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Mittal Steel USA ISG Inc
Form 10-Q
November 09, 2005

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2005

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission file number 1-31926

MITTAL STEEL USA ISG INC.*
(Exact Name of Registrant as Specified in Its Charter)

DELAWARE	71-0871875
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

4020 Kinross Lakes Parkway, Richfield, Ohio	44286-9000
(Address of Registrant's Principal Executive Offices)	(Zip Code)

(330) 659-9100
(Registrant's Telephone Number Including Area Code)

The Registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this Form in the reduced disclosure format as set forth in that instruction.

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of November 9, 2005, the Registrant had 100 shares of common stock, par value \$0.01 per share, all of which are ultimately owned by Mittal Steel Company N.V., a company organized under the laws of The Netherlands (Mittal Steel).

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* On April 15, 2005, Mittal Steel USA ISG Inc. (formerly known as International Steel Group Inc.), a Delaware corporation (the Company or Mittal Steel USA ISG), merged with Park Acquisition Corp., a Delaware corporation and a wholly owned subsidiary of Mittal Steel, with Mittal Steel USA ISG surviving the merger as a wholly owned subsidiary of Mittal Steel (the Merger). In connection with the Merger, International Steel Group Inc. was renamed Mittal Steel USA ISG Inc. Pursuant to the Merger, Mittal Steel USA ISG Inc. no longer has a class of equity securities registered under the Securities Exchange Act of 1934 (the Exchange Act). However, pursuant to the terms of the Indenture, dated as of April 14, 2004, by and between the Company and The Bank of New York, the Company is obligated to continue filing periodic and other reports with the SEC.

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PART I

ITEM 1. FINANCIAL STATEMENTS

MITTAL STEEL USA ISG INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(Dollars in millions)

QUARTERLY			
SUCCESSOR COMPANY	PREDECESSOR COMPANY		SUCCESSOR COMPANY
THREE MONTHS ENDED SEPT. 30, 2005	THREE MONTHS ENDED SEPT. 30, 2004		PERIOD FROM APRIL 16, 2005 THROUGH SEPT. 30, 2005
-----	-----		-----
\$ 2,104.6	\$ 2,608.3	Net sales.....	\$ 4,043.6

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		Costs and expenses:	
1,862.2	2,166.5	Cost of sales.....	3,535.5
58.1	64.4	Marketing, administrative, and	
51.7	37.0	other expenses.....	111.5
-----	-----	Depreciation and amortization.....	86.8
1,972.0	2,267.9	Total costs and expenses.....	3,733.8
132.6	340.4	Income from operations.....	309.8
--	--	Loss (gain) on sale of assets.....	--
14.9	--	Related party interest expense, net....	27.9
11.5	13.2	Interest and other financing expense,	
-----	-----	net.....	20.2
106.2	327.2	Income before income taxes.....	261.7
42.5	70.8	Provision for income taxes.....	81.1
-----	-----		-----
\$ 63.7	\$ 256.4	Net income	\$ 180.6
=====	=====		=====

See accompanying notes to consolidated financial statements.

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MITTAL STEEL USA ISG INC. CONSOLIDATED BALANCE SHEETS (Dollars in millions)

SUCCESSOR
SEPT. 3

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$
Receivables, less allowances of \$49.8 and \$50.1	
Inventories	
Assets held for sale	
Deferred income taxes	
Prepaid and other current assets	

Total current assets	
Property, plant and equipment	
Accumulated depreciation	

Property, plant and equipment, net	
Receivable from related parties	
Deferred income taxes	
Investments in joint ventures	
Other assets	

Total assets

\$

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

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Current portion of long-term debt and capital leases	\$	
Accounts payable		
Payables to related parties		
Unfavorable contracts		
Accrued compensation and benefits		
Deferred income taxes		
Accrued income taxes		
Other current liabilities		

Total current liabilities		
Long term liabilities:		
Debt		
Capital leases		
Related party debt		
Unfavorable contracts		
Environmental liabilities		
Pensions and other retiree benefits		
Deferred income tax liabilities		
Other obligations		

Total liabilities		
Stockholders' equity:		
Preferred Stock, \$0.01 par value per share, authorized 5,000 shares, none issued ...		
Common Stock, \$0.01 par value per share, authorized 100 shares, 100 shares		
issued and outstanding at September 30, 2005 and authorized 108,600,000		
shares, 100,035,950 issued and outstanding at December 31, 2004		
Additional paid-in capital		
Retained earnings		
Accumulated other comprehensive income		
Treasury Stock, 641,089 shares at cost		

Total stockholders' equity		

Total liabilities and stockholders' equity	\$	
		=====

See accompanying notes to consolidated financial statements.

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MITTAL STEEL USA ISG INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited) (Dollars in millions)

	SUCCESSOR COMPANY	PERIOD FROM APRIL 16, 2005 THROUGH SEPT. 30, 2005	PER JANUA T APRI
		-----	-----
Cash flows from operating activities:			
Net income	\$	180.6	\$
Adjustments for items not affecting cash from operating activities:			

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Depreciation and amortization	86.8	
Deferred income taxes	78.2	
Net accretion of purchased intangibles	(92.6)	
Other	(1.0)	
Changes in working capital and other items:		
Receivables	126.8	
Inventories	197.3	
Prepays and other assets	2.3	
Accounts payable	(229.3)	
Accounts payable to related parties	83.2	
Income taxes	(65.9)	
Accrued compensation and benefits	(260.2)	
Other	4.6	
	-----	-----
Net cash provided by operating activities	110.8	
	-----	-----
Cash flows from investing activities:		
Capital expenditures and investments	(98.5)	
Acquisitions, net of cash received	--	
Proceeds from sales of assets	14.4	
Payments to former shareholders for acquisition	(2,071.7)	
	-----	-----
Net cash used in investing activities	(2,155.8)	
	-----	-----
Cash flows from financing activities:		
Proceeds from borrowings from related parties	2,071.7	
Proceeds from debt	--	
Payments on debt	(106.6)	
Payments on related party debt	(371.7)	
Purchase of treasury stock	--	
Payments on note receivable to related party, net	(249.0)	
Issuance of common stock, net	--	
Deferred financing fees	--	
Payments on capital leases	(6.2)	
	-----	-----
Net cash provided by (used in) financing activities	1,338.2	
	-----	-----
(Decrease) Increase in cash and cash equivalents	(706.8)	
Cash and cash equivalents - beginning of period	765.9	
	-----	-----
Cash and cash equivalents - end of period	\$ 59.1	\$
	=====	=====
Other information:		
Interest paid	\$ 4.8	\$
Interest capitalized	1.1	
Income taxes paid, net	68.0	
Capital lease obligation incurred	--	

See accompanying notes to consolidated financial statements.

MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

(1) MERGER

On April 15, 2005, International Steel Group Inc. (Predecessor Company or ISG) merged with Park Acquisition Corporation (Park), a wholly owned

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subsidiary of Mittal Steel Company N.V., and became a wholly owned subsidiary of Mittal Steel (the Merger). International Steel Group Inc. was renamed Mittal Steel USA ISG Inc. (Successor Company or the Company) on April 15, 2005. In connection with the Merger, the Predecessor Company's former stockholders received \$2,100.8 million in cash of which \$2,071.7 million was paid by the Company and \$29.1 million by Mittal Steel. In addition, 60,891,883 Mittal Steel Class A common shares were issued.

The Merger is being accounted for by the Company's parent under the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. The Company has "pushed down" the effect of the purchase method of accounting to these financial statements. The allocation of the purchase price to assets acquired and liabilities assumed are preliminary and subject to revision. We have not received all information to determine the final values to be assigned. Appraisals of property, plant and equipment and intangible assets are currently underway. We are also evaluating information relating to certain recorded liabilities. The following table presents the preliminary amounts recorded for the net assets of the Company as a result of the change in ownership (in millions):

Assets:	
Receivables, net	\$ 880.1
Inventories	2,127.0
Assets held for sale	25.4
Prepaid and other current assets	41.6
Intangible assets, current	276.4
Property, plant and equipment	3,666.6
Intangible assets, non-current	226.6
Other non-current assets	91.8
Liabilities:	
Debt and capital lease obligations	844.2
Accounts payable	860.6
Accrued expenses and other liabilities	702.6
Pension and retiree benefits	210.0
Environmental liabilities	232.7
Intangible liabilities	1,065.7
Deferred taxes	110.3

Net assets recorded	\$ 3,309.4
	=====
Cash paid to stockholders	\$ 2,100.8
Bankers' fees and other transaction costs ...	52.8
Cash acquired	(765.9)

Cash paid, net	1,387.7
Value of stock issued	1,921.7

Total purchase price, net of cash acquired ..	\$ 3,309.4
	=====

Intangible assets consist of \$4.0 million assigned to patents and \$499.0 million assigned to favorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to six years. Intangible liabilities consist of \$1,065.7 million assigned to unfavorable supply and sales contracts that are being amortized over the term of the associated contracts ranging from one to 15 years. Amortization of these intangibles included expense of \$178.9 million on favorable contracts, expense of \$.1 million on patent amortization and income of \$271.6 million on unfavorable contracts for a net of \$92.6 million of

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income recognized during the period.

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MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

(2) BASIS OF PRESENTATION

These financial statements and accompanying notes present historical cost basis results of the Predecessor Company through April 15, 2005, and the results of the Successor Company from April 16, 2005 through September 30, 2005. Accordingly, the Successor Company presentation is not comparable to the Predecessor Company presentation due to the different basis of accounting.

These interim financial statements are unaudited and include only selected notes. They do not contain all information required for annual statements under United States generally accepted accounting principles and should be read together with the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and all other reports on file with the Securities and Exchange Commission (SEC) during the year 2005. In the opinion of management, these interim financial statements reflect all adjustments that are necessary to fairly present the results for the interim periods presented. Certain prior period amounts have been reclassified to conform to the current presentation.

The preparation of financial statements in conformity with United States generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The results of operations for the interim periods shown in this report are not necessarily indicative of the results to be expected for a full year.

(3) RECENTLY ISSUED ACCOUNTING STANDARDS

In November 2004, the Financial Accounting Standards Board (FASB) issued SFAS No. 151, Inventory Costs, an amendment of Accounting Research Bulletin (ARB) No. 43, Chapter 4. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight handling costs, and wasted material (spoilage). SFAS No. 151 requires that those items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, SFAS No. 151 requires that allocation of fixed production overhead to the costs of conversion be based on the normal capacity of the production facilities. The provisions of SFAS No. 151 will be effective for fiscal years beginning after June 15, 2005. The Company is currently evaluating the provisions of SFAS No. 151 and does not believe that its adoption will have a material impact on the Company's financial condition, results of operations and cash flows.

In March 2005, the FASB issued FASB Interpretation No. 47, Accounting for Conditional Asset Retirement Obligations. This interpretation requires companies to recognize a liability for the fair value of a legal obligation to perform asset retirement activities that are conditional on a future event if the amount can be reasonably estimated. This statement is effective for the year ending December 31, 2005. This statement will not have an impact on our financial statements.

In June 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections. SFAS No. 154 requires that a voluntary change in accounting

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principle be applied retrospectively with all prior period financial statements presented on the new accounting principle. SFAS No. 154 also requires that a change in method of depreciating or amortizing a long-lived non-financial asset be accounted for prospectively as a change in estimate, and correction of errors in previously issued financial statements should be termed a restatement. SFAS No. 154 is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. The implementation of FAS No. 154 does not have an impact on the Company's present consolidated financial statements and will only affect future financial statements to the extent there are future accounting changes or error corrections.

(4) INVENTORIES

Inventories are stated at the lower of cost or market. On December 31, 2004 approximately 80% of inventories were valued using the last-in first-out (LIFO) method of accounting. Inventories at Weirton and Georgetown were valued using the first-in first-out (FIFO) or average cost method. On January 1, 2005, in accordance with ISG policy, the Company began accounting for inventories at Weirton and Georgetown using the LIFO method.

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MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

As a result of the Merger, inventories were recorded at fair value on April 15, 2005 in accordance with purchase accounting guidelines. We established fair values for finished goods and in-process inventory by reducing the estimated selling prices of finished goods by cost to complete, selling cost, and a reasonable profit for completion and selling efforts. Raw materials were valued at replacement cost. These newly established fair values also established the base year values for LIFO and therefore, the LIFO reserve was zero at April 15, 2005. In addition, in accordance with Mittal Steel's policies, the Company adopted full absorption costing resulting in additional other costs such as depreciation and overhead items being included in inventory valuation. As a result of these Merger related accounting changes to inventory, the carrying values of the closing inventory on April 15, 2005, increased by \$654.3 million.

