ISPAT INTERNATIONAL NV
Form F-4
December 14, 2004

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As filed with the Securities and Exchange Commission on December 14, 2004
Registration No. 333-[ ]

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-4

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Ispat International N.V.

(Exact Name of Registrant as Specified in Its Charter)

Ispat International

(Translation of Registrant s Name Into English)

The Netherlands	**3312**	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Hofplein 20, 15th Floor

3032 AC Rotterdam
The Netherlands
+31 10 217 8800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Marc R. Jeske

Ispat Inland Inc.
3210 Watling Street
East Chicago, IN 46312
(219) 399-1200
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

Copies to:

John A. Marzulli, Jr., Esq. Peter J. Rooney, Esq. Shearman & Sterling LLP 599 Lexington Avenue New York, NY 10022-6069 United States (212) 848-4000	Henk Scheffer, Esq. Ispat International N.V. Hofplein 20, 15th Floor 3032 AC Rotterdam The Netherlands +31 10 217 8819	Robert A. Profusek, Esq. Marilyn W. Sonnie, Esq. Jones Day 222 East 41st Street New York, NY 10017-6702 United States (212) 326-3939

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

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. o

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. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Class A Common Shares, par value 0.01 per share	(1)	(1)	$1,887,678,376.50	$222,179.74

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

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rules 457(f)(1) and (3) and Rule 457(c) of the Securities Act of 1933, as amended (the Securities Act), based on (i) the product of (a) $39.87, the average of the high and low sales prices of International Steel Group Inc. common stock as reported by the New York Stock Exchange on December 7, 2004 and (b) 100,035,950 shares of International Steel Group Inc. common stock outstanding at the close of business on December 7, 2004 less (ii) $2,100,754,950, the amount of cash to be paid by the Registrant in exchange for shares of International Steel Group Inc. common stock (equal to the product of $42.00 times 50,017,975 shares of International Steel Group Inc. common stock to be converted into cash).

(3) Computed in accordance with Rule 457(f) under the Securities Act to be $222,179.74 which is equal to 0.0001177 multiplied by the proposed maximum aggregate offering price of $1,887,678,376.50.

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

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

SUBJECT TO COMPLETION, DATED DECEMBER 14, 2004

[ ] [ ], 200[ ]

To International Steel Group Inc. Stockholders:

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

In the merger, ISG stockholders will be entitled to receive: (1) $42.00 per share in cash, (2) a number of Ispat International class A common shares equal to $42.00 divided by the average closing price of Ispat International class A common shares on the New York Stock Exchange during the 20-trading-day period ending on (and including) the trading day that is two days prior to the completion of the merger, up to a maximum of 1.21740 shares and a minimum of 0.95865 shares, or (3) a combination of cash and Ispat International class A common shares. ISG stockholders may elect to receive cash or Ispat International class A common shares or a combination of the two, but may receive a different proportion of cash and shares because no more than 50% of the shares of ISG common stock will be converted into cash and no more than 50% of the shares of ISG common stock will be converted into Ispat International class A common shares. We expect the stock portion of the merger consideration to be tax free to ISG stockholders for U.S. federal income tax purposes.

The ISG merger follows the combination of Ispat International and LNM Holdings N.V., which together create the largest, most global steel company in the world. The ISG board of directors believes that this merger represents a unique opportunity for ISG stockholders to participate in a rapidly growing, more diversified steel company, while at the same time ensuring that ISG stockholders receive cash for a portion of their shares of ISG common stock at a substantial premium to market prices when the merger agreement was signed.

Ispat International class A common shares are listed and traded on the New York Stock Exchange, Ispat International s principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol IST . Ispat International has applied, subject to the acquisition of LNM Holdings being completed, to have its symbol on the New York Stock Exchange and on Euronext Amsterdam changed to MT .

The ISG board of directors unanimously approved the merger and recommends that you vote FOR the adoption of the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies. The enclosed proxy statement /prospectus describes Ispat International, its acquisition of LNM Holdings, pro forma financial information for the combined company, Ispat International s principal shareholders, differences in shareholder rights after the proposed merger, the background of the merger and other important information. Please read this material carefully. **You should also carefully consider the risk factors relating to the merger beginning on page 33.**

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

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

Sincerely yours,

[INSERT SIGNATURE]
WILBUR L. ROSS
Chairman of the Board

[If you have any questions concerning the proposed merger, please call [ISG s proxy solicitors, [ ]], toll free at [ ]].
Please do not send in your stock certificates with your proxy card.

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

This proxy statement/prospectus is dated [ ] [ ], 200[ ], and is first being mailed to ISG stockholders on or about [ ] [ ], 2005.

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INTERNATIONAL STEEL GROUP INC.

4020 Kinross Lakes Parkway
Richfield, Ohio 44286-9000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On [Day, Date] at [Time]

TO INTERNATIONAL STEEL GROUP INC. STOCKHOLDERS:

Notice is hereby given that a special meeting of stockholders of International Steel Group Inc., including any adjournments or postponements thereof, relating to the proposed merger of ISG with a subsidiary of Ispat International N.V., will be held on [day], [date], at [time], local time, at [location], to consider and vote upon:

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

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

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

The ISG board of directors has fixed the close of business on [ ] [ ], 200[ ], as the record date for determination of ISG stockholders entitled to notice of, and to vote at, the special meeting. Only the holders of record of shares of ISG common stock on the record date are entitled to have their votes counted at the special meeting. A list of stockholders entitled to vote at the special meeting will be available for examination by any ISG stockholder, for any purpose concerning the meeting, during ordinary business hours at ISG s principal executive offices, located at 4020 Kinross Lakes Parkway, Richfield, Ohio, during the ten days preceding the special meeting.

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

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

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

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

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

By Order of the Board of Directors

[INSERT SIGNATURE]

CARLOS M. HERNANDEZ
Secretary

Richfield, Ohio
[ ] [ ], 200[ ]

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ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about Ispat International and ISG from other documents that are not included in or delivered with this proxy statement/prospectus. See WHERE YOU CAN FIND MORE INFORMATION on page 3 for a listing of documents incorporated by reference. These documents are available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in this proxy statement/prospectus by requesting them in writing or by telephone from the appropriate company at one of the following addresses:

Ispat International N.V.
Investor Relations
Ispat International N.V.
Hofplein 20
15th Floor
3032 AC Rotterdam
The Netherlands
+31 10 217 8800

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

If you would like to request any documents, you must do so by [ ] [ ], 200[ ] in order to receive them before the special meeting of ISG stockholders.

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Annexes

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

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

cost savings expected to result from the proposed acquisition of LNM Holdings and the proposed merger may not be fully realized or realized within the expected time frame;

costs or difficulties related to the integration of the businesses of Ispat International, LNM Holdings and ISG may be greater than expected;

the risk of a significant delay in the expected completion of, and unexpected consequences resulting from, the proposed acquisition of LNM Holdings and the proposed merger;

the risk that a government authority may impose unfavorable terms as a condition to the merger;

operating results following the proposed acquisition of LNM Holdings and the proposed merger may be lower than expected;

adverse changes in interest rates may reduce interest margins or adversely affect asset values of the combined company;

general economic conditions, whether nationally or in the market areas in which Ispat International, LNM Holdings and ISG conduct business, may be less favorable than expected;

the risk of disruption or volatility in the economic, political or social environment in those countries in which Ispat International, LNM Holdings and ISG conduct business;

legislation or regulatory changes may adversely affect the businesses in which Ispat International, LNM Holdings and ISG are engaged;

adverse changes may occur in the securities markets;

uncertainty as to the actions of the controlling shareholder of Ispat International, which will also be the controlling shareholder of the combined company;

the combined company s ability to maintain operational flexibility given its high debt level;

the combined company s ability to attract and retain talented management;

the risk of reduced efficiencies due to the combined company s limited capital expenditures;

fluctuations in currency exchange rates;

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

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

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

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

the risk of labor disputes;

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

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

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

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

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

This proxy statement/ prospectus incorporates by reference the documents set forth below that Ispat International and ISG have previously filed with the SEC. These documents contain important information about Ispat International and ISG and their financial condition. Certain of the documents filed by Ispat International also contain important information about LNM Holdings and its financial condition. In particular, Ispat International furnished to the SEC on November 18, 2004 a Report on Form 6-K, which is incorporated by reference into this proxy statement/ prospectus, containing certain information regarding LNM Holdings.

ISPAT INTERNATIONAL SEC FILINGS (File No. 001-14666)	Period
Annual Report on Form 20-F, as amended	Year ended December 31, 2003
The description of Ispat International class A common shares set forth in Ispat International s registration statements filed by Ispat International pursuant to Section 12 of the Exchange Act, including any amendment or report filed for purposes of updating any such description	Filed on July 24, 1997
Reports on Form 6-K	Filed on: May 6, 2004 August 5, 2004 October 25, 2004 (filing regarding third quarter earnings) November 18, 2004 November 30, 2004

ISG SEC FILINGS (File No. 001-31926)	Period
Annual Report on Form 10-K	Year ended December 31, 2003
Quarterly Reports on Form 10-Q	Quarters ended: September 30, 2004 June 30, 2004 March 31, 2004
Current Reports on Form 8-K	Filed on: February 23, 2004 April 2, 2004 (filed pursuant to Items 5 and 7) April 13, 2004 May 6, 2004 June 17, 2004 June 23, 2004 October 7, 2004 October 25, 2004 October 28, 2004

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

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/ prospectus to vote on the merger. No one has been authorized to provide you with information that is different from what is contained in, or incorporated by reference into, this proxy statement/ prospectus. This proxy statement/ prospectus is dated [ ] [ ], 200[ ]. You should not assume that the information contained in, or incorporated by reference into, this proxy statement/ prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement/ prospectus to ISG stockholders nor the issuance by Ispat International of Ispat International class A common shares in connection with the merger will create any implication to the contrary.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING

AND THE PROPOSED MERGER

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

Q: What is the proposed transaction?

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

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

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

$42.00 in cash,

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

a combination of cash and Ispat International class A common shares.

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

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

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

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

Q: Will each ISG stockholder receive the specific amount of cash or Ispat International class A common shares elected?

A: Not necessarily. The merger agreement requires that, in the aggregate, 50% of the shares of ISG common stock must be converted into cash and 50% of the shares of ISG common stock must be converted into Ispat International class A common shares. As a result, the amounts of cash and Ispat International class A common shares that an ISG stockholder will receive may be different from the amounts that such ISG stockholder elects to receive. For example, if ISG stockholders owning more than 50% of the shares of ISG common stock elect to receive cash, then the number of shares of ISG common stock converted into cash will be less than the number elected. Similarly, if ISG stockholders owning more than 50% of the shares of ISG common stock elect to receive Ispat International class A common shares, then the number of shares of ISG common stock converted into Ispat International class A common shares will be less than the number elected.

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

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

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

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

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

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

A: Ispat International or the exchange agent has sole discretion to determine that a form of election was received after the election deadline or was otherwise improperly made. Any shares of ISG common stock subject to such a determination will be treated as if no election has been made with respect to such shares. Ispat International may, subject to certain limitations, treat any shares of ISG common stock with respect to which no election has been made (or deemed to have been made) as either cash election shares or stock election shares, in its sole discretion. Accordingly, ISG stockholders are urged to make their elections.

Q: Assuming that I receive Ispat International class A common shares in the merger, will my rights as a stockholder change?

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

In addition, Ispat International class A common shares entitle the holder to one vote per share, while Ispat International class B common shares entitle the holder to ten votes per share, on all matters submitted to a vote of Ispat International shareholders.

For a summary of the material differences between the rights of ISG stockholders and the holders of Ispat International class A common shares, see COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW beginning on page 211.

Q: What are the tax consequences of the merger to ISG stockholders?

A: The merger is intended to qualify as a reorganization within the meaning of the Internal Revenue Code and, therefore, be taxable to ISG stockholders only to the extent they receive cash rather than Ispat International class A common shares in the transaction. Under certain circumstances, Ispat International may effect the merger with ISG pursuant to a reverse-subsidiary merger structure in which Park Acquisition Corp. will merge with and into ISG and ISG will continue as the surviving company of the merger and as a wholly owned subsidiary of Ispat International. In such case, the reverse subsidiary merger, together with the acquisition by Ispat International of the shares of LNM Holdings, would be intended to qualify as transfers of property described in Section 351(a) of the Internal Revenue Code, so that the transaction will also be taxable to ISG stockholders only to the extent they receive cash instead of Ispat International class A common shares.

Q: When do you expect to complete the transaction?

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

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Q: What are the significant conditions to closing?

A: The obligations of Ispat International and ISG to complete the merger are subject to the satisfaction or waiver of a number of conditions, including, among others:

- the completion of the transactions contemplated by, and in accordance with, the acquisition agreement between Ispat International and Richmond Investment Holdings Limited relating to Ispat International s acquisition of LNM Holdings;
- the adoption of the merger agreement by the requisite affirmative vote of the ISG stockholders in accordance with Delaware General Corporation Law, or the DGCL, and ISG s Certificate of Incorporation;
- the adoption of the merger agreement by the requisite affirmative vote of the Ispat International shareholders in accordance with the Dutch Civil Code;
- the authorization for listing of the Ispat International class A common shares to be issued in the merger on the New York Stock Exchange and Euronext Amsterdam, subject to official notice of issuance;
- ISG and, under certain circumstances, Ispat International each receiving an opinion of tax counsel regarding the tax treatment of the merger; and
- the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, and receipt of applicable regulatory merger approvals of certain other jurisdictions.

The parties currently expect that the only non-U.S. regulatory merger approval that is required will be under German law.

Q: What vote is required by the ISG stockholders to adopt the merger agreement?

A: The adoption of the merger agreement requires the affirmative vote of a majority of the outstanding shares of ISG common stock entitled to vote.

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

A: The ISG board of directors recommends that the ISG stockholders vote FOR the adoption of the merger agreement and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies. You should read THE MERGER ISG s Reasons for the Merger beginning on page 43 for a discussion of the factors that the ISG board of directors considered in deciding to recommend to the ISG stockholders the adoption of the merger agreement.

Q: Who is entitled to vote?

A: You can vote at the special meeting if you owned ISG common stock at the close of business on [ ] [ ], [200], the record date.

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

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

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

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

Q: What happens if I do not vote?

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

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

A: Yes. You may change your vote at any time before your proxy is voted at the special meeting. You may revoke your proxy by either:

- advising ISG s Secretary in writing or

- delivering a new proxy.

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

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

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

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

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

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

Q: Where and when is the special meeting?

A: ISG will hold the special meeting at [time], local time, on [ ] [ ], 200[ ] at [location].

Q: What is the LNM acquisition and how is it related to the merger?

A: Simultaneously and in conjunction with the announcement of the merger with ISG, Ispat International announced that it had entered into an acquisition agreement with Richmond Investment Holdings Limited (an entity owned by Mr. Lakshmi N. Mittal, the Chairman of the board of directors and Chief Executive Officer of Ispat International, and his immediate family members the controlling shareholder of Ispat International) to acquire LNM Holdings. Assuming:

- the LNM Holdings acquisition agreement and the transactions referred to therein are approved,
- the related resolutions are passed by Ispat International s shareholders at the extraordinary meeting to be held on December 15, 2004, and
- the other closing conditions under the LNM Holdings acquisition agreement are satisfied or waived,

Ispat International will acquire all of the LNM Holdings common shares and LNM Holdings will become a wholly owned subsidiary of Ispat International. The acquisition of LNM Holdings is expected to close shortly after such extraordinary meeting. It is important to note that the completion of the acquisition of LNM Holdings is a condition to the obligations of Ispat International and ISG to complete the merger. ISG stockholders who receive Ispat International class A common shares in the proposed merger between Ispat International and ISG will become shareholders in the combined company comprised of Ispat International, LNM Holdings and ISG.

Q: What is Mittal Steel?

A: Upon the completion of the acquisition of LNM Holdings, Ispat International will change its name to Mittal Steel Company N.V. , which will be the name of the combined company going forward.

Q: Will the combined company, Ispat International (to be renamed Mittal Steel Company N.V.), have a controlling shareholder?

A: Yes, Mr. Lakshmi N. Mittal, the Chairman of the board of directors and Chief Executive Officer of Ispat International, and his immediate family members the controlling shareholder of Ispat International own, as of the date of this proxy statement/ prospectus, approximately [77.4]% of all Ispat International common shares, representing approximately [97.5]% of the combined voting power. Following the closing of the acquisition of LNM Holdings and the merger with ISG, the controlling shareholder will continue to own shares representing a comparable percentage of the combined voting power of all shares of the combined company, Ispat International (to be renamed Mittal Steel Company N.V.).

SUMMARY OF THE PROXY STATEMENT/ PROSPECTUS

This summary highlights selected information in this proxy statement/ prospectus and may not contain all of the information that is important to you. You should carefully read this entire proxy statement/prospectus and the other documents to which you are referred for a more complete understanding of the merger. In particular, you should read the documents attached to this proxy statement/ prospectus, including the merger agreement, which is attached as Annex A. In addition, we incorporate by reference important business and financial information about Ispat International, LNM Holdings and ISG into this proxy statement/ prospectus, see WHERE YOU CAN FIND MORE INFORMATION on page 3. We have included page references in this summary to direct you to more complete descriptions of the topics presented in this summary.

As used in this proxy statement/ prospectus Ispat International refers to Ispat International N.V., LNM Holdings refers to LNM Holdings N.V. prior to its acquisition by Ispat International or as a subsidiary of Ispat International after the acquisition of LNM Holdings, and ISG refers to International Steel Group Inc. prior to the merger or as a subsidiary of Ispat International after the merger. Mittal Steel refers to the combined company of Ispat International and LNM Holdings after the acquisition of LNM Holdings and the combined company of Ispat International, LNM Holdings and ISG after the merger.

Information about Ispat International (Page 125) and Park Acquisition Corp.

Ispat International N.V.

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

Ispat International is the world s eleventh largest steel producer based on 2003 shipments[1], with steel-making operations in seven countries. Ispat International s operating philosophy embraces both integrated and mini-mill processes for steel-making. Its steel shipments have increased from 1.5 million tons in 1992 to 15.2 million tons in 2003. In fiscal year 2003, Ispat International s consolidated sales, operating income and net income were $5,441 million, $151 million and $66 million, respectively. For the nine months ended September 30, 2004, Ispat International s consolidated sales, operating income and net income were $6,320 million, $1,243 million and $887 million, respectively.

On October 24, 2004, Ispat International entered into an acquisition agreement with Richmond Investment Holdings Limited to acquire LNM Holdings. On November 18, 2004, Ispat International published a notice to its registered shareholders, and placed advertisements for such purpose, informing them of an extraordinary meeting scheduled to be held on December 15, 2004 for the purpose, among other things, of approving the acquisition of LNM Holdings. Ispat International anticipates that the acquisition of LNM Holdings will close by the end of the fourth quarter of 2004. Following completion of the acquisition of LNM Holdings, Ispat International will be renamed Mittal Steel Company N.V. Further information regarding the acquisition of LNM Holdings, including a copy of the LNM Holdings acquisition agreement, can be found in the prospectus Ispat International filed with Euronext Amsterdam and furnished to the SEC under cover of a Report on a Form 6-K on November 18, 2004. Please see ACQUISITION OF LNM HOLDINGS on page 32 for further discussion of the acquisition of LNM Holdings.

Park Acquisition Corp.

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

Park Acquisition Corp. is a Delaware corporation and a wholly owned subsidiary of Ispat International created solely for the purpose of entering into the transactions contemplated under the merger agreement.

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[1] Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

Park Acquisition Corp. has not conducted any activities other than those incidental to its formation and the entering into of the merger agreement.

Information about LNM Holdings (Page 135)

LNM Holdings N.V.

Landhuis Joonchi
Kaya Richard J. Beaujon z/n Curacao
Netherlands Antilles
+5999 736 6277

LNM Holdings is one of the world s largest steel producers[2], and operates steel-making and processing facilities in seven countries. LNM Holdings primarily operates integrated steelmaking facilities. LNM Holdings has in recent years significantly increased its production and shipments of steel products, primarily through the acquisition of additional steel producing assets. LNM Holdings shipped a total of 12.3 million tons of steel and steel products in 2003. In 2003, its consolidated sales, operating income and net income were $4,167 million, $1,136 million and $1,116 million, respectively. For the nine months ended September 30, 2004, consolidated sales, operating income and net income were $9,942 million, $3,160 million and $2,266 million, respectively.

Information about ISG (Page 146)

International Steel Group Inc.

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

ISG is one of the largest integrated steel producers in North America[3] with annual raw steel production capability of about 23 million net tons. ISG ships a variety of steel products from 13 major steel producing and finishing facilities in eight states. ISG has grown by acquiring out of bankruptcy the steel-making assets of LTV Steel Company Inc., or LTV, Acme Steel Company, or Acme, Bethlehem Steel Corporation, or Bethlehem, Weirton Steel Corporation, or Weirton, and Georgetown Steel Corporation, or Georgetown. For the nine months ended September 30, 2004, net sales, income from operations and net income were $6,462.4 million, $556.4 million and $421.4 million, respectively.

The ISG Special Meeting of Stockholders

Matters to Be Considered, Date, Time and Place (Page 36)

ISG will hold the special meeting at [time], local time, on [ ] [ ], 200[ ] at [location] to vote on the proposal to adopt the merger agreement and a proposal to approve the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

Stockholders Entitled to Vote; Record Date and Vote Required (Page 36)

The holders of record of ISG common stock at the close of business on [ ] [ ] 200[ ], the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were [ ] shares of ISG common stock outstanding, all of which are entitled to vote at the special meeting. Completion of the merger requires the adoption of the merger agreement by the affirmative vote of the holders of a majority of the shares of ISG common stock outstanding on the record date. At the close of business on the record date, directors and executive officers of ISG beneficially owned, in

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[2] Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

[3] Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

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the aggregate, approximately [ ] shares of ISG common stock, representing approximately [ ] percent of the shares of ISG common stock outstanding.

The Merger (Page 39)

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

Merger Consideration (Page 72)

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

- $42.00 in cash;
- a number of Ispat International class A common shares valued at $42.00, subject to a restriction on both the maximum and minimum number of Ispat International class A common shares to be issued in connection with the merger; or
- a combination of cash and Ispat International class A common shares.

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

- equal to or greater than the minimum of approximately $34.50 per share and equal to or less than the maximum of approximately $43.81 per share, then each share of ISG common stock will be exchanged for an amount of Ispat International class A common shares equal to $42.00 in average closing prices over the measurement period;
- less than the minimum of approximately $34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Ispat International class A common shares, regardless of the value of those shares; or
- greater than the maximum of approximately $43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Ispat International class A common shares, regardless of the value of those shares.

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

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

Recommendation of the ISG Board of Directors (Page 42)

The ISG board of directors:

- has determined unanimously that the merger is fair to, and in the best interests of, ISG and its stockholders;
- has approved and declared advisable the merger agreement; and

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

Opinions of ISG s Financial Advisors (Page 47)

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

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

Conditions of the Merger (Page 87)

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

- the closing of the acquisition of LNM Holdings by Ispat International;
- the registration statement, of which this proxy statement/ prospectus forms a part, having been declared effective by the SEC;
- the receipt of ISG stockholder approval for the merger;
- the receipt of Ispat International shareholder approval for the merger;
- the Ispat International class A common shares to be issued in the merger having been authorized for listing on the New York Stock Exchange and Euronext Amsterdam, subject to notice of issuance;
- the absence of any governmental orders that have the effect of making the merger illegal or that otherwise prohibit the closing of the merger;
- that the representations and warranties of each party are true and correct (without regard to materiality or material adverse effect qualifications), except where the failure of the party s representations and warranties to be true and correct (without regard to materiality or material adverse effect qualifications) would not reasonably be expected to have a material adverse effect on the party and its subsidiaries, taken as a whole;
- the performance in all material respects by each party of its covenants and agreements in the merger agreement;
- the receipt by each of ISG and Ispat International of an opinion of counsel regarding the tax treatment of the merger if structured as a forward-subsidiary merger or the receipt by ISG of an opinion of counsel regarding the tax treatment of the merger if structured as a reverse-subsidiary merger; and
- the expiration (or termination) of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act, and receipt of applicable approvals of any other jurisdictions.

The parties currently expect that the only non-U.S. regulatory merger approval that is required will be under German law.

Termination of the Merger Agreement (Page 89)

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

by either ISG or Ispat International if:

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

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

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

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

by Ispat International if,

the ISG board of directors has (i) recommended a Competing Transaction , as more fully described in THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 82, or entered into an agreement relating to a Competing Transaction , (ii) failed to include its recommendation in favor of the merger in the proxy statement relating to the merger, (iii) failed to reaffirm its recommendation in favor of the merger within five business days after Ispat International requests in writing such reaffirmation, or (iv) failed to recommend against or takes no position with respect to a tender offer or exchange offer (if any) for 30% or more of the outstanding shares of ISG capital stock within ten business days after such offer is commenced; or

(i) either condition related to the receipt of the tax opinions has not been satisfied or waived, (ii) all other conditions have been satisfied, and (iii) five business days have elapsed after Ispat International provided written notice to ISG of its intention to terminate the merger agreement pursuant to this provision without ISG having consented to the completion of the merger by employing the alternative reverse-subsidiary merger structure described under THE MERGER AGREEMENT Tax Adjustment and Alternative Structures beginning on page 73; or

by ISG if,

the LNM Holdings acquisition agreement is terminated prior to completion of the acquisition of LNM Holdings or if any of the conditions for completion in the LNM Holdings acquisition agreement will have become incapable of being fulfilled; or

prior to the ISG special stockholders meeting, ISG received a superior proposal in accordance with the terms of the merger agreement, but only after ISG has provided Ispat International a three-business-day period to make an offer that is at least as favorable as the superior proposal.

Fees and Expenses (Page 92)

Under certain circumstances, in connection with termination of the merger agreement, ISG will be required to pay Ispat International a fee of $130 million and, in certain other circumstances, reimburse Ispat International for certain expenses incurred in connection with the merger up to $10 million. Ispat Interna-

tional also is required to pay ISG a fee of $130 million in certain circumstances related to the termination of the LNM Holdings acquisition agreement and, in certain other circumstances, certain expenses of ISG incurred in connection with the merger up to $10 million.

No Solicitation of Transactions (Page 82)

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

Richmond Support Letter Agreement (Page 95)

In connection with Ispat International entering into the merger agreement, at the request of ISG, Richmond Investment Holdings Limited, the sole shareholder of LNM Holdings, made certain representations and warranties to ISG with respect to LNM Holdings and the LNM Holdings acquisition agreement and provided ISG with certain rights to conduct due diligence with respect to LNM Holdings between October 24, 2004 and the effective time of the merger.

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

Parent Shareholder Support Agreement (Page 97)

In connection with Ispat International entering into the merger agreement, at the request of ISG, Ispat International Investments, S.L. entered into a parent shareholder support agreement with ISG. The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L. will vote all of its Ispat International class A common shares and Ispat International class B common shares in favor of approval of the merger agreement. Ispat International Investments, S.L. owns 26,100,000 shares of Ispat International class A common shares and 72,150,000 shares of Ispat International class B common shares, representing approximately [97.5]% of the combined voting power of all shares of Ispat International s voting stock as of the date of this proxy statement/prospectus.

Company Shareholder Support Agreement (Page 99)

In connection with ISG entering into the merger agreement, Wilbur L. Ross, Chairman of the ISG board of directors, and certain affiliates of Mr. Ross and Rodney B. Mott, ISG s President and Chief Executive Officer and a member of the ISG board of directors, entered into a company shareholder support agreement required by Ispat International in connection with its entering into the merger agreement. Among other things, this agreement provides that they will each vote all of the shares of ISG common stock they own in favor of the adoption of the merger agreement. Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott beneficially own [6.9]% and [1.4]%, respectively, of the shares of ISG common stock outstanding as of the record date. This covenant terminates automatically if the merger agreement is terminated, regardless of the circumstances. In addition, the ISG stockholder parties granted an irrevocable option to Ispat International to purchase each such stockholder s shares of ISG common stock at $38.50 per share. Ispat International paid the grantors of these options $3.50 per option share, which amount will be credited against the merger

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consideration receivable by the grantors in the merger. The option becomes exercisable under certain circumstances upon the termination of the merger agreement, but expires on April 30, 2005.

Directors and Senior Management Following the Merger (Page 103)

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

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

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

Mr. Wilbur L. Ross will join Ispat International s board of directors; and

Mr. Rodney B. Mott will become the Chief Executive Officer of Ispat International s combined U.S. operations.

The merger agreement and related documentation do not guarantee that Mr. Ross will serve as a director of Ispat International for any specified period after the merger. As of the date of this proxy statement/ prospectus, Mr. Mott had not entered into an agreement with respect to his post-merger employment and, accordingly, there can be no assurance that Mr. Mott will assume that role. It is also expected that Messrs. Ross and Mott will join the board of directors of Ispat International s U.S. subsidiary after the merger.

Interests of Certain Persons in the Merger (Page 118)

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

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

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

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

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

The merger agreement contemplates that on or prior to December 31, 2004, ISG will pay to each participant in the ISG officer cash and stock bonus plan the participant s earned bonus for the fiscal year ending December 31, 2004. These bonuses would have otherwise been payable in 2005. The amounts payable under the plan did not change and ISG would have accrued such amounts as compensation expense in 2004 in any event.

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

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

Mr. Mott s employment agreement entitles Mr. Mott to a gross-up payment in the event that payments made under his agreement trigger U.S. federal 20% excise taxes imposed in respect of certain change-in-control payments;

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

the estimated value of the severance benefits, excluding the value of executive perquisite coverage or the excise tax gross-up payment, payable to Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson, assuming a qualified termination has occurred, would be approximately $1.9 million, $2.0 million, $1.9 million, $6.4 million and $1.4 million, respectively.

ISG s executive severance pay plan provides officers of ISG certain benefits following a termination of employment, consisting of cash payments and continuation of certain benefits for a period of six to twenty-four months. Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson are not participants in the executive severance pay plan. Mr. Arnett, Ms. Smith and Mr. Spelich, among others, are participants in the plan.

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

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

Regulatory Matters (Page 68)

In order to complete the merger, Ispat International and ISG must obtain approvals from and/or make filings with various U.S. and non-U.S. regulatory agencies. In the United States these approvals and filings include the filing of a registration statement on Form F-4 with the SEC and expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. The merger agreement also requires notification to the Committee on Foreign Investment in the United States under the provisions of the Exon-Florio Amendment to the Defense Production Act of 1950. In The Netherlands, in connection with the issuance of Ispat International class A common shares pursuant to the merger, a prospectus that meets the Listing and Issuing Rules (*Fondsenreglement*) of Euronext Amsterdam must be approved by Euronext Amsterdam. The Hart-Scott-Rodino Antitrust Improvements Act provides that the merger may not be completed until certain information has been provided to the Federal Trade Commission and the Antitrust Division of the United States Department of Justice and certain waiting period requirements have expired or been terminated. In addition, Ispat International and ISG must also comply with the merger control procedures in Germany and Italy.

ISG and Ispat International have agreed to use their reasonable best efforts to complete the merger, including obtaining required regulatory approvals, but Ispat International will not be required to divest assets or take other actions requested by regulators that would have a material adverse effect on ISG or the equivalent of a material adverse effect on ISG.

Accounting Treatment and Considerations (Page 58)

Ispat International will account for the merger as a purchase for financial reporting purposes.

Material U.S. Federal Income Tax Consequences of the Merger to ISG Stockholders (Page 58)

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

The consequences described above assume that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and that Section 367(a)(1) of the Internal Revenue

Code does not apply to the receipt of Ispat International class A common shares by the ISG stockholders. The same U.S. federal income tax consequences generally will apply to ISG stockholders in the event Ispat International effects the merger pursuant to a reverse-subsidiary merger which, together with the acquisition by Ispat International of the shares of LNM Holdings, qualifies as transfers of property described in Section 351(a) of the Internal Revenue Code. Completion of the merger is conditioned on receipt of certain tax opinions as described below under THE MERGER Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders beginning on page 58.

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

Material Dutch Tax Consequences of the Merger to Dutch Resident ISG Stockholders (Page 64)

Under Dutch tax laws the exchange of shares of ISG common stock for cash and/or Ispat International class A common shares will not qualify as a tax free merger. Consequently, any capital gain that may be realized upon the exchange of shares of ISG common stock for cash and/or Ispat International class A common shares by individuals and corporate entities who are resident or deemed to be resident in the Netherlands for Dutch tax purposes, or Dutch resident individuals and Dutch resident entities may be subject to Dutch income or corporate income tax. For Dutch resident individuals any such capital gain will generally not be subject to tax, provided that the Ispat International class A common shares are not attributable to an enterprise from which such individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise without being a shareholder and such individual does not have an actual or deemed substantial interest (statutorily defined term; see page 66 for a further description) in Ispat International. For Dutch resident entities a capital gain will generally not be subject to tax if such entity is a qualifying Dutch pension fund or Dutch resident investment fund (*fiscale beleggingsinstelling*) or if the Dutch participation exemption applies to the Ispat International class A common shares. Please see the section THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders beginning on page 64 for a more detailed description of the taxation of Dutch resident individual and corporate shareholders.

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

Dissenter s Rights of Appraisal (Page 70 and Annex G)

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

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

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

Listing of Ispat International s Class A Common Shares (Page 71)

Ispat International s class A common shares are listed on the New York Stock Exchange, Ispat International s principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol IST . Ispat International has applied, subject to the acquisition of LNM Holdings being completed, to have its symbol on the New York Stock Exchange and on Euronext Amsterdam changed to MT . In accordance with the terms of the merger agreement, Ispat International will make an application to list on the New York Stock Exchange and Euronext Amsterdam the Ispat International class A common shares that Ispat International will issue as consideration in the merger, subject to notice of issuance.

Comparison of Rights of Shareholders under Delaware Law and Dutch Law (Page 211)

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

ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA

The following table presents selected consolidated financial information of Ispat International for the years ended December 31, 1999, 2000, 2001, 2002 and 2003 and for the nine months ended September 30, 2003 and 2004 derived from Ispat International s consolidated financial statements and related notes. This selected historical financial information should be read in conjunction with the respective audited and unaudited consolidated financial statements of Ispat International, including the notes thereto, beginning on page F-24.

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
						(Unaudited)	
	(All amounts in $ millions except per share and quantity information)						
Statement of Income Data:							
Sales(1)	4,898	5,343	4,486	4,889	5,441	4,032	6,320
Cost of sales (exclusive of depreciation)	4,270	4,670	4,273	4,356	4,943	3,645	4,794
Gross profit (before deducting depreciation)	628	673	213	533	498	387	1,526
Depreciation	164	177	177	177	183	136	147
Selling, general and administrative expenses	156	181	155	152	164	122	136
Other operating expenses			75	62			
Operating income/(loss)	308	315	(194)	142	151	129	1,243
Adjusted operating income/(loss)(2)	308	315	(119)	204	151	129	1,243
Other income (expense) net(3)	15	23	13	44	53	32	43
Financing costs:							
Net interest expenses	(184)	(216)	(228)	(203)	(151)	(116)	(130)
Net gain/(loss) from foreign exchange and monetary positions	(11)		(9)	23	4	3	2
Income/(loss) before taxes(3)	128	122	(418)	6	57	48	1,158
Net income/(loss)	85	99	(312)	49	66	55	887
Basic and diluted earnings/(loss) per common share(4)	0.7	0.82	(2.58)	0.40	0.53	0.44	7.51
Cash dividends per common share(5)	0.15	0.15					

	Year Ended December 31,					Nine Months Ended September 30,	
	1999	2000	2001	2002	2003	2003	2004
			Restated(6)	Restated(6)		(Unaudited)	
	(All amounts in $ millions except margin and quantity information)						
Other Data:							
Net cash provided by operating activities	599	381	22	138	189	113	686
Net cash used in investing activities	(184)	(195)	(35)	(80)	(124)	(94)	(37)
Net cash used by financing activities	(432)	(139)	(118)	(71)	(63)	(29)	(559)
Capital expenditures	(214)	(184)	(97)	(108)	(164)	(135)	(93)
Gross margin (as percentage of Sales)	12.82%	12.60%	4.75%	10.90%	9.15%	9.60%	24.15%
Operating margin (as percentage of Sales)	6.29%	5.90%	(4.32)%	2.90%	2.78%	3.20%	19.67%
Adjusted operating margin(2)	6.29%	5.90%	(2.65)%	4.17%	2.78%	3.20%	19.67%
Total production of direct reduced iron (thousand tonnes)	6,353	6,872	4,918	5,893	7,202	5,345	5,995
	15,430	16,356	14,118	15,037	15,162	11,374	12,389

Total shipments of steel products
(thousand tons)

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

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

A reconciliation of Sales and Net Sales is given below:

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

(2) Adjusted Operating Income/(Loss) is after adjusting for certain one-time costs. These costs are non-recurring in nature and have been added back to Operating Income/(Loss) to reflect the true underlying trend of Operating Income/(Loss). A reconciliation of Reported Operating Income/(Loss) to Adjusted Operating Income is given below:

	Year Ended December 31,				
	1999	2000	2001	2002	2003
	(All amounts in $ millions)				
Reported Operating Income/(Loss)	$308	$315	$(194)	$142	$151
Add: Other Operating Expenses					
Write down in value of e-commerce software			17		
Provision for arbitration related to scrap Supply contract			19		
Irish Ispat Closure			17		
Impairment loss on oceangoing vessels			22		
Write-down of 2A Bloomer and 21 Bar Mill				23	
Write-down in investments of Empire Mine				39	
Adjusted Operating Income/(Loss)	308	315	(119)	204	151

(3) During the first quarter of 2003, Ispat International purchased $22 million ($39 million in first quarter of 2002) of its own bonds at discounts from face value. As a result of these purchases, Ispat International recognized a gain of $13 million net of tax ($19 million net of tax in 2002) in Other income. In accordance with adoption of Statement of Financial Accounting Standard No. 145, Rescission of FASB Statements 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections (SFAS 145), by Ispat International as of January 1, 2003, gain or loss on extinguishments of debt that

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was previously classified as an extraordinary item in prior periods was reclassified and included within Other (income) expense, net on Ispat International s income statement.

(4) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented.

(5) Dividends are presented on a cash basis.

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

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

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ISG SELECTED HISTORICAL FINANCIAL DATA

The following selected financial data of ISG presented below under the caption Statement of Operations Data for the period from inception (February 22, 2002) through December 31, 2002, the year ended December 31, 2003 and the nine months ended September 27, 2003 and September 30, 2004, and under the caption Balance Sheet Data as of December 31, 2002, December 31, 2003, September 27, 2003 and September 30, 2004, are derived from ISG s consolidated financial statements and related notes. In each period presented below, ISG completed a substantial acquisition. Period-to-period comparisons have to take these transactions into account. This selected historical financial information should be read in conjunction with the respective audited and unaudited consolidated financial statements of ISG, including the notes thereto, beginning on page [F-197].

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

Property, plant, and equipment, net	244.8	861.9	816.0	1,022.5
Total assets	668.1	2,635.0	2,409.7	3,921.1
Total debt and capital lease obligations (including current portion)	69.5	622.3	983.3	867.9
Total liabilities	363.9	1,685.8	1,981.4	2,523.6
Stockholders equity	304.2	949.2	428.3	1,397.5

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

SELECTED PRO FORMA UNAUDITED COMBINED FINANCIAL DATA FOR ISPAT INTERNATIONAL AND LNM HOLDINGS

The following table presents selected unaudited pro forma consolidated financial information of Ispat International and LNM Holdings, adjusted to give effect to the acquisition of LNM Holdings, for the years ended December 31, 2001, 2002 and 2003 and for the nine months ended September 30, 2004.

	Year Ended December 31,			Nine Months Ended September 30,
	2001	2002	2003	2004
	(All amounts in $ millions except per share information)			
Statement of Income Data:				
Sales	$5,423	$7,080	$9,567	$16,019
Cost of sales (exclusive of depreciation)	4,952	5,752	7,568	10,677
Gross profit (before deducting depreciation)	471	1,328	1,999	5,342
Depreciation	229	266	331	411
Selling, general and administrative expenses	204	298	369	512
Other operating expenses	75	62		
Operating income/(loss)	(37)	702	1,299	4,419
Adjusted operating income/(loss)	38	764	1,299	4,419
Other income (expense) net	20	143	233	72
Financing costs:				
Net interest expenses	(235)	(222)	(175)	(137)
Net gain/(loss) from foreign exchange and monetary positions	(18)	15	44	9
Income/(loss) before taxes and minority interest	(270)	638	1,401	4,363
Net income/(loss)	(199)	595	1,182	3,147
Basic and diluted earnings/(loss) per common share	(0.31)	0.92	1.83	4.89
Cash dividends per common share			0.25	0.64

	Year Ended December 31,			Nine Months Ended September 30,
	2001	2002	2003	2004
	(All amounts in $ millions except quantity information)			
Other Data:				
Net cash provided by operating activities	$ 237	$ 539	$ 1,438	$ 2,867
Net cash used in investing activities	(184)	(368)	(696)	(480)
Net cash provided (used) by financing activities	(92)	16	(282)	(1,007)
Gross margin (as percentage of Sales)	8.7%	18.8%	20.9%	33.3%
Operating margin (as percentage of Sales)	(0.7)%	9.9%	13.6%	27.6%
Adjusted operating margin	0.7%	10.8%	13.6%	27.6%
Total production of direct reduced iron (thousand tonnes)	4,918	5,893	7,202	5,995
Total shipments of steel products (thousand tons)	18,634	24,547	27,446	31,977

	At December 31,			At September 30,
	2001	2002	2003	2004
	(All amounts in $ millions)			
Assets:				
Current assets				
Cash and cash equivalents and restricted cash	$ 225	$ 417	$ 900	$ 2,325
Trade accounts receivable	697	768	889	2,228
Inventories	1,128	1,301	1,587	3,174
Other current assets	172	200	307	878
Total current assets	2,222	2,686	3,683	8,605
Property, plant and equipment net	4,138	4,094	4,654	7,294
Investments in affiliates	318	517	967	597
Other assets	483	612	833	802
Total assets	7,161	7,909	10,137	17,298
Liabilities and Shareholders Equity:				
Current liabilities				
Payable to banks and current portion of long-term debt	$ 470	$ 321	$ 540	$ 745
Trade accounts payable	907	933	1,015	1,733
Accrued expenses and other current liabilities	418	516	824	3,838
Total current liabilities	1,795	1,770	2,379	6,316
Long-term debt including affiliates	2,262	2,412	2,527	2,066
Deferred employee benefits	1,531	1,909	1,933	1,996
Deferred tax liabilities and other long-term obligations	315	240	476	1,596
Total liabilities	5,903	6,331	7,315	11,974
Minority interest	152	136	261	1,556
Shareholders equity	1,106	1,442	2,561	3,768
Total liabilities and shareholders equity	7,161	7,909	10,137	17,298

Notes:

(1) Intercompany transactions and balances between Ispat International and LNM Holdings have been eliminated from the combined accounts. The transaction costs relating to the acquisition of LNM Holdings by Ispat International have not been included.

(2) The shares to be issued by Ispat International to the shareholders of LNM Holdings have been considered in the combined accounts.

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

(4) The dividend of $2,000 million by LNM Holdings, which was declared in October 2004, is included as an accrual in the combined accounts presented above.

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(5) Adjusted operating income/(loss) is after adjusting for certain one time costs. A reconciliation of reported operating income/ (loss) to adjusted operating income/(loss) is given below:

	Year Ended December 31,			Nine Months Ended September 30,
	2001	2002	2003	2004
	(All amounts in $ millions)			
Reported Operating Income/(Loss)	$(37)	$702	$1,299	$4,419
Add: Other operating expenses				
Write down in value of e-commerce software	17			
Provision for arbitration related to scrap supply contract	19			
Irish Ispat closure	17			
Impairment loss on oceangoing vessels	22			
Write-down of 2A Bloomer and 21 Bar Mill		23		
Write-down in investments of Empire Mine		39		
Adjusted Operating Income/(Loss)	38	764	1,299	4,419

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SELECTED PRO FORMA UNAUDITED FINANCIAL DATA FOR ISPAT INTERNATIONAL, LNM HOLDINGS AND ISG

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

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(All amounts in $ millions except per share information)	
Statement of Income Data:		
Sales	$ 13,637	$ 22,481
Cost of sales (exclusive of depreciation)	11,390	16,000
Gross profit (before deducting depreciation)	2,247	6,481
Depreciation	626	673
Selling, general and administrative expenses	523	687
Other operating expenses		
Operating income/(loss)	1,098	5,121
Other income (expense) net	66	65
Financing costs:		
Net interest expenses	(226)	(185)
Net gain/(loss) from foreign exchange and monetary positions	44	9
Income/(loss) before taxes and minority interest	1,149	5,017
Net income/(loss)	1,036	3,656
Basic and diluted earnings/(loss) per common share	1.47	5.24
Cash dividends per common share		

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(All amounts in $ millions except quantity information)	
Other Data:		
Net cash provided by operating activities	$ 1,727	$ 3,436
Net cash used in investing activities	(1,581)	(2,960)
Net cash provided (used) by financing activities	498	(809)
Gross margin (as percentage of Sales)	16.48%	28.83%
Operating margin (as percentage of Sales)	8.05%	22.78%
Total production of direct reduced iron (thousand tonnes)	8,769	7,076
Total shipments of steel products (thousand tons)	37,852	43,693

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	At September 30, 2004
	(All amounts in $ millions)
Assets	
Current assets:	
Cash and cash equivalents	$ 577
Trade accounts receivable	3,141
Inventories	4,647
Other current assets	1,229
Total current assets	9,594
Property, plant and equipment net	10,507
Investments in affiliates	632
Other assets	1,214
Total assets	21,947
Liabilities and Shareholders Equity	
Current liabilities:	
Payable to banks and current portion of long-term debt	$ 601
Trade accounts payable	2,445
Accrued expenses and other current liabilities	4,674
Total current liabilities	7,720
Long-term debt including affiliates	2,704
Deferred employee benefits	2,117
Deferred tax liabilities and other long-term obligations	1,957
Total liabilities	14,498
Minority interest	1,556
Shareholders equity	5,893
Total liabilities and shareholders equity	21,947

Notes:

(1) Intercompany transactions and balances between Ispat International and LNM Holdings have been eliminated from the combined accounts. The transaction costs relating to the acquisition of LNM Holdings by Ispat International have not been included.

(2) The shares to be issued by Ispat International to the shareholders of LNM Holdings have been considered in the combined accounts.

(3) Earnings per common share are computed by dividing net income by the weighted average number of common shares outstanding during the periods presented considering the shares issued by Ispat International in connection with the acquisition of LNM Holdings and the merger with ISG.

(4) The dividend of $2,000 million by LNM Holdings, which was declared in October 2004, is included as an accrual in the combined accounts presented above.

