31, 2005, and, to the extent expressly stated therein, certain Reports on Form 6-K furnished by us after the date of this prospectus and prior to the termination of the Offer shall also be deemed to be incorporated by reference in this prospectus from the date of filing of such documents. Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus and to be a part hereof from the date of filing of such document.

**Table of Contents**

You may request a copy of these filings, at no cost, by writing or telephoning Mittal Steel at:

**Mittal Steel Company N.V.**

Hofplein 20

3032 AC Rotterdam

The Netherlands

+31 10 217 8800

Attention: Company Secretariate

Exhibits to the filings will not be sent unless those exhibits have specifically been incorporated by reference into this prospectus. We will also include any Reports on Form 6-K furnished by us after the date of this prospectus and prior to the termination of the Offer and incorporated by reference in this prospectus as described above, with any exhibits thereto, at [www.mittalsteel.com](http://www.mittalsteel.com) under Investor Relations. Except as provided above, no other information, including information on Mittal Steel's website, is incorporated by reference into this prospectus.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN OR INCORPORATED BY REFERENCE INTO THIS PROSPECTUS TO DECIDE WHETHER TO PARTICIPATE IN THE OFFER. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT FROM THAT WHICH IS CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS PROSPECTUS. THIS PROSPECTUS IS DATED AS OF THE DATE PRINTED ON THE FRONT COVER. YOU SHOULD NOT ASSUME THAT THE INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS PROSPECTUS IS ACCURATE AS OF ANY DATE OTHER THAN THAT DATE, AND NEITHER THE MAILING OF THIS PROSPECTUS TO SECURITYHOLDERS NOR THE ISSUANCE OF MITTAL STEEL CLASS A COMMON SHARES IN THE OFFER SHALL CREATE ANY IMPLICATIONS TO THE CONTRARY.

**Table of Contents**

**SERVICE OF PROCESS AND ENFORCEABILITY OF CIVIL LIABILITIES**

Mittal Steel is organized under the laws of The Netherlands and the majority of the members of Mittal Steel's Board of Directors are residents of The Netherlands or other countries outside the United States. The majority of Mittal Steel's assets are located outside the United States and a majority of Mittal Steel's directors and officers and some of the experts named herein reside outside the United States. As a result, U.S. investors may find it difficult:

to effect service of process within the United States upon Mittal Steel and the directors and officers of Mittal Steel located outside the United States;

to enforce in U.S. courts or outside the United States judgments obtained against the directors and officers of Mittal Steel in U.S. courts; and

to enforce in U.S. courts judgments obtained against the directors and officers of Mittal Steel in courts in jurisdictions outside the United States.

Mittal Steel's Dutch counsel, Nauta Dutilh, has advised Mittal Steel that there is doubt as to the enforceability in The Netherlands in original actions or actions for enforcement of judgments of U.S. courts of civil liabilities predicated solely upon the U.S. federal securities laws. Mittal Steel has been further advised by Nauta Dutilh that 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 U.S. 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 relitigation 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.

**Table of Contents**

**VALIDITY OF SECURITIES**

The validity of the Mittal Steel shares to be issued pursuant to the Offer will be passed upon by Nauta Dutilh, Dutch counsel to Mittal Steel.

237

**Table of Contents**

**EXPERTS**

The consolidated financial statements of Mittal Steel Company N.V. (formerly Ispat International N.V.) and subsidiaries (the Company), for 2003, 2004 and 2005, except for the consolidated financial statements of Mittal Steel Holdings A.G. (formerly Mittal Steel Holdings N.V., formerly LNM Holdings N.V., a consolidated subsidiary)(except for Mittal Steel Poland, S.A. (formerly Ispat Polska, S.A.), a consolidated subsidiary of Mittal Steel Holdings A.G., whose consolidated financial statements for the year ended December 31, 2004 were audited by Deloitte Accountants B.V.), as of December 31, 2004, and for each of the two years in the period ended December 31, 2004, incorporated in this prospectus by reference have been audited by Deloitte Accountants B.V. as stated in their report which is incorporated by reference herein. The financial statements of Mittal Steel Holdings A.G. and subsidiaries (consolidated with those of the Company) (not separately incorporated by reference herein) as of December 31, 2004 and for each of the two years in the period ended December 31, 2004, have been audited by Ernst & Young Accountants, except for the consolidated financial statements of Mittal Steel South Africa (formerly Ispat Iscor Limited, formerly Iscor Limited), a consolidated subsidiary of Mittal Steel Holdings A.G. as of and for the year ended December 31, 2004, and an equity method investment for the year ended December 31, 2003 (not separately incorporated by reference herein), which have been audited by KPMG Inc., as stated in their reports incorporated by reference herein. Such financial statements of the Company and its consolidated subsidiaries are incorporated by reference herein in reliance upon the respective reports of such firms given upon their authority as experts in accounting and auditing. All of the foregoing firms are independent registered public accounting firms.

Pursuant to Rule 409 under the Securities Act, Mittal Steel has requested that Arcelor's independent public accountants consent in a customary manner to the inclusion of their audit reports with respect to the financial statements of Arcelor included in this prospectus. Mittal Steel has not obtained such consent to date. If Mittal Steel obtains such consent it will include such audit reports along with the financial statements of Arcelor included in this prospectus.

The consolidated financial statements and schedule of ISG and its subsidiaries as of December 2004 and for the year ended December 31, 2004 have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing. The report refers to a change in the method of accounting for inventories on the last-in, first-out basis, effective January 1, 2004.

In December 2004, Ernst & Young Accountants, then Mittal Steel Holdings' independent registered public accounting firm, advised the Audit Committee of the Company that it had identified an independence issue related to providing prohibited payroll services in The Netherlands. These services involved processing payroll for approximately 17 employees of Mittal Steel Holdings' Rotterdam office in 2002, 2003 and early 2004. In connection with the performance of these payroll processing services, Ernst & Young Accountants received Mittal Steel Holdings' funds into a bank account jointly controlled by Ernst & Young Accountants and Mittal Steel 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, as well as the SEC auditor independence rules, prohibit a bank account jointly controlled by Mittal Steel Holdings and Ernst & Young Accountants. The Company's Audit Committee and Ernst & Young Accountants have discussed Ernst & Young Accountants' independence with respect to Mittal Steel Holdings in light of the foregoing facts. Both the Company's 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 Mittal Steel Holdings and have each independently concluded that there has been no impairment of Ernst & Young Accountants' independence. In making this determination, Ernst &

**Table of Contents**

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 Mittal Steel Holdings. Furthermore, the payroll calculations for 2002 through February 2004 have been recalculated by an unrelated third party.

**Table of Contents**

**SUMMARY OF CERTAIN DIFFERENCES BETWEEN IFRS AND U.S. GAAP (UNAUDITED)**

The consolidated financial statements of Mittal Steel Company N.V., incorporated by reference, conform to U.S. GAAP, while Arcelor prepares its financial statements in accordance with IFRS. The matters described below summarize certain differences between U.S. GAAP and IFRS. Potential investors should consult their own professional advisors for an understanding of the differences between U.S. GAAP and IFRS, and how those differences might affect the available financial information.

**Business Combinations**

***Negative Goodwill***

Under U.S. GAAP, any negative goodwill has to be allocated on a pro-rata basis to all acquired assets other than all current assets, all financial assets (other than equity investments), assets to be disposed of by sale, prepaid assets relating to pensions, and deferred taxes. Any remaining negative goodwill is recognized as an extraordinary gain in the income statement.

Under IFRS, when the purchase price allocation results in negative goodwill, the acquirer must reassess the identification and measurement of the acquired assets, liabilities and contingent liabilities. Any excess that remains is recognized immediately in the income statement.

***Contingent Liabilities***

Both under U.S. GAAP and IFRS contingent liabilities are included in the allocation of the purchase price, however in U.S. GAAP they should be probable and measurable, while IFRS only has the measurable criteria.

***Minority Interest***

Under U.S. GAAP, minority interest is generally measured as the minority's proportion of the pre-acquisition historical book value of the identifiable net assets acquired. Under IFRS, minority interest is measured as the minority's proportion of the net fair value of the identifiable net assets acquired.

Under U.S. GAAP, minority interest is presented separately in the financial statements. Under IFRS, minority interest is presented as a component of equity.

***Step Acquisitions***

Under U.S. GAAP, revaluation of previous interests in the acquirer's net assets in step acquisitions is not allowed.

Under IFRS, the revaluation of previous interests at fair value at each acquisition date is required.

***Impairment Test***

Both under U.S. GAAP and IFRS, goodwill is reviewed for impairment, at least annually or whenever events or changes in circumstances indicate that the recoverability of the carrying amount must be assessed.



## **Table of Contents**

Under U.S. GAAP, an impairment test is two tier. And an impairment test using discounted cash flows is performed, only if the asset fails a recoverability test performed on the basis of undiscounted cash flows. An impairment loss is calculated by comparing the asset's carrying amount to its fair value.

Under IFRS, if an indicator for impairment is identified, an impairment test is performed using discounted cash flows. Therefore, an impairment loss could be recognized earlier under IFRS.

Under U.S. GAAP, reversal of impairment is not allowed.

Under IFRS, impairment losses may reverse, due to changed circumstances, except for an impairment loss for goodwill.

## **Consolidation**

### ***Subsidiaries***

Under U.S. GAAP, the usual condition for consolidating a financial interest is ownership of a majority voting interest and as a general rule, ownership, either directly or indirectly, of over 50% of the outstanding voting shares constitutes control.

Under IFRS, consolidation of subsidiaries is required over which a parent company exercises control. Control is considered as being exercised in cases where a parent is in a position to manage the subsidiary's financial and operating policies with a view to benefiting from its business.

### ***Special Purpose Entities***

Under U.S. GAAP, certain variable interest entities are to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

Under IFRS, consolidation of special purpose entities (SPEs) is required where the substance of the relationship indicates that an entity controls the SPE.

## **Employee Benefits**

Although the basic principles for accounting for defined benefit plans are similar in U.S. GAAP and IFRS there are a number of differences that can have a major impact.

### ***Minimum Pension Liability and Asset Ceiling***

Under U.S. GAAP, a minimum pension liability is recorded if the accumulated benefit obligation exceeds the plan assets.

IFRS does not recognize a minimum pension liability.

Under IFRS, in case of pension asset, this may not always be recognized as it needs to be evaluated against the criteria for the asset ceiling.

Under U.S. GAAP there is no such concept of asset ceiling.

## **Table of Contents**

### ***Past Service Cost***

Under U.S. GAAP, prior service cost related to retirees is amortized over the average remaining service period of active plan participants (if the plan participants are mainly active employees) or over the average remaining life expectancy of retirees (if the plan participants are mainly retirees).

Under IFRS, all past service cost related to retirees and vested active employees is expensed immediately.

### **Income Taxes**

Although the general approach under U.S. GAAP and IFRS is similar there are a number of differences. Differences amongst others relate to deferred tax on goodwill, deferred tax on investments in subsidiaries, post acquisition recognition of acquiree's tax losses and recognition of previously unrecognized tax losses.

Under U.S. GAAP, the use of substantively enacted tax rates is prohibited.

Under IFRS, deferred tax is calculated using the tax rates and tax laws that have been enacted or substantively enacted.

### **Inventories**

Under U.S. GAAP, when the cost of inventories is no longer recoverable, inventories are to be written down to their current replacement cost, which should not exceed their net realizable value.

Under IFRS, inventories should be written down to their net realizable value, which is the estimated selling price in the ordinary course of business less the costs of completion and sales costs.

Under U.S. GAAP, an impairment loss may not be reversed once it has been recognized,

Under IFRS, the reversal of a previous impairment of inventory if it is no longer required is permitted.

Under U.S. GAAP, the LIFO (last in first out) method is permitted, whereas under IFRS it is prohibited.

### **Financial Instruments**

#### ***Classification and Measurement***

U.S. GAAP and IFRS, provisions on classification and measurement of financial instruments are similar, except that that under U.S. GAAP there is no option to designate any financial asset on initial recognition as at fair value through profit or loss; only items that qualify as trading would be classified as at fair value through profit and loss. Under U.S. GAAP, debt securities must be classified according to management's intent to hold the security in one of the following categories: trading, held-to-maturity, or available-for-sale. Equity securities are classified as either trading or available for sale.

Under IFRS, measurement of financial assets depends on their classification in one of the following categories: held-to-maturity investments; loans and receivables; financial assets at fair value through profit or loss and available-for-sale financial assets.

## **Table of Contents**

### ***Hybrid Financing***

Under U.S. GAAP, an issuer is required to classify a financial instrument that is within its scope as a liability (or asset in some circumstances) when the financial instrument embodies an obligation of the issuer.

Under IFRS, an instrument is classified as equity when it does not contain an obligation to transfer economic resources. An entity recognizes separately the components of a financial instrument that (a) creates a financial liability of the entity and (b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity.

### ***Derivatives and Hedging***

U.S. GAAP and IFRS guidelines for hedging activities are generally similar. Both require that derivatives be initially recorded at fair value on the balance sheet as either financial assets or liabilities. Both also require that derivatives be subsequently measured at fair value regardless of any hedging relationship that might exist. U.S. GAAP and IFRS permit special accounting treatment for financial and derivative instruments that are designated as hedged items or as hedging instruments if certain criteria are met (hedge accounting). However, there are differences between the standards as to which transactions will qualify for hedge accounting and as to how some of the hedge accounting provisions are applied.

U.S. GAAP allows, assuming stringent conditions are met, a short-cut method that assumes perfect effectiveness for certain hedging relationships involving interest rate swaps. This exemption from performing quantitative retrospective effectiveness tests is not allowed under IFRS.

### ***Intangible Assets***

Under U.S. GAAP, general research and development costs that are not covered by separate standards are expensed as they are incurred.

Under IFRS, the costs of research must be expensed as they are incurred. When the technical and economic feasibility of a project can be demonstrated, and further prescribed conditions are satisfied, the costs of the development of the project must be capitalized.

### ***Provisions***

#### ***Restructuring Provisions***

Under U.S. GAAP, a liability for costs associated with exit or disposal activities, other than in a business combination, is recognized when the liability is incurred. The liability is to be measured at fair value and adjusted for changes in estimated cash flows. Recognition of a liability based solely on commitment to a plan is prohibited under U.S. GAAP. Restructuring provision must meet the definition of a liability, including certain criteria regarding the likelihood that no changes will be made to the plan or that the plan will be withdrawn.

Under IFRS, a present obligation exists only when the entity is demonstrably committed to the restructuring. An entity is usually demonstrably committed when there is a binding sale agreement (legal obligation), or when the entity has a detailed formal plan for the restructuring and is unable to withdraw because it has started to implement the plan or announced its main features to those affected (constructive obligation).

**Table of Contents**

*Asset Retirement Obligations*

Under U.S. GAAP, the provision is built up in cash flow layers with each layer discounted using the discount rate at the date that the layer was created. Remeasurement of the entire obligation using current discount rates is not permitted.

Under IFRS, if there is a change in the discount rate the entire provision must be recalculated using the current discount rate.

A-5

**Table of Contents**

**INDEX TO EXCERPTS FROM PUBLICLY AVAILABLE ARCELOR DOCUMENTS**

	<b>Page</b>
<u>Introduction</u>	B-2
<u>Unaudited Consolidated Financial Statements at March 31, 2006 (released May 12, 2006)</u>	B-3
<u>Presentation of the Group (business description excerpt from Arcelor 2005 Annual Report)</u>	B-16
<u>Group Consolidated Management Report for the Year Ended December 31, 2005, together with Arcelor's Consolidated Financial Statements for 2005 (excerpt from Arcelor 2005 Annual Report)</u>	B-23
<u>Group Consolidated Management Report for the Year Ended December 31, 2004, together with Arcelor's Consolidated Financial Statements for 2004 (excerpt from Arcelor 2004 Annual Report)</u>	B-134
<u>2005 Report on Risk Management (excerpt from Arcelor 2005 Annual Report)</u>	B-228
<u>Press release announcing Arcelor's agreement to merge with Severstal (released May 26, 2006)</u>	B-237

**Table of Contents**

**INTRODUCTION**

This appendix sets forth certain selected financial information with respect to Arcelor, excerpted from the following publicly available Arcelor documents:

Unaudited Consolidated Financial Statements at March 31, 2006 (as posted on Arcelor's website on May 12, 2006);

2005 Annual Report to Shareholders

2004 Annual Report to Shareholders; and

Arcelor Press Release, dated May 26, 2006, Arcelor to merge with Severstal.

Arcelor prepares its financial statements under International Financial Reporting Standards (IFRS), which differ in certain significant respects from U.S. GAAP. These differences, as they relate to Arcelor, cannot be quantified based on Arcelor's publicly available financial information.

Pursuant to Rule 409 under the Securities Act, Mittal Steel requested in correspondence over the period from February 14 to April 7, 2006 that Arcelor provide Mittal Steel with information required for complete disclosure relating to its business, operations and financial condition in compliance with the requirements of Item 17 of Form F-4, including financial statements prepared in accordance with or reconciled to U.S. GAAP. During this correspondence, Arcelor requested clarification of Mittal Steel's request, which Mittal Steel provided, and confirmation from Mittal Steel that Arcelor's accession to its request would be without prejudice to Arcelor's right to oppose Mittal Steel's hostile offer, which Mittal Steel also provided. The correspondence culminated with Arcelor's provision of an estimate of the time and cost (which Mittal Steel had offered to defray, subject to agreement on a budget) necessary for the preparation by Arcelor of a reconciliation to U.S. GAAP of its financial statements prepared in accordance with IFRS. This estimate led Mittal Steel to conclude that the requested information relating to Arcelor is not reasonably available to it.

Mittal Steel also requested in such correspondence with both Arcelor and Arcelor's independent public accountants that the latter consent in a customary manner to the inclusion of their audit reports with respect to the financial statements of Arcelor included in this prospectus. Arcelor ultimately offered to request its independent public accountants to consider to provide such consent subject to several conditions. Arcelor also stated that its independent public accountants had advised that their ability to issue such consent would be subject to Mittal Steel obtaining from the SEC staff confirmation that the staff would not object to the inclusion of audit reports which relate to audits conducted in accordance with International Standards of Auditing (IAS) rather than the standards promulgated by the Public Company Accounting Oversight Board. Based on Mittal Steel's understanding that an audit report prepared on the basis of IAS would not be acceptable to the SEC, Mittal Steel considers that obtaining such consent is impracticable.

Mittal Steel will provide any and all information that it receives from Arcelor or its independent public accountants at least five Business Days prior to the expiration of the Offer that Mittal Steel deems material, reliable and appropriate in a subsequently prepared amendment or supplement hereto.