The LIFO benefit for the third quarter was \$21.7 million. The following table presents the components of inventories (in millions):

	SUCCESSOR COMPANY SEPT. 30, 2005	PREDECESSOR COMPANY DEC. 31, 2004
	-----	-----
Average cost:		
Raw materials	\$ 773.2	\$ 562.2
Finished and semi-finished goods	1,095.6	1,156.8
	-----	-----
	1,868.8	1,719.0
LIFO reserve	53.0	(398.6)
	-----	-----
Total	\$ 1,921.8	\$ 1,320.4
	=====	=====

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(5) DEBT

On April 20, 2005, the Company entered into definitive agreements as borrower with respect to a new \$1.0 billion term loan facility and a new \$700.0 million term loan facility. Mittal Steel US Finance LLC (Finance) is the lender under each of the term loan facilities. In addition, on April 20, 2005, the Company entered into a promissory note in the amount of \$425.0 million with Mittal Steel Holdings N.V. (Holdings). On April 27, 2005, the Company repaid \$325.0 million of the promissory note. Park made an additional \$53.0 million payment on April 25, 2005 for the benefit of the Company. The Company issued a new promissory note to Holdings on May 20, 2005 for the remaining \$47.0 million balance. The Company paid this note on June 20, 2005.

All three of these intercompany borrowings were entered into as part of the financing arrangements previously announced by Mittal Steel to pay for the cash portion of the Merger consideration paid to former stockholders of the Company in conjunction with the recently completed Merger. The two term loan facilities represent an intercompany loan to the Company that another subsidiary of Mittal Steel borrowed under a credit agreement, dated as of April 7, 2005, among Mittal Steel and certain subsidiaries of Mittal Steel as original borrowers, the ABN AMRO Bank N.V., Citigroup Global Markets Limited, Credit Suisse First Boston International, Deutsche Bank AG London, HSBC Bank Plc and UBS Limited, as lead arrangers, certain other lenders signatory to the Credit Agreement and HSBC Bank Plc, as facility agent. The borrowing evidenced by the \$425.0 million promissory note was extended to the Company to provide the remainder of the cash portion of the Merger consideration by another subsidiary of Mittal Steel. Therefore, neither the term loan facilities nor the promissory note represent the incurrence of additional indebtedness from external creditors outside Mittal Steel and its subsidiaries.

The Company, Finance, and Holdings are wholly owned subsidiaries of Mittal Steel and thus are affiliates of each other. Other than the term loan facilities and their relationship as affiliates, there are no other direct commercial relationships between Finance and the Company. Holdings was the lender under the \$425.0 million promissory note. Other than the promissory note and their relationship as affiliates, there are no other direct commercial relationships between Holdings and the Company.

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MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

The Company drew down on each of the term loan facilities in the principal amounts of \$1.0 billion and \$700.0 million respectively on April 21, 2005. Each of the term loan facilities will mature on April 21, 2010. Each term loan facility contains customary covenants requiring all of the Company's transactions with affiliates to be conducted on an arms length basis, limits the Company's ability to incur additional indebtedness in excess of \$250.0 million and limits its ability to consummate certain extraordinary business transactions such as mergers and create liens on its properties.

The Company is required to pay interest on each of the term loan facilities at an annual rate for each applicable interest period equal to the sum of (i) a margin, initially set at 0.475% and then subject to adjustment based on Mittal Steel's unsubordinated unsecured debt rating, plus 0.125%, (ii) the London Interbank Offering Rate for the applicable interest period and

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(iii) a facility maintenance fee. The initial interest period for each of the term loan facilities is six months and then shall be agreed between borrower and lender for subsequent periods not to exceed six months.

The Company has \$500.0 million of senior, unsecured debt securities due 2014 which reflects the Company's purchase of \$100.0 million during the quarter. The debt bears interest at a rate of 6.5% and is paid semi-annually. In addition, the Company also has a \$35.0 million convertible note with the Pension Benefit Guaranty Corporation (PBGC) that bears interest at 6.0% and requires semi-annual interest payments. The PBGC note is convertible, at the PBGC's option, into 35,597.45 shares of Mittal Steel common stock for each \$1.0 million in principal and interest outstanding at any time.

(6) INCOME TAXES

Based on our third quarter pretax income and forecasted pretax income for the year 2005, we expect to pay income taxes for the year after recognizing temporary differences that arise during the year and the benefit of net operating loss (NOL) carryforwards available. The net effect of these items results in an estimated effective income tax rate for 2005 of 38.5%. In the second quarter, a one-time benefit of \$19.5 million was recognized to reflect the phase out of the Ohio Income Franchise Tax.

SFAS No. 109, Accounting for Income Taxes, requires that we record a valuation allowance for a deferred tax asset when it is "more likely than not" (a likelihood of more than 50%) that some portion or all of the deferred tax asset will not be realized based on available "positive and negative evidence." The realization of the deferred tax asset is ultimately dependent upon the Company's generation of sufficient future taxable income during periods in which those net temporary differences become deductible and before the expiration of the NOL carryforwards. The valuation allowance at the end of the third quarter is \$24.0 million.

(7) COMPREHENSIVE INCOME

The following table presents the components of comprehensive income (in millions):

QUARTERLY		
SUCCESSOR COMPANY	PREDECESSOR COMPANY	SUCCESSOR COMPANY
THREE MONTHS ENDED SEPT. 30, 2005	THREE MONTHS ENDED SEPT. 30, 2004	PERIOD FROM APRIL 16, 2005 THROUGH SEPT. 30, 2005
		Other comprehensive income:
		Derivative financial instruments:
\$ 15.9	\$ 7.4	Change in value during the period.... \$ 6.1
--	5.1	Recognized in net income..... --
(6.2)	--	Income taxes *..... (2.3)
9.7	12.5	Total other comprehensive income..... 3.8
63.7	256.4	Net income 180.6
\$ 73.4	\$ 268.9	Total comprehensive income \$ 184.4

(8) PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Company owns a 62.3% interest in Hibbing Taconite Company (Hibbing). The amounts included for employees at Hibbing reflect the effects of the Medicare Prescription Drug Improvement and Modernization Act of 2003 (the Act). Hibbing applied the retroactive transition method under FASB Staff Position No. 106-2 during 2004. The effect was not material to the Company. The amounts for other employees do not reflect the effects of the Act. We have not yet determined if the plan meets the actuarial equivalent requirement of the Act or if we will modify the plan but expect to complete our determination during the fourth quarter of 2005. However, because the plan requires that the plan beneficiaries pay premiums beginning in 2011 to cover any cost per capita increases after 2008, the Act is not likely to have any significant effect on our accumulated postretirement benefit obligation nor our future net periodic benefit costs. In 2005, the Company expects to contribute \$1.4 million to the plan based on forecasted benefit payments.

