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2006073237 24 JUL 2006

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Registro de Auditorias
Nº 9586

Date	From	Reference
April 7, 2006	E.R. Termaten RA	OML/3100115524/op9989

Auditors' report

Introduction

We have audited the financial statements of Mittal Steel Company N.V., Rotterdam, for the year ended December 31, 2005, as set out on pages 21 to 93. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent possible that the annual report is consistent with the consolidated financial statements.

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Opinion with respect to the company financial statements

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Rotterdam April 7, 2006

Deloitte Accountants B.V.

E.R. Termaten RA

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BOARD REPORT

Introduction

The consolidation process, which began in 2004 continued in 2005 as well, with the completion of the merger with International Steel Group (ISG) on April 15, 2005 and the acquisition of Ukraine's leading steel maker Kryvorizstal on November 26, 2005. The merger with ISG established Mittal Steel not only as the largest steel producer, but also as the premier producer and supplier of high quality steel for the auto and appliance industry. We are pleased to report that the integration of ISG with Mittal Steel was smoothly and efficiently carried out by our competent management team and the synergies that were identified at the time of the merger were successfully realized within a short period of time.

The operating results of the company during 2005 have been well in line with the expectations. Despite continuous and significant increase in input prices particularly with respect to iron ore and natural gas, and the softening of the steel market, the Company has been able to produce impressive results, with sales of $28.1 billion, operating income of $4.7 billion and a net income of $3.4 billion.

The Company has consistently followed a strategy of achieving self-sufficiency in raw materials. As part of this strategy, a number of initiatives were taken up during the year 2005. We are increasing iron ore mining in Mexico, which includes several new sites and stepping up production in existing mines in Ukraine, Kazakhstan and Bosnia.

Mittal Steel firmly believes in creating sustainable future for the steel industry through consolidation. In line with this philosophy we have made an open bid for Arcelor, the second largest steel company.

Looking ahead, there are many challenges for both Mittal Steel and the steel industry in 2006. In terms of global steel market dynamics, we expect a stable demand/supply environment in 2006. However, we expect continued pressure in cost due to rising input prices and we also expect selling prices to reflect this factor appropriately.

Regional overview

Americas

Mittal Steel's operations in the Americas are located in the United States, Canada, Mexico and Trinidad.

Sales in the Americas region were higher at $12.5 billion for 2005, as compared with $6.6 billion for 2004. Total steel shipments in the Americas region increased to 20.5 million tons for 2005, as compared with 12.1 million tons for 2004. In the Americas region, average selling price increased by 18 % in 2005 as compared with 2004.

The efficiency of Mittal Steel's operations in the Americas is reflected in the fact that its operating margin is the highest among comparable peer group companies. The operations in Mexico, Canada and Trinidad have led the way with the production and use of direct reduced iron (DRI), playing a large role in the Group's drive to combine a high quality product mix with a competitive and flexible cost base. DRI production for the year amounted to 8.3 million tonnes a year.

Mittal Steel's operations in the Americas offer a diverse portfolio of high value products, serving a blue chip list of customers. With award-winning research, they have been at the forefront of new product developments for the automotive industry in particular.

Following the merger with International Steel Group, Mittal Steel is now the largest steel producer in the United States and Americas.

Europe

With operations in Ukraine, Poland, Czech Republic, Romania France, Germany, Bosnia, and Macedonia, Mittal Steel is Europe's second largest steel producer. The operations during 2005 were more or less stable compared to 2004, with total shipment registering a marginal decline from 18.0 million tons to 17.2 million tons and sales dropping from $9.9 billion to $9.8 billion. The average selling price, however, showed an increased by 6 %.

Among the highlights of last year was the acquisition of Kryvorizstal (since renamed Mittal Steel Kryviy Rih) on November 26, 2005. Mittal Steel acquired a 93 % stake in Kryvorizstal, the largest carbon steel long products producer in Ukraine and the nearby region, and associated iron ore and coal mining assets from the State Property Fund of Ukraine following a public auction for a total consideration of approximately $4.9 billion. The transaction was financed from Mittal Steel's own cash resources and the 2005 Bridge Finance Facility arranged through a consortium of banks. For the full year 2005, Kryvorizstal had a liquid steel production of 7.6 million tons, and shipments of 6.8 million tons, and produced 17.6 million tonnes of iron ore. Mittal Steel expects to achieve at least $200 million of synergies through implementing improvements to the sales and marketing and procurement divisions.

Mittal Steel plans to invest at least $500 million at Kryvorizstal over the next five years, as per the Agreement for Sale and Purchase of Shares dated October 28, 2005, which includes certain innovation, investment and environment related undertakings. Mittal Steel Kryviy Rih also has certain labor obligations relating to the preservation of headcount and average wages.

In September 2005, Mittal Steel acquired a majority stake in Romportmet, a port facility located in Galati, Romania. The shareholding has subsequently increased to 94 %.

Asia & Africa

Mittal Steel has operations in Kazakhstan, South Africa and Algeria. The highlight in the region was our investment in September 2005 in Hunan Valin Steel Tube and Wire Co in China. We now hold 29 % of shareholding in the company on par with the province of Hunan with the remaining shares being held by other investors. The shares are listed in Shenzen stock exchange. Hunan Valin is the largest steel producer in Hunan province and among the top ten in China.

In the Asia & Africa region, sales increased to $7.7 billion for 2005 as compared with $6.1 billion for 2004. Shipments increased to 11.5 million tons for 2005 as compared with 8.5 million tons for 2004. The average selling price increased by 3 % for 2005 as compared to 2004.

The Asia & Africa operations are among the lowest cost, highest margin steel producers in the world with a highly diversified product and customer mix and enjoying substantial access to captive raw materials.

Markets and products

Mittal Steel's marketing strategy focuses on optimizing product mix, reliable product quality and efficient customer service.

With the support of Mittal Steel's research centers, we work with our customers on product development to meet their present and future requirements while utilizing Mittal Steel's 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 majority of Mittal Steel's products are sold directly to customers through our own sales force. A portion is sold through intermediate international traders.

Mittal Steel's international sales network sold steel products into over 150 countries during 2005. The bulk of these sales were done through sales offices located at the various production facilities. In addition to the local sales offices, Mittal Steel has 8 country offices in Europe, 5 country offices in China and elsewhere in Asia, and offices in the Middle East, Turkey and the CIS. Export sales from the various production facilities are largely done via three international sales networks.

Capital investment

Conscious of the capital intensity of the steel industry, Mittal Steel practices disciplined capital management. It has a history of making prudent and focused capital investments to enable operational improvements and to move up the value chain. This investment represents a commitment to maintaining its existing asset base at a competitive level of productivity and quality while growing capabilities in important geographic and market segments. Mittal Steel's capital expenditures in 2005 were $1,181 million as compared to $837 million in 2004.

Today, capital expenditure at Mittal Steel typically falls into two categories. First there is sustaining maintenance capital expenditure to maintain the capabilities of existing facilities. To ensure capital discipline, Mittal Steel uses certain formulae, which is time tested and transparent and efficient. This motivates management to ensure that internal operating practices are optimised

Second, there are major capital projects to expand capacity or add value to existing assets. New capital projects taken up in 2005 included reconstructing a pickling line, rebuilding a coke oven battery and reconstructing and modernising a blast furnace in Galati; rebuilding a coke oven battery and installing pulverized coal injection in South Africa; modernising a hot strip mill and wire rod mill, installation of a continuous caster and colour coating line in Poland; and installing the second continuous slab caster, a new coke oven battery and colour coating line in Temirtau. A part of such capital expenditure is in accordance with sale purchase agreement in acquisitions, particularly in Europe.

Capital investment is planned to increase further in 2006. Major new projects include a Corex reline, coke battery re-commissioning and blast furnace reline and expansion in South Africa, installation of a new bar mill in Temirtau, and a new pipe mill in Kazakhstan. These projects will enable Mittal Steel to capture growth opportunities in these markets. Concurrently, Mittal Steel USA is continuing an investment programme to maintain its competitiveness in the world's most demanding value-added market. These investments include the conversion of a continuous annealing facility to an automotive coating line in Cleveland, the upgrade of a HDG line, and upgrading the ladle treatment and casting facilities at Burns Harbour.

Continuous improvement

Continuous improvement is one of the fundamental tenets of the Mittal Steel management approach – and this drive for improvement has played a large part in ensuring the success of the Company. It is supported through the work of a dedicated continuous improvement team at the corporate level and in a knowledge management programme that seeks to build and share knowledge and skills throughout the Group.

The continuous improvement programme supports local business unit management to identify high potential areas on which to focus additional efforts and resource in order to accelerate improvement in performance. Once the priorities are determined, multifunctional teams are formed at the local level, supported by corporate continuous improvement managers, to gather and analyse key operational data, benchmark data, develop improvement plans and manage implementation. During this process, these teams will also draw on relevant technical and functional expertise available within the global Mittal Steel group.

In leading and supporting this problem-solving work, the continuous improvement programme helps build local management capabilities in planning and problem solving methodologies. As these skills are developed, local managers of improvement are appointed to continue to work with departmental teams on performance improvement initiatives.

Mittal Steel believes that savings from continuous improvements are substantial in the form of Process improvements and yield gains, savings on raw materials and energy consumption and Productivity gains.

In 2005, the continuous improvement programme focused much of its attention on productivity improvements and the removal of bottlenecks that were restricting output. It completed major projects at four Mittal Steel companies and started projects at three others.

Knowledge sharing has been an integral part of Mittal Steel's management philosophy and approach since the time of its first acquisition. The Company implements a Knowledge Management Program ("KMP"), which aims to develop, share and utilize the knowledge and experience of Mittal Steel management and employees in order to accelerate improvement in business performance. This programme covers all key functional areas such as procurement, finance, health and safety, and marketing, as well as the main steel producing and processing steps. The KMP includes detailed benchmarking, technical meetings, and inter-plant expert and operational support to drive improvement. It allows each business unit to benefit from the scale and reach of Mittal Steel's global presence and to have access to the best practices and expertise in the Company. Mittal Steel believes the KMP provides a differentiating advantage to its performance by contributing to reduced procurement and conversion costs and enhanced productivity and profitability.

Human resource development

Mittal Steel had approximately 224,000 employees as of December 31, 2005. It is the Company's conviction that the people in the organisation make up the heart of the Mittal Steel and it is only by stimulating and harnessing the talents of each and every individual towards the common goals of the business that success will be created. The bringing together of teams of people with diverse backgrounds, skills and abilities is what has made Mittal Steel distinctive and extremely successful.

Mittal Steel is making significant progress on building a credible and effective development plan for its management group, over and above the established skills and development training already in place within the individual business units. Skill training is an integral part of the accountability of the local business unit, but is enhanced by transferring best practice and learning opportunities between the production units. Development of the overall Mittal Steel leadership is coordinated at corporate level.

Mittal Steel's approach towards Training & Development is based on developing leaders who can operate in a continuously expanding Global market with increasing scope and complexity. The development of leaders within the organisation is considered absolutely fundamental to the further growth and development of the business.

The Global Executive Development Process, initiated in 1999, is designed to build and develop Mittal Steel's pool of management talent by enhancing the skills and leadership qualities of top performers and enabling them to achieve their maximum potential through opportunities for professional and personal development.

The programme is underpinned by an annual management evaluation process that maps competencies across the organisation so that successive levels of leaders can be identified and developed. Over a thousand managers have been profiled so that opportunities can be found within the Group that match the individuals' strengths and specific areas can be identified for both their personal growth and to strengthen the Group as a whole.

Developing emerging talent has also been another focus area within the Group in 2005. Increased numbers of potential leaders in technical and commercial functions underwent performance evaluation and have been identified for specific high-profile assignments within their business unit to assess their suitability for more senior roles.

To ensure a focus on integrity and good business principle, Mittal Steel has a Code of Conduct that is applicable to all senior managers within the Company. The Code has clear rules and guidance on ethics, behaviour, confidentiality and equal treatment. The Equal Opportunity policy is an integral part of the Code of Conduct.

Overall, the initiatives now in place provide a mechanism for continuously identifying, motivating, developing and retaining talented entrepreneurial managers – and facilitating a culture of excellence within Mittal Steel.

Technology and innovation

Mittal Steel has strong R&D expertise in both product development and manufacturing processes. Mittal Steel operates two primary research and development centers. One, located in East Chicago in the U.S., focuses on steel-making and flat products and is recognized throughout the industry for developing advanced high-strength steels for the automotive business and innovative products for the appliance and electric motor industries. Its Ultra High Strength Steels (UHSS) and Advanced High Strength Steels (AHSS) help automakers, appliance makers, and other manufacturers keep costs down. The other, in Gandrange, France, focuses on long products. The centers' activities include process technology development, the development of steels with special properties, and product research and application development. In long products, recently completed projects include the development of micro-alloyed steel for truck crankshafts (which offer high torsional fatigue strength) and high-strength, low-carbon bainitic steel of >1000 MPa for tyre cord applications. Mittal Steel is recognized as a leader in spring steels for sophisticated applications such as automotive suspensions. In addition to product R&D, Mittal Steel focuses significantly on manufacturing process improvements that increase productivity, for example in DRI and in coal blending for coke making, and energy efficiency. Mittal Steel employs around 200 employees in these R&D centers. This number, however, does not include over 300 researchers concentrated in the R&D departments of the individual companies. Additional production and technical personnel devote part of their time to R&D activities.

Corporate sustainability

In 2006 sustainable development will continue to lie at the heart of the Company's strategy and vision, ensuring that Mittal Steel works to maximise value for all parties involved. Mittal Steel's sustainability strategy will focus on Environment, Health & safety and Corporate social responsibility.

Environment

The Company's operations are subject to a broad range of laws and regulations relating to protection of human health and environment at its multiple locations and operating subsidiaries. Previous owners of the Company's facilities expended in the past, and the Company expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations. Mittal Steel is a party to several lawsuits filed by EPA and other relevant authorities. The Company believes that these environmental expenditures are not projected to have a material adverse effect on the Company's consolidated financial position or on the Company's competitive position with respect to other steelmakers subject to the same environmental requirements.

These laws include various United States federal statutes regulating the discharge or release of pollutants to the environment and the generation, handling, storage, transportation, treatment and disposal of waste material, including the Clean Air Act, Clean Water Act, the Resource Conservation and Recovery Act, or RCRA, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, or CERCLA, also known as Superfund, the Safe Drinking Water Act and the Toxic Substances Control Act, as well as state and local environmental programs.

For our operations in the European Union, a variety of EU Directives, as well as current and additional requirements that might arise out of the programs of different member states, can be expected to continue to impose expanding environmental obligations on our operations. 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 a program to establish liability for remediation of damage to and contamination of the environment. EU Directive 2003/87/ EC of October 13, 2003, or the Emissions Trading Directive, established a program under which member states are allowed to trade greenhouse gas emission allowances within the European Community, subject to certain conditions.

Health & safety

Mittal Steel has a demonstrated record of well being of its employees and citizens. Mittal Steel has a proud history of turning around unprofitable businesses and maintaining employment and social programmes in local communities. At Temirtau (Kazakhstan), for example, safety performance has been dramatically improved after our acquisition, throughout the organisation but especially in coal mining. There have been improvements in our performances on a Unit by Unit basis. Future work for the Group will leverage our ability to work together across cultural boundaries and achieve best practice at all locations.

Consequently, the work set out in the existing Mittal Steel 2006 business plan regarding Health and Safety actions does is more focussed. That work will include:

- Common reporting and information systems
- Common fatality prevention safety standards beyond local compliance
- Common audit approach and sharing of auditors
- Common leadership auditing programmes
- Exposure to and transfer of best practice approaches to safety through visits, auditing, training and Knowledge Management Programme (KMP) meetings
- A focus on contractor management

Corporate social responsibility

In 2005 Mittal Steel created a strengthened CSR function which will enable the Company to build on the work currently undertaken in our business units around the world, including an enhanced ability to respond to all of our stakeholders. The 2006 corporate social responsibility strategy will help us to continue to build a greater organisation that lives by its values, is deeply connected to its community, provides value to society and all of its stakeholders, is a good employer, and helps create prosperity.
The same principles that support the Health, Safety and Environmental strategies also underpin the CSR work. Mittal Steel will strive to protect and create shareholder value through an approach that also has a positive impact on society. In so doing Mittal Steel will help to secure the Company's social license to operate.
Mittal Steel is strongly committed to its employees, contractors, shareholders, suppliers, communities and other stakeholders, and to conducting an open and transparent dialogue with them.
In 2006, the Company will focus on the priority areas identified by the Board of Directors; by an assessment of the key impacts as a global steel business; by contractual commitments and by the group's key stakeholders. A comprehensive global action plan will result from this work, but is likely to include:

- Adopting a common Corporate Social Responsibility policy and guidelines applicable for all group companies.
- Ensuring that each manager is responsible for CSR, and that CSR considerations are embedded in all business processes and management systems.

- Making engagement with our key stakeholders and potential partner organisations a priority, and conducting a constructive, transparent dialogue with all of the stakeholders.
- Focusing on citizenship initiatives/social investment, by working in partnership with credible international organisations.
- Establishing clear mechanisms for developing the skills and capacity of the Company's employees when it comes to sustainable development.
- Ensuring exposure to and transfer of current best practice approaches to CSR through visits, auditing, training and knowledge management programs.

Sustainability is central to Mittal Steel's core business strategy. Mittal Steel has developed and supported many CSR initiatives across our local operations, ensuring responsiveness to local needs and stakeholders. These have included:

- South Africa: Mittal Steel conducted a $37 million project to achieve zero effluent discharge from the Vanderbijlpark plant. Another example includes the Collect-a-Can recycling programme which, since its introduction by Mittal Steel in 1993, has involved more than 37,000 people and has recovered more than 530,000 tonnes of used steel beverage cans and 400,000 tonnes of tin-bearing scrap. Mittal Vanderbijlpark also maintains a 3,000 hectare nature reserve which forms an effective buffer zone around the plant to effectively manage potential environmental impacts.
- USA: Mittal Steel USA is an innovator in environmental protection, with 32% of 2005 coke requirements provided by environmentally-friendly processes.
- Kazakhstan: In the educational field, Mittal Steel has partnered a local organization in constructing modern facilities for the Karaganda Metallurgical Institute, the only institute in Kazakhstan to provide education in ferrous metallurgy. In addition, Mittal Steel has become the main provider of electricity and heating to the city of Temirtau (at the lowest prices in Kazakhstan). The Company also manages and supports various other municipal facilities in including the local tram network, a local newspaper, a television station, rest camps and runs a series of summer camps for children. Furthermore, in a bid to expand employment opportunities in the local community, Mittal Steel Temirtau has entered into a collaboration with the International Finance Corporation, an offshoot of the World Bank, to encourage the development of more small and medium-sized businesses, creating significant employment for the local community.

Recent developments

Investments

On February 1, 2006, Mittal Canada Inc., a Canadian subsidiary of Mittal Steel, completed the acquisition of three Stelco Inc. subsidiaries. The Norambar Inc. and Stelfil Ltée plants located in Quebec and the Stelwire Limited plant in Ontario were acquired at a cost of C$30 million (approximately $25 million). Mittal Canada also assumed C$28 million (approximately $23 million) in debt as part of the acquisition.

On January 27, 2006, Mittal Steel launched an offer to the shareholders of Arcelor. The offer values each Arcelor share at €28.21, which represents a 27% premium over the closing price (and an all-time high) on Euronext Paris of Arcelor shares as of January 26, 2006.

On January 26, 2006, Mittal Steel signed a Memorandum of Understanding with the Government of Senegal to explore the development and production of iron ore from the Faleme group of iron ore deposits.

On December 28, 2005, Mittal Steel Company N.V. announced that it was involved in discussions with Baotou Iron and Steel Group about a possible investment in this company.

Capital/Financing matters

On February 24, 2006, Mittal Steel USA issued a notice of redemption for all $150 million outstanding principal amount of its Senior Secured Floating Rate Notes due 2010 at a redemption price equal to 103 % of the outstanding principal amount. The Notes will be redeemed on April 1, 2006.

On February 14, 2006, the Company's Board of Directors declared an interim dividend of $0.125 per share payable on March 15, 2006, and decided to propose to the general meeting of shareholders to amend the dividend policy going forward to pay a quarterly dividend of $0.125 per share. This dividend has since been paid.

On January 30, 2006, the Company entered into an approximate $6 billion (€5 billion) credit agreement with a group of lenders to finance the cash portion of the offer for Arcelor along with related transaction costs.

On January 30, 2006, the Company entered into an approximate $3.6 billion (€3 billion) credit agreement with the same group of lenders to refinance the 2005 Bridge Finance Facility.

CORPORATE GOVERNANCE

In June 2001, Mittal Steel adopted corporate governance guidelines in line with best practices on corporate governance. Mittal Steel will continue to monitor diligently new, proposed and final U.S. and Dutch corporate regulatory requirements and will make adjustments to its corporate governance controls and procedures to stay in compliance with these requirements on a timely basis. Mittal Steel is committed to meeting the corporate governance mandates and requirements under applicable current and proposed SEC and New York Stock Exchange listing standards and the laws of The Netherlands. There are no significant differences between Mittal Steel's current corporate governance practices and those currently required to be followed by U.S. domestic companies under the NYSE listing standards.