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COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA

The following table presents the per share information for Ispat International and ISG on a historical basis and Ispat International, LNM Holdings and ISG on an unaudited pro forma combined basis.

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

The historical book value per Ispat International common share or per share of ISG common stock is computed by dividing shareholders equity by the number of Ispat International common shares or shares of ISG common stock outstanding at the end of the period. The pro forma combined book value per Ispat International common share is computed by dividing pro forma shareholders equity by the pro forma number of Ispat International common shares outstanding at the end of the period. Neither Ispat International nor ISG has declared or paid cash dividends on its common stock.

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

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

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COMPARATIVE PER SHARE DATA OF ISPAT INTERNATIONAL AND ISG

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(Amounts in $ millions except per share and quantity information)	
	(Audited)	(Unaudited)
Ispat International		
Historical		
Net income	$ 66	$ 887
Shareholders equity	149	1,008
Weighted average number of shares (millions)	122	118
Number of shares at period end (millions)	127	127
Net income per share basic	$ 0.53	$ 7.51
Net income per share diluted	0.53	7.51
Book value per share at period end	1.17	7.94
Cash dividend per share		
ISG		
Historical		
Income (loss) applicable to common stock	$ (97.1)	$ 421.4
Stockholders equity	949.2	1,397.5
Weighted average number of shares Basic (millions)	77.1	98.3
Weighted average number of shares Diluted (millions)	77.1	101.8
Number of shares at period end (millions)	97.5	100.1
Net income per share basic	$ (1.26)	$ 4.29
Net income per share diluted	(1.26)	4.15
Book value per share at period end	9.74	13.96
Cash dividend per share		

	Year Ended December 31, 2003	Nine Months Ended September 30, 2004
	(Unaudited and amounts in $ millions except per share and quantity information)	
Ispat International, LNM Holdings and ISG		
Pro forma combined		
Net income	$ 1,036	$ 3,656
Shareholders equity	3,510	5,893
Weighted average number of shares Basic (millions)	702	698
Weighted average number of shares Diluted (millions)	702	698
Number of shares at period end (millions)	707	707
Net income per share basic	$ 1.47	$ 5.24
Net income per share diluted	1.47	5.24
Book value per share at period end	4.96	8.34
Cash dividend per share	0.23	0.59

COMPARATIVE PER SHARE MARKET DATA

Ispat International class A common shares are listed and traded on the New York Stock Exchange, Ispat International s principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol IST . Ispat International has applied, subject to the acquisition of LNM Holdings being completed, to have its symbol on the New York Stock Exchange and on Euronext Amsterdam changed to MT . ISG common stock is listed and traded on the New York Stock Exchange under the symbol ISG .

The following table sets forth closing sales prices per share of Ispat International class A common shares and ISG common stock as reported on the New York Stock Exchange Composite Tape and on Euronext Amsterdam, on October 22, 2004, the last full trading day before the public announcement of the merger, and on [ ] [ ], 200[ ], the most recent date for which quotations were available prior to the printing of this proxy statement/ prospectus.

	Ispat Class A Common Shares		ISG Common Stock
	Euronext Amsterdam	New York Stock Exchange	New York Stock Exchange
October 22, 2004	20.35	$25.34	$29.68
[ ], [ ], 200[ ]	[ ]	$ [ ]	$ [ ]

The number of Ispat International class A common shares to be exchanged for each share of ISG common stock in the merger will depend on the value of Ispat International class A common shares during the 20-trading-day period ending two trading days before the effective time of the merger. Based on the closing price of Ispat International class A common shares on October 22, 2004, each share of ISG common stock would be convertible into the right to receive 1.21740 Ispat class A common shares in the merger to the extent the holder of such shares elected to receive stock consideration (subject to proration). Based on the closing price of Ispat International class A common shares on [ ] [ ], 200[ ] (the last day of trading prior to the printing of this proxy statement/ prospectus), each share of ISG common stock would be convertible into the right to receive [ ] Ispat International class A common shares to the extent the holder of such shares elected to receive stock consideration (subject to proration).

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

On [ ] [ ], 200[ ], there were approximately [ ] holders of record of ISG common stock and approximately [ ] holders of record of Ispat International class A common shares.

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ACQUISITION OF LNM HOLDINGS

On October 24, 2004, concurrently with entering into the merger agreement, Ispat International entered into an acquisition agreement with Richmond Investment Holdings Limited (an entity indirectly owned by Mr. Lakshmi N. Mittal, the Chairman of the board of directors and Chief Executive Officer of Ispat International, and his immediate family members the controlling shareholder of Ispat International) to acquire LNM Holdings. On November 18, 2004, Ispat International published a notice to its registered shareholders, and placed advertisements for such purpose, informing them of an extraordinary meeting scheduled to be held on December 15, 2004 for the purpose, among other things, of approving the acquisition of LNM Holdings. Ispat International anticipates that the acquisition of LNM Holdings will close by the end of the fourth quarter of 2004. Under the terms of the LNM Holdings acquisition agreement, the shareholder of LNM Holdings will receive 0.27931958 Ispat International class A common shares and 0.77068042 Ispat International class B common shares, subject to certain limitations, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Ispat International class A common shares and 385,340,210 Ispat International class B common shares. Following completion of the acquisition of LNM Holdings, Ispat International will be renamed Mittal Steel Company N.V.

LNM Holdings declared a dividend of $2 billion on October 11, 2004. LNM Holdings has indicated that it intends to pay this dividend to Richmond Investment Holdings Limited partly in the fourth quarter of 2004 and the balance in January 2005 prior to the effective time of the merger.

Further information regarding the acquisition of LNM Holdings, including a copy of the LNM Holdings acquisition agreement, can be found in the prospectus Ispat International filed with Euronext Amsterdam and furnished to the SEC under cover of a Report on Form 6-K on November 18, 2004.

RISK FACTORS

You should carefully consider the risks and the risk factors incorporated by reference into this proxy statement/ prospectus including, among others, those disclosed under the heading Risk Factors from ISG s 2003 Annual Report on Form 10-K and Ispat International s Report on Form 6-K, furnished to the SEC on November 18, 2004, together with all of the other information included or incorporated by reference in this proxy statement/ prospectus (including the matters addressed in CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS beginning on page 1), before you decide whether to vote or instruct your vote to be cast to adopt the merger agreement. In addition, you should carefully consider the following risks relating to the merger.

Risks Relating to the Merger

The amount of consideration that ISG stockholders receive may decline as a result of stock-price fluctuations prior to the completion of the merger and may not be known on the date of the ISG special meeting of stockholders.

Although ISG stockholders will be able to elect to exchange their shares of ISG common stock for either cash or Ispat International class A common shares (or a combination of cash and Ispat International class A common shares), subject to proration, the opportunity to make that election may not occur at the time of the ISG stockholder vote to adopt the merger agreement. Instead, the deadline for your election will be three days after the effective time of the merger (as described further in THE MERGER AGREEMENT Election Procedures beginning on page 74), after all regulatory approvals have been obtained. Ispat International is offering to exchange shares of ISG common stock for cash and Ispat International class A common shares at an exchange ratio which is subject to a limitation on both the maximum and minimum number of Ispat International class A common shares to be issued in connection with the merger. The cash price per share to be paid for each share of ISG common stock is fixed at $42.00. This cash price will not be adjusted based on changes in market prices of Ispat International class A common shares. The value of Ispat International class A common shares delivered to ISG stockholders will equal $42.00 if the average closing price of an Ispat International class A common share over the 20-day trading period ending two trading days before the effective time of the merger is between $34.50 and $43.81. However, if the average trading price of Ispat International class A common shares is less than the floor of approximately $34.50 per share, then each share of ISG common stock will be exchanged for 1.21740 Ispat International class A common shares, regardless of the value of such shares, and the value of those shares delivered to ISG stockholders in exchange for each share of ISG common stock will be less than $42.00 per share. If, on the other hand, the average trading price of Ispat International class A common shares is greater than the ceiling of approximately $43.81 per share, then each share of ISG common stock will be exchanged for 0.95865 Ispat International class A common shares, regardless of the value of such shares, and the value of those shares delivered to ISG stockholders in exchange for each share of ISG common stock will be more than $42.00 per share.

There may be a time delay between the date when ISG stockholders vote to adopt the merger agreement at the special meeting and the deadline for ISG stockholders to make their individual elections with respect to the form of merger consideration they wish to receive, which deadline is three days after the effective time of the merger. The market value of Ispat International class A common shares may fluctuate during that period. As a result, the relative prices of Ispat International s and ISG s respective shares may vary significantly from the date of this proxy statement/ prospectus to the date of the special meeting and the date on which ISG stockholders make their elections. These variations may be caused by changes in the businesses, operations, results and prospects of both companies, market expectations of the likelihood that the merger will be completed and the timing of completion, the effect of any conditions or restrictions imposed on or proposed with respect to the combined company by regulatory agencies, general market and economic conditions, or other factors.

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

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

Benefits of the acquisition of LNM Holdings and the merger may not be realized.

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

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

In considering the recommendation of the ISG board of directors to vote for the proposal to adopt the merger agreement, you should be aware that certain members of the ISG board of directors and members of ISG s management team have pre-existing agreements or arrangements that provide them with interests in the merger that differ from, or are in addition to, those of ISG stockholders generally. The ISG board of directors was aware of these pre-existing agreements and arrangements during its deliberations on the merits of the merger and in determining to recommend to the ISG stockholders that they vote FOR the proposal to adopt the merger agreement. For a more detailed description of such interests, see INTEREST OF CERTAIN PERSONS IN THE MERGER beginning on page 118.

Ispat International is a Dutch corporation, and shareholders of a Dutch corporation have fewer rights and privileges than stockholders of a Delaware corporation in certain respects.

Ispat International is governed by the Dutch Civil Code and by its Deed of Incorporation (*akte van oprichting*) and Articles of Association (*statuten*). The Dutch Civil Code extends to shareholders certain rights and privileges that may not exist under the DGCL and, conversely, does not extend certain rights and privileges that stockholders of a company governed by the DGCL may have. Differences between the Dutch Civil Code and the DGCL that could result in stockholders of a Delaware corporation having fewer rights and privileges than shareholders of a Dutch company include, among others, the fact that the Dutch Civil Code does not provide for class action suits. For a more detailed comparison of the rights of Ispat International shareholders versus the rights of ISG stockholders, see COMPARISON OF RIGHTS OF SHAREHOLDERS UNDER DELAWARE AND DUTCH LAW beginning on page 211.

The need for governmental approvals may delay completion of the merger.

The merger is conditioned upon the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. In addition, other filings with, notifications to and authorizations and approvals of various governmental agencies with respect to the merger and the other transactions

contemplated by the merger agreement relating primarily to antitrust and competition issues must be made and received prior to the completion of the merger. Ispat International and ISG are seeking to obtain all required regulatory approvals prior to the scheduled completion of these transactions. You should be aware that, among other things:

- all required regulatory approvals might not be obtained within the necessary timetable,

- restrictions on the combined operations of Ispat International and ISG, including divestitures, may be sought by governmental agencies as a condition to obtaining such approvals, and

- operating restrictions and divestitures could adversely affect the value of the combined company.

For a more detailed description of certain regulatory matters, please refer to THE MERGER Regulatory Matters for more information beginning on page 68.

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

After the merger, Mr. Lakshmi N. Mittal and his immediate family, collectively Ispat International s controlling shareholder, will continue to have the power to elect the majority of the members of the Ispat International board of directors, and to exercise voting control over the decisions adopted at the Ispat International general meetings of shareholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, and the incurrence of indebtedness. Circumstances may occur in which the interests of Ispat International s controlling shareholder could be in conflict with the interests of other shareholders. In addition, Ispat International s controlling shareholder may pursue certain transactions that in its view will enhance its equity investment, even though such transactions may not be in the interest of other Ispat International shareholders.

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

Ispat International is still in the preliminary stages of the process of valuing ISG s tangible and intangible assets and liabilities and evaluating ISG s accounting policies. Ispat International may need to revise materially its current estimates of those assets and liabilities as the valuation process and accounting policy review are finalized. The unaudited condensed combined pro forma operating data contained in this proxy statement/ prospectus are not necessarily indicative of the results that actually would have been achieved had the merger been completed on January 1, 2003, or that may be achieved in the future. Ispat International can provide no assurances as to how the operations and assets of both companies would have been run if they had been combined, or how they will be run in the future, which, together with other factors, could have a significant effect on the results of operations and financial position of the combined company.

ISG SPECIAL MEETING OF STOCKHOLDERS

Proxy Statement/ Prospectus

Ispat International is furnishing this proxy statement/ prospectus to you as part of the solicitation of proxies by the ISG board of directors for use at the special meeting in connection with the proposed merger. This document provides you with the information you need to know to be able to vote or instruct your vote to be cast at the special meeting.

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

ISG will hold the special stockholders meeting at [time], local time, on [ ] [ ], 200[ ] at [location] [located at [street address]] to consider and vote on the proposal to adopt the merger agreement and the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies, in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the merger agreement.

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

Record Date; Quorum and Voting Power

The holders of record of ISG common stock at the close of business on [ ] [ ], 200[ ], the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. As of the record date, there were [ ] shares of ISG common stock outstanding, all of which are entitled to vote at the special meeting. Each share of ISG common stock outstanding on the record date entitles the holder to one vote on each matter submitted to ISG stockholders for approval at the special meeting.

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

Vote Required

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

Voting Your Shares

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

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

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

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

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

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

Company Shareholder Support Agreement

In connection with ISG entering into the merger agreement, Wilbur L. Ross, Chairman of the ISG board of directors, and certain affiliates of Mr. Ross and Rodney B. Mott, ISG s President and Chief Executive Offer and a member of the ISG board of directors, entered into a company shareholder support agreement required by Ispat International in connection with its entering into the merger agreement. Among other things, the agreement provides that they will each vote all of the shares of ISG common stock that they own in favor of the adoption of the merger agreement. Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott beneficially own [6.9]% and [1.4]%, respectively, of the ISG common stock outstanding as of the record date. For a more complete summary of the company shareholder support agreement, please see COMPANY SHAREHOLDER SUPPORT AGREEMENT beginning on page 99.

Proxy; Revocation of Proxy

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

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

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

Means of Solicitation; Fees and Expenses

Ispat International and ISG have agreed to each pay one-half of all expenses and fees relating to the printing, filing and mailing of this proxy statement/ prospectus. All other costs of solicitation of proxies from ISG stockholders will be paid by ISG. ISG has retained [ ] for a fee of $[ ], plus expenses, to

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aid in the solicitation of proxies and to verify certain records related to the solicitations. In addition to soliciting proxies by mail, directors, officers and employees of ISG may solicit proxies personally and by telephone, facsimile or other electronic means of communication. These persons will not receive additional or special compensation for such solicitation services. ISG may, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

THE MERGER

General Description of the Merger

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

Each ISG stockholder may elect the form of consideration he or she would like to receive, but this election is subject to proration as well as a potential adjustment driven by tax considerations. See THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 73. Under the merger agreement, 50% of all issued and outstanding shares of ISG common stock must be exchanged for cash, and 50% must be exchanged for Ispat International class A common shares. If ISG stockholders owning more than 50% of the ISG common stock elect to receive cash, the number of shares of ISG common stock converted into cash will be less than the number elected. Similarly, if ISG stockholders owning more than 50% of the ISG common stock elect to receive Ispat International class A common shares, the number of shares of ISG common stock converted into Ispat International class A common shares will be less than the number elected.

For tax reasons that are explained below, Ispat International may elect to increase the number of Ispat International class A common shares issued to ISG stockholders in the merger. In the alternative, Ispat International may elect to have the merger restructured so that Park Acquisition Corp. would merge with and into ISG and ISG would be the surviving company. In that case, the parties would no longer intend for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

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

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

Background of the Merger

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

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

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

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

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

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

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

A representative of Jones Day, counsel to ISG, also participated in the October 8 meeting. He reviewed the directors fiduciary obligations in this context, the key issues that normally arise in transactions like that under consideration and questions presented by the preliminary proposal from Ispat International and LNM Holdings. It was the ISG board of directors consensus that alternatives in which more certain value would be received in a merger should be explored. During the October 8 meeting, the ISG board of directors discussed management retention arrangements that companies frequently adopt in transactions like that under consideration, and authorized the ISG compensation committee to study this possibility. The ISG board of directors also authorized ISG to retain UBS and Goldman Sachs as financial advisers if the transaction were to proceed.

Shortly thereafter, Shearman & Sterling LLP, counsel to Ispat International, provided ISG proposed merger documentation, and representatives of Ispat International and ISG, including their respective legal and

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

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

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

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

Thereafter, the parties continued to engage in ongoing discussions and negotiations. ISG representatives agreed to consider a transaction in which: (1) 50% of the ISG shares would be converted into the right to receive the merger consideration in cash at $42.00 per share and 50% of the shares of ISG common stock would be converted into the right to receive Ispat International class A common shares at a floating exchange ratio based on a targeted $42.00 per ISG share and the average trading price of Ispat International stock prior to the merger, (2) the controlling shareholders of Ispat International and LNM Holdings would enter into agreements to support the merger and the acquisition of LNM Holdings by Ispat International, and (3) Messrs. Ross and Mott (but not any other ISG shareholder) would each enter into voting and option agreements with respect to shares under their respective control.

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

On October 22, 2004, the ISG board of directors reviewed the possible transaction in detail. At that meeting, management reviewed the discussions to date, including with union representatives, the strategic rationale for a possible transaction, opportunities for synergies and cost savings and the results of the ongoing due diligence process. The financial aspects of the transaction were reviewed in detail by representatives of UBS and Goldman Sachs. Jones Day reviewed the material terms of, and open issues under, the draft merger agreement and shareholder support agreements, Ispat International s corporate governance mechanisms, the legal requirements applicable in the circumstances and due diligence review conducted to date. Among other things, the board determined, upon management s recommendation, not to further pursue at that time a transaction-related retention program for management.

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

The ISG board of directors again reviewed the matter on October 24, 2004. At that meeting, representatives of UBS and Goldman Sachs presented their financial analysis of the transaction, after which each firm orally informed the ISG board of directors (subsequently confirmed in writing), that, as of such date and based upon and subject to the considerations, assumptions and limitations set forth in the opinions, the consideration to be received by ISG stockholders in the merger, taken in the aggregate, is fair from a financial point of view to ISG stockholders. UBS and Goldman Sachs opinions are subject to the various assumptions and limitations described under the heading THE MERGER Opinions of ISG s Financial Advisors on pages 47 to 58.

Representatives of UBS and Goldman Sachs also reviewed ISG s strategic alternatives at the October 24th meeting, including a merger or other strategic transaction and a recapitalization or similar event. Representatives of Jones Day reviewed how the various open issues in the documentation reviewed at the October 14th meeting had been tentatively resolved, the material terms of the merger agreement, including the fiduciary termination provisions of the merger agreement and shareholder support agreements, the legal requirements in these circumstances and the results of its due diligence review. Representatives of Jones Day also specifically reviewed each aspect of the proposed transaction in which it could be said that ISG directors or officers had an interest that was different from or in addition to the interests of shareholders generally. Management reviewed other aspects of the transaction, including discussions with various representatives conducted to date. After discussion, the ISG board of directors unanimously authorized ISG to enter into the merger agreement.

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

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

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

Recommendation of the ISG Board of Directors

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

In considering the recommendation of the ISG board of directors to vote for the adoption of the merger agreement, you should be aware that certain members of the ISG board of directors and executive officers of ISG may have interests in the merger that differ from, or are in addition to, their interests as ISG stockholders. The ISG board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. Please see the section entitled INTEREST OF CERTAIN PERSONS IN THE MERGER that begins on page 118.

Approval of the Ispat International Board of Directors

The Ispat International board of directors has unanimously approved the merger agreement and recommended it to Ispat International shareholders who will vote on a proposal to approve the merger agreement at a separate extraordinary meeting of Ispat International shareholders. The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L. (an entity owned by the controlling shareholder of Ispat International) will vote all of its Ispat International class A common shares and all of its Ispat International class B common shares (representing as of the date of this proxy statement/ prospectus approximately [97.5%] of the combined voting power of all shares of Ispat International s voting stock) in favor of the merger.

ISG s Reasons for the Merger

In reaching its decision to approve the merger agreement and the merger, the ISG board of directors consulted with legal counsel regarding the ISG board of directors legal duties, the terms of the merger agreement and related issues; with its financial advisors regarding the financial aspects and the fairness of the transaction from a financial point of view; and with senior management of ISG regarding, among other things, the industry, management s plans, ISG s prospects and operational matters, including synergistic aspects of the transaction. The determination by the ISG board of directors to approve the merger agreement and the merger was the result of consideration of numerous factors, including:

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

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

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

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

the opportunity for ISG stockholders to participate in the growth of one of the world s largest steel companies;

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

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

the fact that the merger consideration represented a premium of between 23% and 50% to the then-current trading prices of ISG common stock, depending on the assumed trading price of Ispat International class A common shares;

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

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

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

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

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

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

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

the fact that the stock to be issued to ISG stockholders in the merger is intended to be tax-free to ISG stockholders; and

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

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

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

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

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

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

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

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

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

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

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

Ispat International s Reasons for the Merger

In reaching its decision to approve the merger agreement and to recommend that the Ispat International shareholders approve the merger agreement, Ispat International consulted with legal counsel regarding the terms of the merger agreement and related issues, with its financial advisors regarding the financial aspects and the fairness of the transaction from a financial point of view; and with senior management of Ispat International regarding, among other things, the industry, management s plans, Ispat International s prospects

and operational matters. The determination of Ispat International s board of directors to approve the merger agreement was the result of careful consideration of numerous factors, including:

- Ispat International and ISG bring complementary resources and strengths which the Ispat International board believes will result in providing Ispat International shareholders with enhanced long-term shareholder value;
- the combined company will encompass all aspects of modern steel making to produce an extensive product portfolio to meet a wide range of customer needs across all steel consuming sectors, including: automotive, appliance, machinery and construction;
- the merger will significantly increase Ispat International s presence in the North American market; and
- the shares in the combined company are expected to have greater liquidity in the stock market.

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

Prospective Financial Data

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

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

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

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

- *Continued stand-alone operation.* The data do not include effects of the proposed merger.
- *Economic trends.* The data assume that current global and U.S. gross domestic product growth will continue, leading to a continued strong demand for steel.
- *China and exchange rates.* It is anticipated that China will remain the principal growth engine in the global steel industry, exchange rates will continue to be favorable for U.S. steel manufacturing and continued strong demand should allow steel prices to remain firm.
- *Disruptions.* The data assume that there will be no material disruption caused by geopolitical or external events.
- *Shipments by major product, market and customer.* The data assume that shipments by major product, market and customer will increase modestly to approximately 18 million tons to reflect a full year of operation for all assets acquired in 2004.

Prices by major product, market and customer. The data assume that during 2005, spot steel prices will decline and average annual contract prices will increase from their 2004 levels.

Production levels. The data take into effect expected maintenance and other potential outages of ISG s production equipment on anticipated production levels and assume no significant unplanned outages will affect production levels.

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

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

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

The ISG prospective financial data do not guarantee performance. Instead, these data, which were prepared in September 2004, consist of forward-looking statements that are subject to a number of risks, uncertainties and assumptions and should be read with caution. For a discussion of some of the factors that could cause actual results to differ, see CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS on page 1 and RISK FACTORS on page 33 and further incorporated herein by reference to ISG s filings. The ISG prospective financial data are subjective in many respects and thus susceptible to interpretation and periodic revision based on actual experience and recent developments. While presented with numeric specificity, the data reflect numerous assumptions made by ISG management with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of ISG and all of which are difficult to predict. In addition, the ISG prospective financial data do not take into account any of the transactions contemplated by the merger agreement. Actual results can be materially greater or less than the projections. Accordingly, there can be no assurance that the assumptions made in preparing the ISG prospective financial data or the data itself will prove accurate. ISG does not intend to make publicly available any update or other revisions to the projections to reflect circumstances existing before or after the date of the preparation or the occurrence of future events even in the event that any or all of the assumptions underlying the projections are shown to be in error. You should not regard the inclusion of the ISG prospective financial data in this document as an indication that ISG or Ispat International considered or consider the projections to be a reliable prediction of future events, and you should not place undue reliance on the ISG prospective financial data contained in this proxy statement/ prospectus.

Opinions of ISG s Financial Advisors

UBS

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

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

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

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

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

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

- reviewed the reported prices and trading activity for shares ISG common stock and Ispat International class A common shares;

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

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

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

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

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

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

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

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

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

UBS is an internationally recognized investment banking and advisory firm. UBS, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. In the past, UBS and its predecessors have provided investment banking services to ISG and Ispat International and received compensation for the rendering of such services. In the ordinary course of business, UBS, its successors and affiliates have held or traded, and may in the future hold or trade, securities of ISG and Ispat International for their own account and the accounts of their customers, and, accordingly, may at any time hold long or short positions in such securities.

Pursuant to a letter agreement dated October 22, 2004, ISG engaged UBS to act as its lead financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, ISG

has paid UBS a $250,000 retainer fee and a $2.5 million opinion fee and has agreed to pay UBS, upon the completion of the transaction contemplated by the merger agreement (A) a $1.0 million transaction initiation fee and (B) a transaction success fee equal to the greater of (i) 0.30% of the aggregate consideration (as defined in the letter agreement) paid in such transaction or (ii) $15,000,000 (in each case, including the $2.5 million already paid). ISG has also agreed to pay UBS a fee equal to 15% of any break-up or similar fee received by ISG in connection with the termination of the merger agreement. In addition, ISG has agreed to reimburse UBS for its expenses, including attorneys fees and disbursements, and to indemnify UBS against various liabilities, including certain liabilities under the federal securities laws.

Goldman Sachs

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

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

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

- the merger agreement;
- the LNM Holdings acquisition agreement;
- the annual report to stockholders and Annual Report on Form 10-K of ISG for the fiscal year ended December 31, 2003;
- the Registration Statement on Form S-1 of ISG with respect to the initial public offering of ISG common stock, including the prospectus dated December 10, 2003, included therein;
- the annual reports to shareholders and Annual Reports on Form 20-F of Ispat International for the three fiscal years ended December 31, 2003;
- certain interim reports to stockholders and Quarterly Reports on Form 10-Q of ISG;
- unaudited consolidated financial statements of Ispat International and its subsidiaries for the six-month period ended June 30, 2004;
- certain other communications from ISG and Ispat International to their respective stockholders;
- audited consolidated financial statements of LNM Holdings and its subsidiaries for the three fiscal years ended December 31, 2003;
- unaudited consolidated financial statements of LNM Holdings and its subsidiaries for the six-month period ended June 30, 2004; and
- certain internal financial analyses and forecasts for ISG, Ispat International and LNM Holdings prepared by their respective managements.

Goldman Sachs also held discussions with members of the senior management of ISG, Ispat International and LNM Holdings regarding their assessment of the strategic rationale for, and the potential benefits of, the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement and

the past and current business operations, financial condition and future prospects of their respective companies. In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of ISG common stock and the Ispat International class A common shares, compared certain financial and stock market information for ISG and Ispat International with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the steel industry specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

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

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

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

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

Pursuant to a letter agreement dated October 10, 2004, ISG engaged Goldman Sachs to act as its financial advisor in connection with the contemplated transaction. Pursuant to the terms of this engagement letter, ISG has paid Goldman Sachs $2.5 million and has agreed to pay Goldman Sachs a transaction fee of 0.30% of the aggregate consideration (as defined in the letter agreement) paid in the transaction contemplated by the merger agreement (including the $2.5 million already paid), payable upon completion of such transaction. ISG has also agreed to pay Goldman Sachs a fee equal to 15% of any break-up or similar fee received by ISG in connection with the termination of the merger agreement. In addition, ISG has agreed to reimburse Goldman Sachs for its reasonable expenses, including attorneys fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

Financial Analyses Used by UBS and Goldman Sachs

The following is a summary of the material financial analyses used by UBS and Goldman Sachs in connection with rendering the opinions described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by UBS and Goldman Sachs. The order of analyses described does not represent relative importance or weight given to those analyses by UBS and Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of the financial analyses of UBS and Goldman Sachs. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before October 24, 2004 and is not necessarily indicative of current market conditions.

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

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

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

- the closing price on October 22, 2004, which was the last trading day before the ISG board of directors meeting at which the board approved the transaction contemplated by the merger agreement; and
- the average trading price over the 20-day period ending October 22, 2004.

For this purpose, UBS and Goldman Sachs calculated the indicative value per share of the ISG common stock based upon the sum of the total cash and stock consideration to be received in respect of each share of

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ISG common stock, assuming that 50% of each share of ISG common stock were converted into cash consideration and 50% of each share of ISG common stock were converted into stock consideration.

The results of this analysis are set forth below:

	Indicative Price per Ispat International Class A Common Share				
	As of October 22, 2004		Collar Range		
			Bottom	Top	
	$25.34	**$30.00**	**$34.50**	**$43.81**	**$49.00**
Indicative Value Per ISG Share	$36.42	$39.26	$42.00	$42.00	$44.49
Premium to October 22, 2004 Share Price ($29.68)	23%	32%	42%	42%	50%
Premium to 20-day Average Share Price ($32.03)	14%	23%	31%	31%	39%

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

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

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

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

ISG management s EBITDA estimates for 2004 and 2005;

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

ISG management s estimated EPS for 2005.

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

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

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

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

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ISG s net cash as of December 31, 2004, as estimated by ISG s management, to arrive at the implied enterprise value. Net cash means cash and cash equivalents less total debt.

The results of these analyses are as follows:

		ISG Common Stock Price per Share as of October 22, 2004	Indicative Price per Ispat International Class A Common Share				
			As of October 22, 2004		Collar Range		
					Bottom	Top	
		$29.68	$25.34	$30.00	$34.50	$43.81	$49.00
Implied Value per Share to ISG Stockholders		$29.68	$36.42	$39.26	$42.00	$42.00	$44.99
Implied Equity Value of ISG (in millions)		$3,058	$3,799	$4,095	$4,381	$4,381	$4,640
Implied Enterprise Value of ISG (in millions)		$3,361	$4,102	$4,398	$4,684	$4,684	$4,943
Implied Multiple of Ispat/ LNM 2005E EBITDA			2.53x	3.00x	3.44x	4.37x	4.89x
ISG Ownership in Combined Entity			8.6%	8.6%	8.6%	6.9%	6.9%
Transaction Multiple							
LTM EBITDA		7.3x	8.9x	9.5x	10.1x	10.1x	10.7x
Street EBITDA	2004E	4.0x	4.9x	5.3x	5.6x	5.6x	5.9x
	2005E	3.5x	4.3x	4.6x	4.9x	4.9x	5.2x
Management EBITDA	2004E	3.3x	4.1x	4.3x	4.6x	4.6x	4.9x
	2005E	2.7x	3.3x	3.5x	3.7x	3.7x	3.9x
Street EPS	2005E	5.4x	6.6x	7.1x	7.6x	7.6x	8.1x
Management EPS	2005E	5.0x	6.2x	6.7x	7.1x	7.1x	7.5x

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

AK Steel Corporation

Dofasco Inc.

IPSCO Inc.

Nucor Corporation

Steel Dynamics Inc.

United States Steel Corporation

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

Large Market Capitalization	Emerging Market

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

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

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

- the equity market capitalization based on a fully diluted number of shares outstanding;
- the enterprise value;
- the enterprise value as a multiple of calendar 2004 and 2005 estimated EBITDA;
- the ratio of the price per share to the calendarized estimated 2005 earnings per share based on a fully diluted number of shares outstanding; and
- the estimated EBITDA margin for calendar year 2005.

With respect to Ispat International and the Ispat International/ LNM Holdings Comparables, UBS and Goldman Sachs calculated:

- the equity market capitalization based on the fully diluted number of shares outstanding;
- the enterprise value;
- the enterprise value as a multiple of the estimated EBITDA for calendar year 2005; and
- the estimated EBITDA margin for calendar year 2005.

Each company s enterprise value was calculated by adding to its equity market capitalization as of October 22, 2004 the amount of its net debt and minority interests as of the end of its most recently completed fiscal quarter. The EBITDA margins for each company were calculated by dividing its estimated 2005 EBITDA by its estimated 2005 sales. Historical financial results utilized by UBS and Goldman Sachs for purposes of this analysis were based upon information contained in the applicable company s latest publicly available financial statements prior to October 22, 2004.

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

The results of these analyses are summarized as follows:

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

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

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

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

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

(1) Arcelor acquired 33.75% of CST. The implied enterprise value was calculated based on 100% of CST.

(2) LNM Holdings acquired 12.2% of Ispat Iscor Limited. The implied enterprise value was calculated based on 100% of Ispat Iscor Limited.

(3) This transaction was not completed.

(4) This transaction was originally announced with no exchange ratio determined. The transaction value and premium were calculated based on the exchange ratio announced on December 21, 2001.

(5) Gerdau acquired 75% of Ameristeel. The implied enterprise value was calculated based on 100% of Ameristeel.

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

The following table presents the results of this analysis:

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

Source: Public filings, news releases

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

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UBS and Goldman Sachs compared the following estimated financial results for each of ISG, Ispat/LNM and ISG and Ispat/LNM combined:

estimated EBITDA for 2004 and 2005;

estimated EBITDA less capital expenditures for 2004 and 2005; and

estimated net income for 2004 and 2005.

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

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

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

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

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

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

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

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

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

Accounting Treatment and Considerations

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

Material U.S. Federal Income Tax Consequences of the Merger to Ispat International, Park Acquisition Corp. and ISG

Neither Ispat International, Park Acquisition Corp. nor ISG will recognize gain or loss as a result of the merger assuming that the merger qualifies as a reorganization under the Internal Revenue Code. The same result would apply if the merger is restructured as a reverse-subsidiary merger that, together with the acquisition by Ispat International of the shares of LNM Holdings, qualifies as transfers of property described in Section 351(a) of the Internal Revenue Code.

Material U.S. Federal Income Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders

The following discussion is a summary description of the material U.S. federal income tax consequences to the ISG stockholders of the merger (whether structured as a forward-subsidiary merger (as currently contemplated) or as a reverse-subsidiary merger) and the ownership of Ispat International class A common shares. This discussion is intended for general information only and does not purport to consider all aspects of U.S. federal income taxation that may be relevant to the particular circumstances of an ISG stockholder. This discussion is based upon the provisions of the Internal Revenue Code, existing Treasury regulations and administrative and judicial interpretations of the Internal Revenue Code, all as in effect as of the date hereof and all of which are subject to change (possibly with retroactive effect). This discussion applies only to ISG stockholders who hold their ISG common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code and does not apply to the following:

- stockholders who received their ISG common stock pursuant to the exercise of employee stock options or similar securities or otherwise as compensation;
- stockholders who hold their ISG common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;
- stockholders (including, without limitation, financial institutions, insurance companies, tax-exempt organizations, dealers or traders in securities and stockholders subject to the alternative minimum tax) who may be subject to special rules;
- stockholders whose functional currency is not the U.S. dollar; or
- stockholders who, for U.S. federal income tax purposes, are non-resident alien individuals, foreign corporations (or entities treated as a corporation for U.S. federal income tax purposes), foreign partnerships, or foreign estates or trusts.

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This discussion also does not consider the effect of any foreign, state or local tax laws or any U.S. federal tax laws other than U.S. federal tax laws pertaining to the income tax.

THE INDIVIDUAL CIRCUMSTANCES OF EACH ISG STOCKHOLDER MAY AFFECT THE TAX CONSEQUENCES OF THE MERGER TO SUCH ISG STOCKHOLDER. THE PARTICULAR FACTS OR CIRCUMSTANCES OF AN ISG STOCKHOLDER THAT MAY SO AFFECT THE TAX CONSEQUENCES OF THE MERGER ARE NOT DISCUSSED HERE. ACCORDINGLY, ISG STOCKHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE TAX EFFECT TO THEM OF THE MERGER, INCLUDING THE APPLICATION AND EFFECT OF FOREIGN OR U.S. FEDERAL, STATE, LOCAL OR OTHER TAX LAWS.

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. If, however, either (a) Ispat International determines prior to completion of the merger that the Ispat International class A common shares to be received by ISG stockholders will not constitute at least 42.5% of the value of the total consideration received by all ISG stockholders and elects not to increase the stock consideration to meet that percentage, or (b) either Ispat International or ISG is advised by its attorneys that they will not be able to provide an opinion that the merger constitutes a reorganization, then Ispat International will cause Park Acquisition Corp. to merge into ISG in the reverse-subsidiary merger in lieu of the forward-subsidiary merger, as currently contemplated. Such a reverse-subsidiary merger, together with the acquisition by Ispat International of the shares of LNM Holdings, would be intended to qualify as transfers of property described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code.

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

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

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

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

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

The above opinions will be based upon certain customary assumptions and representations, including representations contained in certificates of officers of Ispat International, ISG and others. No ruling has been or will be sought from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger, and the opinions of counsel are not binding upon the Internal Revenue Service or any court. Accordingly, there can be no assurances that the Internal Revenue Service will not contest the conclusions expressed in the opinions or that a court will not sustain such contest.

The following discussion of U.S. federal income tax consequences of the merger to ISG stockholders assumes that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code or the reverse-subsidiary merger, together with the acquisition by Ispat International of the shares of LNM Holdings, will qualify as transfers of property described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code, and in either case, the transfer of shares of ISG common stock by ISG stockholders will not be subject to Section 367(a)(1) of the Internal Revenue Code. As

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discussed below, the U.S. federal income tax consequences of the merger to an ISG stockholder depend on the form of consideration received by the stockholder, and may further depend on whether:

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

the stockholder actually or constructively owns any Ispat International shares.

The U.S. federal income tax consequences to ISG stockholders generally should be the same in the event Ispat International effects the merger pursuant to a reverse-subsidiary merger which, together with the acquisition by Ispat International of the shares of LNM Holdings, would be intended to qualify as transfers of property described in Section 351(a) of the Internal Revenue Code.

The Merger

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

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

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

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

However, if an ISG stockholder s adjusted tax basis in the ISG common stock surrendered in the transaction is greater than the sum of the amount of cash and the fair market value of the Ispat International class A common shares received, the ISG stockholder s loss will not be currently allowed or recognized for U.S. federal income tax purposes. The rules set forth above assume that the adjusted tax basis in each share held by the ISG stockholder is equal. ISG stockholders who bought shares of ISG at different prices, or otherwise own shares with unequal bases, must make the above calculations separately for each ISG share surrendered, taking into account the ISG stockholder s adjusted tax basis in each share and a pro rata portion of the aggregate consideration received by the ISG stockholder. A loss realized on one ISG share may not be used to offset a gain realized on another share.

In the case of an ISG stockholder who recognizes gain on the exchange in the forward-subsidiary merger, if the exchange sufficiently reduces the ISG stockholder s proportionate stock interest (as discussed below), the gain will be characterized as a capital gain. Gain recognized by an ISG stockholder in the case of a reverse-subsidiary merger generally will be characterized as capital gain. Such gain will be long-term capital gain if the ISG stockholder s holding period for the ISG common stock surrendered exceeds one year. In the

case of a forward-subsidiary merger, if the exchange does not sufficiently reduce the ISG stockholder s proportionate stock interest, such gain will be taxable as a dividend to the extent of the ISG stockholder s ratable share of available earnings and profits (and the remainder of such recognized gain, if any, will be capital gain).

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

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

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

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

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

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

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

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

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

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

The Ownership of Ispat International Class A Common Shares

This discussion applies to ISG stockholders who receive Ispat International class A common shares as described above.

Taxation of Dividends. Subject to the passive foreign investment company rules discussed below, under U.S. federal income tax law, the gross amount of any distribution made by Ispat International in respect of Ispat International class A common shares (including the amount of any applicable withholding tax in The Netherlands) will constitute a taxable dividend to the extent paid out of current or accumulated earnings and profits, as determined under U.S. federal income tax principles. The U.S. dollar amount of such a dividend generally will be included in the gross income of an ISG stockholder and generally will be treated as derived from sources outside the United States for U.S. foreign tax credit purposes. Dividends paid by Ispat International will not be eligible for the dividends received deduction generally allowed to U.S. corporations in respect of dividends received from other U.S. corporations.

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

To the extent, if any, that the amount of any distribution received by a former ISG stockholder in respect of Ispat International class A common shares exceeds the current and accumulated earnings and profits of Ispat International, as determined under U.S. federal income tax principles, the distribution first will be treated as a tax-free return of such former ISG stockholder s adjusted tax basis in those Ispat International

class A common shares, and thereafter as U.S. source capital gain. Distributions of additional Ispat International class A common shares that are made to former ISG stockholders with respect to their Ispat International class A common shares and that are part of a pro rata distribution to all the stockholders of Ispat International generally will not be subject to U.S. federal income tax.

Subject to the limitations and conditions provided in the Internal Revenue Code, a former ISG stockholder holding Ispat International class A common shares may deduct from its U.S. federal taxable income, or claim as a credit against its U.S. federal income tax liability, the amount of any Dutch taxes withheld from a dividend paid by Ispat International to such stockholder. As discussed below in THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders *Material Dutch Tax Consequences of the acquisition, holding and disposal of Ispat International class A common shares by both Dutch residents and non-Dutch residents* beginning on page 65, the rate of withholding tax on dividends paid by Dutch companies to residents of the United States is reduced by treaty to 15% in most cases. The rules with respect to foreign tax credits are complex, involve the application of rules that depend on a stockholder s particular circumstances and have been amended by recently enacted legislation that is effective for taxable years beginning after December 31, 2006. Accordingly, ISG stockholders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances, including the U.S. federal income tax treatment of any reduction in the amount of the dividend withholding tax in the Netherlands that is required to be remitted by Ispat International to the tax authorities in the Netherlands, as discussed below in THE MERGER Material Dutch Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders *Material Dutch Tax Consequences of the acquisition, holding and disposal of Ispat International class A common shares by both Dutch residents and non-Dutch residents* beginning on page 65.

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

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

interest charge may apply to the portion of the U.S. federal income tax liability on such gains or distributions treated under the PFIC rules as having been deferred by the ISG stockholder.

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

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

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

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT ABOVE IS INTENDED FOR GENERAL INFORMATION PURPOSES ONLY. EACH ISG STOCKHOLDER IS URGED TO CONSULT ITS OWN TAX ADVISOR WITH RESPECT TO THE PARTICULAR TAX CONSEQUENCES OF THE MERGER AND OF THE OWNERSHIP AND DISPOSITION OF ISPAT INTERNATIONAL CLASS A COMMON SHARES BASED ON THE INVESTOR S PARTICULAR CIRCUMSTANCES.

Material Dutch Tax Consequences of the Merger and the Ownership of Ispat International Class A Common Shares to ISG Stockholders

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

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

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

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

Material Dutch Tax Consequences of the acquisition, holding and disposal of Ispat International class A common shares by both Dutch residents and non-Dutch residents

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

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

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

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

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

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

Dutch resident individuals and Dutch resident entities can generally credit the withholding tax against their income tax or corporate income tax liability. Dutch resident entities may be eligible for a full exemption

from Dutch dividend withholding tax if the Dutch participation exemption applies on their shares in Ispat International.

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

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

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

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

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

Taxes on Income and Capital Gains

Dutch Resident Individuals. As a general rule, Dutch resident individuals will be taxed annually on a deemed income of 4% of their net investment assets at an income tax rate of 30%. The net investment assets for the year are the average of the investment assets less the attributable liabilities at the beginning and at the end of the relevant year. The value of the Ispat International class A common shares is included in the calculation of the net investment assets. A tax-free allowance for the first 19,252 (38,504 for partners (statutorily defined term)) of the net investment assets may be available. Actual benefits derived from the Ispat International class A common shares, including any capital gains realised upon the disposal thereof, are not as such subject to Dutch income tax.

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

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

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

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

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

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

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

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

- such holder, and if such holder is an individual, individuals relating to such holder and certain of their relatives by blood or marriage in the direct line (including foster children) do not have a substantial interest or deemed substantial interest in Ispat International or, if such holder does have such an interest, such interest forms part of its business assets.

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

- hold shares representing 5% or more of Ispat International s total issued and outstanding capital (or the issued and outstanding capital of any class of shares);

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

- hold or have the ownership of certain profit participating rights that relate to 5% or more of Ispat International s annual profit and/or to 5% or more of Ispat International 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.

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

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Gift, Estate and Inheritance Tax

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

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

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

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

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

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

Regulatory Matters

United States Antitrust Laws

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

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

Under the provisions of the Hart-Scott-Rodino Antitrust Improvements Act applicable to the merger, the parties may not complete the merger of ISG and Park Acquisition Corp. until the expiration of a 30 calendar-day waiting period following the submission of the Hart-Scott-Rodino Antitrust Improvements Act filing made by Ispat International, on behalf of the controlling shareholder, and ISG. Accordingly, the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act applicable to the merger will expire at 11:59 p.m., New York City time, on December 22, 2004, unless such waiting period is earlier terminated by the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice or extended by a request from the Federal Trade Commission or the Antitrust Division of the U.S. Department of Justice for additional information or documentary material prior to the expiration of the waiting period. Pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, the parties requested early termination of the 30-day Hart-

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Scott-Rodino Antitrust Improvements Act waiting period applicable to the merger, although there is no assurance that it will be terminated early. If either the Federal Trade Commission or the Antitrust Division of the U.S. Department of Justice were to request additional information from Ispat International and ISG with respect to the merger, the waiting period with respect to the merger would expire at 11:59 p.m., New York City time, on the thirtieth calendar day after the date of both parties substantial compliance with such request. Expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act is a condition to completing the merger. See THE MERGER AGREEMENT Conditions of the Merger on page 87.

The Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice frequently scrutinize the legality under the antitrust laws of business combinations. At any time before or after the merger, the Federal Trade Commission or the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin the merger or seeking the divestiture of substantial assets of Ispat International, ISG or their respective subsidiaries. Private parties and state attorneys general may also bring legal action under federal or state antitrust laws under certain circumstances. There can be no assurance that a challenge to the merger on antitrust grounds will not be made or, if such a challenge is made, what the result would be. See THE MERGER AGREEMENT Conditions of the Merger beginning on page 87 for certain conditions to the offer, including conditions with respect to litigation.

The merger agreement contemplates that ISG and Ispat International will use their reasonable best efforts to complete the merger, including by obtaining required regulatory approvals (including antitrust approvals), but Ispat International will not be required to divest assets or take other actions requested by regulators that would have a material adverse effect on ISG or the equivalent of a material adverse effect on ISG. For a more detailed description, please refer to THE MERGER AGREEMENT Additional Agreements *Further Action; Reasonable Best Efforts* beginning on page 85.

German Merger Control

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

Italian Merger Control

Under Italy s Law No. 287 of October 10, 1990, as amended, prior to the completion of the merger a merger control notification must be submitted to the *Autorità Garante della Concorrenza e del Mercato,* or the IAA. The filing for the clearance decision is expected to be made with the IAA in December 2004. The merger may be completed prior to receiving the consent of the IAA.