**Table of Contents**

**Consolidated financial statements at March 31, 2006 (released May 12, 2006)**

B-3

**Table of Contents****Consolidated financial statements at 31 March 2006****Key financial data for the Group**

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



**Table of Contents****Consolidated balance sheet****ASSETS**

	31 Dec.	31 March	
	2005	2006	
	<i>(Restated)</i>	<i>(unaudited)</i>	Variation
<i>In EUR million</i>	1	2	2/1
<b>NON CURRENT ASSETS</b>	<b>1 8070</b>	<b>24 070</b>	<b>6 000</b>
- <i>Intangible assets</i>	193	1 597	14 040
- <i>Property plant &amp; equipment</i>	13 787	18 135	4 348
- <i>Investments under equity method</i>	1 319	1 295	-24
- <i>Other investments</i>	680	665	-15
- <i>Receivables &amp; other fin. assets</i>	744	804	60
- <i>Deferred tax assets</i>	1 347	1 574	227
<b>CURRENT ASSETS</b>	<b>1 7776</b>	<b>18 927</b>	<b>1 151</b>
- <i>Inventories</i>	7 592	8 601	1 009
- <i>Trade receivables</i>	3 730	5 093	1 363
- <i>Other receivables</i>	1 782	1 900	1 18
- <i>Cash &amp; Cash equivalents</i>	4 672	3 333	-1 339
<b>TOTAL ASSETS</b>	<b>35 846</b>	<b>42 997</b>	<b>7 151</b>

**Table of Contents****EQUITY AND LIABILITIES**

	<b>31 Dec. 2005 (Restated)</b>	<b>31 March 2006 (unaudited)</b>	<b>Variation</b>
<i>In EUR million</i>	<b>1</b>	<b>2</b>	<b>2/1</b>
<b>SHAREHOLDERS EQUITY</b>	<b>14 907</b>	<b>15 919</b>	<b>1 012</b>
<b>MINORITY INTERESTS</b>	<b>2 524</b>	<b>2 683</b>	<b>159</b>
<b>NON CURRENT LIABILITIES</b>	<b>8 401</b>	<b>11 010</b>	<b>2 609</b>
- <i>Interest bearing liabilities</i>	<i>4 341</i>	<i>4 760</i>	<i>419</i>
- <i>Employee benefits</i>	<i>1 618</i>	<i>2 778</i>	<i>1 160</i>
- <i>Provisions for contract termination benefits</i>	<i>852</i>	<i>833</i>	<i>-19</i>
- <i>Other provisions</i>	<i>943</i>	<i>1 056</i>	<i>113</i>
- <i>Deferred tax provisions</i>	<i>506</i>	<i>1 425</i>	<i>919</i>
- <i>Others liabilities</i>	<i>141</i>	<i>158</i>	<i>17</i>
<b>CURRENT LIABILITIES</b>	<b>10 014</b>	<b>13 385</b>	<b>3 371</b>
- <i>Trade payables</i>	<i>5 235</i>	<i>5 636</i>	<i>401</i>
- <i>Interest bearing liabilities</i>	<i>1 623</i>	<i>4 347</i>	<i>2 724</i>
- <i>Other amounts payables</i>	<i>2 882</i>	<i>3 153</i>	<i>271</i>
- <i>Provisions for contract termination benefits</i>	<i>30</i>	<i>29</i>	<i>-1</i>
- <i>Other provisions</i>	<i>244</i>	<i>220</i>	<i>-24</i>
<b>TOTAL SHAREHOLDERS EQUITY, MINORITY INTERESTS AND LIABILITIES</b>	<b>35 846</b>	<b>42 997</b>	<b>7 151</b>

**Table of Contents****Condensed consolidated income statement**

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

B-7

**Table of Contents****Condensed consolidated income statement (Quarterly evolution)**

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

B-8

**Table of Contents****Consolidated statement of changes in shareholders equity**

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

B-9

**Table of Contents****Condensed consolidated cash flow statement**

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

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

<b>Net financial debt</b>	<b>2 359</b>	<b>1 875</b>	<b>1 405</b>	<b>1 230</b>	<b>5 742</b>	<b>4 512</b>
<b>Gearing</b>	<b>17,9%</b>	<b>12,9%</b>	<b>9,2%</b>	<b>7,1%</b>	<b>30,9%</b>	<b>23,8%</b>

B-10

**Table of Contents****Breakdown by « Business Units »****FLAT CARBON EUROPE**

	Year	Q1	Q1
	2005	2005	2006
	<i>(Restated)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>In EUR million</i>	<i>(12 months)</i>	<i>(3 months)</i>	<i>(3 months)</i>
Revenue	16 143	4 280	4 450
Change			4,0%
Change at comparable structure			3,7%
Gross operating result (EBITDA)	2 828	921	643
<i>% of revenues</i>	17,5%	21,5%	14,4%
Operating result (EBIT)	2 144	766	524
<i>% of revenues</i>	13,3%	17,9%	11,8%
Tangible investments	655	80	116
Scope variations: End December 2005 closure of LDD, global integration of E. Giebel as from 1st January 2006			

**FLAT CARBON BRAZIL**

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

**FLAT CARBON CANADA**

<i>In EUR million</i>	Year	Q1	Q1
	2005	2005	2006
	<i>(Restated)</i>	<i>(Restated)</i>	<i>(unaudited)</i>



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	(12 months)	(unaudited)	(3 months)
Revenue		(3 months)	373
Change			
Change at comparable structure			
Gross operating result (EBITDA)			0
<i>% of revenues</i>			
Operating result (EBIT)			-26
<i>% of revenues</i>			-7,0%
Tangible investments			21
Scope variation: Acquisition of Canadian sub-group Dofasco end of February (Contribution 1 month)			

B-11

**Table of Contents****LONG CARBON EUROPE**

	Q1		
	Year	2005	Q1
	2005	(Restated)	2006
	(Restated)	(unaudited)	(unaudited)
<i>In EUR million</i>	(12 months)	(3 months)	(3 months)
Revenue	3 871	938	1 074
Change			14,5%
Change at comparable structure			31,8%
Gross operating result (EBITDA)	492	126	151
% of revenues	12,7%	13,4%	14,1%
Operating result (EBIT)	402	100	125
% of revenues	10,4%	10,7%	11,6%
Tangible investments	171	39	36
Scope variations:	Disposal of spanish plants Azpeitia, Lasao and Getafe on July 2005, global integration of Huta Warszawa as from 1st August 2005		

**LONG CARBON AMERICAS**

	Q1		
	Year	2005	Q1
	2005	(Restated)	2006
	(Restated)	(unaudited)	(unaudited)
<i>In EUR million</i>	(12 months)	(3 months)	(3 months)
Revenue	2 526	554	717
Change			29,4%
Change at comparable structure			31,9%
Gross operating result (EBITDA)	853	195	281
% of revenues	33,8%	35,2%	39,2%
Operating result (EBIT)	690	160	230
% of revenues	27,3%	28,9%	32,1%
Tangible investments	149	28	43
Scope variation:	Disposal of Acindar tubes activities end January 2006		

**WIRE DRAWING**

<i>In EUR million</i>	Year	Q1	Q1
	2005	2005	2006
	(Restated)	(Restated)	(unaudited)
	(12 months)	(unaudited)	(3 months)

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	(3 months)		
Revenue	346	86	<b>93</b>
Change			<b>8,1%</b>
Change at comparable structure			<b>5,8%</b>
Gross operating result (EBITDA)	36	9	<b>7</b>
<i>% of revenues</i>	<i>10,4%</i>	<i>10,5%</i>	<i>7,5%</i>
Operating result (EBIT)	25	6	<b>4</b>
<i>% of revenues</i>	<i>7,2%</i>	<i>7,0%</i>	<i>4,3%</i>
Tangible investments	15	4	<b>5</b>
Scope variations:	Inclusion of Arcelor Sheffield, closure of TrefilARBED Cheb		

B-12

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

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

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

**HEAVY PLATE**

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

**Table of Contents****A3S (ARCELOR STEELSOLUTIONS & SERVICES)**

	Q1		
	Year	2005	Q1
	2005	<i>(Restated)</i>	2006
	<i>(Restated)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>In EUR million</i>	<b>(12 months)</b>	<b>(3 months)</b>	<b>(3 months)</b>
Revenue	8 656	2 055	2 225
Change			8,3%
Change at comparable structure			5,9%
Gross operating result (EBITDA)	328	98	77
<i>% of revenues</i>	3,8%	4,8%	3,5%
Operating result (EBIT)	254	79	61
<i>% of revenues</i>	2,9%	3,8%	2,7%
Tangible investments	86	11	22
Scope variation: Exclusion of Traxys			
Acquisition of Devillers Oxycoupage sub-group on February 2006, inclusion of Arcelor SSC Development, CEPI Services, FBH Eko Feinblech, Stahlhandel Burg, Oriental Sheet Piling, PFF, Prof.Martinique, Haironville Guyanne on 1st Quarter 2006, together with H+K Stahl., R.Smith, Prof.Futur, Prof.Guadeloupe, Prof.Réunion, PMA, H.Austria end December 2005			

**OTHER ACTIVITIES**

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

**Table of Contents**

**Note: Restated Accounts 2005**

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

1) Application of the proportional integration

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

2) Abandonment of the Corridor (IAS 19)

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

3) OCEANE 2017

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

**Table of Contents**

**Presentation of the Group**

B-16

## **Table of Contents**

### **Markets**

Arcelor is highly attentive to customer requirements, developing products, solutions and services tailored to the needs of its various markets. This commercial approach is based on a policy of building long-term relationships with clients.

#### ***Automotive: a global market for high-value-added steels***

##### **The top raw material in the automotive industry**

Steel is the most widely used material in the automotive industry. Its resilience, energy absorption, ductility and recyclability make it a prime choice given the current emphasis on costs, safety and environmental protection.

Steel accounts for around 40% of the total weight of a motor vehicle, including:

flat cold-rolled steels with specific coatings or flat hot-rolled steels, which are used for the body in white of cars along with equipment such as seats, wheels and accessories,

flat stainless steels for exhaust mufflers, fuel tanks and safety components, in which Arcelor is a world leader thanks to its innovative solutions in nickel-free and corrosion-resistant ferritic grades,

long stainless steel products.

##### **Arcelor's advantages**

Arcelor is the world's leading supplier of steel to the automotive industry. It delivered 10 million tonnes of flat steels to the sector in 2005, equal to about 15% of global demand.

Arcelor is a leading supplier of cutting-edge products, selling high- and very-high-tensile steels and developing low-density enhanced face sheets and ultra-high-tensile face sheets. The Arcelor Body Concept (ABC) helps to provide carmakers with new steel-based solutions to their weight reduction and safety imperatives.

##### **Steels of the future for the automotive industry**

Arcelor has put innovation at the heart of its strategy for satisfying carmakers' needs and constraints. For instance, Arcelor is working on highly ductile, easily moulded and mechanically strong steels through its very-high-tensile (VHT) steel initiative to enhance the ductility and formability of steel products and solutions for the medium- to long-term future. The aim is to double ductility (VHT steels' resistance to breakage) and to increase resistance by 50%, while retaining similar moulding and usage properties for customers. High manganese-content steels have been produced by this programme.

##### ***A fast-expanding construction market***

##### **The world's number one client market for steel**

The construction sector is the world's largest user of steel. In this market, Arcelor offers customers the advantages of its international reach. These include its large number of production and processing plants, a broad product range featuring specialties such as Aluzinc (thick-coat hot-dip galvanized steels), and extensive experience in high-value-added products (pre-painted sheet and high elasticity steels). In addition, it offers construction systems for the skin of buildings, such as facades, roofing, floors and structures.



## **Table of Contents**

### **A disparate market in search of integrated solutions**

The construction market is highly fragmented, with local variation playing a key role. As a result, purchasing decisions can be heavily influenced by adapting solutions intelligently to each project. Since the construction market represents a priority avenue of development for Arcelor, the cross-discipline Building and Construction Support (BCS) unit was set up to meet the needs of this market as effectively as possible with a view to boosting performance. Arcelor strives to offer an extensive range of combined and optimized steel solutions in all local markets by fostering co-operation between the Group's research teams and operational units, as well as with independent architects, research entities and property developers.

The need for innovation and solutions that satisfy increasingly stringent environmental constraints is having a major impact on this market. R&D breakthroughs mean that steel can make a significant contribution to lowering the greenhouse gas emissions caused by heating and air conditioning systems in residential and commercial buildings. Solutions combining steel and other materials make it possible to design more energy-efficient buildings in which heat exchanges take place naturally.

#### *General Industry: diverse range of solutions*

The general industry market is vast and diverse, as are the steel solutions marketed by Arcelor. What they have in common is an unwavering focus on ease of use and weight reduction.

Most industrial customers purchase finished products from Arcelor's distribution network, except in a few concentrated sectors such as rail transportation.

This is particularly the case in mechanical engineering and primary and secondary processing industries.

Primary processing represents an expanding market for Arcelor, in which it serves the needs of coaters, re-rollers, large welded tube manufacturers, shipyards, container manufacturers and silo manufacturers.

Arcelor markets an extensive range of solutions in this market, covering the entire range of customer requirements. It boasts a very wide range of flat carbon steels delivered either untreated or with a metal coating (very high elasticity steels for cranes, steels for thermal treatment and oil applications, steels for radiators, drums, industrial racking, tanks and gas bottles).

In long carbon steels, Arcelor supplies beams, merchant steels, sheet pile and machine wire used in infrastructure and equipment markets, as well as rails for the transportation market. Its wire-drawing plants produce soft, soft-annealed and galvanized wires for vine wires, closures, concrete reinforcing wires and tacks.

Concurrently, stainless steels have made further headway in the oil and chemicals industries, with new ferritic grades for hot water tanks and steels allowing lighter containers among the solutions driving this expansion.

Arcelor has three key growth priorities in these markets:

non-toxic, easily recyclable products providing a high level of safety in terms of their manufacture and use;

functional products offering an attractive alternative to other materials and helping to lower the cost of finished products;

cost-effective products, made possible by streamlined production processes, significantly reducing wastage and thus enhancing product profitability.

## **Table of Contents**

### *Packaging: a high-end, customized but competitive material*

Steel is a solid, resilient and impervious material that meets all safety and security criteria. Together with the technical sophistication of its applications, this makes it particularly well suited to packaging. Arcelor has positioned itself at the upper end of this market, and has established itself in numerous market segments, including food packaging and beverage cans, decorative biscuit and alcoholic beverage packaging, paint and varnish pots, and aerosols. It serves the entire spectrum of the packaging industry, counting packaging manufacturers, equipment suppliers, brands and designers among its customers, as well as major retailers.

Though a global market, packaging is heavily reliant on the local profile of consumers, with shopping habits and living standards having a major influence on purchasing decisions. To secure a prominent position, market participants must not only stay at the cutting edge of technological progress, but also keep in touch with the diverse needs of industrial companies focused on meeting the expectations of end-customers. Arcelor holds a market share of 34% in Europe and has been strengthening its international presence. With Creasteel, a new product range designed to make the production of shaped cans easier and more flexible, Arcelor aims to move into new segments of the food packaging market by competing head-to-head with plastic and lightweight aluminium packaging. In conjunction with Toyo Seikan, Arcelor is also developing plans for plastic-coated steels for the beverage sector.

### *Household appliances: indefinitely recyclable*

Steel is a highly cost-effective material for household appliances. It offers superior appearance, acoustics, ease of use and potential energy savings, and is also better for the environment.

European directives concerning the recycling of electrical and electronic appliances due to be introduced from 2006 represent an opportunity to promote the use of steel in household appliances because of its remarkable ability to be recycled indefinitely.

The global household appliance market encompasses:

small appliances and small household equipment (coffee-makers, food-preparation appliances, cutlery, kitchen utensils, sinks, etc.), which represent a fragmented market

large household appliances, which represent a key market for Arcelor

Through genuine industrial and commercial partnerships forged over several years, Arcelor has kept pace with appliance manufacturers relocation to new geographical growth areas by offering more flexible logistics and by establishing new plants.

The household appliance market is characterized by fierce competition between manufacturers, instigated to a large extent by retailers. In response, Arcelor has endeavoured to cut its customers' overall costs by working with them to create value.

## **Strategy**

### *Growth and value creation*

Despite recent restructuring in Europe and elsewhere, the world steel industry remains fragmented by comparison with the highly globalized sectors that supply its input materials and purchase its output. As a result, Arcelor's strategy involves developing positions in high-value-added products in order to offer major customers – particularly in the automotive and domestic appliance industries – the same types of steel and the same ability to support their progress and development throughout the world. However,

## **Table of Contents**

Arcelor also aims to build market share in countries with high economic growth rates. As a result, the strategy involves a balance between winning business in fast-growing emerging markets and supporting existing multinational clients in their global expansion. This sensible growth strategy should also enable Arcelor to act as a regulating and stabilizing force in the global steel market.

### **A strategy combining growth, product and service quality and innovation**

Arcelor's strategy has three main objectives:

to maintain the highest levels of competitiveness in its European production facilities

to consolidate its world-leading position in automotive steels in its operations outside Europe

to support rising steel consumption in growth countries

This global strategy of developing industrial and geographical positions fits with Arcelor's permanent objective of increasing competitiveness and standing out in a world market that remains extremely competitive, despite recent consolidation. Arcelor aims to differentiate itself through the quality of its products and services, innovation and environmental protection.

### **Quality and service**

Arcelor sets the standard in quality and innovation through the steel solutions it provides to its largest customers. The Group also aims to lead the market in terms of customer service. This involves meeting customer requirements regarding delivery deadlines, quality and innovation, and supporting them in their efforts to achieve progress and growth.

Standing out through service quality forms a key part of Arcelor's strategy. This requires:

consistent compliance with delivery deadlines, based on an optimal trade-off between downstream production capacity and the deadlines imposed by customers

increased involvement in the design of customers' products and in the operational implementation of steel solutions, in order to help improve the efficiency and productivity of customers' production lines, as exemplified by Arcelor's collaboration with carmakers

a highly efficient distribution network

In the construction market, these objectives have prompted Arcelor to adopt a new strategic approach, focusing on improving its level of service. Products and services have been adjusted to meet the specific needs of customer groups and target markets. Improved understanding of customer needs in this industry will enable Arcelor to increase customer loyalty through tailored, innovative and high-quality products and services, including technical assistance and supply chain enhancement.

### **Innovation**

Arcelor's markets are becoming increasingly demanding in technical terms. In response, the Group is offering increasingly innovative solutions, which are enhancing steel's appeal relative to rival materials and are opening up new applications for Arcelor's steel products.

\* Downstream phase of the production process: see steel production diagram

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As a result, research and innovation play a key strategic role, with three main themes:

optimizing lightness, safety, durability and appearance by developing new types of steel and new steel solutions

enabling customers to cut out entire phases of their processing operations by offering pre-coated, prepared and assembled products

seeking increased versatility and lower costs in production by improving performance and reducing environmental impact

B-20

## **Table of Contents**

### **Environmental protection**

Steel can be recycled indefinitely and, in certain applications, 90% of steel can be reused. It is an intrinsically environmentally-friendly material. Arcelor's strategy is to turn these qualities into a major strategic advantage, particularly in the packaging, automotive and construction sectors.

In this area, Arcelor is focusing on:

reducing its use of natural resources (water, ore, materials etc.)

eliminating discharges of pollutants

reducing CO<sub>2</sub> emissions from steel production

increasing the energy efficiency of its processes and ensuring that products meet future environmental standards

making high-tensile steels that enhance vehicle safety while reducing vehicle weight and therefore CO<sub>2</sub> emissions in use

reusing by-products

### **Creating value**

Arcelor's overriding objective is to protect the interests of its shareholders. Its development strategy is based on high-value-added products and an investment policy that ensures excellent returns on capital employed. Arcelor is very careful to carry out the right amount of investment. It avoids overinvesting, so as not to threaten the Group's dividend policy. It also avoids underinvesting, ensuring that production assets are well maintained and at the leading edge of technology, developing new products and investing in growth.

### **Broad and coherent ambitions**

Arcelor's strategy aims to fulfil the Group's ambitious but coherent objectives for the benefit of shareholders, staff and customers. It intends to achieve growth and progress by:

maintaining world-class production facilities

carrying out constant innovation through a dynamic and targeted R&D policy

making further improvements to the Group's social policy, the quality of which is widely acknowledged

continuing to set the standard in operational performance and achieving further improvements

striving for excellence in its commercial and technical operations

having a dynamic and skilled international management team

applying a balanced and transparent growth model that respects the interests of all shareholders and stakeholders.

**Production facilities**

Arcelor has high-performance production facilities, which feature the latest technological innovations and are ideally suited to customer needs. The Group's versatile, modern facilities enable Arcelor to manage production closely in line with actual market demand. This industrial policy is based on a focus on margins over volumes. Arcelor deliberately reduces supply when necessary due to falls in actual consumption. This rational management of production requires intelligent forecasting of actual market requirements, and helps Arcelor stabilize revenues by limiting the price volatility that has traditionally characterized the steel market.

Within the Arcelor Group, the flat carbon steel production system consists of upstream and downstream segments, each of which involve specific technical and economic factors. The upstream segment includes

## **Table of Contents**

the production of blast-furnace cast iron, the production of crude steel and hot-rolling. Production at the various sites is pooled, and the main objective is to produce high-quality slab steel and hot-rolled coil at a competitive cost. To achieve this, Arcelor's upstream production system is being reorganized, with the gradual closure of inland sites and efforts to build up coastal sites in Germany, Belgium, Spain and France. Logistics costs, mainly relating to the transportation of raw materials, means that inland sites are much less competitive.

In Brazil, Arcelor has a highly efficient production system at CST, which is the world's largest supplier of slab steel and one of the world's most competitive steel producers. To capitalize on CST's expertise and gain exposure to market growth as effectively as possible, Arcelor is implementing an aggressive plan to increase CST's production capacity by 50%. This new capacity is set to come onstream in late 2006.

The upstream segment supplies hot-rolled coil to the downstream segment in line with specified deadlines and at market prices. The downstream segment is made up of systems that turn out finished products: cold-rolling, galvanizing and electro-galvanizing, organic coating and tin-plating lines. Downstream production units are located close to their clients, and are in permanent contact with them to ensure that product and service quality meets their expectations. Arcelor has a number of partnerships with other steel companies, and is increasing its geographical coverage further in order to meet client requirements. It is involved in building new galvanizing lines that will be used mainly to supply the automotive industry in China, Russia and Turkey.

Arcelor is also moving into new markets through acquisitions. The purchase of Dofasco in Canada will give the Group a high-performance production base in North America, working in synergy with units in Europe and Brazil and strengthening Arcelor's positions in the global automotive steel market.

In long carbon steels, Arcelor's production system consists mainly of electric-arc furnace, in which steel is made from scrap metal. Some of the long steel produced in Brazil is made from cast iron, whereas in Argentina the Group has an iron ore direct reduction unit that feeds an electric arc furnace. The geographical location of long carbon steel production units is designed to address markets that are generally local in nature. The Group already has a strong presence in Western Europe and Latin America, and is expanding its industrial base in new markets by acquiring majority stakes in local steel companies, in order to gain exposure to these markets' growth. Alongside its acquisitions, Arcelor has industrial projects that will improve product and service quality for clients, while meeting growing demand. Arcelor moved into Poland in 2005, Costa Rica in early 2006, and will soon enter Morocco in order to serve the broad North African market. In China, Arcelor is finalizing a strategic partnership with local steel producer Laiwu.