The Dutch Corporate Governance Code was published on December 9, 2003. During the Mittal Steel annual general meeting of shareholders held on May 5, 2004, the implications of the Dutch Corporate Governance Code were discussed with its shareholders and certain proposed changes to Mittal Steel's Articles of Association to bring them in line with the requirements of the Dutch Corporate Governance Code were approved by the shareholders. The changes to Mittal Steel's Articles of Association lowered the number of votes required to overrule a binding nomination for the appointment of a member of Mittal Steel's board of directors made by the holders of Mittal Steel class B common shares from a majority of at least two-thirds of votes cast representing more than half of the issued share capital of Mittal Steel to an absolute majority of votes cast representing at least one-third of the issued share capital of Mittal Steel. In addition, Mittal Steel's Articles of Association now provide that a class A director can be appointed for a maximum term of four years and cannot be appointed indefinitely as was previously permitted. Accordingly, Mittal Steel is materially in line with the requirements of the provisions of the Dutch Corporate Governance Code, in accordance with the implementation provisions. However, Mittal Steel's annual general meeting of shareholders also approved that Mittal Steel will differ from the Dutch Corporate Governance Code with regard to the separation of the posts of Chairman and Chief Executive Officer. Mittal Steel's Chairman and Chief Executive Officer will continue to be Mr. Lakshmi N. Mittal.

During the Mittal Steel annual general meeting of shareholders held on May 26, 2005, the shareholders approved an amendment to Mittal Steel's Articles of Association stipulating a clear division of responsibility for setting a remuneration policy for the Board and individual (executive) Board members between the Board, Remuneration Committee and shareholders. In addition, the Mittal Steel Articles of Association were updated to reflect recent changes in the Dutch Company Act (Book II Civil Code).

Role of Mittal Steel's Board of Directors and Management

Mittal Steel's business is conducted through operating subsidiaries, which are managed by their board of directors and headed by the subsidiary's CEO/President. Mittal Steel's board of directors and the senior corporate management provide the oversight to enhance the value to the stakeholders.

Director Independence

Mittal Steel's board of directors will be considered "independent" if they do not have a material relationship with Mittal Steel. Mittal Steel's board of directors currently consists of nine directors, of whom Messrs. Lewis Kaden, René Lopez, Muni Krishna T. Reddy, Narayanan Vaghul and Ambassador Andrés Rozental are independent under Mittal Steel's independence criteria, the Dutch Corporate Governance Code and the NYSE listing standards. These directors constitute a majority of Mittal Steel's board of directors.

Function of Mittal Steel's Board of Directors

Mittal Steel's Corporate Governance guidelines state that the board of directors is responsible for, inter alia:

- Stewardship of the Company: sets strategic goals and plans for Mittal Steel;
- Reviewing and approving Business Plan, investment decisions and significant strategic decisions;
- Monitoring risk and control;
- Succession planning and senior management appointments;
- Investor relations and reporting to shareholders;
- Nomination of Board members;
- Remuneration and compensation of Board of Directors; and
- Overseeing the internal controls of the Company.

Qualification

Directors should possess the highest personal and professional ethics and integrity, and be committed to representing the interests of the stakeholders. Mittal Steel's directors possess experience in managing large companies and contribute towards the protection of the stakeholders' interests in Mittal Steel through expertise in their respective fields. All directors bring an independent judgment to bear on issues of strategy, performance, resources and standards of conduct.

Size of Mittal Steel's Board of Directors and Selection Process

All directors are subject to election by the shareholders. The names of directors submitted for election shall be accompanied by sufficient biographical details to enable shareholders to make an informed decision on their election. Each time a member of Mittal Steel's board of directors is to be appointed, the meeting of holders of Mittal Steel class B common shares may make a binding nomination. A binding nomination can be overruled by a shareholders' resolution passed by an absolute majority of votes cast representing at least one third of the issued share capital of Mittal Steel. Mittal Steel's board of directors currently consists of nine members, which is considered optimal for Board level interaction. All members of Mittal Steel's board of directors, except for Messrs. Lakshmi N. Mittal, Aditya Mittal and Mrs. Vanisha Mittal Bhatia (who as class A directors only stand for re-election once every four years) and Messrs. Lewis Kaden and Wilbur Ross were appointed at the extraordinary general meeting of shareholders held in April 2005 as class C directors for a term ending on the date of the 2006 annual general meeting of shareholders. At the same extraordinary general meeting of shareholders, Mr. Mukherjee and Mr. Ruiz Sahagun resigned as directors of Mittal Steel. Mr. Mukherjee remains the Chief Operating Officer of Mittal Steel and Mr. Ruiz Sahagun has become a director of Mittal Steel USA.

Board Agenda

The items placed before Mittal Steel's board of directors include, among others, strategic plans of Mittal Steel; annual operating plans and budgets and any updates; capital budgets and any updates; quarterly results for Mittal Steel and its strategic business units; minutes of Audit Committee and other committee meetings; the information on recruitment and remuneration of senior management; environment, health and safety related matters; risk management policy of the group and such other matters considered important for the oversight of Mittal Steel's board of directors.

Ethics and Conflict of Interest

Ethics and conflicts of interest are governed by the Code of Business Conduct adopted by Mittal Steel. The Code of Business Conduct sets out standards for ethical behavior, which are to be followed by all employees and directors of Mittal Steel in the discharge of their duties. They must always act in the best interests of Mittal Steel and must avoid any situation where their personal interests conflict, or could conflict with their obligations toward Mittal Steel. As employees, they must not acquire any financial or other interest in any business or participate in any activity that could deprive Mittal Steel of the time or the attention that they need to devote to the performance of their duties. Any behavior that deviates from Mittal Steel's Code of Business Conduct is to be reported to the employee's supervisor, a member of the management, the head of the legal department or the head of the internal audit/internal assurance department.

Mittal Steel's Code of Business Conduct is available on Mittal Steel's website at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance.

Separate Meeting of Non-Executive Directors

The non-executive directors of Mittal Steel regularly schedule meetings without the presence of management. There is no minimum number of meetings that the non-executive directors must hold per year. During 2005, the non-executive directors of Mittal Steel held four meetings separate from the executive directors. The presiding independent director at each of these meetings is chosen at the meeting.

Communications with the Board

Mittal Steel's board of directors has established a process through Mittal Steel's website at http:/ /www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable by which a shareholder or any other person may send communications directly to the board of directors.

Risk Management and Internal Controls

Internal Control and Risk Management Process
The management is responsible for internal control in the Company and it has implemented a risk management and control system, which is designed to ensure that significant risks are identified and are monitored. Furthermore the system is designed to ensure compliance with relevant laws and regulations.

The Company has mapped its internal control system in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which recommendations are aimed at providing a reasonable level of assurance.

The Company's risk management and internal control system is designed to determine risks in relation to the achievement of business objectives and appropriate risk responses.

The risk management is an integral part of the Company's approach towards risk management and includes, management reviews, reviews of the design and implementation of the Company's risk management approach and reviews in business and functional audit committees. On the basis thereof, the management confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies. The financial statements fairly represent the financial condition and result of operations of the Company and provide the required disclosures.

It should be noted, however, that the above does not imply that these systems and procedures provide certainty as to the realization of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non compliances with rules and regulations.

In view of the foregoing, the management believes that it is in compliance with the requirements of recommendation II.1.4 of the Dutch Corporate Governance Code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof. This statement cannot be construed as a statement in accordance with the requirements of section 404 of the US Sarbanes-Oxley Act.

Committees of the Board of Directors

Mittal Steel's board of directors has established the following committees to assist the board of directors in discharging its responsibilities: (i) Audit; (ii) Remuneration; and (iii) Nomination.

Mittal Steel Audit Committee

The primary function of the Mittal Steel Audit Committee is to assist Mittal Steel's board of directors in fulfilling its oversight responsibilities by reviewing: the financial reports and other financial information provided by Mittal Steel to any governmental body or the public; Mittal Steel's system of internal control regarding finance, accounting, legal compliance and ethics that the management and Mittal Steel's board of directors have established and Mittal Steel's auditing, accounting and financial reporting processes generally.

The Audit Committee's primary duties and responsibilities are to serve as an independent and objective party to monitor Mittal Steel's financial reporting process and internal controls system; review and appraise the audit efforts of Mittal Steel's independent accountants and internal auditing department; provide an open avenue of communication among the independent accountants, financial and senior management, the internal auditing department and Mittal Steel's board of directors. It is responsible for approving the appointment and fees of the independent auditors. It is also responsible for monitoring the independence of the external auditors.

Audit Committee Members

The Audit Committee consists of three directors: Messrs. Narayanan Vaghul, Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent under Mittal Steel's Corporate Governance guidelines, the NYSE 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 NYSE and the Mumbai Stock Exchange. Both Mr. Reddy and Ambassador Andrés Rozental have considerable experience in managing companies' affairs.

Charter and Meetings

Mittal Steel's Audit Committee charter is available on Mittal Steel's website at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance. The Audit Committee, which is required to meet at least four times a year, met eight times during 2005. Of these meetings, six were physical meetings and two were teleconference meetings.

Process for Handling Complaints about Accounting Matters

As part of the procedures of Mittal Steel's board of directors for handling complaints or concerns about Mittal Steel's financial accounting, internal controls and auditing issues, Mittal Steel's Code of Business Conduct encourages all employees to bring such issues to the Audit Committee's attention. Concerns relating to such issues may be communicated through the Mittal Steel website at http:/ /www.mittalsteel.com/dynamic/dynamicdefault.asp?id=questionable. Employees reported no significant complaints of this nature during 2005.

Internal Assurance

Mittal Steel has an Internal Assurance 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 Assurance 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. The Audit Committee has obtained a confirmation from the principal external auditors that none of their former employees are in a position with Mittal Steel which may impair their independence.

Mittal Steel Remuneration Committee

Charter and Meetings

The Mittal Steel Remuneration Committee is comprised of four independent directors. The purpose of having a Remuneration Committee consisting exclusively of directors who are independent of management is to have members who are free of any business or other relationship, which could interfere with the exercise of their independent judgment. Mittal Steel's board of directors has established the Remuneration Committee to determine on its behalf and on behalf of the shareholders within agreed terms of reference, Mittal Steel's framework of remuneration and compensation, including stock options for executive members of Mittal Steel's board of directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level. The Remuneration Committee is required to meet at least twice a year and met four times in 2005.

The charter of the Remuneration Committee is available on Mittal Steel's website at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance.

Remuneration Committee Members

The Mittal Steel Remuneration Committee consists of four directors: Mr. Narayanan Vaghul, Ambassador Andrés Rozental, Mr. Lewis Kaden and Mr. René Lopez, all of whom are independent. The Chairman of the Remuneration Committee is Ambassador Andrés Rozental.

Remuneration Principles

The Mittal Steel Remuneration Committee's principal responsibility in compensating executives is to encourage and reward performance that will lead to long-term enhancement of shareholder value. The Remuneration Committee reviews the remuneration of executive members of Mittal Steel's Board of Directors, the Chief Financial Officers, and the Chief Executive Officers of operating subsidiaries and designated senior management at the corporate level. None of the members of Mittal Steel's Board of Directors currently have entered into any contracts with Mittal Steel or any of its subsidiaries that provide benefits upon termination of employment.

By a resolution passed on May 26, 2005, the shareholders of Mittal Steel adopted a policy regarding the remuneration of the members of the Board of Directors. The remuneration of the members of the Board of Directors will, with due observance of such policy, be determined by the Board of Directors upon a proposal of the Mittal Steel Remuneration Committee. Each year the Board of Directors will submit for approval by the general meeting of shareholders a proposal regarding the arrangements for the remuneration in the form of shares or rights to acquire shares. The proposal shall at least set out the maximum number of shares or rights to subscribe for shares to be granted to the members of the Board of Directors and the applicable criteria for such grant or for any change thereto. A lack of approval by the general meeting of shareholders of such proposal shall not affect the representative authority of the Board of Directors in connection with the grant of rights to subscribe for shares.

Options were granted to executive members of Mittal Steel's Board of Directors and senior management for 2005 in accordance with the Mittal Steel Global Stock Option Plan ("MittalShares") as approved by the shareholders. Options granted under MittalShares vest ratably upon each of the first three anniversaries of the grant date, or, in total, upon death, disability or retirement of the participant.

In accordance with the Dutch Corporate Governance Code, independent non-executive members of Mittal Steel's Board of Directors will no longer receive any share options.

The total annual remuneration of the members of Mittal Steel's board of directors for 2004 and 2005 was as follows:

	Year ended December 31, 2004	2005
	(All amounts in $ thousands except option information)	
Base salary	4,471	4,369
Short term performance related bonus	11,747	-
Long term incentives (number of options)	-	235,000

The annual remuneration of the members of Mittal Steel's board of directors was as follows:

	2004	2005	2004 Short term Performance Related	2005 Short term Performance Related	2004 Long term Number of Options	2005 Long term Number of Options
		(All amounts in $ thousands except option information)				
Lakshmi N. Mittal	1,679	2,194	4,596	-	-	100,000
Aditya Mittal	1,193	1,245	4,050	-	-	75,000
Vanisha Mittal Bhatia	-	18	-	-	-	-
Malay Mukherjee(1)	807	311	3,101	-	-	60,000
Narayanan Vaghul	136	109	-	-	-	-
Ambassador Andrés Rozental	213	134	-	-	-	-
Fernando Ruiz Sahagun(2)	89	22	-	-	-	-
Muni Krishna T. Reddy	206	110	-	-	-	-
René Lopez	148	74	-	-	-	-
Wilbur L. Ross, Jr.(3)	-	73	-	-	-	-
Lewis B. Kaden(4)	-	79	-	-	-	-
Total	4,471	4,369	11,747	-	-	235,000

(1) Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel. His remuneration reflected in above table is only for the period January 2005 to March 2005.

(2) Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.

(3) Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.

(4) Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.

The amount outstanding at December 31, 2005 in respect of loans and advances to members of Mittal Steel's board of directors was $0 million (December 31, 2004: $0 million). In 2005, $0 million was accrued by Mittal Steel to provide pension benefits to the directors. In addition, Mittal Steel has not given any guarantees for the benefit of the members of Mittal Steel's board of directors.

The following table provides summarized information on the options outstanding of Mittal Steel's board of directors (in 2001, 2003 and 2004 no options were granted to members of Mittal Steel's board of directors):

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Total	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	340,000	$13.81
Aditya Mittal	7,500	7,500	25,000	75,000	115,000	$20.58
Vanisha Mittal Bhatia	-	-	-	-	-	-
Malay Mukherjee(1)	40,000	40,000	50,000	60,000	190,000	$13.99
Narayanan Vaghul(2)	-	-	-	-	-	-
Ambassador Andrés Rozental(6)	-	-	3,333	-	3,333	$2.26
Fernando Ruiz Sahagun(3)(6)	-	-	3,333	-	3,333	$2.26
Muni Krishna T. Reddy	-	-	-	-	-	-
René Lopez	-	-	-	-	-	-
Wilbur L. Ross(4)	-	-	-			
Lewis B. Kaden(5)	-	-	-			
Total	127,500	127,500	161,666	235,000	651,666	$14.94
Exercise price	$11.94	$8.57	$2.26	$28.75	-	-
Term (in years)	10	10	10	-	-	-
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	-	-

(1) Mr. Mukherjee resigned from Mittal Steel's board of directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel.
(2) Mr. Vaghul exercised all his vested options in 2005.
(3) Mr. Ruiz resigned from Mittal Steel's board of directors on April 12, 2005.
(4) Mr. Ross was elected to Mittal Steel's board of directors on April 12, 2005.
(5) Mr. Kaden was elected to Mittal Steel's board of directors on April 12, 2005.
(6) Both Mr. Ruiz and Mr. Rozental exercised the majority of their vested options in 2005, except for 3,333 options granted in 2002.

The total annual remuneration of the senior management of Mittal Steel for 2005 was: $14 million in base salary and $11 million in short-term performance related bonus. For 2005, $1 million was accrued by Mittal Steel to provide pension benefits to its senior management. As of December 31, 2005, $0.2 million (December 31, 2004: $0 million) was outstanding in respect of loans and advances to senior management of Mittal Steel. The maximum amount outstanding during 2005 to senior management in respect of loans and advances was approximately $0.2 million (2004: $0.2 million). No interest was payable on the loans.

Mittal Steel Nomination Committee

Charter and Meetings

Mittal Steel has a Nomination Committee comprised exclusively of three independent directors. The Nomination Committee elects its Chairman and members of the Nomination Committee are appointed and can be removed by Mittal Steel's board of directors. The Nomination Committee is required to meet at least twice a year and met four times in 2005.

The charter of the Nomination Committee is available on Mittal Steel's website at http://www.mittalsteel.com/Investor+Relations/Corporate+Governance.

Nomination Committee Members

The Mittal Steel Nomination Committee consists of three directors: Narayanan Vaghul, Muni Krishna T. Reddy and Ambassador Andrés Rozental, all of whom are independent. Ambassador Andrés Rozental is the Chairman of the Nomination Committee.

Function of the Nomination Committee

The Mittal Steel Nomination Committee will at the request of Mittal Steel's board of directors, consider any appointment or reappointment to Mittal Steel's board of directors. It will provide advice and recommendations to Mittal Steel's board of directors on such appointment. The Nomination Committee is also responsible for developing, monitoring and reviewing Corporate Governance principles applicable to Mittal Steel.

CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2004 and 2005

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Consolidated Balance Sheets

	December 31, 2004	December 31, 2005
	(Millions of U.S. Dollars, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$2,495	$2,035
Restricted cash	138	100
Short term investments	1	14
Trade accounts receivable (note 4)	2,006	2,287
Inventories (note 5)	3,964	5,994
Prepaid expenses and other current assets	666	1,040
Total Current Assets	9,270	11,470
Non-Current Assets:		
Goodwill (note 7)	49	1,513
Intangible assets	169	193
Property, plant and equipment-net (note 6)	11,058	18,651
Investments in affiliates and joint ventures (note 8)	483	927
Available for sale financial assets	190	277
Deferred tax assets (note 16)	185	314
Other assets	288	414
Total Non-Current Assets	12,422	22,289
Total Assets	$21,692	$33,759

See notes to the consolidated financial statements

Consolidated Balance Sheets (continued)

	December 31, 2004	2005
	(Millions of U.S. Dollars, except share data)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Payable to banks and current portion of long-term debt (note 11)	$341	$334
Trade accounts payable	1,899	2,504
Dividend payable	1,650	-
Short-term provisions	159	137
Accrued expenses and other liabilities (note 18)	1,551	2,036
Income tax liabilities	597	488
Total Current Liabilities	6,197	5,499
Non-Current Liabilities:		
Long-term debt, net of current portion (notes 11 and 12)	1,639	7,974
Deferred tax liabilities (note 16)	1,077	2,253
Deferred employee benefits (note 15)	881	1,054
Long-term provisions	273	611
Other long term obligations	546	784
Total Non-Current Liabilities	4,416	12,676
Total Liabilities	10,613	18,175
Equity (note 14)		
Common Shares:	59	60
Class A Shares, (EURO 0.01 par value per share, 5,000,000,000 shares authorized, shares issued and outstanding: 194,509,790 at December 31, 2004 and 255,401,673 at December 31, 2005) Class B Shares, (EURO 0.10 par value per share, 721,500,000 shares authorized, 457,490,210 shares issued and outstanding)		
Treasury Stock (9,225,140 class A shares at December 31, 2004 and 8,828,784 class A shares at December 31, 2005, at cost)	(123)	(111)
Additional Paid in Capital	552	2,239
Retained Earnings	7,207	10,407
Legal Reserves	1,509	828
Equity attributable to the equity holders of the parent	9,204	13,423
Minority Interest	1,875	2,161
Total Equity	11,079	15,584
Total Liabilities and Shareholders' Equity	$21,692	$33,759

See notes to the consolidated financial statements

Consolidated Statements of Income

	December 31, 2004	December 31, 2005
	(Millions of U.S. Dollars, except share data and per share data)	
Sales	$20,612	$28,132
Cost of sales	14,422	22,342
Gross margin	6,190	5,790
Expenses		
Selling, general and administrative	676	1,062
Operating income	5,514	4,728
Other income-net	1,143	344
Income from equity method investments	149	86
Financing costs:		
Interest expense (net of interest capitalized of $3 in 2004 and $4 in 2005)	(259)	(503)
Interest income	74	110
Net gain (loss) from foreign exchange transactions	(29)	40
	(214)	(353)
Income before taxes	6,592	4,805
Income tax expense: (note 16)		
Current	636	663
Deferred	331	218
	(967)	(881)
Net Income (including minority interest)	$5,625	$3,924
Attributable to		
Equity holders of the parent	5,210	3,430
Minority interest	415	494
	$5,625	$3,924
Basic earnings per common share	$8.10	$4.99
Diluted earnings per common share	8.10	4.98
Basic weighted average common shares outstanding (in millions)	643	687
Diluted weighted average common shares (in millions)	643	689

See notes to the consolidated financial statements

Consolidated Statements of Changes in Equity

(Millions of U.S. Dollars, except share and per share data)	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Net income for the year	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities	Shareholders equity	Minority interest	Total equity
Balance at December 31, 2003	**$59**	**$(110)**	**$584**	**$4,380**	**$-**	**$-**	**$2**	**$69**	**$4,984**	**$266**	**$5,250**
(note 1: First time adoption of IFRS)											
Movements with minority shareholders	-	-	-	2	-	-	-	-	2	1,194	**1,196**
Net income recognized directly in equity	-	-	-	-	-	1,368	4	66	1,438	-	**1,438**
Net Income	-	-	-	-	5,210	-	-	-	5,210	415	**5,625**
Recognized income and expense	-	-	-	-	*5,210*	*1,368*	*4*	*66*	*6,648*	*415*	**7,063**
Transfer to retained earnings	-	-	-	5,210	(5,210)	-	-	-		-	-
Treasury stock	-	(13)	(32)	-	-	-	-	-	(45)	-	**(45)**
Dividends	-	-	-	(2,385)	-	-	-	-	(2,385)	-	**(2,385)**
Balance at December 31, 2004	**59**	**(123)**	**552**	**7,207**	**-**	**1,368**	**6**	**135**	**9,204**	**1,875**	**11,079**
Movements with minority shareholders	-	-	-	(17)	-	-	-	-	(17)	(208)	**(225)**
Net income recognized directly in equity	-	-	-	-	-	(758)	(10)	87	(681)	-	**(681)**
Net Income	-	-	-	-	3,430	-	-	-	3,430	494	**3,924**
Recognized income and expense	-	-	-	-	*3,430*	*(758)*	*(10)*	*87*	*2,749*	494	3,243
Transfer to retained earnings	-	-	-	3,430	(3,430)	-	-	-		-	-
Recognition of share based payments	-	-	3	-	-	-	-	-	3	-	3
Issuance of shares in connection with ISG acquisition (net of capital duty of $11)	1	-	1,693	-	-	-	-	-	1,694	-	**1,694**
Treasury stock	-	12	(9)	-	-	-	-	-	3	-	**3**
Dividends	-	-	-	(213)	-	-	-	-	(213)	-	**(213)**
Balance at December 31, 2005	**$60**	**$(111)**	**$2,239**	**$10,407**	**$-**	**$610**	**$(4)**	**$222**	**13,423**	**$2,161**	**$15,584**