Delaware Anti-Takeover Law

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

Exon-Florio

The provisions of the Exon-Florio Amendment to the Defense Production Act of 1950 authorize the President of the United States to review and, when appropriate for national security reasons, investigate and

block acquisitions of and mergers with U.S. companies by foreign interests. The President of the United States has delegated his authority to conduct reviews to the Committee on Foreign Investment in the United States, or CFIUS, an interagency committee chaired by the Secretary of the Treasury.

A party or parties to a transaction may, but are not required to, submit to CFIUS a voluntary notice of the transaction. CFIUS has 30 calendar days from the date of submission to decide whether to initiate a formal investigation. If CFIUS declines to investigate, it sends a no action letter, and the review process is complete. If CFIUS decides to investigate, it has 45 calendar days in which to prepare a recommendation to the President of the United States, who must then decide within 15 calendar days whether to block the transaction.

Under the terms of the merger agreement, Ispat International is required to submit an Exon-Florio notice. Accordingly, Ispat International, Park Acquisition Corp. and ISG will submit a notice to CFIUS, in accordance with the regulations implementing the Exon-Florio Amendment. Although Ispat International does not believe an investigation of, or recommendation to block, the merger by CFIUS is warranted under the standards of the Exon-Florio Amendment, CFIUS and the President of the United States have considerable discretion to conduct investigations and block transactions under the Exon-Florio Amendment.

Other Laws

In addition to the regulatory approvals described above, the consent of the United States Maritime Administration, the Surface Transportation Board and certain other governmental agencies may be required to be obtained prior to the effective time of the merger. Ispat International and ISG are currently in the process of reviewing whether other filings or approvals may be required or desirable.

Federal Securities Law Consequences; Resale Restrictions

All of the shares of Ispat International issued to ISG stockholders will be freely transferable under U.S. federal securities laws, except for restrictions applicable to affiliates of ISG under the Securities Act of 1933, as amended, or the Securities Act. Affiliates may resell those shares they receive only in transactions permitted by Rule 145 under the Securities Act or as otherwise permitted under the Securities Act. Persons who may be deemed to be affiliates of ISG for these purposes generally include individuals or entities that control, are controlled by, or are under common control with, ISG, and would not generally include stockholders who are not executive officers, directors or significant stockholders of ISG. The merger agreement requires ISG to deliver a list of all those persons who ISG believes may be deemed to be affiliates of ISG. ISG is also required, pursuant to the merger agreement, to use its reasonable best efforts to cause each person it identifies on the list as a potential affiliate of ISG to deliver to Ispat International, at or prior to the effective time of the merger, a written agreement that the affiliate will not sell, transfer or otherwise dispose of any Ispat International class A common shares issued to the affiliate pursuant to the merger unless the sale, transfer or other disposition meets one of the following criteria:

- it is made pursuant to an effective registration statement filed under the Securities Act;
- it is in conformity with the volume and other limitations of Rule 145 promulgated by the SEC under the Securities Act (or Rule 144 promulgated by the SEC under the Securities Act in the case of persons who become affiliates of Ispat International); or
- it is otherwise exempt from registration under the Securities Act as indicated in an opinion of counsel reasonably acceptable to Ispat International.

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

Dissenter s Rights of Appraisal

Ispat International

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

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ISG

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

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

Stock Exchange Listing

Ispat International class A common shares are listed on the New York Stock Exchange, Ispat International s principal U.S. trading market, and outside the United States on Euronext Amsterdam, in each case under the symbol IST . Ispat International has applied, subject to its acquisition of LNM Holdings being completed, to have its symbol on Euronext Amsterdam and on the New York Stock Exchange changed to MT . In accordance with the terms of the merger agreement, Ispat International will make an application to list on the New York Stock Exchange and on Euronext Amsterdam the Ispat International class A common shares that Ispat International will issue as consideration in the merger.

Delisting and Deregistration of ISG Common Stock after the Merger

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

Letter of Understanding with the United Steelworkers of America

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

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

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

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

- that upon completion of the acquisition of LNM Holdings and the merger, the ISG collective bargaining agreement with the USWA will be adapted, subject to ratification, to the Ispat Inland Inc. plants and the Ispat Inland Inc. employees will be covered under the ISG collective bargaining agreement with the USWA; and

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

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THE MERGER AGREEMENT

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

Structure of the Merger

Unless the alternative structure described below under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 73 is implemented, at the effective time of the merger, ISG will be merged with and into Park Acquisition Corp. Park Acquisition Corp. will continue as the surviving company and as a wholly owned subsidiary of Ispat International.

Closing and Effective Time of the Merger

The closing of the merger will take place as promptly as practicable after all the conditions to the merger described below under THE MERGER AGREEMENT Conditions of the Merger beginning on page 87 are satisfied or waived. The merger will become effective at the time Ispat International and ISG file a certificate of merger with the Secretary of State of the State of Delaware.

Merger Consideration

Pursuant to the merger agreement, as of the effective time of the merger, each issued and outstanding share of ISG common stock not owned by Park Acquisition Corp., Ispat International, or any direct or indirect wholly owned subsidiary of Ispat International or ISG or held in the treasury of ISG, will be cancelled and converted automatically into the right to receive the merger consideration. Each ISG stockholder shall have a right to make an election to receive the merger consideration in the form of cash consideration, stock consideration or a combination of cash consideration and stock consideration, in each case, subject to proration or adjustment based on tax considerations as explained below under THE MERGER AGREEMENT Oversubscription for Cash or Stock beginning on page 73 and THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 73.

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

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pursuant to an election of mixed consideration will be treated under the relevant conversion mechanisms described for cash consideration and stock consideration described above in this paragraph.

Oversubscription for Cash or Stock

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

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

Tax Adjustment and Alternative Structure

It is intended for the merger to qualify as a reorganization within the meaning of the Internal Revenue Code and, therefore, be tax free for ISG stockholders except to the extent of any cash received in the merger. Under the Internal Revenue Code, however, the merger might not qualify as such a reorganization if, among other things, on the closing date of the merger, the total value of Ispat International class A common shares that ISG stockholders receive does not represent at least 42.5% of the value of the total consideration including Ispat International class A common shares, cash and any other amounts treated as consideration in connection with the merger for purposes of the Internal Revenue Code that ISG stockholders receive in connection with the merger. To prevent this from happening, if the value of the Ispat International class A common shares received by ISG stockholders would otherwise be less than 42.5% of the value of the total consideration, Ispat International in its sole and absolute discretion may increase the amount of stock consideration so that the total value of Ispat International class A common shares that ISG stockholders receive represents at least 42.5% of the value of the total merger consideration.

If taking into account any such aforementioned increase, the value of the Ispat International class A common shares received by ISG stockholders would be less than 42.5% of the value of the total consideration on the closing date or either Ispat International or ISG fails to receive the applicable tax opinions from its outside counsel regarding the qualification of the merger under certain provisions of the Internal Revenue Code, as further described under THE MERGER AGREEMENT Conditions of the Merger beginning on page 87, Ispat International will effect the acquisition of ISG pursuant to a reverse-subsidiary merger structure in which Park Acquisition Corp. will instead merge with and into ISG and ISG will continue as the surviving company of the merger and as a wholly owned subsidiary of Ispat International.

Election Procedures

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

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

Cancellation of Shares

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

Exchange Agent

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

Procedures for Exchange of Certificates; No Fractional Shares

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

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

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

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

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

Treatment of ISG Stock Options and Stock Appreciation Rights

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

Under the terms of the merger agreement, each stock appreciation right granted by ISG under ISG s managers incentive plan which is outstanding or unsatisfied immediately prior to the effective time of the merger will be converted at the effective time of the merger into a right or award measured by the value of a number of shares of Ispat International class A common shares, on the same terms and conditions as were applicable under the ISG stock appreciation rights, except that:

- the terms and conditions of the converted right will take into account any adjustments provided for in ISG s managers incentive plan or in any related award agreement that are triggered by the merger agreement or the transactions contemplated by the merger agreement;
- each converted stock appreciation right will be measured by the number of shares of ISG common stock by which such ISG stock appreciation right would have otherwise been measured multiplied by the number of whole Ispat International class A common shares an ISG stockholder would be entitled to receive for one share of ISG common stock as stock consideration in the merger; and
- the exercise price by which each converted stock appreciation right is measured will be equal to the exercise price by which such stock appreciation right would have been otherwise measured divided by the number of Ispat International class A common shares an ISG stockholder would be entitled to

receive for one share of ISG common stock as stock consideration in the merger; provided that the maximum value of each such converted stock appreciation right will not exceed the maximum value of the related unconverted ISG stock appreciation right.

Representations and Warranties

Representations and Warranties of ISG

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

organization and qualification to do business,

subsidiaries,

certificate of incorporation and by-laws,

capitalization,

corporate authority to enter into the merger agreement,

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

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

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

compliance with laws,

SEC filings, financial statements and internal controls and procedures,

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

absence of litigation,

employee benefit plans,

labor and employment matters,

real property and leases,

intellectual property,

tax matters,

environmental matters,

inventories,

material contracts,

insurance,

approval of the ISG board of directors and the required ISG stockholder vote,

certain unlawful business practices,

absence of interested party transactions since December 10, 2003,

opinion of financial advisors, and

brokers.

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

Representations and Warranties of Ispat International and Park Acquisition Corp.

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

- organization and qualification to do business,
- subsidiaries,
- organizational documents,
- capitalization,
- corporate authority to enter into the merger agreement,
- absence of a breach of Ispat International s Deed of Incorporation or Articles of Association, Park Acquisition Corp. s Certificate of Incorporation or By-laws, applicable laws or other agreements entered into by Ispat International as a result of entering into the merger agreement or the transactions contemplated by the merger agreement,
- governmental consents, approvals, authorizations, permits, filings and notifications required in connection with the transactions contemplated by the merger agreement,
- possession of franchises, grants, authorizations, licenses, permits, easements, approvals and orders required to operate Ispat International s business,
- compliance with laws,
- SEC filings, financial statements and internal controls and procedures,
- absence of certain changes and events since December 31, 2003,
- absence of litigation,
- the acquisition agreement between Ispat International and Richmond Investment Holdings Limited related to the acquisition of the shares of LNM Holdings,
- labor and employment matters,
- operations of Park Acquisition Corp.,
- tax matters,
- approval of the Ispat International board of directors and the required Ispat International shareholder vote,
- certain unlawful business practices,
- absence of interested party transactions since December 31, 2003, and
- brokers.

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

Material Adverse Effect

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

ISG Material Adverse Effect

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

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

Ispat International Material Adverse Effect

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

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

Conduct of Business Pending the Merger

Conduct of Business of ISG Pending the Merger

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

- the businesses of ISG and its subsidiaries will be conducted only in, and ISG and its subsidiaries will not take any action except in, the ordinary course of business and in a manner consistent with past practice; and
- ISG will use its reasonable best efforts to preserve substantially intact the business organization of ISG and its subsidiaries, to keep available the services of the key current officers, employees and consultants of ISG and its subsidiaries and to preserve the current relationships of ISG and its subsidiaries with material customers, suppliers and other persons with which ISG or any of its subsidiaries has significant material business relations.

More specifically, except as expressly contemplated by any other provision of the merger agreement or as set forth in ISG s disclosure schedule to the merger agreement, neither ISG nor any of its subsidiaries will, between October 24, 2004 and the effective time of the merger, directly or indirectly, do, or propose to do, any

of the following without the prior written consent of Ispat International, which may not be unreasonably withheld or delayed:

amend or otherwise change its certificate of incorporation or by-laws;

issue, sell, pledge, dispose of, grant or encumber, or authorize the issuance, sale, pledge, disposition, grant or encumbrance of,

any shares of any class of capital stock of ISG or any of its material subsidiaries, or any options (except upon exercise of existing stock options), warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest (including, without limitation, any phantom interest), of ISG or any of its material subsidiaries or

any assets of ISG or any of its material subsidiaries, except for (w) granting of permitted liens in the ordinary course of business and in a manner consistent with past practice, (x) sales, pledges, disposals or encumbrances of assets not involving $25 million in the aggregate, (y) sales of inventory in the ordinary course of business, and (z) sales of certain assets listed on ISG s disclosure schedule to the merger agreement after written notice to, and reasonable consultation with, Ispat International;

declare, set aside, make or pay any dividend or other distribution, payable in cash, stock, property or otherwise, with respect to any of ISG s capital stock;

reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of ISG s capital stock;

(A) acquire (including, without limitation, by merger, consolidation, or acquisition of stock or other assets or other business combination) any corporation, partnership, other business organization or any division thereof or, except as permitted by sub-clause (C) of this provision, any amount of assets in excess of $25 million in the aggregate, (B) incur any indebtedness for borrowed money or issue any debt securities in excess of $25 million in the aggregate or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person other than any subsidiary of ISG, or make any loans or advances, or grant any security interest in any of its assets except in the ordinary course of business and consistent with past practice, or (C) authorize, or make any commitment with respect to any individual capital expenditure in excess of $5 million, other than authorizations and commitments with respect to capital expenditures that are made or entered into after written notice to, and reasonable consultation with, Ispat International;

hire any additional employees except in the ordinary course of business and consistent with past practices or increase the compensation payable or to become payable or the benefits provided to its directors or officers, except as required by law or existing agreement, or increase the compensation payable or to become payable or the benefits to be provided to its employees, except for an increase as set forth in ISG s disclosure schedule to the merger agreement in salaries or wages of employees of ISG or any of its subsidiaries who are not directors or officers of ISG or any material subsidiary of ISG, or, except as required by law or any existing agreement or plan, grant any severance or termination pay to, or enter into any employment or severance agreement with, any director, officer or, except in the ordinary course of business, any employee of ISG or of any of its subsidiaries, or establish, adopt, enter into or amend any collective bargaining, bonus, profit-sharing, thrift, compensation, stock option, restricted stock, pension, retirement, deferred compensation, employment, termination, severance or other plan, agreement, trust, fund, policy or arrangement for the benefit of any director, officer or group of employees;

(A) exercise its discretion with respect to or otherwise voluntarily accelerate the vesting of any options under ISG s 2002 stock option plan as a result of the merger, any other change of control of ISG (as defined in such stock option plan) or otherwise or (B) exercise its discretion with respect to or otherwise amend, modify or supplement ISG s stock purchase plan;

take any action, other than reasonable and usual actions in the ordinary course of business and consistent with past practice, with respect to accounting policies or procedures, except as required by U.S. GAAP or applicable law;

except in the ordinary course of business consistent with past practice, make, change or revoke any material tax election, settle or compromise any material tax liability, consent to any claim or assessment relating to a material amount of taxes or any waiver of the statute of limitations, change any method of tax accounting, or file any amended tax return or claim for refund of material taxes;

commence, settle, pay, discharge or satisfy any actions, claims, liabilities or obligations in excess of $20 million in the aggregate, other than the payment, discharge or satisfaction of obligations other than actions in the ordinary course of business and consistent with past practice;

enter into, amend, modify or consent to the termination of any material contract, or amend, waive, modify or consent to the termination of ISG s or any of its subsidiaries material rights under any such contract, other than in the ordinary course of business and consistent with past practice;

fail to make in a timely manner any filings with the SEC required under the Securities Act or the Exchange Act or the rules and regulations promulgated thereunder; or

enter into any binding agreement or otherwise make a commitment to do any of the foregoing.

Conduct of Business of Ispat International Pending the Merger

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

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

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

More specifically, except as expressly contemplated by any other provision of the merger agreement or as set forth in Ispat International s disclosure schedule to the merger agreement, between October 24, 2004 and the earlier of the termination of the merger agreement and the effective time of the merger, neither Ispat International nor any of its subsidiaries will, directly or indirectly, without the prior written consent of ISG, which may not be unreasonably withheld or delayed:

issue, sell, dispose of or grant, or authorize the issuance, sale, disposition or grant of, any shares of any class of capital stock of Ispat International, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of such capital stock, or any other ownership interest of Ispat International except pursuant to the terms of the LNM Holdings acquisition agreement or in exchange for fair market value;

declare, set aside, make or pay any dividend or other distribution payable in cash, stock, property or otherwise, with respect to any of Ispat International s capital stock other than as set forth on Ispat International s disclosure schedule (such disclosure schedule including an exception for a declared and unpaid dividend of LNM Holdings in the amount of $2 billion), reclassify, combine, split, subdivide or redeem, or purchase or otherwise acquire, directly or indirectly, any of Ispat International s capital stock;

acquire (including, without limitation, by merger, consolidation, or acquisition of stock or other assets or other business combination) any corporations, partnerships, other business organizations or any divisions thereof or any material amount of assets in one or more transactions involving consideration in excess of $1.5 billion in the aggregate;

directly or indirectly take, or propose to take, without ISG s prior written consent, any action with the intent to cause Ispat International s representations and warranties described above under THE MERGER AGREEMENT Representations and Warranties beginning on page 76 to be untrue in any material respect;

amend, modify or waive any closing condition or financial term of the LNM Holdings acquisition agreement in a manner that would adversely affect Ispat International s rights thereunder;

incur any indebtedness for borrowed money or issue any debt securities or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person, or make any loans or advances, or grant any security interest in any of its assets in excess of $1.5 billion in the aggregate;

amend or otherwise change Ispat International s Deed of Incorporation (*akte van oprichting*) or Articles of Association (*statuten*) except as required by the transactions contemplated by the LNM Holdings acquisition agreement or the actions authorized pursuant to the shareholder vote to be taken in connection with such agreement; or

enter into any formal binding agreement or otherwise make a commitment to do any of the foregoing.

Additional Agreements

Registration Statement on Form F-4; Proxy Statement/ Prospectus

The merger agreement requires Ispat International and ISG to prepare and file with the SEC as promptly as practicable after the execution of the merger agreement a proxy statement to be sent to the stockholders of ISG relating to the meeting of the ISG stockholders to be held to consider approval and adoption of the merger agreement. In addition, the merger agreement requires Ispat International to prepare and file with the SEC a registration statement on Form F-4 in which the ISG proxy statement will be included as a prospectus, in connection with the registration under the Securities Act of the Ispat International class A common shares to be issued to the ISG stockholders pursuant to the merger.

Ispat International and ISG each must use its reasonable best efforts to cause the registration statement on Form F-4 to become effective as promptly as practicable. As promptly as practicable after the registration statement on Form F-4 becomes effective, ISG is required to mail the proxy statement related to the merger to its stockholders. Pursuant to the merger agreement, Ispat International and ISG each makes certain representations and warranties to the other concerning the accuracy of the information supplied in connection with the preparation of the proxy statement and the registration statement on Form F-4 to be filed with the SEC as of the date on which the document becomes effective and is mailed to the ISG stockholders, in each case related to the merger. Each party has also agreed to inform the other of any changes in the information provided to the other that would require an amendment or supplement to such filings.

Shareholder Circular/ Prospectus

As promptly as practicable after the execution of the merger agreement and prior to effective time, Ispat International will also prepare a shareholder circular in connection with the approval of the transactions contemplated by the merger agreement by its shareholders and will prepare a prospectus to be made available after clearance by Euronext Amsterdam in connection with such transactions in addition to the prospectus that was filed with Euronext Amsterdam on November 18, 2004 in conjunction with the acquisition of LNM Holdings by Ispat International. Ispat International will use its reasonable best efforts to cause the prospectus to be cleared as promptly as practicable by Euronext Amsterdam. Ispat International and ISG each makes certain representations and warranties to the other concerning the accuracy of the information supplied in connection with the preparation of the shareholder circular and the prospectus. Each party has also

agreed to inform the other of any changes in the information provided to the other that would require an amendment or supplement to such filings.

ISG Stockholders Meeting

ISG has agreed to call and hold a meeting of the holders of ISG common stock for the purpose of voting upon the adoption of the merger agreement and must use its reasonable best efforts to hold such meeting as soon as practicable after the date on which the F-4 registration statement becomes effective. However, under the terms of the merger agreement, ISG is specifically not required to hold such stockholders meeting prior to December 23, 2004. Subject to the terms of the merger agreement, ISG must use its reasonable best efforts to solicit from the ISG stockholders proxies in favor of the adoption of the merger agreement and take all other action necessary or advisable to secure the required stockholder vote except in the case where the ISG board of directors withdraws or modifies its recommendation subject to the conditions to such withdrawal or modification described below under THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* .

Ispat International Shareholders Meeting

Ispat International must also call and hold a general meeting of its shareholders for the purpose of voting upon the approval of the merger agreement and must use its reasonable best efforts to hold such meeting as promptly as practicable after the date on which the prospectus is approved by Euronext Amsterdam.

No Solicitation of Transactions; Fiduciary Termination Right

Pursuant to the merger agreement, neither ISG nor any of its subsidiaries nor any of their respective directors, officers or employees will, nor will ISG authorize or permit either its or its subsidiaries agents, advisors and other representatives, to directly or indirectly:

solicit (including by way of furnishing nonpublic information), or take any other action intended or reasonably likely to facilitate, any inquiries or the making of any proposal or offer (including, without limitation, any proposal or offer to the ISG stockholders) that constitutes, or may reasonably be expected to lead to, any Competing Transaction (as defined in the merger agreement and described below), or

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a Competing Transaction , or

agree to, approve, endorse or recommend any Competing Transaction or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any Competing Transaction , or

authorize or permit any of the officers, directors or employees of ISG or any of its subsidiaries, or any investment banker, financial advisor, attorney, accountant or other representative retained by ISG or any of its subsidiaries, to take any such action.

In addition, ISG will notify Ispat International as promptly as practicable (and in any event within one day after an executive officer of ISG attains knowledge thereof), orally and promptly thereafter in writing, if any proposal or offer, or any inquiry or contact with any person with respect thereto, regarding a Competing Transaction is made, specifying the material terms and conditions thereof and the identity of the party making such proposal or offer or inquiry or contact. ISG will provide Ispat International with forty-eight hours prior notice (or such lesser prior notice as is provided to the members of the ISG board of directors) of any meeting of the ISG board of directors at which the board is expected to discuss any Competing Transaction .

Fiduciary Termination Right. However, the merger agreement provides that the ISG board of directors may furnish information to, and enter into discussions with, a person who has made an unsolicited, written proposal or offer regarding a Competing Transaction , if the ISG board of directors has:

determined, in its good faith judgment (after consultation with a financial advisor), that such proposal or offer constitutes a Superior Proposal (as defined in the merger agreement and described below),

provided written notice to Ispat International of its intent to furnish information to or enter into discussions with such person at least three business days prior to taking any such action, and

obtained from such person an executed confidentiality agreement on terms not substantially less favorable to ISG in the aggregate than those contained in the confidentiality agreement, dated September 28, 2004, between Ispat International and ISG.

A Competing Transaction is defined in the merger agreement as any of the following (other than the transactions contemplated by the merger agreement):

any merger, consolidation, share exchange, business combination, recapitalization, liquidation, dissolution or other similar transaction involving ISG or any of its material subsidiaries;

any sale, lease, exchange, transfer or other disposition (including a disposition of stock of one or more of ISG s subsidiaries) of 15% or more of the assets of ISG and its subsidiaries taken as a whole;

any sale, exchange, transfer or other disposition of 15% or more of any class of equity securities of ISG or any of its material subsidiaries;

any tender offer or exchange offer that, if consummated, would result in any person beneficially owning 15% or more of any class of ISG s equity securities;

any solicitation in opposition to adoption of the merger agreement by the ISG stockholders; or

any other transaction the completion of which would reasonably be expected to prevent or materially delay any of the transactions contemplated by the merger agreement.

In addition, under the terms of the merger agreement, ISG will use its reasonable best efforts to keep Ispat International informed on a reasonably prompt basis of the status of any negotiations it enters into regarding a Superior Proposal , including any material amendments or proposed material amendments to such a proposal. ISG will also provide Ispat International with all information regarding ISG that is provided to any person making a Superior Proposal to the extent such information has not previously been provided to Ispat International.

A Superior Proposal is defined in the merger agreement as an unsolicited written proposal or offer made by a third party to consummate any of the following transactions:

a merger, consolidation, share exchange, business combination or other similar transaction involving ISG pursuant to which the ISG stockholders immediately preceding such transaction would hold less than 50% of the equity interest in the surviving or resulting entity of such transaction, or

the acquisition by any person or group (including by means of a tender offer or an exchange offer or a two-step transaction involving a tender offer followed with reasonable promptness by a cash-out merger involving ISG), directly or indirectly, of ownership of more than 50% of the then outstanding shares of ISG voting stock,

in each case on pricing and other terms (including conditions to completion of such contemplated transaction) that the ISG board of directors determines, in its good faith judgment (after consultation with a financial advisor), to be more favorable to the ISG stockholders than the merger being contemplated pursuant to the merger agreement.

Except as otherwise permitted by the merger agreement as described above, the ISG board of directors may not withdraw or modify, or propose to withdraw or modify, in a manner adverse to Ispat International or Park Acquisition Corp., its recommendation in favor of the merger, or approve or recommend, or cause or

permit ISG to enter into any letter of intent, agreement or obligation with respect to, any Competing Transaction . However, if the ISG board of directors determines, in its good faith judgment prior to an ISG stockholders meeting required to adopt the merger agreement and after consultation with legal counsel, that it is required to change its recommendation to comply with its fiduciary obligations to ISG and its stockholders under applicable law, the ISG board of directors may change its recommendation or terminate the merger agreement to accept a Superior Proposal , but only, in the case of termination of the merger agreement, to accept a Superior Proposal :

after providing written notice to Ispat International of the Superior Proposal specifying the material terms and conditions of such proposal and the identity of the person making such proposal and indicating that the ISG board of directors intends to consider whether to change its recommendation regarding the merger; and

if Ispat International does not make an offer within three business days of its receipt of notice of a Superior Proposal that the ISG board of directors determines in its good faith judgment (after consultation with a financial advisor) to be at least as favorable to the ISG stockholders as the Superior Proposal .

In addition, under the merger agreement, ISG is prohibited from submitting to the vote of the ISG stockholders any Competing Transaction , or proposing to do so, except as expressly permitted in the merger agreement.

Directors and Officers Indemnification and Insurance. The merger agreement requires the certificate of incorporation and bylaws of the surviving company of the merger to contain indemnity provisions at least as favorable as those of ISG s Certificate of Incorporation prior to the merger. These indemnity provisions may not be amended, repealed or otherwise modified for six years following the merger s closing in any way, except as required by law, that may adversely affect the rights of individuals who were directors, officers, employees, fiduciaries, or agents of ISG at the time of the merger s closing.

After the merger s closing, in the event of any threatened or actual civil, criminal or administrative claim, action, suit, proceeding or investigation, including in which any individual who is now, or has been at any time prior to the date of the merger agreement, or whom becomes prior to the merger s closing, a director, officer or employee of ISG or any of ISG s subsidiaries or who is or was serving at the request of ISG or any of ISG s subsidiaries as a director, officer or employee of another person, is, or is threatened to be, made a party based in whole or in part on, or arising in whole or in part out of, or pertaining to, (i) the fact that the individual is or was a director, officer or employee of ISG or any of ISG s subsidiaries or, (ii) this merger agreement or any of the transactions contemplated by this merger agreement, whether asserted or arising before or after the merger s closing, the surviving company of the merger will indemnify, defend and hold harmless, those individuals against those claims, actions or suits or proceedings, to the fullest extent that would be permitted under the DGCL (including reimbursement for reasonable fees and expenses incurred in advance of the final disposition of any claim, action, suit, proceeding or investigation to each indemnified party) (assuming for purposes of applying any applicable limitations on indemnification under the DGCL that they were directors, officers or employees of the surviving company of the merger at the time of the relevant action or inaction). From and after the merger closing, the surviving company of the merger will fulfill and honor in all material respects the obligations of ISG to indemnify, defend and hold harmless, the individuals to be indemnified as provided in ISG s Certificate of Incorporation and Bylaws in effect on the date of the merger agreement, and any indemnification agreement listed in Section 6.07(b) of the ISG disclosure schedule to the merger agreement; *provided, however,* to the extent any such matter arises out of service by any individual such as a director or officer of Ispat International or any Ispat International subsidiary as of or after the merger s closing, the indemnity will be provided in accordance with Ispat International s Deed of Incorporation and Articles of Association, as in effect from time to time, and any director and officer indemnification agreements between Ispat International and such person.

In addition, the merger agreement provides that the surviving company of the merger must use its reasonable best efforts to maintain in effect for six years from the merger s closing, if available, the directors and officers liability insurance policies maintained by ISG (or substitute policies of at least the same coverage

containing terms and conditions that are not materially less favorable) with respect to matters occurring prior to merger s closing; *provided, however,* the surviving company of the merger is not required to expend more than an amount per year equal to 250% of current annual premiums paid by ISG for the insurance. If this insurance coverage cannot be obtained at all, or can only be obtained at an annual premium in excess of the maximum premium, Ispat International is required to maintain policies of directors and officers insurance obtainable for an annual premium equal to the maximum premium.

In the event that Ispat International or the surviving company of the merger or their respective successors or assigns

consolidates with or merges into any other person and is not the continuing or surviving company or entity in the consolidation or merger, or

transfers all or substantially all of its properties and assets to any person,

then, proper provision must be made so that the successor and assign of Ispat International or the surviving company of the merger, as the case may be, assumes responsibility and liability for the obligations set forth with respect to Ispat International or the surviving company of the merger, as the case may be.

Further Action; Reasonable Best Efforts

The merger agreement contemplates that prior to the closing of the merger, ISG and Ispat International will use their reasonable best efforts to take all appropriate action necessary under applicable laws or otherwise to complete and make effective the merger, including using their reasonable best efforts to obtain all permits, consents and approvals of governmental authorities and parties to contracts with ISG as are necessary for the completion of the merger and to fulfill the conditions to the merger; provided that Ispat International will not be required to take any action, including entering into any consent decree, hold separate order or other arrangement, that:

requires the divestiture of any assets of any of Ispat International or any of its subsidiaries or limits Ispat International s freedom of action with respect to, or its ability to retain, any of Ispat International s or its affiliates assets or businesses, that, in any such case, if such action were to be taken with respect to a comparable amount of assets or businesses of ISG, would have a material adverse effect on ISG; or

requires the divestiture of any assets of any of ISG or any of its subsidiaries or limits Ispat International s freedom of action with respect to, or its ability to retain, ISG and its subsidiaries or any of ISG and its subsidiaries assets or businesses that, in any such case, would have a material adverse effect of ISG.

Certain Post-Closing Matters

Following the effective time of the merger, Ispat International will cause the surviving company of the merger and its subsidiaries to honor in accordance with their terms, all contracts, agreements, arrangements, policies, plans and commitments of ISG and its subsidiaries as in effect immediately prior to the effective time of the merger that are applicable to any current or former employees or directors of ISG or any of its subsidiaries.

Certain Employee Benefits and Other Matters

Promptly after the effective time of the merger, Ispat International will cause:

a member of the ISG board of directors designated by such board prior to the completion of the merger, after consultation with Ispat International, or, if no such individual is so designated, the chairman of the ISG board of directors, to be elected to the Ispat International board of directors; and

ISG s Chief Executive Officer, to be made the chief executive officer for all of Ispat International s U.S. operations;

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provided, that if ISG s then-current Chief Executive Officer no longer holds that position at the time of the closing, then Ispat International s obligation will be solely to consult with the ISG board of directors prior to the closing before making any substitute appointment.

In addition, on or prior to December 31, 2004, ISG will pay to each participant in ISG s officer cash and stock bonus plan and the return on equity bonus program the participant s bonus for the fiscal year ending December 31, 2004.

ISG Affiliates

Pursuant to the terms of the merger agreement, ISG delivered to Ispat International a list of persons who were, in ISG s judgment, affiliates of ISG within the meaning of Rule 145 of the Securities Act. ISG will use its reasonable best efforts to deliver to Ispat Intentional prior to the effective time of the merger an affiliate letter executed by each ISG affiliate. ISG affiliates will not be entitled to receive the stock portion of the merger consideration until the ISG affiliate has executed and delivered to Ispat International an affiliate letter.

Reorganization

The merger agreement is intended to constitute a plan of reorganization within the meaning of the Internal Revenue Code and, therefore be tax free for ISG stockholders except to the extent of any cash received. Until the effective time of the merger, the parties to the merger agreement will use their reasonable best efforts to cause the merger to qualify as a reorganization within the meaning of the Internal Revenue Code. In addition, the parties to the merger agreement acknowledge and agree that Ispat Intentional will have the sole and absolute discretion to exercise its rights to increase the amount of stock consideration received by ISG stockholders in the merger or to effect the acquisition of ISG pursuant to a reverse-subsidiary merger structure, as further described under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 73.

Sale and Charter

Prior to the closing of the merger, ISG is required to consummate a transaction in which it transfers ownership of two shipping vessels used for shipping in the Great Lakes region of the United States to a third party approved by the U.S. Maritime Administration, and charters such vessels from the approved third party.

Access to Information; Confidentiality

Except as required pursuant to any confidentiality agreement or similar agreement or arrangement to which Ispat International or ISG or any of their respective subsidiaries is a party or pursuant to applicable law, from the date of the merger agreement until the effective time of the merger, ISG has agreed to (and to cause its subsidiaries to):

- provide to Ispat International and its representatives access at reasonable times upon prior notice to the officers, employees, agents, properties, offices and other facilities of ISG and its subsidiaries and to the books and records thereof, including access to conduct any reasonable environmental assessment; and

- furnish promptly to Ispat International such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of ISG and its subsidiaries as Ispat International or its representatives may reasonably request;

and Ispat International has agreed to (and will cause its subsidiaries to, and use its reasonable best efforts to cause LNM Holdings to):

- provide to ISG and its representatives access at reasonable times upon prior notice to the officers, employees, agents, properties, offices and other facilities of Ispat International and its subsidiaries and to such entities books and records; and

- furnish promptly to Ispat International such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of Ispat International and its subsidiaries (including

LNM Holdings and its subsidiaries) as is reasonably necessary in order for ISG to perform a due diligence review with respect to the representations, warranties and covenants provided to ISG pursuant to the merger agreement.

All information obtained by Ispat International or ISG pursuant to this provision must be kept confidential in accordance with the confidentiality agreement, dated September 28, 2004, between Ispat International and ISG.

Conditions of the Merger

Conditions to the Obligations of ISG, Ispat International and Park Acquisition Corp.

The obligations of ISG, Ispat International and Park Acquisition Corp. to complete the merger are subject to the satisfaction or waiver (where permissible) of the following conditions:

the transactions contemplated by the LNM Holdings acquisition agreement will have been completed on the terms set forth in such agreement, with such amendments as have been entered into with the approval of the parties to the acquisition agreement and ISG;

the registration statement on Form F-4 relating to the merger will have been declared effective by the SEC and no stop order suspending its effectiveness will have been issued by the SEC and no proceeding for that purpose will have been initiated by the SEC;

the merger agreement will have been adopted by the requisite affirmative vote of the stockholders of ISG in accordance with DGCL and ISG s Certificate of Incorporation;

the merger agreement will have been adopted by the requisite affirmative vote of the shareholders of Ispat International in accordance with Section 2:107A of the Dutch Civil Code;

no governmental authority will have enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award that will make the merger illegal or otherwise prohibit completion of the merger;

any waiting period (and any extension of such period) applicable to the completion of the merger under the Hart-Scott-Rodino Antitrust Improvements Act will have expired or been terminated;

the Ispat International class A common shares to be issued in the merger will have been authorized for listing on the New York Stock Exchange and Euronext Amsterdam, subject to official notice of issuance; and

all applicable approvals to the extent required to be obtained from the European Commission, the member states of such commission, or any other country in which Ispat International or ISG operate which has jurisdiction over the merger or the transactions contemplated by the merger agreement will have been obtained.

The parties currently expect that the only non-U.S. regulatory approval required for completion of the merger is approval under German law.

Conditions to the Obligations of Ispat International and Park Acquisition Corp.

In addition, the obligations of Ispat International and Park Acquisition Corp. to complete the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of ISG contained in the merger agreement will have been true and correct when made and will be true and correct as of the effective time of the merger, with the same force and effect as if made as of the effective time (other than such representations and warranties as are made as of another date which will be true and correct as of such date), except where the failure to be so true and correct (without giving effect to any limitations or qualification as to materially (including the word material) or Company Material Adverse Effect) would not, individually or in

the aggregate, have a material adverse effect with respect to ISG (as such term is summarized with respect to ISG under THE MERGER AGREEMENT Material Adverse Effect beginning on page 77);

ISG will have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;

ISG will have delivered to Ispat International a certificate, dated the date of the closing of the merger, certifying as to the satisfaction of the conditions related to its representations and warranties and covenants described directly above;

no event, circumstance, change or effect will have occurred since the date of the merger agreement that, individually or in the aggregate with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of ISG and its subsidiaries taken as a whole; provided, however, that the scope of this condition will not include any event, circumstance, change or effect resulting from changes in general economic conditions, or general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which ISG and its subsidiaries operate that do not have a disproportionate effect (relative to other industry participants) on ISG and its subsidiaries, taken as a whole; and

Ispat International will have received the opinion of Shearman & Sterling LLP, counsel to Ispat International, based upon customary or reasonable representations and subject to customary or reasonable limitations and assumptions, to the effect that, for U.S. federal income tax purposes, the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Ispat International, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of Section 368(b) of the Internal Revenue Code, which opinion will not have been withdrawn or modified in any material respect. The representations upon which the opinion is based will be provided in representation letters signed and dated the date of such opinion by an authorized officer of the representing entity, and will not have been withdrawn or modified in any material respect as of the effective time of the merger.

Conditions to the Obligations of ISG

The obligations of ISG to complete the merger are subject to the satisfaction or waiver (where permissible) of the following additional conditions:

the representations and warranties of Ispat International and Park Acquisition Corp. contained in the merger agreement will have been true and correct when made and will be true and correct as of the effective time of the merger, with the same force and effect as if made as of the effective time (other than such representations and warranties as are made as of another date which will be true and correct as of such date), except where the failure to be so true and correct (without giving effect to any limitations or qualification as to materially (including the word material) or Parent Material Adverse Effect) would not, individually or in the aggregate, have a material adverse effect with respect to Ispat International (as such term is summarized with respect to Ispat International under THE MERGER AGREEMENT Material Adverse Effect). For the avoidance of doubt, LNM Holdings and its subsidiaries will be subsidiaries of Ispat International as of the effective time;

Ispat International and Park Acquisition Corp. will have performed or complied in all material respects with all agreements and covenants required by the merger agreement to be performed or complied with by it on or prior to the effective time of the merger;

Ispat International will have delivered to ISG a certificate, dated the date of the closing of the merger, certifying as to the satisfaction of the conditions related to its representations and warranties and covenants described directly above;

ISG will have received the opinion of Jones Day, counsel to ISG, based upon customary or reasonable representations and subject to customary or reasonable limitations and assumptions, to the effect that, for U.S. federal income tax purposes,

either the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code and each of Ispat International, Park Acquisition Corp. and ISG will be a party to the reorganization within the meaning of section 368(b) of the Internal Revenue Code, or the Reverse-Subsidiary Merger structure referred to under THE MERGER AGREEMENT Tax Adjustment and Alternative Structure beginning on page 73, together with the acquisition by Ispat International of the shares of LNM Holdings, will qualify as transfers of property described in Section 351(a) (subject to Section 351(b)) of the Internal Revenue Code by Richmond Investment Holdings Limited and each of ISG s stockholders, and

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

and such opinion will not have been withdrawn or modified in any material respect. The representations upon which the opinion is based will be provided in representation letters signed and dated the date of such opinion by an appropriate officer of the representing entity, and will not have been withdrawn or modified in any material respect as of the effective time of the merger; and

no event, circumstance, change or effect will have occurred since the date of the merger agreement that, individually or in the aggregate with all other events, circumstances, changes and effects, is or could reasonably be expected to be materially adverse to the business, condition (financial or otherwise), assets, liabilities or results of operations of Ispat International and its subsidiaries taken as a whole, giving effect to the acquisition of LNM Holdings by Ispat International as if it had closed on the date of the merger agreement; provided, however that the foregoing provision will not include any event, circumstance, change or effect resulting from changes in general economic conditions, or general changes in the industry of manufacturing, processing, selling, marketing and distributing steel in which Ispat International and its subsidiaries operate that do not have a disproportionate effect (relative to other industry participants) on Ispat International and its subsidiaries taken as a whole.

Termination

Termination by Mutual Agreement

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned at any time prior to the effective time of the merger, despite any requisite adoption of the merger agreement by the stockholders of ISG or Ispat International by mutual written consent of ISG and Ispat International duly authorized by their respective boards of directors.

Termination by Either ISG or Ispat International

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by either ISG or Ispat International at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Ispat International:

if the effective time of the merger has not occurred on or before April 30, 2005 (which date may be extended at the written request of either Ispat International or ISG for up to an additional sixty calendar days to the extent necessary to satisfy the conditions to the merger related to antitrust approvals specified in the merger agreement and described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of ISG, Ispat International and Park Acquisition Corp.* beginning on page 87 and so long as all other conditions have been satisfied or will be capable of being satisfied); provided, however, that the right to terminate the merger agreement under this provision will not be available to any party whose failure to fulfill any obligation

under the merger agreement has been the cause of, or resulted in, the failure of the effective time of the merger to occur on or before such date; or

if any governmental authority in the United States or The Netherlands has enacted, issued, promulgated, enforced or entered any injunction, order, decree or ruling (whether temporary, preliminary or permanent) which has become final and nonappealable and has the effect of making completion of the merger or the transaction related to the acquisition of LNM Holdings by Ispat International illegal or otherwise preventing or prohibiting completion of the merger or such acquisition; or

if the merger agreement fails to receive the requisite vote for adoption at an ISG stockholders meeting or the Ispat International shareholders meeting, in each case related to the merger.

Termination by Ispat International

The merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by Ispat International at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Ispat International:

if a Company Triggering Event (as defined below) has occurred; or

if the ISG board of directors withdraws, modifies or changes its recommendation relating to the merger in a manner adverse to Ispat International; or

upon a breach of any representation, warranty, covenant or agreement on the part of ISG contained in the merger agreement, or if any representation or warranty of ISG has become untrue, in either case such that the conditions to the merger related to ISG confirming the accuracy of ISG s representations and warranties and its compliance with the covenants in the merger agreement described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of Ispat International and Park Acquisition Corp.* beginning on page 87 would not be satisfied; provided, however, that, if such breach is curable by ISG, Ispat International may not terminate the merger agreement under this provision as long as ISG continues to exercise its reasonable best efforts to cure such breach, unless such breach is not cured within 45 days after notice of such breach is provided by Ispat International to ISG; or

if

either condition related to the receipt of the tax opinions as described under THE MERGER AGREEMENT Conditions of the Merger beginning on page 87 have not been satisfied or waived,

all other conditions have been satisfied, and

five business days have elapsed after Ispat International has provided written notice to ISG of its intention to terminate the merger agreement pursuant to this provision without ISG having consented to the completion of the merger by employing the alternative Reverse-Subsidiary Merger structure described under THE MERGER Tax Adjustment and Alternative Structure beginning on page 73.

Termination by ISG

In addition, the merger agreement may be terminated and the merger and the other transactions contemplated by the parties may be abandoned by ISG at any time prior to the effective time of the merger, notwithstanding any requisite adoption of the merger agreement by the stockholders of ISG or Ispat International:

upon a breach of any representation, warranty, covenant or agreement on the part of Ispat International and Park Acquisition Corp., contained in the merger agreement, or if any representation or warranty of

Ispat International and Park Acquisition Corp. has become untrue, in either case such that the conditions to the merger related to Ispat International and Park Acquisition Corp. and the accuracy of their representations and warranties and their compliance with the covenants in the merger agreement described under THE MERGER AGREEMENT Conditions of the Merger *Conditions to the Obligations of Ispat International and Park Acquisition Corp.* beginning on page 87 would not be satisfied; provided, however, that, if such breach is curable by Ispat International and Park Acquisition Corp., ISG may not terminate the merger agreement under this provision as long as Ispat International and Park Acquisition Corp. continue to exercise their reasonable best efforts to cure such breach, unless such breach is not cured within 45 days after notice of such breach is provided by ISG to Ispat International; or

if the LNM Holdings acquisition agreement has been terminated prior to completion of the transactions contemplated by such acquisition agreement, whether or not in accordance with its terms, or any of the conditions to completion in the LNM Holdings acquisition agreement will have become incapable of being fulfilled; or

in order for ISG to accept a Superior Proposal ; provided that in order for the termination of the merger agreement pursuant to this provision to be effected, ISG must have complied with its obligations precedent to exercising its fiduciary termination right as described under THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right Fiduciary Termination Right* beginning on page 83, and its obligations (including payment of any required termination fee) described under THE MERGER AGREEMENT Fees and Expenses *Termination Fees and Expenses Paid by ISG* beginning on page 92.

For purposes of the merger agreement, a Company Triggering Event will be deemed to have occurred if:

the ISG board has recommended to its stockholders a Competing Transaction or has authorized ISG to enter into any letter of intent or similar document or any agreement, contract or commitment accepting any Competing Transaction ;

ISG has failed to include the recommendation of the ISG board of directors in favor of the merger in the proxy statement to be filed with the SEC in connection with the merger;

the ISG board of directors fails to reaffirm its recommendation in favor of the merger (which may include a reservation of the right to withdraw or change such recommendation in the future) within five business days after Ispat International requests in writing that such recommendation be reaffirmed; or

a tender offer or exchange offer for 30% or more of the outstanding shares of capital stock of ISG is commenced, and the ISG board of directors fails to recommend against or takes no position with respect to acceptance of such tender offer or exchange offer by the ISG stockholders within ten business days after such tender offer or exchange offer is commenced.

Effect of Termination

In the event of the termination of the merger agreement pursuant to the provisions described under THE MERGER AGREEMENT Termination beginning on page 89, the merger agreement will become void, and there will be no liability under the merger agreement on the part of any party to the merger agreement, except that:

the provisions regarding fees and expenses summarized under THE MERGER AGREEMENT Fees and Expenses beginning on page 92, amendment and waiver summarized under THE MERGER AGREEMENT Amendment and Waiver beginning on page 94, and the general provisions contained in Article IX of the merger agreement will survive such a termination;

termination of the merger agreement will not relieve any party from liability for any willful breach of any of its representations, warranties, covenants or agreements contained in the merger agreement prior to such termination; and

the confidentiality agreement between Ispat International and ISG, dated September 28, 2004, will survive any termination of the merger agreement.

Fees and Expenses

General Expenses. Except as provided below, all expenses incurred in connection with the merger agreement and the transactions contemplated by the merger agreement will be paid by the party incurring such expenses, whether or not the merger or any other transaction is completed, provided that Ispat International and ISG will share certain expenses related to notifications and filings related to the merger with the SEC, Euronext Amsterdam and with various antitrust and competition law authorities.