In stainless steels, Arcelor is restructuring its flat steel production system with the introduction of a new electric steelworks at Carinox and an adjoining hot-rolling plant in order to streamline production flows. There will be two plants specializing in flat stainless steels in Belgium, supplying the French and Belgian cold-rolling mills. Brazil's Acesita is South America's leading producer of stainless steels, and makes stainless steel from cast iron.

Arcelor's production system is rounded off by numerous processing and finishing units, which have direct links to clients.

**Table of Contents**

**Group Consolidated Management Report for the Year Ended December 31,  
2005, together with Arcelor's Consolidated Financial Statements for 2005**

B-23



## Table of Contents

### Group consolidated management report

#### Economic environment

In 2005, global growth remained firm despite a sharp rise in oil prices. World GDP grew by 3.5%, inflation remained under control and long-term interest rates stayed low.

The US economy grew by 3.4%, although there was a slight slowdown in the fourth quarter. GDP rose by around 3% in **Canada** and **Mexico**.

In **Central and South America (excluding Mexico)**, the economy grew by 4.8% on the back of export-friendly conditions such as high commodity prices and strong demand from China.

In **Asia** ex-Japan, economic growth remained very strong. In China, GDP rose by 9.9% while industrial production was up 15.9%. In **India**, GDP expanded by 7.2% and industrial production by 8.3%. **Japan**'s economy grew by 2.5%.

As in previous years, Europe (**EU15**) lagged behind, with GDP growth of only 1.6% and a 0.6% rise in industrial production. Other EU countries saw much stronger performance, with Poland achieving GDP growth of 4.5%.

**Turkey**'s economy expanded by 5.1% in 2005, and its industrial production rose by 5.5%. The **CIS** posted growth of 6.5% in GDP and 4.9% in industrial production. In **Russia**, manufacturing production rose by 6.1%, although some sectors suffered from the stronger rouble.

#### *Performance of steel-using sectors*

Globally, all steel-using sectors saw strong growth in 2005, although there were wide variations between geographical zones. Production in the automotive industry rose by more than 11% in India, Brazil and China, 3.3% in the USA and 3.8% in Russia. In Europe, however, production fell by 1.07%.

Production of machinery also rose strongly in emerging countries (+11.2% in India and +29% in China), but also in the USA (+4.8%) and Russia (+4%). Meanwhile, there were declines of 1% in Europe (EU15) and in Brazil.

In metalworking, growth was particularly robust in China (+26%) and Turkey (+47%). Production increased by 3.1% in the USA and by 1.5% in the EU15.

The construction sector benefited from firm momentum in the global economy. Construction activity rose by 4.6% in the USA, 9% in China, 6.1% in India and 7.3% in Russia, but only 0.2% in the EU15, reflecting the gloom in the European economy.

Household appliance production also saw strong growth in 2005: +11.1% in the USA, +11.2% in India, +18.5% in China, +12.9% in Turkey, and +4.2% in Russia, comfortably offsetting the 2.0% decline in Europe.

#### *Worldwide steel production*

World crude steel production totalled 1,129.4 million tonnes in 2005, an increase of 5.9% relative to 2004. Regional trends contrasted sharply. Most of this growth came from Chinese steelmakers, which increased production by 24.6% to 349.4 million tonnes. As a result, China accounted for 31% of the

**Table of Contents**

world total as opposed to 26.3% in 2004. Despite unchanged production levels in Japan, growth of 16.7% in India means that Asia now produces half of the world's steel. Meanwhile, steelmakers in Europe and North America cut production volumes by 3.6% and 5.3% respectively.

*n Worldwide crude steel production (\*)*

<i>in millions of tones</i>	2002	2003	2004	2005	2004/05	Change (%)
<b>World (**)</b>	<b>903.8</b>	<b>969.1</b>	<b>1,066.5</b>	<b>1,129.4</b>	<b>1,129.4</b>	<b>+5.9</b>
<b>Europe</b>	<b>308.5</b>	<b>319.4</b>	<b>338.6</b>	<b>331.5</b>	<b>331.5</b>	<b>-2.1</b>
EU 25	180.9	184.0	193.4	186.5	186.5	-3.6
EU 15	158.7	160.5	168.3	164.1	164.1	-2.5
CIS(***)	101.1	106.2	113.1	112.9	112.9	-0.2
<b>North and Central America</b>	<b>122.9</b>	<b>126.2</b>	<b>134.0</b>	<b>127.0</b>	<b>127.0</b>	<b>-5.3</b>
USA	91.6	93.7	99.7	93.9	93.9	-5.8
<b>South America</b>	<b>40.9</b>	<b>43.0</b>	<b>45.9</b>	<b>45.3</b>	<b>45.3</b>	<b>-1.2</b>
Brazil	29.6	31.1	32.9	31.6	31.6	-3.9
<b>Asia</b>	<b>394.9</b>	<b>442.4</b>	<b>508.7</b>	<b>583.8</b>	<b>583.8</b>	<b>+14.8</b>
China	182.2	222.4	280.5	349.4	349.4	+24.6
Japan	107.7	110.5	112.7	112.5	112.5	-0.2
<b>Other countries</b>	<b>36.6</b>	<b>38.1</b>	<b>39.3</b>	<b>41.8</b>	<b>41.8</b>	<b>+6.4</b>

(\*) IISI estimates, January 2006

(\*\*) World = 61 countries representing 98% of worldwide crude steel production

(\*\*\*) CIS = Russia, Ukraine, Belarus, Moldova, Kazakhstan and Uzbekistan

China increased production by 69 million tonnes relative to 2004, while the rest of the world cut production by 6 million tonnes.

*Worldwide steel consumption*

**Apparent world consumption** of finished steel products rose by around 6% to over 1 billion tonnes in 2005. Apparent consumption trends varied very widely between the regions. Outside China, apparent consumption fell by 1.0%, mainly due to a substantial decline in Europe (EU25) and North America. Within China, however, apparent consumption rose by 23%. As a result, China now accounts for almost 32% of world steel demand. While Europe (EU25) and North America sharply increased steel inventories in 2004 due to expectations of price increases, inventories were run down in 2005. Apparent consumption trends were as follows: Europe (EU25) -6%; North America -7%; South America 0.0%; CIS +5%; Asia (excluding China) +5%; Middle East +3%.

These inventory reductions caused a significant fall in spot steel prices in the first half of 2005. Inventories stabilized in the third quarter, allowing prices to level off and even rise slightly in some regions. In China, however, there has recently been substantial price deflation.

**Commentary on 2005**

In 2005, Arcelor strengthened its international positions and reaped the benefits of its business model, generating excellent results despite an economic background that was less favourable than in 2004.

## **Table of Contents**

A number of industrial development projects initiated in previous years reached their operational phase, enabling Arcelor to address new markets.

In flat carbon steels, Arcelor moved into new geographical sections of the automotive market. In China two galvanizing lines came onstream at Baosteel-NSC/Arcelor Automotive Steel Sheet Co. Ltd (BNA). These two lines represent annual production capacity of 800,000 tonnes. BNA was set up in July 2004 by Baosteel, China's leading steel producer, alongside Nippon Steel Corporation and Arcelor. As well as the two galvanizing lines, the facility also has cold-rolling installations. In Russia, Severgal's new galvanizing line started production. This new line has annual capacity of 400,000 tonnes, and produces hot-dip galvanized steels, mainly for the Russian automotive industry. Severgal is a Russian company that is 25%-owned by Arcelor and 75%-owned by Severstal, one of Russia's leading steel producers.

In long carbon steels, Arcelor completed the acquisition of Polish steel producer Huta Warszawa from the Lucchini group. This Warsaw-based company has an electric steelworks with annual production capacity of 600,000 tonnes, along with rolling mills that turn out 300,000 tonnes of long special steel and alloy products per year. Arcelor will strengthen Huta Warszawa's existing production facilities to meet heavy demand from the Polish construction industry. In the steelcord market, Arcelor acquired 50% of Severstal Metiz's steelcord production business as part of a joint venture between the two companies. The new company, named TrefilArbed Russia, has two production units in Russia. This deal strengthens Arcelor's position as the world's second-largest producer of steelcord. In South America, Arcelor Brasil signed an agreement to acquire a 50% stake in two Costa Rican companies (Laminadora Costarricense SA and Trefileria Colima) from Grupo Pujol Marti. Laminadora Costarricense SA produces merchant bar and concrete reinforcing bar and has annual production capacity of 400,000 tonnes. Trefileria Colima produces wire products, and has capacity of 60,000 tonnes per year. This represents Arcelor's first investment in Costa Rica, and gives it a strategic position in the Central American long carbon steel market.

In stainless steels, production started at the new steelworks at the Ugine & Alz Carinox site in Charleroi, Belgium. The new Carinox plant represents an investment of 241m, and has the capacity to produce 1 million tonnes of stainless steel per year. It will replace two smaller, non-integrated steelworks. In the Czech Republic, Arcelor subsidiary Matthey SRO specializing in stainless steel exhaust tubes inaugurated its new production plant. 15m has been invested in this plant.

In distribution and transformation, Arcelor inaugurated the second phase of Stal Serwis Polska's facility in Bytom, Poland. The three new pressing lines and the new slitting machine will allow production to be increased. This project is strengthening Arcelor's position in high-value-added products and services in Eastern Europe.

2005 also saw Arcelor bolster its activities in Brazil and Argentina, with the creation of Arcelor Brasil, which combines CST, Vega do Sul, Belgo and its subsidiary Acindar. Arcelor Brasil is Latin America's largest steel company.

Arcelor's financial results were excellent, with EBITDA up 26% at 5.6bn and net profit of 3.8bn. This performance resulted from Arcelor's policy of limiting production, which supported selling prices, and from its active cost-cutting and reorganization efforts. The synergy target of 700m, set when Arcelor was created in 2002, was achieved one year ahead of schedule. Since 2002, efficiency gains have totalled 1.9bn. The financial position is strong, with gearing now 7% following a 1.4bn reduction in net debt during 2005. Return on capital employed was 26.5%. Earnings per share rose by 49% to 6.26.

**Table of Contents****Revenues and earnings****n Group key figures**

<i>In millions of euros</i>	<b>2004*</b>	<b>2005***</b>
Revenues	30,176	32,611
EBITDA	4,461	5,641
EBIT	3,314	4,376
Net profit	2,290	3,846
Earnings per share (in euros)	4.21**	6.26****

\* CST consolidated as of 1 October 2004 and Acindar as of 1 May 2004, comparative figures restated for the introduction and revision of IFRS

\*\* Including 106,629,054 new shares issued on 27 July 2004, excluding own shares

\*\*\* Acesita consolidated as of 1 October 2005

\*\*\*\* Excluding own shares

**Consolidated Group revenues** were 32,611m in 2005, up from 30,176m in 2004, an increase of 8.1% or 3.9% at comparable scope. Spot steel prices fell sharply in the third quarter. In response, shipments fell by 3.4% overall and 12.9% in Europe, and production was reduced (by 11.4% in Europe).

**Group consolidated EBITDA** was 5,641m, up from 4,461m in 2004, and included 106m of non-recurrent items. These excellent results were driven by efficiency gains at CST in Brazil and Acindar in Argentina, along with higher average selling prices (except in stainless steels). They came in spite of a sharp increase in raw materials costs.

**Group consolidated EBIT** rose from 3,314m to 4,376m, including 198m of non-recurrent items. After net financial charges of 254m, a 317m contribution from companies accounted for by the equity method, a tax charge of 161m and 432m of minority interests, consolidated net profit was 3,846m, up from 2,290m in 2004.

The tax charge was 161m, giving an effective tax rate of 3.9%. The current tax charge of 396m (360m in 2004) was reduced by deferred tax income of 235m. This deferred tax income resulted from the usage, in accordance with IFRS, of annually-assessed tax losses, on the basis of the positive outlook included in the Group's business plan.

**Net debt****n Net debt and gearing**

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
Shareholders' equity*	12,227	17,633
Net debt	2,642	1,257
Net debt / shareholders' equity*	22%	7%

(\*) Including minority interests and restated for residual goodwill

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The Group reduced its net debt by 1,385m in 2005, from 2,642m at 31 December 2004 to 1,257m at 31 December 2005.

Strong cash generation enabled Arcelor to cover its working capital requirement through stringent inventory management, despite high raw materials costs. Capital expenditure rose to 2bn, due to expansion in Brazil, where CST's production was increased by 2.5 million tonnes, while capex was maintained at an optimal level in Europe (1.1bn).

B-27

**Table of Contents**

Gearing (net debt as a proportion of shareholders' equity including minority interests) was 7% at 31 December 2005 against 22% a year earlier. This is significantly lower than the cycle-average target of 35-50%.

**Return on capital employed***n Return on capital employed (ROCE) before tax*

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
EBIT	3,194	4,376
Net additions to financial provisions		-128
Share of results in companies accounted for using the equity method (after tax)	413	317
Tax adjustment on share of results in companies accounted for using the equity method	130	171
Dividends received	31	51
Tax adjustment on investments		28
<b>Total I</b>	<b>3,768</b>	<b>4,815</b>
Capital employed		
Fixed assets	13,879	16,849
Working capital requirement	4,003	4,827
Provisions(*)	-3,708	-3,500
<b>Total II</b>	<b>14,174</b>	<b>18,176</b>
<b>Return on capital employed (I/II) (ROCE)</b>	<b>26.6%</b>	<b>26.5%</b>

(\*) provisions excluding deferred tax

**Capital expenditure**

Arcelor's capital expenditure was 2,040m in 2005, an increase of more than 50% with respect to 2004.

*n Capital expenditure*

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>	<b>% of total</b>
Flat Carbon Steels	723	1391	68.2%
Long Carbon Steels	376	334	16.4%
Stainless Steels and Alloys	145	180	8.8%
A3S	77	86	4.2%
Other businesses	32	49	2.4%
Total	1353	2040	100%

In Flat Carbon Steels, capital expenditure totalled 1.391bn. Arcelor invested 711m in Brazil in 2005, including 480m at CST and 231m in the new SOL coking plant. CST continued building a third blast furnace and extending its steel plant, which will enable it to increase production from 5 million tonnes of slab steel to 7.5 million in 2006. The new SOL facility, which is scheduled for launch in July 2006, will cost a total of \$600m and will have the capacity to produce 1.55 million tonnes of steel coke per year. SOL Coqueria Tubarão is owned by CST (62%) Belgo Mineira (37%) and Sun Coal & Coke Company (1%).

## Table of Contents

At Stahlwerke Bremen (Germany), investments focused on a blast furnace coal injection project ( 1.2m), the modernization of electrical installations at the cold-rolling mill ( 3.9m) and financing for the FIT cost-reduction project ( 20m).

In Spain, Aceralia CS capital expenditure totalled 104.8m, and consisted mainly of increasing the capacity of the production plant to 4.2 million tonnes per year, upgrading the blast furnaces and renovating the rail link between Avilés and Gijón.

Capital expenditure in France was almost 300m. This included 200m for Arcelor Atlantique et Lorraine, mainly for the renovation of lines at the Montataire and Mardyck sites, repairs to the HF3 blast furnace and the cooling water processing facility at Dunkirk. At Sollac Méditerranée, capex focused principally on increasing coking plant capacity, altering the casting floor, renovating the automated cast iron preparation system and enhancing dust removal capacity in the chimneys.

In Long Carbon Steels, capital expenditure was 334m, including 185m in Europe.

In Luxembourg, 80m was spent, partly on completing the new Medium Section Mill in Belval, which started production in late September 2005. This new mill represents a total investment of more than 170m. It has annual capacity of 800,000 tonnes and will produce light and medium beams, U-sections and angles. The sub-group ARES invested more than 27m, mainly in its Schifflange steelworks and in modernizing the Rodange rolling mill.

In Spain, the project to move the Zaragoza plant outside the city led to capital expenditure of almost 30m. Investment was also carried out at the Olaberria, Madrid and Bergara plants.

In Brazil, capex amounted to 150m. Belgo's Juiz de Fora plant invested almost 33m, including 26.5m in its cast iron activity. The Monlevade plant invested more than 20m, and the Brazilian wiredrawing plants 37m. 19m was spent on maintaining eucalyptus forests.

In Argentina, Arcelor's capital expenditure was almost 24m.

Capex in Stainless Steels and Alloys was 180m. The main investment concerned the Carinox project, with 89m spent on the final phase. The Carinox plant started production on 28 September 2005, and should be producing 1 million tonnes per year by 2007. The plant was built in 26 months, and represents a total investment of 241m.

In Brazil, Acesita invested 17m in the fourth quarter, when it was consolidated into the Arcelor Group. This mainly corresponded to an increase in the area of forest and the purchase of an automated surface inspection system.

In France, Ugine & Alz France spent 22.5m, including investments in a tension levelling line and the purchase of an automatic banding machine. Ugitech's capital expenditure came to 7.9m.

In Italy, Ugine & Alz Italia carried out 10.3m of investment, mainly in its cutting and slitting facilities.

A3S capital expenditure totalled 86m in 2005. In Luxembourg, construction began on a new European logistics centre comprising 17 storage halls for long products. This involved expenditure of 3.6m, out of a total of 28m. The platform is due to come into service in early 2007.

In France, almost 6m was invested at Cisatol, with the purchase of a press at Woippy for almost 4m, while Etilam spent 4.5m on transferring its zinc and copper lines from Thionville to Saint-Dizier.

**Table of Contents**

Arcelor Construction France invested almost 10m as part of the Gamma industrial and commercial reorganization plan. The investment included the installation of a new paint head on the coating line and efforts to increase the productivity of profiling lines.

In the USA, Skyline spent 8.3m on building a new plant for producing large foundation tubes.

Capex in Arcelor's other activities totalled 49m, including 11.1m at Industeel France and 5.9m of IT equipment purchases at Arcelor Technologies France. Industeel Belgium invested 3.5m in upgrading and improving its machinery. Circuit Foil in Luxembourg invested 3.4m in various projects. The remainder consisted of non-significant investments.

Investments in improving quality, developing and adapting equipment, and enhancing staff safety and environmental protection were also made across the Group.

*n Capital expenditure by geographic zone*

<i>In millions of euros</i>	<b>2005</b>
Belgium	216
France	342
Spain	198
Brazil	880
Luxembourg	120
Germany	87
Other	197
<b>TOTAL</b>	<b>2,040</b>

**Acquisitions of intangible fixed assets**

Expenditure on intangible assets in 2005 totalled 30.3m, consisting mainly of purchases of licences, patents and similar rights.

*Revenues by geographic zone**n Breakdown of revenues by geographic zone*

<i>In millions of euros</i>	<b>2004</b>	<b>%</b>	<b>2005</b>	<b>%</b>
Germany	5,024	16.65	5,125	15.72
Belgium	1,267	4.20	1,216	3.73
Spain	4,567	15.13	4,596	14.09
France	5,178	17.16	4,923	15.10
Italy	2,719	9.01	2,690	8.25
UK	1,236	4.10	1,246	3.82
Other EU15 countries	2,630	8.72	2,452	7.52
Other EU25 countries	756	2.51	980	3.01
<b>EU25</b>	<b>23,377</b>	<b>77.47</b>	<b>23,228</b>	<b>71.23</b>
<b>Other European countries</b>	<b>882</b>	<b>2.92</b>	<b>1,040</b>	<b>3.19</b>
Canada	377	1.25	523	1.60
Mexico	160	0.53	319	0.98
USA	1,771	5.87	2,113	6.48
<b>Total North America</b>	<b>2,308</b>	<b>7.65</b>	<b>2,955</b>	<b>9.06</b>
Argentina	336	1.11	614	1.88
Brazil	1,472	4.88	2,181	6.69
Other	338	1.12	735	2.25
<b>Total South America</b>	<b>2,146</b>	<b>7.11</b>	<b>3,530</b>	<b>10.82</b>
China	239	0.79	361	1.11
Other	1,224	4.06	1,497	4.59



<b>Total other countries</b>	<b>1,463</b>	<b>4.85</b>	<b>1,858</b>	<b>5.70</b>
<b>GROUP TOTAL</b>	<b>30,176</b>	<b>100.00</b>	<b>32,611</b>	<b>100.00</b>

B-30

**Table of Contents****Revenues in European Union (EU25) countries fell slightly.**

EU15 countries accounted for 68.2% of total revenues, down from 75% in 2004. Revenues in Poland increased substantially due to the acquisition of the Huta Warszawa steel production site. Similarly, the consolidation of Acindar (Argentina) and CST (Brazil) increased the share of revenues coming from South America from 7.1% to 10.8%, and also helped boost revenues in the USA, South Korea and Canada.