See notes to the consolidated financial statements

Consolidated Statements of Cash Flows

	Year Ended December 31, 2004	2005
	(Millions of U.S. Dollars)	
Operating activities:		
Net income	$5,625	$3,924
Adjustment to reconcile net income to net cash provided by operations:		
Depreciation	734	1,101
Net accretion of purchased intangibles	-	(139)
Net foreign exchange loss (gain)	37	(30)
Deferred income tax	331	218
Gain from early extinguishment of debt	22	-
Income from equity method investments	(213)	(82)
Gain on sale of property, plant and equipment	(19)	(28)
Negative goodwill released to income	(1,017)	(267)
Other non-cash operating expenses	5	(104)
Change in operating assets and liabilities, net of effects of acquisitions:		
Trade accounts receivable	(212)	406
Inventories	(1,374)	33
Prepaid expenses and others	(155)	(192)
Trade accounts payable	165	15
Accrued expenses and other liabilities (including provisions)	375	(622)
Deferred employee benefit costs	(4)	(359)
Net cash provided by operating activities	4,300	3,874
Investing activities:		
Purchases of property, plant and equipment	(837)	(1,181)
Proceeds from sale of assets and investments, including affiliates and joint ventures	81	59
Investments in affiliates and joint ventures	34	(300)
Acquisition of net assets of subsidiaries, net of cash acquired	67	(6,120)
Restricted cash	2	38
Other investing activities	(3)	(8)
Net cash used in investing activities	**(656)**	**(7,512)**
Financing activities:		
Proceeds from payable to banks	2,258	1,678
Proceeds from long-term debt, net of debt issuance costs	1,185	8,318
Proceeds from long-term debt from an affiliate	76	-
Payments of payable to banks	(2,578)	(1,807)
Payments of long-term debt payable to unrelated parties	(2,126)	(2,740)
Payments of long-term debt payable to an affiliate	(175)	-
Purchase of treasury stock	(54)	-
Sale of treasury stock for stock option exercises	9	3
Dividends paid	(713)	(2,092)
Other financing activities	-	(11)
Net cash (used in) provided by financing activities	(2,118)	3,349
Effect of exchange rate changes on cash	236	(171)
Net increase (decrease) in cash and cash equivalents	1,762	(460)
Cash and cash equivalents:		
At the beginning of the year	733	2,495
At the end of the year	$2,495	$2,035

See notes to the consolidated financial statements

Consolidated Statements of Cash Flows

(continued)

Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest-net of amounts capitalized	$253	$242
Income taxes	454	892

See notes to the consolidated financial statements

Notes to the consolidated financial statements

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

NOTE 1: NATURE OF BUSINESS AND BASIS OF CONSOLIDATION

Nature of business

Mittal Steel Company N.V. ("Mittal Steel"), ("Group") or ("Company"), formerly Ispat International N.V., together with its subsidiaries, is a manufacturer of steel and steel related products. Mittal Steel owns and operates manufacturing facilities in the United States of America ("U.S."), Mexico, Canada, Trinidad and Tobago ("Trinidad"), Germany, France, Kazakhstan, Algeria, Romania, Czech Republic, Poland, South Africa, Ukraine, Macedonia and Bosnia and Herzegovina.

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

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

Organization

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

Notes to the consolidated financial statements

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

The folowing table sets forth each significant Operating Subsidiary of Mittal Steel:

Subsidiary	Percentage ownership
Americas	
Mittal Steel USA Inc[(1)]	100 %
Mittal Steel Lázaro Cárdenas S.A. de C.V.	100 %
Mittal Canada Inc.	100 %
Mittal Steel Point Lisas Ltd.	100 %
Europe	
Mittal Steel Gandrange S.A.	100 %
Tréfileurope S.A.	100 %
Mittal Steel Hamburg GmbH	100 %
Mittal Steel Ruhrort GmbH[(2)]	100 %
Mittal Steel Hochfeld GmbH[(2)]	100 %
Mittal Steel Poland S.A.	99 %[(3)]
Mittal Steel Galati S.A.	100 %
Mittal Steel Ostrava a.s.	85 %[(3)]
OJSC Mittal Steel Kryviy Rih	93 %
Asia & Africa	
JSC Mittal Steel Temirtau	100 %
Mittal Steel Annaba Spa	70 %
Mittal Steel South Africa Ltd.	52 %

(1) Ispat Inland Inc. and Mittal Steel USA ISG Inc. merged on December 31, 2005. The surviving entity, Mittal Steel USA ISG Inc., was renamed Mittal Steel USA Inc.

(2) Mittal Steel Ruhrort and Mittal Steel Hochfeld are collectively described as Mittal Steel Duisburg.

(3) Represents the percentage of shares to which Mittal Steel has title or that are subject to an executed agreement providing for their transfer to Mittal Steel at a fixed price and future date.

Acquisitions are more fully disclosed in note 3.

Basis of presentation

The statutory consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial statements have been prepared on the historical cost basis. Principle accounting policies are set out in note 2.

First time adoption of IFRS

Mittal prepared its consolidated financial statements under Dutch Generally Accepted Accounting Principles

Notes to the consolidated financial statements

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

("Dutch GAAP) until December 31, 2004. On January 1, 2005 the accounting policies were changed to comply with IFRS. In order to present one year of comparative IFRS financial statements the date of transition to IFRS is January 1, 2004.

The transition to IFRS resulted in the following changes in accounting policies:

1. Employee benefits

   The Group has chosen not to apply the exemption in IFRS 1, first time adoption, for setting the actuarial gains and losses to zero and to remain consistent with FAS 87, which was the standard used under Dutch GAAP. Considering that plans only have a short history with the Group, the FAS 87 position represents the historical gains and losses.

   Past service cost (prior service cost in FAS 87), is amortized under IFRS over the remaining working lives of employees only if unvested. Whereas, FAS 87 requires amortization for vested rights. Consequently non-amortized past service cost relating to vested rights was adjusted.

   In addition, IFRS does not recognize a minimum pension liability, therefore on the date of transition the minimum pension liability was eliminated.

2. Business combinations

   The Group has elected to apply IFRS 3, business combinations as from January 1, 2004, therefore electing to keep the accounting for business combinations at historically determined amounts. However, applying IFRS 3 as per the date of transition means that negative goodwill recognized as a separate component of equity under Dutch GAAP is transferred to retained earnings. Under US GAAP negative goodwill is recognized as a deduction of tangible fixed assets acquired. For US GAAP to IFRS reconciliation (see note 25) negative goodwill thus deducted is adjusted to retained earnings.

3. Other changes

   Different amortization of borrowing cost. IFRS amortizes this cost using the effective interest rate method, while under Dutch GAAP amortization is straight-line.

   Adjustment for coming out of hyperinflation for the Romanian subsidiaries.

4. Deferred income tax

   The movement in deferred tax represent the tax effect on the above mentioned adjustments.

	Equity as of January 1, 2004	Equity as of December 31, 2004	Net income year ended December 31, 2004
Total under Dutch GAAP	$4,280	$10,567	$4,766
Adjustments recorded to comply with IFRS			
Employee benefits	983	954	(52)
Business combinations	463	(72)	776
Other	9	89	76
Tax effect on the above	(485)	(459)	59
Total adjustments	970	512	859
Total under IFRS	$5,250	$11,079	$5,625

Notes to the consolidated financial statements

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

Effect of adoption of IFRS on the balance sheet as of January 1, 2004

	Dutch GAAP	IFRS adjustments	IFRS
ASSETS			
Total current assets	$3,684	$(77)	$3,607
Total non-current assets	7,931	117	8,048
Total assets	**$11,615**	**$40**	**$11,655**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Total current liabilities	$2,619	$(46)	$2,573
Total non-current liabilities	4,716	(884)	3,832
Total liabilities	**7,335**	**(930)**	**6,405**
Total group equity	**4,280**	**970**	**5,250**
Total liabilities and shareholders' equity	**$11,615**	**$40**	**$11,655**

Effect of adoption of IFRS on the balance sheet as of December 31, 2004

	Dutch GAAP	IFRS adjustments	IFRS
ASSETS			
Total current assets	$9,504	$(234)	$9,270
Total non-current assets	12,722	(300)	12,422
Total assets	**$22,226**	**$(534)**	**$21,692**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Total current liabilities	$6,122	$75	$6,197
Total non-current liabilities	5,537	(1,121)	4,416
Total liabilities	**11,659**	**(1,046)**	**10,613**
Total group equity	**10,567**	**512**	**11,079**
Total liabilities and shareholders' equity	**$22,226**	**$(534)**	**$21,692**

Effect of adoption of IFRS on the income statement for the year ended December 31, 2004

	Dutch GAAP	IFRS adjustments	IFRS
Gross margin	**$6,429**	**$(239)**	**$6,190**
Operating income	5,713	(199)	5,514
Income before taxes and minority interest	5,797	795	6,592
Tax expense (benefit)	1,031	(64)	967
Net income	**$4,766**	**$859**	**$5,625**

Notes to the consolidated financial statements

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of Mittal Steel and all its operating subsidiaries in which a direct or indirect controlling interest exists. Net income is reduced by the portion of the earnings of subsidiaries applicable to minority interests. The minority interests are disclosed separately in the consolidated statements of income and in the consolidated balance sheets. Intercompany balances and transactions have been eliminated in consolidation.

Foreign currency translation and translation of financial statements

The functional currency of each of the operating subsidiaries is the U.S. Dollar, except for Mittal Canada, Mittal Steel Ostrava, Mittal Steel South Africa, Mittal Steel Poland, Mittal Steel Iasi, Mittal Steel Hunedoara, Mittal Steel Roman, Mittal Steel Europe SA, the Operating Subsidiaries in France, Germany, Macedonia and Bosnia and Herzegovina whose functional currency is the local currency. Prior to October 1, 2004 the Romanian economy was considered highly inflationary. The records of Mittal Steel Iasi, Mittal Steel Hunedoara and Mittal Steel Roman were remeasured as if their functional currency was the reporting currency for periods prior to October 1, 2004.

Transactions in currencies other than the functional currency of a subsidiary are recorded at the rates of exchange prevailing at the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are remeasured at the rates of exchange prevailing at the balance sheet date and the related transaction gains and losses are reported in the statements of income.

Upon consolidation, the results of operations of Mittal Steel's subsidiaries and affiliates whose functional currency is other than the U.S. Dollar are translated into U.S. Dollars at average exchange rates for the year and assets and liabilities are translated at year-end exchange rates. Translation adjustments are presented as a separate component of equity in the consolidated financial statements and are included in net earnings only upon sale or liquidation of the underlying foreign subsidiary or affiliated company.

Use of Judgments and Estimates

The information regarding and analysis of Mittal Steel's operational results and financial condition are based on figures contained in the Mittal Steel Consolidated Financial Statements, which have been prepared in accordance with IFRS. The preparation of these financial statements requires Mittal Steel's management to make judgments in relation to certain estimates and assumptions used in the application of accounting policies. These judgments and estimates are made on the basis of available facts and are a normal part of the process of preparing financial statements. While the use of different assumptions and estimates could have caused the results to be different from those reported, Mittal Steel believes that the possibility of material differences between two periods is lessened because of the consistency in the application of such judgments.

The accounting policies that Mittal Steel considers critical, in terms of the likelihood of a material impact arising from a change in the assumptions or estimates used in the application of the accounting policy in question, are outlined below.

Purchase Accounting

Accounting for acquisitions requires Mittal Steel to allocate the cost of the enterprise to the specific assets acquired and liabilities assumed based on their estimated fair values at the date of the acquisition. This often results in positive or negative goodwill. Accounting principles allow Mittal Steel up to one year to acquire all necessary valuation information for the allocation. Management often obtains appraisals and actuarial or other valuations in order to aid in determining the estimated fair value of assets acquired and liabilities assumed. This application of management's judgment and estimates to account for acquisitions could significantly affect Mittal Steel's financial statements.

Notes to the consolidated financial statements

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

Deferred Tax Assets

Mittal Steel charges tax expenses or accounts for tax credits based on the differences between the financial statement amounts and the tax base amounts of assets and liabilities. Deferred tax assets are also recognized for the estimated future effects of tax losses carried forward. Mittal Steel annually reviews the deferred tax assets in the different jurisdictions in which it operates to assess the possibility of realizing such assets based on projected earnings.

Provisions for Pensions and Other Post Employment Benefits

Mittal Steel's Operating Subsidiaries have different types of pension plans for their employees. Also, most of the subsidiaries in the Americas region offer post employment benefits, primarily post employment health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as the discount rate, expected wage increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect recognized expense and the recorded obligation in future periods, particularly in the case of Mittal Steel's U.S. and Canadian subsidiaries.

Environmental provisions

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

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

Impairment of non-current assets

According to IAS 36, an impairment loss must be recognized when the carrying amount of a non-current asset is not recoverable and exceeds its fair value. The carrying amount of a non-current asset is not recoverable if it exceeds the expected sum of the discounted cash flows over its remaining useful life. Mittal Steel continues to monitor both internal and external factors which could result in an impairment of non-current assets or a loss in value of an equity method investment.

Notes to the consolidated financial statements

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

Intangible assets

Intangible assets arising from acquisitions are amortized using the straight-line method over their estimated economic lives. Economic lives are evaluated every year.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. All property, plant and equipment except land are depreciated using the straight-line method over the useful lives of the related assets, ranging from 10 to 50 years for buildings and improvements and 2 to 45 years for machinery and equipment. Major improvements, which add to productive capacity or extend the life of an asset, are capitalized, while repairs and maintenance are charged to expense as incurred.

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

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

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill and negative goodwill

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. Goodwill is reviewed for impairment annually at the cash generating unit level or when ever changes in circumstances indicate that the carrying amount may not be recoverable. First, the fair value of the cashgenerating unit including goodwill is compared to its carrying amount. If the fair value of the cash generating unit is less than the carrying amount, goodwill would be considered to be impaired. Subsequently, the goodwill impairment is measured as the excess of the carrying amount of goodwill over its implied fair value.

Notes to the consolidated financial statements

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

Negative goodwill

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

Impairment of non-current assets (excluding goodwill)

Non-current assets held and used by Mittal Steel are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. For purposes of evaluating the recoverability of long-lived assets, the recoverability test is performed using discounted future net cash flows of assets grouped at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If the discounted future net cash flows are less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset.

Investment in affiliates and joint ventures

Investments in majority owned affiliates and joint ventures, where control does not exist and 20% to 50% owned affiliates and joint ventures in which Mittal Steel has the ability to exercise significant influence, are accounted for under the equity method of accounting whereby the investment is carried at cost of acquisition, plus Mittal Steel's equity in undistributed earnings or losses since acquisition, less dividends received. The acquisitions from minority shareholders are considered transactions with shareholders and decreases or increases between the cost and the net value are recorded in shareholders equity.

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

Mittal Steel periodically reviews all of its investments in affiliates and joint ventures for which fair value is less than cost to determine if the decline in value is other than temporary. If the decline in value is judged to be other than temporary, the cost basis of the investment is written down to fair value. The amount of any write-down is included in other operating expenses.

Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the first in, first out ("FIFO") method and average cost method, which approximates FIFO. Costs of production in process and finished goods include the purchase costs of raw materials and conversion costs such as direct labor and an allocation of fixed and variable production overheads. Raw materials and spare parts are valued at cost inclusive of freight, shipping and handling costs.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Notes to the consolidated financial statements

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

Cash and cash equivalents

Cash equivalents represent short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less.

Restricted cash

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

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in the income statement when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Allowance for doubtful accounts

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

Bank borrowings

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the income statement in the period in which they are incurred.

Derivative financial instruments

Derivative instruments are utilized by Mittal Steel to manage its exposure to commodity prices, fluctuations in foreign exchange rates, and interest rates. Mittal Steel has established a control environment, which includes policies and procedures for risk assessment and the approval and monitoring of derivative instrument activities. Mittal Steel does not enter into foreign currency hedging contracts related to its investment in affiliated companies. The Company and its subsidiaries selectively use various financial instruments, primarily forward exchange contracts, interest rate swaps and commodity future contracts, to manage exposure to price fluctuations.

All derivatives, whether designated in hedging relationships or not, are recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in equity and are recognized in the statements of income when the hedged item affects earnings.

Notes to the consolidated financial statements

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

Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings. The fair value gains or losses as a result of the change in fair value of derivatives that do not qualify for hedge accounting are recognized in cost of sales or other operating expenses.

Gains and losses related to financial instruments that are utilized to manage exposures to fluctuations in the cost of energy and raw materials used in the production process are recognized as a part of the cost of the underlying product when the contracts are closed.

Dividend payable

Dividends payable are recorded as a liability and reduction of retained earnings when declared.

Retirement benefits

Payments to defined contribution retirement benefit plans are charged as an expense when due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses that exceed 10 per cent of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets are amortized over the expected average remaining working lives of the participating employees.
Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.
The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

Provisions and accruals

The Company recognizes provisions for liabilities and probable losses that have been incurred as of the balance sheet date and for which the amount is uncertain but can be reasonably estimated. Provisions of a long-term nature are stated at net present value when the amount and timing of related cash payments are material. Short-term provisions are stated at face value.

Environmental costs

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

Asset retirement obligations

The Company records asset retirement obligations ("ARO") initially at the fair value of the legal liability in the period in which it is incurred and capitalizes the ARO by increasing the carrying amount of the related long lived asset.

Notes to the consolidated financial statements

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

The fair value of the obligation is determined as the discounted value of the expected future cash flows. The liability is accreted to its present value each period and the capitalized cost is depreciated in accordance with the Company's depreciation policies for property, plant and equipment.

Revenue recognition

Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred to customers, the sales price is fixed and determinable, collectibility is reasonably assured, and title and risks of ownership have passed to the buyer. The Company deems delivery to have occurred upon shipment or upon delivery, depending upon shipping terms of the transaction.

Shipping and handling costs

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

Research and development costs and advertising costs

Research and development costs and advertising costs are expensed as incurred and are not material in any period presented.

Income taxes

The provision for income taxes includes income taxes currently payable or receivable and those deferred. Deferred tax assets and liabilities are recognized for the future tax consequences of temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for the estimated future effects of tax loss carryforwards.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax assets and liabilities are measured using substantially enacted statutory tax rates in effect for the year in which the differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the income statement in the period in which the changes are enacted.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Earnings per common share

The Company follows the provisions of IAS 33, which requires companies to report both basic and diluted per share data for all periods for which a statement of income is presented. Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing income available to shareholders and assumed conversion by the weighted average number of common shares and potential common shares from convertible debt and outstanding stock options. Potential common shares are calculated using the treasury stock method and represent incremental shares issuable upon exercise of the Company's outstanding stock options.

Notes to the consolidated financial statements

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

The following table provides a reconciliation of the denominators used in calculating basic and diluted net income per share for the years ended December 31, 2004 and 2005:

	Year Ended December 31,	
	2004	2005
Net income	$5,210	$3,430
Plus: Interest on PBGC note, net of tax	-	1
Income available to shareholders and assumed conversion	5,210	3,431
Weighted average common shares outstanding (in millions)	643	687
Plus: Incremental shares from assumed conversions		
Stock options (in millions)	-	1
6 % PBGC note (in millions)	-	1
Weighted average common shares assuming conversions (in millions)	643	689

Diluted weighted average shares outstanding excludes 3,704,940 potential common shares from stock options outstanding for the year ended December 31, 2005 because the exercise prices of such stock options were higher than the average closing price of the Company's common shares as quoted on the NYSE during the periods stated and, accordingly, their effect would be anti-dilutive.

Stock Option Plan/Share based payments

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

All options granted under the plans existing in 2004 were granted before November 7, 2002 and therefore out of scope of IFRS 2.

Segment reporting

Mittal Steel's primary business segment is the manufacturing of steel and the Company operates in a single business segment, which is composed of the manufacturing of semi-finished and finished steel products.

NOTE 3: ACQUISITIONS

Mittal Steel Ostrava

On January 31, 2003, the Company acquired 7,710,973 existing shares and 924,384 newly issued shares of Mittal Steel Ostrava (formerly Ispat Nova Hut), representing 70 % of the total issued share capital of Mittal Steel Ostrava, as well as certain of its debt for $52 under an agreement with Fond narodniho majetku Ceske republiky ("FNM"). Mittal Steel Ostrava, operating in the Czech Republic, is in the business of production and sale of steel products and also owns various ancillary businesses to support the steel business. The Company acquired a further 573,294 shares of Mittal Steel Ostrava, representing 5 % of the total issued share capital of Mittal Steel Ostrava, under a public offer, on November 21, 2003 for $6. The minority interest and negative goodwill has been adjusted accordingly. On the conversion to IFRS negative goodwill, included in equity, was adjusted to retained earnings. Subsequent share purchases were accounted for as step

Notes to the consolidated financial statements

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

acquisitions under the purchase method. The results of Mittal Steel Ostrava have been included in the consolidated financial statements since January 31, 2003.