Termination Fees and Expenses Paid by ISG. In addition, ISG has agreed to pay a termination fee to Ispat International of $130,000,000:

upon termination of the merger agreement:

by Ispat International upon a Company Triggering Event (as described above under THE MERGER AGREEMENT Termination beginning on page 89);

by Ispat International if the ISG board of directors withdraws, modifies or changes its recommendation regarding the merger in a manner adverse to Ispat International and prior to the time of such termination a Competing Transaction (as described above) regarding ISG has been communicated to the ISG board of directors and not withdrawn; or

by ISG in order to accept a Superior Proposal ; provided that ISG has complied with its obligations precedent to accepting a Superior Proposal set forth in the merger agreement and described under THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right Fiduciary Termination Right* beginning on page 83; and

upon ISG entering into an agreement for a Third Party Acquisition :

if either Ispat International or ISG terminates the merger agreement because the merger has not become effective on or before April 30, 2005 (or such date as extended in accordance with the merger agreement), as further described under the first bullet of THE MERGER AGREEMENT Termination *Termination by Either ISG or Ispat International* beginning on page 89 and prior to the time of such termination a Competing Transaction (as described above) regarding ISG has been communicated to the ISG board of directors and not withdrawn, and ISG enters into an agreement for a Third Party Acquisition within 12 months after the date of such termination; or

if either Ispat International or ISG terminates the merger agreement because the merger agreement is not adopted by the ISG stockholders at their meeting related to the merger and, prior to the time of such failure to so approve the merger agreement, a Competing Transaction (as described above) regarding ISG has been publicly announced and not withdrawn, and ISG enters into an agreement for a Third Party Acquisition within 12 months after the date of such termination;

Expense Reimbursement by ISG

In addition, ISG has agreed to reimburse Ispat International for certain expenses related to the merger up to a maximum amount of $10,000,000, provided that no break up fee described above has been paid by ISG, if Ispat International terminates the merger agreement:

because it is not adopted by the ISG stockholders at their meeting related to the merger and prior to the time of such termination, no Competing Transaction (as described above) with respect to ISG

has been publicly announced and not withdrawn, and neither Ispat International nor Park Acquisition Corp. is in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement;

because the ISG board of directors withdraws, modifies or changes its recommendation regarding the merger in a manner adverse to Ispat International and prior to the time of such termination no Competing Transaction (as described above) has been communicated to the ISG board of directors and not withdrawn, and neither Ispat International nor Park Acquisition Corp. is in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement; or

because ISG has breached or failed to perform its covenants, representations and warranties as further described under THE MERGER AGREEMENT Termination *Termination by Ispat International* beginning on page 90.

Termination Fees and Expenses Paid by Ispat International

In addition, Ispat International has agreed to pay to ISG a break up fee of $130,000,000 in the event ISG terminates the merger agreement because the LNM Holdings acquisition agreement has been terminated prior to completion of the transactions contemplated under such agreement, whether or not in accordance with its terms, or any of the conditions to completion in the LNM Holdings acquisition agreement shall have become incapable of being fulfilled.

Expense Reimbursement by Ispat International

In addition, Ispat International has agreed to reimburse ISG for certain expenses related to the merger up to a maximum amount of $10,000,000, provided that no break-up fee described above has been paid by Ispat International and ISG is not in material breach of its covenants and agreements or its representations and warranties contained in the merger agreement, if ISG terminates the merger agreement because:

Ispat International has breached its representations or warranties or any of its or Park Acquisition Corp. s representations or warranties have become untrue such that the conditions related to the accuracy and correctness of its representations and warranties or its compliance with covenants required by the merger agreement would not be satisfied; or

the merger agreement is not adopted by Ispat International s shareholders at their meeting related to the merger.

A Third Party Acquisition means any of the following transactions (other than the transactions contemplated by the merger agreement):

a merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving ISG pursuant to which the ISG stockholders immediately preceding such transaction hold less than 50% of the aggregate equity interests in the surviving or resulting entity of such transaction or of any direct or indirect parent of such entity;

a sale or other disposition by ISG of assets representing in excess of 50% of the aggregate fair market value of its business immediately prior to such sale or other disposition;

an acquisition by any person or group (including by way of a tender offer or an exchange offer or an issuance of capital stock by ISG), directly or indirectly, of beneficial ownership of 50% or more of the voting power of the then outstanding shares of ISG s capital stock;

the adoption by ISG of a plan of liquidation or the recapitalization of ISG by means of the payment of an extraordinary dividend involving more than $1.0 billion; or

the repurchase by ISG or any of its subsidiaries of 50% or more of the outstanding shares of ISG common stock.

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Amendment and Waiver

The merger agreement may not be amended, except by an instrument in writing signed by each of Ispat International, Park Acquisition Corp. and ISG. The parties to the merger agreement may amend the merger agreement at any time prior to the effective time of the merger by action taken by or on behalf of their respective boards of directors. However, after the adoption of the merger agreement by the ISG stockholders, no amendment may be made that would reduce the amount or change the type of consideration into which each share of ISG common stock will be converted upon completion of the merger.

In addition, prior to the effective time of the merger, any party to the merger agreement may through a signed written instrument:

- extend the time for the performance of any obligation or other act of any other party to the merger agreement;
- waive any inaccuracy in the representations and warranties of any other party to the merger agreement contained in the merger agreement or in any document delivered pursuant to the merger agreement; and
- waive compliance with any agreement of any other party or any condition to its own obligations contained in the merger agreement.

Parties in Interest

The merger agreement will be binding upon and inure solely to the benefit of each party thereto, and nothing in the merger agreement, express or implied, is intended to or will confer upon any other person any right, benefit or remedy of any nature whatsoever under or by reason of the merger agreement, other than the provisions described above under THE MERGER AGREEMENT Certain Employee Benefits and Other Matters beginning on page 85 (which is intended to be for the benefit of the persons covered thereby and may be enforced by such persons).

Governing Law

The merger agreement is governed by the laws of the State of New York applicable to contracts executed in and to be performed in New York (other than those provisions set forth therein that are required to be governed by the DGCL). The parties to the merger agreement also submitted to the exclusive jurisdiction of any New York state or federal court sitting in the Borough of Manhattan of the City of New York and waived the right to a trial by jury in connection with the merger agreement.

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RICHMOND SUPPORT LETTER AGREEMENT

The following summary of the material provisions of the Richmond support letter agreement between Richmond Investment Holdings Limited and ISG is qualified in its entirety by reference to the complete text of the Richmond support letter agreement, which is incorporated by reference and attached as Annex B to this proxy statement/ prospectus. You are urged to read the full text of the Richmond support letter agreement in its entirety for a more complete description of the terms and conditions of the agreement.

Richmond Investment Holdings Limited entered into the Richmond support letter agreement with ISG. On October 24, 2004, the date of the execution of the merger agreement and the Richmond support letter agreement, Richmond Investment Holdings Limited was the sole stockholder of LNM Holdings.

Representations and Warranties

In the Richmond support letter agreement, Richmond Investment Holdings Limited represented and warranted that:

Richmond Investment Holdings Limited is the sole stockholder of LNM Holdings and has entered into the LNM Holdings acquisition agreement;

the LNM Holdings acquisition agreement is a valid and binding agreement of Richmond Investment Holdings Limited and is not in default by its terms, nor has the LNM Holdings acquisition agreement been canceled;

the representations and warranties of Richmond Investment Holdings Limited contained in the LNM Holdings acquisition agreement are true and correct in all material respects;

Richmond Investment Holdings Limited is not in breach or violation of, or default under, the LNM Holdings acquisition agreement in any material respect;

to Richmond Investment Holdings Limited s knowledge, Ispat International is not in breach or violation of, or default under, the LNM Holdings acquisition agreement;

Richmond Investment Holdings Limited has not received any claim of default under the LNM Holdings acquisition agreement;

neither the execution of the LNM Holdings acquisition agreement or the merger agreement nor the completion of any transactions contemplated thereby will constitute a default under, give rise to cancellation rights under, or otherwise adversely affect the rights of Ispat International for indemnification under, the LNM Holdings acquisition agreement;

the execution and delivery of the Richmond support letter agreement by Richmond Investment Holdings Limited has been duly authorized;

the Richmond support letter agreement has been duly executed and delivered by Richmond Investment Holdings Limited and constitutes the valid and binding obligation of Richmond Investment Holdings Limited enforceable against Richmond Investment Holdings Limited in accordance with its terms; and

the execution and delivery of the Richmond support letter agreement by Richmond Investment Holdings Limited does not, and the performance of the Richmond support letter agreement by Richmond Investment Holdings Limited will not, conflict with or violate the certificate of incorporation, by-laws or similar organizational documents of Richmond Investment Holdings Limited.

Covenants

In the Richmond support letter agreement, Richmond Investment Holdings Limited agrees that, except as permitted or contemplated by the LNM Holdings acquisition agreement from the date of the Richmond support letter agreement to the earlier of the termination of the merger agreement and the completion of Ispat International s purchase of all of the issued and outstanding capital stock of LNM Holdings, Richmond

Investment Holdings Limited will cause LNM Holdings not to declare, set aside, make or pay any dividend or other distribution payable in cash, stock, property or otherwise, with respect to any of the capital stock of LNM Holdings or repurchase or otherwise acquire, directly or indirectly, any of LNM Holdings capital stock or enter into any binding agreement to do any of the foregoing.

The Richmond support letter agreement also provides that from the date of the Richmond support letter agreement until the earlier of the termination of the merger agreement and the effective time of the merger, Richmond Investment Holdings Limited will cause LNM Holdings to:

provide to ISG and its representatives access (at reasonable times and upon prior notice) to the officers, employees, agents, properties, offices and other facilities of LNM Holdings and its subsidiaries and to such companies books and records; and

promptly furnish to ISG such information concerning the business, properties, contracts, assets, liabilities, personnel and other aspects of LNM Holdings and its subsidiaries as is reasonably necessary in order for ISG to perform a due diligence review with respect to representations, warranties and covenants provided to ISG pursuant to the merger agreement.

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PARENT SHAREHOLDER SUPPORT AGREEMENT

The following summary of the material provisions of the parent shareholder support agreement between Ispat International Investments, S.L., and ISG is qualified in its entirety by reference to the complete text of the parent shareholder support agreement, which is incorporated by reference and attached as Annex C to this proxy statement/ prospectus. You are urged to read the full text of the parent shareholder support agreement in its entirety for a more complete description of the terms and conditions of the parent shareholder support agreement.

Ispat International Investments, S.L., a company owned by the controlling shareholder of Ispat International, entered into a parent shareholder support agreement with ISG. On October 24, 2004, the date of the execution of the merger agreement and the parent shareholder support agreement, the number of shares of Ispat International class A shares and Ispat International class B shares beneficially owned and of record by Ispat International Investments, S.L., were 26,100,000 and 72,150,000, respectively.

Voting Agreement

The parent shareholder support agreement provides that Ispat International Investments, S.L., will vote all of its Ispat International class A shares and Ispat International class B shares:

- in favor of the approval of the merger agreement, the merger and all other transactions contemplated by the merger agreement;
- in favor of the approval of the LNM Holdings acquisition agreement pursuant to which Ispat International has agreed to purchase of all of the issued and outstanding capital stock of LNM Holdings and all other transactions contemplated by such agreement;
- against any action, agreement or transaction (other than the merger agreement, the LNM Holdings acquisition agreement or the transactions contemplated thereby) or proposal (including any proposal or offer involving Ispat International or LNM Holdings that Ispat International Investments, S.L., knows would be an alternative to, or would prevent or materially delay, the transactions contemplated by the merger agreement) that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of Ispat International under the merger agreement or the LNM Holdings acquisition agreement or that could result in any of the conditions to Ispat International s obligations under the merger agreement or the LNM Holdings acquisition agreement not being fulfilled; and
- in favor of any other matter necessary to the completion of the transactions contemplated by the merger agreement and the LNM Holdings acquisition agreement that are considered and voted upon by the shareholders of Ispat International.

Covenants

The parent shareholder support agreement provides, among other things, that Ispat International Investments, S.L., subject to the terms of the parent shareholder support agreement, will not:

- directly or indirectly sell, assign, dispose of, or transfer (including by operation of law) any of its Ispat International class A common shares or Ispat International class B common shares or otherwise agree to do any of the foregoing; deposit any of its Ispat International class A common shares or Ispat International class B common shares into a voting trust or enter into a voting agreement or arrangement or grant any proxy or power of attorney with respect thereto that is inconsistent with the parent shareholder support agreement; enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer (including by operation of law) or other disposition of any of its Ispat International class A common shares or Ispat International class B common shares that would prevent Ispat International Investments, S.L. from voting as provided in PARENT SHAREHOLDER SUPPORT AGREEMENT Voting Agreement or take any action that would make any representation or warranty of Ispat International

Investments, S.L. in the parent shareholder support agreement untrue or incorrect in any material respect or have the effect of preventing or disabling Ispat International Investments, S.L. from performing its obligations under the parent shareholder support agreement; and

directly or indirectly, through any officer, director, agent or otherwise, enter into any contract, agreement or commitment contemplating or otherwise relating to any proposal or offer involving Ispat International or LNM Holdings that Ispat International Investments, S.L. knows would be an alternative to, or would prevent or materially delay, the transactions contemplated by the merger agreement.

Termination

The obligations of Ispat International Investments, S.L. under the parent shareholder support agreement terminate upon the earlier of the effective time of the merger and the termination of the merger agreement as described in MERGER AGREEMENT Termination beginning on page 89.

COMPANY SHAREHOLDER SUPPORT AGREEMENT

The following summary of the material provisions of the company shareholder support agreement among Ispat International, Wilbur L. Ross, Chairman of the ISG board of directors and certain affiliates of Mr. Ross and Rodney B. Mott, ISG s President and Chief Executive Officer and a member of the ISG board of directors, is qualified in its entirety by reference to the complete text of the company shareholder support agreement, which is incorporated by reference and attached as Annex D to this proxy statement/ prospectus. You are urged to read the full text of the company shareholder support agreement in its entirety for a more complete description of the terms and conditions of the agreement.

Mr. Ross, certain affiliates of Mr. Ross and Mr. Mott each entered into a company shareholder support agreement with Ispat International. On October 24, 2004, the date of the execution of the merger agreement and the company shareholder support agreement, the number of shares of ISG common stock owned beneficially and of record by Mr. Ross and certain affiliates of Mr. Ross and Mr. Mott were 6,936,786 and 1,381,059, respectively.

Voting Agreement

Grant of Proxy

Pursuant to the company shareholder support agreement, each ISG stockholder party thereto granted an irrevocable proxy to Ispat International to vote all of their shares of ISG common stock and any shares they may acquire prior to the termination of the company shareholder support agreement:

- in favor of the approval and adoption of the merger agreement and approval of the merger and all other transactions contemplated by the merger agreement and the company shareholder support agreement;

- against any action, agreement or transaction (other than the merger agreement or the transactions contemplated thereby) or proposal (including any Competing Transaction , as defined in MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 82) that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of ISG under the merger agreement or that could result in any of the conditions to ISG s obligations under the merger agreement not being fulfilled; and

- in favor of any other matter necessary to the completion of the transactions contemplated by the merger agreement that is considered and voted upon by the ISG stockholders.

In addition, each ISG stockholder who is a party to the company shareholder support agreement agreed to cause their shares of ISG common stock (and such other shares that each may acquire prior to the termination thereof) to be voted in accordance with the foregoing and to promptly notify Ispat International and ISG of the number of any new shares of ISG common stock or any other securities of ISG they acquire, if any, after the date of the company shareholder support agreement.

Termination of Proxy

The company shareholder support agreement provides that, upon the earlier to occur of the effective time of the merger and the termination of the merger agreement (regardless of the circumstances (including whether or not there is a dispute as to whether such termination was in accordance with the merger agreement)), the proxy will terminate automatically and without further action.

The Option

Grant of Option

Pursuant to the company shareholder support agreement, each ISG stockholder who is a party thereto granted Ispat International an irrevocable option to purchase each such stockholder s shares of ISG common

stock at a price per share equal to $38.50 payable in cash, which is exercisable under certain conditions described below.

Option Premium Payment

Ispat International has paid to each ISG stockholder that is a party to the company shareholder support agreement an amount in cash equal to $3.50, or the Option Premium, multiplied by the number of shares of ISG common stock held by each such stockholder.

Upon termination of the merger agreement by Ispat International resulting solely from a failure of ISG s representations and warranties made in the merger agreement to be true and correct or a failure of ISG to comply with or perform its agreements and covenants set forth in the merger agreement, each ISG stockholder party thereto has agreed to refund each such stockholder s Aggregate Option Premium to Ispat International.

Upon the completion of the merger, the Option Premium will be credited against the per share merger consideration to which a stockholder would be entitled upon conversion as set forth in THE MERGER AGREEMENT Merger Consideration beginning on page 72, but in no event will Ispat International be entitled to any other portion of the merger consideration to which each relevant ISG stockholder is entitled upon conversion of each such stockholder s shares of ISG common stock.

Exercisability of Option

The option granted under the company shareholder support agreement becomes exercisable upon the termination of the merger agreement under circumstances in which Ispat International is immediately entitled, or, in the case of certain termination events, entitled at a future date, to a termination fee of $130,000,000 as described in THE MERGER AGREEMENT Fees and Expenses *Termination Fees and Expenses Paid by ISG* beginning on page 92.

Ispat International may exercise its option at any time and from time to time, with respect to any or all of the shares of ISG common stock under option only following the termination of the merger agreement and until April 30, 2005.

Expiration of Option

The option granted under the company shareholder support agreement will expire if not exercised on or before April 30, 2005. If the merger agreement is terminated under certain circumstances, as a result of the failure to close on or before April 30, 2005 (as such date may be extended pursuant to the merger agreement), and a termination fee is, or could be, payable by ISG, the expiration of the option may be postponed for a period of two business days.

Option Closing

Pursuant to the company shareholder support agreement, the option closing must occur within ten business days after the date of the notice of exercise, provided that:

- to the extent necessary, with respect to the exercise of the option, any applicable waiting periods, and any extension thereof, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, will have expired or been terminated; and

- no preliminary or permanent injunction or other final non-appealable order, decree or ruling issued by any governmental authority preventing or prohibiting the exercise of the option or the delivery of shares of ISG common stock subject to the option may be in effect.

The company shareholder support agreement provides that, at the option closing, each ISG stockholder party thereto will deliver good and valid title to each such stockholder s shares of ISG common stock, subject to the provisions set forth below in COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants *Restrictions on Transfer of Shares* , free and clear of any liens, other than pursuant to the

company shareholder support agreement. Upon delivery of each such stockholder s shares of ISG common stock and payment of the aggregate exercise price, Ispat International will receive good, valid and marketable title to each such stockholder s shares of ISG common stock, subject to the provisions set forth below in COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants *Restrictions on Transfer of Shares* , free and clear of any liens.

For purposes of the company shareholder support agreement, aggregate exercise price means the $38.50 price per share of ISG common stock multiplied by the number of shares held by such stockholder.

Covenants

Restrictions on Transfer of Shares

The company shareholder support agreement provides that from the date of the company shareholder support agreement to the earliest to occur of: (i) the effective time of the merger, (ii) a rescission of the option premium as described in COMPANY SHAREHOLDER SUPPORT AGREEMENT The Option *Option Premium Payment* beginning on page 100, (iii) termination of the merger agreement under circumstances pursuant to which, at the time of the termination of the merger agreement, Ispat International is not entitled or potentially entitled, depending upon future events, to receive the termination fee of $130,000,000 as set forth in THE MERGER AGREEMENT Fees and Expenses *Termination Fees and Expenses Paid by ISG* beginning on page 92, and (iv) April 30, 2005, each ISG stockholder party thereto agrees that each stockholder shall not, directly or indirectly:

- sell, assign, transfer (including by operation of law), lien, pledge, dispose of or otherwise encumber any of the shares of ISG common stock or otherwise agree to do any of the foregoing;

- deposit any shares of ISG common stock into a voting trust or enter into a voting agreement or arrangement or grant any proxy or power of attorney with respect thereto that is inconsistent with the company shareholder support agreement;

- enter into any contract, option or other arrangement or undertaking with respect to the direct or indirect acquisition or sale, assignment, transfer (including by operation of law) or other disposition of any shares of ISG common stock; or

- take any action that would make any representation or warranty of each such ISG stockholder in the company shareholder support agreement untrue or incorrect in any material respect or have the effect of preventing or disabling each such ISG stockholder from performing such ISG stockholder s obligations under the company shareholder support agreement.

The company shareholder support agreement also provides that the parties recognize that certain of the shares of ISG common stock have previously been pledged to secure certain indebtedness and the liens arising therefrom will not constitute a breach of the provisions set forth above. In addition, upon any exercise of the option with respect to any such shares of ISG common stock, the parties agree to cooperate to cause the release of such shares of ISG common stock upon application of a portion of the proceeds from the option proceeds related to the obligations.

No Solicitation of Transactions

From the date of the company shareholder support agreement until the earlier to occur of the effective time of the merger and the termination of the merger agreement for any reason (regardless of the circumstances (whether or not there is a dispute as to whether such termination was in accordance with the merger agreement)), each ISG stockholder party thereto agrees that it will not, directly or indirectly, through any officer, director, agent or otherwise:

- solicit (including by way of furnishing nonpublic information), or take any other action to facilitate, any inquiries or the making of any proposal or offer that constitutes, or may reasonably be expected to lead to, any Competing Transaction (as defined in THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 82);

enter into or maintain or continue discussions or negotiations with any person or entity in furtherance of such inquiries or to obtain a proposal or offer for a Competing Transaction ;

agree to, approve, endorse or recommend any Competing Transaction or enter into any letter of intent or other contract, agreement or commitment contemplating or otherwise relating to any Competing Transaction ; or

authorize or permit any agent of the Mr. Ross, certain affiliates of Mr. Ross or Mr. Mott or any of their affiliates, or any investment banker, financial advisor, attorney, accountant or other representative retained by such stockholder or any of its affiliates, to take any such action.

The company shareholder support agreement provides the foregoing will not prevent each ISG stockholder party thereto or each such ISG stockholder s representatives or agents, in any such person s capacity as a director or executive officer of ISG from engaging in any activity permitted pursuant to THE MERGER AGREEMENT Additional Agreements *No Solicitation of Transactions; Fiduciary Termination Right* beginning on page 82.

The company shareholder support agreement further provides that, unless the no solicitation provision of the company shareholder support agreement has expired as described above, each ISG stockholder party thereto will, and will direct or cause each such ISG stockholder s representatives and agents to, immediately cease and cause to be terminated all existing discussions or negotiations with any parties that may be ongoing with respect to any Competing Transaction . From the date of the company shareholder support agreement to the earlier to occur of the effective time of the merger and the termination of the merger agreement for any reason, each ISG stockholder party thereto will notify Ispat International orally or in writing as promptly as practicable and in any event within one day after such ISG stockholder attains knowledge thereof, if any proposal, offer, inquiry or contact with any person regarding a Competing Transaction is made. The notice should specify the material terms and conditions (including material or proposed material amendments) thereof and the identity of the party making such proposal, offer, inquiry or contact.

Termination

Pursuant to the company shareholder support agreement, the company shareholder support agreement and the option granted under the company shareholder support agreement terminate on April 30, 2005. If the option is exercised on or prior April 30, 2005, however, the option and the restrictions set forth above in COMPANY SHAREHOLDER SUPPORT AGREEMENT Covenants *Restriction on Transfer of Shares* survive until the expiration of the period for closing of the option.

DIRECTORS AND SENIOR MANAGEMENT FOLLOWING MERGER

Announced Changes of Directors and Senior Management

Assuming completion of the merger and the acquisition of LNM Holdings by Ispat International, Mr. Lakshmi N. Mittal will remain Chairman and Chief Executive Officer of Ispat International. Wilbur L. Ross, Chairman of the ISG board of directors, expected to become a member of Ispat International s board of directors. Aditya Mittal will remain President and Group Chief Financial Officer and remain a member of Ispat International s board of directors. Malay Mukherjee will remain Chief Operating Officer. Rodney B. Mott, ISG s President and Chief Executive Officer and a member of the ISG board of directors, is expected to become Chief Executive Officer of Ispat International s combined U.S. operations. The merger agreement and related documentation do not guarantee that Mr. Ross will serve as a director of Ispat International for any specified period after the merger. As of the date of this proxy statement/ prospectus, Mr. Mott has not entered into an agreement with respect to his post-merger employment and, accordingly, there can be no assurance that Mr. Mott will assume that role.

At the December 15, 2004 extraordinary general meeting of shareholders of Ispat International called to, among other things, vote on the proposal to approve the LNM Holdings acquisition agreement, the shareholders of Ispat International will vote on the proposal to appoint Ms. Vanisha Mittal Bhatia to Ispat International s board of directors.

Wilbur L. Ross, Jr.

Mr. Ross has served as the Chairman of the ISG board of directors since ISG s inception. Mr. Ross is the Chairman and Chief Executive Officer of WL Ross & Co. LLC, a merchant banking firm, a position he has held since April 2000. Mr. Ross is also the Chairman and Chief Executive Officer of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, Asia Recovery Fund Co-Investment, Nippon Investment Partners and Absolute Recovery Hedge Fund. Mr. Ross is also the general partner of WLR Recovery Fund L.P., WLR Recovery Fund II L.P., Asia Recovery Fund, and Absolute Recovery Hedge Fund. Mr. Ross is also Chairman of Ohizumi Manufacturing Company in Japan, Burlington Industries and Cone Mills Corporation in the United States, and Insuratex, Ltd. in Bermuda. Mr. Ross is a board member of the Turnaround Management Association, Nikko Electric Co. in Japan, Tong Yang Life Insurance Co. in Korea, and of Syms Corp., Clarent Hospital Corp., 360 Networks Corp. and News Communications Inc. in the United States. Mr. Ross is also a member of the Business Roundtable. Previously, Mr. Ross served as the Executive Managing Director at Rothschild Inc., an investment banking firm, from October 1974 to March 2000. Mr. Ross was also formerly Chairman of the Smithsonian Institution National Board.

Rodney B. Mott

Mr. Mott has served as ISG s President and Chief Executive Officer and a member of the ISG board of directors since April 2002. Mr. Mott has over 30 years of management experience in the metals industry. He served as President and Chief Executive Officer of Pechiney Rolled Products, an aluminum rolling company and a division of Pechiney SA from January 2000 to August 2001. From 1987 to 2000 Mr. Mott held various positions with Nucor Corporation, a mini-mill steel producer, including Vice President/ General Manager of Nucor Steel, a division of Nucor Corporation, at the Blytheville, Arkansas and Berkley, South Carolina facilities. Prior to joining Nucor, Mr. Mott was Superintendent of Operations at Lone Star Steel from 1986 to 1987. He began his metals management career at U.S. Steel s Fairless Hills operation, where he held positions of increasing responsibility during a 14-year career from 1971 to 1986.

Vanisha Mittal Bhatia

Ms. Vanisha Mittal Bhatia was appointed as a member of the LNM Holdings board of directors in June 2004. She has a Bachelor of Arts degree in Business Administration from the European Business School, and has completed corporate internships at Ispat Shipping Limited, Ispat Hamburger Stahlwerke GmbH and with an internet-based venture capital fund. She is the daughter of Mr. Lakshmi N. Mittal.

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Current Directors and Senior Management

Management of Ispat International 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 Ispat International. In establishing Ispat International s strategic direction and corporate policies, Mr. Lakshmi N. Mittal is supported by members of Ispat International s executive management team with substantial professional and worldwide steel industry experience.

It is Ispat International s intention, and its controlling shareholder has confirmed to Ispat International that it intends, to maintain on the Ispat International board of directors at all times at least two directors who are not and have not been senior managers or employees of any of Ispat International s subsidiaries or affiliates.

Ispat International continues to have a strong emphasis on corporate governance. Ispat International has five external directors on its board of directors. Ispat International s Audit Committee, Nomination Committee and Remuneration Committee are comprised exclusively of three independent members each.

As of the date of this prospectus, the members of the Ispat International board of directors are as set forth below:

Name	Age	Date Joined Board	Position within Ispat International
Lakshmi N. Mittal	54	May 1997	Chairman of Ispat International s Board of Directors and Chief Executive Officer
Aditya Mittal	28	May 2000	Member of Ispat International s Board of Directors, President and Group Chief Financial Officer
Malay Mukherjee	56	July 1997	Member of Ispat International s Board of Directors and Chief Operating Officer
Ambassador Andrés Rozental(1)(2)(3)(4)	59	July 1997	Member of Ispat International s Board of Directors
Fernando Ruiz Sahagun(4)	61	July 1997	Member of Ispat International s Board of Directors
Narayanan Vaghul(1)(2)(3)(4)	67	July 1997	Member of Ispat International s Board of Directors
René Lopez(3)(4)	59	November 2002	Member of Ispat International s Board of Directors
Muni Krishna T. Reddy(1)(2)(4)	59	November 2002	Member of Ispat International s Board of Directors

(1) Audit Committee

(2) Nomination Committee

(3) Remuneration Committee

(4) Non-Executive

The business address of each of the members of the Ispat International board of directors is at Ispat International s offices at 15th Floor, Hofplein 20, 3032 AC Rotterdam, The Netherlands.

Board of Directors

Lakshmi N. Mittal

Mr. Lakshmi N. Mittal is the Chairman of the boards of directors of Ispat International and LNM Holdings, and is the Chief Executive Officer of Ispat International. In addition, Mr. Lakshmi N. Mittal is the founder of Ispat International and The LNM Group and has been responsible for the strategic direction and development of both companies. He is also a non-executive director of Iscor, an executive committee member

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of the International Iron and Steel Institute and a director of ICICI Bank Ltd. Mr. Lakshmi N. Mittal was named Steel Maker of the Year in 1996 by New Steel, a leading industry publication. He was also awarded the 8th honorary Willy Korf Steel Vision Award, the highest recognition for worldwide achievement in the steel industry. The award was presented by American Metal Market and World Steel Dynamics.

Aditya Mittal

Mr. Aditya Mittal joined Ispat International in January 1997, where he is now the President and Group Chief Financial Officer. Mr. Aditya Mittal is also the Vice-Chairman of the Board of Directors and Head of Mergers and Acquisitions of LNM Holdings and has been responsible for all its acquisitions since the year 2000. From 1997 to 2000, he served as Head of Mergers and Acquisitions at Ispat International. Mr. Aditya Mittal also serves on Ispat International s board of directors and the board of directors of Iscor. From 1996 to 1997, Mr. Aditya Mittal worked at Credit Suisse First Boston in the mergers and acquisitions area. He holds a bachelor s degree in economics from the Wharton School in Pennsylvania, United States with specialization in strategic management and corporate finance, from which he graduated magna cum laude. He is the son of Mr. Lakshmi N. Mittal.

Malay Mukherjee

Mr. Mukherjee is the Chief Operating Officer of Ispat International and has over 31 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 Ispat International, including Managing Director of Imexsa and President and Chief Executive Officer of Ispat Europe Group S.A., or IEG. He has also served as Managing Director of Ispat Karmet, a subsidiary of LNM Holdings.

Ambassador Andrés Rozental

Ambassador Andrés Rozental has a long and distinguished career in the Mexican Diplomatic Service. Over the past 35 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 Deutsche Bank Latin American Investment Trust, 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.

Fernando Ruiz Sahagun

Mr. Ruiz has approximately 30 years of experience in the field of accounting, finance and tax and is currently a partner at Chevez, Ruiz, Zamarripa y Cia., S.C., a leading tax consulting firm in Mexico. Mr. Ruiz is a member of several professional associations, including the Instituto Mexicano de Ejecutivos de Finanzas, Colegio de Contadores Publicos de Mexico, Instituto de Contadores Publicos and Academia de Estudios Fiscales de la Contaduria Publica. He is the President of the Business Coordinator Counsel s Tax Committee (CCE) and a board member of various companies including Kimberly Clark de Mexico, S.A. de C.V., Accel, S.A. de C.V., Grupo Financiero Santander Serfin, S.A. de C.V., Corporacion San Luis, S.A. de C.V., Grupo Palacio de Hierro, S.A. de C.V., Grupo Camesa, S.A. de C.V., BASF Mexicana, S.A. de C.V. (a subsidiary of BASF AG), Bacardi, S.A. de C.V. (a subsidiary of Bacardi International Ltd.), Grupo México, S.A. de C.V. and Innova, S. de. R.L. de C.V.

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Narayanan Vaghul

Mr. Vaghul has 48 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.

René Lopez

Mr. Lopez has approximately 36 years of experience in international finance, manufacturing and marketing with multinational corporations including Alcatel-Alsthom and GEC Alsthom, where he has worked since 1966. He was President and General Manager of Alcatel-Alsthom and GEC Alsthom Canada. Currently Mr. Lopez is owner and President of Gesterel Inc. in Canada, a consultancy services boutique specializing in mergers and acquisitions, finance and technology transfer management.

Muni Krishna T. Reddy

Mr. Reddy has over 34 years of experience in financial services and he is presently the Chairman of State Bank of Mauritius Ltd (SBM Group) and Chairman of Bank SBM Madagascar. He holds the following directorships: Chairman of the Board of SBM Nedbank International Ltd.; Director on the Boards of Air Mauritius Ltd; British American (Holdings) Ltd; British American Insurance Company of the Bahamas Ltd; British American International Corporation Ltd; British American (UK) Ltd; Fidelity Bank & Trust International Ltd; GloBAL Financial Services Group plc, Malta; India Growth Fund Inc, New York; Intercommercial Bank Ltd, Trinidad; Intercommercial Trust & Merchant Bank Ltd; Mauritius Telecom Ltd; Overseas Telecommunication Services Ltd and South East Asia Regional Fund Ltd. Mr. Reddy has taken over as Chairman of SBM Group in October 2003, having been the Chief Executive Officer of SBM Group for more than 16 years. Prior to taking over as Chief Executive Officer of SBM Group in 1987, Mr. Reddy worked in Singapore and India. Mr. Reddy was conferred in 1993 with the title Grand Officer of the Order of the Star and Key of the Indian Ocean (GOSK), by the government of the Republic of Mauritius for distinguished services in banking.

Senior Management

Bhikam C. Agarwal

Mr. Agarwal is the Chief Financial Officer Americas of Ispat International and has over 28 years of experience in steel and related industries. He has held various senior executive positions within Ispat International and has been Chief Financial Officer since its formation in 1989. He has been responsible for the financial strategy of Ispat International 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 the operating subsidiaries.

Ashok Aranha

Mr. Aranha joined Ispat International in 1991 and is responsible for the development and implementation of Ispat International s purchasing strategy and the implementation of most global purchases for Ispat International. He has over 34 years of experience in materials and procurement management. Mr. Aranha was the Head of Materials at IHSW and at CIL prior to this position. He holds an MBA from XLRI, Jamshedpur, India.

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Vijay K. Bhatnagar

Mr. Bhatnagar is the Managing Director of Imexsa since October 2002 and has over 34 years of experience in aluminum and electronics industries. He is a metallurgical engineer by qualification and worked in various line and staff positions at INDAL (formerly a subsidiary of Alcan Aluminium) 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.

Arvind Chopra

Mr. Chopra joined Ispat International 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 independent internal auditing function. Formerly a partner with KPMG, Mr. Chopra has over 18 years of experience in internal auditing, risk management, internal control evaluations and corporate governance related matters. He has also held positions at Arthur Andersen, Nestle and Price Waterhouse. Mr. Chopra is a member of Institute of Chartered Accountants of India and the Institute of Internal Auditors.

Leonard Chuderewicz

Mr. Chuderewicz joined Inland in February 2004. Prior to this, he was a career employee of US Steel, with 32 years of service in a variety of management positions. Among his positions at US Steel were general manager of their Gary, Indiana Works, President of USS/ Kobe Steel Company, a bar products joint venture, President of USS-Posco Industries, a cold rolling/coating joint venture, and President of the Double Eagle Steel Coating Company. Mr. Chuderewicz holds a bachelor s degree in electrical engineering from the University of Pittsburgh in Pittsburgh, United States and an MBA from Duquesne University in Pittsburgh, United States.

Simon Evans

Mr. Evans joined Ispat International in September 2001 as General Counsel. He has over 15 years of experience in corporate and commercial law in both industry and private practice. Formerly, Mr. Evans was European Counsel at Rohm and Haas and prior to that he worked at the law firm Taylor Joynson Garrett, London. Mr. Evans is a graduate of Oxford University in Oxford, England and the College of Law, Guildford in Surrey, England.

Denis Fraser

Mr. Fraser is the Executive Vice President and Chief Operating Officer of Sidbec. Mr. Fraser joined Sidbec in February 1999 as Commercial Director, Wire Rod, and was until April 2002, General Manager of the Wire Rod business unit. Mr. Fraser holds a bachelor s degree in mechanical engineering from the Ecole Polytechnique and an MBA in Finance and Accountancy from McGill University in Quebec, Canada. In his 19-year career with a major oil company prior to joining Sidbec, he held several key positions in operations, sales and marketing.

Alain Grenaut

Mr. Grenaut is the Chief Executive Officer of Unimétal. Prior to this, he was the Corporate Marketing Director of Lucchini Group for two years, and before that as Vice-President for Strategy, Research and Development at IEG. He has vast experience of long products in the European Steel Industry, having been responsible for various functions in Quality Control, Production and Marketing for different French and European companies during the last 33 years. He is a graduate of the French High School of Mines.

John Kuriyan

Mr. Kuriyan is the Managing Director of CIL and has over 31 years of experience in engineering, manufacturing and general management in the steel and tire industry. Prior to joining CIL, he was Director

General of Servicios Siderurgicos Integrados, S.A. de C.V., a joint venture with Imexsa. He has also served as Senior Vice President, Manufacturing at Dunlop India Limited and as President and CEO of Falcon Tyres Limited. He is a graduate of the Indian Institute of Technology in Delhi, India and holds a bachelor s degree in mechanical engineering and is a postgraduate from the same institute in industrial engineering.

Bernard Laupretre

Mr. Laupretre was appointed the Chief Executive Officer of Trefileurope, a wire drawing company and subsidiary of Ispat Duisburg in Europe, in September 2002. He joined Ispat International in February 1990 and has held various senior management positions. Mr. Laupretre holds an engineering degree from the Ecole Nationale Supérieure D Arts et Métiers in Paris, France and an MBA from ISA in France.

Richard Leblanc

Mr. Leblanc is the President and Chief Executive Officer of Sidbec and has approximately 35 years of experience in the steel industry. Mr. Leblanc spent 18 years in various senior management positions at Stelco Inc. before joining Sidbec in 1987 as Vice-President, Production. He became President and Chief Executive Officer in 1996. Mr. Leblanc is a Director of the American Iron and Steel Institute and the Canadian Steel Producers Association. He holds a bachelor s degree in electrical engineering from Laval University in Quebec, Canada.

Greg Ludkovsky

Dr. Ludkovsky is Chief Technology Officer of Ispat International, as well as Vice President, Research and Development and Chief Technology Officer of Inland. 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 PhD in Metallurgical Engineering.

Gregor Munstermann

Mr. Munstermann has been Managing Director of IHSW since March 2001. He has over 16 years of experience in the steel industry. His previous positions include General Manager of the Steel Plant and the Direct Reduction Plant, IHSW. Mr. Munstermann holds a Diploma at University Clausthal-Zellerfeld in Germany.

Jean-Pierre Picard

Mr. Picard, Director, Marketing, Flat Products is responsible for flat products marketing strategy ensuring a strong market driven approach in the development of Ispat International s business strategy and the delivery of value to the customers. He joined Sidbec in 1980 as Vice-President of Marketing and Sales. He was previously Senior Vice-President of British Steel, Canada where he worked for 13 years. Mr. Picard has been active in many steel industry-related associations. He holds a master s degree in commercial sciences from Laval University in Quebec, Canada.

Thekkemadom N. Ramaswamy

Mr. Ramaswamy is Director, Finance for Ispat International. He is responsible for corporate finance and financial strategy. He has 34 years of experience covering a wide range of financial management functions and has been with Ispat International since 1989, previously holding positions as General Manager, Finance at CIL (1989-1992), Director, Finance at Imexsa (1992-1994) and CFO at Sidbec (1994-2002). He holds a bachelor of commerce degree from the University of Madras, India, an MBA from the Indian Institute of Management in Ahmedabad, India and is a Fellow Member of The Association of Chartered Certified Accountants, UK.

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Gerhard Renz

Mr. Renz is the President and Chief Operating Officer of IEG and has over 30 years of experience in the steel industry. Mr. Renz formerly worked as the Managing Director of IHSW. Mr. Renz is a board member of Verein Deutsche Eisenhuttenleute, Wirtschaftsvereinigung Stahl and the European Iron and Steel Institute. He holds a bachelor s degree in engineering.

Michal G. Rippey

Mr. Rippey joined the Inland Steel (now Inland) finance organization in 1984 and advanced through positions of increasing responsibility before being named Vice President Finance and CFO Inland in 1998. His responsibilities also include purchasing and marketing functions for Ispat International. Mr. Rippey has a bachelor s degree from Indiana University in Indiana, United States; a master s degree in banking and finance from Loyola University in Illinois, United States; and an MBA from the University of Chicago in Illinois, United States.

Henk Scheffer

Mr. Scheffer joined Ispat International in March 2003 as Company Secretary, and he is responsible for compliance with corporate legal requirements and supporting and facilitating Ispat International s board of directors. Previously, Mr. Scheffer worked at Canon for 13 years in various legal and general management positions. Mr. Scheffer holds a law degree from Rijks Universiteit Groningen (RUG).

Louis Schorsch

Dr. Schorsch is the President and Chief Executive Officer of Inland and has over 25 years of experience in consulting and managerial roles predominantly relating to the steel industry. Prior to joining Inland in October 2003, Dr Schorsch held various senior positions in the consulting and e-commerce sectors. His immediate previous assignments have been as President and CEO of GSX.Com Inc. and Principal at McKinsey & Company, where he worked from 1985 until 2000. While at McKinsey, he was also a co-leader of the metals and mining practice. Dr. Schorsch has published numerous articles in *Business Week* and *Challenge* publications and has also co-authored a book on steel titled Upheaval in a Basic Industry .

Peter D. Southwick

Dr. Southwick is the Director of Quality Assurance and Application Development. He has recently moved to this position from his previous position as President and Chief Executive Officer of Inland. Dr. Southwick has over 23 years of experience in the steel industry, and he joined Inland Steel in 1980. Prior to his recent position, Dr. Southwick has held various senior positions at Inland including Executive Vice President, Operations and Vice President, Operations, Flat Products. Dr. Southwick has published numerous technical papers and a book titled Accelerated Cooling of Steels . In 2003, he served as the Vice Chairman of American Iron and Steel Institute. He is member of the Iron and Steel Society, the American Society for Quality and the Institute of Materials.

Dr. Olaf-Roman Baron von Engelhardt

Dr. von Engelhardt is Vice President Sales and Marketing of IEG. Dr. von Engelhardt joined Ispat International in 1999 and is responsible for sales and marketing of products manufactured by its steel-making operations in Europe. He has over 30 years of experience in the steel industry, including Head of Marketing, Planning, Dispatching and General Services at Arbed Saarstahl GmbH, General Manager of Saarstahl GmbH, formerly Arbed Saarstahl GmbH, in charge of direct sales and Managing Director of Vertriebsgesellschaft Saarstahl GmbH, Germany.

Viral C. Vora

Mr. Vora joined Ispat International in 1989. He is responsible for the implementation of transportation policy and strategy for Ispat International s raw materials and finished products. He is also responsible for the operation, chartering and management of Ispat International owned/chartered ships. He has over 29 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 CIL. Mr. Vora has a degree in statistics and mathematics.

Inder Walia

Mr. Walia joined Ispat International in 2000 and is responsible for the development and implementation of human resources strategies for Ispat International. He has 23 years of experience in human resources positions. He has a post-graduate degree in Human Resources from Tata Institute of Social Sciences in 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.

Bernd Webersinke

Mr. Webersinke has been Managing Director of IWHG since 1997 and of Ispat Duisburg since 1999, and has over 26 years of experience in the steel industry. Prior to his current position, he worked as General Manager in production and maintenance at IHSW. Mr. Webersinke is a Board Member of Germany s Steel Makers Association (VDEh). He is a metallurgical engineer by qualification.

Euronext Required Information

Compensation

The total annual remuneration of the members of Ispat International s board of directors for 2002 and 2003 was as follows:

	2002	2003
	(All amounts in $ thousand except share information)	
Base salary	2,273	3,626
Short-term performance-related bonus	1,460	762
Long-term incentives (number of options)	230,000	

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The annual remuneration of the members of Ispat International s board of directors was as follows:

	2002	2003	2002 Short-term Performance Related Bonus	2003 Short-term Performance Related Bonus	2002 Long-term Number of Options	2003 Long-term Number of Options
	(All amounts in $ thousand except option information)					
Lakshmi N. Mittal	863	1,247	670	429	80,000	
Aditya Mittal	260	710	195	127	25,000	
Malay Mukherjee	473	870	355	206	50,000	
Dr. Peter Southwick*	404	420	240	0	45,000	
Narayanan Vaghul	83	84			10,000	
Ambassador Andrés Rozental	94	86			10,000	
Fernando Ruiz Sahagun	90	60			10,000	
Muni Krishna T. Reddy	1	84				
René Lopez	5	65				
	2,273	3,626	1,460	762	230,000	

* Dr. Peter Southwick resigned from Ispat International s board of directors on October 1, 2003.

The amount outstanding at December 31, 2003 in respect of loans and advances to members of Ispat International s board of directors was $0 (December 31, 2002: $0). In addition, Ispat International has not given any guarantees for the benefit of the members of Ispat International s board of directors.

The following table provides summarized information on the options outstanding and the movements on the options granted to Ispat International s board of directors (in 2003 no options were granted):

	Granted in 1999	Granted in 2000	Granted in 2002	Total(1)	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	240,000	7.59
Aditya Mittal	7,500	7,500	25,000	40,000	5.26
Malay Mukherjee	40,000	40,000	50,000	130,000	7.18
Dr. Peter Southwick(2)	30,000	30,000	45,000	105,000	6.83
Narayanan Vaghul		5,000	10,000	15,000	4.36
Ambassador Andrés Rozental		5,000	10,000	15,000	4.36
Fernando Ruiz Sahagun		5,000	10,000	15,000	4.36
Muni Krishna T. Reddy					
René Lopez					
	157,500	172,500	230,000	560,000	
Exercise Price(3)	$11.94	$8.57	$2.26		
Term (in years)	10	10	10		
Expiration Date	September 14, 2009	June 1, 2010	April 5, 2012		

(1) None of the options has been exercised.

(2) Dr. Peter Southwick resigned from Ispat International s board of directors on October 1, 2003.

(3) All options were granted at an exercise price equal to the market value on the date of grant.