**Workforce**

The Group had 96,256 employees (full-time-equivalent) at 31/12/2005 as opposed to 94,601 at the end of December 2004.

**n Breakdown of consolidated workforce by sector**

Headcount (full-time-equivalent)	2004	2005	Change
Flat Carbon Steels	48,332	45,883	-2,449
Long Carbon Steels	20,306	20,313	+7
Stainless Steels and Alloys	11,758	13,679	+1,921
Arcelor Steel Solutions and Services	11,245	11,055	-190
Other businesses	2,960	5,326	+2,366
<b>TOTAL</b>	<b>94,601</b>	<b>96,256</b>	<b>+1,655</b>

Companies leaving the scope of consolidation, either through disposals or deconsolidation in the case of non-significant companies, led to 1,117 departures from the group. Of these, 725 were due to the disposal of three Spanish rebar and mesh companies (Corrugados Azpeitia, Corrugados Getafe and Corrugados Lasao). Companies entering the scope of consolidation added 6,051 staff. Of these, 4,574 were due to the integration of Acesita in Brazil (Stainless Steels and Alloys) and 690 to the acquisition of Huta Warszawa in Poland (Long Carbon Steels).

At comparable scope, the Group's reduced its workforce by 3,241, or by 3.4%, similar to reductions seen in previous years.

**n Breakdown of consolidated workforce by geographic zone**

Headcount (full-time-equivalent)	2004	%	2005	%
France	28,456	30	26,645	27
Belgium	15,591	16	15,405	16
Spain	14,897	16	13,225	14
Germany	9,630	10	9,197	9
Luxembourg	5,959	6	5,911	6
Other EU25	3,450	4	4,181	4
Other European countries	251	1	254	2
<b>Total Europe</b>	<b>78,234</b>	<b>83</b>	<b>74,818</b>	<b>78</b>
<b>North America</b>	<b>1,404</b>	<b>1</b>	<b>1,109</b>	<b>1</b>
Brazil	11,937	13	17,015	18
Argentina	2,971	3	3,229	3
<b>Total South America</b>	<b>14,908</b>	<b>16</b>	<b>20,245</b>	<b>21</b>
Southeast Asia	55	0	84	0
<b>TOTAL WORLD</b>	<b>94,601</b>	<b>100</b>	<b>96,256</b>	<b>100</b>

**Table of Contents**

Arcelor's South American workforce now accounts for more than 20% of Group headcount.

**Business sector review*****Flat Carbon Steels*****Revenues and earnings**

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
Revenues	16,139	18,060
EBITDA	2,368	3,634
EBIT	1,735	2,773
Crude steel production (in millions of tonnes)	31.9	32.9
Shipments (in millions of tonnes)	28.5	28.1

**Revenues** in the Flat Carbon Steels sector totalled 18,060m in 2005, up from 16,139m in 2004, representing a 3.3% increase at comparable scope. The rise was due to a 12.7% increase in prices, which more than offset a 9.4% decline in volumes. The largest drop in volumes took place in the general industrial market, where they fell by 1.3 million tonnes.

Shipments were cut intentionally, as Arcelor sought to adjust its supply to negative apparent consumption in the second and third quarters. Nevertheless, and despite a sharp rise in commodity prices, **EBITDA** came in at 3,634m as opposed to 2,368m in 2004. These excellent results are due to higher average selling prices along with continuous efficiency gains through cost reductions, restructuring and very tight inventory control.

**EBIT** was 2,773m in 2005, up from 1,735m in 2004.

Crude steel production was 32.9 million tonnes in 2005 (including 4.9 million tonnes at CST) as opposed to 31.9 million in 2004 (1.2 million at CST, consolidated from 1 October 2004). Flat Carbon Steel shipments totalled 28.1 million tonnes in 2005, including 4.4 million tonnes at CST. This compares with 28.5 million in 2004, with 1.7 million over three months at CST. Shipments fell by 11.4% in Europe with the main decline coming in spot general industrial products but remained stable in Brazil.

**Business activity**

In 2005, the European automotive market contracted slightly, by 0.7% in value terms. Sales of new cars stagnated in Western Europe, and fell in Central and Eastern Europe. However, automotive markets in Turkey and Brazil, where Arcelor is building its positions, performed well. Arcelor increased automotive steel shipments to Central and Eastern Europe, despite the weak market. It also raised shipments to Turkey and Brazil, where it benefited from the capacity of the Borcelik plant in Turkey and Vega do Sul in Brazil.

## Table of Contents

As well as consolidating its positions in Europe in 2005, Arcelor increased sales elsewhere. It shipped 10 million tonnes of flat steel to the automotive industry, giving it a worldwide market share of 15%.

In China and Russia, Arcelor commissioned two new production plants focusing mainly on supplying the automotive industry. In China, BNA – a joint venture with Japan's Nippon Steel and China's Bao Steel – became operational in the second half. The venture consists of a cold-rolling plant and two galvanizing lines. In Russia, Arcelor's partnership with Severstal led to the creation of Severgal, whose galvanizing line came onstream in December 2005. A technical automotive steel unit in South Africa and a laser-welding unit in India are due to start operating in 2006.

On the commercial side, Arcelor continued to develop its automotive product range by introducing new high-tensile and very-high-tensile steels. It also started developments in enhanced low-density and ultra-high-tensile face sheets. Arcelor enhanced its range of industrial solutions with the Arcelor Body Concept (ABC) project. This allows carmakers to find new ways of increasing vehicle safety and reducing weight by making optimal use of steel.

In **household appliances**, the market was stable overall in 2005, although there were some variations between geographical zones and between different periods of the year. Weak consumer spending in Western Europe was offset by a sharp increase in Eastern Europe. Arcelor supported appliance manufacturers moving into new growth regions by offering a high level of logistical flexibility and by opening new facilities. 2005 also brought sharply higher shipments of steel products complying with the new WEEE environmental regulations.

In response to the tough competitive environment created by retailers in this market, Arcelor strengthened commercial relationships through a value-creation programme intended to cut overall costs for customers.

Trends in the construction market varied widely between its various sub-sectors and geographical zones. Arcelor maintained its strong position in the non-residential segment, and increased shipments to the residential construction industry in Europe, particularly in applications such as roof tiles, light steel structures, garage doors and HVAC (heating, ventilation and air conditioning). Financial performance was boosted by an enhanced product mix and higher prices.

In 2005, Arcelor adopted a new strategic approach to the construction market, focusing on innovation and improved service. Products and services were redefined according to the specific needs of various target customer groups and markets. Improved understanding of customer needs is allowing Arcelor to offer customized products and services. Along with innovation, high quality and individual technical assistance and supply chain solutions, this will help to increase customer loyalty.

At the same time, Arcelor continued to develop products in response to new environmental constraints.

Arcelor Packaging International is the world leader in **packaging** steel. In 2005, it increased the proportion of its sales coming from outside Europe to 20%. Within Europe, where API has a 34% market share, it stabilized business levels by negotiating annual contracts. Price increases in 2005 had a positive impact on sales, but failed to offset higher commodity and transportation prices. Packaging steel production totalled 1.7 million tonnes in 2005.

The Creasteel product range, designed for easier and more flexible production of drawn cans, was successfully launched. Creasteel is intended for use in new segments of food production, competing with plastic and thin aluminium packaging. API is also working with Toyo Seikan to develop plastic-coated steels for the beverages market.

**Table of Contents**

The process of producing steel for beverage cans is now in its final streamlining phase.

In Brazil, the flat carbon steel production unit increased revenues despite lower shipment volumes. This was due to an improved product mix, with higher sales of hot-rolled coil. Exports still account for almost two thirds of the Brazilian unit's shipments. In particular, slab steel produced by CST was exported mainly to North America and Asia.

Within Brazil, sales of hot- and cold-rolled coil and coated products rose by 20% with respect to 2004. The rapid penetration of these products in the Brazilian market follows major efficiency gains at CST and Vega do Sul since the commissioning of cold-rolling lines in 2003 and galvanization lines in 2004.

**Industrial activity**

The plan to increase CST's capacity progressed according to plan, with the construction of a third blast furnace and the installation of a third converter and a third continuous caster. This should boost production to 7.5 million tonnes of slab per year. CST also worked with Belgo Mineira and Sun Coke to bring onstream a new coke production plant to meet the coke and energy needs of its development programme.

*Long Carbon Steels***Revenues and earnings**

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
Revenues	6,221	6,618
EBITDA	1,289	1,371
EBIT	1,080	1,111
Crude steel production (in millions of tonnes)	12.6	11.2
Shipments (in millions of tonnes)	13.4	12.3

**Revenues** in Long Carbon Steels rose from 6,221m in 2004 to 6,618m in 2005, representing a rise of 6.4% or 12% at comparable scope. Growth was driven by the automatic scrap surcharge mechanism and by the strong rally in the Brazilian real. At comparable scope, the rise in revenues was due to price growth of 10.7%, with overall volumes remaining fairly stable (up 1.4%).

**EBITDA** was 1,371m, up from 1,289m in 2004, although this represented a slight 1% fall at comparable scope. In Europe, increased margins on factor costs and efficiency gains were achieved. However, these were more than offset by falling volumes, resulting in lower EBITDA. In the Americas, EBITDA rose strongly, despite an unfavourable geographical sales mix. EBITDA margin for the sector was stable relative to 2004 at 20.7%, a historically high level.

**EBIT** totalled 1,111m, versus 1,080m in 2004. EBIT margin equalled 16.8%, down from 17.4%. EBIT included 113m of non-recurrent items, including 96m from the sale of Corrugados in Spain.

Crude steel production was 11.4 million tonnes in 2005 compared with 12.6 million tonnes in 2004. This represented a 9.9% decline, caused by changes in the scope of consolidation. Shipments fell from 13.4 million tonnes in 2004 to 12.3 million in 2005, a fall of 7.7%. Shipments by European business units made up 62% of the total, while South American plants accounted for 37%.

## **Table of Contents**

### **Long Carbon Steels - Europe**

#### *Beams*

Shipments of beams fell by 11% relative to 2004. The main reason for this was Arcelor's strict adherence to its policy of focusing on prices rather than volumes. Apparent demand in France, Germany and Benelux fell substantially in 2005. Customers ran down inventories in the early part of 2005. Together with the weak economic environment, this adversely affected first-half performance. Once the inventory reduction phase had come to an end, apparent demand rose in the second half, although actual consumption remained flat.

Arcelor continued to increase penetration in Central and Eastern Europe, and worked hard to harmonize selling prices with those seen in EU15 countries.

Shipments to export markets fell due to stiff competition, which led to very low prices for a time. However, Arcelor maintained contact with customers, particularly through its project activities.

Sales in North America improved considerably in the fourth quarter, and full-year sales ended up matching their 2004 level.

As regards selling prices, there was a controlled reduction in Western Europe, which accelerated from April onwards due to the slide in scrap metal costs. The trend turned in the third quarter, due to a rise in scrap prices and the end of the inventory reduction phase.

In export markets, Arcelor selected the most profitable contracts in order to maximize earnings. The dollar's decline against the euro made export markets more attractive.

#### *Concrete reinforcing bar*

In the first quarter, Northern European rebar sales were minimal, due to production stoppages scheduled to allow the upgrade of facilities. Sales and marketing teams maintained close contact with customers throughout the stoppages and during the resumption of production at the upgraded facilities.

The stoppages coincided with a substantial fall in rebar consumption in France, Germany and Benelux, after inventories had reached a very high level at end-2004. Unusually weak demand and lower scrap metal prices caused prices to fall steadily, bottoming out in June 2005. Prices increased in the third quarter due to higher scrap costs, but the decline resumed in the fourth quarter due to weak demand. A recovery took shape towards the end of the year.

#### *Wire rod*

Selling prices were stable in early 2005, although user inventories increased due to a slowdown in activity. This resulted in excess inventories at the end of the first quarter. Commodity-grade wire rod prices started to fall in the first quarter, followed by specialty wire rod prices in the second. Prices fell until the end of the year as a result of ongoing weak demand. The main reasons for lower activity in Europe were reduced consumption caused by lower automotive business levels, higher imports due to increased capacity in China and Latin America and fears relating to possible anti-dumping measures in the USA.

#### *Merchant steels*

Market activity was low between January and July, particularly in Europe. This led to a substantial decline in selling prices. The cycle bottomed out in June, and a recovery began in the second half of July. Following a rise in scrap metal prices in the third quarter, the market regained confidence, resulting in inventory-building. Markets ended the year on a positive note, allowing an increase in prices in the fourth quarter.

## **Table of Contents**

### *Sheet piles*

The slowdown in public infrastructure spending in Europe – mainly in the UK and Germany – caused sales to fall in early 2005. Business levels started to recover in the second quarter, and this continued for the rest of the year.

North American sales were strong throughout 2005 in both volume and price terms, despite tough competition.

In major export markets, promotional efforts made as part of Arcelor's expansion strategy paid off. Volumes rose constantly, with Latin America and Southeast Asia making a particularly strong contribution. The expansion strategy also involved building inventories in Europe and Latin America in order to move into the sheet pile rental market. This decision had a rapid positive impact in 2005.

In general, 2005 ended strongly, with steadily rising shipment volumes and firm earnings.

### *Rails for public transport*

After falling in 2004, both in Spain – the main market for these products – and export markets, sales increased substantially in 2005, exceeding expectations in terms of both volumes and prices. The local Spanish market benefited from the government's decision to invest in high-speed rail links between Spain's major cities. The export market was also boosted by new projects, mainly in Turkey and Brazil.

### *Special sections and rails for gantry cranes*

Sales volumes in this segment reached record highs due to Arcelor's comprehensive range and cutting-edge products. Despite robust competition, Arcelor's results were in line with its target.

## **Long Carbon Steels - South America**

In Brazil, Arcelor saw a sharp fall-off in local demand, although this was offset by higher exports, particularly to South American and Central American countries and to the Caribbean, where commodity markets expanded rapidly. Shipments of specialty products rose by 10% relative to 2004, reaching a new record. Belgo continued developing its distribution network for combined long and flat product sales, and now has 26 distribution centres in Brazil. The commercial strategy is fully compliant with Belgo's social responsibility and sustainable development policy.

In Argentina, Acindar's net local-currency sales rose by 20% in 2005. Domestic shipments rose by 6.7%, and stripping out semi-finished products the increase was 14.6%. Export shipments fell slightly, by 0.5%, although export sales rose by 1%.

## **Drawn-wire products (TrefilArbed)**

The TrefilArbed group has two business lines, i.e. steelcord and mild steel drawn-wire products.

In the steelcord business, the market for tyre cord (used to reinforce the carcasses of radial tyres) was particularly strong in the first quarter. Activity slowed gradually in the second quarter, and pressure on selling prices increased, due in particular to excess capacity in China. In hose wire (used to reinforce pneumatic hoses), shipments in the North American market rose by around 10% relative to 2004. In Europe, selling prices came under pressure from imports, mainly from Eastern Europe. In sawwire (used mainly in the photovoltaic industry), TrefilArbed won market share on the back of increased productivity and strong market growth.

**Table of Contents**

In mild steel drawn-wire products, the situation was affected by reduced vine wire purchases due to the recession in European winegrowing, along with the increased proportion of closure products coming from China and relatively high price volatility in concrete reinforcing wires. As a result, shipments in the mild steel segment fell by 21% relative to 2004. This was also partly due to the policy of focusing on prices instead of volume, which offset most of impact of lower volumes at the EBITDA level. TrefilArbed's commercial strategy is based on developing high-value-added features such as CRAPAL galvanization. In fibre products, the aim is to become a provider of solutions rather than a seller of commodity products.

**Industrial activity**

On the industrial side, the main events were the business portfolio review, the implementation of growth projects and initiatives to consolidate Arcelor's leadership in terms of value added.

In Europe, the Long Carbon Steels sector sold Spanish companies Corrugados Azpeitia, Getafe and Lasao which produce steel used in reinforced concrete for construction applications to the Gallardo group. On the other hand, Arcelor acquired the electric steelworks, land, infrastructure and special steels business of Huta Warszawa in Warsaw from the Lucchini group, as well as related scrap metal collection companies. Arcelor extended its leadership in beam production by building up production at the new medium section mill at Belval, Luxembourg, while closing the universal mill in Longwy (France). The Lux 2006 plan, aimed at giving fresh impetus to the Luxembourg Long Carbon Steel sites, is progressing according to schedule.

In South America, Acindar sold its tubes business to the Techint group. Arcelor also adopted a wide-ranging programme to restructure and develop Acindar. This includes adjusting rolling mill production and increasing capacity in the DRI (direct reduced iron) / steel / rolling mill chain. This project will enable Acindar to keep pace with growth in Latin America, consolidate its market share in Argentina and maintain a reasonable proportion of shipments going to export markets.

TrefilArbed also adjusted its business portfolio, closing its plant in Cheb, Czech Republic and setting up TrefilArbed Russia, 50/50-owned with Severstal. TrefilArbed Russia operates two plants in Russia, in Orël and Volgograd. Cost control plans are on-schedule in both the steelcord and mild steel segments.

***Stainless Steels and Alloys*****Revenues and earnings**

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
Revenues	4,577	4,028
EBITDA	268	173
EBIT	127	93
Crude steel production (in millions of tonnes)	2.45	1.7
Shipments (in millions of tonnes)	2.1	1.6

2005 was a tough year in the stainless steel market, with a significant fall-off in demand and extremely high input prices. However, Arcelor's Stainless Steels sector continued the recovery it started in 2002, based on its strategic focus on flat stainless steel products in Europe and Brazil.



## **Table of Contents**

The Stainless Steels sector generated **revenues** of 4,028m in 2005, down 12% on 2004 ( 4,577m), although a fall of only 0.4% at comparable scope. This limited decline was mainly due to a sharp increase in alloy surcharges in the first three quarters, which offset substantial falls in basic prices and lower volumes. In Europe, the alloy surcharge rose by around 15% in 2005.

**EBITDA** totalled 173m in 2005, down from 268m in 2004, representing a fall of 18.7% at comparable scope. The figure was squeezed by falling prices and lower volumes.

**EBIT** came in at 93m in 2005 versus 127m in 2004.

Stainless steel production totalled 1,741 million tonnes in 2005 compared with 2,453 million in 2003. This represents a 29% decrease (12.3% at comparable scope), resulting from voluntary production stoppages. Shipments fell by 25% (9% at comparable scope) to 1.6 million tonnes.

## **Business activity**

The operating environment remained firm in the first half of 2005, although it was less buoyant than in 2004. However, there was a major deterioration in the second half, when customers ran down inventories significantly.

The main market driver in 2005 was the trend in commodity prices, which were underpinned by the prospect of growing consumption in China and remained very high in the first half. In the second half of the year, prices fell due to lower demand from stainless steel producers and good availability of metal in the market.

Nickel, having averaged around \$14,000 per tonne in 2004, rose sharply to around \$16,000 on average in the first half of 2005. Prices then fell back in the second half, averaging \$14,000 per tonne, before rising again at the end of the year. The average nickel price in 2005 was around \$14,700 per tonne, 6% higher than in 2004 and the highest annual average ever seen.

Chromium prices rose sharply in early 2005, before a fall-off in demand caused them to decline in the second half. The average price of chromium in 2005 was \$0.74 per pound (source: Metal Bulletin), 7% higher than in 2004.

Molybdenum was exceptionally expensive in 2005. The average price was around \$36 per pound (source: Metal Bulletin), almost twice the figure seen in 2004 and a new annual record.

Apparent world consumption of flat stainless steel products fell marginally in 2005, after a rise of around 7% in 2004. Trends in demand varied between the regions. Apparent demand for flat products fell by around 5% in Europe and the USA, but rose by 12% in China. Inventory reductions by customers and reduced opportunities to export to Asia following the build-up of Chinese production caused supply to outweigh demand in the market. To adapt to weak demand and to allow inventories to fall without putting additional pressure on prices, stainless steel producers decided to cut production in the second half of 2005.

In Europe, the decline in demand seen in early 2005 became worse during the year, and this remained a serious drag on basic prices, which averaged 20% less than in 2004. However, they have recovered in early 2006 due to the end of inventory reductions and the stronger economic environment.

In Brazil, apparent consumption fell by 5% in 2005. Prices and volumes were under pressure due to the decline in international markets, the adverse macroeconomic environment (ongoing high interest rates and the rally in the Brazilian real against the US dollar), high inventories and growing imports. Activity in the Brazilian market has improved slightly in early 2006, although basic prices remain in check.

**Table of Contents**

Although Asian markets generally remained strong early in the year, they deteriorated rapidly over the course of 2005. In China, prices continued to fall due to production capacity growing faster than demand. In early 2006, however, Asian markets are showing signs of recovery. In China, the price of cold-rolled products is expected to rise.

In the USA, demand slowed relative to 2004, but remained firm overall. Prices came under strain, due to rising imports among other factors. However, they remained higher than in Europe and Asia.