The obligations for pension and other postretirement benefit plans are discounted at 5.5%. The following table presents the components of net periodic pension and other post employment benefits costs (in millions):

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(1.4)	(1.4)	Expected return on plan assets.....	(2.6)
--	--	Amortizations:	
-----	-----	Unrecognized prior service costs.....	-----
\$ 0.7	\$ 0.7	Total cost.....	\$ 1.3
=====	=====		=====
		OTHER POSTEMPLOYMENT BENEFIT:	
\$ 1.1	\$ 1.0	Service cost.....	\$.9
2.2	2.2	Interest cost.....	0.1
(0.5)	(0.4)	Expected return on plan assets.....	(0.8)
--	3.4	Amortizations:	
--	--	Unrecognized prior service.....	--
-----	-----	Net actuarial losses.....	-----
\$ 2.8	\$ 6.2	Total cost.....	\$ 5.2
=====	=====		=====

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MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

(9) CONTINGENCIES

The Company is subject to various legal actions and contingencies in the normal course of conducting business. The Company accrues liabilities for such matters when a loss is probable and the amount can be reasonably estimated. The effect of the ultimate outcome of these matters on future results of operations and liquidity cannot be predicted with any certainty. While the resolution of these matters may have a material effect on the results of operations of a particular future quarter or year, we believe that the ultimate resolution of such matters in excess of liabilities recorded will not have a material adverse effect on our competitive position or financial position.

The Company 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 environmental media such as soils and groundwater. If, in the future, the Company is required to investigate and remediate any currently unknown contamination and wastes at plant sites, the Company could be required to record additional liabilities. Events that could trigger recording these additional liabilities are discussed in the Predecessor Company's Annual Report filed on Form 10-K for the year ended December 31, 2004.

The following table presents the changes in the amounts recorded for environmental liabilities discounted at appropriate interest rates subsequent to the Merger on April 15, 2005 and 8% prior to the Merger (in millions):

SUCCESSOR COMPANY	PERIOD FROM APRIL 16, 2005 THROUGH	PE JANU T
----------------------	--	-----------------

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	SEPT. 30, 2005	APRI
	-----	----
Balance - beginning of period.....	\$ --	\$
Liabilities recognized at acquisition *.....	232.7	
Accretion and changes in estimates and timing of spending.....	5.8	
Liabilities related to properties sold.....	--	
Spending for remediation.....	(8.7)	
	-----	----
Total **.....	229.8	
Amount included in other current liabilities - end of period.....	(44.2)	
	-----	----
Long term balance - end of period.....	\$ 185.6	\$
	=====	=====

* Successor Company reflects increase in environmental liability as of the date of the Merger due to change in discount rate based on market interest rates at the date of acquisition. Predecessor Company includes a \$6.9 million reduction in the first quarter of 2004 to amounts previously recorded in the Bethlehem acquisition as a result of additional information and analysis obtained during the period.

**The aggregate undiscounted amount of the environmental liabilities is \$363.1 million at September 30, 2005.

(10) RELATED PARTY TRANSACTIONS

Mittal Steel charged the Company \$7.5 million for the quarter ended September 30, 2005 and \$7.5 million for the period April 16 through June 30, 2005 for management, financial and legal services. The Company purchased \$66.2 million and \$43.7 million of inventory from subsidiaries of Mittal Steel for the quarter ended September 30, 2005 and for the period April 16 through June 30, 2005, respectively. The Company sold \$17.2 million and \$26.8 million of inventory to subsidiaries of Mittal Steel for the quarter ended September 30, 2005 and for the period April 16 through June 30, 2005, respectively.

See Note (5) Debt for a description of the Company's borrowings with related parties.

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MITTAL STEEL USA ISG INC. Notes to Consolidated Financial Statements (Unaudited)

On July 20, 2005, Ispat Inland Inc. (Inland) signed a Subordinated Note promising to pay the Company the aggregate unpaid principal amount of loans made from time to time. The Subordinated Note provides that Inland promises to pay to the Company the principal amount together with interest accruing at a rate equal to 120% of the Applicable Federal Rate in effect on the date of such loan compounded annually. The principal amount under the Subordinated Note, together with all accrued interest, is due and payable on July 20, 2010, but may be prepaid, in part or in full, at any time prior to the Maturity Date at the option of Inland. There was \$179.0 million outstanding under the Subordinated Note agreement and interest receivable of \$1.3 million as of September 30, 2005.

On September 27, 2005 the Company entered into a note receivable with Mittal Steel Holdings N.V. for \$70.0 million. The note is due September 26,

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2010 with an interest rate of 4.1084%. The accrued interest receivable was \$0.1 million as of September 30, 2005.

The Company's net payable to related companies of \$84.6 million at September 30, 2005 consists of accrued interest on debt, inter company purchases, management fees and other related party expenses.

(11) SUBSEQUENT EVENTS

On October 3, 2005, Mittal Steel Holdings N.V. repaid \$28.0 million on the inter company note receivable. On November 3, 2005, Mittal Steel Holdings N.V. borrowed \$50.0 million under the note receivable agreement.

On October 3 and October 5, 2005, Inland borrowed \$6.0 million and \$20.0 million from the Company under the subordinated note agreement between the two related companies.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

The Company and its representatives may from time to time make forward-looking statements in reports filed with the Securities and Exchange Commission (SEC), reports to stockholders, press releases, other written documents and oral presentations. These forward-looking statements may be identified by the use of predictive, future-tense or forward-looking terminology, such as "believes," "anticipates," "expects," "estimates," "intends," "may," or similar terms. These statements speak only as of the date of such statements and the Company will undertake no ongoing obligation, other than that imposed by law, to update these statements. These statements appear in a number of places in this report and include statements regarding the Company's intent, belief or current expectations of its directors, officers or advisors with respect to, among other things:

- o trends affecting the Company's financial condition, results of operations or future prospects;
- o business and growth strategies;
- o operating culture and philosophy; and
- o financing plans and forecasts.

Any such forward-looking statements are not guarantees of future performance and involve significant risks and uncertainties, and actual results may differ materially from those contained in the forward-looking statements as a result of various factors, some of which are unknown. The factors that could adversely affect the Company's actual results and performance include, without limitation:

- o negative overall economic conditions or conditions in the markets served;
- o competition within the steel industry;
- o legislation or regulatory changes including changes in U.S. or foreign trade policy affecting steel imports or exports;
- o changes in foreign currencies affecting the strength of the U.S. dollar;

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- o actions by domestic and foreign competitors;
- o the inability to achieve our anticipated growth objectives;
- o changes in availability or cost of raw materials, energy or other supplies;
- o labor issues affecting the Company's workforce or the steel industry generally; and
- o the extent to which the management of Mittal Steel and the Company is successful integrating and managing the operations of the Company with the rest of Mittal Steel.