Stock Option Plan

In 1999, Ispat International established the Ispat Stock Option Plan, which is described more fully in Note 10 to its Consolidated Financial Statements. Under the terms of the Ispat Stock Option Plan, Ispat

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International may grant options to senior management of Ispat International and its affiliates for up to six million Ispat International class A common shares (increased up to a maximum of 10 million Ispat International class A common shares in 2003). The exercise price of each option equals not less than the fair market value of Ispat International class A common shares on the date of grant, with a maximum term of 10 years. Options are granted at the discretion of Ispat International s board of directors or its delegate. The options vest either ratably upon each of the first three anniversaries of the grant date or, in total, upon the death, disability or retirement of the participant. All outstanding option rights exercisable in at least the current and next financial year under the Ispat Stock Option Plan can be satisfied by the Ispat International class A common shares currently held in treasury.

Prior to 2003, Ispat International accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, or Opinion 25. No stock-based employee compensation cost is reflected in 2001 and 2002 net income, as all options granted under those plans had an exercise price equal to the market value of the underlying common shares on the date of grant.

Effective January 1, 2003, Ispat International adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, or SFAS 123, prospectively to all employee awards granted, modified, or settled after January 1, 2003. This prospective adoption of the fair value provisions of SFAS 123 is in accordance with the transitional provisions of SFAS No. 148, Accounting for Stock-Based Compensation, or SFAS 148, issued in December 2002 for recognizing compensation cost of stock options. There were no stock options granted, modified or settled during 2003 and accordingly, no compensation expense has been recognized in 2003.

SFAS 148 also requires that if awards of stock-based employee compensation were outstanding and accounted for under the intrinsic value method of Opinion 25 for any period in which an income statement is presented, a tabular presentation is required as follows:

	Year Ended December 31,		
	2001	2002	2003
	(All amounts in $ million except per share information)		
Net income, as reported	$ (312)	$ 49	$ 66
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	0	0	0
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	3	3	1
Pro forma net income	(315)	46	65
Earnings per share:			
Basic and diluted as reported	(2.58)	0.40	0.53
Basic and diluted pro forma	(2.60)	0.37	0.53

The fair value of each option grant of Ispat International class A common shares is estimated on the date of grant using Black-Scholes Model Method with the following weighted-average assumptions used:

	Years of Grant,		
	2001	2002	2003
Dividend Yield	0	0	0
Expected annualized volatility	0	83%	0
Discount rate Bond equivalent yield	0	5.03%	0
Expected life in years	0	8	0

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The status of the Ispat Stock Option Plan with respect to Ispat International is summarized below at December 31, 2003:

	Number of Shares	Weighted Average Exercise Price
Opening balance as of January 1, 2001	2,512,000	$ 10.19
Granted during the year	0	0
Exercised	0	
Forfeitures	(310,000)	10.30
Outstanding at December 31, 2001	2,202,000	10.17
Granted during the year	1,349,500	2.26
Exercised	0	0
Forfeitures	(160,000)	7.95
Outstanding at December 31, 2002	3,391,500	7.13
Granted during the year	0	0
Exercised	(91,166)	7.08
Forfeitures/restoration	39,000	11.72
Outstanding at December 31, 2003	3,339,334	7.32

At December 31, 2003, the stock options granted under the Ispat Stock Option Plan are exercisable as follows:

Year	Options	Average Exercise Price(1)
2003	2,530,111	$ 8.93
2004	2,934,723	8.01
2005	3,339,334	7.32
2006	3,339,334	7.32
2007	3,339,334	7.32

(1) Based on Exercise Price of $11.94, $8.57 and $2.26 for 1999, 2000 and 2002, the respective years of the grant date.

Board Practices

Article 18, paragraph 1 of Ispat International s Articles of Association provides that its board of directors shall consist of five or more class A, class B and class C directors (and comprised at all times of one class A director and at least two class C directors). Article 18, paragraph 3 stipulates that class A directors are appointed for a period of four years starting on the day after the day of the annual general meeting of shareholders on which they are appointed and ending on the day of the annual general meeting of shareholders that will be held in the fourth year after their appointment. The same paragraph sets out that class B and class C directors are appointed for a period of one year starting on the day after the annual general meeting of shareholders on which they are appointed and ending on the day of the annual general meeting of shareholders that will be held in the next year.

Corporate Governance. In June 2001, Ispat International adopted Corporate Governance guidelines in line with best practices on corporate governance. Ispat International will continue to monitor diligently new, proposed and final U.S. and Dutch corporate regulatory requirements and will make adjustments to its Corporate Governance controls and procedures to stay in full compliance with these requirements on a timely basis. Ispat International is fully committed to meeting and whenever possible exceeding the Corporate Governance mandates and requirements under current and proposed SEC and New York Stock Exchange rules and the laws of The Netherlands.

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The new Dutch Corporate Governance Code was published on December 9, 2003. During the Ispat International annual general meeting of shareholders held on May 5, 2004, the implications of the new Dutch Corporate Governance Code were discussed with its shareholders and certain proposed changes to Ispat International 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 Ispat International s Articles of Association lowered the number of votes required to overrule a binding nomination for the appointment of a member of Ispat International s board of directors made by the holders of class B common shares from a majority of at least two thirds of votes cast representing more than half of the issued share capital of the company to an absolute majority of votes cast representing at least one third of the issued share capital of Ispat International. In addition, Ispat International s Articles of Association now provide that a class A director can be appointed for a maximum term of four years and cannot be appointed indefinitely as was previously permitted. Accordingly, Ispat International expects to be in line with the requirements of the provisions of the Dutch Corporate Governance Code by the end of 2004, in accordance with the implementation provisions. Ispat International s annual general meeting of shareholders also approved that Ispat International will differ from the Dutch Corporate Governance Code with regard to the separation of the posts of Chairman and Chief Executive Officer. Ispat International s Chairman and Chief Executive Officer will continue to be Mr. Lakshmi N. Mittal.

Role of Ispat International s Board of Directors and Management. Ispat International s business is conducted through operating subsidiaries, which are managed by their board of directors and headed by the subsidiary s CEO/President. Ispat International s board of directors and the senior corporate management provide the oversight to enhance the value to the stakeholders.

Director Independence. As per the criteria laid down by Ispat International s board of directors, directors will be considered independent if they do not have a material relationship with Ispat International. Ispat International s board of directors currently consists of eight directors, of whom five are independent, constituting a majority of Ispat International s board of directors. Of the five independent directors only one of the directors has a relationship with Ispat International. This relationship is below the threshold laid down by Ispat International s board of directors, of less than one percent of the revenues of the firm on which the director serves as an executive officer. This director, however, does not serve on any committees of Ispat International s board of directors.

Function of Ispat International s Board of Directors. As per Ispat International s Corporate Governance guidelines adopted in June 2001, Ispat International s board of directors shall be responsible for the stewardship of Ispat International and should assume responsibility for the adoption of a corporate strategy; monitoring of risk and control; succession planning including appointing, training and monitoring of senior management personnel; maintaining an investor relations program for Ispat International; ensuring the integrity of Ispat International s internal control and management information system; and setting of remuneration policy that incorporates appropriate performance hurdles.

Qualification. Directors should possess the highest personal and professional ethics and integrity, and be committed to representing the interests of the stakeholders. Ispat International s directors possess experience in managing large companies and contribute towards the protection of the stakeholders interests in Ispat International through expertise in their respective fields. All directors bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

Size of Ispat International s Board of Directors and Selection Process. All directors are subject to election by the shareholders. The names of directors submitted for election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision on their election. Each time a member of Ispat International s board of directors is to be appointed, the meeting of holders of class B common shares may make a binding nomination. A binding nomination can be overruled by a shareholders resolution passed by an absolute majority of votes cast representing at least one third of the issued share capital of Ispat International. Ispat International s board of directors currently consists of eight members, which is considered reasonable given the size of Ispat International. All members of Ispat International s board of directors, except for Messrs. Lakshmi N. Mittal and Aditya Mittal (who as class A directors only

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stand for re-election once every four years), will next be considered for re-appointment at the annual general shareholders meeting in 2005.

During 2003, Dr. Peter Southwick, one of the class B directors, resigned from Ispat International s board of directors. Dr. Southwick continues to be employed by one of Ispat International s subsidiaries.

Board Committees

Ispat International s board of directors has established the following Committees to assist the board of directors in discharging its responsibilities: (i) Audit; (ii) Remuneration; and (iii) Nomination.

Board Agenda. The items placed before Ispat International s board of directors include, among others, strategic plans of Ispat International; annual operating plans and budgets and any updates; capital budgets and any updates; quarterly results for Ispat International and its strategic business units; minutes of Audit Committee and other committee meetings; the information on recruitment and remuneration of senior management just below Ispat International s board of directors level; environment, health and safety related matters; risk management policy of the group and such other matters considered important for the oversight of Ispat International s board of directors.

Ethics and Conflict of Interest. Ethics and conflicts of interest are governed by the Code of Business Conduct adopted by Ispat International. The Code of Business Conduct sets out standards for ethical behavior, which are to be followed by all employees and directors of Ispat International in the discharge of their duties. They must always act in the best interests of Ispat International and must avoid any situation where their personal interests conflict, or could conflict with their obligations toward Ispat International. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive Ispat International of the time or the scrupulous attention that they need to devote to the performance of their duties. Any behavior that deviates from Ispat International s Code of Business Conduct is to be reported to the employee s supervisor, a member of the management, the head of the legal department or the head of the internal audit/ internal assurance department.

Ispat International s Code of Business Conduct is available on Ispat International s website at http://www.ispat.com.

Separate Meeting of Non-Executive Directors. The non-executive directors of Ispat International regularly schedule meetings without the presence of management. There is no minimum number of meetings that the non-executive directors must hold per year. During 2004, the non-executive directors have held four meetings separate from the executive directors.

Ispat International Audit Committee

Charter and Meetings. The primary function of the Ispat International Audit Committee is to assist Ispat International s board of directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by Ispat International to any governmental body or the public; Ispat International s system of internal control regarding finance, accounting, legal compliance and ethics that the management and Ispat International s board of directors have established and Ispat International s auditing, accounting and financial reporting processes generally.

The Audit Committee s primary duties and responsibilities are to serve as an independent and objective party to monitor Ispat International s financial reporting process and internal controls system; review and appraise the audit efforts of Ispat International s independent accountants and internal auditing department; provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department and Ispat International s board of directors. It is responsible for approving the appointment and fees of the independent auditors. It is also responsible for monitoring the independence of the external auditors.

Ispat International s Audit Committee charter is available on Ispat International s website at http://www.ispat.com.

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The Audit Committee met nine times during 2003. Of these meetings, four were physical meetings and five were teleconference meetings.

Audit Committee Members. The Ispat International Audit Committee consists of three directors: Narayanan Vaghul, Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent under Ispat International s Corporate Governance guidelines, the New York Stock Exchange standards as well as the Dutch Corporate Governance Code. The Chairman of the Audit Committee is Mr. Narayanan Vaghul, who has significant experience and financial expertise. Mr. Vaghul is the Chairman of ICICI Bank, a company that is listed on the New York Stock Exchange and Mumbai Stock Exchange. Both Mr. Reddy and Ambassador Andrés Rozental have considerable experience in managing companies affairs.

Process for Handling Complaints about Accounting Matters. As part of the procedures of Ispat International s board of directors for receiving and handling complaints or concerns about Ispat International s financial accounting, internal controls and auditing issues, Ispat International s Code of Business Conduct encourages all employees to bring such issues to the Audit Committee s attention. Employees reported no significant complaints of this nature during 2003.

Internal Audit/ Internal Assurance. Ispat International has an Internal Audit function. The function is under the responsibility of the Director Internal Assurance, who reports to the Audit Committee. The function is staffed by full time professional staff located at each of the principal operating subsidiaries and at the corporate level. Recommendations and matters relating to internal control and processes are made by the Internal Audit function, and their implementation is regularly reviewed by the Audit Committee.

External Auditors Independence. The appointment and determination of fees of the external auditors is the direct responsibility of the Audit Committee. The Audit Committee is further responsible for obtaining annually a written statement from the external auditors that their independence has not been impaired. Ispat International s current external auditors have informed Ispat International of their intention to rotate their lead and engagement partners in line with the new requirements in 2004 and 2005, respectively. The Audit Committee has obtained a confirmation from the external auditors that none of their former employees are in a position with Ispat International, which may impair their independence.

Ispat International Remuneration Committee

Charter and Meetings. The Ispat International Remuneration Committee is comprised of three independent directors. The purpose of having a Remuneration Committee consisting exclusively of directors who are independent of management is to have members who are free of any business or other relationship, which could interfere with the exercise of their independent judgment. Ispat International s board of directors has established the Remuneration Committee to determine on their behalf and on behalf of the shareholders within agreed terms of reference, Ispat International s framework of remuneration and compensation, including stock options for executive members of Ispat International s board of directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level. The Remuneration Committee met twice in 2003.

The charter of the Remuneration Committee is available on Ispat International s website at http://www.ispat.com.

Remuneration Committee Members. The Ispat International Remuneration Committee consists of three directors: Mr. Narayanan Vaghul, Ambassador Andrés Rozental and Mr. René Lopez, all of whom are independent. The Chairman of the Remuneration Committee is Ambassador Andrés Rozental.

Remuneration Principles. The Ispat International Remuneration Committee s principal responsibility in compensating executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. None of the members of Ispat International s board of directors currently has entered into any contracts with Ispat International or any of its subsidiaries that provide benefits upon termination of employment. The Remuneration Committee reviews the remuneration of executive members of Ispat International s board of directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level.

Ispat International Nomination Committee

Charter and Meetings. Ispat International has a Nomination Committee comprised exclusively of three independent directors. The Nomination Committee elects its Chairman and members of the Nomination Committee are appointed and can be removed by Ispat International s board of directors. The Nomination Committee met two times in 2003.

The charter of the Nomination Committee is available on Ispat International s website at http://www.ispat.com.

Nomination Committee Members. The Ispat International Nomination Committee consists of three directors: Narayanan Vaghul, Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent. Ambassador Andrés Rozental is the Chairman of the Nomination Committee.

Function of the Nomination Committee. The Ispat International Nomination Committee will at the request of Ispat International s board of directors, consider any appointment or reappointment to Ispat International s board of directors. It will provide advice and recommendations to Ispat International s board of directors on such appointment. The Committee is also responsible for developing, monitoring and reviewing Corporate Governance principles applicable to Ispat International.

Employees

Ispat International had 14,811 employees as of December 31, 2003 (as of December 31, 2002: 15,640; as of December 31, 2001: 16,344).

The table below sets forth the breakdown of the total year-end number of employees by geographical area for the past three years:

	As of December 31,		
	2001	**2002**	**2003**
United States	7,389	6,895	6,461
Canada	2,133	2,102	1,933
Mexico	1,215	1,172	1,254
Trinidad	796	802	766
Europe	4,811	4,669	4,397
Total	16,344	15,640	14,811

In general, Ispat International has a good relationship with its employees and with the labor unions.

Share Ownership

As of September 30, 2004, the share ownership of Ispat International directors and senior management is 79,761 Ispat International class A common shares (excluding shares owned by our controlling shareholder), being 0.06% of the total issued share capital of Ispat International. The number of options granted to directors and senior management in 2002 was 596,500 at an exercise price of $2.26. No options were granted during 2001 and 2003. These options vest either ratably upon each of the first three anniversaries of the grant date, or, in total, upon the death, disability or retirement of the participant. The option term expires 10 years after the grant date.

In accordance with the new Dutch Corporate Governance Code, non-executive members of Ispat International s board of directors will no longer receive any share options.

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INTEREST OF CERTAIN PERSONS IN THE MERGER

In considering the recommendation of the ISG board of directors to vote for the adoption of the merger agreement, you should be aware that certain members of the ISG board of directors and executive officers of ISG may have interests in the merger that differ from, or are in addition to, their interests as ISG stockholders. The ISG board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the merger. These interests are described below.

Ispat International Board and Management

The merger agreement contemplates that Wilbur L. Ross, Chairman of the ISG board of directors, will join the Ispat International board of directors. In addition, the merger agreement contemplates that Rodney B. Mott, ISG s President and Chief Executive Officer and a member of the ISG board of directors, will become the Chief Executive Officer of Ispat International s U.S. operations. The merger agreement and related documentation do not guarantee that Mr. Ross will serve as a director of Ispat International for any specified period after the merger. As of the date of this proxy statement/prospectus, Mr. Mott has not entered into an agreement with respect to his post-merger employment and, accordingly, there can be no assurance that Mr. Mott will assume that role. It is also expected that Messrs. Ross and Mott will join the board of directors of Ispat International s U.S. subsidiary after the merger.

Company Shareholder Support Agreement

In connection with the merger agreement, Ispat International required that each of Messrs. Ross and Mott and their respective affiliates enter into the company shareholder support agreement in which, among other things, they each severally:

- agreed to vote in favor of the merger, unless the merger agreement is terminated by the ISG board of directors, and

- in exchange for an option payment of $3.50 per share, granted an option to purchase their ISG shares in certain circumstances involving a termination of the merger agreement for $38.50. The $3.50 per share option payment will be credited against any merger consideration payable with respect to the shares.

Messrs. Ross and Mott beneficially own [6.9]% and [1.4]%, respectively, of the shares of ISG common stock outstanding as of the record date. For a more detailed description of this agreement, see COMPANY SHAREHOLDER SUPPORT AGREEMENT beginning on page 99.

Director and Officer Indemnification

The merger agreement requires the surviving company in the merger to indemnify ISG directors and officers, to honor indemnification in favor of ISG s directors and officers in ISG s Certificate of Incorporation, Bylaws and agreements with directors and officers and to maintain director and officer liability insurance. Please see THE MERGER AGREEMENT Additional Agreements *Directors and Officers Indemnification and Insurance* on page 84.

ISG Stock Options

The merger agreement provides that all ISG stock options will be cancelled at the effective time of the merger and the holders of ISG stock options, including ISG executive officers, will receive an amount in cash equal to the difference between $42.00 per share and the applicable per share exercise price of the option. Executive officers of ISG own options to purchase 3,003,330 shares of ISG common stock, 268,875 of which are currently exercisable.

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Many of these options were granted during 2002, around the time ISG was founded, at exercise prices that are now substantially below current market prices for shares of ISG common stock. The pre-tax amounts payable to ISG s executive officers at the closing of the merger for cancellation of these options are:

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

ISG Officers Cash and Stock Bonus Plan

The merger agreement contemplates that, on or prior to December 31, 2004, ISG will pay to each participant in the ISG officer cash and stock bonus plan, the participant s earned bonus for the fiscal year ending December 31, 2004. These bonuses would have otherwise been payable in 2005. The amounts payable under the plan did not change and ISG would have accrued such amounts as compensation expense in 2004 in any event.

Employment Agreements with ISG Executive Officers

The merger agreement provides that, following the merger, Ispat International will cause the surviving company in the merger and its subsidiaries to honor all existing ISG contracts, agreements, arrangements, policies, plans and commitments in effect applying to any current or former employees or directors of ISG or its subsidiaries. Messrs. Mott, Goodwin, Anthony and Nelson, are each parties to an employment agreement with ISG, and Mr. Hernandez is party to a letter agreement with ISG, each entered into before the commencement of discussions relating to the possible merger. In this section Employment Agreements with ISG Executive Officers , these executives are referred to as the ISG Executives.

The agreements with the ISG Executives provide that, in the case of a termination of employment by ISG without cause or a termination of employment by the ISG Executive for good reason , the ISG Executives other than Mr. Mott would be entitled to a severance payment equal to two times his usual base salary and bonus compensation (using the average bonus over the past three years or if he was employed for less than three years, such shorter period), or three times his usual base salary and bonus in the case of Mr. Mott. Good Reason means the termination of the ISG Executive s employment by the ISG Executive for any of the following reasons:

- an involuntary reduction in the ISG Executive s base salary unless such reduction occurs simultaneously with a company-wide reduction in officers salaries;
- an involuntary discontinuance or reduction in bonus award opportunities for the ISG Executive under ISG s officer cash and stock bonus plan unless a company-wide reduction of all officers bonus awards occurs simultaneously with such discontinuance or reduction;
- an involuntary discontinuance of the ISG Executive s participation in any employee benefit plans maintained by ISG unless such plans are discontinued by reason of law or loss of tax deductibility to ISG with respect to contributions to such plans, or are discontinued as a matter of ISG policy applied equally to all participants in such plans; and

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- ISG s failure to obtain an assumption of ISG s obligations under the employment agreement by any successor to ISG, regardless of whether such entity becomes a successor to ISG as a result of a merger, consolidation, sale of assets of ISG, or other form of reorganization.

In addition, Mr. Mott s employment agreement contains the following additional reasons under the definition of Good Reason :

- a significant reduction in Mr. Mott s responsibilities and status within the ISG organization, or a change in his title or office without Mr. Mott s written consent;
- a termination of Mr. Mott s employment which is not effected pursuant to a notice of termination satisfying the requirements set forth in Mr. Mott s employment agreement;
- a failure of Mr. Mott to be elected to the ISG board of directors; or
- a material breach of Mr. Mott s employment agreement by ISG, which breach is not corrected by ISG within ten calendar days after receipt by ISG of written notice from Mr. Mott of such breach.

In that event, the ISG Executives are also entitled to health care and major medical coverage for two years, in the case of Messrs. Anthony, Goodwin, Hernandez and Nelson, or for three years, in the case of Mr. Mott, following a qualifying termination. Mr. Mott s employment agreement entitles Mr. Mott to a gross-up payment in the event that payments made under his agreement trigger U.S. federal 20% excise taxes imposed in respect of change-in-control payments.

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

Mr. Hernandez s letter agreement with ISG provides that, in the event that ISG and the ISG board of directors adopt a severance policy for senior executive officers and that policy provides severance and termination benefits greater than those provided under Mr. Hernandez s letter agreement, then that severance policy will govern the severance and termination benefits to which Mr. Hernandez is entitled.

The estimated value of the severance benefits, excluding the value of executive perquisite coverage or the excise tax gross-up payment, payable to Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson, assuming a qualifying termination has occurred, would be approximately $1.9 million, $2.0 million, $1.9 million, $6.4 million, and $1.4 million, respectively.

The employment agreements also include non-competition, non-solicitation and confidentiality obligations on the part of the ISG Executives. The letter agreement with Mr. Hernandez does not contain such obligations.

ISG Executive Severance Pay Plan

ISG maintains an executive severance pay plan effective August 1, 2003 that covers officers and general managers of ISG, other than those officers who have separate agreements that provide for severance benefits upon termination of employment. The executive severance pay plan provides severance benefits to participating officers in the case of a termination by ISG. Messrs. Anthony, Goodwin, Hernandez, Mott and Nelson are not participants in the executive severance pay plan. Mr. Arnett, Ms. Smith and Mr. Spelich, among others, are participants in the plan.

If the termination of the employee is in connection with a change in control of ISG, the officer is entitled to additional benefits of (i) an amount equal to the average of the bonus amounts paid to the officer under ISG s cash and stock bonus plan with respect to the three calendar years (or, if employed for less than three years, the shorter period) ending prior to termination and (ii) a lump sum cash payment equal to six months salary. These severance benefits, however, will not be more than twice the officer s annual compensation during the year immediately preceding termination of employment with ISG (or, if employed for less than one year, the year of such termination). Completion of the merger will be a change in control under the executive severance pay plan.

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A qualifying termination under the severance pay plan includes:

- the involuntary dismissal of the officer by ISG without cause ;
- the involuntary dismissal of the officer by ISG within six months following a change in control ; or
- the voluntary withdrawal from employment by the officer for good reason .

Good reason means a material adverse change in the employee s title, position or responsibilities that has not been cured during the thirty day period following written notice to ISG by the employee.

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

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INDUSTRY OVERVIEW

Steel-Making Process

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

Integrated Steel Making

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

Mini-Mills

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

Integrated Mini-Mills

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

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Products

Steelmakers primarily produce two types of steel products, flat-rolled and long. Flat-rolled products, such as sheet or plate, are produced from semi-finished slabs. Long products, such as bars, rods and structural shapes, are rolled from blooms and/or billets.

Flat Products

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

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

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

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

Long Products

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

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

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

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

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

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

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

Direct Reduced Iron

Direct reduced iron is iron produced by a direct reduction process that removes the oxygen from the iron ore without melting it. Direct reduced iron is used as feedstock for electric arc furnaces and is a high quality substitute for scrap.

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ISPAT INTERNATIONAL

All references in this section entitled ISPAT INTERNATIONAL to we , us and our refer to Ispat International and its subsidiaries.

History and Development of Ispat International

Ispat International is a public limited liability company incorporated under the laws of The Netherlands on May 27, 1997, to hold various steel and steel-related companies that were contributed or transferred to Ispat International by its controlling shareholder in connection with a reorganization that was consummated in July 1997. The registered offices of Ispat International are located at 15th Floor, Hofplein 20, 3032 AC Rotterdam, The Netherlands. The telephone number of the registered offices is +31 10 217 8800. Ispat International is registered at the Commercial Register in Rotterdam under number 24275428. We are the world s eleventh largest steel producer based on 2003 shipments,(1) with steel-making operations in six countries. Our operating philosophy embraces both integrated mini-mill and blast furnace processes for steel making. Our steel shipments have increased from 1.5 million tons in 1992 to 15.2 million tons in 2003. In 2003, our consolidated sales, operating income and net income were $5,441 million, $151 million and $66 million, respectively. We have grown through a series of acquisitions and by improving the operating performance of each acquired facility, through focused capital expenditure programs and implementation of improved management practices, resulting in increases in production and shipment of steel products, reduction in cash costs of production and increases in productivity. Our aggregate capital expenditures were approximately $164 million, $108 million and $97 million during 2003, 2002 and 2001 respectively. Since 2000, we have not made any significant acquisitions.

Recent Developments

In connection with the merger, on October 24, 2004 the LNM Group (consisting of Ispat International and LNM Holdings), ISG and the United Steelworkers of America, or the USWA, executed a letter of understanding in which the USWA agreed to support the merger and to waive its right of first refusal under the ISG collective bargaining agreement. See THE MERGER Letter of Understanding with the United Steelworkers of America on page 71.

On October 25, 2004, Ispat International announced that its board of directors had approved a definitive acquisition agreement under which Ispat International will acquire LNM Holdings. LNM Holdings is one of the world s largest steel producers(2) and operates steel-making and processing facilities in seven countries. The acquisition of LNM Holdings is subject to approval by the shareholders of Ispat International, as well as regulatory approvals and satisfaction of other customary closing conditions. Ispat International expects the acquisition will be completed in the fourth quarter of 2004. Under the terms of the LNM Holdings acquisition agreement, Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Ispat International and the sole shareholder of LNM Holdings), or its designee, will receive 0.27931958 Ispat International class A common shares and 0.77068042 Ispat International class B common shares subject to certain limitations, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Ispat International class A common shares and 385,340,210 Ispat International class B common shares.

On October 27, 2004, Moody s Investors Service placed all ratings of Ispat International and IEG under review with a positive outlook.

On November 15, 2004, Standard & Poor s Ratings Services raised its long-term corporate credit ratings for Ispat International to BBB from BB- , with a positive outlook. At the same time Standard & Poor s raised the debt ratings on debt guaranteed by Ispat International for Inland and IEG to BBB from BB- , with a positive outlook.

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1 Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

2 Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

On November 30, 2004, Ispat Inland ULC, a wholly owned subsidiary of Ispat International, announced that it had issued a notice of redemption for $227,500,000 principal amount of its outstanding 9 3/4% senior secured notes due 2014, at a redemption price equal to 109 3/4% of the outstanding principal amount being redeemed, plus accrued and unpaid interest on such amount to, but excluding, December 30, 2004. The notes will be redeemed on December 30, 2004. In conjunction with the redemption of the notes by Ispat Inland ULC, Ispat International has agreed that it or one of its affiliates will purchase $256,000,000 of capital stock of Ispat Inland Inc. prior to the redemption of the notes. Consistent with the terms of the indenture with respect to the notes, the cash proceeds from the stock offering will be used to redeem the notes. The notes will be redeemed from all holders on a pro rata basis. Interest on the redeemed portion of the notes will cease to accrue on and after December 30, 2004 and the only remaining right of a holder of such notes following such date will be to receive payment of the redemption price (together with the accrued and unpaid interest on such amount).

Business Overview

We have a high degree of both product and geographic diversification. We produce a broad range of finished and semi-finished steel products that include hot-rolled sheet, cold-rolled, electro-galvanized and coated steels, bars, wire rods, wire products, pipes, billets, blooms and slabs. Our plants manufacture steel products to various specifications, including many difficult and technically sophisticated ones; and they sell these products to customers for use in a number of high-end applications. During 2003, we shipped our products to over 80 countries worldwide, with our largest markets in North America and Europe. See ISPAT INTERNATIONAL Products beginning on page 120. We conduct our business through our subsidiaries operating in six countries. Most of these operations are strategically located with access to on-site deep-water port facilities, which allow for cost-efficient import of raw materials and export of steel products. As at September 30, 2004, we had approximately 14,000 employees.

The following tables set forth our operations in our geographic areas of operation:

Area	Product Category	Production Process	2003 Steel Shipments (thousand tons)
Americas	Flat/ Long	Mini-mill, integrated mini-mill, integrated	11,608
Europe	Long	Mini-mill, integrated mini-mill, basic oxygen furnace	3,554
Total			15,162

	America	Europe	Rest of World	Others & Eliminations	Consolidated
	(All amounts in $ millions)				
Year Ended December 31, 2001					
Sales to unaffiliated customers	3,535	1,249	1	(299)	4,486
Net sales	3,404	1,172	1	(299)	4,278
Operating income	(166)	44		(72)	(194)
Depreciation	162	12		3	177
Capital expenditures	73	25		(1)	97
Total assets at December 31, 2001 (year end)	5,945	593		(1,225)	5,313

	America	Europe	Rest of World	Others & Eliminations	Consolidated
	(All amounts in $ millions)				
Year Ended December 31, 2002					
Sales to unaffiliated customers	4,066	1,383	4	(564)	4,889
Net Sales	3,918	1,288	4	(564)	4,646
Operating income	149	31		(38)	142
Depreciation	159	14		4	177
Capital expenditures	81	26		1	108
Total assets at December 31, 2002 (year end)	6,017	828		(1,333)	5,512
Year Ended December 31, 2003					
Sales to unaffiliated customers	4,239	1,566	33	(397)	5,441
Net Sales	4,085	1,473	33	(397)	5,194
Operating income	133	26		(8)	151
Depreciation	163	17		3	183
Capital expenditures	142	22			164
Total assets at December 31, 2003 (year end)	6,104	1,085		(1,554)	5,635

Products

We have a high degree of product diversification. Our plants produce a broad range of finished and semi finished steel products that include hot rolled sheet, cold rolled, electro galvanized and coated steels, bars, wire rods, wire products, pipes, billets, blooms and slabs. Our plants manufacture steel products of different specifications, including many difficult and technically sophisticated ones, and they sell these products to demanding customers for use in a number of high-end applications.

Our principal products currently include:

direct reduced iron;

semi-finished flat products such as slabs;

finished flat products such as hot and cold-rolled and hot dipped and electro galvanized steels;

semi-finished long products such as blooms and billets; and

finished long products such as bars, wire rods and wire products.

In 2003, we remained the world s largest producer of direct reduced iron with total production of 7.2 million tons. Direct reduced iron enables Ispat International to control the quality and consistency of its metallic input, which is essential to ensure uniform high quality of the finished products. It has historically given Ispat International a cost advantage compared to scrap.

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The following table sets forth our total production of direct reduced iron, and our total shipments[2] of flat and long products in 2003 by major product category:

	Americas	Europe	Total
Direct reduced iron production (thousand tonnes)	6,637	565	7,202
Flat products shipments (thousand tons)			
Semi-finished	3,877		3,877
Finished	5,381		5,381
Long products shipments (thousand tons)			
Semi-finished	308	872	1,180
Finished	2,042	2,682	4,724
Total steel products shipments (thousand tons)	11,608	3,554	15,162

Raw Materials

Our principal raw materials are iron ore fines, iron ore pellets, hot metal, scrap, alloys and coke.

Our main suppliers for iron ore include Companhia Vale do Rio Doce and MineraAoes Brasileiras Reunidas S.A. in Brazil, Shougang Hierro Peru S.A. in Peru, Corporacion Venezolana de Guyana in Venezuela and Quebec Cartier Mining Co. in Canada. In addition, we obtain a portion of our iron ore from the Minorca and Empire mines in the United States and iron ore pellets from Consorcio Minero Benito Juarez Pena Colorada, S.A. de C.V., or Pena Colorada, in Mexico. Minorca mine is 100% owned by Inland and Inland also has a 21% interest in Empire mine. Imexsa holds a 50% equity interest in Pena Colorada. We normally procure our scrap locally, from suppliers with proximity to our operating plants.

Metallurgical coke is only used at Inland. Like many other steel industry raw materials the market for coke has also been affected by the developments in the Chinese market. Rapidly rising demand for coke combined with port congestion in the Far East has created an extremely challenging market situation, affecting both availability and prices.

Management

The Chairman and Chief Executive Officer of Ispat International is Mr. Lakshmi N. Mittal. Mr. Mittal s vision and his ability to guide Ispat International in its formulation and execution of appropriate business strategies to meet the challenges of an increasingly dynamic industry and business environment, has helped us to emerge as a world leader in steel production utilizing the integrated mini-mill and blast furnace processes, with a strong manufacturing base in the North American Free Trade Agreement, or NAFTA, region and Europe.

Local management operates each operating subsidiary with assistance from our corporate management team. Each operating subsidiary maintains its own manufacturing, engineering and commercial staff who implement our business strategy on a daily basis. In addition, we have a corporate management team that assists our operating subsidiaries at a strategic level. Within corporate management there are specialized and experienced executives in fields such as finance, marketing, purchasing, operations, shipping, human resources, communications, internal assurance, strategic planning, technology and law.

In conjunction with LNM Holdings, we implement our Knowledge Management Program, or KMP. KMP is intended to develop, share and utilize the knowledge and experience of both Ispat International and LNM Holdings in order to accelerate improvements in business performance. KMP seeks to build, share and utilize knowledge and experience to accelerate improvement in business performance. KMP are quality, cost and efficiency improvement programs designed to allow each operating subsidiary to benefit from the best

[2] All references herein to shipments are to shipments of steel products and include certain intercompany quantities, unless otherwise noted.

practices utilized by other operating subsidiaries. KMP includes meetings between senior and middle level managers at the various operating subsidiaries to share technical and operating experiences and expertise, coordinate activities and to receive updates as to technical and commercial developments and company-wide practices, as well as focused technical efficiency programs, undertaken on a centralized basis. We believe that KMP contributes to reducing procurement and conversion costs through bulk purchasing and improving overall profitability and operating efficiencies through mutual assistance.

Marketing and Sales

Our marketing strategy is to work with our customers on product development to meet their present and future requirements while utilizing our assets in the most efficient and profitable manner. We focus our efforts on providing solutions to our customers to reduce their costs and becoming their preferred supplier of high quality steel products.

The large majority of our products are sold directly to customers through our own sales force. A small proportion is sold to intermediate international traders.

Organizational Structure

Ispat International is a holding company with no business operations of its own. All of our significant subsidiaries are wholly owned by Ispat International, indirectly through intermediate holding companies. The following chart represents the operational structure, and not the legal or ownership structure, of Ispat International.

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* Each of these companies accounts for 10% or more of the net sales of Ispat International.

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The following table sets forth the registered office of each significant subsidiary.

Subsidiary	Registered Office
Americas	
Ispat Inland Inc.	3210 Watling Street East Chicago, IN 46312 U.S.A.
Ispat Mexicana, S.A. de C.V.	Fco. J. Mújica No. 1-B Apartado Postal No. 19-A Cd. Lázaro Cárdenas, Mich C.P. 60950 México
Ispat Sidbec Inc.	4000 route des Acieries Contrecoeur (Québec) J0L 1C0 Canada
Caribbean Ispat Limited	Mediterranean Drive Point Lisas Couva Trinidad and Tobago
Europe	
Ispat Europe Group S.A.	34-38 Avenue de la Liberté L-1930 Luxembourg Luxembourg

Property, Plant and Equipment

Our principal operating subsidiaries are Inland, Imexsa, Sidbec, CIL and IEG. In addition, we conduct operations through other subsidiaries and affiliates. All of our operating subsidiaries are wholly owned by Ispat International through intermediate holding companies.

Certain of Ispat International s assets are encumbered in favor of our lenders. See Note 8 to our Consolidated Financial Statements.

Ispat Inland Inc.

General. Ispat Inland Inc., or Inland, is the fourth largest integrated producer of steel in the United States, with shipments of 5.3 million tons in 2003. Inland was established in 1893 and produces and sells a wide range of steel products, largely carbon and high-strength low-alloy steel grades, in flat-rolled and bar forms.

Flat products generated 89% of Inland s 2003 revenue. This division manufactures and sells hot-rolled, cold-rolled, coated and galvanized steel sheets used in various applications including automotive, steel service center, appliance, office furniture and electrical motor markets. Inland s flat products division also manages Inland s iron ore and iron-making operations, and produces the major portion of its raw steel requirements. Inland is one of the leading producers in the United States of automotive sheet, the highest value-added flat-rolled carbon steel product, and the largest supplier of steel to the appliance market. Over 80% of Inland s flat-rolled steel revenues are generated by value-added cold-rolled or coated steels. Nearly all of Inland s steel products are made to fill specific orders due to the unique chemistry, surface quality, and width and gauge requirements of our customers.

Inland s bar division generated 11% of Inland s 2003 revenue, and manufactures and sells a variety of bar products, including SBQ to the automotive industry directly, as well as to forgers and cold finishers, and also to heavy equipment manufacturers and steel service centers. SBQ steel is used by our customers in the automotive, agricultural and transportation industries, among others, to manufacture products such as axles and bearings.

All raw steel made by Inland is produced at its Indiana Harbor Works located in East Chicago, Indiana. The property on which this plant is located, consisting of approximately 1,900 acres, is held by Inland in fee. The basic production facilities of Inland at its Indiana Harbor Works consist of blast furnaces for making iron; basic oxygen and electric furnaces for making steel; a continuous billet caster, a continuous combination slab/bloom caster and two continuous slab casters; and a variety of rolling mills and processing lines that produce finished steel mill products. A continuous annealing line and slitting equipment are leased by Inland. Inland has granted the PBGC a lien upon the caster facility to secure the payment of future pension funding obligations. Substantially all of the remaining property, plant and equipment at the Indiana Harbor Works, other than the Caster Facility and leased equipment, is subject to the lien of the First Mortgage of Inland dated April 1, 1928, as amended and supplemented. The Indiana Harbor Works is also subject to a second lien in favor of the United Steelworkers of America to secure a post-retirement health benefit.

I/ N Tek, a partnership in which a subsidiary of Inland owns a 60% interest, has constructed a 1.7 million ton annual production capacity cold-rolling mill on approximately 200 acres of land, which it owns in fee, located near New Carlisle, Indiana. Substantially all the property, plant and equipment owned by I/ N Tek is subject to a lien securing related indebtedness. The I/ N Tek facility is adequate to serve the present and anticipated needs of Inland planned for such facility.

I/ N Kote, a partnership in which a subsidiary of Inland owns a 50% interest, has constructed a one million ton annual production capacity steel galvanizing facility on approximately 25 acres of land, which it owns in fee, located adjacent to the I/ N Tek site. Substantially all the property, plant and equipment owned by I/ N Kote is subject to a lien securing related indebtedness. The I/ N Kote facility is adequate to serve the present and anticipated needs for galvanized products of Inland planned for such facility.

PCI Associates, or PCI, a partnership in which a subsidiary of Inland owns a 50% interest, has constructed a pulverized coal injection facility on land located within the Indiana Harbor Works. Inland leases PCI Associates the land upon which the facility is located. A 50% undivided interest in substantially all of the property, plant and equipment at the PCI facility is subject to a long-term lease, with the balance of the PCI facility owned by PCI Associates. The PCI facility is adequate to serve the present and anticipated needs of Inland planned for such facility.

Inland owns property at the Indiana Harbor Works used in connection with a joint coke and energy production project with Sun Coal Company and Primary Energy LLC.

A subsidiary of Inland owns a fleet of 350 coal hopper cars (100-ton capacity each) used in unit trains to move coal and coke to the Indiana Harbor Works. Inland time-charters three vessels for the transportation of iron ore and limestone on the Great Lakes. During 1998, Inland transferred ownership of such vessels to a third party subject to a lien in favor of the PBGC on the vessels to secure the payment of future pension funding obligations. Such equipment is adequate, when combined with purchases of transportation services from independent sources, to meet the present and anticipated transportation needs of Inland.

Inland also owns and maintains research and development laboratories in East Chicago, Indiana. Such facilities are adequate to serve its present and anticipated needs.

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Production Facilities. The following table sets forth a general description of Inland s principal production units.

Facility	Capacity (per year)	Production (2003)
3 blast furnaces	5.7 million tons of hot metal	4.2 million tons
2 basic oxygen furnaces	5.9 million tons of liquid steel	4.7 million tons
3 slab and bloom casters	5.6 million tons	4.6 million tons
80 Hot strip mill	6.0 million tons	5.1 million tons
Cold rolling mill:		
2 continuous pickle lines	3.1 million tons	2.4 million tons
56 and 80 tandem mill	3.7 million tons	2.4 million tons
Continuous annealing facilities	457,000 tons	304,000 tons
Batch annealing facility	1.7 million tons	1.6 million tons
3 temper rolling mills	2.9 million tons	2.1 million tons
5 finishing lines	2.1 million tons	1.7 million tons
3 coating lines	928,000 tons	750,000 tons
1 electric arc furnace	610,000 tons of liquid steel	372,000 tons
1 continuous billet caster	800,000 tons	359,000 tons
12 bar mill	700,000 tons	522,000 tons

Ispat Mexicana, S.A. de C.V.

General. Ispat Mexicana, S.A. de C.V., or Imexsa, is the largest steel producer in Mexico, and it is the world s largest supplier of slabs to the merchant market. Slabs are purchased both by steel manufacturers without primary steel making facilities and by steel manufacturers with either a temporary or permanent reliance on external sources for a portion or all of their needs. Imexsa s product line mainly caters to high-end applications of its customers.

Imexsa utilizes direct reduced iron as its primary metallic input for virtually all of its production. Imexsa operates a pelletizer plant, two direct reduced iron plants, an electric arc furnace-based steel making plant and continuous casting facilities. Imexsa has advanced secondary metallurgical capabilities, including ladle refining, vacuum degassing and calcium silicon injection, which permit it to produce higher quality slabs that are used for specialized steel applications in the automotive, line pipe manufacturing, shipbuilding and appliance industries.

Imexsa s production facilities are located on 1,075 acres adjacent to a major deep-water port in Lazaro Cardenas, Michoacan, Mexico, through which most of its slabs are shipped for export and its raw materials are received. The port is the largest bulk material handling port in Mexico and the second largest bulk material handling port in Latin America. The port includes a metals and minerals wharf with three berths, operated by our joint venture, Corporacion del Balsas, S.A. de C.V., or Corporacion del Balsas, under a concession from the Mexican government, which expires in 2014, and a multipurpose terminal berth operated by Imexsa, which currently accepts vessels up to Handymax size. Imexsa operates the multipurpose terminal berth under a concession from the Mexican government, which expires in 2010.

During 2003, Imexsa received re-certification for QS 9000 through 2006 (previously obtained in 1999 and valid through 2003) and holds several certifications for manufacturing customer specific shipbuilding grades of steel. Some of the value-added products developed in 2003 were heat-treatment grades for plate manufacturing, oil country tubular goods, high chromium grade for oil exploration applications and also for the gas transportation industry. As part of moving up the value chain, Imexsa has invested $13.6 million in a Ruhrstahl Heraeus Top Lance, or RHTL, plant. The new plant, which commenced operations in October 2004, will enable it to produce up to 1.0 million tons of ultra low carbon interstitial free steel mainly for the automobile segment. Imexsa (through an affiliate) is also constructing an oxygen gas plant, in which it is investing $10.5 million and which is expected to be operational by the end of January 2005. Since its inception,

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Imexsa has been an export-focused company. In 2003, approximately 71% of Imexsa s slabs were exported to finished steel product manufacturers in China, Germany, Korea, Thailand and the United States through the dedicated deep-water port facilities located adjacent to its production complex in Lazaro Cardenas, on Mexico s Pacific coast.

In addition to its core steel-making facilities, Imexsa holds a 50% equity interest in Pena Colorada, an iron ore mining and pelletizing company. This joint venture is implementing an expansion program that is expected to increase its capacity by 0.5 million tonnes, to 4.0 million tonnes of pellets by the fourth quarter of 2004, of which Imexsa s share is 50%. Imexsa also has strategic interests in several other ancillary companies, which provide significant benefits. These include:

a 50% interest in Corporacion del Balsas, which manages captive port facilities for handling raw materials;

a 50% interest in Servicios Siderurgicos Integrados, S.A. de C.V., which provides various products such as industrial gas and services to Imexsa, at its cost of producing these services; and

a 50% interest in Cal del Balsas, S.A. de C.V., which produces lime products.

Production Facilities. The following table sets forth a general description of Imexsa s principal production units:

Facility	Capacity (per year)	Production (2003)
Pelletizer plant	4.0 million tonnes of pellets	3.2 million tonnes
Direct reduced iron plant	2.4 million tonnes of direct reduced iron	2.0 million tonnes
Direct reduced iron plant	1.7 million tonnes of direct reduced iron	1.5 million tonnes
4 electric arc furnaces	4.0 million tons of liquid steel	3.3 million tons
2 continuous casters	3.8 million tons of slabs	3.1 million tons
Thermal power station	40 megawatts (two 20-megawatt units)	88.24 million kwh

Ispat Sidbec Inc.

General. Ispat Sidbec Inc., or Sidbec, is the fourth largest steelmaker in Canada, based on 2003 shipments of approximately 1.6 million tons of finished steel products. Sidbec manufactures a wide range of steel products, including hot, cold and galvanized sheet, wire rods, bar and pipe products, and markets these products primarily in Canada and the United States. Sidbec is currently the only Canadian steelmaker utilizing internally produced direct reduced iron as the primary raw material for steel making.

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Production Facilities. Sidbec s facilities are located in the Province of Quebec on approximately 1,050 acres of land in Contrecoeur, 100 acres in Longueuil and 23 acres in Montreal. The following table sets forth a general description of Sidbec s principal production facilities.