In long products, demand remained robust for bars in the first half, but declined across the product range in the second. Nevertheless, there was slightly less pricing pressure than in flat products. As a result, profitability has so far remained firmer in long products. In late 2005 and early 2006, long products benefited from a slight improvement in demand, due to the end of a major inventory reduction phase.

**Industrial activity**

One of the second half's highlights was the start of production at the new Ugine & Alz Carinox steelworks. This took place on schedule on 28 September 2005, marking the start of the plant's qualification and production build-up phase. The new installation has the capacity to produce 1 million tonnes of stainless steel per year. It gives Ugine & Alz an integrated site which, together with the Genk site, will handle the upstream part of the business.

Arcelor further developed its presence in growth markets by taking control of Acesita in the fourth quarter. It did this by acquiring the voting shares of pension funds that were members of the controlling block. Acesita is one of the world's most productive and profitable stainless steel producers, and its domestic market is generating sustained growth. This deal reflects Arcelor's long-standing commitment to Brazil, and gives it a high-quality and low-cost steel production platform in this market.

***Arcelor Steel Solutions and Services (A3S)*****Revenues and earnings**

<i>In millions of euros</i>	<b>2004</b>	<b>2005</b>
Revenues	8,267	8,656
EBITDA	516	328
EBIT	398	254
Shipments (in millions of tonnes)	14.98	13.7

Arcelor Steel Solutions and Services (A3S) generated **revenues** of 8,656m in 2005, up 4.7% relative to the 2004 figure of 8,267m. At comparable scope, revenues rose by 3.4%. Volumes fell by 7%, while average selling prices rose by 13%. A3S shipments totalled 13.7 million tonnes, down from 15 million in 2004. Approximately 19% of total shipment volumes consisted of products sourced from outside the Group.

Overall, and at comparable scope, lower volumes dragged down revenues by 673m in 2005. However, higher prices boosted revenues by 1.074bn.

**EBITDA** was 328m in 2005, down from 516m in 2004. This equated to EBITDA margin of 3.8% versus 6.2% in 2004. This decline was due to rising procurement costs at the start of the year and a fall in shipments starting at the end of the second quarter and lasting until the fourth. It should be noted that 2004 earnings were boosted by substantial write-ups on inventories following sharp rises in steel prices. Efficiency gains accounted for more than 10% of EBITDA.

## **Table of Contents**

**EBIT** totalled 254m in 2005, as opposed to 398m in 2004.

A firm grip on investment and a sharp fall in the working capital requirement with inventories brought into line with market demand in the second half led to free cash flow of more than 500m.

## **Business activity**

After two years of efforts to integrate businesses, refocus on core activities and bolster commercial positions, particularly in Eastern Europe, A3S is now in a position to support the Group's upstream development and create growth opportunities.

All of A3S's operating units – Arcelor Distribution, Arcelor Steel Service Center, Arcelor Construction, Arcelor International and Arcelor Projects applied this strategy to their own businesses in 2005.

Arcelor SSC enhanced its support for customers expanding abroad with investments in Poland and Slovakia.

Arcelor Distribution increased market share in Germany with the acquisition of H&K, following the purchase of Ravené Schäfer in 2004. This makes it a major player in the German market, from which it was almost absent a few years ago.

Arcelor Construction entered the Chinese market after sealing a partnership agreement with Shougang, one of China's leading steelmakers.

Arcelor Projects enhanced its product mix with the acquisition of Dutch company De Boer, a leading player in foundation tubes.

Arcelor International opened new sales offices, notably in Ukraine.

These industrial and commercial developments illustrate A3S's progress in 2005. A3S's current strategy is to offer differentiated products and services in the most technical mature markets, i.e. downstream transformation and value-added services in Western Europe. It is growing volumes through geographical expansion, both organically and through acquisitions.

This transformation was accompanied by a symbolic name change, with the former Distribution Transformation-Trading sector becoming Arcelor Steel Solutions and Services (A3S).

### *Arcelor Distribution*

Arcelor Distribution had a mixed 2005. Earnings were satisfactory given weak actual consumption, but significantly lower than in 2004.

At constant scope, Arcelor Distribution's revenues were down 9%. Volumes fell by 16%, although average selling prices rose by 8%.

The contribution of acquisitions partly offset the decline in sales volumes in traditional markets. Despite the fall in sales, Arcelor Distribution maintained its market share throughout Europe, and increased it substantially in Germany due to progress at Ravené Schäfer. Expansion in Germany continued with the acquisition of Heller & Köster in the second half of 2005.

Arcelor Distribution continued its strategy of expanding in downstream markets, with the aim of differentiating its products and services.

For example, it expanded its range of turnkey steel solutions by commencing sales of airport parking lot kits.



## **Table of Contents**

Arcelor Distribution also extended its network of finishing centres in France, Spain, Belgium and Germany. The aim is to enhance its ability to meet process outsourcing demand from major customers and to put more emphasis on higher-value-added activities.

### *Arcelor Construction*

Lower volumes, partly caused by the slowdown in investment that started in the second half of 2004, meant that competition was very stiff in 2005. However, Arcelor Construction was able to limit the decline in earnings.

At constant scope, revenues fell by 6%. Volumes were down 14%, while average selling prices rose by 9% due to a realistic and opportunistic pricing policy.

Against the general background of weakening industrial building activity and the downtrend in traditional national markets in Western Europe, Arcelor Construction continued to reorganize its production capacity and commercial networks, as well as implementing its growth strategy.

Arcelor Construction adjusted its commercial systems and networks in France. This initiative was aimed at enhancing competitiveness and expanding the product range. It was necessary in order to improve customer service, which is vital for business development.

Growth in Central Europe continued in 2005, with volumes up 20%. At the same time, traditional national markets continued to contract, including in the panels segment. This clearly reflected the decline in industrial construction activity in Western Europe. Arcelor Construction continued to develop internationally. In Central Europe, it invested in a panels line in Poland, which will be operational at the end of the second half of 2006. In the Far East, it set up a partnership in China. It also strengthened its position in Europe with an investment in Toledo, Spain, which will allow it to supply the country's southern region.

Arcelor Construction also rolled out safety co-ordination processes across all its companies, and safety results improved significantly in 2005.

### *Arcelor Steel Service Center (ASSC)*

Apparent demand remained weak throughout 2005 in Europe, due to high levels of inventories. Although earnings were down on 2004, ASSC put in a reasonable performance. ASSC worked hard to maintain margins by focusing on prices rather than volumes.

At constant scope, ASSC's revenues rose by 6%. Volumes fell by 10%, but average selling prices were up 18%.

2005 was a year of contrasts. ASSC suffered in all its traditional markets, particularly France and Germany, where only automotive-related activities performed well in terms of volumes (+2%) and earnings. In Germany, industrial streamlining initiatives were adopted for the unit's network of finishing centres, and Flachform is due to be sold in 2006.

ASSC also continued its expansion in Central Europe, achieving further growth in sales volumes. This was due in particular to the build-up of volumes (+53%) at the blank cutting centre in Poland, which serves the automotive industry. A new service centre in Slovakia, close to Bratislava, also opened in 2005. This centre will ramp up its activity in 2006.

Finally, ASSC opened a service centre aimed mainly at automotive customers in Durban, South Africa, which will come into operation in 2007.

## **Table of Contents**

As well as the geographical expansion in its network, ASSC is also achieving growth by rounding out its range of products and services. Its move into higher-value-added downstream activities is highlighted by its growing stamping business. This was demonstrated by its mid-2005 acquisition of the expertise and production operations of Mobytech in France, which is now called Arcelor SSC Development Aiguebelle. Its first drilling line, which uses a totally new concept, will come into operation in early 2006.

### *Arcelor Projects*

Arcelor Projects' revenues rose by 19% at comparable scope in 2005, despite a 3% decline in volumes. This was due to a 23% increase in average selling prices.

2005 was a year of major industrial and financial investment.

Arcelor Projects completed the construction of its new US tube plant, which will serve the North American foundation market. In Dubai, it built up advance inventories of technical products, in order to meet demand for customers in this region.

In mid-2005, the unit acquired Dutch company De Boer Buizen (since renamed Arcelor Spiral Mill), which also specializes in large welded foundation tubes. This acquisition expands Arcelor Projects' range of steel solutions.

Together with Arcelor's Long Carbon Steels sector, Arcelor Projects also increased its stake in Malaysian company Oriental Sheet Piling to 60%, in order to gain a strong position in the Southeast Asian market.

2005 also brought the successful initiation of the foundations business in China, in collaboration with Arcelor International's local operation.

### *Arcelor International*

Arcelor International's revenues rose by 25% at comparable scope in 2005, despite a 1% decline in volumes. This was due to a 26% increase in average selling prices per tonne.

In 2005, Arcelor International continued to reorganize and redeploy its activities, in order to provide the best possible response to market needs and to anticipate market development. It integrated the Offshore Projects business, opened offices in Central America and Ukraine, and created pooled regional offices with enhanced expertise in Mexico, Canada and China.

Arcelor International also stepped up efforts to support A3S' various entities in their developments in South America, India, China and Southeast Asia, as well as significantly growing revenues from Arcelor's Brazilian plants.

Finally, Arcelor International embarked on an ISO certification project for its entire network, which should be completed in 2006.

### *Other businesses*

#### **Paul Wurth**

As a result of the positive global operating environment in the steel industry, Paul Wurth achieved excellent results in 2005. Order intake rose by 58% by comparison with an already-high 2004 figure, and revenues rose by almost 80%.

## Table of Contents

After the acquisition of Didier-M&P Energietechnik GmbH – a German company specializing in hot blast stove technology and refractory linings for blast furnaces – in December 2004, Paul Wurth acquired the assets and staff of SMS Demag SpA (Genoa, Italy) in 2005. This acquisition gives Paul Wurth additional expertise in coking plants and direct reduction, along with the staff and expertise needed to work on integrated blast furnace construction and modernization projects. It also makes the company world leader in cast iron production technology.

On the commercial side, Paul Wurth signed major blast furnace technology contracts in China, India, Brazil and Russia. In Europe, the company did a large amount of re-lining work for Arcelor group plants in France and Germany.

Paul Wurth maintained its R&D efforts in 2005. As well as increasing the productivity and availability of the Primorec facility in Differdange (Luxembourg), Paul Wurth continued to enhance its existing production base and carried out R&D projects in electrometallurgy and powder metallurgy. The company acquired a 65% stake in Turbofilter GmbH in Essen, Germany through Paul Wurth Umwelttechnik. This acquisition, effective from 1 January 2006, will bolster Paul Wurth's business in environmental protection technologies.

Paul Wurth now employs more than 1,100 staff across around 20 subsidiaries worldwide.

## Industeel

In 2005, Industeel strengthened its position as world leader in special alloy and stainless steel plate. Its main specialties include cryogenic sheet steel, special stainless sheet steel, super-heavy sheet alloys, mould alloys, clad plates and wear-resistant sheet steel. It exports more than 50% of its production outside Europe through its global sales network. Industeel is continuing to develop its business by investing more than 5m per year in R&D.

In 2005, its unique position as a provider of custom solutions for major projects allowed it to take full advantage of strong demand in most of its main customer sectors, including oil, gas, petrochemicals, desalination, pollution control and mining. As a result, its revenues rose by 50% to 953m. EBIT was 102m, the highest figure in the company's history.

In order to meet growing demand from customers, Industeel bolstered its primary processing resources by acquiring UF Aciers, based in Dunkirk, France, in September 2005. As part of its strategic development, Industeel plans to increase production capacity in special sheet steels in 2006. Three new heat treatment furnaces will come onstream in the summer.

## Circuit Foil

The copper foils industry continued to suffer from surplus capacity and the shift in consumer markets towards China and Southeast Asia. The fall in volumes in late 2004 prompted Circuit Foil to mothball its Canadian plant. Volumes continued to decline in 2005, causing the closure of the Wiltz plant and the transfer of its activities to the second plant in Luxembourg.

The 20% rise in selling prices failed to offset the combination of a 25% fall in volumes, a 20% increase in electricity costs and stoppage costs at the Canadian plant. As a result, Circuit Foil's performance suffered in 2005. The rise in copper prices from \$3,000 to \$4,600 per tonne and procurement problems made life even harder in 2005.

## **Table of Contents**

To raise productivity and reduce production costs, the company adopted Six Sigma techniques. Initial results are expected in 2006.

In Asia, which represents around 50% of Circuit Foil's sales, the company commissioned a cutting service centre in China in 2005 to boost its presence in this market.

## **Financing**

In 2005, Arcelor pursued its financing policy, which remains based around Arcelor Finance SCA and Arcelor Treasury SNC, and focused on optimizing its debt burden.

Arcelor Finance is a vehicle for 5.6bn of short-, medium- and long-term financing. It raises money in the financial markets using Arcelor's credit rating, on which Moody's issued a positive outlook in 2005.

Arcelor Treasury provides day-to-day coverage of financial risks, including those involving foreign exchange, interest rates and commodity prices, in line with the detailed principles approved by the Audit Committee. It also carries out centralized cash management, the volume of which increased sharply in 2005.

In 2005, Arcelor did not carry out any public financing operations in the market. However, it restructured part of its debt to reduce its cost, and continued to reduce the structural subordination of its debt, arranging:

a 425m loan for Carinox, with an average term of 7 years

an 85m loan, repayable in constant instalments until 2013, to replace an existing CST loan

a 150m 6-year bond placing

early redemption of a \$260m bond

the renegotiation of a 3bn syndicated credit facility with a term of 5 years and a possible 2-year extension

Finally, Arcelor Finance provided financing for the outsourcing of certain pension funds at the end of the year.

## **Own shares**

The Ordinary General Meeting of Shareholders held on 29 April 2005 authorized the Board of Directors, in accordance with the conditions established by the Luxembourg law regarding commercial companies (the Law), to acquire the company's own shares or to have the shares acquired by other companies of the Group as provided for in Article 49a of the Law. This authorization replaced a similar authorization dated 30 April 2004. The 29 April 2005 authorization is valid for 18 months, unless renewed before expiry. It allows Arcelor to purchase its own shares at prices of between 10 and 30 per share, provided that the company at no time holds shares equal to more than 10% of its capital as determined by articles 49-2 and 49b of the Law. On 28 April 2006, a proposal will be made to the Ordinary General Meeting of Shareholders to renew the authorization given on 29 April 2005.

At 31 December 2005, Arcelor SA directly owned 253,488 of its own shares.

At 31 December 2005, the Arcelor group held 19,771,296 of its own shares, representing 3.09% of the total number of shares in issue and book value of 98,856,480. Of these 19,771,296 shares, only the 17,979,485 owned by Arcelor SA itself and by its direct subsidiaries Arbed and Usinor should be taken into account in calculating compliance with the aforementioned 10% limit. Voting rights are suspended on all the 19,771,296 shares owned by the Group.



B-44

**Table of Contents**

During the 2005 financial year, the Group executed the following transactions in relation to its own shares:

**Purchases**

40,000 shares bought in the spot market by Arbed at 20.00 per share. These purchases were made to stabilize the market price of the company's shares.

9,149,502 shares (including 1,000,000 sold by Arbed to Arcelor) bought in the spot market at prices ranging between 15.06 and 21.21 per share, with a weighted average of 17.62 per share. These purchases were made to stabilize the market price of the company's shares as part of a liquidity programme

**Sales**

5,281,497 shares delivered by Usinor as part of the Synergie 2000 employee share ownership plan, at a price of 12.21 per share, and 1,002,012 shares delivered by Usinor as part of the stock-option plan at a price of 15.24 per share, out of a total of 6,700,000 shares sold by Arbed to Usinor).

8,896,014 shares sold by Arcelor in the spot market at prices of between 15.14 and 21.25 per share, with a weighted average of 17.61 per share. These sales were made to stabilize the market price of the company's shares.

41,090 shares sold by Arbed to Arcelor at a price of 20.20 per share as part of a share award plan for members of the Management Board.

	31/12/2004	31/12/2005	Change
Arbed SA	24,844,086	17,142,996	-7,701,090
Usinor SA	166,510	583,001	416,491
Sidmar NV	1,791,811	1,791,811	
Arcelor SA		253,488	253,488
<b>TOTAL</b>	<b>26,802,407</b>	<b>19,771,296</b>	<b>-7,031,111</b>

Consequently, the Group acquired 8,189,502 own shares in 2005, representing total book value of 40,947,510 and 1.28% of its subscribed capital at 31 December 2005. It also sold 15,220,613 own shares in 2005, representing total book value of 76,103,065 and 2.38% of its subscribed capital at 31 December 2005. Overall, therefore, it sold a net 7,031,111 own shares, representing book value of 35,155,555 and 1.10% of its subscribed capital as of 31 December 2005.

**Sustainable Development**

Arcelor stepped up its sustainable development action plans and made significant progress in 2005. The work accident frequency rate (number of lost-time accidents per million hours worked) fell from 3.7 in 2004 to 2.4 in 2005. This confirms the ongoing improvement achieved since 2002, resulting from the efforts of management in close partnership with staff representatives.

The Group continued to implement its environmental policy, with 97% of production sites having ISO 14001 certification by end-2005, as well as paying close attention to legal and regulatory compliance. In the last three years, Arcelor has reduced the total volume of its unconverted residues by 25%, and has achieved a residue conversion rate of 95%. In addition, 6 of its 33 steel plants can be considered as producing no effluent.



## **Table of Contents**

Since 1990, Arcelor has reduced CO<sub>2</sub> emissions in Europe by 18%. Between 2005 and 2007, Arcelor will receive CO<sub>2</sub> credits as part of various national allocation plans in Europe, covering anticipated production levels. To prepare for the future and further reduce its greenhouse gas emissions, Arcelor is co-ordinating the efforts of 48 companies and universities as part of an ambitious research programme entitled ULCOS (Ultra Low CO<sub>2</sub> Steelmaking). The project aims to develop breakthrough technologies, and is supported by the European Commission.

Respect for different cultures is an everyday reality at Arcelor, which employs people of no less than 60 nationalities.

In 2005, Arcelor was the first steel company to sign a Worldwide Agreement on Principles of Corporate Social Responsibility with the International Metalworkers Federation (IMF) and the European Metalworkers Federation (EMF). This agreement confirms Arcelor's commitment to applying the same demanding social and environmental standards throughout the Group.

Arcelor complies with the strictest corporate governance standards. As well as the separation of powers between the Chairman and Chief Executive Officer, Arcelor has a Board of Directors consisting entirely of non-executive directors (the majority of which are independent), two Board-level committees and high-quality financial communication with investors and shareholders.

In 2005, Arcelor was once again recognized for its commitment to sustainable development by being admitted into the Dow Jones Sustainability Index World (one of three steel companies, alongside Dofasco) and into the FTSE4Good Global and FTSE4Good Europe indexes. It was also the only steel company to be included in the Global 100 Most Sustainable Corporations in the World.

## **Outlook**

The broad trends set in 2005 should continue in 2006. Worldwide GDP is expected to grow by around 3.4%, driven mainly by North America and Asia (excluding Japan).

In the USA, industrial production should rise by 3.0%, with the main steel-consuming sectors seeing solid growth except for the automotive industry, which is likely to contract. In Canada, industrial production is expected to grow by 2.4%.

The pace of growth in Brazil is set to accelerate in 2006, with GDP up 3.6% and industrial production up 3.8%. All steel-consuming industries should benefit from this growth, particularly the auto sector, which is expected to expand by 5.4%. The construction sector is likely to grow by 3.8%. Argentina is set to consolidate its expansion with growth of 5.0%.

In Asia ex-Japan, growth is set to remain firm and similar to that seen in 2005.

In Europe (EU15), 2006 is likely to be a little better than 2005. Industrial production should rise by 2.4% and all steel-consuming sectors should see growth. The new members of the European Union are likely to maintain a stronger pace of growth, particularly Poland, where industrial production is expected to rise by 6.4%.

In Turkey, GDP should grow by 5.0% and industrial production by 4.8%. The CIS is likely to see GDP growth of 6.5%, while industrial production should rise by 6.2%.

## **Table of Contents**

The world steel sector is expected to expand by around 7%, and growth should be spread more evenly than in 2005. Apparent consumption in China is likely to rise by only 10%, due to excess inventory build-ups in 2005. In the rest of the world, apparent consumption should increase by 5%. Forecasts of 5% for Europe (EU25) and 7% for North America are based partly on higher actual consumption and a technical improvement caused by renewed inventory-building, since inventories were lower than normal at end-2005. In South America, apparent consumption should rise by around 7% in 2006. In the CIS, the Middle East and Asia (ex-China), apparent consumption is set to rise roughly in line with actual consumption, i.e. by 5%, 6% and 4% respectively.

In the EU15 countries, actual consumption of finished products is likely to increase by around 2.0%. Supply restrictions adopted in 2005 should have an impact on apparent consumption in 2006. Although this outlook is optimistic, it is supported by recent movements in order backlogs for both long and flat carbon steel products. The combination of renewed demand in North America and Europe (EU25) and ongoing strong growth in emerging countries internal demand could create an environment conducive to price rises.