During 2004, the Company acquired an additional 1 % of the outstanding shares of Mittal Steel Ostrava. The purchase price of these shares was $11. The excess of the acquisition cost over the fair value of the net assets purchased was $4. As of December 31, 2004, the Company had an option, subject to certain restrictions for the purchase of 8 % of the outstanding share capital of Mittal Steel Ostrava. On May 3, 2005 the Company exercised the option for a purchase price of $152 and also acquired an additional 1 %. The valuation of acquired assets and liabilities has been completed and such amounts are reflected in the consolidated financial statements.

Mittal Steel Poland

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

Mittal Steel South Africa

On June 9, 2004 after obtaining the necessary shareholder and the Republic of South Africa Competition Tribunal approvals, the Company purchased an additional 2,000 shares in Mittal Steel South Africa (formerly Iscor Limited) on the open market. This purchase increased the Company's 49.99 % ownership in the outstanding share capital of Mittal Steel South Africa at December 31, 2003 to greater than 50 %, and provided the Company with effective control over Mittal Steel South Africa's operations. The Company had historically accounted for Mittal Steel South Africa under the equity method of accounting. A publicly traded company whose shares trade on the JSE Securities Exchange, South Africa, Mittal Steel South Africa is an integrated steel producer in the Republic of South Africa and is comprised of four steel plants and a metallurgical by-products processing division. The Company has included the results of operations of Mittal Steel South Africa in its Consolidated Statements of Income for the year-ended December 31, 2004 as from June 9, 2004.

The Company's investment in Mittal Steel South Africa was accounted for under the equity method of accounting from 2001 through 2003, and each of the Company's investments in the outstanding shares of Mittal Steel South Africa were accounted for as a step acquisition under the purchase method of accounting. During 2001, the Company made an initial 8 % investment in the outstanding shares of Mittal Steel South Africa, increasing its ownership percentage in both 2002 and 2003 through additional share purchases on the open market and as part of a rights issue by Mittal Steel South Africa.

The allocation of the total purchase price of Mittal Steel South Africa resulted in the consolidation of total assets of $2,296 and total liabilities of $866. Total assets are comprised of $835 in current assets, $1,834 in property, plant and

Notes to the consolidated financial statements

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

equipment and other non-current assets, including goodwill, of $241. Total liabilities include $498 in current liabilities and $377 in non-current liabilities. On November 30, 2005, the Company increased its shareholding in Mittal Steel South Africa to 52 % by acquiring an additional 2 % interest for a total consideration of $78.

Mittal Steel Zenica

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

International Steel Group ("ISG")

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

The aggregate purchase price of approximately $3,829 including cash of $2,072 ($1,472 net of cash acquired and $52 of acquisition cost) and Class A common Shares valued at $1,705. The fair value of the 60,891,883 Class A common shares was determined based on the market price of Mittal Steel's Class A common shares at the date of the acquisition. As of December 31, 2005 the allocation of the purchase price to assets acquired and liabilities assumed are preliminary and subject to revision. The Company has not received all information to determine the final values to be assigned. Appraisals of property, plant and equipment and intangible assets are currently underway. An evaluation of information relating to certain recorded liabilities is also underway. Intangible assets identified as a result of purchase accounting relate to $4 assigned to patents and $499 assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years or 2 years on a weighted average basis. Intangible liabilities consist of $1,060 assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years or 3.2 years on a weighted average basis.
The results of Mittal Steel USA ISG's operations have been included in the consolidated financial statements since April 15, 2005.

Romportmet

During 2005, Mittal Steel increased its share in the outstanding share capital in the Romportmet, port facility in Romania, to 94 % for a consideration of $47 in cash. In accordance with the current legal framework, Mittal Steel will acquire the remaining minority shares through a mandatory public offer.

Kryvorizstal

On November 25, 2005, the Company acquired 93 % of the outstanding common stock of OJSC Krivorizky Ore Mining Company and Steel Works Kryvorizstal (renamed Mittal Steel Kryviy Rih) from the governmentally run State Property Fund of Ukraine. Mittal Steel Kryviy Rih is the largest producer of carbon steel long products in the Ukraine and the

Notes to the consolidated financial statements

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

nearby region. As a result of the acquisition, the Company is the leading provider of steel products in the region. The Company also expects to achieve synergies and increase productivity through integration with its operations. Mittal Steel Kryviy Rih was acquired for $4,908 in cash ($4,632 net of cash acquired). In connection with the acquisition, the Company has committed to make capital expenditures of $500 until 2010.

Based on our preliminary purchase price allocation for Kryviy Rih, we have identified approximately $1,445 of excess purchase price over the fair value of the assets acquired. The allocation is subject to further refinement as additional information becomes available.

As of December 31, 2005 the allocation of the purchase price to assets acquired and liabilities assumed are preliminary and subject to revision. The results of Mittal Steel Kryviy Rih have been included in the consolidated financial statements since November 26, 2005.

With respect to the above acquisitions for 2004 and 2005, the table presented below, summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

	2004 Acquisitions			2005 Acquisitions	
	Mittal Steel South Africa	Mittal Steel Poland	Mittal Steel Zenica*	Mittal Steel USA ISG	Mittal Steel Kryviy Rih
Current assets	$835	$864	$127	$3,024	$332
Property, plant & equipment	1,834	1,966	169	4,066	4,177
Other assets	241	52	1	598	-
Total Assets Acquired	2,910	2,882	297	7,688	4,509
Current liabilities	498	669	31	1,613	125
Long-term loan	-	48	38	844	-
Other long-term liabilities	149	337	12	1,560	151
Deferred tax liabilities	228	298	-	165	807
Minority interest	-	34	-	-	-
Total Liabilities Assumed	875	1,386	81	4,182	1,083
Total Net Assets	2,035	1,496	216	3,506	3,426
Minority interest	1,017	91	-	-	239
Net assets acquired	1,018	1,405	216	3,506	3,187
Shares issued	-	-	-	1,705	-
Cash paid, net	-	519	178	1,524	4,632
Equity investment	1,018	-	-	-	-
Purchase price	1,018	519	178	3,229	4,632
(Negative) goodwill	$-	$(886)	$(38)	$(277)	$1,445

* During 2005, the Company adjusted the purchase price allocation for Mittal Steel Zenica, with respect to the fair value of the plant, property and equipment acquired.

Negative goodwill is included in other income in the income statement.

Notes to the consolidated financial statements

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

Unaudited Pro Forma Results

The following unaudited pro forma financial information presents the combined results of operations of Mittal Steel for 2005, with Mittal Steel USA ISG and Mittal Steel Kryviy Rih as if the acquisitions had occurred as of the beginning of the periods presented. The 2004 pro forma information also includes the results of operations of Mittal Steel Poland, Mittal Steel South Africa and Mittal Steel Zenica on the same basis. The unaudited pro forma financial information is not indicative of what our consolidated results of operations actually would have been had we completed the acquisition at the dates indicated. In addition, the unaudited pro forma financial information does not purport to project the future results of operations of the combined company.

	For the year ended December 31,	
	2004	2005
	Pro Forma	Pro Forma
Sales	$34,195	$33,028
Net income	7,117	3,715
Per share amounts		
Basic earnings per common share	11.07	5.41
Diluted earnings per common share	11.07	5.41

NOTE 4: TRADE AND OTHER RECEIVABLES

		December 31,
	2004	2005
Trade receivables	$2,273	$2,528
Allowance for doubtful accounts	(267)	(241)
	$2,006	$2,287

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

NOTE 5: INVENTORIES

Inventory, net of allowance for slow moving or obsolete inventory of $244 and $269 at December 31, 2004, and December 31, 2005, respectively, is comprised of the following:

		December 31,
	2004	2005
Finished products	$1,091	$1,956
Production in process	997	1,138
Raw materials	1,422	2,321
Manufacturing supplies, spare parts and other	454	579
	$3,964	$5,994

Notes to the consolidated financial statements

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

NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are summarized as follows:

	Land, buildings and improvements	Machinery and equipment	Construction in progress	Total
Cost				
At January 1, 2004	$1,736	$7,757	$310	$9,803
Additions	42	636	159	837
Acquisition of subsidiary	1,375	2,377	217	3,969
Exchange differences	455	625	28	1,108
Disposals	-	(82)	(88)	(170)
At January 1, 2005	3,608	11,313	626	15,547
Additions	184	869	128	1,181
Acquisition of subsidiary	416	7,644	183	8,243
Exchange differences	(189)	(223)	(32)	(444)
Disposals and others	-	(292)	-	(292)
At December 31, 2005	4,019	19,311	905	24,235
Accumulated depreciation and impairment				
At January 1, 2004	542	3,080	5	3,627
Depreciation charge for the year	119	612	3	734
Exchange differences	50	78	-	128
At January 1, 2005	711	3,770	8	4,489
Depreciation charge for the year	321	780	-	1,101
Eliminated on disposal	-	-	(6)	(6)
At December 31, 2005	1,032	4,550	2	5,584
Carrying amount				
At December 31, 2005	$2,987	$14,761	$903	$18,651
At December 31, 2004	$2,897	$7,543	$618	$11,058

During the period, the Group carried out a review of the recoverable amount of its manufacturing plant and equipment. The recoverable amount of the relevant assets has been determined on the basis of their value in use.

The Group has pledged land and buildings to secure banking facilities granted to the Group, which are further disclosed in note 11 and 12.

Notes to the consolidated financial statements

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

NOTE 7: GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit(s) that is or are expected to benefit from that business combination. Usually that is the plant (or plants) acquired. Before recognition of impairment losses the carrying amount of goodwill has been allocated as follows:

	Year ended December 31,	
	2004	2005
Europe:		
Mittal Steel Skopje	$40	$40
RZR Ljubija a.d.	7	7
Mittal Steel Kryviy Rih	-	1,445
Romportmet	-	19
Asia & Africa:		
MS South Africa	2	2
	$ 49	$1,513

In 2005 the Company acquired Mittal Steel Kryviy Rih. Based on the preliminary purchase accounting the Company has recognized $1,445 as goodwill.

The following accounting policy will be adopted when the purchase accounting is completed.

Mittal tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

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

Notes to the consolidated financial statements

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

NOTE 8: INVESTMENTS IN AFFILIATES AND JOINT VENTURES

The Company's investments in affiliates and joint ventures, which include joint ventures accounted for using the equity method, are as follows:

Investee	Operating activity	Ownership % At December 31, 2005	Type of ownership	December 31, 2004	December 31, 2005
Equity method investments:					
Located in U.S.					
PCI Associates	Pulverized coal	50 %	Partnership	$22	$23
I/N Tek[1]	Cold rolling	60 %	Partnership	65	82
I/N Kote[2]	Galvanizing	50 %	Partnership	149	159
Located in Mexico					
Consorcio Minero Benito Juárez Peña Colorada S.A. de C.V. ("Peña Colorada")	Mining and palletizing plant	50 %	Common stock	13	22
Servicios Siderúrgicos Integrados, S.A. de C.V. ("Sersiin")	Port operations, lime, industrial gases and engineering	50 %	Common stock	8	7
Located in Canada					
Sorevco	Galvanizing plant	50 %	Limited partnership	7	7
Delta Tube	Tubes	40 %	Limited partnership	1	1
Located in Germany					
Westfälische Drahtindustrie GmbH ("WDI")	Wire drawing	33.3 %	Common stock	15	20
Located in South Africa					
Macsteel International Holdings B.V.[3]	Trading activities	50 %	Partnership	93	130
Located in Poland					
Zaklad Przetworstwa Hutniczego	Steel products	33 %	Common stock	32	40
Located in China					
Hunan Valin[4]	Steel products	31.43 %	Common stock	-	344
Other equity method investment		-	-	78	92
				$483	$927

Notes to the consolidated financial statements

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

(1) I/N Tek, a general partnership formed for a joint venture between the Company and Nippon Steel Corporation ("NSC"), owns and operates a cold-rolling facility. I/N Tek is 60 % owned by a wholly owned subsidiary of the Company and 40 % owned by an indirect wholly owned subsidiary of NSC. The Company does not exercise control over I/N Tek as all significant management decisions of the joint venture require agree ment by both the partners. Due to this lack of control by the Company, the Company accounts for its investment in I/N Tek under the equity method. The Company has rights to the productive capacity of the I/N Tek facility, except in certain limited circumstances and, under a tolling arrangement, has an obligation to use the facil ity for the production of cold rolled steel. Under the tolling arrangement, the Company was charged $149 and $144 for the years ended December 31, 2004 and 2005, respectively, and the payable with I/N Tek was $1 at December 31, 2005.

(2) Mittal Steel USA and NSC own and operate another joint venture which consists of a 500,000 ton electro galva- nizing line and a 500,000 ton hot-dip galvanizing line adjacent to the I/N Tek facility. I/N Kote, the gen- eral partnership formed for this joint venture, is owned 50 % by a wholly owned subsidiary of Mittal Steel USA and 50 % by an indirect wholly owned subsidiary of NSC. Mittal Steel USA and NSC each have guaranteed the share of long-term financing attributable to their respective subsidiary's interest in the partnership. The I/N Kote joint venture is required to buy all of its cold rolled steel from the Company. Sales to I/N Kote were $323 and $361 for the years ended December 31, 2004 and 2005, respectively. The Company's receivable with I/N Kote was $4 at December 31, 2005.

(3) Macsteel International Holdings B.V. ("Macsteel") is an equity method investment owned by Mittal Steel South Africa. Mittal Steel South Africa's steel products are marketed internationally through Macsteel, a joint venture in which Mittal Steel South Africa holds a non-controlling 50 % interest. The Company recognized $42 in equity income from Macsteel in 2005 ($51 in 2004).

(4) On September 28, 2005, following the required approvals by various institutions of the Chinese Government and minor adjustments to the share purchase agreement signed on January 14, 2005, Mittal Steel completed the acquisition of 36.67 % of the outstanding shares of Hunan Valin Steel Tube and Wire Co., Ltd ("Hunan Valin"), for a total consideration of $338 (excluding expenses of $6). As a consequence of publicly held outstanding convertible bonds being converted into shares, the shareholdings of Mittal Steel in Hunan Valin was diluted to 31.43 % as of December 31, 2005. During January 2006, the conversion of all remaining convertible bonds oc curred and, as a result, the shareholdings of Mittal decreased to 29.49 % . The acquisition has been accounted for as an equity investment. As of December 31, 2005 the investment had a market value of $391. Also see subsequent events in note 24.

Summary condensed information, in the aggregate, of the Company's investments accounted for using the equity method is disclosed as follows:

	Year ended December 31,	
	2004	2005
Condensed Statement of Income Data*		
Gross revenue	$2,128	$3,446
Net income	88	137
	At December 31,	
	2004	2005
Condensed Balance Sheet Data		
Current assets	$559	$960
Total assets	1,565	2,487
Current liabilities	606	1,03
Total liabilities	1,071	1,57
Net assets	494	917

*Includes Hunan Valin as from September 28, 2005

Notes to the consolidated financial statements

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

NOTE 9: AVAILABLE FOR SALE SECURITY

	At December 31,	
Available for sale security[1]:	2004	2005
Equity security	$55	$55
Unrealized gain	135	222
Fair value	$190	$277

(1)At December 31, 2004 and 2005, the Company owned approximately 8.6 % of the outstanding shares of Eregli Denirve Fabrikal ("Eregli"), with a market value of $190 and $277 as of December 31, 2004 and 2005, respectively. Eregli is the largest iron and steel producer in the Republic of Turkey. Eregli is publicly traded on the Istanbul Stock Exchange.

NOTE 10: BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties were as follows:

	Year ended December 31,		At December 31,	
	2004	2005	2004	2005
Transactions	Sales		Receivables	
Macsteel International Holdings BV	$1,047	$1,369	$62	$51
WDI	195	153	34	20
Sorevco	-	63	-	-
I/N Kote	323	361	33	4
P.T. Ispat Indo/Glacier Trade Centre	1	6	3	-
Alpos	18	12	7	3
M.G. Odra Gas	7	8	-	3
Topham Eisen-und Stahlhandelsges	45	30	1	4
Polish Steel Products	9	15	-	2
TEGA	6	8	1	1
Polski Koks	325	77	50	45
Zaklad	86	70	10	13
Alkat	21	22	-	2
Krakodlew	14	11	-	-
Stalprofil	90	68	13	6
Valcovnia Plecku	8	-	-	-
Consolidated Wire Industries (Pty) Ltd.	26	24	-	3
Florin Centrum	-	23	-	4
Florin Podkarpacie SA	-	9	-	2
Other	14	10	11	5
Total	$2,235	$2,339	$225	$168

Notes to the consolidated financial statements

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

	Year ended December 31,		At December 31,	
	2004	2005	2004	2005
	Purchases of raw material & others		Payables	
Peña Colorada	$34	$53	$16	$27
Sersiin	9	11	22	18
E.I.M.P	153	188	-	-
PCI Associates (Tolling fee)	57	54	15	(5)
Orind Refractories	46	66	14	5
Cal. del. Balsas	16	17	2	2
I/N Tek (Tolling charges)	149	144	(16)	1
Lindsay International Pvt Ltd	40	57	4	6
M.G. Odra Gas	9	12	2	2
Corp. del. Balsas	5	5	3	2
Thyssen Trade Praha	6	-	-	-
Polski Koks	372	217	58	50
Zaklad Przetworstwa Hutniczego	40	-	3	-
Alkat	26	30	-	-
Krakodlew	18	12	2	2
Stalprofil	12	3	-	-
Przedsibiorsti	6	-	-	-
Prezerobu Ziomu Ziomex	-	19	-	-
HK Zaklad Transportu Samochodowego	-	6	-	3
Bulk Lehar	-	-	2	6
Other	23	20	10	6
Total	$1,021	$914	$137	$125

Notes to the consolidated financial statements

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

NOTE 11: PAYABLE TO BANKS AND CURRENT PORTION OF LONG TERM DEBT

Payable to banks and current portion of long-term debt consist of the following:

	At December 31,	
	2004	2005
Letter of credit, revolving and other credit facilities including bank overdrafts	$237	$144
Current portion of long-term debt and lease obligations (see note 12)	104	190
	$341	$334

Multi currency Letter of credit facility
On December 30, 2005 the Company entered into a multi currency revolving letter of credit facility in an aggregate amount equal to $800 with a consortium of lenders. This facility is to be used by the Company and its subsidiaries for the issuance of letters of credit and financial guarantees. The terms of the letter of credit and financial guarantees carry certain restrictions as to duration. There were no utilizations under this facility as of and for the year ended December 31, 2005.

Revolving credit facility
The Canadian Operating Subsidiary has a revolving term credit facility of C$147 million ($125) bearing interest at the U.S. prime base or the Canadian prime rate maturing in July 2009 and collateralized by the Canadian Operating Subsidiary's accounts receivable and inventories to an amount of $268. As of December 31, 2005, C$ nil ($ nil) was outstanding under this facility. Under the conditions of the revolving term credit facility, the Canadian Operating Subsidiary must satisfy certain restrictive covenants as to minimum financial ratios, acquisition of fixed assets and payments of dividends or other distributions of equity.

Other credit facilities

Other credit facilities provide for borrowing at various interest rates and support letters of credit in addition to providing borrowings to fund local working capital requirements at certain Operating Subsidiaries. Weighted average interest rates on the bank lines, working capital facilities and temporary overdrafts ranged from 2.0% to 8.7% in 2004 and 2.0% to 7.65% in 2005.

Certain of the credit facilities contain restrictive covenants that (i) require the Company's subsidiaries to comply with certain financial maintenance tests including the ratio of current assets to current liabilities and the ratio of total liabilities to total capital; (ii) require the maintenance of specified levels of net worth; (iii) prohibit subsidiaries from entering into agreements that restrict their ability to pay dividends and (iv) limit the payment of dividends (see note 14).

Certain of the lines of credit are collateralized by current assets and property, plant and equipment with a net carrying value of $258 and $292 at December 31, 2004 and 2005, respectively.

Notes to the consolidated financial statements

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

NOTE 12: LONG-TERM DEBT

Long-term debt denominated in U.S. dollars unless otherwise noted, is comprised of the following as of December 31:

	Year of maturity	Type of Interest	2004	2005
			US Dollar Equivalent (millions)	
Corporate				
$3.2 billion Credit Facility	2010	Floating	$-	$2,750
$3.5 billion Bridge Finance Facility	2007 - 2008	Floating	-	3,500
IFA	2030 - 2035	Floating	-	51
EBRD	2009	Floating	83	67
Other Loans (denominated in euro)	2009	Fixed	-	16
Others			268	-
Total Corporate			351	6,384
America				
Senior secured notes	2010	Floating	150	150
Senior secured notes	2014	Fixed	420	420
Senior unsecured notes	2014	Fixed	-	500
PBGC convertible notes	2007	Fixed	-	35
Asset acquisition loans	2015	Fixed	-	152
Other loans	2007 - 2014	Fixed	312	119
Total Americas			882	1,376
Europe				
Secured notes (denominated in euro)	2006	Fixed	95	82
Other loans	2006 - 2011	Floating	101	35
Other loans	2007 - 2013	Fixed	97	42
Total Europe			293	159
Asia & Africa				
Government Loan	2011	Fixed	150	150
Other loans	2013	Fixed	17	17
Other loans	2012	Floating	50	36
Total Asia & Africa			217	203
Total			1,743	8,122
Less current portion of long-term debt			104	180
Total long-term debt (excluding lease obligations)			1,639	7,942
Lease obligations (net of $10 of current portion)			-	32
Total long-term debt, net of current portion			**$1,639**	**$7,974**

Notes to the consolidated financial statements

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Corporate

$3.2 Billion Credit Facility

On April 7, 2005, Mittal Steel and certain subsidiaries signed a $3,200 credit facility ("2005 Credit Facility") with a consortium of banks. The five-year facility is divided into a term loan tranche and a revolver tranche. The $1,700 term loan tranche was used to finance the cash portion of the consideration payable in connection with the acquisition of International Steel Group Inc. The $1,500 revolver tranche was made available to refinance certain existing indebtedness of Mittal Steel and its subsidiaries and for general corporate purposes. At December 31, 2005, $2,750 was outstanding under the facility. Both tranches pay interest at a rate of LIBOR plus a margin based on a rating grid. The average interest rate for 2005 was 4.16 %.