Facility	Capacity (per year)	Production (2003)
2 direct reduced iron plants	1.5 million tonnes of direct reduced iron	503,000 tonnes
2 electric arc furnaces	1.8 million tons of liquid steel	1.7 million tons
1 continuous slab caster	900,000 tons of slabs	800,000 tons
1 six-strand billet caster	900,000 tons of billets	800,000 tons
Hot strip mill	683,000 tons of hot bands	640,000 tons
Cold rolling mill:		
Pickling line	470,000 tons	430,000 tons
2 cold-rolling mills	470,000 tons	379,000 tons
19 annealing furnaces	330,000 tons	261,000 tons
1 temper mill	330,000 tons	261,000 tons
2 rod and bar mills	860,000 tons of rods and bars	718,000 tons
1 pipe mill	109,000 tons of pipe	76,000 tons

Caribbean Ispat Limited

General. Caribbean Ispat Limited, or CIL, located in Trinidad and Tobago, is the largest steelmaker in the Caribbean, based on 2003 shipments of one million tons of steel products. CIL operates direct reduced iron plants, an electric arc furnace-based steel-making plant, continuous casting facilities and a high-speed rolling mill. CIL produces wire rods for use in a wide range of industrial applications, including the manufacture of welding electrodes, cables, chains, springs, fasteners, wire strands and wire ropes, pre-stressed concrete strands, tire beads, as well as in the construction industry. In 2003, substantially all of CIL s wire rod shipments were exported, primarily to steel fabricators in South and Central America, the Caribbean and the United States. CIL is also a significant producer, exporter, and user of direct reduced iron.

Production Facilities. CIL s facilities are located on approximately 260 acres at the Point Lisas Industrial Complex in Point Lisas, Couva, Trinidad and Tobago. CIL leases the property on which the facilities are located from Point Lisas Industrial Port Development Company, or PLIPDECO. On February 12, 1996, CIL and PLIPDECO entered into a lease agreement extending the terms of the lease of such property until April 10, 2038. The following table and discussion set forth a general description of CIL s principal production facilities.

Facility	Capacity (per year)	Production (2003)(1)
2 direct reduced iron plants	1.3 million tonnes of direct reduced iron	965,000 tonnes
	1.4 million tonnes of direct reduced iron	1,310,000 tonnes
2 electric arc furnaces	1.2 million tons of liquid steel	1,029,000 tons
2 continuous casters	1.1 million tons of billets	988,000 tons
1 rod mill	810,000 tons of wire rods	706,000 tons

(1) Production facility details include the production numbers for each step in the steel making process. Output from one step in the process is used as input in the next process. Hence, the summation of production numbers will not give the quantity of saleable finished steel products.

CIL s production facilities are located adjacent to a dedicated deep-water dock facility near the waterfront of the Gulf of Paria. CIL operates the facility, which is leased from National Energy Corporation of Trinidad and Tobago Limited through 2015, for the receipt and dispatch of various raw materials, consumables and finished products. The berth of the dock facility has a service length of about 450 yards and a depth of 45 feet. The primary imported materials received at the dock are iron ore pellets and limestone.

Ispat Europe Group S.A.

General. IEG is the holding company of all our operating subsidiaries in Europe. The principal steel making operations are in Hamburg, Germany, Duisburg, Germany and Unimetal, France. The principal products are wire rods, bars, billets and blooms. IEG is the largest producer of high quality wire rods in Europe. In addition, it has a number of downstream facilities in Belgium, France, Germany, Italy and the United Kingdom. The downstream business is one of the largest in Europe. The products include wires for various applications, including springs, elevator ropes, hoisting ropes, wire mesh and bright drawing bars.

Principal Production Facilities. The following table sets forth a general description of IEG s principal production units.

Facility	Capacity (per year)	Production (2003)
1 direct reduced iron plant	600,000 tonnes	565,000 tonnes
2 electric arc furnaces	2,800,000 tons of liquid steel	2,200,000 tons
4 continuous casters	6,300,000 tons of billets/blooms	3,525,000 tons
2 billet rolling mills	2,000,000 tons of billets	1,147,600 tons
3 wire rod mills	2,992,000 tons of wire rods	2,098,200 tons

Government Regulation

Ispat International is subject to government regulations, as set forth in the section entitled RISK FACTORS in the prospectus Ispat International filed with Euronext Amsterdam and furnished to the SEC under cover of a Report on Form 6-K on November 18, 2004 and ISPAT INTERNATIONAL Litigation below.

Litigation

In addition to the matters discussed below, Ispat International is party to various legal actions arising in the ordinary course of business. Ispat International does not believe that the adverse determination of any such pending routine litigations, either individually or in the aggregate, will have a material adverse affect on results of operations, its financial condition or cash flows.

Ispat Inland Inc.

In 1990, Inland was party to a lawsuit filed by the EPA under the Resource Conservation and Recovery Act. In 1993, Inland entered into the EPA Consent Decree, which, among other things, requires the investigation and remediation of the Indiana Harbor Works. At June 30, 2004 and December 31, 2003, Inland s reserves for environmental liabilities totaled $36.8 million and $36.8 million, respectively, $22.2 million and $22.1 million of which is related to the sediment remediation under the EPA Consent Decree.

On September 15, 2003, Inland entered into a settlement agreement with Ryerson Tull, pursuant to which Ryerson Tull paid Inland $21 million to release Ryerson Tull from various environmental and other indemnification obligations arising out of the sale by Ryerson Tull of Inland to Ispat International in 1998. The $21 million received from Ryerson Tull was paid into Inland s pension plan, and went to reduce the amount of a Ryerson Tull guaranty/letter of credit provided to the PBGC upon the sale of Inland. Inland also agreed with Ryerson Tull to, among other things, make specified monthly contributions to Inland s pension plan totaling $29 million over the 12-month period beginning January 2004, thereby eliminating, by the end of such year, the obligation of Ryerson Tull to provide the continuing guaranty and letter of credit to the PBGC, which guaranty/letter of credit Inland had previously committed to take all necessary action to eliminate. On September 15, 2004, Inland contributed the remaining $29 million. In addition, Inland committed to reimburse Ryerson Tull for the cost of the letter of credit to the PBGC, and to give Ryerson Tull one-third of any proceeds that may become payable in connection with the Natural Resource Damages Act, or the NRDA, settlement under an environmental insurance policy.

In October 1996, Inland was identified as a potentially responsible party due to alleged releases of hazardous substances from its Indiana Harbor Works facility and was notified of the NRDA trustees intent to perform an environmental assessment on the Grand Calumet River and Indiana Harbor Canal System. A form of consent decree has been negotiated, which Inland currently believes will be approved by the appropriate court before the end of 2004. Under the decree, Inland would pay approximately $1.5 million in the first year and approximately $1.7 million in each of the four years thereafter, for a total of approximately $8.2 million. Inland has also incurred approximately $0.5 million in costs related to this matter which will be payable within 30 days of the approval of the consent decree. Although Inland has taken an accounting reserve on this matter for approximately $8.7 million, Inland currently believes that, as a result of related ongoing negotiations with the EPA, Inland will be able to reduce the amount of a separate $28 million environmental reserve established concerning Inland s EPA Consent Decree by approximately $7 to $9 million. Until such time as the matter is finally resolved, it is not possible to accurately predict, beyond the currently established reserve, the amount of Inland s potential liability or whether this potential liability could materially affect Inland s financial position.

Inland expects to make capital expenditures of $2 million to $5 million annually in each of the next five years for construction and have ongoing annual expenditures (non-capital) of $35 million to $40 million for the operation of air and water pollution control facilities to comply with current federal state and local laws and regulations.

Inland is currently negotiating a new labor agreement with the United Steelworkers of America, as the previous agreement expired on July 31, 2004. Under the terms of the previous agreement, both parties agreed to negotiate a successor agreement without resorting to strikes or lockouts. In addition, both parties agreed that open issues would be submitted to binding arbitration and that the successor agreement will be based on the agreements currently in place at other domestic integrated steel producers. The parties have not reached an agreement and arbitration proceedings are likely to commence in January 2005.

In 2000 and 2002, U.S. petitioners sought to have antidumping and countervailing duties assessed against cold-rolled imports from 12 countries and 20 countries, respectively. On both occasions, the U.S. International Trade Commission, or the ITC, issued negative final injury determinations, effectively terminating the investigations. U.S. petitioners appealed the 2000 ITC decision to the U.S. Court of International Trade, or the CIT, which remanded that decision to the ITC on October 28, 2003. On April 30, 2004, the ITC published its revised findings and affirmed the previous determinations. U.S. petitioners appealed the 2002 ITC decision to the CIT; the appeal was denied by the CIT on February 19, 2004, upholding the ITC s final negative injury determination. Also, in May of 2004, the U.S. Department of Commerce and the ITC began a review of existing countervailing duty and antidumping orders against hot-rolled carbon steel flat products from Brazil, Japan and Russia that could result in the termination of such orders. Hearings are scheduled to occur in February and March 2005. These events could have an adverse impact on the financial condition of Inland.

Under the U.S. Continued Dumping and Subsidy Offset Act of 2000, or the CDSOA, commonly known as the Byrd Amendment, Inland was awarded approximately $1.2 million in collected customs duties for the year 2002, based on its participation in or support for various U.S. anti-dumping and countervailing duty cases. The payment is based on qualifying expenditures and is distributed to U.S. steel companies out of funds collected from foreign producers under anti-dumping and countervailing duty orders. Inland was scheduled to receive approximately $2 million under the CDSOA for the year 2003, but the funds have been withheld by U.S. Customs pending a resolution of the issue of whether successor companies can receive CDSOA distributions. On September 2, 2002, the WTO issued a final ruling condemning the CDSOA. In its ruling the WTO recommended that the United States repeal the Byrd Amendment in order to comply with its findings. The U.S. government has appealed the decision, but the future of the CDSOA and offset distributions is questionable.

Caribbean Ispat Limited

In December 2001, CIL settled arbitration proceedings with respect to a scrap supply contract. This amounted to $21 million, of which $16 million was paid in cash and the balance of $5 million is being paid in

12 quarterly installments, which started on March 31, 2002. No interest is to accrue on the remaining balance unless the remaining installments are not paid when due. During 2002, a claim by a third party for alleged entitlement to the settlement monies was the subject of separate proceedings in Trinidad, which has been settled without any additional liability for Ispat International.

In September 2003, the owners of a bulk cargo vessel commenced arbitration proceedings against CIL and an affiliate in connection with the loss of the vessel, which had been carrying a cargo of direct reduced iron supplied by CIL from Trinidad to Indonesia. Ispat International is unable to estimate the amount of liability, if any, arising from these proceedings. In October 2004, Ispat International provided cash security of $9.4 million in accordance with a court order.

Ispat Hamsburger Stahlwerke GmbH

In 1994, the European Commission raised claims of 47 million for repayment by DSG Dradenauer Stahlgesellschaft mbH, or DSG, a former subsidiary of Ispat International, of loan amounts alleged to qualify as improper subsidies from the City of Hamburg. In April 2002, the European Court of Justice decided that the loan was an unauthorized subsidy under European Commission law. DSG stated that the loan had been fully repaid. At first instance, the court in Hamburg, Germany confirmed the position of DSG. However, in April 2004, the High Court in Hamburg ruled that DSG is obliged to pay DM 1 million (0.5 million) to the City of Hamburg. DSG is appealing this decision. Ispat International cannot predict the final outcome of these proceedings. In August 2004, DSG filed for bankruptcy and a receiver was appointed by the court. In August 2002, DSG was sold and consequently is no longer a subsidiary of Ispat International.

Irish Ispat Limited

In May 2003, the Irish government commenced proceedings against Imexsa and Ispat International, claiming certain environmental cleanup costs relating to the site of Irish Ispat, which was closed in 2001. See ISPAT INTERNATIONAL History and Development of Ispat International beginning on page 125. In April 2004, the Irish government filed a Notice of Discontinuance of its claim against Ispat International and served its Statement of Claim against Imexsa in May 2004. In October 2004, Imexsa served a Request for Further and Better Particulars of Statement of Claim. Ispat International is currently unable to assess the amount, if any, of Imexsa s liability.

Trefileurope S.A.

In late 2002, three subsidiaries of Ispat International (Trefileurope, Trefileurope Italia S.r.l. and Fontainunion S.A.), along with other European manufacturers of pre-stressed wire and strands steel products, received notice from the European Commission that it was conducting an investigation into possible anti-competitive practices by these companies. Ispat International and its subsidiaries are cooperating fully with the European Commission in this investigation. The European Commission can impose fines (up to a maximum of 10% of annual revenues) for breaches of EU competition law. Ispat International is currently unable to assess the ultimate outcome of the proceedings before the European Commission or the amount of any fines that may result. As the alleged anti-competitive activities would have taken place in large part prior to the acquisition of the subsidiaries, Ispat International has notified the previous owners that it will seek indemnification for costs resulting from the investigation.

Ispat Sidbec Inc.

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

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LNM HOLDINGS

History and Development of LNM Holdings

LNM Holdings is registered under the laws of the Netherlands Antilles to hold directly or indirectly certain subsidiaries involved in steel manufacturing activities. LNM Holdings registered offices are located at Landhuis Joonchi, Kaya Richard J. Beaujon z/n Curacao, Netherlands Antilles. LNM Holdings has no manufacturing operations of its own and its major assets are interests in the stock of its operating units and trading subsidiaries. For a complete description of LNM Holdings, see the section entitled LNM Holdings in the prospectus Ispat International filed with Euronext Amsterdam and furnished to the SEC under cover of a Report on Form 6-K on November 18, 2004.

LNM Holdings is one of the world s largest steel producers(1), and operates steel-making and processing facilities in seven countries. LNM Holdings has in recent years significantly increased its production and shipments of steel products, primarily through the acquisition of additional steel producing assets. LNM Holdings shipped a total of 12.3 million tons of steel and steel products in 2003. In 2003, its consolidated sales, operating income and net income were $4,167 million, $1,136 million and $1,116 million, respectively. In the nine months ended September 30, 2004, its consolidated sales, operating income and net income were $9,942 million, $3,160 million and $2,266 million, respectively.

Since 1995, LNM Holdings has acquired formerly state-owned steel making assets, which currently constitute its major operating units:

In 1995, LNM Holdings acquired a 100% interest in Ispat Karmet OJSC, one of the largest single site steel production facilities in the countries known as the Commonwealth of Independent States, or the CIS countries, based in the Republic of Kazakhstan.

In 2001, LNM Holdings acquired a 91.6% interest, increased to 99.4% in September 2003, in Ispat Sidex SA, one of the largest single site steel producers in Central and Eastern Europe, located in Romania. LNM Holdings also acquired a 70.8% interest in SC Ispat Tepro S.A., a 69.8% interest in Petrotub Roman S.A. and an 80.9% interest in Ispat Siderurgica S.A., all of which are steel product manufacturers located in Romania, in July 2003, December 2003 and April 2004, respectively.

In 2001, LNM Holdings acquired a 70% interest in Ispat Annaba SPA, a major steel producer in Northern Africa, located in Algeria.

In January 2003, LNM Holdings acquired a 69.7% economic and voting interest, subsequently increased to a 74.3% economic and voting interest at December 31, 2003, in Ispat Nova Hut a.s., the largest steel producer in the Czech Republic.

LNM Holdings concluded a business assistance agreement with Iscor in November 2001 pursuant to which it agreed to provide Iscor with business, technical, purchasing and marketing assistance for a three-year period and also undertook to acquire a strategic shareholding in Iscor by March 2003. In June 2004, LNM Holdings gained majority control of Iscor when it increased its interest to slightly over 50%. Iscor, which is located in South Africa, is the largest steel producer in Africa.

In March 2004, LNM Holdings acquired a 69% economic and voting interest in Ispat Polska Stal S.A. In conjunction with the acquisition of a controlling interest in Ispat Polska, LNM Holdings irrevocably committed to purchase an additional 25% interest by December 2007. Simultaneously, Polish state authorities irrevocably committed to sell this additional 25% interest in Ispat Polska to LNM Holdings. Ispat Polska, which is located in Poland, is one of the largest steel producers in Central and Eastern Europe, and produces a wide range of steel products.

In May 2004, LNM Holdings acquired interests in RZ Ladna Valavnica AD, which operates a 1.1 million ton annual capacity cold rolling mill, and RZ Valavnica za Lenti AD, which operates a

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1 Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

1.1 million ton annual capacity hot rolling mill, both of which are located near Skopje, Macedonia. The initial shareholdings of LNM Holdings in RZ Ladna Valavnica AD and RZ Valavnica za Lenti AD were 44.5% and 56.8%, respectively, increased to 88.3% and 77.3%, respectively, by November 2004. These facilities were non-operational from late 2003 through June 2004.

In August 2004, LNM Holdings completed negotiations with the government of Bosnia and Herzegovina and the Kuwaiti Investment Agency to acquire 51% of BH Steel Zelgezara Zenica in Bosnia for $65 million in cash and $15 million of in-kind consideration. The acquisition is expected to be completed by the end of 2004. BH Steel has current annual production capacity of approximately 220,000 tons of steel and produces a variety of long products, including forgings, bar and rod.

In April 2004, LNM Holdings entered into a joint venture with RZR Ljubija a.d. under which LNM Holdings acquired a 51% ownership interest in the Ljubija iron ore mines in Bosnia and Herzegovina for $15 million. This transaction was completed in August 2004. These mines have been non-operational since the early 1990s.

In January 2004, LNM Holdings announced that it had reached an agreement with the administration of the Yingkou Economic and Technical Development Zone to establish a cold rolling and coating plant in Yingkou, Liaoning Province, Peoples Republic of China. Planning for the facility, which would have an annual production capacity of approximately 440,000 tons and require total investment of approximately $100 million through 2006, is currently underway.

The following tables set forth the operations of LNM Holdings in its geographic areas of operation:

Operating Regions	Product Category	Production Process	2003 Steel Shipments
			(Thousand tons)
Europe	Flat, Long	Basic oxygen furnace/ Tandem furnace	13,223
Rest of World	Flat, Long	Basic oxygen furnace/ electric arc furnace	12,041

	Europe	Rest of World	Others & Eliminations	Consolidated
	(All amounts in $ millions)			
Year Ended December 31, 2001				
Sales to unaffiliated customers	91	864	(9)	946
Net sales	89	782	(9)	862
Operating income	(14)	171		157
Depreciation	8	44		52
Capital expenditures	5	98		103
Total assets at December 31, 2001 (year end)	1,681	1,648	(1,479)	1,850
Year Ended December 31, 2002				
Sales to unaffiliated customers	899	1,478	(149)	2,228
Net sales	865	1,393	(149)	2,109
Operating income	41	476	43	560
Depreciation	18	71		89
Capital expenditures	29	128		157
Total assets at December 31, 2002 (year end)	872	2,138	(580)	2,430

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	Europe	Rest of World	Others & Eliminations	Consolidated
	(All amounts in $ millions)			
Year Ended December 31, 2003				
Sales to unaffiliated customers	2,389	2,242	(464)	4,167
Net sales	2,313	2,140	(464)	3,989
Operating income	300	702	134	1,136
Depreciation	99	84	(35)	148
Capital expenditures	109	222	(74)	257
Total assets at December 31, 2003 (year end)	2,608	3,170	(1,240)	4,538

Products

Operational Overview

LNM Holdings has in recent years significantly increased its production and shipments of steel products, primarily through the acquisition of additional steel producing assets. Total shipments in 2003 were approximately 12.3 million tons, of which 77% were flat products and 23% were long and other products. The relative share of long products in total shipments has increased since the acquisition of Ispat Nova Hut in 2003, as Ispat Nova Hut produces primarily long products.

The following table presents LNM Holdings shipments of flat and long products in 2003 by major product category:

Product	Europe	Rest of World	Total
Flat products shipments (thousand tons)			
Semi-finished	7	254	261
Finished	4,716	4,424	9,140
Long products shipments (thousand tons)			
Semi-finished	398	83	481
Finished	2,021	381	2,402
Total steel products (thousand tons)	7,142	5,142	12,284

LNM Holdings has a high level of both product and geographic diversification. LNM Holdings produces a broad range of flat and long finished and semi-finished steel products. During 2003, LNM Holdings shipped its products to more than 50 countries worldwide, with its largest markets in Europe and Asia. Its operating units engage in steel-making and processing in seven countries. These operating units are generally located with access to rail and deep-water port facilities, which enable cost-efficient imports of raw materials and exports of steel products.

Raw Materials

The principal raw material inputs used by LNM Holdings are iron ore, coal, coke and scrap. LNM Holdings procures certain raw materials from its own resources and purchases the balance from third parties. As part of its strategy of increasing upstream integration, LNM Holdings has recently sought to expand its ownership of iron ore and coal supplies, and it also aims to become more self-sufficient in coke production.

LNM Holdings sources iron ore primarily from its captive mines and long-term contracts. Its captive mines, located in Algeria and Kazakhstan, supply significant portions of the requirements of Ispat Annaba and Ispat Karmet, respectively, while Iscor sources its requirements primarily through a long-term resource sharing agreement with a South African mine. The balance of the iron ore is sourced primarily under long-term contracts with leading global suppliers. LNM Holdings sourced approximately one quarter of its total iron ore requirements and approximately one half of its coking coal requirements in 2003 from its mines.

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Captive production of coke was approximately 6.3 million tonnes in 2003, constituting more than 80% of LNM Holdings coke requirement. In 2004, LNM Holdings expects its total coke production and consumption to be in balance.

Scrap is generally procured locally by each operating unit.

LNM Holdings consumed approximately 1.5 million tonnes of direct reduced iron in 2003 at Iscor, all of which it obtained from its own production.

Management

Operating Units

The Chairman of LNM Holdings is Mr. Lakshmi N. Mittal. LNM Holdings corporate management team consists of, among others, experienced executives in fields such as finance, marketing, purchasing, operations, shipping, human resources, communications, internal assurance, strategic planning, technology and law. This team provides business assistance to each operating unit, which in turn is managed by local management that is responsible for implementing the business strategy of LNM Holdings.

Knowledge Management Programs

LNM Holdings implements KMP in conjunction with Ispat International. KMP are intended to develop, share and utilize the knowledge and experience of both Ispat International and LNM Holdings in order to accelerate improvements in business performance. KMP seeks to build, share and utilize knowledge and experience to accelerate improvement in business performance. KMP are quality, cost and efficiency improvement programs designed to allow each operating unit to benefit from the best practices utilized by other operating units. KMP include meetings between senior and middle level managers at the various operating units to share technical and operating experiences and expertise, coordinate activities and to receive updates as to technical and commercial developments and company-wide practices, as well as focused technical efficiency programs, undertaken on a centralized basis. KMP contribute to reducing procurement and conversion costs through bulk purchasing and improving overall profitability and operating efficiencies through mutual assistance.

One element of KMP is continuous improvement processes, or CI processes. CI processes are a series of programs that seek to ensure that the performance of LNM Holdings operating units improves at a faster rate than its competitors; that improvement is sustainable over the longer term; and that the company can achieve excellence in all core processes. CI is an integral component of the benefits that LNM Holdings brings to its acquisitions of under performing assets.

The process of CI involves detailed analysis and assessment of each operating unit in establishing an annual operating plan that seeks to stretch past performance, but is also achievable. Once annual operating plans are set, a performance management process provides real time awareness of performance against plan. Another team of experienced practitioners works with business unit management teams to identify and establish improvement targets, establish and coach front-line improvement teams, and to strengthen the performance management process.

Marketing and Sales

LNM Holdings markets its products through a combination of local, regional and centralized approaches. LNM Holdings is increasingly seeking to capture the benefits of centralized coordination, in order to expand opportunities for marketing steel products and enhancing customer relationships.

Sales arrangements are made using a combination of direct sales, through dedicated marketing offices/ networks and usage of international/ regional and domestic trading houses, as appropriate. Export sales by Ispat Karmet, Ispat Sidex and Ispat Annaba to certain regions are made through a wholly owned subsidiary of LNM Holdings, LNM Marketing, which is located in the United Arab Emirates. LNM Marketing has established regional offices to coordinate product marketing and customer relationships in Austria, China,

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Russia and Turkey, among other locations. Benefits resulting from the centralization of the marketing function at LNM Marketing include presenting a single face to customers; improved stability of customer contacts and relationships; improved price realization and customer development; and development of common regional pricing policies.

Organizational Structure

LNM Holdings is a holding company with no business operations of its own. All of its principal operating units are wholly owned by LNM Holdings, either directly or indirectly through intermediate holding companies. The following chart presents the principal steel making operations, and not the legal or ownership structure, of LNM Holdings.

The following table sets forth the registered office of each significant subsidiary:

Subsidiary	Registered Office
Europe	
Ispat Polska Stahl SA	Ul Chorzowska 50, 40-121 Katowice, Poland
Ispat Sidex SA	Strada Smardan nr. 1 800.698, judetal Galati Romania
Ispat Nova Hut	Vratimovska 689, Ostrava 7, Ostrava-Kuncice, Czech Republic
Rest of the World	
Ispat Karmet OJSC	472319 Termitau City, Lenin Avenue 1, Kazakhstan

Subsidiary	Registered Office
Ispat Annaba Spa	Sidi Amar, El- Hadjar Complex B.P. 2055, Annaba 2300, Algeria
Ispat Iscor Ltd	Ispat Corporate Centre, Roger Dyason Road, Pretoria, South Africa/ P.O. Box 450, Pretoria 001, South Africa

LNM Holdings and Ispat International have a common controlling shareholder. However, LNM Holdings has maintained corporate independence from Ispat International. LNM Holdings and Ispat International do not have cross ownerships or guarantees and the two companies operate with separate boards of directors, except for the two common members of their respective boards of directors, Messrs. Lakshmi Mittal and Aditya Mittal. It is also proposed to appoint Ms. Vanisha Mittal Bhatia, a member of the Board of Directors of LNM Holdings, as a member of Ispat International s board of directors (Class A Managing Director). LNM Holdings has a core management team and, through the management services agreement, accesses certain Ispat International expertise, including KMP, research and development, procurement, marketing, project development and management, legal and benchmarking. See Ispat International Management Services Agreement, below.

Ownership Structure

Mr. Lakshmi N. Mittal and Mrs. Usha Mittal are the ultimate beneficial owners of LNM Holdings through an intermediate holding company. Mr. Lakshmi N. Mittal, his son Mr. Aditya Mittal and his daughter Ms. Vanisha Mittal Bhatia serve on the LNM Holdings board of directors; Mr. Lakshmi N. Mittal is the Chairman and Mr. Aditya Mittal is the Vice Chairman. Messrs. Lakshmi N. Mittal and Aditya Mittal also serve on Ispat International s board of directors. Following the acquisition of LNM Holdings by Ispat International, the controlling shareholder will own approximately 97.0% of the economic interest and approximately 99.6% of the voting interest in Ispat International s shares.

Ispat International Management Services Agreement

LNM Holdings has obtained management and support services from Ispat International since 1997. In 2001, 2002 and 2003, the fees charged by Ispat International to LNM Holdings for these services were $6.7 million, $4.5 million and $9.1 million, respectively.

Regulation and Litigation

Government Regulation

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

Environmental Regulation. LNM Holdings is subject to various environmental laws and regulations in the jurisdictions in which it conducts its operations. These regulations include requirements to obtain permits for certain emissions made in the ordinary course of its business and to conduct certain land and soil restoration activities. In connections with some of its acquisitions, LNM Holdings has also committed to make certain investments in pollution control measures and environmental abatement.

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

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

The operations of Ispat Karmet are subject to oversight by the Ministry of Natural Resources and Environmental Protection of Kazakhstan, which establishes pollution limits and quotas. Relevant legislation imposes various fees for discharges of pollutants and other environmental damage and limits for discharges, and entities that emit pollution in excess of these amounts must pay higher rates. According to the terms of its acquisition by LNM Holdings, through 2005 Ispat Karmet is required to make annual expenditures on pollution control measures of at least KZT 200 million (approximately $1.5 million) and to adhere to environmental regulations in effect as of November 17, 1995.

Foreign Trade. Exports of steel products manufactured by Ispat Karmet require licenses from the Ministry of Industry and Trade of the Republic of Kazakhstan. Each export transaction requires an individual license, which is valid for up to six months.

Foreign Exchange. Some operations involving the South African rand are subject to limitations imposed by the South African Reserve Bank. For example, approval of the South African Reserve Bank is required in order to obtain foreign financing. These restrictions have not historically had a material impact on the operations of Iscor.

The purchase and sale of foreign currency by Kazakh residents (including individuals and legal entities) is restricted by the National Bank of Kazakhstan. Purchases and sales of foreign currency may only be conducted by residents through authorized banks or other authorized organizations. Payments in routine currency operations may be made by residents of Kazakhstan to non-residents through authorized banks without restriction. Such routine currency operations include import/export settlements with payment within 180 days; short-term loans with terms of less than 180 days; dividends, interest and other income from deposits, investments, loans and other operations; and non-commercial transactions such as wages, pensions, and alimony. Operations involving the movement of capital from residents to non-residents require a license from the National Bank of Kazakhstan, and transactions involving the movement of capital from non-residents to residents must be registered with the National Bank of Kazakhstan. Licenses are issued on a case-by-case basis, and are valid only for a single transaction. These transactions include payments for exclusive rights to intellectual property; payments for rights to immovable property; settlements for import/export transactions and loans having terms of more than 180 days; and international transfers of pension assets and insurance and re-insurance contracts of an accumulative nature. Most transactions in which Ispat Karmet engages are not currently subject to licensing or registration requirements from the National Bank of Kazakhstan.

Litigation

In addition to the matters discussed below, LNM Holdings is from time to time the subject of legal proceedings and regulatory investigations in the ordinary course of its business. LNM Holdings does not believe that the adverse determination of these routine litigations, either individually or in the aggregate, will have a material adverse affect on its results of operations, financial condition or cash flow.

In September 2004, the Environment Inspection Department of the Republic of Kazakhstan raised a claim for approximately $20 million, alleging that Ispat Karmet had failed to obtain the necessary approvals from the Environment Ministry and had therefore engaged in pollution without permission during the first six months of 2004. Ispat Karmet believes that it has acted in accordance with the terms of agreement by which it was acquired by LNM Holdings, which required compliance with environmental norms existing as of the date of such agreement and to make specified minimum investments in controlling environmental pollution, and Ispat Karmet plans to defend the matter.

Sidex International Plc, a joint venture that Ispat Sidex formed with Balli Steel Plc in 1997, in 2002 raised a claim of approximately $49 million for non-delivery of steel by Ispat Sidex from 1998 onwards as well as interest, damages and costs. Ispat Sidex disputes this claim, and has brought a counterclaim for non-payment by SIP plus damages, interest and costs, in a total amount exceeding the amount of the claim raised by Sidex International Plc. Arbitration proceedings began in mid-November 2004. LNM Holdings expects to be indemnified by the government of Romania if an award is granted in favor of Sidex International Plc by a competent court or arbitration tribunal by a definite and irrevocable decision with respect to this claim.

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INTERNATIONAL STEEL GROUP

The Company

Overview

ISG is one of the largest integrated steel producers in North America with annual raw steel production capability of about 23 million net tons. It ships a variety of steel products from 13 major steel producing and finishing facilities in eight states. ISG has grown by acquiring out of bankruptcy the steelmaking assets of LTV, Acme, Bethlehem, Weirton and Georgetown.

ISG believes that its cost structure is lower and more variable than other U.S. integrated steelmakers and is competitive with U.S. mini-mill steelmakers as well as most low cost international steelmakers. By acquiring facilities through asset purchases in bankruptcy proceedings, it is substantially free from the historical legacy costs that burdened the acquired facilities. ISG has collective bargaining agreements with the USWA and the Independent Steelworkers Union covering all of its principal facilities, which are a substantial departure from the labor agreements that previously governed employment at the acquired facilities. ISG believes its collective bargaining agreements, which expire in late 2008 and early 2009, have enabled it to implement a culture and operating philosophy that results in a significantly higher level of labor productivity than achieved previously at the facilities it acquired. A significant factor in ISG s success has been the talent and experience of its senior management team, led by Rodney B. Mott, ISG s President and Chief Executive Officer. ISG s senior management team has experience managing both integrated and mini-mill facilities.

ISG believes its plants are some of the most modern and well-maintained integrated steelmaking facilities in North America. ISG s facilities and the skills of its workforce enable it to manufacture high quality, value-added steel products for its demanding customer base. ISG produces a broad range of hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, wire rod, rail products and semi-finished shapes. It sells these products directly to end-users, third-party processors and service centers primarily located in the Midwest and along the eastern seaboard of the United States.

History

On April 12, 2002, ISG acquired out of bankruptcy the principal steelmaking and steel finishing assets of LTV, including the Cleveland, Indiana Harbor and Hennepin facilities, for $83.4 million in cash and assumed liabilities. These assets were idle when it acquired them. In addition, in May 2002, ISG purchased semi-finished and raw material inventories from LTV for $52.4 million in cash. ISG did not assume any of LTV s defined benefit pension obligations and defined benefit retiree health obligations.

On October 10, 2002, ISG acquired out of bankruptcy Acme s sheet strip mill and basic oxygen furnace in Riverdale, Illinois for $60.9 million in cash, plus debt and certain assumed liabilities. The compact strip mill at the Riverdale facility was commissioned in September 1996 at a cost of over $400.0 million. These assets were idle when it acquired them. ISG restarted these assets in December 2002 and believes the facility is a competitive producer of high quality specialty steel products. ISG supplies Riverdale s basic oxygen furnace with hot metal from blast furnaces at its Indiana Harbor Works and Burns Harbor facilities.

Since December 15, 2002, substantially all of the hourly employees at ISG s Cleveland, Indiana, Hennepin and Riverdale facilities have been governed by ISG s collective bargaining agreement with the USWA. This agreement was ratified in February 2003 by approximately 95% of its represented steelworkers who voted. This collective bargaining agreement is substantially different from historical contracts the USWA has had with other large, integrated steel companies. On June 16, 2003, a substantially similar collective bargaining agreement was ratified by approximately 90% of the represented workers at the acquired Bethlehem facilities who voted. This agreement became effective at the acquired Bethlehem facilities on that same day. The terms of ISG s collective bargaining agreement will also apply, subject to approval by the USWA and ratification by the covered workers, to any facilities with USWA represented employees that ISG may acquire in the future. The Weirton facility was acquired on May 18, 2004 and the unionized employees, who are members of the Independent Steelworkers Union, ratified the collective bargaining agreement by over

a 90% vote. The Georgetown facility was acquired on June 21, 2004 and the collective bargaining agreement was unanimously ratified by the employees.

In May 2003, ISG acquired out of bankruptcy substantially all of the assets of Bethlehem and its subsidiaries for $822.6 million in cash and the assumption of certain liabilities. This amount is net of cash acquired and $41.1 million in cash received subsequent to the closing from Bethlehem as required in the acquisition agreements for working capital adjustments and amounts not needed for secured, priority and administrative claims. Additional amounts could be received pending resolution of certain legal and contingent issues. Also, this amount includes payments of $81.6 million related to the transition assistance program for USWA-represented former Bethlehem employees.

As part of the Bethlehem asset acquisition ISG acquired, among other things, steelmaking and finishing facilities at Burns Harbor, Indiana; Sparrows Point, Maryland; Coatesville, Pennsylvania; and Steelton, Pennsylvania, and several rolling and finishing facilities, including those at Conshohocken, Pennsylvania; Lackawanna, New York; and Columbus, Ohio. The Bethlehem asset acquisition broadened ISG s product offerings and expanded its geographic presence.

In May 2004, ISG acquired out of bankruptcy substantially all of the assets of Weirton for approximately $186 million cash plus assumed liabilities. Weirton based in Weirton, West Virginia is a significant producer of tin mill products.

In June 2004, ISG acquired substantially all of the assets of Georgetown for approximately $18 million cash plus assumed liabilities. The Georgetown plant, located in Georgetown, South Carolina has the capability to produce high-quality wire rod products, which are used to make low carbon fine wire drawing, wire rope, tire cord, high-carbon machinery, and upholstery springs.

In July 2004, ISG acquired a hot briquetted iron (HBI) facility in Trinidad & Tobago for approximately $18 million in cash, including payment at the closing of certain assumed liabilities. The facility was restarted in November 2004.

Products

ISG s principal products include a broad range of hot-rolled, cold-rolled and coated sheets, tin mill products, carbon and alloy plates, wire rod, rail products and semi-finished shapes to serve the automotive, construction, pipe and tube, appliance, container and machinery markets. ISG sells steel products directly to end-users, third-party processors and service centers primarily located in the Midwest and along the eastern seaboard of the United States. All of these products are available in standard carbon grades as well as high strength, low alloy grades for more demanding applications. The following chart sets forth ISG s respective product mixes based on shipments for the nine months ended September 30, 2004 and the years ended December 31, 2003 and 2002.

	Nine Months Ended September 30,	Years Ended December 31,	
	2004	2003	2002
Hot Rolled	42%	46%	71%
Cold Rolled	19	19	22
Coated	21	20	7
Plate	10	8	
Tin Plate	5	4	
Rail and other	3	3	
	100%	100%	100%

Hot-Rolled Products

All coiled flat-rolled steel is initially hot-rolled by passing a slab through a multistand rolling mill to reduce its thickness to less than 5/8 inch. Hot-rolled steel destined for the sheet market can be either shipped as black band, or cleaned in an acid bath and sold as pickled band. These products are used in non-critical surface applications such as automotive frames and wheels, construction products, pipe, off-highway equipment and guardrails.

Cold-Rolled Products

Cold-rolled sheet is hot-rolled coil that has been further processed through a pickler and then passed through a rolling mill without reheating until the desired gauge, or thickness, and other physical properties have been achieved. Cold-rolling reduces gauge and hardens the steel. Further processing through an annealing furnace and a temper mill improves ductility and formability. Cold-rolling can also impart various surface finishes and textures. Cold-rolled sheet is used in among other things steel applications that demand higher surface quality, such as exposed automobile and appliance panels. Cold-rolled sheet prices are usually higher than hot-rolled steel prices. Typically, cold-rolled sheet is coated or painted.

Coated Products

Either hot-rolled or cold-rolled coil may be coated with zinc, aluminum or a combination thereof to render it corrosion resistant and to improve its paintability. Hot-dipped galvanized, galvannealed, Galvalume™, electrogalvanized and aluminized products are types of coated steel. These are also the highest value-added sheet products because they require the greatest degree of processing and usually have the strictest quality requirements.

Coated steel products are generally used in high volume applications such as automobiles, household appliances, roofing and siding, heating and air conditioning equipment, air ducts, switch boxes, chimney flues, awnings and grain bins.

Plate

Plate is steel that is generally more than 3/16 inch thick. It can be made on either a coiled plate mill up to 1-inch thick or a discrete plate mill. The coiled plate or discrete mill plate is then cut into sections for specific end uses. Commodity steel plate is used in a variety of applications such as storage tanks, ships and railcars, large diameter pipe and machinery parts. More specialized steel plate, such as high-strength-low alloy, heat-treated, or alloy plate, can have superior strength and performance characteristics for particular applications such as the manufacture of construction, mining and logging equipment; pressure vessels and oil and gas transmission lines; and the fabrication of bridges and buildings. Quenched and tempered plate is harder and stronger and can be used in products such as military armor and hard rock mining equipment.

Tin Mill

Tin mill sheet steel is used to produce food and other containers. It is available as black plate, tin plate and tin-free steel. Black plate is an uncoated thin gauge cold rolled steel, tin plate is black plate electrolytically plated with metallic tin and tin-free steel is black plate that has been electrolytically plated with metallic chromium and chromium oxides. Both tin plate and tin-free steel undergo a plating process whereby the molecules from the positively charged tin or chromium anode attach to the negatively charged sheet steel. The thickness of the coating is readily controlled through regulation of the voltage and speed of the sheet through the plating area.

Rail

Billets and blooms are fed through rollers that form rail. Rail is available in a number of sections determined by their weight per yard and relative strengths. Rail is sold to railroad companies and regional transit authorities for new track projects as well as the repair of existing track.

Wire Rod

Billets are fed through rolls that form wire rod. Wire rod is available in a variety of grades and dimensions for further processing into wire products or fabricated to make fasteners.

Customers

ISG sells its products to a highly diversified customer base representing all major steel-consuming markets as well as to third-party processors and service centers. Its customers are primarily in the Midwest and along the eastern seaboard of the United States. No single customer represented more than 10% of ISG s total consolidated revenues in 2003 and for the nine months ended September 30, 2004.

Direct Sales to End-Users

ISG sells directly to end-users representing a wide range of consuming markets, including automotive, construction, appliance, transportation, container, machinery and equipment. Its sales, technical and engineering staff are organized with both a specific product (plate, flat rolled, tinplate and rail products) and geographic market focus.

Sales to Intermediate Processors and Steel Service Centers

A significant portion of ISG s sales are to intermediate processors and steel service centers. These processors and steel service centers typically act as intermediaries between steel producers and various end-user manufacturers that require further processing or inventory programs. The additional services performed by steel service centers and processors include pickling, galvanizing, cutting to length, slitting to size, leveling, blanking, shape correcting, edge rolling, shearing and stamping.

Contract and Spot Sales

A significant percentage of ISG s sales in 2003 were sold on the spot market with price terms of three months or less. In 2004, a shift towards more contract business was achieved, with over half of sales through the nine months ended September 30, 2004 being through longer-term customer contracts.

International Sales

Historically, the opportunities for sales outside North America of U.S. steel products have been intermittent and highly competitive. ISG s export sales were $19 million for the nine months ended September 30, 2004, $163.4 million in 2003 and $2.7 million in 2002.

Sales, Customer Service and Product Development

To service ISG s customer base, ISG has a dedicated sales force of approximately 90 employees, who are principally aligned with its business units. Each of ISG s major businesses has a dedicated sales and customer service staff on site that is responsible for the products produced by that particular facility. Although each sales group reports to a specific facility, it has responsibility to represent products and services produced by other divisions to increase customer convenience and maximize cross-selling opportunities. ISG s overall sales strategy is directed by management at its corporate office and implemented by the division sales groups at each of its businesses.

Technical resources exist within each division sales group, supported by plant technical personnel to help customers specify the proper material for each end-use. ISG has created an automotive sales group at its Burns Harbor facility to act as the focal point for ISG s automotive sales, service and development effort.

In connection with the Bethlehem acquisition, ISG acquired a research and product development facility and staff in Bethlehem, Pennsylvania. During 2003 and the nine months ended September 30, 2004, ISG spent approximately $5 million and $7 million, respectively, for research and development. In 2002, ISG did not have spending for research and development.

Backlog

ISG had approximately $1.9 billion and $1.1 billion of backlog orders on September 30, 2004 and September 27, 2003, respectively. These backlogs consist of customer commitments that generally can be modified or terminated at any time prior to production. Typically, a customer will modify or cancel an order due to major shifts in their inventory levels or market conditions that change their need for the product. ISG estimates that substantially all of its backlog will be shipped during the current year. ISG does not believe that its backlog data and comparisons of that data as of different dates are reliable indicators of future sales or future shipments.

Competition

Competition within the steel industry, both in the United States and globally, is intense and expected to remain so. ISG s primary U.S. competitors are United States Steel Corporation, Nucor Corporation, AK Steel Holding Corporation, Ispat Inland Inc. and IPSCO Inc. However, the steel market in the United States is also served by a number of non-U.S. sources and U.S. supply is subject to changes in worldwide demand and currency fluctuations, among other factors.

More than 35 U.S. companies in the steel industry have declared bankruptcy since 1997 and have either ceased production or more often continued to operate after being acquired or reorganized. In addition, many non-U.S. steel producers are owned and subsidized by their governments, and their decisions with respect to production and sales may be influenced by political and economic policy considerations rather than by prevailing market conditions. The steel industry is highly cyclical in nature and subject to significant fluctuations in demand as a result of macroeconomic changes in global economies, including those resulting from currency volatility. The global steel industry is also generally characterized by overcapacity, which can result in downward pressure on steel prices and gross margins.

ISG competes with other flat-rolled steel producers (both integrated steel mills and mini-mills) and producers of plastics, aluminum, ceramics, carbon fiber, concrete, glass, plastic and wood that can be used in lieu of flat-rolled steels in manufactured products. Mini-mills generally offer a narrower range of products than integrated steel mills but can have some cost advantages as a result of their different production processes.

The competition in the cut plate business, both carbon and alloy, is somewhat fragmented with ISG having the largest capability and the widest product range domestically.

There is only one other major U.S. producer of rail products, Oregon Steel, which has about 50% of the U.S. rail market. Imports have about 25% of the U.S. rail market.

Price, quality, delivery and service are the primary competitive factors in all markets that ISG serves and vary in relative importance according to the product category and specific customer.

Raw Materials

ISG s business depends on continued access to reliable supplies of various raw materials, principally iron ore, coal, coke, scrap, energy and industrial gases. ISG believes there will be adequate sources of its principal raw materials to meet its near term needs, although probably at higher prices than in the past.

Iron Ore

For an integrated steelmaker, iron ore is an essential element in the production of steel. In 2003, ISG consumed approximately 10.9 million net tons of iron ore pellets and 2.7 million net tons of iron ore fines and other iron ore materials. In the nine months ended September 30, 2004, ISG consumed approximately 12.2 million net tons of iron ore pellets and 3.2 million net tons of iron ore fines and other iron ore materials.

During 2004, ISG signed a five year agreement to purchase 1.7 million net tons of iron ore pellets annually beginning in 2004 for its Sparrows Point plant. This agreement will renew on an annual basis after 2008, unless either party gives one year notice.

Cleveland-Cliffs Inc, one of ISG s stockholders, is under a noncancellable contract to supply all of ISG s requirements for iron ore pellets through 2016 for its Cleveland and Indiana Harbor facilities. This agreement will renew on an annual basis after 2016, unless either party gives at least two years advance notice of termination. The agreement specifies product quality requirements and provides ISG with the right to negotiate price adjustments or to refuse to accept shipments of products in some circumstances. The prices ISG pays for iron ore pellets under the agreement are subject to annual adjustments for changes in certain price indices and selling prices for certain steel products, which effectively helps maintain ISG s operating margin percentage. With the Weirton acquisition, ISG assumed Weirton s agreement with Cleveland-Cliffs Inc and as part of the assignment agreed to certain amendments. Cleveland-Cliffs will supply all of Weirton s iron ore pellets for the period 2006-2018 and partial requirements for 2004 and 2005. The other terms of the agreement are similar to ISG s other contract with Cleveland-Cliffs Inc but only require a one year advance notice of termination. A portion of the requirements for iron ore pellets at the Weirton facility will also be supplied by United States Steel Corporation in 2005.

ISG s share of estimated recoverable reserves in the Hibbing Taconite (for additional information, see INTERNATIONAL STEEL GROUP Principal Operating Facilities *Joint Ventures* beginning on page 161) iron ore mine joint venture at December 31, 2003 is 140 million net tons of iron ore pellets. This mine and its processing facilities supply substantially all of Burns Harbor s current annual iron ore pellet requirements and are operated by Cleveland-Cliffs Inc, which also owns 23% of the joint venture.

Coal and Coke

Coke, a refined carbon product produced by baking coal to drive off volatile matter, is the principal fuel used to produce hot metal in ISG s blast furnaces. The U.S. supply of coke has decreased significantly over the last decade and is expected to decrease further in the future primarily due to increased costs of complying with the requirements of the Clean Air Act and other environmental regulations. ISG s integrated steelmaking facilities have access to both inland and coastal waterway systems, which enables ISG to more easily transport its coke needs.