In the stainless steel market, conditions are likely to be much more positive than in 2005, with apparent consumption growth of around 5-7% worldwide, close to the trend in actual consumption.

Arcelor is actively managing its portfolio of businesses in order to achieve a further reduction in earnings volatility. It is also stepping up its reorganization by maintaining cost-reduction and restructuring efforts announced at the time of the merger in 2002. Arcelor is expanding in regions with strong growth potential and low costs, in order to lower its breakeven point and bolster its leadership in global markets. Arcelor has hit its merger synergy target of 700m a year ahead of schedule.

Other gains are expected from the implementation of plans to be announced in the next few years.

Arcelor's performance in 2006 is likely to be boosted by the consolidation of Dofasco and Acesita, and by ongoing cost-reduction efforts. CST's development will support the structural improvement in Arcelor's profitability, while acquisition projects, which are at different stages of maturity, should increase Arcelor's exposure to high-growth markets worldwide.

The active management of the business portfolio includes disposals of non-core activities and carefully planned closures, and will be conducted in accordance with Arcelor's tradition of sustainable development and corporate social responsibility. These disposals and closures will not threaten the Group's development, which will be pursued through organic investment and targeted acquisitions and by maintaining leading-edge production systems through reasonable and appropriate capital expenditure. Arcelor will maintain its presence in high-value-added product markets through sophisticated partnerships, particularly in the field of R&D.

## **Post-balance-sheet events**

Following the announcement that Mittal Steel Corporation was planning a public offer for Arcelor, Arcelor's Board of Directors, chaired by Joseph Kinsch, examined the proposal in an extraordinary meeting on 29 January 2006. After a detailed analysis of the available information, the Board unanimously rejected Mittal Steel's proposal, which it regarded as hostile. It took the view that pursuing Arcelor's existing strategy was the best guarantee of creating shareholder value.

Arcelor's offer to buy all of Dofasco's outstanding ordinary shares closed on 7 March 2006. At the end of the offer period, 77,530,766 shares, representing 98.5% of Dofasco's outstanding ordinary shares, had been tendered to Arcelor's offer. As soon as it authorized to do so, Arcelor now intends to acquire all

## **Table of Contents**

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

On 27 February 2006, Arcelor presented its 2006-2008 plan to maximize value creation for Group shareholders. The plan includes:

a normalized EBITDA target of € 7bn per year, with potential for further improvement

cash flow of € 4.4bn per year

continuation of the progressive dividend policy, with a normalized payout rate of 30%

a policy of earnings-enhancing acquisitions ensuring a return on capital employed of over 15%

a commitment to returning surplus cash to shareholders, including cash from disposals of non-core assets

Arcelor will be able to raise shareholder remuneration by sharply increasing cash flow and by actively managing its portfolio of businesses.

In implementing its growth plans, Arcelor will maintain a disciplined focus on earnings-enhancing projects that comply with its strategic vision. The Group will look at opportunities to bolster its global leadership in key strategic markets such as automotive, and will continue to seek regional leadership in geographical areas that show substantial scope for profitability and growth.

Arcelor has increased the potential of its flat stainless steels business through investment (Carinox in Belgium) and acquisitions (Acesita in Brazil). It will continue its strategic assessment of this business, and will explore all options to maximize shareholder value.

### **Additional information about Arcelor SA**

Arcelor SA, a company incorporated under Luxembourg law, is the parent company of the Arcelor Group. Arcelor SA generated earnings of € 2,006m in 2005, primarily from revenues from its holdings.

The General Meeting of Shareholders to be held on April 28 2006 will be asked to approve the distribution of a gross dividend of € 1.20 per share with respect to 2005, compared with € 0.65 per share for 2004.

**Table of Contents**

Consolidated Financial

Statements

At 31 December 2005

*This document is a free translation into English of the original French document - entitled Comptes consolidés du Groupe au 31 décembre 2005 . This document has been prepared for information only and should not be relied upon for any other purpose. In the event of any discrepancy between this document and the French original, only the French original is authoritative.*

B-49

**Table of Contents****Consolidated financial statements of the Group***Consolidated income statement*

<i>In EUR million</i>	<b>2005</b>	<b>2004*</b>
<b>REVENUE (NOTE 27)</b>	<b>32,611</b>	<b>30,176</b>
Other operating income	707	437
Own work capitalized	352	515
Cost of raw materials and merchandise	-15,991	-14,759
Other external expenses	-6,761	-6,337
Staff costs (note 21)	-4,899	-4,748
Depreciation and amortisation expenses	-1,294	-1,225
Depreciation and amortisation of negative goodwill	29	78
Other operating expenses	-378	-823
<b>OPERATING RESULT</b>	<b>4,376</b>	<b>3,314</b>
Net financing costs (note 22)	-254	-521
Share of profit in companies accounted for using the equity method	317	413
<b>PROFIT BEFORE TAX</b>	<b>4,439</b>	<b>3,206</b>
Tax expense (note 23)	-161	-513
<b>PROFIT FOR THE YEAR</b>	<b>4,278</b>	<b>2,693</b>
Net profit - Group share	3,846	2,290
Net profit - Minority interests	432	403
<b>Earnings per share in EUR (note 14)</b>		
Basic	6.26	4.21
Diluted	5.90	3.80

(\*) To facilitate meaningful year - on - year comparisons, 2004 figures have been adjusted to account for revised and newly introduced IFRS standards (see note 1).

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



**Table of Contents***Consolidated balance sheet**n Assets*

<i>In EUR million, at 31 December</i>	<b>2005</b>	<b>2004*</b>
<b>Non-current assets</b>		
Intangible assets (note 4)	193	157
Property, plant and equipment (note 5)	13,767	11,230
Investments accounted for using the equity method (note 6)	1,478	1,366
Other investments and financial assets available for sale (note 7)	653	528
Receivables and other financial assets (note 8)	758	684
Deferred tax assets (note 23)	1,347	1,300
<b>TOTAL NON-CURRENT ASSETS</b>	<b>18,196</b>	<b>15,265</b>
<b>Current assets</b>		
Inventories (note 9)	7,580	6,801
Trade receivables (note 10)	3,716	3,757
Tax credits	268	126
Other receivables (note 11)	1,511	1,246
Cash and cash equivalents (note 12)	4,645	4,043
<b>TOTAL CURRENT ASSETS</b>	<b>17,720</b>	<b>15,973</b>
<b>TOTAL ASSETS</b>	<b>35,916</b>	<b>31,238</b>

(\* ) *To facilitate meaningful year - on - year comparisons, 2004 figures have been adjusted to account for revised and newly introduced IFRS standards (see note 1).*

*n Equity and liabilities*

<i>In EUR million, at 31 December</i>	<b>2005</b>	<b>2004*</b>
<b>Shareholders equity</b>		
Subscribed capital	3,199	3,199
Share Premium	5,397	5,397
Consolidated reserves	6,364	2,619
Translation reserve	149	-403
<b>Equity attributable to equity holders of the parent (note 13)</b>	<b>15,109</b>	<b>10,812</b>
Minority interests (note 13)	<b>2,524</b>	<b>1,415</b>
<b>TOTAL SHAREHOLDER S EQUITY</b>	<b>17,633</b>	<b>12,227</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities (note 16)	4,341	4,478
Employee benefits (note 17)	1,431	1,652
Provisions for termination benefits (note 18)	852	887
Other long-term provisions (note 19)	943	920
Deferred tax liabilities (note 23)	571	605
Other liabilities	141	82
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,279</b>	<b>8,624</b>
<b>Current liabilities</b>		
Trade payables	5,228	4,997
Interest-bearing liabilities (note 16)	1,623	2,293
Tax payable	312	340
Other amounts payable (note 20)	2,567	2,508
Provisions for termination benefits (note 18)	30	50
Other provisions (note 19)	244	199
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,004</b>	<b>10,387</b>

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>35,916</b>	<b>31,238</b>
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(\*) *To facilitate meaningful year - on - year comparisons, 2004 figures have been adjusted to account for revised and newly introduced IFRS standards (see note 1).*

B-51

**Table of Contents***Consolidated cash flow statement*

<i>In EUR million</i>	<b>2005</b>	<b>2004*</b>
<b>Operating activities</b>		
Profit for the year after tax	4,278	2,693
Profit of companies accounted for using the equity method, net of dividends	-222	-336
Amortisation and depreciation	1,265	1,147
Net movement in provisions	-107	31
Net profit on disposal of assets	-63	-80
Dividends received	51	31
Changes in working capital	-615	-726
Other items	-123	445
<b>CASH FLOWS FROM OPERATING ACTIVITIES**</b>	<b>4,464</b>	<b>3,205</b>
<b>Investing activities</b>		
Acquisition of tangible and intangible assets	-2,070	-1,424
Acquisition of subsidiary companies, net of cash acquired (note 3)	57	-302
Acquisition of financial fixed assets	-331	-414
Disposal of tangible and intangible assets	82	107
Disposal of subsidiary companies, net of cash disposed of (note 3)	331	459
Disposal of financial fixed assets	325	192
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-1,606</b>	<b>-1,382</b>
<b>Financing activities</b>		
Capital increase of Arcelor S.A.		1,136
Other net contributions to shareholders' equity	12	-64
Dividends paid	-560	-249
Proceeds from borrowings	499	1,205
Repayment of borrowings	-2,086	-1,578
Repayment of pension funds	-254	
Repurchase of 4.56% minority interest in Aceralia		-96
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>-2,389</b>	<b>354</b>
Effect of exchange rate fluctuations on cash held	133	-24
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>602</b>	<b>2,153</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>4,043</b>	<b>1,890</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>4,645</b>	<b>4,043</b>

(\*) To facilitate meaningful year - on - year comparisons, 2004 figures have been adjusted to account for revised and newly introduced IFRS standards (see note 1).

(\*\*) Including taxes paid in an amount of EUR 405 million (2004: EUR 199 million) and net interest paid in an amount of EUR 107 million (2004: EUR 151 million).

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

**Table of Contents***Consolidated statement of changes in shareholders' equity*

<i>In EUR million</i>	Subscribed capital Arcelor	Share premium Arcelor	Own shares	Revaluation reserve relating to derivative instruments (note 25)	Revaluation reserve relating to securities available for sale (Note 7)	Other consolidated reserves	Foreign currency translation	Share- holders equity Group share (note 13)	Share- holders equity Minority interest (note 15)	Total Share- holders Equity
<b>31 December 2003</b>	<b>2,665</b>	<b>4,795</b>	<b>-751</b>			<b>332</b>	<b>-308</b>	<b>6,733</b>	<b>730</b>	<b>7,463</b>
First time adoption of IFRS 3						686		686		686
First time adoption of IAS 32 revised						-70		-70		-70
<b>1 January 2004</b>	<b>2,665</b>	<b>4,795</b>	<b>-751</b>			<b>948</b>	<b>-308</b>	<b>7,349</b>	<b>730</b>	<b>8,079</b>
<b>PROFIT AND LOSS</b>										
<b>Profit for the year 2004 published</b>						<b>2,314</b>		<b>2,314</b>	<b>403</b>	<b>2,717</b>
Adjustment-share-based payments						-3		-3		-3
Conversion option O.C.E.A.N.E 2017						-21		-21		-21
<b>Profit for the year 2004 adjusted</b>						<b>2,290</b>		<b>2,290</b>	<b>403</b>	<b>2,693</b>
Cash flow hedging				28				28		28
Foreign exchange differences							-95	-95	-64	-159
<b>DISTRIBUTIONS AND TRANSACTIONS WITH SHAREHOLDERS</b>										
Dividends paid						-192		-192	-57	-249
Increase in share capital	534	602						1,136		1,136
Acquisition of CST and Acindar (note 13.6)						158		158	23	181
Cost of equity-settled share-based payments						4		4		4
Utilisation of and profit on the sale of own shares			387					387	4	391
Other adjustments						-42		-42		-42
Acquisitions and repurchase of minority interests						-211		-211	376	165
<b>31 December 2004</b>	<b>3,199</b>	<b>5,397</b>	<b>-364</b>	<b>28</b>		<b>2,955</b>	<b>-403</b>	<b>10,812</b>	<b>1,415</b>	<b>12,227</b>
<b>PROFIT AND LOSS</b>										
Profit for the year 2005						3,846		3,846	432	4,278
Cash flow hedging				75				75		75
Securities available for sale (note 7)					24			24		24
Foreign exchange differences							552	552	236	788
<b>DISTRIBUTIONS AND TRANSACTIONS WITH SHAREHOLDERS</b>										
Dividends paid						-399		-399	-161	-560
Acquisition of Acesita (note 13.6)						42		42		42
Cost of equity-settled share-based payments								4		4
Utilisation of and profit on the sale of own shares			97					97		97
									602	602

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Acquisitions and repurchase of minority interests											
Other adjustments						56		56		56	
<b>31 December 2005</b>	<b>3,199</b>	<b>5,397</b>	<b>-267</b>	<b>103</b>	<b>24</b>	<b>6,497</b>	<b>149</b>	<b>15,109</b>	<b>2,524</b>	<b>17,633</b>	

B-53

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**Table of Contents**

**Notes to the consolidated financial statements**

*Amounts in EUR million, unless otherwise stated*

B-42	Note 1	<u>General</u>
B-44	Note 2	<u>Accounting policies</u>
B-59	Note 3	<u>Consolidation scope</u>
B-61	Note 4	<u>Intangible assets</u>
B-63	Note 5	<u>Property, plant and equipment</u>
B-65	Note 6	<u>Investments in companies accounted for using the equity method</u>
B-66	Note 7	<u>Other investments and financial assets available for sale</u>
B-68	Note 8	<u>Receivables and other financial assets</u>
B-68	Note 9	<u>Inventories</u>
B-69	Note 10	<u>Trade receivables</u>
B-69	Note 11	<u>Other receivables</u>
B-69	Note 12	<u>Cash and cash equivalents</u>
B-70	Note 13	<u>Equity</u>
B-71	Note 14	<u>Earnings per share</u>
B-72	Note 15	<u>Minority interests in equity</u>
B-72	Note 16	<u>Interest-bearing liabilities</u>
B-75	Note 17	<u>Employee benefits</u>
B-80	Note 18	<u>Provisions for termination benefits</u>
B-82	Note 19	<u>Other provisions</u>
B-83	Note 20	<u>Other amounts payable</u>
B-84	Note 21	<u>Staff costs</u>
B-85	Note 22	<u>Net financing costs</u>
B-86	Note 23	<u>Taxation</u>
B-90	Note 24	<u>Related party disclosure</u>
B-91	Note 25	<u>Financial instruments and derivatives</u>
B-96	Note 26	<u>Commitments given and received</u>
B-98	Note 27	<u>Segment reporting</u>
B-100	Note 28	<u>Post-balance sheet events</u>
B-101	Note 29	<u>Emission rights</u>
B-102	Note 30	<u>Simplified Group organisation chart</u>
B-103	Note 31	<u>Listing of Group companies at 31 December 2005</u>

B-54

## **Table of Contents**

### **Notes to the consolidated financial statements**

Pursuant to the Regulation (EC) No 1606/2002 of 19 July 2002, the consolidated financial statements of the Arcelor Group for the year ended 31 December 2005 are prepared in accordance with International Financial Reporting Standards ( IFRS ), as adopted by the European Union on 31 December 2005.

The exclusion of certain provisions relating to hedge accounting, pursuant to the adoption of IAS 39 by the European Union, has no impact on the Group's consolidated financial statements.

#### *Note 1 - General*

Arcelor S.A. was incorporated under Luxembourg Law on 8 June 2001 as part of the proposed business combination of Aceralia, Arbed and Usinor, which was completed on 28 February 2002.

The consolidated financial statements at 31 December 2005 present the financial position of the Company and of its subsidiaries (hereafter the Group ), as well as the interests of the Group in associated companies and jointly controlled entities.

The Board of Directors approved the consolidated financial statements at and for the year ended 31 December 2005 on 15 February 2006 and authorised the publication of said consolidated financial statements on 17 March 2006. These financial statements will not be final until approved at the Annual General Meeting of Shareholders.

The consolidated financial statements have been prepared in accordance with IFRS, as adopted by the European Union. This implies that the Group makes some estimates and assumptions having an impact on the balance sheet and on the income statement for the period. Changes in facts and circumstances may lead the Group to change these estimates.

Due to the introduction of IFRS 2 (Equity-settled share-based payment transactions), as well as the revision of IAS 32 (Financial instruments: disclosure and presentation) the Group restated the comparative figures on share option plans (note 13.4) and on O.C.E.A.N.E 2017 (note 16). The effects of the adjustments on the Group's 2004 financial statements are as follows:

**Table of Contents****Consolidated Income Statement**

<i>In EUR million</i>	2004 as published	IFRS 2	IAS 32	Reclassification of interest charges on provisions for pensions	2004 restated
<b>REVENUE (NOTE 27)</b>	30,176				30,176
Other operating income	437				437
Own work capitalized and increase or decrease in finished and unfinished goods	515				515
Cost of raw materials and merchandise	-14,759				-14,759
Other external expenses	-6,337				-6,337
Staff costs (note 21)	-4,868	-4		124	-4,748
Depreciation and amortisation expenses	-1,225				-1,225
Depreciation and amortisation of goodwill	78				78
Other operating expenses	-823				-823
<b>OPERATING RESULT</b>	<b>3,194</b>	<b>-4</b>		<b>124</b>	<b>3,314</b>
Net financing costs (note 22)	-367		-30	-124	-521
Share of profit in companies accounted for using the equity method	413				413
<b>PROFIT BEFORE TAX</b>	<b>3,240</b>	<b>-4</b>	<b>-30</b>		<b>3,206</b>
Tax expense (note 23)	-523	1	9		-513
<b>PROFIT FOR THE YEAR</b>	<b>2,717</b>	<b>-3</b>	<b>-21</b>		<b>2,693</b>
Net profit - Group share	2,314	-3	-21		2,290
Net profit - Minority interests	403				403
<b>Earnings per share in EUR (note 14)</b>					
Basic	4.26		0.05		4.21
Diluted	3.83		0.03		3.80

n Assets

<i>In EUR million</i>	2004 as published	IFRS 2	IAS 32	2004 restated
<b>Non-current assets</b>				
Intangible assets (note 4)	157			157
Property, plant and equipment (note 5)	11,230			11,230
Investments accounted for using the equity method (note 6)	1,366			1,366
Other investments and financial assets available for sale (note 7)	528			528
Receivables and other financial assets (note 8)	684			684
Deferred tax assets (note 23)	1,284	1	15	1,300
<b>TOTAL NON-CURRENT ASSETS</b>	<b>15,249</b>	<b>1</b>	<b>15</b>	<b>15,265</b>
<b>Current assets</b>				
Inventories (note 9)	6,801			6,801
Trade receivables (note 10)	3,757			3,757
Tax credits	126			126
Other receivables (note 11)	1,246			1,246
Cash and cash equivalents (note 12)	4,043			4,043
<b>TOTAL CURRENT ASSETS</b>	<b>15,973</b>			<b>15,973</b>
<b>TOTAL ASSETS</b>	<b>31,222</b>	<b>1</b>	<b>15</b>	<b>31,238</b>





**Table of Contents**

n Equity and liabilities

<i>In EUR million</i>	2004 as published	IFRS 2	IAS 32	2004 restated
<b>Shareholders equity</b>				
Subscribed capital	3,199			3,199
Share premium	5,397			5,397
Consolidated reserves	2,709	1	-91	2,619
Translation reserve	-403			-403
<b>Equity attributable to equity holders of the parent (note 13)</b>	<b>10,902</b>	<b>1</b>	<b>-91</b>	<b>10,812</b>
<b>Minority interests (note 15)</b>	<b>1,415</b>			<b>1,415</b>
<b>TOTAL SHAREHOLDERS EQUITY</b>	<b>12,317</b>	<b>1</b>	<b>-91</b>	<b>12,227</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities (note 16)	4,348		130	4,478
Employee benefits (note 17)	1,652			1,652
Provisions for termination benefits (note 18)	887			887
Other long-term provisions (note 19)	920			920
Deferred tax liabilities (note 23)	629		-24	605
Other liabilities	82			82
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>8,518</b>		<b>106</b>	<b>8,624</b>
<b>Current liabilities</b>				
Trade payables	4,997			4,997
Interest-bearing liabilities (note 16)	2,293			2,293
Tax payable	340			340
Other amounts payable (note 20)	2,508			2,508
Provisions for termination benefits (note 18)	50			50
Other provisions (note 19)	199			199
<b>TOTAL CURRENT LIABILITIES</b>	<b>10,387</b>			<b>10,387</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>31,222</b>	<b>1</b>	<b>15</b>	<b>31,238</b>

The related notes have been amended in order to reflect the restatements.