MITTAL STEEL PURCHASE OF ISG

In October 2004, Mittal Steel Company N.V., Park Acquisition Corporation (Park), a wholly owned subsidiary of Mittal Steel, and International Steel Group (ISG) entered into a merger agreement pursuant to which ISG (Predecessor Company) would merge (the Merger) with Park and become a wholly owned subsidiary of Mittal Steel. The Merger was approved by the shareholders of ISG and Mittal Steel on April 12, 2005 and was completed on April 15, 2005. ISG was renamed Mittal Steel USA ISG Inc. (Successor Company or the Company) on April 15, 2005. In connection with the Merger, ISG's former stockholders received \$2,100.8 million in cash of which \$2,071.7 million was paid by the Company and \$29.1 million by Mittal Steel. In addition, 60,891,883 Mittal Steel Class A common shares were issued. Pursuant to the Merger, the Predecessor Company no longer has a class of equity securities registered under the Securities Exchange Act of 1934 (Exchange Act).

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The capital structure and accounting basis of the assets and liabilities of the Company as of April 16, 2005 and thereafter differ from those of the Predecessor Company in prior periods as a result of the Merger. Financial data of the Predecessor Company for periods prior to April 16, 2005 are presented on a historical cost basis. Financial data of the Company as of April 16, 2005 and thereafter reflect the Merger under the purchase method of accounting, under which the purchase price has been allocated to assets acquired and liabilities assumed based upon their estimated fair values with information currently available. Appraisals of long-lived assets and identifiable intangible assets are currently underway. The amounts are subject to adjustment based on the completion of the valuations and appraisals. We are also evaluating information relating to certain liabilities. Accordingly, the preliminary purchase price allocation is subject to revision.

CONSOLIDATED RESULTS OF OPERATIONS FOR THE QUARTERS AND THREE QUARTERS ENDED SEPTEMBER 30, 2005 AND 2004

To facilitate the discussion below of the three and nine month periods ended September 30, 2005 against the results of operations for the same time periods in 2004, the historical operations of the Successor Company and the Predecessor Company have been combined.

	THREE MONTHS ENDED SEPT. 30, 2005	THREE MONTHS ENDED SEPT. 30, 2004	NI SEPT
(\$ in millions)			
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Net sales	\$	2,104.6	\$	2,608.3	\$
Costs and expenses:					
Cost of sales		1,862.2		2,166.5	
Marketing, administrative, and other expenses ..		58.1		64.4	
Depreciation and amortization		51.7		37.0	
		-----		-----	
Total costs and expenses		1,972.0		2,267.9	
Income from operations		132.6		340.4	
		-----		-----	
Loss(gain) on sale of assets		--		--	
Interest and other financing expense, net		26.4		13.2	
		-----		-----	
Income before income taxes		106.2		327.2	
Provision for income taxes		42.5		70.8	
		-----		-----	
Net income	\$	63.7	\$	256.4	\$
		=====		=====	

The table below shows shipments by product and certain other data for the periods shown.

	Third Quarter		
	2005	2004	
	-----	-----	
Hot Rolled	36%	42%	
Cold Rolled	15	18	
Coated	24	21	
Plate	12	9	
Tin Plate	7	6	
Rail and Other	6	4	
Net sales (dollars in millions)	\$	2,104.6	\$
Average net sales per ton shipped	\$	639	\$
Shipments (tons in thousands)		3,294	
Raw steel production (tons in thousands)		3,542	
		4,039	
		4,718	

For the third quarter 2005, we reported net income of \$63.7 million on net sales of \$2,104.6 million and shipments of 3,294,000 net tons, compared to net income of \$256.4 million for the Predecessor Company on net sales of \$2,608.3 million and shipments of 4,039,000 net tons in the third quarter 2004. Shipments were lower due to weaker market demand precipitated by high customer inventory levels. Our average net sales per ton shipped was \$639 compared to \$646 for the comparable period in 2004. Realized prices were lower as a result of market conditions, but this was largely offset by an improvement in mix. Prices had peaked during the third quarter 2004 and have trended downward ever since. In response to market conditions, we have cut production and have focused on higher margin business by shipping a higher percent of coated and plate products and reducing lower margin hot and cold rolled products.

For the nine months ended September 30, 2005, which includes the Predecessor Company, we reported net income of \$343.5 million on net sales of \$7,171.2 million and shipments of 10,694,000 net tons, compared to net income of \$421.4

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million on net sales of \$6,462.4 million and shipments of 11,715,000 net tons for the same period in 2004. Our average net sales per ton shipped was \$671 compared to \$552 for the comparable period in 2004. The increase in realized prices was due to higher contract and spot prices as well as an improvement in mix due to an increase in higher margin coated, tin and plate products and reducing lower margin hot and cold rolled products.

Cost of sales for the third quarter 2005 were lower than the comparable 2004 period reflecting significantly lower operating levels, variable compensation costs including hourly profit sharing and required contributions to the United Steelworkers (USW) and Independent Steelworkers Union (ISU) voluntary employee beneficiary association (VEBA) welfare benefit trust and net accretion of purchased intangibles or contract amortization for contracts that were above or below market rates at the date of acquisition partially offset by higher energy costs (primarily natural gas). Costs were higher on a per ton basis due to lower operating rates, improved product mix and higher energy costs (primarily natural gas). Operating rates were reduced as part of Mittal Steel's plan to lower global steel production to help reduce excess inventory and restore equilibrium to supply and demand in the market place.

Cost of sales for the nine months ended September 30, 2005 were higher than the comparable 2004 period reflecting significantly lower operating rates, improved product mix, higher energy costs (primarily natural gas) and variable compensation costs including profit sharing and required contributions to the USW and ISU VEBA welfare benefit trust partially offset by net accretion of purchased intangibles or contract amortization from contracts that were above or below market rates at the date of acquisition. Operating rates were reduced as part of Mittal Steel's plan to lower global steel production to help reduce excess inventory and restore equilibrium to supply and demand in the market place.

Marketing, administrative and other costs in the third quarter 2005 are lower than the comparable 2004 period as higher professional fees as well as management fees from Mittal Steel were more than offset by lower variable compensation costs including salaried profit sharing and bonuses.

Marketing, administrative and other costs for the nine months ended September 30, 2005 were higher than the comparable 2004 period due primarily to \$64 million in Merger related costs including stock options, severance and bonuses to former officers of ISG as well as payments to investment bankers for transaction success fees. In addition, higher professional fees as well as management fees from Mittal Steel were partially offset by lower variable compensation costs including salaried profit sharing and bonuses.