In 2003, ISG used 4.4 million net tons of coke and estimate that its needs for 2004 will be about 5.1 million net tons. ISG has actually used 4.4 million tons of coke during the nine months ended September 30, 2004. ISG expects that its coke batteries in Warren, Ohio and Burns Harbor, Indiana will supply approximately 2.2 million net tons in 2004. ISG also has contracts through 2005 for 0.3 million net tons per year, a contract through 2006 for 0.3 million net tons per year and a contract through 2020 for 0.7 million net tons per year. In 2003, ISG signed an agreement to purchase 0.55 million net tons annually beginning in 2005 from a coke oven currently being constructed. In July 2004, ISG signed a letter of intent to double the size of that coke oven which is expected to supply it an additional 0.55 million net tons beginning in 2006. The agreement is contingent on execution of related transportation agreements, granting of certain local and state incentives, permits from various agencies and receipt of corporate approvals. In the second quarter 2004, ISG consummated a long-term coke supply agreement with a subsidiary of DTE Energy Services for 0.7 million net tons in 2005 and almost 1.0 million net tons thereafter. With the acquisition of Weirton, ISG continued Weirton s supply agreement for most of its coke requirements through 2005. Within certain limits, ISG has the ability to optimize fuel costs at its blast furnaces by switching among the fuels of coke, natural gas, oil and, at the Burns Harbor and Sparrows Point facilities, pulverized coal, depending on their relative costs.

2004 short-term coke prices have surged from late 2003 levels because of strong international demand and rising ocean freight rates. ISG estimates that its 2004 coke costs will average at least $75 per net ton higher than the fourth quarter of 2003. ISG and other U.S. steel producers have announced steel price increases, including surcharges relating to higher costs of coke and other raw materials, to recover some or all of these cost increases. However, adequate supplies of coke may not be available to ISG in the future causing potential production disruption, or prices of these supplies may continue to increase significantly. If ISG is unable to obtain an adequate supply of coke in the future it may have to use more costly alternative sources of energy or reduce production, both of which actions would have a negative impact on its earnings and cash flow from operations.

ISG used about 2.9 million net tons of coal in 2003 and expects to use about 4.3 million net tons in 2004. ISG has contracts for substantially all of its 2004 coal requirements for its coke oven batteries and pulverized coal injection at prices about 10% higher than those in 2003. ISG does, however, periodically buy small amounts of coal in the spot market for specific needs.

Scrap

Historically, ISG uses hot metal for approximately 75% of its basic oxygen furnace charge and scrap for approximately 25%. These percentages can change plus or minus 5 percentage points depending on their relative costs, availability and other factors. Approximately half of that scrap is generated at ISG s own facilities. ISG s electric arc furnaces use scrap for 100% of their production, of which only a small portion is internally generated. ISG purchased 2.7 million net tons of scrap during the nine months ended September 30, 2004. There are no long-term scrap contracts available as all purchases are in a short-term open market. Scrap prices surged in late 2003 but have become volatile during 2004. Electric arc furnaces use approximately five times more scrap per ton of liquid steel and, therefore, higher scrap cost is a competitive disadvantage for electric arc furnace steelmakers. ISG and other U.S. steel producers have recently announced price increases, including surcharges related to scrap, to recover some or all of these cost increases. ISG expects scrap to continue to be in sufficient supply to satisfy its needs, although at higher prices than in recent history. ISG estimates that its 2004 scrap costs will average approximately $80 per net ton higher than the fourth quarter of 2003. It expects scrap costs to remain high during the balance of the year.

Energy and Industrial Gases

ISG s steel operations consume large amounts of electricity, natural gas, oxygen and other industrial gases. ISG purchases its electrical power requirements from various suppliers. In addition, ISG operates cogeneration facilities on certain of its sites that utilize waste gases from the blast furnaces to supplement its electrical power requirements and control its energy costs. ISG purchases natural gas under short-term supply contracts with a common group of suppliers. ISG uses financial instruments to hedge such purchases when appropriate. Various service providers provide transportation of the natural gas to ISG s facilities. ISG also has several long-term contracts to supply its oxygen, argon and nitrogen gas requirements.

Employees

As of September 30, 2004 and December 31, 2003, ISG had approximately 14,900 and 12,000 employees, respectively. Since December 15, 2002, substantially all of the hourly employees at ISG s steelmaking facilities are under collective bargaining agreements with the USWA or the Independent Steelworkers Union, which expire in late 2008 or early 2009. These agreements were ratified in February 2003 at the acquired LTV and Acme facilities, in June 2003 at the acquired Bethlehem facilities, in April 2004 at Weirton and May 2004 at Georgetown. The terms of ISG s collective bargaining agreements will also apply, subject to approval by the USWA and ratification by the covered workers, to any facilities with USWA-represented employees that ISG may acquire in the future. ISG s collective bargaining agreements are substantially different from those historically in effect in the U.S. steel industry. ISG s collective bargaining agreements provide for:

- five or six-year term;
- five job classifications with broadened job descriptions;
- increased work force flexibility;
- base wages that increase 3% every 18 months through 2008 for the USWA;
- base wages that increase approximately 5% in the first 12 months and every 18 months thereafter through 2008 for the Independent Steelworkers Union;
- incentive compensation tied to productivity and profits per ton shipped;
- benefit costs that are shared by ISG and its employees;

- a partnership involving both the union and management;
- flexibility to hire contractors for non-core, capital and surge work;
- defined contributions to retiree healthcare benefits; and
- defined contributions to pensions based on the number of employees hired and hours paid.

These features provide greater flexibility and increased productivity as compared to historical agreements at integrated steel mills. The absence of significant defined benefit pension and retiree health care plans makes ISG s cost structure significantly more variable than most of its U.S. integrated competitors. ISG also paid substantially all of its hourly employees and frontline supervisors production bonuses during every pay period in 2004. These combined factors make its labor costs competitive with U.S. mini-mills and low cost international integrated producers. ISG s relations with its hourly-represented employees and the USWA continue to be positive.

Regulatory Environment

Unfair Trade Practices and Trade Remedies

Under international agreement and U.S. law, remedies are available to domestic industries where imports are dumped or subsidized and such imports cause material injury to a domestic industry. Dumping involves selling for export a product at a price lower than the same or similar product is sold in the home market of the exporter or where the export prices are lower than a value that typically must be at or above the full cost of production. Subsidies from governments (including, among other things, grants and loans at artificially low interest rates) under certain circumstances are similarly actionable. The remedy available is an antidumping duty order or suspension agreement where injurious dumping is found and a countervailing duty order or suspension agreement where injurious subsidization is found. When dumping or subsidies continue after the issuance of an order, a duty equal to the amount of dumping or subsidization is imposed on the importer of the product. Such orders and suspension agreements do not prevent the importation of product, but rather require either that the product be priced at an undumped level or without the benefit of subsidies or that the importer pay the difference between such undumped or unsubsidized price and the actual price to the U.S. government as a duty.

Globally, there have been a large number of trade remedy actions in many countries to address what has been fairly massive government subsidization of producers and swings in capacity utilization of various markets. Near the end of 2004, there are some 71 orders or suspension agreements in place in the United States on imported steel mill products from various foreign countries that compete with ISG s domestically produced product including on cut-to-length plate (31 orders or suspension agreements), clad plate (1), hot-rolled steel (20), corrosion resistant steel (8), tin mill products (1), wire rod (8) and rails (2). Such orders and suspension agreements are subject to periodic reviews under U.S. law both to the amount of dumping or subsidization that may be continuing (in the case of suspension agreements where the terms of the suspension agreements are being honored) and to whether such orders or suspension agreements will be continued or revoked.

Section 201 Tariffs

On March 20, 2002, in response to an investigation initiated by the office of the President of the United States under Section 201 of the Trade Act of 1974, the President of the United States imposed a remedy to address the serious injury to the domestic steel industry that was found. The remedy was an additional tariff on specific products up to 30% (as low as 9%) in the first year and subject to reductions each year. The remedy provided was potentially for three years and a day, subject to an interim review after 18 months as to continued need. On December 4, 2003 by Proclamation 7741, the President of the United States terminated the import relief provided under this law pursuant to Section 204(b)(1)(A) of the Trade Act of 1974 on the basis that the effectiveness of the action taken under Section 203 has been impaired by changed economic circumstances based upon a report from the U.S. International Trade Commission and the advice from the

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Secretary of Commerce and the Secretary of Labor. Thus, no relief under this law was provided to domestic producers during 2004.

Environmental Matters

ISG s operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment. The prior owners of ISG s facilities expended in the past, and ISG expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with U.S. federal, state, and local laws and regulations, including the Clean Air Act, the Resource Conservation and Recovery Act, or RCRA, and the Clean Water Act. These environmental expenditures are not projected to have a material adverse effect on ISG s consolidated financial position or on ISG s competitive position with respect to other similarly situated U.S. steelmakers subject to the same environmental requirements.

RCRA and Other Remediation Requirements

Under RCRA and similar U.S. state programs, the owners of certain facilities that manage hazardous wastes are required to investigate and, if appropriate, remediate historic environmental contamination found at such facilities. All of ISG s major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as brownfield projects.

At ISG s properties in Lackawanna, New York, a RCRA Facility Investigation, or RFI, is complete. A report will be submitted to U.S. Environmental Protection Agency, or EPA, and the New York State Department of Environmental Conservation, or NYDEC, for approval on December 17, 2004. NYDEC and ISG executed an order on consent to perform interim corrective measures at a former owner s benzol storage tank area. This order was executed on November 26, 2004. ISG and NYDEC will be discussing additional corrective measures following the agency s review of the site RFI. ISG has estimated that the cost of performing anticipated remediation and post remediation activities will be about $71 million and will be completed over a period of 15 years or more.

Bethlehem, the U.S. EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution consent decree with respect to ISG s Sparrows Point, Maryland facility, which was entered by the U.S. District Court for Maryland on October 8, 1997. ISG has assumed Bethlehem s ongoing obligations under the consent decree. The consent decree requires ISG to address compliance, closure and post-closure care matters and implement corrective measures associated with two onsite landfills (Gray s Landfill and Coke Point Landfill), perform a site-wide investigation required by Section 3008(h) of RCRA, continue the operation and maintenance of a remediation system at an idle rod and wire mill, and address several pollution prevention items, such as, reducing the generation of iron kish, and recycling blast furnace water treatment slurry and an onsite wastewater treatment plant sludge. The potential costs, as well as the time frame for the complete implementation of possible remediation activities at Sparrows Point, cannot be reasonably estimated until more of the investigations required by the decree have been completed and the data analyzed. Notwithstanding the above, it is likely, based on currently available data, that remediation will be required at the former coke plant. In addition, pursuant to the order of the U.S. District Court for Maryland, ISG also must implement corrective measures at the Gray s Landfill, Coke Point Landfill, and post-closure care at the former Rod and Wire Mill Area. The total cost of these related matters is estimated to be approximately $43 million.

ISG is required to prevent acid mine drainage from discharging to surface waters at idled mining operations in southwestern Pennsylvania. ISG entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection, or PaDEP, in May 2003 addressing the transfer of required permits from Bethlehem to ISG and financial assurance for long-term operation and maintenance of the wastewater treatment facilities associated with these mines. In accordance with this Consent Order and Agreement, ISG submitted an operational improvement plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required ISG to propose a long-term financial assurance mechanism. ISG s cost reduction plan was approved by PaDEP and on May 9,

2004, ISG entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. ISG expects to fund the treatment trust over a period of up to 10 years at a current target value of approximately $20 million. Until the improvements are made and the treatment trust is fully funded, ISG expects to pay about $1-$2 million per year for the treatment of acid mine drainage from the idled mining operation. After the treatment trust is fully funded, the treatment trust will then be utilized to fund the cost of treatment of acid mine drainage. Although unlikely, ISG could be required to make up any deficiency in the treatment trust in the future.

ISG owns a large former integrated steelmaking site in Johnstown, Pennsylvania. The site has been razed and there are a number of historic waste disposal units located at the site that are subject to regulation by PaDEP. There are also historic operating locations at the Johnstown site that may have caused groundwater contamination. Although potentially subject to RCRA corrective action or similar state authority, no comprehensive environmental investigations have been performed at this site to date. ISG estimates the costs associated with future investigations and likely remediation at this facility that presently can be estimated to be approximately $23 million.

ISG s facility at Indiana Harbor, Indiana is subject to a U.S. EPA 3013 Administrative Order requiring development of a monitoring program to assess soil and groundwater conditions associated with 14 solid waste management units. The order was received on June 30, 2003 and requires submission of an investigation plan to U.S. EPA for approval. The plan was submitted to the U.S. EPA in November 2003. Based on U.S. EPA comments, the plan was revised and re-submitted for approval on December 3, 2004. Although localized remediation activities have been conducted at this facility, additional remediation may be required after the investigation of these solid waste management units has been completed. It is not possible to estimate the cost of any required remediation or monitoring that may result from this investigation at this time. An area of subsurface fuel oil contamination exists and is currently the subject of remediation actions. The U.S. EPA advised ISG in the fall of 2004 that they may soon issue an administrative order with respect to the oil remediation action. In addition, a solid waste landfill at Indiana Harbor will require closure and post-closure care. The total cost related to these matters that can presently be estimated is approximately $17 million.

At ISG s Burns Harbor, Indiana facility, an RFI was completed in accordance with a U.S. EPA approved work plan. Based on the results of the investigation, ISG does not believe there will be any substantial remediation required to complete the corrective action process at the facility; however, it is likely that ISG will incur future costs primarily related to long term post-closure monitoring. In addition, Bethlehem managed approximately one million net tons of air pollution control dusts and sludges in piles on the ground at the Burns Harbor site. While an alternative means of handling this material continues to be evaluated, it is likely that ISG will incur future costs to manage this material. ISG also has a continuing obligation pursuant to a consent order issued by the U.S. District Court in Indiana to operate a collection and treatment system to control contaminated groundwater seeps from the face of a sea wall at the site. The total costs related to these matters are estimated to be approximately $22 million.

ISG s Cleveland, Ohio facilities may be subject to RCRA corrective action or remediation under other environmental statutes. An integrated steel facility has operated on the property since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation pursuant to the RCRA corrective action program or similar state programs. No RCRA corrective action has been demanded at any of the Cleveland facilities by either U.S. federal or state authorities and no comprehensive investigation of any of the facilities has been performed. However, certain limited and localized remediation activities have been or will be conducted at these sites. These remediation activities include a large permitted solid waste landfill at the site that will require closure and post-closure care in the future. The cost of closure and post-closure care for this landfill is estimated to be approximately $14 million.

At a site of the former steelmaking facilities in Bethlehem, Pennsylvania, a remedial investigation is being performed pursuant to the Pennsylvania Land Recycling (Brownfield) Program in conjunction with comprehensive redevelopment plans. These investigations are continuing to be performed with input and oversight from both the PaDEP, and the EPA Region III corrective action staff to ensure that the actions taken are

acceptable to both U.S. state and federal regulatory authorities. The majority of the site was sold by ISG in April 2004 with an additional sale occurring in September 2004. Under the sales agreement, the buyers assumed financial responsibility for environmental obligations associated with the acquired property. The cost associated with anticipated environmental remediation actions on property ISG continues to own is estimated to be about $15 million.

ISG s facility at Riverdale, Illinois may be subject to RCRA corrective action or remediation under other environmental statutes. The facility has been operated as an integrated steel facility since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation under the RCRA corrective action program or similar state programs. Certain localized remediation activities have been conducted at this facility; however, there is no present U.S. federal or state demand for a RCRA corrective action program at the facility. No comprehensive environmental investigation of the facility has been performed. In January 2004, the State of Illinois filed a proceeding alleging that ISG arranged for the transport of slag waste to an off-site location without performing the necessary testing and notification to the Illinois Environmental Protection Agency and the owner of the land to which the material was sent. The matter was resolved through a Consent Order and Agreement signed by the parties on May 4, 2004. ISG paid an $80,000 civil penalty and removed slag from the offsite location in accordance with the order. The order is expected to terminate.

ISG s recently acquired Weirton, West Virginia facility has been subject to a RCRA corrective action related consent decree since 1996. The Order requires the facility to conduct investigative activities to determine the nature and extent of hazardous substances that may be located on the facility s property and to evaluate and propose corrective measures needed to abate unacceptable risks. Areas within the facility s property have been prioritized. Investigation of the two highest priority areas has been completed. Investigation of the remaining areas is underway. In addition, ISG is required to complete closure activities for a surface impoundment pursuant to the RCRA corrective action and a 1996 consent decree. The cost of investigative and closure activities at the site is estimated to be about $12 million.

On October 21, 2004, the PaDEP issued a notice of violation requiring inspection of underground storage tanks in Bethlehem, Pennsylvania. ISG does not expect any material reclamation requirements, fines or penalties relating to the inspection.

In addition to the above matters, ISG receives notices of violation relating to minor environmental matters from time to time in the ordinary course of business. ISG does not expect any material reclamation requirements, fines or penalties to arise from these items.

Clean Air Act

ISG s facilities are subject to a variety of permitting requirements under the Clean Air Act, which restricts the type and amount of air pollutants that may be emitted from regulated emission sources. On February 28, 2003, the U.S. EPA issued a final rule to reduce hazardous air pollutant (HAP) emissions from integrated iron and steel manufacturing facilities. The final rule will require affected facilities to meet standards reflecting the application of maximum achievable control technology, or MACT, standards. Many of ISG s facilities are subject to the new MACT standards, and compliance with such standards will be required by May 20, 2006. ISG anticipates installing controls at facilities to comply with the new MACT standards with capital expenditures of about $90 million through 2007.

Other Clean Air Act requirements, such as revisions to national ambient air quality standards for ozone and particulate matter, may have significant impacts on ISG in the future, although whether and how it will be affected will not be determined for many years. ISG also may be affected if the U.S. federal government or the states in which it operates begin to regulate emissions of greenhouse gases such as carbon dioxide. However, because ISG cannot predict what requirements will be imposed on it or the timing of such requirements, it is unable to evaluate the ultimate cost of compliance with respect to these potential developments.

The U.S. EPA has alleged that an acid fume scrubber at ISG s Indiana Harbor facility was not operated in compliance with federal hazardous air pollutant standards for HCL emissions at the time ISG restarted the

plant. ISG has tentatively agreed to enter into a settlement with the U.S. EPA with respect to this matter that would require it to pay a penalty of about $43,000 and to undertake a supplemental environmental project in lieu of additional penalties with an estimated cost of about $112,000. The supplemental project is underway and ISG completed the project prior to December 15, 2004, as required.

On July 8, 2003, the Indiana Department of Environmental Management, or IDEM, issued a notice of violation to ISG s Indiana Harbor plant. The notice of violation alleges that the H3 and H4 blast furnaces violated specified opacity limitations on January 2, 2003 and April 2, 2003, respectively. The notice of violation also alleges operations at the basic oxygen furnace exceeded fugitive emission and that on May 14, 2003 the basic oxygen furnace roof monitor exceeded an opacity standard. ISG expects to discuss the notice of violation with the IDEM. IDEM may attempt to impose a penalty on ISG in regard to these allegations, which is not expected to be material.

On June 2, 2004, the Illinois Environmental Protection Agency issued a violation notice alleging that ISG s Riverdale facility failed to obtain a construction and operating permit for locating or modifying existing operations. The agency may seek to impose a penalty and injunctive relief associated with its allegations, which are not expected to be material.

On September 28, 2004, the U.S. EPA issued a notice of violation to ISG s Cleveland plant alleging that its steelmaking operations violated regulatory limitations on air emissions opacity in May and June 2004. Representatives of ISG met with the U.S. EPA Region 5 on November 10, 2004 to discuss the allegation. During the meeting, ISG presented extensive information describing its efforts at achieving and maintaining compliance at the north and south stacks of the No. 2 BOF precipitator. ISG presented actual data showing that the North Stack has maintained 100% compliance and the South Stack 99% compliance, since the May 2004 West Side start-up. The U.S. EPA stated they intended to take no further enforcement action concerning this notice of violation. However, the U.S. EPA reserved all its rights to take enforcement should performance deteriorate in the future.

On November 22, 2004, IDEM issued a notice of violation to ISG s Burns Harbor plant alleging a single opacity violation during a September 2004 coke oven charging observation. IDEM indicated that it may seek a civil penalty of $11,000.

Clean Water Act

ISG s facilities also are subject to a variety of permitting requirements under the Clean Water Act, which restricts the type and amount of pollutants that may be discharged from regulatory sources into receiving bodies of waters, such as rivers, lakes and oceans. On October 17, 2002, the U.S. EPA issued regulations that require existing wastewater dischargers to comply with new effluent limitations. Several of ISG s facilities are subject to the new regulations, and compliance with such regulations will be required as new discharge permits are issued for continued operation.

The Circuit Court for Baltimore County, Maryland entered into a consent decree in March 2001, which requires the installation of improvements to ISG s Sparrow Point s wastewater treatment plant. The improvements are now complete.

The U.S. EPA has alleged, among other things, that water discharged from a wastewater lagoon at ISG s Indiana Harbor facility is not permitted by the facility s national pollution discharge elimination system, or NPDES, permit. It is ISG s position that this discharge is authorized by the NPDES permit. As a result of a meeting with the U.S. EPA on February 5, 2004 and a revised order issued on June 30, 2004, ISG believes that most of the U.S. EPA s concerns raised in the original order have been resolved. On July 20, 2004, the Indiana Department of Environmental Management issued a notice of violation to the Indiana Harbor facility alleging violations of Indiana s water pollution control laws and regulations and the facility s NPDES permit. The agency indicates it may seek a penalty of less than $30,000.

On June 29, 2004, the IDEM issued a violation letter to ISG s Burns Harbor facility alleging violations of the facility s NPDES permit. The agency may seek penalties and injunctive relief associated with its allegations. Any penalties are not expected to be material.

ISG s Weirton facility was formerly subject to a U.S. EPA Oil Removal Order that recently has been terminated. However, ISG has agreed to continue oil sheen abatement activities on an ongoing basis. In addition, the facility expects to complete a tank diking program for groundwater protection and spill prevention purposes at an estimated cost of $750,000.

On September 16, 2004, the state of West Virginia Department of Environmental Protection (WVDEP) issued a Notice of Violation with respect to NPDES Discharges. ISG expects to discuss the matter with the state. WVDEP may attempt to impose a penalty on ISG in regard to these allegations, which is not expected to be material.

Other

ISG anticipates spending approximately $53 million over the next 40 years, including $5 million over the next 12 months, to address the removal and disposal of PCB equipment and asbestos material utilized in operations applications at its facilities.

There are a number of other facilities and properties, which ISG owns across the United States, which may present incidental environmental liabilities. The estimated cost of future investigations and likely remediation at these sites is estimated to be about $14 million.

Intellectual Property

ISG owns a number of U.S. and non-U.S. patents that relate to a wide variety of products and processes, have filed pending patent applications and are licensed under a number of patents. However, ISG believes no single patent or license or group of patents or licenses is of material importance to ISG s overall business. ISG also owns registered trademarks for certain of its products and service marks for certain of its services, which, unlike patents and licenses, are renewable so long as they are continued in use and properly protected.

Principal Operating Facilities

ISG s steel operations consist of five integrated steelmaking plants, one basic oxygen furnace/compact strip mill, three electric arc furnace plants and four finishing plants. ISG also owns interests in various joint ventures that support these facilities, as well as numerous raw material, railroad and transportation assets.

Integrated Steelmaking Facilities

Burns Harbor. ISG s Burns Harbor facility is located on approximately 3,300 acres in Indiana on Lake Michigan, about 50 miles southeast of Chicago, Illinois, strategically located near many of its customers. Burns Harbor, which is the newest integrated steel making facility in the United States, is capable of producing hot-rolled sheet, cold-rolled sheet, corrosion resistant coated sheet and steel plates for use in construction, machinery, automotive, oil and gas and shipbuilding applications. Burns Harbor s principal facilities include a sintering plant, two coke oven batteries (one of which is under a capital lease), two blast furnaces (including coal injection facilities), which yield 4.8 million net tons of hot metal per year, three basic oxygen furnaces, which each can make approximately 300 net tons of liquid steel in 30 minutes, a vacuum degassing facility, two continuous slab casters that produce internally clean steel with highly consistent chemistry (with a combined annual raw steel production capability of about 4.7 million net tons), an 80-inch hot-strip mill, two continuous pickling lines, an 80-inch five-stand cold-rolling mill, sheet finishing mills and a continuous heat treating line. Burns Harbor also has batch annealing facilities, a 72-inch hot-dip galvanizing line, which is capable of making both galvanized and galvannealed sheets, the currently idled 110-inch plate mill (including two continuous reheat furnaces, a roughing mill, a finishing mill and a normalizing furnace), which can roll plates from 3/16 to 1-inch thick, and a 160-inch shared plate mill (including two continuous reheat furnaces, four batch reheat furnaces, a roughing mill, a finishing mill, an in-line accelerated cooling facility, a quench and temper line and a batch normalizing furnace), which can roll plates up to 15 inches thick. Burns Harbor continuously casts 100% of its raw steel production volume.

Indiana Harbor. ISG s Indiana Harbor facility is located on approximately 1,200 acres in Indiana, 20 miles southeast of Chicago, Illinois on Lake Michigan, strategically located near many of ISG s customers. Indiana Harbor s customer base includes the automotive, agricultural, appliance, pipemaking and service center markets. Among its products are hot-rolled sheet, carbon and high-strength, processed and unprocessed; cold-rolled sheet, carbon and high-strength, enameling sheet, annealed cold-rolled and corrosion resistant coated products. Indiana Harbor s major facilities include a sintering plant and two blast furnaces that have the capability to produce approximately 3.6 million net tons of hot metal per year. Indiana Harbor also has two basic oxygen furnaces, a ladle metallurgy facility, a vacuum degassing facility, two continuous slab casters (with annual raw steel production capability of about 4.0 million tons per year), three pusher reheat furnaces and an 84-inch hot-strip mill. Indiana Harbor s finishing facilities consist of a pickle line, an 80-inch five-stand tandem mill, two hot-dip galvanizing lines, batch annealing, a two-stand temper mill and various slitting, recoil and inspection lines.

Cleveland. ISG s Cleveland facilities are located on approximately 1,200 acres on opposite banks of the Cuyahoga River, near Lake Erie in Cleveland, Ohio. Most of Cleveland s output is hot-rolled or cold-rolled sheet. The Cleveland blast furnaces are capable of supplying about 3.1 million net tons to four basic oxygen furnaces. Other major facilities located at Cleveland include two twin strand 9-inch continuous slab casters (with annual raw steel production capability of about 3.7 million net tons), two ladle metallurgy facilities, vacuum degassing facilities, an 84-inch hot-strip mill, an 84-inch cold reducing mill, a temper mill and a batch anneal shop. Cleveland is serviced by ISG s regional coke battery, the Warren Coke Battery, which supplies approximately 40% of Cleveland s coke needs. Cleveland s hot-strip mill, when supplemented with externally produced slabs, can produce approximately 3.8 million net tons annually. With the added slab production from the restart of its Cleveland West facility, ISG believes that Cleveland could be able to optimize production on the hot-strip mill.

Sparrows Point. ISG s Sparrows Point facility is located on approximately 3,100 acres on the Chesapeake Bay near Baltimore, Maryland. Principal facilities include a sintering plant, a large blast furnace with a pulverized coal injection system, two basic oxygen furnaces, a twin strand continuous slab caster (with annual raw steel production capability of about 3.9 million net tons), a 68-inch hot-strip mill, a new continuous pickling and cold reducing mill, two galvanizing lines, two Galvalume™ lines and tin mill facilities that include tin and chrome plating lines. Sparrows Point continuously casts 100% of its raw steel production. Sparrows Point s location on the Chesapeake Bay makes it the only domestic steel mill with direct ocean access and provides ISG with a deep-water port and the capability to ship products and receive raw materials by ship, thereby reducing ISG s freight costs. Sparrows Point supplies slabs to Burns Harbor and Conshohocken plate facilities and to other ISG facilities depending on market conditions.

Riverdale. ISG s Riverdale, Illinois facility is located on 165 acres approximately 14 miles west of ISG s Indiana Harbor facility. ISG supplies hot metal from its Indiana Harbor and Burns Harbor blast furnaces to Riverdale s basic oxygen furnaces. Riverdale s major facilities include basic oxygen furnaces; two ladle metallurgy furnaces, a continuous thin slab caster which uses a compact strip process (with annual raw steel production capability of about 750,000 net tons), a 62-inch wide tunnel furnace and a seven-stand hotstrip rolling mill. The Riverdale compact strip mill incorporates the latest casting and rolling technology designs with state-of-the-art computer-generated features to precisely control the thickness, profile and flatness of ISG s products.

Weirton. ISG s Weirton, West Virginia facility is located on approximately 2,700 acres near the Ohio River. Principal facilities include two blast furnaces, a two vessel basic oxygen process shop, a ladle metallurgy facility, two vacuum degassing facilities, and a four strand continuous caster (with annual raw steel production capability of up to 3.0 million tons), a hot strip mill, two continuous picklers, three tandem cold mills, three hot dip galvanizing lines, one electro-galvanizing line, two tin plate lines, one chrome plate line, one bimetallic chrome/tin plate line and various annealing, temper rolling, shearing, cleaning and edge slitting lines.

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Electric Arc Furnaces

Coatesville. ISG s facility located in Coatesville, Pennsylvania consists of an electric arc furnace (with an annual raw steel production capability of about 900,000 net tons), ingot teeming facilities, a slab caster, two plate mills (140-inch and 206-inch) and heat treating facilities. This facility refines more than 450 steel chemistries and together with ISG s Conshohocken facility, processes some of the widest, heaviest and thickest plates in the industry. This facility produces a wide range of carbon and alloy products (carbon plate, high-strength, low alloy plate, commercial alloy plate, military alloy plate and coiled and cut plate) and special products (clad plate, re-sulpherized plate, steel plate, floor plate and clean steel plate) for use in infrastructure, chemical process facilities and shipbuilding applications. This facility also provides finishing and conversion services to key customers.

Steelton. ISG s facility in Steelton, Pennsylvania consists of an electric arc furnace (with an annual raw steel production capability of about 1.2 million net tons), a ladle furnace, a vacuum degassing facility, ingot teeming facilities, a continuous bloom caster, a 44-inch blooming mill, a 28-inch rail mill, in-line rail headhardening facilities, finishing and shipping facilities for long-length (80 foot) rails and a 20-inch bar mill. The Steelton facility primarily produces railroad rails, specialty blooms and flat bars.

Georgetown. ISG s Georgetown, South Carolina facility is located on 60 acres on Winyah Bay. It produces a wire rod coil from a billet that is cast on a 6 strand continuous caster. The facility has two 80 ton electric arc furnaces (with an annual raw steel production capability of about 1.0 million net tons) and two ladle metallurgy furnaces. It also has a Direct Reduced Iron plant that is capable of producing about 550,000 net tons annually. The facility has deep water access that allows it to receive ships.

Rolling and Finishing Facilities

Hennepin. ISG s Hennepin, Illinois finishing facility is located on 861 acres on the Illinois River. It can produce more than 1.2 million net tons of cold-rolled and galvanizing steel products a year from a hot rolled band substrate. The Hennepin facility s location is well suited to serve the electrical, machinery and appliance markets, which are predominantly located in the industrial Midwest region of the United States. Additionally, Hennepin s location on the Illinois River makes it capable of shipping and receiving by barge, thereby reducing shipping costs. The Hennepin facility consists of an 84-inch pickle line, an 84-inch five-stand tandem mill, a batch annealing facility, a temper mill, a hot-dip galvanized line and three processing lines. The Burns Harbor and Indiana Harbor facilities currently provide substrate to Hennepin.

Columbus Coatings. ISG s Columbus Coatings facility is located in Columbus, Ohio. It operates a coating line that produces quality corrosion resistant steel sheets primarily for the exposed and unexposed automotive market. ISG s Burns Harbor facility currently provides cold-rolled coils for most of Columbus Coatings annual capability and is responsible for marketing of the finished product. ISG also operates a steel slitting and warehousing facility at its Columbus facility through Columbus Processing Company.

Conshohocken. ISG s facility in Conshohocken, Pennsylvania consists of a 110-inch Steckel mill, two reheat furnaces, a roughing mill, an in-line cooling and cut-to-length line, a quench and temper line and batch heat-treating system. This facility produces a wide range of carbon and alloy coiled and cut plate from slabs produced at Coatesville and Sparrows Point for use in infrastructure, chemical process facilities and shipbuilding applications. It also provides finishing and conversion services to key customers.

Lackawanna. ISG operates a 4-stand tandem mill, an annealing facility, a temper mill, a continuous pickling line and a galvanizing line in Lackawanna, New York. The galvanizing line produces about 335,000 net tons per year of quality corrosion-resistant steel sheets for the unexposed automotive market. Hot-rolled steel substrate is supplied principally from ISG s Burns Harbor and Cleveland facilities.

Railroad and Transport

ISG owns the assets of seven short-line railroads, having sold three that were acquired from Bethlehem, that transport raw materials and semi-finished steel products within ISG s various facilities, and an interstate truck broker which serves ISG s facilities.

ISG currently operates, under long-term charters, two 1,000-foot self-unloading ore vessels that are used for the transportation of iron ore on the Great Lakes. Prior to the closing of the merger, ISG is required to complete a transaction in which it transfers ownership of the two vessels to a third party approved by the U.S. Maritime Administration, and charters such vessels from the approved third party.

ISG Homer Research Facility

As part of ISG s acquisition of Bethlehem s assets, it acquired the Homer Research Facility, a research and product development facility in Bethlehem, Pennsylvania. The facility s research efforts are focused on process and product technologies that will benefit ISG s customers manufacturing operations.

Joint Ventures

Hibbing Taconite. ISG owns a total 62.3% direct and indirect interest in Hibbing Taconite Company located in Hibbing, Minnesota, that owns iron ore reserves and operates mines and a pelletizing plant. Hibbing Taconite has mining and processing facilities that can supply all of Burns Harbor s iron ore pellet needs. ISG owns a 90% interest in Ontario Iron Company, which is located in Hibbing, Minnesota that owns surface, land and mineral leases used by Hibbing Taconite.

AK-ISG Metal Coatings Co. ISG owns a 40% interest in an electrogalvanizing joint venture facility, located on the east side of ISG s Cleveland facility.

Double G Coatings Company, L.P. ISG owns a 50% interest in Double G Coatings Company, L.P., or Double G, which is located near Jackson, Mississippi. This company operates a 270,000-ton-per year sheet coating line that produces galvanized and Galvalume™ coated sheets primarily for the construction market. Sparrows Point provides cold-rolled coils for ISG s share of production and is responsible for marketing its share of the finished product.

Steel Construction Systems. ISG owns a 45% interest in Steel Construction Systems, which is located in Orlando, Florida and manufactures steel studs and roll-formed trusses for residential and light commercial buildings.

Indiana Pickling and Processing Company. ISG owns a 20% interest in Indiana Pickling and Processing Company, which is located in Portage, Indiana and operates a pickling line.

Bethlehem Roll Technologies LLC. ISG owns a 50% interest in Bethlehem Roll Technologies LLC, which is located in Sparrows Point, Maryland and operates a facility for grinding steel mill rolls for ISG and others.

Chesapeake Heavy Machine Services, L.L.C. ISG owns a 50% interest in Chesapeake Heavy Machine Services, L.L.C., which is located in Sparrows Point, Maryland and manages and markets the services of a machine shop.

Steel Health Resources, L.L.C. ISG owns a 47.5% interest in Steel Health Resources, L.L.C., which is located in Chesterton, Indiana and operates a healthcare clinic.

ISG accounts for all these joint ventures on the equity method except Hibbing Taconite, which is pro-rata consolidated.

Legal Proceedings

See INTERNATIONAL STEEL GROUP Environmental Matters for a discussion of environmental litigation and governmental proceedings beginning on page 154.

In the ordinary course of business, ISG is involved in various pending or threatened legal proceedings. ISG cannot predict with certainty the outcome of any legal or environmental proceedings to which it is a party. In ISG s opinion, however, adequate liabilities have been recorded for losses that are probable to result from legal proceedings and environmental remediation requirements. If such liabilities prove to be inadequate, however, it is reasonably possible that ISG could be required to record a charge to earnings that could be

material to the results of operations in a particular future quarterly or annual period. ISG believes that any ultimate additional liability arising from these actions, that is reasonably possible over what has been recorded, will not be material to its consolidated financial condition and sufficient liquidity will be available for required payments.

As described elsewhere, ISG purchased only specified assets of Bethlehem, Acme, LTV, Weirton and Georgetown through sales in bankruptcy proceedings. The sellers in those transactions retained liability for certain claims related to the assets that ISG purchased, including personal injury claims. The sale orders issued by the U.S. Bankruptcy Courts having jurisdiction over each respective transaction entered orders barring assertion of claims (other than those in respect of certain specifically assumed liabilities which did not include asbestos-related liabilities), against ISG related to the assets in question, and confirming that neither ISG nor its subsidiaries shall be responsible for any liabilities related to the assets (other than those in respect of certain specifically assumed liabilities which did not include asbestos-related liabilities). The sale orders issued by the U.S. Bankruptcy Courts also found that under no circumstances could ISG be deemed a successor to any of the sellers for purposes of any liabilities. ISG believes the manner through which its facilities were purchased in conjunction with the attendant orders of the U.S. Bankruptcy Court places it in a better position than other steelmakers with substantial exposure to asbestos-related liability or off-site environmental liability. Despite the foregoing it is possible that future claims with respect to historic asbestos exposure could be directed at ISG. The risk of incurring liability as the result of such claims is considered remote.

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Security Ownership of Management and Certain Beneficial Owners

Except as otherwise indicated below, the following table sets forth certain information known to ISG, based on publicly available information and in some cases affirmations made to ISG by the subject parties, regarding the beneficial ownership of ISG common stock as of December 7, 2004, for:

each person known by ISG to beneficially own more than 5% of ISG common stock;

each of ISG s directors and certain of ISG s executive officers; and

all of ISG s directors and executive officers as a group.

ISG has determined beneficial ownership in accordance with the rules of the SEC. Except as otherwise indicated, ISG believes that each stockholder named in the table has sole voting and investment power for the shares shown as beneficially owned by them.

Name and Address	Number of Shares of ISG Common Stock(1)	Percent of Outstanding Shares of ISG Common Stock(2)
Franklin Mutual Advisors, LLC(3) 51 John F. Kennedy Parkway Short Hills, NJ 07078	16,333,381	16.3%
Georgia Financial, LLC(4) 6200 Riverside Drive Cleveland, Ohio 44135	5,356,198	5.4%
Wilbur L. Ross, Jr.(5) Manhattan Tower (19th Floor) 101 East 52nd Street New York, New York 10022	6,936,788	6.9%
Paulson & Co., Inc.(6) 590 Madison Avenue New York, New York 10022	5,500,000	5.5%
Rodney B. Mott(7)	1,410,019	1.4%
Rand V. Araskog	25,000	*
William C. Bartholomay(8)	121,337	*
James C. Boland		*
Peter J. Powers		*
V. John Goodwin(9)	36,200	*
Leonard M. Anthony(10)	36,200	*
Gordon C. Spelich(11)	286,322	*
Jerome V. Nelson(12)	156,840	*
John C. Mang III(13)	45,250	*
All executive officers and directors as a group (13 persons)	9,026,806	9.0%

* Less than one percent

(1) Except as otherwise indicated below, beneficial ownership means the sole power to vote and dispose of shares.

(2) Calculated assuming 100,035,950 outstanding shares, the number of shares of ISG common stock outstanding as of December 7, 2004. This number excludes the number of shares of ISG common stock for which any options to purchase ISG common stock held by directors and executive officers are exercisable.

(3) Represents shares beneficially owned by advisory clients of Franklin Mutual Advisers, LLC, or FMA: 6,143,191 shares of ISG common stock beneficially owned by Mutual Shares Fund, 2,855,428 shares of

ISG common stock beneficially owned by Mutual Qualified Fund, 3,546,660 shares of ISG common stock beneficially owned by Mutual Beacon Fund, 2,689,230 shares of ISG common stock beneficially owned by Mutual Discovery Fund, 639,433 shares of ISG common stock beneficially owned by Mutual Shares Securities Fund, 128,899 shares of ISG common stock beneficially owned by Mutual Discovery Securities Fund, and 66,259 shares of ISG common stock owned by Mutual Beacon Fund (Canada), all of which shares are held of record by Bosworth & Co. c/o Franklin Mutual Advisers, LLC, and 264,260 shares of ISG common stock beneficially owned by Franklin Mutual Beacon Fund, all of which shares are held of record by Kane & Co. c/o Franklin Mutual Advisers, LLC. Pursuant to advisory contracts with its clients, FMA has voting and investment discretion over these securities beneficially owned by its clients. FMA disclaims beneficial ownership of these shares owned by its advisory clients.

(4) Georgia Financial, LLC is the wholly-owned subsidiary of Park Corporation, whose principal executive offices are at 6200 Riverside Drive, Cleveland, Ohio 44135.

(5) Represents 152,889 shares of ISG common stock beneficially owned by Mr. Ross individually and 6,783,899 shares of ISG common stock deemed to be beneficially owned by Mr. Ross as a result of his position as a principal of WLR, which is also deemed to be a beneficial owner of such shares. The address of WLR is Manhattan Tower (19th Floor), 101 West 52nd Street, New York, New York 10022. To the extent that Mr. Ross is deemed to beneficially own any shares as a result of his position as a principal of WLR, Mr. Ross disclaims beneficial ownership of such shares.

(6) Based on a Schedule 13G/A filed by Paulson & Co., Inc. with the SEC on November 22, 2004.

(7) Includes options to purchase 28,960 shares of ISG common stock, which were currently exercisable as of December 7, 2004.

(8) Represents the 23,597 shares of ISG common stock held by record by Mr. Bartholomay and 97,740 shares of ISG common stock held of record by Bartholomay Interest, L.P. Mr. Bartholomay is the general partner in Bartholomay Interest, L.P. To the extent Mr. Bartholomay is deemed to beneficially own these shares as a result of his position as general partner of Bartholomay Interest, L.P., Mr. Bartholomay disclaims beneficial ownership of these shares.

(9) Includes options to purchase 36,200 shares of ISG common stock, which were currently exercisable as of December 7, 2004.

(10) Includes options to purchase 36,200 shares of ISG common stock, which were currently exercisable as of December 7, 2004.

(11) Includes options to purchase 13,575 shares of ISG common stock, which were currently exercisable as of December 7, 2004, and 200,347 shares which have been pledged under a forward sales contract.

(12) Represents options to purchase 135,840 shares of ISG common stock, which were exercisable as of December 7, 2004.

(13) Includes options to purchase 9,050 shares of ISG common stock, which were currently exercisable as of December 7, 2004.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR ISPAT INTERNATIONAL

All references in this section entitled MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR ISPAT INTERNATIONAL to we , us and our refer to Ispat International and its subsidiaries.

Certain sections of this Management s Discussion and Analysis of Financial Condition and Results of Operations for Ispat International include forward-looking statements concerning trends or events potentially affecting the businesses of Ispat International. These forward-looking statements typically contain words such as anticipates, believes, estimates, expects or similar words indicating that future outcomes are not known with certainty and are subject to risk factors that could cause these outcomes to differ significantly from those projected. These statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors that could cause future outcomes to differ materially from those set forth in forward-looking statements.

This section has been updated to give effect to the restatement as discussed in Note 21 to the audited consolidated financial statements, and should be read in conjunction with the accompanying audited consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The Consolidated Financial Statements, which include the accounts of Ispat International and its subsidiaries, all of which are controlled by Ispat International, have been prepared in accordance with U.S. GAAP. Inter-company balances and transactions have been eliminated on consolidation. Total shipments of steel products include intercompany shipments. All references to Sales include shipping and handling fees and costs as per EITF Issue No. 00-10. All references to Net Sales exclude shipping and handling fees and costs. See ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA footnote 1 on page 21 below, for reconciliation between Sales and Net Sales.

The records of each of our operating subsidiaries are maintained in the currency of the country in which the operating subsidiary is located, using the statutory or generally accepted accounting principles of such country. For consolidation purposes, the financial statements that result from such records have been translated to conform to U.S. GAAP and converted into U.S. dollars, the reporting currency. The functional currency for Sidbec is the Canadian dollar, for IEG is the Euro and for all other operating subsidiaries is the U.S. dollar. Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are re-measured at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of income. Upon consolidation, the results of operations of our subsidiaries and affiliates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at weighted average exchange rates in the year and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of other comprehensive income in the Consolidated Financial Statements and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or affiliated company.

Recent Developments

In connection with the merger, on October 24, 2004 the LNM Group (consisting of Ispat International and LNM Holdings), ISG and the USWA executed a letter of understanding in which the USWA agreed to support the merger and to waive its right of first refusal under the ISG collective bargaining agreement. See THE MERGER Letter of Understanding with the United Steelworkers of America on page 71.

On October 27, 2004, Moody s Investors Service placed all ratings of Ispat International and IEG under review with a positive outlook.

On October 25, 2004, Ispat International announced that its board of directors had approved a definitive acquisition agreement under which Ispat International will acquire LNM Holdings. LNM Holdings is one of

the world s largest steel producers(1) and operates steel-making and processing facilities in seven countries. The acquisition of LNM Holdings is subject to approval by the shareholders of Ispat International, as well as regulatory approvals and satisfaction of other customary closing conditions. Ispat International expects the acquisition will be completed in the fourth quarter of 2004. Under the terms of the LNM Holdings acquisition agreement, Richmond Investment Holdings Limited (an entity controlled by the controlling shareholder of Ispat International and the sole shareholder of LNM Holdings), or its designee, will receive 0.27931958 Ispat International class A common shares and 0.77068042 registered Ispat International class B common shares of Ispat International, subject to certain limitations, for each LNM Holdings common share, or, in the aggregate, 139,659,790 Ispat International class A common shares and 385,340,210 Ispat International class B common shares.

On November 15, 2004, Standard & Poor s Ratings Services raised its long-term corporate credit rating for Ispat International to BBB from BB- , with a positive outlook. At the same time Standard & Poor s raised the debt ratings on debt guaranteed by Ispat International for Inland and IEG to BBB from BB- , with a positive outlook.

On November 30, 2004, Ispat Inland ULC, a wholly owned subsidiary of Ispat International, announced that it had issued a notice of redemption for $227,500,000 principal amount of its outstanding 9 3/4% senior secured notes due 2014, at a redemption price equal to 109 3/4% of the outstanding principal amount being redeemed, plus accrued and unpaid interest on such amount to, but excluding, December 30, 2004. The notes will be redeemed on December 30, 2004. In conjunction with the redemption of the notes by Ispat Inland ULC, Ispat International has agreed that it or one of its affiliates will purchase $256,000,000 of capital stock of Ispat Inland Inc. prior to the redemption of the notes. Consistent with the terms of the indenture with respect to the notes, the cash proceeds from the stock offering will be used to redeem the notes. The notes will be redeemed from all holders on a pro rata basis. Interest on the redeemed portion of the notes will cease to accrue on and after December 30, 2004 and the only remaining right of a holder of such notes following such date will be to receive payment of the redemption price (together with the accrued and unpaid interest on such amount).