$3.5 Billion Bridge Finance Facility

On October 19, 2005, the Company signed a $3,000 loan agreement with Citigroup ("2005 Bridge Facility"). The facility was subsequently increased by $500 to $3,500 and has terms similar to the $3,200 credit facility. The Company used the proceeds of this facility to partially fund the acquisition of a 93.02 % stake in the capital of Mittal Steel Kryviy Rih. The 2005 Bridge Facility pays interest at a rate of LIBOR plus a margin based on a rating grid. The average interest rate for 2005 was 4.47 %. As defined in the 2005 Bridge Facility, the Company has an obligation to repay this facility upon entering into new significant borrowing arrangements (See also note 24).

IFA

On November 22, 2005, the Company entered into an agreement with the Indiana Finance Authority to issue Environmental Improvement Revenue Refunding Bonds, Series 2005 in an amount of approximately $51. The Company used the proceeds to redeem two outstanding bonds at Mittal Steel USA Inc (series 1993 and 1995) in 2005 and to redeem series 1977 in February 2006. Interest is paid on a floating rate basis. The average interest rate for 2005 was 3.13 %.

EBRD loan

The secured loan is for capital expenditure and working capital requirement at Mittal Steel Galati. The loan is guaranteed by the Company and certain of its subsidiaries and is secured by a pledge of certain assets of Mittal Steel Galati. The average interest rate for 2005 was 6.22 %.

Americas

Senior Secured Notes

On March 25, 2004, Ispat Inland ULC issued $800 principal amount of senior secured notes: $150 of floating rate notes bearing interest at LIBOR plus 6.75 % due April 1, 2010 and $650 of fixed rate notes bearing interest at 9.75 % (issued at 99.212 % to yield 9.875 %) due April 1, 2014 (the "Senior Secured Notes"), of which $150 and $420 (net of $3 of discount) are outstanding as of December 31, 2005.

The Senior Secured Notes are secured by First Mortgage Bonds (relating to certain assets of the former Ispat Inland Inc.) totalling $800 and by a second position lien on the inventory of Mittal Steel USA. As further credit enhancement, the Senior Secured Notes are fully and unconditionally guaranteed by Mittal Steel USA, certain of its subsidiaries as well as by Mittal Steel and certain other affiliates.

The terms of the Senior Secured Notes place certain limitations on the ability of Mittal Steel USA and its subsidiaries to incur additional indebtedness, pay dividends or make other distributions and various other activities. The indenture also contains limited covenants that are applicable to Mittal Steel. These limitations are subject to a number of exceptions and qualifications. Mittal Steel USA was in compliance with all covenants on December 31, 2005. The restrictions in the indenture for the Senior Secured Notes on paying dividends or making other distributions to shareholders and the repurchase or redemption of stock limited such payments to $503.

Notes to the consolidated financial statements

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

The Senior Secured Notes became investment grade rated as of January 19, 2006. As a result, many of the above limitations were suspended.

Senior unsecured notes

On April 14, 2004, Mittal Steel USA ISG Inc. issued $600 of senior, unsecured debt securities due 2014. The debt securities bear interest at a rate of 6.5 % and were sold at an original issue discount of $5, which is amortized as interest expense over the life of the senior unsecured notes. These debt securities have a principal at maturity of $600 and an effective annual interest rate of 6.625 %. Certain of the wholly owned subsidiaries of Mittal Steel USA guarantee these notes on a full, unconditional and joint and several basis. On July 22, 2005, Mittal Steel USA ISG Inc. repurchased $100 of bonds leaving an outstanding balance of $500.

PBGC note

The Pension Benefit Guaranty Corporation ("PBGC") convertible note bears interest at 6.0 % and the principal is due in full on May 6, 2007. The note is subordinated to all of Mittal Steel USA's senior indebtedness. The PBGC note is convertible, at the PBGC's option, into 35,597.45 shares of the Company's common stock for each $1 in principal and interest outstanding at any time.

Asset acquisition loans

In May 2005, Mittal Steel USA ISG Inc. took ownership of a coke oven battery at Burns Harbor that was previously leased under a capital lease. The related loan amounts to $147 as of December 31, 2005. Payments to the lender are minimum monthly payments totalling $6 per year with additional payments based on coke production through 2015. The coke oven battery is collateral for the loan.

In connection with ISG's acquisition of Weirton, ISG issued a $5 promissory note due 2019. The note bears interest at 5.0 % per annum and annual principal and interest payments began in May 2005.

Other loans

The other loans relate to fixed rate bonds bearing interest at 5.75 % 7.25 %.

Redemptions 2005

Other loans

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

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

Redemptions 2004

Senior Secured Notes

On December 30, 2004, Ispat Inland (through an affiliate) redeemed $228 principal amount of its 9.75 % Senior Secured Notes due 2014, at a redemption price equal to 109.75 % for which Ispat Inland recognized a $22 loss in other expenses.

Notes to the consolidated financial statements

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

Contingent Liability

In 1998, Ispat Inland entered into an agreement with the PBGC to provide certain financial assurances with respect to its Pension Plan. Under the terms of this agreement, the PBGC was granted a first priority lien on certain assets and Ispat Inland was required to make certain contributions to its Pension Plan. In 2003, the agreement was amended and under the amended terms, Ispat Inland contributed $175 in 2005 and $83 in 2004 and pledged $160 of non-interest bearing First Mortgage Bonds. The agreement terminates upon the earlier of either being fully funded under Employee Retirement Income Security Act ("ERISA") or Mittal Steel USA meeting certain financial measures. The Company believes the financial measures tests have been met as of December 31, 2005 and, as such, the agreement has terminated, eliminating its contribution requirements in 2006 and beyond and also eliminating the collateral requirements. The PBGC has yet to review the 2005 financial statements and acknowledge the termination of the agreement in connection with the satisfaction of the financial measures.

Europe

Senior Secured Notes Denominated in Euro

On February 1, 2001, Mittal Steel Europe Group SA, issued €150 million Senior Secured Notes ("Bonds"), with a mature of February 1, 2011. These Bonds are secured by mortgage over the property plant and equipment of the German Operating Subsidiaries and an indirect pledge on the shares of the French Operating Subsidiary. The interest rate is fixed at 11.875 % per annum and payable semi-annually.

Redemption

In 2004, Mittal Steel Europe Group SA purchased €39 million ($48) Bonds at an average purchase price of 111.6 %. As of December 31, 2004 and 2005, the par value of the outstanding Bonds was €70 million. These Bonds were called on December 19, 2005 and repaid on February 1, 2006 at 105.938 % of par value. Penalties of $8 arising from the early retirement of these Bonds were accrued in 2005.

Other loans

The European floating rate loans bear interest at Libor/ Warsaw Interbank Offering rate ("Wibor") + 0 % - 6 %.

The fixed rated loans bear interest at 5.5 % - 7.5 %.

Loans for the Operating Subsidiaries in Macedonia, Bosnia and Herzegovina, Romania and Poland are secured by property, plant and equipment.

Asia & Africa

Mittal Steel Annaba has a $150 ten-year term loan agreement with the Government of Algeria. The loan matures in October 2011 and bears interest at 5 % per annum (payable annually) from October 2004, which is after a moratorium period of three years. The Company has guaranteed the payment of the principal and interest payable under this loan.

The floating rate loans bear interest at Libor + 3.5 %.

Loans at the Operating Subsidiaries in Kazakhstan and Algeria, with amounts outstanding as of December 31, 2005 of $36 are secured by property, plant and equipment to an amount of $20.

Notes to the consolidated financial statements

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

Other

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

Maturities of long-term debt including lease obligations at December 31, 2005 are as follows:

Year ended December 31,	
2006	$190
2007	1,876
2008	1,808
2009	52
2010	2,931
Subsequent years	1,307
Total	$8,164

NOTE 13: FINANCIAL INSTRUMENTS AND CREDIT RISK

Fair Value of Financial Instruments

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

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

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

The estimated fair values of the Company's short and long-term debt are as follows:

	December 31, 2004		December 31, 2005	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Instruments payable bearing interest at variable rates	$751	$764	$6,589	$6,594
Instruments payable bearing interest at fixed rates	992	1,041	1,575	1,649
Long-term debt, including current portion	1,743	1,805	8,164	8,243
Payable to banks	237	237	144	144

Notes to the consolidated financial statements
(Milions of U.S. Dollars, except share data and per share data)

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

In the Americas, subsidiaries use futures and swap contracts to manage fluctuations in the cost of natural gas and certain nonferrous metals, primarily zinc, which is used in the coating of steel. Timing of these transactions corresponds to the expected need for the underlying physical commodity and is intended as a hedge.

The Company had one long running interest rate swap which ended in January 2006.

The effective portion of the fair value gains or losses on these cash flow hedges are recorded in equity and recorded in the income statement as per the realization of the cash flows if they meet the criteria of IAS 39. Any ineffective portions of the gains or losses on all cash flow foreign exchange contracts, swaps or options designated as hedges were recognized currently in earnings.

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

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

The amounts of derivative financial assets and liabilities recognized in the balance sheet as of December 31, 2004 and 2005 are not material. These are all short-term.

Credit Risk

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

Financial instruments that potentially subject the Company to credit risk primarily consist of trade accounts receivable and derivative contracts.

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

The counterparties to derivative contracts are generally major financial institutions and credit risk is generally limited to the unrealized gains and losses on such contracts should the counterparties fail to perform as contracted. Additionally, the Company utilizes a portfolio of highly rated financial institutions either headquartered or operating in the same countries in which the Company conducts its business. The credit exposure to each counterparty is capped in function of its credit rating and our business volume. As a result, the Company considers the risk of counterparty default to be minimal.

Notes to the consolidated financial statements

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

NOTE 14: SHAREHOLDERS' EQUITY

As of December 31, 2005, the authorized common shares of Mittal Steel consisted of 5,000,000,000 class A common shares, par value of EUR0.01 per share, and 721,500,000 class B common shares, par value of EUR0.10 per share. At December 31, 2005, 255,401,673 (2004: 194,509,790) class A common shares and 457,490,210 (2004: 457,490,210) class B common shares were issued and 246,572,889 (2004: 185,284,650) class A common shares (excluding treasury shares) and 457,490,210 (2004: 457,490,210) class B common shares were outstanding.

The preference and relative rights of the Mittal Steel class A common shares and Mittal Steel class B common shares are substantially identical except for disparity in voting power and conversion rights. Holders of Mittal Steel class A common shares are entitled to one vote per share and holders of Mittal Steel class B common shares are entitled to 10 votes per share on all matters submitted to a vote of shareholders. Each Mittal Steel class B common share is convertible, at the option of the holder, into one Mittal Steel class A common share.

On April 15, 2005 Mittal Steel issued 60,891,883 class A common shares to the former ISG stockholders in exchange for their shares of ISG common stock.

At December 31, 2005, the Company had 8,828,784 of its own Class A shares which it purchased on the open market for a net consideration of $111 (at December 31, 2004-9,225,140 at a consideration of $123). In 2005 the Company received $3 upon the exercise of options.

In 2004 Company bought back 5,300,000 of its shares from the open market during the year at a consideration of $54 under a share buy back program announced by the Company. These shares have been acquired for the purpose of the Company's employee stock option plan.

All calculations to determine the amounts available for dividends are based on Mittal Steel's Dutch statutory accounts, which, as a holding company, are different from its consolidated accounts.

Mittal Steel has no manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries, recognizes gains from the sale of its assets or records share premium from the issuance of (new) common shares. Certain of the Company's Operating Subsidiaries are subject to restrictions under the terms of their debt agreements for paying dividends. As a result, subsidiaries of Mittal Steel had $6,386 in retained earnings which are free of restriction for the payment of dividend at December 31, 2005. Dividends are payable by Mittal Steel in either U.S. Dollars or in Euros.

Dividends

2005
The dividend for the year amounts to $213 and was paid during the year.

2004
The dividend for the year declared by LNM Holdings N.V. to its sole shareholder before it was acquired by the Company was $2,385.

Share Retention Agreements

Mittal Steel Temirtau has entered into share retention agreements with the European Bank for Reconstruction and Development ("EBRD") and International Finance Corporation ("IFC"), whereby until the date on which the EBRD and IFC loans have been repaid in full, Mittal Steel Temirtau's holding company or its nominee shall not, unless EBRD and IFC otherwise agree in writing, transfer, assign, pledge, dispose or encumber 67 % of the share holding in Mittal Steel Temirtau.

Notes to the consolidated financial statements

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

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

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

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

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

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

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

Stock Option Plan

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

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

	Year of grant
	2005
Dividend yield	1.44 %
Expected annualized volatility	52 %
Discount rate-Bond equivalent yield	4.50 %
Expected life in years	6

Notes to the consolidated financial statements

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

The status of the MittalShares is summarized below at December 31, 2005:

	Number of Shares	Range of Exercise Prices	Weighted Average Exercise Price per share
Outstanding, January 1, 2004	3,339,334	2.26 - 11.94	7.32
Exercised	(1,384,118)	2.26 - 11.94	7.76
(Forfeitures)	(244,000)	2.26 - 11.94	9.07
Outstanding, December 31, 2004	1,711,216	2.26 - 11.94	6.72
Granted	3,908,773	28.75	28.75
Exercised	(351,850)	2.26 - 11.94	5.87
(Forfeitures)	(210,833)	2.26 - 28.75	27.87
Outstanding, December 31, 2005	5,057,306	2.26 - 28.75	22.92
Exercisable, December 31, 2005	1,352,366	2.26 - 11.94	6.96
Exercisable, December 31, 2004	1,321,721	2.26 - 11.94	8.03

Options granted during 2005 had a fair value of $13 per share.

The following table summarizes information about stock options at December 31, 2005:

	Options Outstanding		
Exercise Prices	Number of Shares	Weighted Average Contractual Life (in years)	Options Exercisable Number Of Shares
$11.94	409,499	3.71	409,499
8.57	379,05	4.42	379,05
2.26	563,817	6.27	563,817
28.75	3,704,940	9.65	-
$2.26 – 28.75	5,057,306	8.40	1,352,366

NOTE 15: PENSIONS AND OTHER POST-RETIREMENT PLANS

Mittal Steel's Operating Subsidiaries have different types of pension plans for their employees. Also, most of the subsidiaries in the Americas region offer post-employment benefits, including post-employment health care. The expense associated with these pension plans and employee benefits, as well as the carrying amount of the related liability/asset on the balance sheet is based on a number of assumptions and factors such as the discount rate, expected wage increases, expected return on plan assets, future health care cost trends and market value of the underlying assets. Actual results that differ from these assumptions are accumulated and amortized over future periods and, therefore, will affect recognized expense and the recorded obligation in future periods, particularly in the case of Mittal Steel's U.S. and Canadian subsidiaries. The total accumulated unrecognized losses amounted to $1,103 for pensions and $180 for other post retirement benefits as of December 31, 2005. A summary of the defined benefit plans is as follows:

Notes to the consolidated financial statements

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

Americas

U.S. and Canadian Plans

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

The Company also has established defined contribution benefit trusts to fund pensions and retiree medical and death benefits as well as qualified savings plans. Compensation expense related to this savings plan amounted to $4 and $123 for the years ended December 31, 2004, and 2005 respectively.

The Canadian Operating Subsidiary offers contributory and non-contributory defined benefit pension plans for substantially all of its employees. Benefits for the non-contributory plans are generally calculated based on the number of years of service of the unionized employees and based on actuarial computations. Benefits for the contributory plans are generally calculated based on the number of years of service and the maximum average eligible earnings of each employee during any period of five consecutive years.

The Canadian Operating Subsidiary provides certain post-employment and post-employment medical benefits and life insurance for certain groups of retired employees. The Company is accruing the cost of these benefits for current and future retirees using the projected unit credit actuarial method.

Trinidad Plan

The Company's Operating Subsidiary in Trinidad maintains a contributory defined benefit pension plan for substantially all of its employees, the benefits of which are based on the employees' length of service.

Mexican Plan

The Mexican Operating Subsidiary provides for seniority premiums to its employees, which consists of a one-time payment of 12 days wages for each year worked, calculated on the basis of employees' most recent salary. The maximum salary used in this calculation is limited to double the legal minimum wage. The liabilities and net periodic cost related to these retirement benefits are calculated by independent actuaries using the projected unit credit method.

The Mexican Operating Subsidiary also provides seniority premium benefits, which are mandated by Mexican law, to employees upon unjustified dismissal, after 15 years of service or to the employee's beneficiary upon death. Net periodic cost related to such obligation was not material for the years ended December 31, 2004 and 2005. The related accrued liability of $3 and $6 as of December 31, 2004 and 2005, respectively, is classified in the consolidated balance sheets as other long-term liabilities.

Europe

Some European Operating Subsidiaries maintain mainly unfunded defined pension plans for a certain number of employees the benefits of which are based on such employees' length of service and applicable pension table under the terms of individual agreements.

Other plans have an obligation to pay lump sum retirement indemnities to employees calculated bases on the length of service and compensation at retirement.

Notes to the consolidated financial statements

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

Asia & Africa

South African Plan

The South African Operating Subsidiary contributes to defined contribution savings plans. Contributions amounted to $17 in 2004 and 2005.

Additionally certain employees at the South African Operating Subsidiary are covered by multi employer pension plans. Company contributions to these plans were not material in 2004 and 2005.

Plan Assets

The weighted average asset allocations for the Funded Pension Plans at December 31, 2004, and 2005, by asset category are as follows[1]:

	December 31, 2004			December 31, 2005		
	U.S.	CANADA	TRINIDAD	U.S.	CANADA	TRINIDAD
Equity Securities	64 %	61 %	55 %	62 %	60 %	49 %
Fixed Income (including cash)	18 %	39 %	38 %	17 %	40 %	38 %
Real Estate	6 %	-	-	21 %	-	-
Other	12 %	-	7 %	-	-	13 %
Total	100%	100%	100%	100%	100%	100%

[1] U.S. Pension plans weighted asset allocation measured at November 30, 2004 and November 30, 2005 respectively.

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

	December 31, 2005		
	U.S.	CANADA	TRINIDAD
Equity Securities	63 %	60 %	50 %
Fixed Income (including cash)	23 %	40 %	40 %
Real Estate	5 %	-	-
Other	9 %	-	10 %
Total	100%	100%	100%

U.S. Plan Assets

The investment objectives for the U.S. Pension Plan are defined in the Statement of Investment Policy dated December 1, 2000. The objectives stated therein are as follows:

A. Investments of the Trust Fund are made solely in the interest of the participants and beneficiaries and for the exclusive purposes of providing benefits to such participants and their beneficiaries and defraying the reasonable expenses of administering the Plans and the Trust.

B. The investment objectives shall be to: 1) provide long-term growth (in the form of income and/or capital appreciation) in Trust assets so as to maximize the amounts available to provide benefits to Plan participants and their beneficiaries and 2) maintain adequate liquidity in the Trust's assets to permit timely payment of all benefits to such participants and their beneficiaries. In carrying out these objectives, short-term fluctuations in the value of the Trust's assets shall be considered secondary to long-term investment results.

Notes to the consolidated financial statements

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

C.The Trust Fund shall be invested with the care, skill, prudence and diligence under the circumstances prevailing from time to time that a prudent man acting in a like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.

D.The investments of the Trust Fund shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The Policy provides for broad ranges around these targets to reduce rebalancing trading cost and facilitate the management of the Trust Fund. Investment risk is monitored by the Company on an ongoing basis, in part through the use of quarterly investment portfolio reviews, compliance reporting by investment managers, and periodic asset/liability studies and reviews of the Plan's funded status.

The Company uses a long-term rate of return assumption of 9.5%. This assumption is viewed in a long-term context and is evaluated annually. The expected return assumption is supported by the asset allocation of the Trust and the historical long-term return on Trust assets.

Trinidad Plan Assets

The Plan's assets are held in trust and invested on a long-term basis. Investment strategy is largely dictated by local investment restrictions (maximum of 50% in equities and 20% overseas) and asset availability since the local equity market is small and there is little secondary market activity in debt securities. The Plan is not permitted to invest in assets of the Company.

Canada Plan Assets

Asset allocation is established according to the objectives of the Pension Fund. This is based on the risk/return trade-off defined by the Committee in view of the long-term outlook for financial markets and by taking into account the Plan benefits, its commitments and financial situation after considering all the factors that could affect the provisioning, solvency and capacity of the Plan to meet its obligations.