Depreciation expense increased due to the write up to fair value of assets under purchase accounting. Net financing expense for the third quarter 2005 and nine months ended September 30, 2005 increased because of higher average debt outstanding including the \$1,700 million intercompany borrowings with Mittal Steel US Finance LLC, a wholly owned subsidiary of Mittal Steel. The intercompany borrowings were entered into as part of the financing arrangements previously announced by Mittal Steel to pay for the cash portion of the Merger consideration paid to former stockholders of the Company in conjunction with the recently completed Merger.

Based on our third quarter pretax income and forecasted pretax income for the year 2005, we expect to pay income taxes for the year after recognizing temporary differences that arise during the year and the benefit of net operating loss (NOL) carryforwards available. The net effect of these items results in an estimated effective income tax rate for 2005 of 38.5%. In the second quarter, a one-time benefit of \$19.5 million was recognized to reflect the phase out of the Ohio Income Franchise Tax. The income tax rate for 2004 was significantly lower than the 2005 rate due to tax benefits that were recognized

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for certain temporary differences and from utilization of a NOL carry forward from 2003.

LIQUIDITY

Prior to the Merger, we defined liquidity as our cash position and remaining availability under revolving credit facilities. At December 31, 2004, ISG had liquidity of \$848.1 million consisting of cash of \$606.7 million and \$241.4 million of available borrowing capacity under their revolving credit facility. In conjunction with the

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completion of the Merger of the Company and Mittal Steel on April 15, 2005, this revolving credit facility was terminated. Cash at September 30, 2005 was \$59.1 million. We expect to generate sufficient cash from operations to fund our operating needs over the next twelve months. We may, however, seek additional liquidity through borrowings from our parent or its affiliates or through other means.

Cash decreased for the period April 16, 2005 through September 30, 2005 by \$706.8 million. Cash provided by operating activities increased by \$110.8 million due to changes in working capital partially offset by Merger related payments and amortization of purchased intangibles. Inventory declined as we reduced raw steel production in response to weaker demand. Receivables also declined due to lower shipments. Payments of \$163.0 million were made to former ISG officers for stock options, severance and bonuses as well as \$26.0 million to investment bankers for transaction success fees.

Cash flows from financing activities increased by \$1,338.2 million as the Company drew down on term loan facilities in the principal amounts of \$1,700 million and a promissory note in the amount of \$425.0 million. These inter company borrowings were entered into as part of the financing arrangements to pay for the cash portion of the Merger consideration paid to former stockholders of ISG. The Company repaid \$371.7 million on the promissory note, transferred \$249.0 million to related parties including Mittal Steel Holdings N.V. and Ispat Inland under note receivable agreements, and repurchased \$100.0 million in outstanding senior unsecured debt securities during the period.

SUBSEQUENT EVENTS

On October 3, 2005, Mittal Steel Holdings N.V. repaid \$28.0 million on the inter company note receivable. On November 3, 2005, Mittal Steel Holdings N.V. borrowed \$50.0 million under the note receivable agreement.

On October 3 and October 5, 2005, Ispat Inland, Inc. borrowed \$6.0 million and \$20.0 million, respectively from the Company under a subordinated note agreement between the two related companies. The note is due on July 20, 2010 with interest at 120% of the applicable monthly federal rates as published by the Internal Revenue Service.

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ITEM 4. CONTROLS AND PROCEDURES

In our Annual Report on Form 10-K for the year ended December 31, 2004, we had identified the following three material weaknesses in internal control over financial reporting.

- o Deficiencies in policies and procedures relating to the inadequate review of

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information associated with the accumulation of various costs incurred for raw material, semi-finished and finished inventories, including the accounting for inter-company profit and inclusion of all appropriate costs in ending inventory balances. These deficiencies could result in material errors in the Company's accounting for inventories and cost of sales.

- o Deficiencies in policies and procedures associated with a lack of access controls and security of certain computer systems, including electronic spreadsheets used in the compilation and presentation of the Company's financial information, which could result in material errors in a significant number of account balances and disclosures due to a lack of integrity of the data used in preparing the Company's consolidated financial statements.
- o Deficiencies in policies and procedures associated with the Company's fraud risk prevention controls related to adequate segregation of duties in the recording of revenue and the related accounts receivable, including verification of customer invoice pricing and approval of credit memos, which could result in material errors in the Company's accounting for revenue transactions and related accounts receivable.

As a result of the aforementioned material weaknesses, the Company concluded that the Company's system of internal control over financial reporting was not effective as of December 31, 2004.

In response, the Company has put together a Sarbanes-Oxley project organization with a steering committee, sponsors, project-management team and an extended team of process owners and external consultants for testing. The roles and responsibilities have been clearly defined, challenges in terms of material weaknesses and deficiencies identified and updated with issues in rectifying the same defined. The significant locations have been scoped, key controls within significant processes identified and documentation updated with the project divided into different work streams for focus. On a parallel basis, work is planned to start on entity level controls including fraud related controls.

One work stream addresses remediation of material weaknesses, while another does testing and documentation of controls. We will assess risk and remediation by the end of December 2005. Significant resources have been committed to the project. As of the date of this report, the progress of the project has been reviewed and is generally on track.

Because of its inherent limitations, a system of internal control over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Further, because of changes in conditions, effectiveness of internal controls over financial reporting may vary over time.

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act as of September 30, 2005 (Evaluation Date).

In preparing our Exchange Act filings, we utilized processes and procedures to provide reasonable assurance that information relating to the Company that was required to be disclosed in such filings was recorded, processed, summarized and reported within the time periods specified by applicable SEC rules and was accumulated and communicated to the Company's management as appropriate to allow timely decisions regarding required disclosure. These processes and procedures are designed to, among other things, mitigate the effect of the aforementioned material weaknesses in our internal control over financial reporting on information relating to the Company that is required to be disclosed in our Exchange Act filings. Our management and accounting staff has devoted

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significant time and attention in support of these efforts in addition to substantial involvement of accounting resources from other Mittal Steel subsidiaries.

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We believe that these efforts and additional resources, which are encompassed in our current disclosure controls, mitigated the potential effect of the identified material weaknesses in internal control over financial reporting on the disclosure that was ultimately included in our Exchange Act filings. As a result of these disclosure controls, we believe, and our chief executive officer and chief financial officer have certified to their knowledge that, this quarterly report on Form 10-Q does not contain any untrue statements of material fact or omit to state any material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered in this report.