Factors Affecting the Business

Cyclicality of the Steel Industry

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

In 2001, the steel industry faced a severe downturn, which gradually reversed in 2002. Section 201 trade rulings in the United States and certain emerging shifts in global supply and demand for steel brought about improvements in both demand for and pricing of steel products.

In 2003, world crude steel production increased by 7%, primarily due to China where production increased by 21%, making it the largest steel producing nation. Further, steel imports into China increased by 53% from 2002 to meet the demand from the automobile, white goods and construction sectors. The strong demand in China increased prices for steel as well as key raw materials such as iron ore, coke, scrap and alloys. To partly mitigate these input cost increases, steel companies in the United States started applying surcharges ranging from $20-$100 per ton in early 2004.

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1 Source: International Iron and Steel Institute Report, World Steel in Figures 2004.

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2004 sees similar trends to the previous year in terms of steel prices and raw material costs. World crude steel production increased by 8.9% to 854.1 million metric tonnes in the first ten months to October 2004 compared to the same period in 2003. The growth in 2004 continues to be led by China, which increased production by 22%, while growth in North America was 7% and growth in the European Union (including the 10 new member states in 2004, or the EU-25,) was 5%, largely led by robust growth in industrial production and gross domestic product, or GDP, from the new member states of the European Union. Costs of key raw materials have continued to increase due to lack of availability and higher freight costs, leading to even higher steel prices.[1]

Consolidation in the U.S. Steel Industry

Within the past two years, the U.S. steel industry has significantly consolidated, led by ISG, United States Steel Corporation, or US Steel, Nucor and Steel Dynamics. ISG is a new company formed through the acquisition by ISG of Bethlehem Steel, LTV, Acme Steel, Weirton Steel and Georgetown Steel in 2004. US Steel acquired National Steel; Nucor acquired Birmingham Steel and Trico; while Steel Dynamics acquired Qualitech Steel and GalvPro.

The trend in consolidation is gradually coming to Europe, led by acquisitions made by The LNM Group and reports that other leading European steel producers are exploring opportunities to consolidate the European steel industry.

Global Steel Trade

The steel industry s and our ability to sell products is influenced in varying degrees by trends in global trade for steel products, particularly trends in imports of steel products into our principal markets. In the United States, Section 201 tariffs were in place through most of 2003. U.S. steel imports fell by 29% primarily due to higher prices in China and most other markets, higher ocean freight costs and the weakening of the U.S. dollar.

In 2004, high freight costs and continuing demand in China, Asia and Europe protected the U.S. market from cheaper imports. As a result, prices in North America have also shown an increasing trend in the first nine months of 2004. The increase in the average selling price is due to higher base prices, the industry s implementation of pricing surcharges of over a $100 per ton designed to offset escalation in the prices of key input commodities such as coke, scrap and iron ore and continued strong demand from end-user segments. Prices in North America have softened marginally due to a slow down in demand during the third and forth quarter of 2004.

The European Long Products Steel Industry

Overall GDP growth in the European Union (before the addition of 15 new member states in 2004, or the EU-15,) economies was 2%, driven by slow export-led growth in 2004 and reflected by modest growth in the steel industry. Domestic demand is gradually picking up and the industry continues to be reliant on the export markets for mechanical engineering, automotive and tubes. The sharp appreciation of the Euro against the U.S. dollar continued during most of 2004 and increased long products steel imports into the EU-25. This trend was mitigated by the strong demand in the United States, Asia and China at attractive prices compared to 2003. Year-on-year, all end-user segments for steel showed an improvement in the first nine months of 2004 in line with the overall economic recovery.

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[1] Although steel prices do follow trends in raw material prices, the percent movements may not be to the same extent. Percent increases in costs of input factors are driven by demand-supply balance, availability and demand from alternative markets. Similarly steel pricing and demand is driven by demand from the end-user segments. Steel price surcharges are often implemented to recover costs on contracted steel prices to recover increases in input costs. However, spot market steel prices and short-term contracts are driven by market prices.

Raw Materials and Ocean Freight Costs

Raw material prices and ocean freight costs have continued to increase in 2004, except for a marginal slow down in the second quarter of 2004. These price increases are mainly due to shortages of key raw materials, ships as well as port congestion, which reduces availability of ships and consequently increases freight rates.

Chinese steel mills, which have usually sourced their iron ore from Australia, had to source iron ore from as far as Brazil to meet growing demand. Imports of iron ore into China continued to increase through the first nine months of 2004 compared to the same period in 2003. In 2004, iron ore deliveries into China are expected to be 200 million tonnes, a 35% increase over 2003 deliveries. This demand has increased not just iron ore prices by up to 40%, but also freight costs as demand for Capesize vessels increased in 2004.

Coking coal prices have been volatile over the last year. Prices increased substantially due to increased demand. However, coking coal prices eased marginally in the first nine months of 2004 on the back of increased coal production in the United States after a fire disrupted production in 2003 and improved coke export licenses in China. China has also agreed to ship coke without export licenses, which also reduced prices during most of 2004. Compared to 2003, however, coke export prices have increased in China due to a new value-added tax as well as removal of tax credits available in 2003. Further, coke exports from China are also affected by transport infrastructure. Overall, prices have increased more than three-fold compared to levels at the beginning of 2003.

Natural gas prices in North America continued to be close to $6 per mmbtu through most the first nine months of 2004. Demand for natural gas in North America is increasing at around 3% per annum while supplies are increasing by only 1%. Prices did not ease during the summer of 2004 mainly due to higher oil prices, flat imports, delays in bringing new production to market and sustained demand.

Demand for high-grade scrap continued to be robust in the first nine months of 2004. During the first nine months of 2004, scrap prices in North America continued to be well over $300 per long ton for automotive bundles due to a combination of strong demand from the steel industry, transport availability and cost. Scrap prices in Europe continued to increase on the back of export-led demand from Turkey and Asia.

Ocean freight rates declined from the all-time highs of February 2004 and began to rise again in July, exposing the fragile state of this supply/demand balance. Strong demand in China for metallics has also increased the need for Capesize and Panamex vessels[1] to transport coking coal and ore. In addition, longer voyage times to the Far East and port congestion in Asia as well as at loading ports contributed to the shortage of ships in the Western Hemisphere. Given the inelastic nature of shipping capacity in the short term, this has increased freight costs significantly in 2004.

Impact of Exchange Rate Movements

The comparability of our consolidated financial statements for the periods presented in this proxy statement/prospectus is affected by currency translation resulting from our global operations. This translation primarily affects those subsidiaries whose functional currency is other than the U.S. dollar. The U.S. dollar weakened against the Euro and against the Canadian dollar in the first nine months of 2004. These exchange rate movements had an adverse impact on costs and competitive position of some of our subsidiaries, particularly our Canadian operating subsidiary. On the other hand, Inland, our U.S. operating subsidiary should benefit going forward as imports become more expensive due to the weakness of the U.S. dollar.

Fluctuations in the exchange rates of the U.S. dollar, the Euro, the Canadian dollar, the Peso and other currencies expose our global business operations and, consequently, our reported financial results and cash

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[1] Capesize ships are very large bulk carriers with deadweight exceeding 150,000 tons. Such ships are unable to go through the Suez Canal and therefore have to sail round the Cape of Good Hope to and from Europe. Panamax ships are large ships capable of transiting the Panama Canal and have a deadweight of 55,000 tons.

flows to transaction risk. We manage this risk through specific hedges to the extent management considers possible.

Critical Accounting Policies and Use of Judgments and Estimates

The information regarding and analysis of Ispat International s operational results and financial condition are based on figures contained in Ispat International s Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Ispat International s management to make judgments in relation to certain estimates and assumptions used in the application of accounting policies. These judgments and estimates are made on the basis of available facts and are a normal part of the process of preparing financial statements. While the use of different assumptions and estimates could have caused the results to be different from those reported, Ispat International believes that the possibility of material differences between two periods is considerably reduced because of the consistency in the application of such judgments.

The accounting policies that Ispat International considers critical, in terms of the likelihood of a material impact arising from a change in the assumptions or estimates used in the application of the accounting policy in question, are outlined below.

Impairment of Long Lived Assets

According to SFAS 144, an impairment loss must be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair value.[1] The carrying amount of a long-lived asset is not recoverable if it exceeds the expected sum of the undiscounted cash flows over its remaining useful life. Additionally, Accounting Principles Board (APB) No. 18, The Equity Method of Accounting For Investment in Common Stock, requires that a loss in value of an equity method investment that is other than a temporary decline should be recognized. Based on these accounting standards, Ispat International recognized the following impairments in 2002:

Impairment of the idled 2A Bloomer and 21 Bar Mill at Inland, resulting in an asset write-off of $23 million, following an assessment that those facilities, which were idled in the fourth quarter of 2001, were unlikely to be restarted; and

Write-off of the assets associated with the Empire Mine of $39 million in connection with the sale, effective December 31, 2002, of part of our interest in the Empire Partnership (and the sale of our related fluxing equipment) to a subsidiary of Cleveland-Cliffs Inc., thereby reducing our interest in the Empire Mine from 40% to 21%. Ispat International has assessed the impact of SFAS 144 in 2003 and concluded that there was no impact on the 2003 financial statements.

Deferred Tax Assets

Ispat International charges tax expenses or accounts for tax credits based on the differences between the financial statement amounts and the tax base amounts of assets and liabilities. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. Ispat International annually reviews the deferred tax assets in the different jurisdictions in which it operates to assess the possibility of realizing such assets based on projected earnings. It takes an appropriate valuation allowance where it appears more likely than not, based on these projections, that the deferred tax assets will not be realized. Ispat International expects that it is more likely than not that the deferred tax assets of $432 million as of September 30, 2004 will be fully realized.

Provisions for Pensions and Other Post Employment Benefits (SFAS 87 and 106)

Ispat International s operating subsidiaries have different types of pension plans for their employees. Also, most of the subsidiaries in North America offer post employment benefits, primarily post employment health

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[1] References to SFAS are to Statement of Financial Accounting Standards.

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care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as the discount rate, expected wage increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Changes in any of these assumptions or market values, particularly in the case of the U.S. and Canadian subsidiaries, could have a material impact on the associated liabilities. In 2003, the combined effects of improved market value of underlying pension assets and a reduction in the discount rate from 7.1% to 6.25% at the U.S. operating subsidiary resulted in an after tax charge of $82 million to Other Comprehensive Income (2002: $273 million).

Environmental and Other Contingencies

We are currently engaged in the investigation and remediation of environmental contamination at a number of our facilities through which we operate. We are subject to changing and increasingly stringent environmental laws and regulations concerning air emissions, water discharges and waste disposal, as well as certain remediation activities that involve the clean up of soils and groundwater. We recognize a liability for environmental remediation when it is likely that such remediation will be required and we can estimate the amount. Environmental liabilities assumed in connection with the acquisition of steel facilities and other assets are recorded at the present value of the estimated future payments. There are numerous uncertainties over both the timing and the ultimate costs that we expect to incur with respect to this work. Significant judgment is required in making these estimates and it is reasonable that others may come to different conclusions. If, in the future, we are required to investigate and remediate any currently unknown contamination and waste on properties we own, we may record significant additional liabilities. Also, if our estimates of the cost to remediate currently known contamination and waste change, we will reduce or increase the recorded liabilities through credits or charges in the income statement.

Review of Operating Results

Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003

Management utilizes certain key performance indicators to analyze our main operating subsidiaries. The key performance indicators are net sales, average selling price, shipments, average cost per ton, production and operating income. In addition, management analyzes liquidity and capital resources of our main operating subsidiaries based on working capital and operating cash flow.

Sale, Shipments and Average Selling Price. During the nine months ended September 30, 2004, Ispat International benefited from a continued increase in the global demand and average selling price for steel that began in 2004. As a result of this increase, sales of Ispat International increased to $6.3 billion for the nine months ended September 30, 2004, compared to $4.0 billion for the nine months ended September 30, 2003. In addition, Ispat International s shipments increased to 12.4 million tons for the nine months ended September 30, 2004, compared to 11.4 million tons for the nine months ended September 30, 2003.

The average selling price increased by 40% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. The average selling price improved as a result of a higher base average selling price, surcharges in the cost of raw materials and a more favorable product mix.

The following table gives a summary of our sales at our main operating subsidiaries:

	Sales	
	Nine Months Ended	
	2004	2003
	($ millions)	
Inland, Sidbec	3,038	2,096
IEG	1,535	1,060
Other Subsidiaries	1,747	876

The following table gives a summary of our shipments at our main operating subsidiaries:

	Shipments	
	Nine Months Ended	
	2004	2003
	(Thousand tons)	
Inland, Sidbec	5,470	5,105
IEG	3,081	2,774
Other Subsidiaries	3,838	3,495

At Inland, sales increased by 42% to $2,347 million for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. This increase was largely due to a better product mix, an increase in the average selling price and the implementation of pricing surcharges designed to offset the increase in key input costs, such as coke, scrap and iron ore, and stronger global demand. At Sidbec, the average selling price was higher for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, largely due to the decline of the U.S. dollar against the Canadian dollar.

At Inland, total steel shipments increased by 10% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, largely due to an increase in shipments. For the nine months ended September 30, 2003, Inland shipments were lower due to the reline of Blast Furnace No. 7. Shipments at Sidbec for the nine months ended September 30, 2003 were the same as for the nine months ended September 30, 2003.

At IEG, sales increased by 45% to $1,535 million for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. IEG s total steel shipments increased by 11% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, largely due to increased demand in the domestic and international export markets and a build up of inventories in its end-user markets. The strength of the Euro against the U.S. dollar also resulted in a higher average selling price in U.S. dollars.

At our other main operating subsidiaries, sales increased by 99.3% to $1,747 million for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. The average selling price for slabs increased by 55% due to strong global demand and an increase in global steel prices. In addition, average selling prices for wire rods, billets and direct reduced iron increased due to strong global demand. With the exception of billets, shipments increased across product lines driven by strong global demand.

Cost of Sales, Average Cost Per Ton and Gross Margin. Due to the increase in the cost of key inputs, such as iron ore, scrap, electricity, natural gas and transportation, the average cost per ton for Ispat International increased by 20% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. The increase in the cost of such key inputs is primarily due to strong global demand for steel from China.

At Inland, average cost per ton significantly increased for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003. At Inland, the cost of key inputs, such as scrap, coke, coal, alloys and fluxes, significantly increased. In addition, at Inland labor costs were higher in the third quarter of 2004 as compared to the third quarter of 2003 due to increases in employee profit sharing and pension expense.

At Sidbec, the increase in the average cost per ton was higher for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, due to a 20% increase in the cost of metallics, such as scrap, alloys and other metals.

At IEG, the average cost per ton increased by 23% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, due to a continued shortage of supplies of hot metal and increases in the cost of key inputs such as metallics and energy. These cost increases were partly mitigated by restructuring the IEG labor force and improving operational efficiency.

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At our other main operating subsidiaries, cost of sales was higher for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, due to increases in cost of metallics, energy and ferro alloy prices.

The following table sets forth our gross profit margins at our main operating subsidiaries:

	Gross Profit Margin	
	As at September 30,	
	2004 (%)	2003 (%)
Inland, Sidbec	17	0
IEG	9	2
Other Subsidiaries	31	12

Selling, General and Administrative Expenses. Selling, general and administrative expenses at Ispat International increased by 11% for the nine months ended September 30, 2004, compared to the nine months ended September 30, 2003, due to weakening of the U.S. dollar against the Euro and the Canadian dollar. In local currency terms these expenses were marginally higher in line with local inflation.

Operating Income. Operating income at Ispat International increased to $1.2 billion for the nine months ended September 30, 2004, compared to $129 million for the nine months ended September 30, 2003, due to a higher average selling price and a significant increase in shipments. The successful reline of Blast Furnace No. 7 at Inland reduced operating costs and the property tax reassessment, thereby increasing operating income. These benefits were partially offset by a significant increase in input costs, increased pension expense, employee profit sharing and the severance charge resulting from a reduction in our salaried workforce.

The following table sets forth our operating income at our main operating subsidiaries:

	Operating Income	
	As at September 30,	
	2004	2003
	($ millions)	
Inland, Sidbec	569	0
IEG	138	26
Other Subsidiaries	536	103

Financing Costs. Net interest expense at Ispat International increased by $14 million to $130 million as at September 30, 2004, as compared to $116 million as at September 30, 2003. This increase was mainly due to a higher level of debt at Inland.

Income Tax. Ispat International recorded a current income tax expense of $46 million as at September 30, 2004, as compared to $11 million as at September 30, 2003. This was largely due to the increase in income before tax in all operating subsidiaries.

Net Income. Net Income at Ispat International increased to $837 million for the nine months ended September 30, 2004, compared to $56 million for the nine months ended September 30, 2003. This increase was due to a continued increase in the global demand and average selling price for steel that began in 2004.

Year Ended December 31, 2003 compared to Year Ended December 31, 2002

During 2003, Ispat International experienced some of the benefits from an increase in global demand for steel. Sales increased by 11% to $5,441 million in 2003 due to a better average price realization. Average prices realized in U.S. dollar terms increased by 7% due to a favorable mix of products. Shipments increased by 1% to 15.2 million tons. Net Sales (sales less freight and other handling costs) increased by 12% to $5,194 million.

Average cost per ton increased by 10% compared to 2002, to $308 primarily due to the increase in cost of iron ore, scrap, electricity, natural gas and transportation costs of key inputs. The rise in input prices was primarily due to strong demand from the Chinese steel industry. Consequently, gross margins declined from 11.5% to 9.6% in 2003 as increases in input costs could not be fully recovered through increases in prices.

Operating income in 2003 was $151 million compared to $142 million in 2002. However, after adjusting for certain one-time items discussed below, operating income declined by 26% in 2003. This was due to a combination of lower gross profits and increase in selling general and administrative expenses. Selling general and administrative expenses increased by 8% primarily because of the appreciation of the Euro and the Canadian dollar against the U.S. dollar. However, in local currency, these expenses decreased from 2002 levels in local currency.

Interest expenses decreased by 26% due to lower average borrowings and lower interest rates. On the other hand current income tax provision increased to $57 million due to certain additional provisions in our U.S. operating subsidiary.

A combination of the above factors contributed to the increase in net income from $49 million in 2002 to $66 million in 2003.

The key performance indicators which management uses to analyze each operating subsidiary are Net Sales, average selling price, shipments, cost per ton, production, gross profit and operating income. Management s analysis of liquidity and capital resources is driven by working capital and operating cash flow. The following analysis presents key performance indicators by each operating unit. The gross profit and operating income analyses is carried out for Ispat International as a whole.

Net Sales and Average Selling Prices. Ispat International uses Net Sales numbers for managing its business. All analyses presented here onwards are based on Net Sales numbers. Net Sales exclude shipping and handling fees and costs charged to customers. See ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA, footnote 1 on page 21, for a reconciliation between Sales and Net Sales. Net Sales numbers are stand-alone numbers for certain operating subsidiaries and include inter-company shipments. The following table gives a summary of key Net Sales numbers:

	Net Sales(1)		**Change in**		
Subsidiary	**2003**	**2002**	**Net Sales**	**Shipments**	**Average Selling Price**
	($ millions)	**($ millions)**	**(%)**	**(%)**	**(%)**
Inland	2,151	2,223	(3)	(6)	3
Imexsa	850	649	31	23	9
Sidbec	560	534	5	2	(8)*
CIL Steel	234	183	28	17	9
CIL Direct reduced iron	142	138	3	(8)	11
IEG	1,297	1,129	15	(10)	5*

* For Sidbec and IEG change in Net Selling Price is based on Canadian dollar and Euro prices respectively.

(1) Net Sales numbers are standalone numbers for certain operating subsidiaries and include inter-company sales.

At Inland, steel shipments in 2003 decreased to 5.3 million tons due to lower production levels resulting from the reline of the Blast Furnace No. 7 and generally softer market conditions. The reduction in sales volume decreased sales revenue by 6% while higher selling prices increased sales revenue by 3%. Average selling prices per ton increased by 3% to $419 per ton in 2003 from $407 per ton in 2002. The improvement in prices came largely from our contract business, which more than offset the deterioration in spot market prices.

Imexsa benefited significantly from the strong global demand for slabs in 2003. Imexsa s Net Sales increased 31% compared to the prior year due to higher shipments. Though Imexsa s principal markets are

NAFTA member states, higher demand in Asia, particularly China, resulted in lower imports from Asia and increased demand for Imexsa s products in its principal markets. Shipments to Asia contributed 22% of total shipments compared to none in 2002. In 2002, production was disrupted by a natural gas shortage due to an explosion at the facilities of Pemex Gas y Petroquimica Basica, or Pemex, in the fourth quarter. During 2003, approximately 155,000 tons of production was lost due to a strike. Average selling prices also increased by 9% during the year due to strength of the metallics market.

Sidbec s performance was affected by the appreciation of the Canadian dollar by 12%, weak market conditions in North America and U.S. tariffs. In Canadian dollars, average prices declined by 8% due to an unfavorable mix of products. Weaker sales of finished products and higher sales of semi-finished products, namely slabs and billets, reduced the average price realization in 2003. The United States is the main export market for wire rods and these sales were adversely affected by the strength of the Canadian dollar and U.S. tariffs.

Net Sales at CIL increased by 17% compared to 2002 primarily due to higher sales of wire rods and billets. Billet sales benefited from a strong overseas demand led by a tight market for metallics. Average billet prices increased by 19% and shipments increased by 171%. CIL s billet shipments and prices benefited from the strong demand for metallics in China. Wire rod sales increased by 8% due to a 10% increase in average prices, offset by a decline in shipments by 2% due to the weak market in the United States and the impact of tariffs. Wire rod prices improved primarily due to a better geographic mix.

IEG s Net Sales increased by 15% compared to 2002 mainly due to the translation effect of the appreciation of the Euro in 2003. The Euro appreciated by 20% against the U.S. dollar in 2003. Average selling prices increased by approximately 5% in Euros and by 26% in U.S. dollar terms. Shipments declined by 10% due to weak market conditions during 2003.

Cost of Sales and Cost Per Ton. Cost per ton at Inland increased by 9% in 2003 over the prior year. Higher costs were incurred for natural gas, scrap, pension costs and higher absorption of fixed costs due to lower production. Natural gas cost, which is largely driven by spot market gas prices in North America, increased by 90% from 2002 levels. Average cost of scrap increased by 28% in 2003 due to strong export demand for scrap from China. Inland s average cost was also affected by the purchase of slabs during the reline of Blast Furnace No. 7, which increased overall cost of sales by $53 million, based on management estimates. Lower production was largely due to the reline of Blast Furnace No. 7 for 77 days in 2003.

Imexsa s cost per ton increased in 2003 by 9% over the prior year due to higher prices of natural gas, electricity and pellet feed. Natural gas prices at Imexsa increased by 9% due to strong demand in North America. Increases in natural gas prices were mitigated to some extent through gas hedges. Pellet feed costs increased due to higher prices and higher ocean freight costs. Higher labor costs under a new wage agreement also contributed to an increase in the cost per ton.

Cost per ton at Sidbec increased in 2003 by 13% mainly due to higher scrap, natural gas and direct reduced iron prices combined with the appreciation in the Canadian dollar by 12%. Scrap prices increased by 37% at Sidbec due to the strength of the Canadian dollar and shortage of scrap in North America, which increased scrap prices. Natural gas costs increased by 32% due to higher natural gas prices.

CIL s cost per ton for direct reduced iron increased by 8% in 2003 mainly due to a 15% increase in iron ore prices. Cost per ton of steel was flat, as increases in metallics cost and higher absorption of fixed costs were offset by improved yield and lower costs of billets used in wire rods. Wire rod production was lower due to weaker demand and temporary shutdown for plant improvements to increase the efficiency of the wire rod plant.

Cost per ton at IEG increased in 2003 by 27% over the prior year, in U.S. dollars terms due to the weakening of the U.S. dollar, increase in iron ore prices, increase in scrap prices, higher energy costs and higher absorption of fixed costs due to lower shipments. In Euro terms, the cost per ton increased by 6% primarily due to an 18% increase in scrap prices and a 6% increase in electricity prices.

Gross Profit. Overall gross profit (sales less cost of sales, excluding depreciation) declined by 7% and gross margin (gross profit divided by Net Sales) declined to 9.6% (2002: 11.5%).[1] Increases in average selling price were only 7% compared to increase in the average cost per ton of 10%, which reduced the overall gross margins. The comparative numbers of gross margin at Ispat International s operating subsidiaries were as follows:

(Subsidiary)	Gross Margin (%)	
	2003	2002
Inland	5.6	9.8
Imexsa	14.7	14.9
Sidbec	5.3	13.9
CIL	20.2	13.8
IEG	9.2	10.0

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased in 2003, by 8% mainly due to the appreciation of the Euro and the Canadian dollar against the U.S. dollar. In local currency terms, these expenses were lower than 2002.

Other Operating Expenses. Other operating expenses in 2002 related to $39 million towards the write-off of Empire Mine investments and $23 million towards an impairment loss on the 2A Bloomer and 21 Bar mill. These costs were absent in 2003. See Note 13 to our Consolidated Financial Statements.

Operating Income. Comparative numbers of operating income and operating margin at Ispat International s operating subsidiaries were as follows:

(Subsidiary)	Operating Income/ (Loss)		Operating Margin	
	2003	2002	2003	2002
	($ Millions)		(%)	
Inland	(4)	33*	(0.2)	1.2
Imexsa	84	61	9.8	9.4
Sidbec	(6)	41	(1.2)	7.7
CIL	51	18	13.4	5.6
IEG	27	31	2.1	2.7

* After write down of $62 million towards Empire Mine and 2A Bloomer and 21 Bar Mill

After adjusting for other operating expenses, adjusted operating income reduced by 26% during 2003. Management believes that adjusted operating income is a useful indicator of the underlying trend in operating income. These items represent items relating to impairment of fixed assets, write off of investments and closure of a subsidiary in 2001. The inclusion of these items in operating income does not reflect the true underlying trend of operating income. See ISPAT INTERNATIONAL SELECTED HISTORICAL

[1] Management believes that gross margin provides useful management information as a measure of gross profit over net sales.

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FINANCIAL DATA, footnote 2 on page 21, and Note 13 to our Consolidated Financial Statements. A reconciliation of reported operating income with adjusted operating income is summarized below:

	2003	2002	2001
		(All amounts in $ millions)	
Reported Operating Income	151	142	(194)
Add: Other Operating Expenses		62	75
Adjusted Operating Income	151	204	(119)
Adjusted Operating Margin as a percentage of gross sales	2.8%	4.2%	(2.7)%

Other Income/(Expense). Other income was higher by $9 million, or 20%, during 2003. This increase was mainly due to the following one-time items:

On September 15, 2003, Inland entered into a settlement agreement with Ryerson Tull, pursuant to which Ryerson Tull paid Inland $21 million to release Ryerson Tull from various environmental and other indemnification obligations arising out of the sale by Ryerson Tull of Inland to Ispat International in 1998. The $21 million received from Ryerson Tull was paid into Inland s pension plan, and went to reduce the amount of a Ryerson Tull guaranty/letter of credit provided to the PBGC upon the sale of Inland. Inland also agreed with Ryerson Tull to, among other things, make specified monthly contributions to Inland s pension plan totaling $29 million over the 12-month period beginning January 2004, thereby eliminating, by the end of such year, the obligation of Ryerson Tull to provide the continuing guaranty and letter of credit to the PBGC, which guaranty/letter of credit Inland had previously committed to take all necessary action to eliminate. On September 15, 2004, Inland contributed the remaining $29 million. In addition, Inland committed to reimburse Ryerson Tull for the cost of the letter of credit to the PBGC, and to give Ryerson Tull one-third of any proceeds that may become payable in connection with the NRDA settlement under an environmental insurance policy.

Ispat International s facilities in Duisburg, Germany had land in excess of current and future requirements. This surplus land was sold in 2003 resulting in a gain of $3 million, which was recognized as Other income.

During the first quarter of 2003, Ispat International purchased $25 million ($39 million in first quarter of 2002) of its own bonds at discounts from face value. As a result of these purchases, Ispat International recognized a gain of $14 million ($19 million net of tax in 2002) in Other income. In accordance with SFAS 145 by Ispat International as at January 1, 2003, gain or loss on extinguishments of debt that was previously classified as an extraordinary item in prior periods was reclassified and included within Other (income) expense, net on Ispat International s income statement.

Other components of Other income include (i) higher profits from joint ventures; (ii) income from royalties for the use of the Ispat International trademark; and (iii) income from management services. For further details see Note 6 to our Consolidated Financial Statements.

Financing Costs. Net interest expense (interest expenses less interest income) was 26% lower in 2003 at $151 million. Interest expense decreased as a result of lower average borrowings and lower interest rates, which reduced borrowing costs.

Net Gain or Loss from Foreign Exchange. Ispat International uses U.S. dollars as its reporting currency. Movements in the exchange rates of the currencies of the countries in which Ispat International has operations versus the U.S. dollar have an impact on the earnings of Ispat International. Such exchange rate movements, however, affect both revenues and costs.

At Ispat International s Canadian operating subsidiary, there is a U.S. dollar denominated term loan with an outstanding balance at December 31, 2003 of $236 million related to the acquisition of Inland. Movements in the Canadian dollar/ U.S. dollar exchange rates result in foreign exchange gains and losses at the subsidiary level, however, these are eliminated on consolidation.

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At IEG and the Trinidadian operating subsidiary, the net impact of exchange rate movements is not significant.

At the Mexican operating subsidiary, exchange rate movements have an impact on earnings arising from (i) translation of certain Peso denominated liabilities, primarily deferred tax; (ii) the impact on local currency cost items; and (iii) tax credits or expense arising from translation of the U.S. dollar denominated monetary liabilities. In 2003, Imexsa recorded an exchange gain of $6 million compared to $24 million in 2002. This was mainly due to the lower depreciation of the Peso against the U.S. dollar. In 2002, the Peso depreciated by 14% against the U.S. dollar, as compared to 8% in 2003.

Income Tax. Ispat International recorded a current tax expense of $22 million in 2003 ($18 million in 2002). Apart from the normal tax on profits, Ispat International s current tax expenses increased due to certain additional non-cash provisions made at Inland. In 2002, the deferred tax benefit was higher due to the exchange loss on dollar denominated net monetary liabilities arising from depreciation of the currency during the year at Imexsa. In 2003, this benefit was significantly lower at Imexsa.

Effect of Change in Accounting Principle. Ispat International adopted the provisions of SFAS 143, Accounting for Asset Retirement Obligations, from January 1, 2003. Based on analysis Ispat International has performed, it has been determined that the assets for which an asset retirement obligation must be recorded are Ispat International s Minorca Mine, a subsidiary of Inland, and a property in Hamburg. The cumulative impact of adopting SFAS 143 on January 1, 2003, is an increase in assets and liabilities of $9 million and $19 million, respectively. At IEG, there was a provision of $11 million for retirement obligations on the same asset but not calculated in accordance with the provisions of SFAS 143. Since this provision was no longer required, it was reversed. Accordingly, a cumulative post-tax gain of $1 million is reflected on the Consolidated Statement of Income as a Cumulative Effect of Change in Accounting Principle.

Year Ended December 31, 2002 compared to Year Ended December 31, 2001

In 2002, Ispat International s sales volumes and selling prices increased by 7% and 6%, respectively, compared to 2001. Operating income in 2002 was $142 million as compared to an operating loss of $194 million in 2001. Net income for 2002 was $49 million as against net loss of $312 million for 2001.

Revenue. Sales increased by 9% from $4,486 million in 2001 to $4,889 million in 2002. Total steel shipments increased by 7% from 14.1 million tons to 15.0 million tons. Net Sales also went up during the same period from $4,278 million to $4,646 million, an increase of 9%. Please refer to ISPAT INTERNATIONAL SELECTED HISTORICAL FINANCIAL DATA beginning on page 20 for reconciliation between Sales and Net Sales.

Ispat International uses Net Sales numbers for managing its business. All the analyses presented here onwards are based on Net Sales numbers.

All the North American subsidiaries achieved improvements both in volume and average selling prices due to general improvements in the market conditions. At IEG, Net Sales in U.S. dollars were higher due to appreciation of the Euro by 6% during the same period whereas steel shipments remained flat and average selling prices in Euros were marginally lower.

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The following table gives a summary of key sales numbers:

Subsidiary	Net Sales(1) 2002	Net Sales(1) 2001	Change in Net Sales %	Change in Shipments %	Change in Average Selling Price %
	($ millions)	($ millions)			
Inland	2,223	2,008	11	6	5
Imexsa	649	470	38	18	18
Sidbec	534	463	15	7	7
CIL Steel	183	156	17	13	3
CIL Direct reduced iron	138	128	8	1	7
IEG	1,129	1,070	5	1	(1)*

* For IEG the percentage change is based on Euro selling prices.

(1) Net Sales numbers are stand-alone for certain operating subsidiaries and include inter-company shipments.

At Inland, the 5% increase in selling prices was primarily due to an improvement in the spot market prices and certain contract sales, that were negotiated in the second half of 2002 as well as better product mix.

At Imexsa, shipments increased by 18% in spite of loss of production in the fourth quarter of 2002 caused by natural gas supply disruption following an explosion at the supplier s premises. Additionally, there was an 18% increase in selling prices primarily due to improved market conditions for slabs, mainly in the United States market, helped in part by the favorable Section 201 trade ruling.

At Sidbec, the 7% increase in shipments and the 7% increase in selling prices were primarily due to general improvement in the North American market environment following the Section 201 ruling in the United States.

At CIL, steel shipments in 2002 were higher by 13% as compared to 2001. This, however, was primarily due to the fact that shipments in 2001 were partly impacted by the caster project implementation in the fourth quarter. Direct reduced iron shipments were marginally higher in spite of being negatively impacted by non-availability of ships due to the prolonged general strike in Venezuela in the fourth quarter of 2002. This impact was offset in part by higher selling prices primarily due to better market conditions.

At IEG, Net Sales in U.S. dollars were higher due to appreciation of the Euro against the U.S. dollar by 6% during the same period whereas steel shipments remained flat and average selling prices in Euros were marginally lower.

Costs. Ispat International s focus on cost reductions continued in 2002, resulting in cost savings of $125 million. However, there were increases in the prices of key metallic inputs such as iron ore and scrap, resulting in a lower net cost reduction.

At Inland, costs were lower excluding the negative impact of $62 million from two one-time items as discussed below. This was due to the benefits of ongoing cost saving efforts offset in part by increased prices of metallics.

At Imexsa, costs were marginally lower due to increased production offset in part by higher metallic prices.

At Sidbec, cost increased primarily due to increased cost of metallic inputs offset in part by better raw material input mix and ongoing cost reduction effort.

At CIL, cost of steel decreased primarily due to increased production as against the previous year. Direct reduced iron cost decreased mainly due to better ore mix offset in part by higher costs.

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At IEG, costs continued to be negatively impacted by increases in the prices of scrap. Other increases include wage increases as per collective agreements. These cost increases were partly mitigated by ongoing cost saving efforts.

The selling, general and administrative expenses were marginally lower, in spite of higher levels of operations.

Gross Profit and Operating Income. Ispat International improved in both gross profit (sales less cost of sales, exclusive of depreciation) and operating income as a result of continuous cost reduction efforts as well as marginal increase in selling prices. Gross profit increased by 150% from $213 million to $533 million. There was an operating income of $142 million in 2002 as compared with an operating loss of $194 million in 2001.

The gross profit margin (gross profit as a % of Net Sales) improved from 5.0% to 11.5%, mainly due to improvements at the North American subsidiaries offset in part by reduction in IEG. The operating margin (operating income as a % of Net Sales) was positive at 3.0% as against negative at 4.5% in 2001.

The comparative numbers of gross profit margin at Ispat International s operating subsidiaries were as follows:

	Gross Profit Margin (%)	
(Subsidiary)	**2002**	**2001**
Inland	10.0	0.5
Imexsa	14.9	3.7
Sidbec	13.9	9.0
CIL	13.8	4.7
IEG	10.0	11.3

Comparative numbers of operating income and operating margin at Ispat International s operating subsidiaries were as follows:

	Operating Income		Operating Margin	
(Subsidiary)	**2002**	**2001**	**2002**	**2001**
	($ millions)		(%)	
Inland	33(1)	(127)(2)	1.5	(6.3)
Imexsa	61	(18)	9.4	(3.8)
Sidbec	41	5	7.7	1.1
CIL	18	(11)	5.6	(3.8)
IEG	31	38	2.7	3.6

(1) After write down of $62 million towards Empire Mine and 2A Bloomer and 21 Bar Mill.

(2) After including $38 million towards certain one-time items. (Reference is made to the subsection on One-Time Items (Expense) Income, below).

Other operating expenses during the year were $62 million as against $75 million in the previous year. (Reference is made to the subsection on One-Time Items (Expense) Income, below).

Financing Costs. Net interest expense (interest expenses less interest income) was $203 million in 2002 compared to $228 million in 2001. The decrease in interest expense was primarily due to the following reasons:

interest expense in the fourth quarter of 2001 was higher due to inclusion of non-cash expenses of $15 million in accordance with SFAS No. 133, from marking to market value, in an interest hedge contract;

savings in interest cost on floating rate debt due to a fall in the London Interbank Offered Rate, or LIBOR; and

reduction of debt.

This decrease was offset in part by debt restructuring costs at Imexsa.

Impact of Exchange Rate Movements. Ispat International uses U.S. dollars as its reporting currency and has major steel manufacturing operations in six countries, including the United States. Movements in the exchange rates of the currencies of the countries in which it has operations versus the U.S. dollar could normally be expected to have an impact on the earnings of Ispat International. Such exchange rate movements, however, affect both revenues and costs. At Ispat International s Canadian, European and Trinidadian subsidiaries, the net impact of exchange rate movements is not significant. At the Mexican subsidiary, exchange rate movements have an impact on earnings arising from (i) translation of certain Peso denominated liabilities, primarily deferred tax; (ii) the impact on local currency cost items; and (iii) tax credits or expense arising from translation of the U.S. denominated monetary liabilities. In 2002, there was a gain from foreign exchange of $23 million and a Deferred Tax Credit of $56 million.

One-Time Items (Expense) Income. Ispat International recorded the following one-time items (all amounts in $ millions):

Item Description	2002	2001	Included in
Slab reheating furnace start-up costs		(28)	Cost of Sales
Workforce restructuring provision		(18)	Cost of Sales
Credit for settlement of lawsuit		8	Cost of Sales
Write down in value of e-commerce software		(17)	Other operating expenses
Impairment loss on ocean-going vessels		(22)	Other operating expenses
Provision for arbitration related to scrap supply contract		(19)	Other operating expenses
Irish Ispat Closure		(17)	Other operating expenses
Write-off of investments in e-commerce activities		(19)	Other income/ (expense)
Write-down of 2A Bloomer and 21 Bar Mill	(23)		Other operating expenses
Write-down in investments of Empire Mine	(39)		Other operating expenses
Gain on sale of assets by pipe making subsidiary in Mexico	7		Other income/ (expense)
	(62)	(132)	

During 2002, Ispat International recognized impairment of its idled 2A Bloomer and 21 Bar Mill at Inland, resulting in an asset write-off of $23 million. In the case of the 2A Bloomer, Inland conducted a FAS 144 impairment test based on the comparative costs of the two alternatives of (i) using the Bloomer to produce billets and purchase additional slabs and (ii) idle the Bloomer and purchase billets instead. It was determined, following the above comparative evaluation and based on current and expected market conditions for semi-finished steel, that it would not be economical to operate the 2A Bloomer.

In the case of the 21 Bar Mill, Inland took into account the fact that, arising from recent developments in the market, its competitive position has been adversely affected. Inland determined, considering this and other factors, that the continued operation of the 21 Bar Mill will not generate positive long-term cash flow.

Inland also recognized the write-off of its investment in the Empire Mine. The amount of the write-off was $39 million. The write-off was based on the determination, following a FAS 144 impairment test, which was performed taking into account the negative and deteriorating financial performance over the last two years as well as the terms of the recently concluded sale of part of its interest in the Mine, that its investment in the Mine was impaired and the fair value of the investment was $1.

Imexsa recorded a gain of $7 million, representing its share of the profit arising from the sale of assets of its 51%-owned pipe making subsidiary.

During 2002, the U.S. operating subsidiary purchased $39 million bonds at discounts from face value. As a result of these early redemptions, the U.S. operating subsidiary recognized an extraordinary gain of $30 million. This gain after tax was $19 million.

NOTE: In accordance with SFAS 145 by Ispat International as of January 1, 2003, gain or loss on extinguishments of debt that was previously classified as an extraordinary item in prior periods was reclassified and included within Other (income) expense, net on Ispat International s income statement.

Income Tax. Ispat International recorded a current tax expense of $18 million ($8 million in 2001) in 2002 primarily due to inclusion of certain tax payments at Imexsa arising as a result of the 1999 reforms of the Mexican Tax Code s Consolidation Regime.

There was a deferred tax benefit of $72 million in 2002 (benefit of $114 million in 2001). The deferred tax benefit was primarily due to the exchange loss on the U.S. dollar denominated net monetary liabilities arising from depreciation of the currency during the year in Mexico as well as losses at Inland due to non-cash write down as discussed above.

Net Income. There was a net income of $49 million in 2002 compared to a net loss of $312 million in 2001 due to the reasons discussed before. The 2002 net income included an extraordinary gain of $19 million after tax arising out of repurchase of debt at a discount at Inland as mentioned before.

Liquidity and Capital Resources

Nine Months Ended September 30, 2004 compared to Nine Months Ended September 30, 2003

Ispat International s principal sources of liquidity are cash generated from its operations and various working capital credit lines at its operating subsidiaries. Cash generation and the ability to access funds and credit lines are critical to the future operations of Ispat International.

Cash and cash equivalents at Ispat International increased by $99 million to $170 million as at September 30, 2004, compared to $71 million as at September 30, 2003, due to higher cash flow from operations.

As at September 30, 2004, Ispat International s total external debt, which includes both long-term debt and short-term debt, was $1.8 billion, compared to $2.3 billion as at September 30, 2003. Most of Ispat International s external debt is secured by liens on specified assets of certain of its operating subsidiaries and carries interest rates at varying levels based on a combination of fixed and variable interest rates. Under most of the loan agreements, its operating subsidiaries are required to comply with certain financial covenants. As at September 30, 2004, Ispat International s operating subsidiaries were in compliance with all such covenants. Approximately $1.2 billion of Ispat International s total external debt is guaranteed by Ispat International. Ispat International has been able to decrease its total debt largely by prepaying long-term debt at its operating subsidiaries. As a result, total debt has decreased by $514 million to $1,764 million as at September 30, 2004, compared to debt reduction of $20 million to $2,292 million as at September 30, 2003.

Sources and Use of Cash. Ispat International s principal sources of liquidity are cash generated from operations and various working capital credit lines at its operating subsidiaries. A summary of the cash flow is given below.

	Cash Flow	
	As at September 30,	
	2004	2003
	($ millions)	
Net cash provided from operating activities	686	113

Net cash used in investing activities	(37)	(94)
Net cash used by financing activities	(559)	(29)

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Net Cash provided from Operating Activities. Cash flow from operating activities at Ispat International increased by $573 million to $686 million for the nine months ended September 30, 2004, compared to $113 million for the nine months ended September 30, 2003, due to higher cash flow from net income, which offset increases in working capital. Net working capital (defined as Accounts Receivable plus Inventories plus Current Assets minus Trade Accounts Payable minus Accrued Expenses) at Ispat International increased by $501 million for the nine months ended September 30, 2004, as compared to $112 million for the nine months ended September 30, 2003, due to an increase in accounts receivable and inventories, resulting from an increase in sales and average selling price.

Net Cash used by Investing Activities. Net cash used in investing activities at Ispat International decreased by $57 million to $37 million for the nine months ended September 30, 2004, as compared to $94 million for the nine months ended September 30, 2003. For the nine months ended September 30, 2003, Ispat International spent $77 million on the reline of Blast Furnace No. 7 at Inland, resulting in an increase in net cash used in investing activities. For the nine months ended September 30, 2004, Ispat International spent $13.6 million on the Ruhrstahl Heraeus Top Lance plant at Imexsa.

Net Cash used by Financing Activities. Net cash used by financing activities at Ispat International was $559 million for the nine months ended September 30, 2004, as compared to $29 million for the nine months ended September 30, 2003. During the nine months ended September 30, 2004, Ispat International reduced borrowing by $514 million by utilizing operating cash generated to reduce debt.

Working Capital Facilities. The following table gives details on our working capital facilities at our main operating subsidiaries:

	Limit		**Utilization**		**Availability**	
	As of September 30,		**As of September 30,**		**As of September 30,**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
	(All amounts in $ millions)					
Inland, Sidbec	519	503	200	357	319	147
IEG	106	70	31	58	74	13
Other Subsidiaries	55	71	36	66	19	6

Debt. The total external debt, both long- and short-term, of Ispat International was $1,262 million as at September 30, 2004, compared to $1,445 million as at September 30, 2003. The following table gives details of the outstanding debt at our main operating subsidiaries:

	Long-Term Debt		**Payable to Bank**		**Current Portion of Long-Term Debt**		**Total Debt**	
	As at September 30,		**As at September 30,**		**As at September 30,**		**As at September 30,**	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
	(All amounts in $ millions)							
Inland, Sidbec	1136	1254	124	65	1	127	1262	1445
IEG	116	128	31	58	1	1	148	187
Other Subsidiaries	118	519	41	74	50	67	355	659

On March 25, 2004, Inland received $775.5 million of net proceeds from the issuance and sale of $800 million of Senior Secured Notes. These net proceeds were used to retire the entire balance outstanding of $661.5 million of Tranche B and Tranche C Loans under Inland s credit agreement, and to repay the entire balance outstanding of $105 million under its inventory revolving credit facility, with the remainder of the proceeds used to reduce the amount outstanding under its receivables revolving credit facility.

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Receivables Factoring. In addition to the credit facilities listed above, certain of Ispat International s main operating subsidiaries were parties to receivables factoring. The following table gives details of our receivables factoring at our main operating subsidiaries:

	Limit		Utilization		Availability	
	As at September 30,		As at September 30,		As at September 30,	
	2004	2003	2004	2003	2004	2003
	(All amounts in $ millions)					
Inland, Sidbec	0	0	0	0	0	0
IEG	261	245	148	134	112	111
Other Subsidiaries	0	0	0	0	0	0

Year Ended December 31, 2003 compared to Year Ended December 31, 2002

Ispat International s principal sources of liquidity are cash generated from operations and various working capital credit lines at its operating subsidiaries. A summary of the cash flow is given below.

	2001 Restated(1)	2002 Restated(1)	2003