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

	At December 31, 2004			
	TOTAL	U.S. & CANADIAN	TRINIDAD	EUROPE
Change in benefit obligation				
Benefit obligation at beginning of the period	$3,074	$2,963	$53	$58
Service cost	51	46	3	2
Interest cost	186	180	3	3
Plan participants' contribution	2	1	1	-
Actuarial losses	142	138	3	1
Benefits paid	(230)	(227)	(1)	(2)
Foreign currency exchange rate differences	43	34	-	9
Benefit obligation at end of the period	3,268	3,135	62	71
Change in plan assets				
Fair value of plan assets at beginning of the period	2,109	2,032	77	-
Actual return on plan assets	301	279	22	-
Employer contribution	121	120	1	-
Plan participants' contribution	2	1	1	-
Benefits paid	(228)	(227)	(1)	-
Foreign currency exchange rate differences	22	22	-	-
Fair value of plan assets at end of the period	2,327	2,227	100	-
(Unfunded) funded status of the plans	(941)	(908)	38	(71)
Unrecognized net actuarial loss (gain)	939	967	(28)	-
Unrecognized transition asset	(2)	0	(2)	-
Unrecognized prior service cost	114	105	9	-
Net amount recognized	$110	$164	$17	$(71)

Notes to the consolidated financial statements

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

	At December 31, 2005			
	TOTAL	U.S. & CANADIAN	TRINIDAD	EUROPE
Change in benefit obligation				
Benefit obligation at beginning of the period	$3,268	$3,135	$62	$71
Acquisition	134	134	-	-
Service cost	52	47	3	2
Interest cost	195	188	4	3
Plan participants' contribution	2	1	1	-
Actuarial loss	246	241	-	5
Benefits paid	(243)	(239)	(2)	(2)
Foreign currency exchange rate differences	9	19	-	(10)
Benefit obligation at end of the period	3,663	3,526	68	69
Change in plan assets				
Fair value of plan assets at beginning of the period	2,327	2,227	100	-
Acquisition	69	69	-	-
Actual return on plan assets	244	241	3	-
Employer contribution	200	199	1	-
Plan participants' contribution	2	1	1	-
Benefits paid	(241)	(239)	(2)	-
Foreign currency exchange rate differences	11	11	-	-
Fair value of plan assets at end of the period	2,612	2,509	103	-
(Unfunded) funded status of the plans	(1,051)	(1,017)	35	(69)
Unrecognized net actuarial loss (gain)	1,103	1,125	(22)	-
Unrecognized transition asset	(1)	-	(1)	-
Unrecognized prior service cost	92	84	8	-
Net amount recognized	$143	$192	$20	$(69)

Notes to the consolidated financial statements
(Milions of U.S. Dollars, except share data and per share data)

The following table details the components of net periodic pension cost

	December 31, 2004			
Components of net periodic cost (benefit)	TOTAL	U.S. & CANADIAN	TRINIDAD	EUROPE
Service cost	$51	$46	$3	$2
Interest cost	186	180	3	3
Expected return on plan assets	(210)	(204)	(6)	-
Amortization of prior service cost	13	13	-	-
Amortization of net (gain) loss	41	41	-	-
Net periodic cost (benefit)	$81	$76	$-	$5

	December 31, 2005			
Components of net periodic cost (benefit)	TOTAL	U.S. & CANADIAN	TRINIDAD	EUROPE
Service cost	$51	$47	$3	$1
Interest cost	195	188	4	3
Expected return on plan assets	(212)	(204)	(8)	-
Amortization of prior service cost	38	38	-	-
Amortization of net (gain) loss	52	56	(1)	(3)
Net periodic cost (benefit)	$124	$125	$(2)	$1

Post-employment benefits

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

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

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

	At December 31, 2004			
	TOTAL	U.S. & CANADIAN	EUROPE	OTHER
Change in post-employment benefit obligation				
Benefit obligation at beginning of period	$954	$929	$25	$-
Acquisitions	4	-	-	4
Service cost	9	9	-	-
Interest cost	54	52	1	1
Actuarial loss (gain)	(14)	(12)	(1)	(1)
Benefits paid	(75)	(73)	(1)	(1)
Foreign currency exchange rate changes	5	2	2	1
Benefits obligation at end of period	937	907	26	4
Fair value of assets	-	-	-	-
Funded (unfunded) status of the plans	(937)	(907)	(26)	(4)
Unrecognized net loss	102	102	-	-
Unrecognized prior service cost (benefit)	(144)	(144)	-	-
Net amount recognized	$(979)	$(949)	$(26)	$(4)

Notes to the consolidated financial statements

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

	At December 31, 2005			
	TOTAL	U.S. & CANADIAN	OTHER	EUROPE
Change in post-employment benefit obligation				
Benefit obligation at beginning of period	$937	$907	$26	$4
Acquisitions	315	315	-	-
Service cost	12	12	-	-
Interest cost	66	65	1	-
Plan amendment	(279)	(279)	-	-
Actuarial loss (gain)	57	60	(1)	(2)
Benefits paid	(78)	(77)	(1)	-
Foreign currency exchange rate changes	(2)	1	(3)	-
Benefits obligation at end of period	1,028	1,004	22	2
Fair value of assets (from acquisition)	23	23	-	-
Funded (unfunded)status of the plans	(1,005)	(981)	(22)	(2)
Unrecognized net loss	180	180	-	-
Unrecognized prior service cost (benefit)	(154)	(154)	-	-
Net amount recognized	$(979)	$(955)	$(22)	$(2)

The net periodic post-employment cost:

	At December 31, 2004			
Components of net periodic cost (benefit)	TOTAL	U.S. & CANADIAN	EUROPE	OTHER
Service cost	$9	$9	$-	$-
Interest cost	54	52	1	1
Amortization of prior service cost	(29)	(29)	-	-
Amortization of net (gain)	(1)	-	-	(1)
Net periodic benefit cost	$33	$32	$1	$-

	At December 31, 2005			
Components of net periodic cost (benefit)	TOTAL	U.S. & CANADIAN	EUROPE	OTHER
Service cost	$12	$12	$-	$-
Interest cost	66	65	1	-
Expected return on plan assets	(1)	(1)	-	-
Amortization of prior service cost	(288)	(288)	-	-
Amortization of net (gain)	(1)	1	(1)	(1)
Net periodic benefit cost	$(212)	$(211)	$-	$(1)

Notes to the consolidated financial statements

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

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

	Pension Benefits		Other Benefits	
	2004	2005	2004	2005
Discount rate	4.75%-10%	4.25%-7.75%	4.75%-10%	4.25%-7.25%
Rate of compensation increase	3%-18%	2%-8%	3%-5.28%	2%-8%

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

	Pension Benefits		Other Benefits	
	2004	2005	2004	2005
Discount rate	4.75%-10%	4.25%-7.75%	5%-10%	4.25%-7.75%
Rate of compensation increase	3%-18%	2%-8%	4%-8%	2%-8%
Expected long-term rate of return on plan assets	5.28%-9.5%	6.5%-9.5%	4.75%-9.5%	6.5%-9.5%

Health Care Cost trend

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

An increase of 1% in the health care cost trend rate of Mittal Steel USA would increase the post employment benefit obligation by $102 and the annual net periodic cost by $11. A 1% decrease would reduce the post-employment benefit obligation by $90 and the annual net periodic cost by $9.

At the Canadian Operating Subsidiary, for evaluation purposes, the annual growth rate assumption for the cost of health care for each participant was decreased to 8% in 2005 (from 8.6% in 2004). The rate is expected to gradually decline to 3.6% in 2010 and remain at this level thereafter. A 1% change would have an effect of $3 on the post-employment benefit obligation.

Cash Flows

Contributions

The Company expects to contribute $300 to the US Trust in 2006. There are no PBGC or ERISA minimum funding requirements due in 2006.

The Company expects to contribute $4 to the Trinidad Trust in 2006, which is equal to its minimum statutory regular contributions.

The Company expects to contribute $30 to the Canadian Trust in 2006.

Estimated Future Pension and Post-Employment Payments

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

	Year ended December 31			
Expected benefit payments	TOTAL	U.S. & CANADIAN	TRINIDAD	EUROPE
2006	$324	$318	$1	$5
2007	337	330	1	6
2008	350	343	1	6
2009	364	356	2	6
2010	375	367	2	6
Thereafter	1,882	1,840	11	31

Notes to the consolidated financial statements

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

Total long-term employee benefits

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

	At December 31	
	2004	2005
Pension obligation	$(110)	$(143)
Included in accrued expenses	(175)	-
Other post-employment benefit obligation	979	979
Other long-term employee benefits (jubilee, leave, compensation)	187	218
	$881	$1,054

NOTE 16: INCOME TAX EXPENSE

The breakdown of the income tax expense (benefit) is as follows:

	Year Ended December 31,	
Current:	2004	2005
Americas	$41	$7
Europe	330	279
Asia & Africa	265	377
Total current income tax expense	636	663
Deferred:		
Americas	253	69
Europe	(32)	-
Asia & Africa	110	149
Total deferred tax expense	331	218
Total income tax expense	$967	$881

The following table reconciles the income tax expense (benefit) calculated at the statutory rate of each tax jurisdiction to the corresponding amounts as reported:

	Year ended December 31, 2004			
	Americas	Europe	Asia & Africa	Total
Statutory tax expense	$315	$517	$345	$1,177
Increase (decrease) resulting from:				
Permanent items	-	1	(27)	(26)
Benefit arising from interest in partnership	(19)	-	-	(19)
Rate change	(22)	73	-	51
Change measurement of deferred tax assets	(14)	(115)	-	(129)
Benefit of tax holiday	-	(190)	(45)	(235)
Effects on foreign currency translation	4	(20)	39	23
Other taxes	9	-	43	52
Others	21	32	20	73
Income tax expense	$294	$298	$375	$967

Notes to the consolidated financial statements

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

	Year ended December 31, 2005			
	Americas	Europe	Asia & Africa	Total
Statutory tax expense	$336	$243	$428	$1,007
Increase (decrease) resulting from:				
Permanent items	(21)	55	102	136
Benefit arising from interest in partnership	(39)	-	-	(39)
Rate change	(16)	(1)	(5)	(22)
Change measurement of deferred tax assets	11	(39)	-	(28)
Re-characterization of capital loss to ordinary loss	(226)	-	-	(226)
Benefit of tax holiday	-	-	(21)	(21)
Effects on foreign currency translation	7	3	-	10
Other taxes	17	4	33	54
Others	7	14	(11)	10
Income tax expense	$76	$279	$526	$881

Re-Characterization of Capital Loss to Ordinary Loss

During 2004, the Mexican Operating Subsidiary, in two separate transactions, transferred shares of two of its subsidiaries and realized capital losses for tax purposes of approximately $755 and $668, respectively. At December 31, 2004, no deferred tax asset was recognized related to these losses as there were no existing temporary differences that would result in future capital gains nor were there any capital gains expected to occur.

In 2005, the Mexican federal court approved the Mexican Operating Subsidiary's petition to utilize the $755 capital loss against operating income. Accordingly, a tax benefit of $226 million was recognized. The petition related to the loss of $668 has not been approved by the Mexican authorities, and accordingly, a deferred tax asset of $187 has not been recognized.

Deferred Income Tax

Deferred tax assets and (liabilities) at December 31, 2004 and 2005 are summarized as follows:

		Year Ended December 31,	
		2004	2005
Net deferred tax assets consist of the following:			
Employee benefit costs	Americas	$335	$43
Net operating losses and alternative minimum tax	Americas	260	104
Property, plant and equipment	Americas	(522)	(62)
Facilities relocation restructuring	Americas	22	-
Other	Americas	(61)	20
Net operating loss carryforward	Europe	-	3
Property, plant and equipment	Europe	19	72
Employee benefit costs	Europe	20	21
Reserves	Europe	9	34
Other	Europe	66	79
Property, plant and equipment	Asia & Africa	(122)	-
Reserves	Asia & Africa	28	-
Net operating loss carry forward	Asia & Africa	104	-
Other	Asia & Africa	27	-
Total net deferred tax assets		$185	$314

Notes to the consolidated financial statements

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

Net deferred tax liabilities consists of the following:			
Property, plant and equipment	Americas	$(179)	$(1,368)
Restructuring	Americas	-	150
Net operating loss carryforward	Americas	30	264
Inventories	Americas	(34)	-
Employee benefit costs	Americas	-	260
Unfavourable contracts	Americas	-	163
Other	Americas	(9)	30
Property, plant and equipment	Europe	(243)	(1,094)
Employee benefit costs	Europe	19	27
Reserves	Europe	(11)	(52)
Other	Europe	(40)	-
Property, plant and equipment	Asia & Africa	(727)	(706)
Net operating loss carryforward	Asia & Africa	97	51
Employee benefit costs	Asia & Africa	18	-
Reserves	Asia & Africa	2	22
Total net deferred tax liabilities		**$(1,077)**	**$(2,253)**

Mittal Steel did not recognize deferred tax relating to tax loss carryforwards and capital loss carryforwards in France and U.S. as well as other temporary differences for an amount of $ 163 ($203 as of December 31, 2004). In France, tax loss carryforwards and capital loss carryforwards have no expiration date. In addition, capital loss carryforwards can only be offset against capital gains. In U.S., tax loss carryforwards expire in varying amounts from 2006 through 2023. The utilization of tax loss carryforwards is, however, restricted to the taxable income of the subsidiary generating the losses.

At December 31, 2005, based upon the level of historical taxable income and projections for future taxable income over the periods in which the temporary timing differences are anticipated to reverse, management believes it is more likely than not that Mittal Steel will realize the benefits of the deferred tax assets recognized. However, the amount of the deferred tax asset considered realizable could be adjusted in the future if estimates of taxable income are revised.

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

Secondary Taxation on Companies ("STC") is a tax levied on South African companies at a rate of 12.5 % of dividends distributed. STC is not included in the computation of current or deferred tax as these amounts are calculated at the statutory company tax rate on undistributed earnings. On declaration of a dividend, the South African Operating Subsidiary includes the tax of 12.5 % in its computation of the income tax expense. If the South African Operating Subsidiary distributed all of its undistributed retained earnings, of which $1,337 and $1,954 in 2004 and 2005, respectively, would be subject to STC, additional taxes of $149 and $217 in 2004 and 2005, respectively, would be owed. STC on dividends declared in 2004 and 2005 were $29.7 and $29.8, respectively and are included in "Other Taxes" in the effective rate reconciliation.

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

The Kazakhstan Operating Subsidiary and the Government of Kazakhstan signed an agreement that fixed its corporate income tax payments for the years 2005 through 2009. The fixed corporate income tax payments are dependent upon

Notes to the consolidated financial statements

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

the Kazakhstan Operating Subsidiary's completion of required capital investments by December 31, 2004, which was subsequently extended to December 31, 2006. As of December 31, 2005, the Company has incurred approximately $526 of the total $580 required capital investments.

The Algerian Operating Subsidiaries are exempt from corporate tax for a period of 10 years commencing from October 2001 provided certain commitments are met as specified in note 19.

Tax Loss Carryforwards

At December 31, 2005, the Company had total estimated net tax loss carryforwards of $2,382 which includes tax loss carryforwards of our US Operating Subsidiary net of limitation imposed by IRC Section 382.

Such amount includes net operating losses of $1,674 primarily related to the U.S. and the Mexican Operating Subsidiaries which expire as follows:

Year Expiring	
2006	$50
2007	63
2008	80
2009	51
2010	82
2011	42
2012	38
2013	44
2014	400
2015	38
2016	38
2017	38
2018	38
2019	38
2020	73
2021	298
2022	38
2023	225

The remaining tax loss carryforwards of $708 are indefinite lived and are attributable to the Company's operations in France, Trinidad and Tobago and South Africa.

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

Notes to the consolidated financial statements

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

NOTE 17: PROVISIONS

Provisions for environmental liabilities, asset retirement obligations and restructuring

	Balance at December 31, 2004	Additions charged to Income	Deductions/ Release	Acquisitions	Foreign currency exchange difference	Balance at December 31, 2005
Environmental (see note 20)	$199	$75	$(23)	$232	$(18)	$465
Asset retirement obligation	114	5	(13)	100	(8)	198
Restructuring	119	30	(56)	-	(8)	85
Total	$432	$110	$(92)	$332	$(34)	$748
Long-term liabilities	273					611
Current liabilities	159					137
	$432					$748

	Balance at January 1, 2004	Additions charged to Income	Deductions/ Release	Acquisitions	Foreign currency exchange difference	Balance at December 31, 2004
Environmental (see note 20)	$37	$9	$(2)	$150	$5	$199
Asset retirement obligation	47	8	-	59	-	114
Restructuring	1	12	(16)	96	26	119
Total	$85	$29	$(18)	$305	$31	$432

Other provisions include mainly include short term employee benefit liabilities.
The provisions will be used in a period of 2 to 4 years; for the environmental provisions up till 20 years.

NOTE 18: ACCRUED EXPENSES

Accrued expenses were comprised of the following at December 31:

	December 31, 2004	2005
Accrued payroll and employee related expenses	$447	$471
Interest	54	89
Due to affiliates	121	121
Advances from customers	98	140
Operating costs	117	518
Others	714	697
Total	$1,551	$2,036

NOTE 19: COMMITMENTS

Commitments

Mittal Steel leases various facilities, land and equipment under non-cancellable lease arrangements. In most cases, management expects that in the normal course of business, leases that expire will be renewed or replaced by other leases.

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

Future minimum lease payments required under operating leases that have initial or remaining non-cancellable terms in excess of one year are as follows:

Year ending	
2006	$51
2007	39
2008	34
2009	32
2010	25
Thereafter	100
Total minimum lease payments	$281

Rent expense amounted to $30 and $82 for the years ended December 31, 2004 and 2005, respectively.

In the ordinary course of its business, the Company has guaranteed certain debts of its subsidiaries totaling $910. The Company has external guarantees to an amount of $260, which includes guarantees with respect to debts of joint ventures, I/N Kote and I/N Tek. At December 31, 2004 and 2005, Ispat Inland (now Mittal Steel USA) guaranteed $41 and $26, respectively, of long-term debt attributable to I/N Kote, one of its equity investments. Since Mittal Steel USA accounts for its investment in I/N Kote under the equity method, the debt, which matures on January 12, 2007, is not recorded in Mittal Steel USA's consolidated balance sheet. Mittal Steel USA's guarantee could be invoked in an event of defaults as defined in the provisions of the I/N Kote loan agreement. In addition to its 50 % share of the remaining principal balance, Mittal Steel USA also guarantees any outstanding interest due, both of which bear interest at a rate equal to the higher of (1) the prescribed borrowing rate on the loan, or (2) the Bank's (Mizuho Corporate Bank Limited) prime rate, plus 2 %. If Mittal Steel USA performed on its guarantee, it would continue to own its share of I/N Kote, subject to the security interest of the Bank in the assets of I/N Kote. The terms of the guarantee require Mittal Steel USA to maintain a minimum tangible net worth (as defined). Mittal Steel USA was in compliance with this test as of December 31, 2005. Mittal Steel Company NV has guaranteed 60 % of the debt of I/N Tek (guaranteed amount of $72 at December 31, 2004 and $50 million at December 31, 2005).

In the normal course of business, Mittal Steel enters into various long-term raw material supply contracts, which generally provide for the purchase prices to be negotiated annually based on market prices.

On September 12, 2005, the Company announced that the Liberian Senate ratified the Mining Development Agreement the Company entered into with the Government of Liberia. Under this agreement, the Company expects to have access to iron ore reserves in Western Liberia and anticipates the project to cost approximately $900 for the development of the mines, related railway and port infrastructure, as well as community development. The Company expects shipments of iron ore to commence in 2007.

Mittal Steel USA

In 1998, Mittal Steel USA entered into an agreement (the "Agreement") with the PBGC to provide certain financial assurances with respect to the Company's Pension Plan. The Company granted the PBGC a first priority lien on selected assets in the year 2003. Mittal Steel USA agreed to make contributions to its Pension Plan of $160 over the next two years and 50 % of excess cash flows ($147 for 2004 was paid in 2005) as defined in the Agreement. Under the Agreement, Ispat Inland contributed $83 in 2004 and $28 in 2005, and has no required contributions for 2006. Additionally, the Company pledged $160 of non-interest bearing First Mortgage Bonds to the PBGC as security until the remaining $110 has been contributed to the Pension Plan and certain tests have been met. This commitment is since fulfilled.

In 1993, Mittal Steel USA established a partnership, PCI Associates, with a subsidiary of NiSource Inc. to lease from Gen-

Notes to the consolidated financial statements

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

eral Electric Capital Corporation equipment located at Indiana Harbor East for the injection of pulverized coal into the blast furnaces. The lease runs until 2011. In 2003, NiSource sold its portion of PCI Associates to Primary Energy Steel LLC. Mittal Steel USA has certain responsibilities upon the failure of PCI Associates to pay certain amounts due, to perform certain duties under the PCI lease, or the insolvency of Primary Energy Steel LLC. So long as Mittal Steel USA is the operator of the facility, it is required to reimburse the lessor for certain amounts due or to perform such actions under the lease relating to its operations. The guaranteed amounts and duties do not pertain to the base rents due under the lease, which are the responsibility of Primary Energy Steel LLC. Mittal Steel USA could be responsible for the percentage of the liabilities, costs or expenses associated with specified misrepresentations or covenant breaches, discounted at 10 %, but it cannot reasonably estimate the amounts which could be due under this guarantee. However, it is not likely that resulting payment obligations in connection with any such arrangements could materially affect our financial position or results of operations. Mittal Steel USA has not recognized any liability associated with this guarantee.

Cleveland Cliffs Inc. has a contract to supply Mittal Steel USA's requirements for iron ore pellets through 2016 for its Cleveland and Indiana Harbor West 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 Mittal Steel USA with the right to negotiate price adjustments or to refuse to accept shipments of products in some circumstances. The prices paid for iron ore pellets under the agreement is subject to annual adjustments for changes in certain price indices and selling prices for certain steel products. With ISG's acquisition of Weirton, Mittal Steel USA assumed Weirton's agreement with Cleveland Cliffs Inc. and agreed to certain amendments as part of the assignment. Cleveland Cliffs Inc. supplied a portion of Weirton's pellet requirements in 2004 and 2005 and for the period 2006 to 2018 the contract provides that Cleveland Cliffs Inc. will supply a tonnage amount equal to total annual iron ore pellet tonnage requirements, with a minimum annual purchase obligation of 2 million tons per year required for consumption in Weirton's iron and steel making facilities in any year. The other terms of the agreement are generally similar to other iron ore pellet contracts with Cleveland Cliffs Inc. but only require a one year advance notice of termination. United States Steel Corporation also supplied a portion of the requirements for iron ore pellets at the Weirton facility in 2004 and 2005.

Late in 2005, Mittal Steel announced the indefinite idling of the blast furnaces at the Weirton facility and also entered into discussions with Cleveland Cliffs about the Weirton arrangement and significant volume and pricing issues under all of its contracts with Cleveland Cliffs. Mittal Steel cannot determine at this time whether these discussions will result in a negotiated resolution of the issues.