There may be deemed to be an inconsistency between our conclusion as to material weaknesses in our internal control over financial reporting and our view as to our disclosure controls. However, as explained above, based on their evaluation of our disclosure controls and procedures, our chief executive officer and chief financial officer concluded as of the Evaluation Date that our disclosure controls and procedures were effective such that the information relating to the Company and its consolidated subsidiaries required to be disclosed in Exchange Act filings is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to the Company's management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding this disclosure. Our chief executive officer and chief financial officer reached this conclusion notwithstanding the existence of material weaknesses in the Company's internal control over financial reporting, because they believe that the processes and procedures described above mitigated the potential effect of the identified material weaknesses in internal control over financial reporting on the Company's disclosure controls and procedures. We note that the scope of, and interrelation between, disclosure controls and internal control over financial reporting is not yet well defined by law, regulation or interpretation. We believe that there are significant differences between disclosure controls and procedures and internal control over financial reporting. If, however, disclosure controls and procedures and internal control over financial reporting are ultimately determined to effect substantially the same standard under these circumstances, then in such case, the Company's disclosure controls and procedures also would have been ineffective as of the Evaluation Date for the same reasons that we have concluded that the Company's system of internal control over financial reporting was not effective as of the Evaluation Date.

While our efforts to address the deficiencies in our internal control over financial reporting are continuing, there have been no changes in our internal control over financial reporting during the period covered that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

ITEM 1. LEGAL PROCEEDINGS

Environmental Matters

The Company's operations are subject to a broad range of laws and regulations relating to the protection of human health and the environment. The prior owners of the Company's facilities expended in the past, and the Company

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expects to expend in the future, substantial amounts to achieve or maintain ongoing compliance with U.S. federal, state, and local laws and regulations, including the Resource Conservation and Recovery Act (RCRA), the Clean Air Act, and the Clean Water Act. 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 similarly situated U.S. steelmakers subject to the same environmental requirements.

RCRA and other remediation matters

Under RCRA and similar U.S. state programs, the owners of certain facilities that manage hazardous wastes are required to investigate and, if appropriate, remediate historic environmental contamination found at such facilities. All of the Company's major operating and inactive facilities are or may be subject to a corrective action program or other laws and regulations relating to environmental remediation, including projects relating to the reclamation of industrial properties, also known as brownfield projects.

At the Company's properties in Lackawanna, New York, a RCRA Facility Investigation (RFI) is complete. A report was submitted to the U.S. Environmental Protection Agency (EPA), and the New York State Department of Environmental Conservation (NYDEC), for approval on December 17, 2004. NYDEC and the Company executed an order on consent to perform interim corrective measures at the former benzol storage tank area. This order was executed on November 26, 2004. The Company and NYDEC will be discussing additional corrective measures

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following the agency's review of the site RFI. The Company has estimated that the undiscounted future cost of performing anticipated remediation and post remediation activities will be about \$66 million and will be completed 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.

Bethlehem Steel Corporation, the U.S. EPA and the Maryland Department of the Environment agreed to a phased RFI as part of a comprehensive multimedia pollution consent decree with respect to the Company's Sparrows Point, Maryland facility, which was entered by the U.S. District Court for Maryland on October 8, 1997. The Company has assumed Bethlehem's ongoing obligations under the consent decree. The consent decree requires the Company to address compliance, closure and post-closure care matters and implement corrective measures associated with two onsite landfills (Gray's Landfill and Coke Point Landfill), perform a site-wide investigation required by Section 3008(h) of RCRA, continue the operation and maintenance of a remediation system at an idle rod and wire mill, and address several pollution prevention items, such as, reducing the generation of iron kish, and recycling blast furnace water treatment slurry and an onsite wastewater treatment plant sludge. The potential costs, as well as the time frame for the complete implementation of possible remediation activities at Sparrows Point, cannot be reasonably estimated until more of the investigations required by the decree have been completed and the data analyzed. Notwithstanding the above, it is 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, the Company also must 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 cost of these related matters is estimated to be approximately \$42 million.

The Company is required to prevent acid mine drainage from discharging to

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surface waters at closed mining operations in southwestern Pennsylvania. The Company 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 the Company and 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, the Company submitted an Operational Improvement Plan to improve treatment facility operations and lower long-term wastewater treatment costs. The Consent Order and Agreement also required the Company to propose a long-term financial assurance mechanism. PaDEP approved the Company's cost reduction plan. On May 9, 2004, the Company 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. The Company expects to fund the treatment trust over a period of up to ten years at a current target value of about \$20 million. Until the improvements are made and the treatment trust is fully funded, the Company expects to spend about \$1 to \$2 million 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, the Company could be required to make up any deficiency in the treatment trust in the future.

The Company owns a large former integrated steelmaking site in Johnstown, Pennsylvania. The site has been razed and there are a number of historic waste disposal units, including solid and hazardous waste landfills located at the site that are subject to closure and other regulation by PaDEP. There are also historic steel and coke-making operating locations at the Johnstown site that may have caused groundwater contamination. Although potentially subject to RCRA corrective action or similar state authority, no comprehensive environmental investigations have been performed at this site to date. The Company estimates that the undiscounted costs associated with future landfill closure, site investigations and probable remediation at this facility that presently can be estimated to be approximately \$20 million.

The Company's facility at Indiana Harbor, Indiana is subject to a U.S. EPA 3013 Administrative Order investigation plan to assess soil and groundwater conditions associated with 14 solid waste management units approved on January 12, 2005. Although localized remediation activities have been conducted at this facility, additional remediation may be required after the investigation of these solid waste management units has been completed. It is not possible to estimate the cost of required remediation or monitoring, if any, that may result from this investigation at this time. An area of subsurface fuel oil contamination exists and is currently the subject of remediation actions. The U.S. EPA and the Company are discussing a draft administrative order with respect to the oil issue. In addition, a solid waste landfill at Indiana Harbor will require closure via an engineered capping system and post-closure care including groundwater monitoring. The total estimated undiscounted cost related to these matters that can presently be estimated is approximately \$16 million.

At the Company's Burns Harbor, Indiana facility, an RFI was completed in accordance with a U.S. EPA approved work plan. Based on the results of the investigation, the Company does not believe there will be any substantial remediation required to complete the corrective action process at the facility; however, it is likely that the Company will incur future costs primarily related to long term post-closure care including groundwater monitoring. In addition, Bethlehem managed approximately one million net tons of air pollution control dusts and sludges in piles on the ground at the Burns Harbor site. While an alternative means of handling this material continues to be evaluated, it is

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probable that the Company will incur future costs to manage this material. The Company also has a continuing obligation pursuant to a consent order issued by the U.S. District Court in Indiana to operate a collection and treatment system to control contaminated groundwater seeps from the face of a dock wall at the site. The total undiscounted costs related to these matters are estimated to be approximately \$23 million.