Note 2 - Accounting policies

**1. Statement of compliance**

The consolidated financial statements are prepared in accordance with international standards on financial information or International Financial Reporting Standards ( IFRS ) as adopted by the European Union.

## **Table of Contents**

### **2. Presentation of the consolidated financial statements**

The consolidated financial statements are prepared in euro ( EUR ), rounded to the nearest million. The consolidated financial statements of the Group are prepared on the basis of the historical cost convention with the exception of the following assets and liabilities which are stated at their fair values: derivative financial instruments, investments held for trading and investments available for sale. Hedged assets and liabilities are stated at their fair value with respect to the risks hedged.

Assets intended to be disposed of or consumed during the Group's normal course of operations, assets held with a view to being sold in the twelve months following the year-end date as well as cash and cash equivalents are considered current. All other assets are considered non-current. Liabilities falling due during the Group's normal course of operations, or in the twelve months following the year-end date, are considered current. All other liabilities are considered non-current.

### **3. Consolidation principles**

#### **Subsidiaries**

Subsidiaries are companies controlled by the Group. Control exists when the Group has direct or indirect control over the financial and operating policies of a company so as to obtain benefits derived from its activities. Control is generally assumed where the Group holds more than half of the voting rights.

The financial statements of significant subsidiaries are included in the consolidated financial statements from the date when effective control starts until the date when effective control ends.

Investments in non-significant subsidiaries are recorded as non-current assets at their fair value. Gains and losses resulting from this valuation procedure are recorded in the income statement.

#### **Associated companies**

Associated companies are companies in which the Group has a significant influence, but no control, over the financial and operating policies. Significant influence is generally assumed where the Group holds at least 20% or more of the voting rights.

The financial statements of associated companies are included in the consolidated financial statements using the equity method, according to which the Group records its share in the net assets of the associated company in its balance sheet from the date when significant influence starts until the date when significant influence ends.

#### **Jointly controlled entities**

Jointly controlled entities are companies over whose activities the Group has joint control under a contractual agreement.

The financial statements of jointly controlled entities are included in the consolidated financial statements using the equity method, according to which the Group records its share in the net assets of the jointly controlled entity in its balance sheet from the date when joint control starts until the date when joint control ends.

## **Table of Contents**

### **Transactions eliminated through consolidation**

Intra-group balances and transactions, as well as unrealised gains resulting from intra-group transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised losses resulting from intra-group transactions are only eliminated to the extent that there is no indication of impairment.

Unrealised gains resulting from transactions with associated companies and jointly controlled entities are eliminated to the extent of the Group's interest in such companies or entities, against the investment amount of the associated company or jointly controlled entity. Unrealised losses are only eliminated to the extent that there is no indication of impairment.

A complete listing of the main subsidiaries and the companies accounted for using the equity method, at 31 December 2005, is shown in note 31.

### **4. Business combinations**

#### **Goodwill**

A positive difference between the cost of an acquisition and the acquirer's interest in the fair value of the identifiable assets, liabilities or contingent liabilities acquired, is accounted for as goodwill and is reported as an asset. Goodwill balances are considered at each financial reporting date in order to identify a possible impairment (see paragraph 8 regarding the depreciation of assets).

A negative difference between the cost of an acquisition and the acquirer's interest in the fair value of the identifiable assets, liabilities or contingent liabilities (negative goodwill) acquired, is taken directly to the income statement for the period.

#### **Stepped acquisitions**

When an acquisition is completed by a series of successive transactions, each significant transaction is considered individually for the purpose of the determination of the fair value of the identifiable assets, liabilities and contingent liabilities acquired and hence for the goodwill associated with the acquisition.

The fair values of the identifiable assets and liabilities acquired can vary at the date of each transaction. When a transaction results in taking control over the entity, the interests previously held in that entity are revalued on the basis of the fair values of the identifiable assets and liabilities at that date. The contra posting for this revaluation is recorded directly in shareholders' equity.

Subsequent purchases, after the Group has obtained control, are treated as acquisition of shares from minority shareholders: the identifiable assets and liabilities of the entity are not subject to a further revaluation and the positive or negative difference between the cost of such subsequent acquisitions and the net value of the additional proportion of the company acquired is recorded directly in shareholders' equity.

#### **Minority interest**

The interests of minority shareholders are recorded on the basis of their proportionate interest in the net value of the entity acquired.

## **Table of Contents**

### **5. Foreign currency translation**

#### **Transactions in foreign currencies**

Transactions denominated in foreign currencies are converted to EUR at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted at the foreign exchange rate ruling at that date. Foreign exchange differences arising on conversion are recognised in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, recorded at historical cost, are converted at the foreign exchange rate prevailing at the date of the transaction.

#### **Financial statements denominated in foreign currencies**

Assets and liabilities denominated in foreign currencies, including goodwill and fair value adjustments arising on consolidation, are converted to EUR at the foreign exchange rate ruling at the balance sheet date. The revenues and expenses of foreign currency operations are converted to EUR at the average rate calculated for the period. Foreign exchange differences arising on conversion are recognised directly in shareholders equity.

### **6. Intangible assets**

#### **Research and development**

Expenditure on research activities, undertaken with a view to acquire new scientific or technical knowledge and understanding, is recognised in the income statement as incurred.

Expenditure on development activities, where research findings are applied for the production of new or substantially improved products and processes, is capitalised if the product or the process is considered to be technically and commercially viable and the Group has sufficient resources to complete the development programme.

The expenditure thus capitalised includes the cost of materials, direct labour costs and an appropriate proportion of overheads.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Other development expenditure is recognised in the income statement as incurred.

#### **Other intangible assets**

Other intangible assets, acquired by the Group, are stated at cost less accumulated amortisation and impairment losses. Expenditure on internally generated goodwill is recognised in the income statement when incurred.

Intangible assets other than goodwill primarily include the cost of technology and licences purchased from third parties. These intangible assets are amortised on a straight-line basis over a maximum period of five years.

## **Table of Contents**

### **Subsequent expenditure**

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits of the specific asset to which it relates and when this cost can be measured and attributed to the asset in a reliable manner. All other expenditure is recognised as an expense when incurred.

### **Amortisation**

Amortisation is recognised as an expense on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives are as follows:

Patents and trademarks: 5 years

Capitalised development costs: 5 years

### **7. Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset created by the Group includes the cost of materials, direct labour costs and an appropriate proportion of overheads. Borrowing costs on loans used to finance the construction of property, plant and equipment are capitalised as part of the cost of the asset until such time that the asset is ready for its intended use.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation less any impairment losses.

Where a tangible fixed asset comprises major components having different useful lives, these components are accounted for as separate items.

The cost of the periodic relining of blast furnaces is capitalised and depreciated over the expected production period.

Maintenance and repair costs are recognised as expenses in the period in which they are incurred.

Government grants that assist the Group in the acquisition of property, plant and equipment are deducted from the carrying amount of the related asset and released to the income statement on a straight-line basis over the expected useful life of the associated asset.

### **Subsequent expenditure**

Expenditure incurred in replacing or renewing components of some items of property, plant and equipment is accounted for as the acquisition of a separate asset and the replaced asset is written off.

Other subsequent expenditure on property, plant and equipment is only recognised as an asset when the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

All other subsequent expenditure is recognised in the income statement as an expense in the period in which it is incurred.

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

Depreciation is accounted for as an expense on a straight-line basis over the estimated useful lives of property, plant and equipment. Land is not depreciated.

Property, plant and equipment acquired before January 1, 2001 are depreciated over their useful lives, which range from 12 to 20 years for buildings and industrial installations and from 5 to 12 years for other property, plant and equipment.

For other property, plant and equipment the estimated useful lives are as follows:

	<b>Long products and Stainless Steels</b>		
	<b>Flat products</b>	<b>Electric arc furnace</b>	<b>Hot-rolling mills</b>
Industrial buildings	25 years	25 years	
<b>Technical installation and machinery</b>			
Hot phase: new capital expenditure	25 years	15 years	25 years
Hot phase: renovation	15 years	10 years	15 years
Cold phase: new capital expenditure	18 years		18 years
Cold phase: renovation	12 years		15 years
Cold phase: downstream	12 years		12 years
Other		5-20 years	
<b>Leases</b>			

*Where the Group is the lessee*

Leases with respect to significant assets where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Property, plant and equipment acquired by way of finance leases are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at the inception of the lease. Each lease payment is allocated between the finance charges and a reduction of the lease liability. The interest element of the finance cost is charged to the income statement over the lease period so as to achieve a constant rate of interest on the remaining balance of the liability.

The depreciation policy of capitalised leased assets is similar to that applied to owned property, plant and equipment. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease term, the asset is depreciated over the shorter of its estimated useful life or the lease term.

Where a significant portion of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases. Payments made under operating leases are recognised as an expense in the income statement of the period.

*Agreements containing a lease*

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

## **Table of Contents**

### **8. Impairment of assets**

The carrying amounts of the Group's assets, other than inventories, deferred tax assets, and assets related to employee benefit plans, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Goodwill arising on the acquisition of companies is allocated to cash generating units which may benefit from synergy effects related to the acquisition.

If any such indication exists for an asset, or for the cash-generating unit to which it belongs, the recoverable amount is estimated.

For intangible assets that are not yet available for use, their recoverable amount is estimated at each balance sheet date.

An impairment loss is recorded immediately where the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in the income statement.

#### **Calculation of recoverable amount**

The recoverable amount of an asset is the higher of its net selling price and its value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

Cash flows on short-term receivables are not discounted.

#### **Reversal of an impairment loss**

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

Impairment losses recognised for goodwill are not reversed.

### **9. Investments in debt and equity securities**

Investments held for trading are classified as current assets and are stated at fair value, with any resulting gain or loss being recognised in the income statement. Investments with a fixed maturity date after more than one year, that the Group has the positive intent and ability to hold to maturity, are included in non-current assets and are stated at amortised cost using the effective yield method less impairment losses.



## **Table of Contents**

Other investments held by the Group are classified as being available-for-sale and are stated at fair value. In accordance with IAS 39 revised applicable as of January 1, 2005, any resulting gain or loss is recognised directly in shareholders' equity.

The fair value of investments held for trading and investments available-for-sale is taken as the quoted bid price at the balance sheet date. For unquoted securities, a value determined from discounted future cash flows is used.

### **10. Trade and other receivables**

Trade and other receivables are stated at cost less value adjustments for losses.

### **11. Inventories**

#### **Construction work in progress**

Construction work in progress is stated at contract cost increased by the related profit recognised to date less provisions for foreseeable losses and progress billings. Cost includes all expenditure directly related to the projects and an allocation of fixed and variable overheads incurred in the Group's contract activities.

#### **Other inventories**

Raw materials and supplies are stated at the lower of cost (using either the average cost method or the first-in-first out method) or net realisable value. Finished goods and work-in-progress are stated at the lower of production cost or net realisable value.

Production cost includes direct raw material and labour costs and a portion of overhead costs, excluding general and administrative expenses. The market value of raw materials and other inventories is based on the net realisable value, including a provision for slow-moving items where appropriate.

### **12. Cash and cash equivalents**

Cash and cash equivalents include cash and short term investments with a maturity of less than three months from the acquisition date. Short term investments are valued at market value at the end of each period.

### **13. Equity**

#### **Repurchase of share capital**

When share capital is repurchased, the amount of consideration paid, including attributable costs, is recognised as a change in equity. Repurchased / treasury shares are deducted from total shareholders' equity under the caption 'Treasury shares', until they are cancelled.

## **Table of Contents**

### **Dividends**

Dividends are recorded as a liability when they are approved by a general meeting of shareholders.

### **14. Convertible debenture loans**

Debenture loans convertible into share capital at the option of the holder, where the number of shares issued does not change with fluctuations in their fair value, are accounted for as compound financial instruments, net of attributable transaction costs. The equity component of the convertible debenture loans is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the prevailing market rate for a similar liability that does not have an associated equity component. The interest expense recognised in the income statement is calculated using the effective interest rate method.

### **15. Interest-bearing borrowings**

Interest-bearing borrowings are recorded at initial cost, less direct attributable transaction costs. They are then recorded at amortised cost with any difference between amortised cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

### **16. Employee benefits**

#### **Types of pension plans**

##### *Defined contribution plans*

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

Within the Group, defined contribution plans exclusively relate to pension plans. They are, primarily, additional pension plans that serve to complement local legal pension schemes in respect of which the Group pays contributions to social organisations and which are accounted for in the same manner as wages and salaries.

##### *Defined benefit plans*

Defined benefit plans are arrangements that provide guaranteed benefits to certain categories of employees, either by way of contractual obligations or through a collective agreement. This guarantee of benefits represents a future commitment of the Group and, as such, a liability is calculated. The provision is calculated by estimating the benefits accumulated by employees in return for services rendered during the period and during prior periods. The calculation takes into account demographic assumptions relating to the future characteristics of the previous and current personnel (mortality, personnel turnover etc.) as well as financial assumptions relating to future salary levels or the discount rate applied to services rendered.

## **Table of Contents**

Benefits are discounted in order to determine the present value of the future obligation resulting from this type of plan. They are shown in the balance sheet after the deduction of the fair value of the assets that serve to cover them.

The discount rate applied is the yield, at the balance sheet date, on AA credit rated bonds that have maturity dates similar to the terms of the Group's pension obligations. A qualified actuary performs the underlying calculations annually, using the projected unit credits method.

The actuarial assumptions (both demographic and financial) are reviewed and adapted at year end, giving rise to actuarial gains or losses.

In calculating the Group's obligation in respect of a plan, to the extent that any unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined benefit obligation and the fair value of the plan assets, it is recognized in the income statement over the expected average remaining working lives of the employees participating in the plan (corridor policy). Otherwise, the actuarial gain or loss is not taken into consideration.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

As from 1 January 2006, in order to replace the corridor policy, the Group will implement IAS 19 revised, thereby directly and immediately recognising the unrealised actuarial gains or losses to shareholders' equity. The change and the monetary impact at 1 January 2006 are explained in note 17. When a defined benefit plan is changed, the increase in benefits earned relating to past services rendered is recognized as an expense on a linear basis in line with the average remaining period to be covered until the corresponding rights are acquired. In case the rights are immediately acquired, the expense is directly charged to the income statement.

Within the Group, defined benefit plans relate to complementary retirement schemes, departure indemnities, work medals and health insurance arrangements.

### **Nature of commitments of defined benefit plans**

#### *Complementary retirement schemes*

These schemes are provided in addition to the legal minimal pension in respect of which Group companies contribute directly into social organisations and which are accounted for in the same manner as wages and salaries.

#### *Termination payments*

Termination payments are generally associated with collective agreements with employees under which indemnities are paid upon normal retirement as well as upon voluntary or involuntary retirement.

#### *Work medals*

Work medal programmes are sometimes established under agreements at individual company level. These arrangements represent long-term service award programmes made to employees with certain levels of seniority with their employers.

## **Table of Contents**

### *Health insurance*

Health insurance schemes relate exclusively to the US subsidiaries of the group ( post retirement medical care ). For European entities, health insurance is in place by way of obligatory contributions to state health insurance schemes. These contributions are accounted for in the same manner as wages and salaries.

### **Assets covering commitments relating to defined benefit plans**

The commitments in respect of certain retirement plans are wholly, or in part, covered by life assurance policies or pension funds, depending on the regulations in place in the country in which the benefits are awarded (the concept of funded obligations ).

Externalised commitments are evaluated by independent specialists.

### **Remuneration by way of share options**

The Group grants share option plans to certain directors.

In accordance with the transitional provisions of IFRS 2, applicable since 1 January 2005, the accounting treatment of these share option plans is linked to the date of grant: those granted on or before 7 November 2002 (one remaining plan of Usinor S.A. at 31 December, 2005) do not give rise to any recognition in the income statement. When the options are exercised, cash received less transaction costs are credited to subscribed capital and share premium.

Plans granted after 7 November 2002 (three plans at 31 December 2005) are accounted for using the fair value of the option at the date of grant, the effects of which will be amortised on a straight-line basis over the period through to the exercise date giving rise to a remuneration charge. The contra entry is recorded directly in shareholders' equity of Arcelor S.A, the company granting the stock options.

## **17. Provisions for termination benefits**

The Group recognises an obligation for termination benefits when it is demonstrably committed either to terminating an employee's contract before the normal retirement date or to encouraging voluntary redundancy. Such termination benefits do not bring future economic benefits (services rendered by employees) to the Group and are immediately recognised in the income statement.

Within the Group, provisions for termination benefits fall into two categories:

### **Social provisions in the context of restructuring plans**

Provisions are recorded when the Group has announced to the entity of the affected employees or to their representatives a social plan that is detailed and formalised in accordance with the requirements of IAS 37. Such social plans either translate into redundancy or early retirement measures.

Benefits are calculated as a function of the approximate number of people whose employment contracts will be terminated. If such benefits are claimable more than twelve months after the end of the period, they are discounted using an interest rate, which corresponds to that of AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

## **Table of Contents**

### **Early retirements plans**

Within the Group, early retirement plans primarily correspond to the practical implementation of social plans. Such early retirement plans are considered effective when the affected employees have been formally informed and when liabilities have been determined using an appropriate actuarial calculation. Early retirement plans can also be linked to collective agreements signed with certain categories of employees.

Liabilities in respect of both of the above scenarios are calculated on the basis of the effective number of employees likely to take early retirement, in accordance with IAS 19. An independent actuary performs the calculation annually. Liabilities are discounted using an interest rate which corresponds to that of AA credit rated bonds that have maturity dates approximating to the terms of the Group's obligations.

### **18. Other Provisions**

A provision is accounted for when the Group has a present obligation (legal or constructive) as a result of a past event, whose amount can be reliably estimated, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

#### **Technical warranties**

A provision for technical warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

#### **Restructuring**

A provision for restructuring is accounted for when the Group has approved a detailed formal restructuring plan, and has raised a valid expectation that it will carry out the restructuring by commencing the implementation of the plan or announcing its main features to those affected by it.

#### **Environment**

The Group generally estimates provisions related to environmental issues on a case-by-case basis, taking into account applicable legal requirements. A best estimate, based on available information, is calculated, provided that the available information indicates that the loss is probable and can be estimated in a sufficiently reliable manner.

#### **Onerous contracts**

A provision for onerous contracts is recognised when the expected economic benefits to be received by the Group under a contract are lower than the unavoidable costs of meeting its obligations under it.

### **19. Trade and other payables**

Trade and other payables are recorded at cost.

## **Table of Contents**

### **20. Deferred taxes**

Deferred taxes are calculated for each taxable entity, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities, as determined in accordance with the tax rules in force in the countries in which the Group conducts its operations, and their carrying amounts in the financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are netted when authorised by local tax authorities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which they can be utilised. Therefore, taking into account the cyclical nature of the business, deferred tax assets may be recognised by companies that have incurred tax losses over the previous periods.

### **21. Revenue recognition, interest and dividend income**

#### **Sales of goods and services**

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

#### **Construction contracts**

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed according to the work performed.

Anticipated losses on a contract are recognised immediately in the income statement.

#### **Interest and dividend income**

Interest income is recognised in the income statement on a pro-rata basis, taking into account the effective yield rate.

Dividend income is recognised in the income statement on the date the general meeting approves the dividend payment.

## **Table of Contents**

### **22. Financial risk management**

#### **Derivated financial instruments**

The Group uses derivative financial instruments, interest rate swaps and forward foreign exchange contracts to hedge its exposure to risks related to foreign exchange and interest rates and arising from operating, financing and investment activities.

Derivative financial instruments are initially recognised at cost and subsequently restated at their fair value. Unrealised gains or losses are recognised depending on the nature of the item being hedged.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counter-parties.

The fair value of forward foreign exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price or forward rate.

#### **Hedge of cash flows**

When a derivative financial instrument hedges the variation in cash flows of a firm commitment or a forecast transaction, the effective part of any resultant gain or loss on the derivative financial instrument is recognised directly in shareholders' equity.

When the firm commitment or forecast transaction results in the recognition of an asset or a liability, the cumulative gain or loss is removed from equity and enters into the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

The ineffective part of any gain or loss is recognised in the income statement. Any gain or loss arising from the time value of the derivative financial instrument is recognised in the income statement.

When a hedging instrument expires, is sold, terminated or exercised, the cumulated unrealised profit or loss on the hedging instrument is maintained in equity for as long as the expected transaction does not occur and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative net gain or loss, which had been recognised in equity, is reported immediately in the income statement.

#### **Hedge of fair value**

Where a derivative financial instrument hedges the variability in fair value of a recognised receivable or payable, any resulting gain or loss on the hedging instrument is recognised in the income statement. The hedged item is also stated at its fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

The fair value of the hedged items, in respect of the risk being hedged, is their carrying amount at the balance sheet date translated to EUR at the foreign exchange rate ruling at that date.

#### **Hedge of net investment in foreign operation**

Where a foreign currency liability hedges a net investment in a foreign operation, foreign exchange differences arising on translation of the liability to EUR are recognised directly in equity. Where the the

## **Table of Contents**

hedging instrument is a derivative, any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Where the hedging instrument is not recognised, the related profit or the loss is recognised in the income statement.