Mittal Steel USA has purchase commitments for gas and other minerals to an amount of $7,168, with firm commitments of between $600 and $1,100 per year through 2034.

Mittal Steel Point Lisas

Mittal Steel Point Lisas has purchase commitments for gas and other minerals of $539.

Pursuant to its agreement with ISCOTT and the Government of Trinidad and Tobago made on December 30, 1994, the Company was required to offer new shares representing 40 % of Mittal Steel Point Lisas' total issued share capital in a public offering to Trinidad and Tobago nationals and locally controlled corporations by June 30, 1998. The agreement also provides that such offering must be made at a fair price and on such other terms to be negotiated, and in default of agreement, by the Trinidad and Tobago Stock Exchange (TTSE). The Government extended the deadline to make the offering in the second half of 2000 and has also agreed in principle, as an alternative arrangement, to allow the shares of Mittal Steel to be listed and offered on the TTSE. The Company is currently working with the Government to resolve the requirement.

Mittal Canada

Mittal Canada has purchase commitments for gas and other minerals of $232.

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

Mittal Steel Poland

Mittal Steel Poland has commitments towards the purchase of coal of $596.

Mittal Steel Duisburg

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

Mittal Steel Annaba and Mittal Steel Tebessa

The Company has committed to invest $140 at Mittal Steel Annaba over a ten year period commencing October 2001 of which $80 shall be invested in the first five years of operations to attain shipping levels of 1.2 million metric tons per year. Mittal Steel Annaba has spent $72 through December 31, 2005. Mittal Steel Annaba has committed to complete and realize the industrial pollution control program estimated to cost up to $25 over a ten-year period commencing October 2001 for which Mittal Steel Annaba has spent $4 through December 31, 2005. The Company also committed to invest $30 at Mittal Steel Tebessa over a ten-year period commencing October 2001, $20 of which is to be invested in the first five years of operations. The Company has spent $16 through December 31, 2005 towards this commitment.

Mittal Steel Galati

The Company has committed to invest $175 (including $25 for environmental protection) to finance part of the total capital expenditure commitment of $351 (including $76 for environmental protection) at Mittal Steel Galati over a ten year period ending in 2011. The amount committed to be spent is $55 and $44 for the years ending December 31, 2005 and 2006, respectively and thereafter $20 every year from sixth to tenth year. Mittal Steel Galati has spent $366 and the Company has invested $60 in Mittal Steel Galati through December 31, 2005. The Company is committed to spend $34 towards the environmental obligations as of December 31, 2005. Mittal Steel Galati is committed to contribute $5 per year to provide certain employees facilities.

Mittal Steel Hunedoara, Mittal Steel Iasi and Mittal Steel Roman

The Company has committed to spend $57 in aggregate on capital expenditures, of which $53 remains outstanding as of December 31, 2005.

Mittal Steel Ostrava

Mittal Steel Ostrava has committed to invest $243, including $20 for environmental investment, from 2003 to 2012. The majority of the investments are required to be made by 2007. Mittal Steel Ostrava has spent $103 up to December 31, 2005 towards this commitment.

Mittal Steel Poland

The sale of Mittal Steel Poland by the government of Poland was part of an initiative to restructure the Polish steel industry. Pursuant to the acquisition agreement, the Company committed to make capital expenditures of $587 through December 2009, as well as to comply with the restructuring plan that the government of Poland agreed with the European Commission as part of the European Union accession process, including the shutdown of some rolling and finishing facilities and minimum employment levels. Through December 31, 2005, Mittal Steel Poland has spent $91 towards this commitment.

Mittal Steel Poland's Krakow unit (previously an independent legal entity owned by the State Treasury of Poland) entered into a composition agreement with its trade creditors (approved by the court in 2002). Outstanding balances are to be

Notes to the consolidated financial statements

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

paid in installments without interest and 40 % of the liability to be waived upon completion of all payments. The last installment is due in 2007. If Mittal Steel Poland fails to pay installments according to the agreed schedule, the portion waived ($82) would become due with interest for the period from the date the composition agreement was approved through the date of payment. Mittal Steel Poland was in compliance with these repayment obligations as of December 31, 2005.

Mittal Steel Poland applied to the Polish government for restructuring of public debts due to various government institutions. The agreement was made according to specified government aid programs for the steel industry and other entities important for the labor market in Poland. According to the agreement, outstanding balances due were to be paid in installments without interest. The last installment is due in 2010. If Mittal Steel Poland fails to pay installments according to agreed schedules, interest for the entire period following approval of the agreement would become due. Mittal Steel Poland was in compliance with these repayment obligations as of December 31, 2005.

Mittal Steel Zenica

The Company has committed to invest $135 (including environmental protection) at Mittal Steel Zenica over a ten-year period ending in 2014. The amount committed to be spent is $65 over the first three years, $35 over the next three years and $35 over the final four years. Mittal Steel Zenica has spent $nil through December 31, 2005.

Mittal Steel Temirtau

On December 26, 2001, Mittal Steel Temirtau had signed a contract with the Committee on Investments of the Ministry of Foreign Affairs of the Republic of Kazakhstan. Under this contract the Company, subject to market conditions, is required to invest in projects totaling $580 through 2006. The Company has invested $526 through December 31, 2005. Other capital commitments outstanding against major contracts as of December 31, 2005 totaled $28.

Mittal Steel South Africa

Mittal Steel South Africa has capital equipment purchase commitments for amounts authorized and orders placed of $116 as of December 31, 2005.

Mittal Steel Kryviy Rih

The Company has committed to fulfill the privatization plan and the Post-Privatization Development Concept of Mittal Steel Kryviy Rih. Mittal Steel Kryviy Rih has committed to invest $500 from 2006 to 2010.

NOTE 20: CONTINGENCIES

The Company is party to a number of legal proceedings arising in the ordinary course of business. The Company does not believe that the adverse determination of any such pending litigation, either individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations, or cash flows. Where these actions are being contested their outcome is not predictable with assurance.

Environmental Liabilities

The Company's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment at its multiple locations and Operating Subsidiaries. Previous owners of the Company's facilities expended in the past, and the Company expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with applicable environmental laws and regulations. The Company believes that these environmental expenditures are not projected to have a material adverse effect on the Company's consolidated financial position or on the Company's competitive position with respect to other steelmakers subject to the same environmental requirements.

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Mittal Steel USA

Under the Resource Conservation and Recovery Act (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 Mittal Steel USA'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.

The U.S. Comprehensive Environmental Response, Compensation, and Liability Act, also known as Superfund, and analogous state laws can impose liability for the entire cost of cleanup at a site upon current or former site owners or operators or parties who sent hazardous materials to the site, regardless of fault or the lawfulness of the activity that caused the contamination. Mittal Steel USA is a potentially responsible party at several state and federal Superfund sites. Mittal Steel USA could incur additional costs or liabilities at these sites based on new information, if additional cleanup is required, private parties sue for personal injury or property damage, or other responsible parties sue for reimbursement of costs incurred to clean up sites. Mittal Steel USA could also be named a potentially responsible party at other sites if its hazardous materials or those of its predecessor were disposed of at a site that later becomes a Superfund site.

In 1990, Mittal Steel USA's Indiana Harbor (East) facility was party to a lawsuit filed by the EPA under the RCRA. In 1993, Mittal Steel USA entered into the EPA Consent Decree, which, among other things, requires facility wide RCRA corrective action and Indiana Harbor Ship Canal sediment assessment and remediation. At December 31, 2005, Mittal Steel USA's reserves for environmental liabilities included $16 for RCRA Corrective Action, and $23 for sediment remediation. As of December 31, 2005, it is not possible to accurately predict, beyond the currently established reserve, the amount of potential environmental liabilities for Mittal Steel USA's Indiana Harbor (East) facility.

Mittal Steel USA's properties in Lackawanna, New York are subject to an Administrative Order on Consent with the EPA requiring facility wide RCRA Corrective Action. The Order, entered into by former owner Bethlehem Steel in 1990, requires Mittal Steel USA to perform a Remedial Facilities Investigation (RFI), Corrective Measures Study, complete Corrective Measures and perform any required Post Remedial Activities. As required by the order, the RFI was completed and submitted to EPA, and the New York State Department of Environmental Conservation (NYDEC), for approval on December 17, 2004. In addition, NYDEC and Mittal Steel USA executed an Order on Consent on November 26, 2004 to perform Interim Corrective Measures at a former benzol storage tank area. Mittal Steel USA has reserved approximately $66 for the undiscounted future cost of performing anticipated remediation and post remediation activities over a period of 15 years or more. The estimate is based on the extent of soil and groundwater contamination identified by the RFI and likely remedial alternative, including excavation and consolidation of containments in an on-site landfill and continuation of a benzol groundwater pump and treat system.

Mittal Steel USA's Sparrow Point, Maryland facility, former owner Bethlehem Steel, the EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution Consent Decree. The Consent Decree was entered by the U.S. District Court for Maryland on October 8, 1997. Mittal Steel USA has assumed Bethlehem's ongoing obligations under the Consent Decree. The Consent Decree requires Mittal Steel USA to address compliance, closure and postclosure care matters and implement corrective measures associated with two onsite landfills, performa 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. 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 probable, 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, Mittal Steel USA must also implement corrective measures at the Gray's Landfill and

Coke Point Landfill and post-closure care at the former Rod and Wire Mill Area. The total undiscounted environmental reserve for these related matters is approximately $42 and has been recorded in the consolidated balance sheet at Decem-

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ber 31, 2005.

Mittal Steel USA is required to prevent acid mine drainage from discharging to surface waters at closed mining operations in southwestern Pennsylvania. Mittal Steel USA entered into a Consent Order and Agreement with the Pennsylvania Department of Environmental Protection (PaDEP) in May 2003 addressing the transfer of required permits from Bethlehem to Mittal Steel USA and providing financial assurance for long-term operation and maintenance of the wastewater treatment facilities associated with these mines. As required by this Consent Order and Agreement, Mittal Steel USA submitted an Operational Improvement Plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required Mittal Steel USA to propose a long-term financial assurance mechanism. PaDEP approved cost reduction plan. On May 9, 2004, Mittal Steel USA entered into a revised Consent Order and Agreement outlining a schedule for implementation of capital improvements and requiring the establishment of a treatment trust that the PaDEP has estimated to be the net present value of all future treatment cost. Mittal Steel USA expects to fund the treatment trust over a period of up to ten years at a current target value of about $20. Until the improvements are made and the treatment trust is fully funded. Mittal Steel USA accrued $20 and we expect to spend about $1 to $2 per year for the operation of treatment plants for acid mine drainage from these closed mines. 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 remote, Mittal Steel USA could be required to make up any deficiency in the treatment trust in the future.

Mittal Steel USA is subject to a variety of permitting requirements under the Clean Air Act that 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 (MACT) standards. Many of Mittal Steel USA's facilities are subject to the new MACT standards, and compliance with such standards will be required starting in May 20, 2006. Mittal Steel USA anticipates installing controls at facilities to comply with the new MACT standards with capital expenditures of about $145 through 2007.

Mittal Steel USA's facilities are also 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 Mittal Steel USA'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.

Mittal Steel USA anticipates spending approximately $110 over the next 40 years, including $11 during 2006, to address the removal and disposal of PCB equipment and asbestos material encountered during the operation of our facilities.

Mittal Steel USA expects to spend about $60 in 2006 and an average of about $40 per year for capital expenditures from 2007 through 2010 to meet environmental standards.

Other Subsidiaries

Environmental remediation for periods prior to the privatizations of the Company's Operating Subsidiaries in the Czech Republic, Romania and Algeria are borne by the local governments in those countries. Environmental remediation relating to periods subsequent to the privatizations has been complied with, and accordingly there are no remediation liabilities for which the Company is responsible at December 31, 2005. The liability primarily relates to environmental remediation costs recognized (a) fully in terms of decommissioned facilities, and (b) pro-rated costs for

Notes to the consolidated financial statements
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facilities to be decommissioned in the future in terms of site-specific holistic environmental master plans developed in consultation with external consultants taking into consideration the appropriate statutory regulations.

Legal Claims

Mittal Steel USA

In January 2005, Indiana Harbor (East) received a third party complaint by Alcoa Incorporated alleging that Indiana Harbor (East) is liable as successor to the interests of Hillside Mining Co., or Hillside, a company that Indiana Harbor (East) acquired in 1943, operated until the late 1940s and then sold the assets of in the early 1950s. It is alleged in the complaint that since Hillside was operating in the area at the same time as Alcoa, if Alcoa is found to be liable in the original suit that was filed against it by approximately 340 individuals who live in the Rosiclare area of southern Illinois, then Indiana Harbor (East) should also be found liable, and there should be an allocation to Indiana Harbor (East) of the amount that would be owed to the original plaintiffs. Those original plaintiffs are alleging that the mining and processing operations allowed the release of fluorspar, manganese, lead and other heavy metal contaminants, causing unspecified personal injury and property damage. Indiana Harbor (East) has also been identified as a potentially responsible party by the Illinois Environmental Protection Agency in connection with this matter, which is currently requesting that Indiana Harbor (East) and other potentially responsible parties conduct Site Investigations of certain Areas of Concern. Until such time as this matter is further developed, management is not able to estimate reasonably possible losses, or a range of such losses, the amounts of which may be material in relation to Mittal Steel's financial position, results of operations and cash flows. Indiana Harbor (East) intends to defend itself fully in these matters.

Mittal Steel USA and an independent, unaffiliated producer of raw materials are parties to a long-term supply agreement under which Ispat Inland was obligated to fund an escrow account to indemnify said producer of raw materials for the continuing availability of certain tax credits, which credits extend until January 1, 2008. No contributions to the escrow account are required at this time as Mittal Steel USA believes the likelihood of the specific contingency occurring is remote. If there is any loss, disallowance or reduction in the allowable tax credits applicable to the raw materials previously sold to Ispat Inland, Mittal Steel USA will be required to repay the producer the amount by which the cost of the raw materials was decreased as a result of such tax credits, subject to certain adjustments, plus interest. As of December 31, 2005, the cumulative cost reduction due to such tax credits totalled $213.

Mittal Canada

In March 2004, a group of residents in Nova Scotia brought a potential class action in the Supreme Court of Nova Scotia against various parties, including Mittal Canada, alleging various torts for damage allegedly caused by the steel plant and coke ovens formerly owned and occupied by Dominion Steel and Coal Corporation from 1927 to 1967. Mittal Steel acquired Mittal Canada in 1994 and the plaintiffs are attempting to establish that Mittal Canada thereby assumed the liabilities of the former occupiers. The plaintiffs are now seeking to have the claim approved as a class action, though the court has not yet issued a decision on this matter. Mittal Canada intends to file preliminary motions to set aside this claim at an early stage. Mittal Steel is currently unable to assess the outcome of these proceedings or the amount of Mittal Canada's potential liability, if any.

Tréfileurope

In late 2002, three subsidiaries of Mittal Steel (Tréfileurope, Tréfileurope Italia S.r.l. and Fontainunion S.A.), along with other European manufacturers of pre-stressed wire and strands steel products, received notice from the European Commission that it was conducting an investigation into possible anti-competitive practices by these companies. Mittal Steel and its subsidiaries are cooperating fully with the European Commission in this investigation. The European Commission can impose fines (up to a maximum of 10 % of annual revenues) for breaches of EU competition law. Mittal Steel is currently unable to assess the ultimate outcome of the proceedings before the European Commission or the amount of any fines that may result. As the alleged anti-competitive activities would have taken place in large part prior to the acquisition of

Notes to the consolidated financial statements

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

the subsidiaries, Mittal Steel has notified the previous owners that it will seek indemnification for costs resulting from the investigation.

Mittal Steel Galati

Sidex International Plc. ("SIP"), a joint venture that Mittal Steel Galati formed in 1997 with Balli Steel Plc, in 2002 raised a claim of approximately $48 for alleged non-delivery of steel by Mittal Steel Galati from 1998 onwards as well as interest, damages and costs. Mittal Steel Galati disputed this claim and brought a counterclaim for non-payment by SIP plus damages, interest and costs, in total exceeding the amount of the claim raised by SIP. An arbitration tribunal made an award in favor of SIP for $25 plus interest in September 2005. In February 2006 the sum of $37, including accrued interest, was paid in full. Mittal Steel has an indemnity from a third party in this matter.

The Competition Council of Romania has commenced investigations against Mittal Steel Galati on certain commercial practices. The Company is cooperating fully with the authorities but cannot at present determine the outcome or estimate the amount or range of a potential fine that may be imposed on Mittal Steel Galati. No amount has been provided as of December 31, 2005.

Mittal Steel Roman & Mittal Steel Iasi

In June 2005 the Competition Council of Romania had begun an investigation concerning state aid received by Mittal Steel Roman and Mittal Steel Iasi in connection with their respective privatizations. Since the Company cannot determine the outcome of this investigation or estimate the amount or range of a potential recovery order that may be imposed, no amount has been provided as of December 31, 2005.

Mittal Steel Ostrava

Since 2001, Mittal Steel Ostrava (MSO) has been involved in a dispute with Kaiser Netherlands B.V. ("Kaiser"), the contractor for phase 1 of a mini-mill works project (rolling mill P1500), and its parent company, Kaiser Group International. Under the terms of the turn-key engineering and construction contract, a maximum of three performance tests were required to ensure that the mini-mill met contract mandated quality and quantity standards. Although the mini-mill failed the first performance tests, Kaiser contends MSO owes various costs incurred by Kaiser in relation to the construction of the mini-mill. The dispute has not been resolved and Kaiser has commenced legal action against MSO. Until recently, the primary legal venue for this matter has been the United States Bankruptcy Court for the District of Delaware, where Kaiser Group International is currently going through bankruptcy reorganization.

The Delaware bankruptcy court has previously ruled that Kaiser Group International, as opposed to Kaiser, could proceed with prosecution of its specific claims against MSO in the Delaware bankruptcy court venue. MSO appealed this ruling, and during the first quarter of 2004, the Delaware bankruptcy court's decision was overturned by the United States District Court for the District of Delaware, which ruled that the proceedings should be stayed pending the completion of international arbitration proceedings. On January 6, 2004, Kaiser filed arbitration claims against MSO in the amount of $51 with the International Court of Arbitration in Paris. The sum claimed was revised to $67 in November 2004 to include interest and additional costs.

The Company vigorously disputes this claim and has submitted a $50 counterclaim against Kaiser in these same arbitration proceedings. At December 31, 2005, the Company has provided for a reserve of $31 with respect to this matter, a sum equal to the amount MSO withdrew from the performance letter of credit posted by Kaiser as well as retention fee payments claimed by Kaiser. As the Company cannot estimate the amount or range of any additional potential loss that may be incurred by MSO, no additional amount has been provided as of December 31, 2005.

Notes to the consolidated financial statements

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

Mittal Steel South Africa

Mittal Steel South Africa is involved in a dispute with Harmony Gold, Cadac (Pty) Ltd., Barnes Group of Companies and others alleging that Mittal Steel South Africa is in violation of the Competition Act. Any adverse decision by the Competition Commission or Competition Tribunal in the Republic of South Africa would impact the pricing formulas used by Mittal Steel South Africa and may result in a fine not exceeding 10 % of sales of Mittal Steel South Africa. A trial date has been fixed for March 2006. As the Company cannot determine the outcome of this matter or estimate the amount of potential loss that may be incurred by Mittal Steel South Africa, no amount has been provided as of December 31, 2005.

Mittal Steel South Africa is involved in a dispute with the South African Revenue Services in respect of the tax treatment of the first Business Assistance Agreement (BAA) payments of $97 in 2003 and $116 in 2004. An independent legal opinion has been obtained supporting the Companies taxation treatment of the payments. As the Companies cannot determine the outcome of this matter or estimate the amount or range of potential loss that may be incurred by Mittal Steel South Africa, no amount has been provided as of December 31, 2005.

Other contingencies

Other contingent liabilities arise periodically in the normal course of business. In the opinion of management, any such unrecognized matters that are reasonably possible at December 31, 2005, would not have a material effect on our financial position, results of operations or cash flows.

NOTE 21: EMPLOYEES AND KEY MANAGEMENT PERSONNEL

Employees
Mittal Steel had approximately 224,000 employees as of December 31, 2005.

The table below sets forth the breakdown of the total year-end number of employees by geographical region for the past two years.

	Year Ended	
	2004	2005
Region		
Americas	9,713	24,320
Europe	79,278	128,198
Asia & Africa	75,402	71,768
Total	164,393	224,286

	Year Ended	
	2004	2005
Employee information		
Wages and salaries	$2,344	$3,247
Pension cost	105	60[1]
Total	$2,449	$3,307

[1] In 2005 a change in a post employment benefit plan in the US resulted in a decrease of the pension obligation to an amount of $212.

Notes to the consolidated financial statements

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

Board of directors

The total annual remuneration of the members of Mittal Steel's board of directors for 2004 and 2005 was as follows:

	Year ended December 31,	
	2004	2005
	(All amounts in $ thousands except option information)	
Base salary	4,471	4,369
Short-term performance-related bonus	11,747	-
Long-term incentives (number of options)	-	235,000

The annual remuneration of the members of Mittal Steel's board of directors was as follows:

	2004	2005	2004 Short-term Performance Related	2005 Short-term Performance Related	2004 Long-term Number of Options	2005 Long-term Number of Options
	(All amounts in $ thousands except option information)					
Lakshmi N. Mittal	1,679	2,194	4,596	-	-	100,000
Aditya Mittal	1,193	1,245	4,050	-	-	75,000
Vanisha Mittal Bhatia	-	18	-	-	-	-
Malay Mukherjee(1)	807	311	3,101	-	-	60,000
Narayanan Vaghul	136	109	-	-	-	-
Ambassador Andrés Rozental	213	134	-	-	-	-
Fernando Ruiz Sahagun(2)	89	22	-	-	-	-
Muni Krishna T. Reddy	206	110	-	-	-	-
René Lopez	148	74	-	-	-	-
Wilbur L. Ross, Jr.(3)	-	73	-	-	-	-
Lewis B. Kaden(4)	-	79	-	-	-	-
Total	4,471	4,369	11,747	-	-	235,000

(1) Mr. Mukherjee resigned from Mittal Steel's Board of Directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel. His remuneration reflected in above table is only for the period January 2005 to March 2005.