### **23. Emission rights**

The Group's industrial sites concerned by the European Directive on CO<sub>2</sub> emission rights, effective as of 1 January 2005, are located in Germany, Belgium, Spain, France and Luxembourg.

The emission rights allotted to the Group on a no charge basis pursuant to the annual national allocation plan, are recorded in the balance sheet at nil value.

The Group continuously monitors rights that have expired and that will have to be surrendered. The number of rights to be surrendered is equal to the total emissions over a given period. These emissions are submitted to an annual certification, done by a certified external expert in accordance with applicable national regulation.

Any difference between available rights and expired rights to be surrendered is subject to provisioning at market value.

Excess allowances sold on the allowance market are recognised in the income statement.

Allowance purchases or sales are recorded at cost.

### **24. Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing particular products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's primary segment is defined as the business segment, while the secondary is the geographical segment.

Segment assets are operational assets used by the sector in the context of its operating activities. They include attributable goodwill, intangible assets and property, plant and equipment, as well as current assets used in the operating activities of the sector. They do not include deferred tax assets, other investments or receivables and other non-current financial assets. Such assets are shown under the caption Unallocated assets.

Sector liabilities are liabilities resulting from the activities of a sector, which can either be directly attributed to this sector or can be attributed to it reasonably. They include current and non-current liabilities. They exclude financial debt and deferred tax liabilities. Such liabilities are shown under the caption Unallocated liabilities.



## **Table of Contents**

### *Note 3 - Scope of consolidation*

At 31 December 2005, the scope of consolidation of the Arcelor Group includes, in addition to Arcelor S.A., 371 fully consolidated companies (31 December 2004: 361). Furthermore, the Group accounts for 173 companies using the equity method (31 December 2004: 185). The reduction in the number of fully consolidated companies is primarily associated with a number of acquisitions and disposals, the main transactions being as follows:

### **Acquisitions**

#### **Acesita**

At 31 December 2004, the Arcelor Group held 27.68% (27.83% taking into account the treasury shares) of the company Acesita SA (Brazil, Stainless steel), accounted for by using the equity method. In October 2005, the Group obtained control of Acesita by exercising put-call options negotiated with the other shareholders included in the shareholders' agreement of Acesita.

On 6 October 2005, Arcelor made an agreement with the pension funds PREVI (Caixa de Previdência dos Funcionários do Banco do Brasil) and PETROS (Fundação Petrobrás de Seguridade Social) allowing the Group to acquire 8.24% of Acesita at the price of 45 BRL per share. On the same day, Arcelor concluded a memorandum of understanding with the Brazilian pension fund SISTEL (Fundação Sistel de Seguridade Social) in order to acquire 4.05% of Acesita at the same price, i.e. 45 BRL per share. The latter transaction was formalised on 26 October 2005.

Following these acquisitions, Arcelor directly holds 40.12% (including treasury shares) of the capital of Acesita (76.2% of the shares with voting rights).

Starting 1 October 2005, Acesita is fully consolidated in the accounts of the Group.

#### **Arcelor Huta Warszawa**

On 31 August 2005, Arcelor acquired from Lucchini the control of the company Huta Warszawa (Poland, Long Carbon Steel). Arcelor Huta Warszawa is thus fully integrated in the consolidated Group accounts since 1 September 2005.

#### **Arcelor Projects Spiral Mill**

At 1 April 2005, Arcelor took control of the group Arcelor Projects Spiral Mill (ex De Boer) specialised in the production of foundation tubes (Netherlands, Arcelor Steel Solutions & Services).

### **Disposals**

#### **Corrugados Azpeitia, Corrugados Getafe and Gorrugados Lasao**

On 22 July 2005, the Group sold to the Spanish group Alfonso Gallardo three rebar and mesh plants (Corrugados Azpeitia, Corrugados Getafe and Gorrugados Lasao - Spain, Long Steel with Carbon).

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

On 8 February 2005, the Group sold its interests in the American company Techalloy Company Inc. (United States, Stainless steel) to the company Central Wire Industries Ltd.

**TIM Trefilados Inoxydables de Mexico**

On 10 May 2005, Arcelor sold its subsidiary company TIM - Trefilados Inoxydables de Mexico SA (Mexico, Stainless steel) to the company Novametal SA.

The fair value of the net assets acquired is presented below:

*n Fair value of the net assets acquired*

<i>In EUR million</i>	<b>2005</b>	<b>2004</b>
Intangible assets	14	3
Tangible assets	1,065	2,570
Interests in companies accounted for using the equity method	7	
Other investments	27	62
Debtors and financial assets (commercial and other)	379	290
Inventories	280	248
Cash and cash equivalents	176	257
Net deferred tax liabilities	-91	-345
Interest-bearing loans	-465	-631
Provisions for pensions and similar benefits	-2	
Other provisions	-58	-50
Creditors (suppliers and others)	-243	-175
Minority interest	-589	-624
<b>Fair value of net assets acquired</b>	<b>500</b>	<b>1,605</b>
<b>Elimination of the contribution of companies previously accounted for using the equity method (note 6)</b>	<b>-204</b>	<b>-504</b>
<b>Net positive goodwill (+) / negative goodwill (-)</b>	<b>11</b>	<b>-78</b>
<b>Revaluation of interests previously held</b>	<b>-71</b>	<b>-186</b>
<b>Total acquisition costs</b>	<b>236</b>	<b>837</b>
<b>Cash and cash equivalents acquired</b>	<b>-176</b>	<b>-257</b>
<b>Amounts paid during prior periods</b>		<b>-74</b>
<b>Amounts to be paid in subsequent periods</b>	<b>-117</b>	<b>-204</b>
<b>OUTFLOW (+) / INFLOW (-) RESULTING FROM ACQUISITIONS</b>	<b>-57</b>	<b>302</b>

With respect to Acesita, the determination of the fair value of the identifiable assets and liabilities acquired was completed at the time of the full integration of Acesita (1 October 2005). However, the fair value exercise is not finished as at 31 December 2005, and remains subject to potential modification until 30 September 2006. The fair value of the net assets acquired is EUR 396 million, less the acquisition price (EUR 150 million) and the amount previously accounted for by using the equity method (at the end of September 2005 of EUR 204 million). This resulted in a positive goodwill of EUR 29 million, as well as an equity impact of EUR 71 million due to the revaluation of the historical participation (27.68%).

In order to reconcile the cash flows associated with the acquisition the consideration paid by the Group in 2005 associated with Acesita was EUR 68 million. This is determined on the basis of the acquisition price of EUR 150 million, the amount to be paid in 2006 of EUR 50 million and the net cash acquired in Acesita of EUR 168 million.

**Table of Contents**

With respect to Arcelor Huta Warszawa, the fair value of the identifiable assets and liabilities acquired on 1 September 2005 amounts to EUR 96 million. Given an acquisition price of EUR 77 million, the purchase accounting led to a negative goodwill of EUR 19 million.

The cash loss of EUR 2 million associated with the Huta acquisition corresponds to the payment made by the Group of EUR 77 million, reduced by the amount of EUR 67 million to be paid in 2007 and the net cash and cash equivalents acquired of EUR 8 million.

**The fair value of the net assets disposed of is presented below:**

*n Fair value of the net assets disposed*

<i>In EUR million</i>	2005	2004
Intangible assets		2
Tangible assets	184	168
Interests in companies accounted for using the equity method		211
Other participations	1	14
Debtors and financial assets (commercial and other)	157	328
Inventories	61	246
Cash and cash equivalents	76	48
Net deferred tax liabilities	-13	-4
Interest-bearing loans	-28	-207
Provisions for pensions and similar benefits	-3	-24
Other provisions	-5	-8
Creditors (suppliers and others)	-189	-339
<b>Fair value of assets disposed of (2)</b>	<b>241</b>	<b>435</b>
<b>DISPOSAL PRICE (1)</b>	<b>331</b>	<b>515</b>
<b>PROFIT ON DISPOSAL (1)-(2)</b>	<b>90</b>	<b>80</b>
<b>Cash and cash equivalents disposed of</b>		<b>-5</b>
<b>Repayment of debts towards companies disposed of</b>		<b>-11</b>
<b>To be received in subsequent periods</b>		<b>-40</b>
<b>INFLOW RESULTING FROM DISPOSALS</b>	<b>331</b>	<b>459</b>

*Note 4 - Intangible assets*

*31 December 2005,*

<i>in EUR million</i>	Goodwill on acquisition	Concessions, patents, licenses and similar rights	Other	TOTAL
Gross opening balance	265	227	257	749
Acquisitions	33	21	9	63
Disposals		-6	-1	-7
Changes in consolidation scope		14	6	20
Foreign exchange differences	-8	5	1	-2
Transfers and other movements		-3	6	3
<b>GROSS CLOSING BALANCE</b>	<b>290</b>	<b>258</b>	<b>278</b>	<b>826</b>
Opening cumulative amortisation	-242	-168	-182	-592
Acquisitions and disposals		6	1	7
Changes in consolidation scope			-2	-2
Impairment				
Amortisation charge		-29	-11	-40
Foreign exchange differences	8	1	-1	8
Transfers and other movements			-14	-14
<b>CLOSING CUMULATIVE AMORTISATION</b>	<b>-234</b>	<b>-190</b>	<b>-209</b>	<b>-633</b>
<b>OPENING NET BOOK VALUE</b>	<b>23</b>	<b>59</b>	<b>75</b>	<b>157</b>
<b>CLOSING NET BOOK VALUE</b>	<b>56</b>	<b>68</b>	<b>69</b>	<b>193</b>



**Table of Contents**

31 December 2005,

<i>in EUR million</i>	Goodwill on acquisition	Concessions, patents, licenses and similar rights	Other	TOTAL
Gross opening balance	-766	239	228	-299
First time adoption of IFRS 3	1,032			1,032
Gross opening balance restated	266	239	228	733
Acquisitions		26	45	71
Disposals		-40		-40
Changes in consolidation scope		-6	2	-4
Foreign exchange differences	-1	-1		-2
Transfers and other movements		9	-18	-9
<b>GROSS CLOSING BALANCE</b>	<b>265</b>	<b>227</b>	<b>257</b>	<b>749</b>
Opening cumulative amortisation	121	-175	-198	-252
First time adoption of IFRS 3	-356			-356
Gross opening balance restated	-235	-175	-198	-608
Acquisitions and disposals		40		40
Changes in consolidation scope		7	4	11
Impairment	-12			-12
Amortisation charge		-34	-8	-42
Foreign exchange differences	2			2
Transfers and other movements	3	-6	20	17
<b>CLOSING CUMULATIVE AMORTISATION</b>	<b>-242</b>	<b>-168</b>	<b>-182</b>	<b>-592</b>
<b>OPENING NET BOOK VALUE</b>	<b>-645</b>	<b>64</b>	<b>30</b>	<b>-551</b>
<b>CLOSING NET BOOK VALUE</b>	<b>23</b>	<b>59</b>	<b>75</b>	<b>157</b>

n Analysis of net positive goodwill on acquisitions 2005

<i>In EUR million</i>	Net value 2004	Acquisitions	Net value 2005
Usinor / S3P	8		8
Arcelor Profil	3		3
Galtec	3		3
Haironville Portugal	2		2
Belgo Siderurgia / Dedini	5		5
Arcelor Projects Spiral Mill		1	1
Acesita		29	29
Asturia de Perfiles		3	3
Other	2		2
<b>TOTAL</b>	<b>23</b>	<b>33</b>	<b>56</b>

n Analysis of net positive goodwill on acquisitions 2004

<i>In EUR million</i>	Net value 2003	Depreciation	Other	Net value 2005
Usinor / S3P	8			8
Avis Steel	1		-1	0
Arcelor Profil	3			3
Galtec	3			3
Weha Edelstahl	2		-2	0
CFA	10	-10		0
Haironville Portugal	2			2
Belgo Siderurgia / Dedini			5	5
Trefilados Mexico	2	-2		0
Other		2	2	
<b>TOTAL</b>	<b>31</b>	<b>-12</b>	<b>4</b>	<b>23</b>



**Table of Contents***Note 5 Property, plant and equipment*

*31 December 2005,*

<i>in EUR million</i>	<b>Land and buildings</b>	<b>Plants and machinery</b>	<b>Prepayments and fixed assets under construction</b>	<b>Other</b>	<b>Total</b>
Gross opening balance	3,510	15,219	1,024	736	20,489
Acquisitions	47	139	1,825	29	2,040
Disposals	-62	-263	-5	-112	-442
Changes in consolidation scope	323	386	9	-18	700
Foreign exchange differences	205	811	105	36	1,157
Transfers	163	707	-872	144	142
<b>GROSS CLOSING BALANCE</b>	<b>4,186</b>	<b>16,999</b>	<b>2,086</b>	<b>815</b>	<b>24,086</b>
Opening cumulative depreciation	-1,123	-7,675	-1	-460	-9,259
Disposals	23	224		113	360
Changes in consolidation scope	40	124		18	182
Depreciation charge	-1	96	1	-19	77
Impairment	-128	-1,063		-75	-1,266
Foreign exchange differences	-57	-286		-19	-362
Other	-64	105		-92	-51
<b>CLOSING CUMULATIVE DEPRECIATION</b>	<b>-1,310</b>	<b>-8,475</b>		<b>-534</b>	<b>-10,319</b>
<b>OPENING NET BOOK VALUE</b>	<b>2,387</b>	<b>7,544</b>	<b>1,023</b>	<b>276</b>	<b>11,230</b>
<b>CLOSING NET BOOK VALUE</b>	<b>2,876</b>	<b>8,524</b>	<b>2,086</b>	<b>281</b>	<b>13,767</b>

*31 December 2005,*

<i>in EUR million</i>	<b>Land and buildings</b>	<b>Plants and machinery</b>	<b>Prepayments and fixed assets under construction</b>	<b>Other</b>	<b>Total</b>
Gross opening balance	3,152	12,930	780	703	17,565
Acquisitions	103	284	917	49	1,353
Disposals	-79	-463	-37	-89	-668
Changes in consolidation scope	288	2,047	189	67	2,591
Foreign exchange differences	-46	-241	-20	-9	-316
Transfers	92	662	-805	15	-36
<b>GROSS CLOSING BALANCE</b>	<b>3,510</b>	<b>15,219</b>	<b>1,024</b>	<b>736</b>	<b>20,489</b>
Opening cumulative depreciation	-1,043	-7,129	-15	-431	-8,618
Disposals	52	417	13	79	561
Changes in consolidation scope	13	-167	3	-34	-185
Depreciation charge	-3	-20	-1		-24
Impairment	-144	-880	-1	-104	-1,129
Foreign exchange differences	16	75		6	97
Other	-14	29		24	39
<b>CLOSING CUMULATIVE DEPRECIATION</b>	<b>-1,123</b>	<b>-7,675</b>	<b>-1</b>	<b>-460</b>	<b>-9,529</b>
<b>OPENING NET BOOK VALUE</b>	<b>2,109</b>	<b>5,801</b>	<b>765</b>	<b>272</b>	<b>8,947</b>
<b>CLOSING NET BOOK VALUE</b>	<b>2,387</b>	<b>7,544</b>	<b>1,023</b>	<b>276</b>	<b>11,230</b>

At 31 December 2005 the gross value of capitalised finance leases is EUR 178 million (2004: EUR 131 million) and the net value of finance leases amounted to EUR 120 million (2004: EUR 85 million).

**Table of Contents**

Tangible fixed assets with a carrying value of EUR 212 million have been pledged as guarantees of financial debt (2004: EUR 279 million).

The acquisitions of EUR 2,040 million in 2005 include assets with a cost of EUR 141 million with the exclusive objective of preventing, reducing or repairing damage to the environment. These environmental investments relate primarily to the reduction of emissions to the atmosphere (dust and gas).

**a) Analysis by country and nature of the investment**

<i>In EUR million</i>	Market Development	Product Development	Cost reduction	Replacement and restoration	Environment	Professional safety	Industrial safety	Total
Belgium	90	13	24	49	33	11	3	223
France	17	99	71	117	22	5	11	342
Spain	13	12	31	111	18	3	10	198
Brazil	623	7	53	127	64	3	3	880
Luxembourg	4	15	35	60	2	2	2	120
Germany	6	2	36	38	2	1	2	87
Other	9	29	47	105				190
<b>TOTAL</b>	<b>762</b>	<b>177</b>	<b>297</b>	<b>607</b>	<b>141</b>	<b>25</b>	<b>31</b>	<b>2,040</b>

B-77



**Table of Contents****b) Analysis by country and nature of the environmental investment**

<i>In EUR million</i>	Protection of ambient air and climate	Noise and Vibration abatement (excluding the working environment)	Effluent management	Waste management	Protection and remediation of soil, ground water and surface water	Total
Brazil	20	2	31	7	4	64
Belgium	23	2	3	4	1	33
France	9		11	2		22
Spain	13		3	2		18
Luxembourg			2			2
Germany	2					2
<b>TOTAL</b>	<b>67</b>	<b>4</b>	<b>50</b>	<b>15</b>	<b>5</b>	<b>141</b>

Note 6 - Investments in companies accounted for using the equity method

<i>In EUR million</i>	Value accounted for using the equity method	Net goodwill	Total
<b>BALANCE AT 31 DECEMBER 2004</b>	<b>1,322</b>	<b>44</b>	<b>1,366</b>
Acquisitions	16		16
Disposals	-47		-47
Profit for the year	317		317
Dividends paid	-95		-95
Changes in consolidation percentage (note 3)	-160	-44	-204
Foreign exchange differences	91		91
Increase in capital	34		34
<b>BALANCE AT DECEMBER 31, 2005</b>	<b>1,478</b>		<b>1,478</b>

The primary investments in associated companies and jointly controlled entities are as follows:

<i>In Eur million</i>	% holding at year end 2005	Total assets as at 31 December 2005	Share in profit as at 31 December 2005	% holding at year end 2004	Total assets at 31 December 2004	Share in profit at 31 December 2005
<b>Associated companies</b>						
<b>FLAT CARBOND STEEL</b>						
CST (Brazil)						130
Gestamp (Spain)	35.0%	169	18	35.0%	129	20
Gonvarri Industrial (Spain)	35.0%	115	22	35.0%	96	34
CLN (Italy)	35.0%	84	2	35.0%	70	2
Holding Gonvarri SRL (Spain)	35.0%	79		35.0%	92	2
Borcelik (Turkey)	40.3%	60	3	40.3%	54	12
Cia Hispano-Brasileira de Pelotização (Brazil)	49.1%	30	22	49.1%	19	7
Dosol Galva (Canada)	20.0%	28	11	20.0%	13	

**Table of Contents**

<i>In EUR million</i>	% holding at year end 2005	Total assets as at 31 December 2005	Share in profit as at 31 December 2005	% holding at year end 2004	Total Assets at 31 December 2004	Share in profit at 31 December 2005
<b>STAINLESS STEEL</b>						
Acesita (Brazil)			47	27.7%	153	32
<b>LONG CARBON STEEL</b>						
Usina Hidreletrica Guilman Amorim (Brazil)	51.0%	14	11	51.0%	2	6
LME (France)	34.0%	12	-10	34.0%	30	14
Société Nationale de Sidérurgie (Morocco)	7.5%	10	1	7.5%	11	2
San Zeno Acciai-Duferco (Italy)	49.9%	9		49.9%	9	
<b>OTHER ACTIVITIES</b>						
DHS Group (Germany)	51.3%	563	161	51.3%	394	61
Groupe Atic (France)	42.4%	27	5	42.3%	22	4
Soteg (Luxembourg)	20.0%	25	2	20.0%	24	2
Various associated companies		76	6		51	32
Jointly controlled entities						
<b>LONG CARBON STEEL</b>						
TrefilARBED Kiswire (Korea)	50.0%	96	5	50.0%	78	8
Aquarius (Brazil)				50.0%	47	
<b>A3S (ARCELOR STEEL SOLUTIONS &amp; SERVICES)</b>						
Traxys SA (Luxembourg)	50.0%	34	8	50.0%	27	7
Various jointly controlled entities		47	3		45	38
<b>TOTAL</b>		<b>1,478</b>	<b>317</b>		<b>1,366</b>	<b>413</b>

Note 7 - Other investments and financial assets available for sale

## Shares in

<i>In EUR million</i>	Affiliated Companies			Participating interests			Other securities			Total		
	Gross value	Depr.	Net value	Gross value	Depr.	Net value	Gross value	Depr.	Net value	Gross value	Depr.	Net value
<b>Balance at 31 December 2004</b>	<b>632</b>	<b>-314</b>	<b>318</b>	<b>164</b>	<b>-84</b>	<b>80</b>	<b>183</b>	<b>-53</b>	<b>130</b>	<b>979</b>	<b>-451</b>	<b>528</b>
Acquisitions	42		42	3		0						