(2) Mr. Ruiz resigned from Mittal Steel's Board of Directors on April 12, 2005.

(3) Mr. Ross was elected to Mittal Steel's Board of Directors on April 12, 2005.

(4) Mr. Kaden was elected to Mittal Steel's Board of Directors on April 12, 2005.

The amount outstanding at December 31, 2005 in respect of loans and advances to members of Mittal Steel's board of directors was $0 million (December 31, 2004: $0 million). In 2005, $0 million was accrued by Mittal Steel to provide pension benefits to the directors. In addition, Mittal Steel has not given any guarantees for the benefit of the members of Mittal Steel's board of directors.

Notes to the consolidated financial statements

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

The following table provides summarized information on the options outstanding and the movements on the options granted to Mittal Steel's board of directors (in 2001, 2003 and 2004 no options were granted to members of Mittal Steel's board of directors):

	Granted in 1999	Granted in 2000	Granted in 2002	Granted in 2005	Total	Weighted Average Exercise Price
Lakshmi N. Mittal	80,000	80,000	80,000	100,000	340,000	$13.81
Aditya Mittal	7,500	7,500	25,000	75,000	115,000	$20.58
Vanisha Mittal Bhatia	-	-	-	-	-	-
Malay Mukherjee[1]	40,000	40,000	50,000	60,000	190,000	$13.99
Narayanan Vaghul[2]	-	-	-	-	-	-
Ambassador Andrés Rozental[6]	-	-	3,333	-	3,333	$2.26
Fernando Ruiz Sahagun[3][6]	-	-	3,333	-	3,333	$2.26
Muni Krishna T. Reddy	-	-	-	-	-	-
René Lopez	-	-	-	-	-	-
Wilbur L. Ross[4]	-	-	-	-	-	-
Lewis B. Kaden[5]	-	-	-	-	-	-
Total	127,500	127,500	161,666	235,000	651,666	$14.94
Exercise price	$11.94	$8.57	$2.26	$28.75	-	-
Term (in years)	10	10	10	10	-	-
Expiration date	September 14, 2009	June 1, 2010	April 5, 2012	August 23, 2015	-	-

(1) Mr. Mukherjee resigned from Mittal Steel's board of directors on April 12, 2005, but continued in his role as Chief Operating Officer of Mittal Steel.

(2) Mr. Vaghul exercised all his vested options in 2005.

(3) Mr. Ruiz resigned from Mittal Steel's board of directors on April 12, 2005.

(4) Mr. Ross was elected to Mittal Steel's board of directors on April 12, 2005.

(5) Mr. Kaden was elected to Mittal Steel's board of directors on April 12, 2005.

(6) Both Mr. Ruiz and Mr. Rozental exercised the majority of their vested options in 2005, except for 3,333 options granted in 2002.

Senior management personnel

The total annual remuneration of the senior management of Mittal Steel for 2005 was: $14 million in base salary and $11 million in short-term performance related bonus. For 2005, $1 million was accrued by Mittal Steel to provide pension benefits to its senior management. As of December 31, 2005, $0.2 million (December 31, 2004: $0 million) was outstanding in respect of loans and advances to senior management of Mittal Steel. The maximum amount outstanding during 2005 to senior management in respect of loans and advances was approximately $0.2 million (2004: $0.2 million). No interest was payable on the loans.

Notes to the consolidated financial statements

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

NOTE 22: SEGMENT AND GEOGRAPHICAL INFORMATION

The management considers the Company's steel operation to be a single business segment.
As the Company has no operations in its home country of the Netherlands, all of its sales are considered to be foreign sales. Annual sales to any individual customer did not exceed 10 % of total sales in any of the periods presented.

Information with respect to the Company's operations in different geographic areas is as follows:

Year ended December 31, 2005	Americas	Europe	Asia & Africa	Eliminations	Consolidated
Sales	$12,467	$9,762	$7,683	$(1,780)	$28,132
Operating income	$1,676	$775	$2,195	$82	$4,728
Other income (expense) net					344
Income from equity method investments					86
Financing costs					(353)
Income before taxes and minority interest					4,805
Income tax expense (benefit)					881
Income before minority interest					3,924
Minority interest					494
Net income					**$3,430**
Depreciation and amortization	341	471	289	-	1,101
Capital expenditures	335	390	456	-	1,181
Segment assets	11,992	16,783	7,605	(4,139)	32,241
Investments in affiliates and joint ventures					1,204
Unallocated assets					314
Consolidated total assets					**$33,759**
Segment liabilities	3,822	2,747	2,403	(1,702)	7,270
Unallocated liabilities					10,905
Consolidated total liabilities					**$18,175**

Notes to the consolidated financial statements

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

Year ended December 31, 2004	Americas	Europe	Asia & Africa	Eliminations	Consolidated
Sales	$ 6,560	$ 9,905	$ 6,063	$ (1,916)	$ 20,612
Operating income	$ 1,537	$ 1,773	$ 2,005	$ 199	$ 5,514
Other income (expense) net					1,143
Income from equity method investments					149
Financing costs					(214)
Income before taxes and minority interest					6,592
Income tax expense (benefit)					967
Income before minority interest					5,625
Minority interest					415
Net income					**$5,210**
Depreciation and amortization	185	466	224	(141)	734
Capital expenditures	130	289	503	(85)	837
Segment assets	5,720	12,258	7,666	(4,810)	20,834
Investments in affiliates and joint ventures					673
Unallocated assets					185
Consolidated total assets					**$21,692**
Segment liabilities	1,900	2,431	3,783	(2,568)	5,546
Unallocated liabilities					5,067
Consolidated total liabilities					**$10,613**

NOTE 23: FACTORING OF RECEIVABLES

Additionally, some of our subsidiaries have entered into Factoring Agreements with certain banks/financial institutions under which they are entitled to sell eligible accounts receivables from the customers up to an agreed limit. The bank/financial institution buys these receivables without recourse to the seller. Payments for sale of these receivables are received in two installments. The first installment ranging between 90 % to 95 % of the receivables sold (up to a maximum of $284) is made available immediately on sale of the receivables. The deferred proceeds outstanding and availability amounted to $167 and $220 at December 31, 2004 and 2005 respectively. The balance portion of the purchase price is held back towards factoring commission, interest charges and any possible bonus or discounts till the receivables are collected from the customer by the Factoring agent. The proceeds from the sale of trade accounts receivables are included in the cash flows from operating activities in the Consolidated Statements of Cash Flows.

Notes to the consolidated financial statements

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

The receivables are sold at a discount that is included in selling, general and administrative expenses in the consolidated statements of income and amounted $7 and $6 for 2004 and 2005 respectively.

Factoring

	2004	2005
Proceeds from trade receivables sold under factoring agreement	$1,236	$1,554
Nominal of trade receivables sold under factoring agreement	1,376	1,605
Discounts incurred	7	6
Deferred payments on balance sheet	167	220

NOTE 24: SUBSEQUENT EVENTS

On February 24, 2006, The Company issued a notice of redemption for all $150 outstanding principal amount of its Senior Secured Floating Rate Notes due 2010 at redemption price equal to 103% of the outstanding principal amount of its Senior Secured Floating Rate Notes due 2010 at a redemption price equal to 103% of the outstanding principal amount, plus accrued interest to, but excluding, April 1, 2006. The bonds will be redeemed on April 1, 2006.

On February 14, 2006, the Company's board of directors declared an interim dividend of $0.125 per share payable on March 15, 2006 and decided to propose to the general meeting of shareholders to amend the dividend policy going forward to a quarterly dividend of $0.125 per share. This dividend has since been paid.

On February 1, Mittal Canada, a Canadian subsidiary of the Company, completed the acquisition of three subsidiary companies of Stelco Inc ("Stelco"). The Norambar Inc and Stelfil Ltée plants located in Quebec and the Stelwire Ltd. Plant in Ontario were acquired at a cost of C$30 million (approximately $25). Mittal Canada has also assumed C$28 million (approximately $23) in debt.

On January 30, 2006, the Company entered into a €5,000 million (approximately $6,041) credit agreement with a group of lenders ("the Acquisition Facility") to finance the cash portion of the offer for Arcelor along with related transaction costs. Should the Company borrow amounts under the Acquisition Facility it would be required to repay the borrowings under the 2005 Bridge Facility. Accordingly, concurrent with entering into the Acquisition Facility, the Company entered into a € 3,000 million (approximately $3,625) credit agreement (the "Refinancing Facility") for the refinancing of the 2005 Bridge Facility. The Acquisition Facility and the Refinancing Facility bear interest at EURIBOR plus a margin based on a rating grid and are repayable from 2008 to 2011.

On January 27, 2006 the Company announced that it had launched an offer to the shareholders of Arcelor SA ("Arcelor"). Under the terms of the primary offer, Arcelor shareholders will receive 4 Mittal Steel shares and €35.25 (approximately $43.05) cash for every 5 Arcelor shares (equivalent to 0.8 Mittal Steel shares plus €7.05 (approximately $8.61) cash for each Arcelor share). In addition to or instead of the primary offer, Arcelor shareholders will have the right to receive in secondary offers a specified mix of cash or stock, provided that 25% of the aggregate consideration paid to Arcelor shareholders is paid in cash and 75% in stock.

On January 23, 2006 the Company announced that its shareholding in Hunan Valin Steel Tube & Wire Company Limited ("Hunan Valin") was diluted to 29.49% as a result of publicly outstanding convertible bonds being converted into shares.

Notes to the consolidated financial statements

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NOTE 25: RECONCILIATION FROM IFRS TO US GAAP

The annual report of Mittal Steel (available at www.mittalsteel.com) has been prepared in accordance with US Generally Accepted Accounting Principles ("US GAAP"). These statutory consolidated financial statements have been prepared in accordance with IFRS. US GAAP varies in certain respect from IFRS. To provide an understanding on the differences between US GAAP and IFRS the effect on consolidated shareholders' equity is described in the following table:

	Equity as at December 31, 2004	Equity as at December 31, 2005
Total under US GAAP	$7,589	$11,984
Adjustments recorded to comply with IFRS		
Employee benefits	954	1,322
Business combinations	3,609	3,481
Other	(9)	3
Tax effect on the above	(1,064)	(1,206)
Total adjustments	3,490	3,600
Total under IFRS	$11,079	$15,584

The differences between US GAAP and IFRS on consolidated net income are described below:

	Net income at year ended December 31, 2004	Net income at year ended December 31, 2005
Total under US GAAP	$5,316	$3,885
Adjustments recorded to comply with IFRS		
Employee benefits	(52)	232
Business combinations	776	(110)
Other	(144)	(20)
Tax effect on the above	(271)	(63)
Total adjustments	309	39
Total under IFRS	$5,625	$3,924

Company Balance Sheet

	December 31, 2004	2005
ASSETS		
Current Assets:		
Cash	12	50
Due from affiliates	528	830
Prepaid expenses	1	6
Total Current Assets	541	886
Non-Current Assets:		
Financial fixed assets (note 2)	$9,635	$14,915
Loan to affiliates (note 3)	-	2,932
Non-current assets	-	11
Total Non-Current Assets	9,635	17,858
Total Assets	$10,176	$18,744
EQUITY AND LIABILITIES		
Current Liabilities:		
Due to affiliates	969	691
Accrued expenses and other current liabilities	3	29
Total Current Liabilities	972	720
Non-Current Liabilities		
Long-term debt (note 5)	-	4,601
Equity:		
Common shares	$59	$60
Additional paid-in capital	552	2,239
Retained earnings	7,207	10,407
Treasury stock	(123)	(111)
Legal reserves	1,509	828
Total Equity (note 4)	9,204	13,423
Total Equity and Liabilities	$10,176	$18,744

See notes to the company financial statements

Company Statement of income

	Year Ended December 31,	
	2004	2005
Share in results of participations	$5,228	$3,457
Loss after taxes	(18)	(27)
Net income	$5,210	$3,430

See notes to the company financial statements

Notes to the company financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The description of the company's activities and the organization, as included in the notes to the consolidated financial statements also apply to the company financial statements.

In accordance with article 2:362 part 8 of the Netherlands Civil Code, Mittal Steel has prepared its company financial statements in accordance with accounting principles generally accepted in the Netherlands applying the accounting principles as adopted in the consolidated financial statements. Investments in subsidiaries are stated at net asset value as the company effectively exercises influence over the operational and financial activities of these investments. The net asset value is determined on the bases of the IFRS accounting principles as applied by the Company in its consolidated financial statements.

Change of accounting policies

Due to the transition to IFRS accounting policies, the 2004 comparatives have been amended. The main changes are related to the amount of investment in affiliated companies. For an explanation of the changes in affiliated companies and equity, please refer to the reconciliation from IFRS to Dutch GAAP on page 30 of the consolidated financial statements.

In accordance with article 2:402 of the Netherlands Civil Code, the company profit and loss account is presented in abbreviated form.

For the remuneration of the managing and supervisory directors, please refer to note 21 of the consolidated financial statements.

NOTE 2: FINANCIAL FIXED ASSETS

Financial fixed assets can be specified as follows:

	Subsidiaries	Affiliates	Total
Balance at January 1, 2005	$9,635	$-	$9,635
Net income investment	3,457	-	3,457
Investments	3,636	344	3,980
Dividends received	(1,476)	-	(1,476)
Foreign exchange, derivative reserves and gains on available for sale securities	(681)	-	(681)
Balance at December 31, 2005	$14,571	$344	$14,915

A list of subsidiaries and affiliated companies, prepared in accordance with the relevant legal requirements (The Netherlands Civil Code, Articles 2:379 and 2:414), is deposited at the office of the Commercial Register in Rotterdam, the Netherlands.

NOTE 3: LOAN TO AFFILIATES

The loan to an affiliate is to Mittal Steel Europe SA and the balance as of December 31, 2005 is $2,932. The loan relates to the acquisition of Kryvorizstal. The interest on the loan is 10 % per annum. The final repayment will be on November 23, 2013, which is eight years from the drawdown date.

Notes to the company financial statements

NOTE 4: SHAREHOLDERS' EQUITY

The movement in shareholders' equity can be specified as follows:

	Share capital	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Net income for the year	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Derivative Financial Instruments	Unrealized Gains on Available for Sale Securities	Total equity
Balance at December 31, 2004	**$59**	**$(123)**	**$552**	**$7,207**	**$-**	**$1,368**	**$6**	**$135**	**$9,204**
Movements with minority shareholders	-	-	-	(17)	-	-	-	-	**(17)**
Net income recognised directly in equity	-	-	-	-	-	(758)	(10)	87	**(681)**
Net Income	-	-	-	-	3,430	-	-	-	**3,430**
Recognised income and expense	-	-	-	-	*3,430*	*(758)*	*(10)*	*87*	**2,749**
Transfer to retained earnings	-	-	-	3,430	(3,430)	-	-	-	-
Recognition of share based payments	-	-	3	-	-	-	-	-	**3**
Issuance of shares in connection with ISG acquisition (net of capital duty of $11)	1	-	1,693	-	-	-	-	-	**1,694**
Treasury Stock	-	12	(9)	-	-	-	-	-	**3**
Dividends				(213)					**(213)**
Balance at December 31, 2005	**$60**	**$(111)**	**$2,239**	**$10,407**	**$-**	**$610**	**$(4)**	**$222**	**$13,423**

As of December 31, 2005, the authorized common shares of Mittal Steel consisted of 5,000,000,000 class A common shares, par value of EUR0.01 per share, and 721,500,000 class B common shares, par value of EUR0.10 per share. At December 31, 2005, 255,401,673 (2004: 194,509,790) class A common shares and 457,490,210 (2004: 457,490,210) class B common shares were issued and 246,572,889 (2004: 185,284,650) class A common shares (excluding treasury shares) and 457,490,210 (2004: 457,490,210) class B common shares were outstanding.

The preference and relative rights of the Mittal Steel class A common shares and Mittal Steel class B common shares are substantially identical except for disparity in voting power and conversion rights. Holders of Mittal Steel class A common shares are entitled to one vote per share and holders of Mittal Steel class B common shares are entitled to 10 votes per share on all matters submitted to a vote of shareholders. Each Mittal Steel class B common share is convertible, at the option of the holder, into one Mittal Steel class A common share.

On April 15, 2005 Mittal Steel issued 60,891,883 class A common shares to the former ISG stockholders in exchange for their shares of ISG common stock.

At December 31, 2005, the Company had 8,828,784 of its own Class A shares which it purchased on the open market for a net consideration of $111 (at December 31, 2004-9,225,140 at a consideration of $123). In 2005 the company received $3 upon the exercise of options.

Notes to the company financial statements

(continued)

All calculations to determine the amounts available for dividends are based on Mittal Steel's Dutch statutory accounts, which, as a holding company, are different from its consolidated accounts.

Mittal Steel has no manufacturing operations of its own. Accordingly, it can only pay dividends or distributions to the extent it is entitled to receive cash dividend distributions from its subsidiaries, recognizes gains from the sale of its assets or records share premium from the issuance of (new) common shares. Certain of the Company's Operating Subsidiaries are subject to restrictions under the terms of their debt agreements for paying dividends. As a result, subsidiaries of Mittal Steel had $6,386 in retained earnings which are free of restriction for the payment of dividend at December 31, 2005. Dividends are payable by Mittal Steel in either U.S. Dollars or in Euros.

Dividends

The dividend for 2005 amounts to $213 and was paid during the year.

Stock Option Plan

For the stock option plan, please refer to note 14 of the consolidated financial statements.

NOTE 5: LONG-TERM DEBT

$3.2 Billion Credit Facility
On April 7, 2005, Mittal Steel and certain subsidiaries signed a $3,200 credit facility ("2005 Credit Facility") with a consortium of banks. The five-year facility is divided into a term loan tranche and a revolver tranche. The $1,700 term loan tranche was used to finance the cash portion of the consideration payable in connection with the acquisition of International Steel Group Inc. The $1,500 revolver tranche was made available to refinance certain existing indebtedness of Mittal Steel and its subsidiaries and for general corporate purposes. At December 31, 2005, $1,050 was outstanding under the facility. Both tranches pay interest at a rate of LIBOR plus a margin based on a rating grid. The average interest rate for 2005 was 4.16 %.

$3.5 Billion Bridge Finance Facility
On October 19, 2005, the Company signed a $3,000 loan agreement with Citigroup ("2005 Bridge Facility"). The facility was subsequently increased by $500 to $3,500 and has terms similar to the $3,200 credit facility. The Company used the proceeds of this facility to partially fund the acquisition of a 93.02 % stake in the capital of Mittal Steel Kryviy Rih. The 2005 Bridge Facility pays interest at a rate of LIBOR plus a margin based on a rating grid. The average interest rate for 2005 was 4.47 %. As defined in the 2005 Bridge Facility, the Company has an obligation to repay this facility upon entering into new significant borrowing arrangements.

IFA
On November 22, 2005, the Company entered into an agreement with the Indiana Finance Authority to issue Environmental Improvement Revenue Refunding Bonds, Series 2005 in an amount of approximately $51. The Company used the proceeds to redeem two outstanding bonds at Mittal Steel USA Inc (series 1993 and 1995) in 2005 and to redeem series 1977 in February 2006. Interest is paid on a floating rate basis. The average interest rate for 2005 was 3.13 %.

NOTE 6: COMMITMENT AND CONTINGENCIES

See note 19 and 20 of the consolidated financial statements.

NOTE 7: SUBSEQUENT EVENTS

See note 24 of the consolidated financial statements.

Notes to the company financial statements

(continued)

Rotterdam, April 7, 2006

BOARD OF DIRECTORS

Lakshmi N. Mittal

Aditya Mittal

Vanisha Mittal Bhatia

Narayanan Vaghul

Ambassador Andrés Rozental

Lewis B. Kaden

Muni Krishna T. Reddy

René Lopez

Wilbur L. Ross

Additional information

PROPOSED APPROPRIATION OF NET INCOME FOR 2005

Article 37.1 of the articles of association reads:
'From the profits, as apparent from the annual accounts adopted by the general meeting of shareholders, such amounts shall be reserved as the managing board shall determine.'

The Board of Directors has decided that the Company's income for 2005 will be added to retained earnings, taking into account the interim dividends already paid in 2005. This proposal has already been reflected in the 2005 financial statements.

SPECIAL STATUTORY VOTING RIGHTS

See note 14 of the notes to the consolidated financial statements.

AUDITORS' REPORT

See page 94.

REGISTERED OFFICE
Hofplein 20
3032 AC Rotterdam
The Netherlands

COMPANY REGISTRATION NO:

24275428 (Corporate seat – Rotterdam, Netherlands)

Rotterdam, April 7, 2006

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MITTAL STEEL COMPANY N.V.
(Millions of U.S. Dollars, except share data)

Notes to the company financial statements (continued)

Rotterdam, April 7, 2006

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Notes to the company financial statements (continued)

Rotterdam, April 7, 2006

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Additional information

Auditors' report

Introduction

We have audited the financial statements of Mittal Steel Company N.V., Rotterdam, for the year ended December 31, 2005, as set out on pages 21 to 93. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the company as at December 31, 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code as far as applicable.

Furthermore we have established to the extent possible that the annual report is consistent with the consolidated financial statements.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of the company as at December 31, 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent possible that the annual report is consistent with the company financial statements.

Rotterdam April 7, 2006

Deloitte Accountants B.V.

E.R. Termaten