The Company's Cleveland, Ohio facilities may be subject to RCRA corrective action or remediation under other environmental statutes. An integrated steel facility has operated on the property since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation pursuant to the RCRA corrective action program or similar state programs. No RCRA corrective action has been demanded at any of the Cleveland facilities by either U.S. federal or state authorities and no comprehensive investigation of any of the facilities has been performed. However, certain limited and localized remediation activities have been or will be conducted at these sites. These remediation activities include a large permitted solid waste landfill at the site that will require installation of an engineered capping system for closure and post-closure care including groundwater monitoring in the future. The undiscounted cost of closure and post-closure care for this landfill is estimated to be approximately \$13 million.

The Company's Weirton, West Virginia facility has been subject to a RCRA corrective action related consent decree since 1996. The Order requires the facility to conduct investigative activities to determine the nature and extent of hazardous substances that may be located on the facility's property and to evaluate and propose corrective measures needed to abate unacceptable risks. Areas within the facility's property have been prioritized. Investigation of the two highest priority areas has been completed. Investigation of the remaining areas and some remediation is underway. In addition, the Company is required to excavate and dispose off-site contaminants as closure of a surface impoundment pursuant to the RCRA corrective action and a 1996 consent decree. The Company is in communication with the U.S. EPA and West Virginia Department of Environmental Protection regarding other potential RCRA concerns at the site. The undiscounted cost of investigative and closure activities at the site are estimated to be about \$12 million.

At a site of the former steelmaking facilities in Bethlehem, Pennsylvania, in lieu of a RCRA corrective action program, a remedial investigation is being performed pursuant to the Pennsylvania Land Recycling (Brownfield) Program in conjunction with comprehensive redevelopment plans. These investigations are continuing to be performed with input and oversight from both the PaDEP, and the EPA Region III corrective action staff to ensure that the actions taken are acceptable to both state and federal regulatory authorities. The majority of the site was sold by the Company during 2004. Under the sales agreement, the buyers assumed financial responsibility for environmental obligations on the acquired and certain associated properties and purchased an insurance policy sufficient to cover certain remediation risk. The Company is named as a beneficiary to the insurance policy. The undiscounted cost associated with anticipated environmental remediation actions on property the Company continues to own is estimated to be about \$4 million.

The Company's facility at Riverdale, Illinois may be subject to RCRA corrective action or remediation under other environmental statutes. The facility has produced steel since the early part of the 20th century. As a result, soil and groundwater contamination may exist that might require remediation under the RCRA corrective action program or similar state programs. Certain localized remediation activities have been conducted at this facility; however, there is no present U.S. federal or state demand for a RCRA corrective action program at the facility. No comprehensive environmental investigation of the facility has been performed.

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Clean Air Act

The Company's facilities are 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,

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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 the Company's facilities are subject to the new MACT standards, and compliance with such standards will be required starting May 20, 2006. The Company anticipates installing controls at facilities to comply with the new MACT standards with capital expenditures of about \$135 million through 2006.

Other Clean Air Act requirements, such as revisions to national ambient air quality standards for ozone and particulate matter, may have significant impacts on the Company in the future, although whether and how it will be affected will not be determined for years. The Company also may be affected if the U.S. federal government or the states in which it operates begin to regulate emissions of mercury or greenhouse gases such as carbon dioxide. However, because the Company cannot predict what requirements will be imposed on it or the timing of such requirements, it is unable to evaluate the ultimate future cost of compliance with respect to these potential developments.

Clean Water Act

The Company's facilities also are subject to a variety of permitting requirements under the Clean Water Act, which restricts the type and amount of pollutants that may be discharged from regulatory sources into receiving bodies of waters, such as rivers, lakes and oceans. On October 17, 2002, the U.S. EPA issued regulations that require existing wastewater dischargers to comply with new effluent limitations. Several of the Company's facilities are subject to the new regulations, and compliance with such regulations will be required as new discharge permits are issued for continued operation.

The Company's Weirton facility will be subject to stipulated penalties for national pollution discharge elimination system permit excursions under a 1996 Multimedia Consent Decree. At September 30, 2005, the Company has accrued \$394,000 for probable penalties related to such excursions in 2004 since the facility was acquired. However it is possible that additional penalties may be sought but such penalties are not expected to be material.

Other

The Company anticipates spending approximately \$48 million over the next 40 years, including \$11 million during the next twelve months, to address the removal and disposal of PCB equipment and asbestos material encountered during the operation of our facilities.

There are a number of other facilities and properties, which the Company owns across the United States, which may present incidental environmental liabilities. The majority of these sites were former pipe coating operations which may have impacted soils or groundwater. The estimated cost of future investigations and probable remediation at these sites is estimated to be about \$10 million.

In addition to the above matters, the Company receives notices of violation relating to environmental matters from time to time in the ordinary course of

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business. The Company does not expect any material unrecorded reclamation requirements, fines or penalties to arise from these items and none of these involve potential individual monetary sanctions in excess of \$100,000.

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ITEM 5. OTHER INFORMATION

Subordinated Note Receivable

On July 20, 2005, Ispat Inland Inc. (Borrower) signed a Subordinated Note promising to pay the Company (Lender) the aggregate unpaid principle amount of all loans made from time to time by Lender to Borrower, as reflected in the records of the Lender.

The Subordinated Note provides that Ispat Inland Inc. promises to pay the Company the principal amount together with interest accruing at a rate equal to 120% of the Applicable Federal Rate in effect on the date of such loan compounded annually. The principal amount under the Subordinated Note, together with all accrued interest, is due and payable on July 20, 2010, but may be prepaid, in part or in full (together with any accrued interest), at any time prior to the maturity date at the option of Ispat Inland, Inc.

This Subordinated Note is subject to the terms and conditions of (i) a Subordination Agreement dated as of April 30, 2003, as amended, among Borrower, Ispat International Group Finance Limited Liability Company (IIGF), Mittal Steel Company N.V. (formerly, Ispat International N.V.) (IINV), Lender, and General Electric Capital Corporation, as Agent, and (ii) a Subordination Agreement dated as of March 25, 2004, as amended, among Borrower, IIGF, IINV, Lender and LaSalle Bank National Association, as Trustee.

On July 29, 2005, Ispat Inland Inc. borrowed \$150.0 million under the Subordinated Note Agreement. This should have been filed under Item 1.01 of 8-K and is incorporated herein.

ITEM 6. EXHIBITS

Exhibit Number	Description of Document
10.1	Subordinated note receivable with Ispat Inland Inc
31.1	Certification by the Chief Executive Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Rules 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934.
32.1	Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MITTAL STEEL USA ISG INC.

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Date: November 9, 2005

/s/ Vaidya Sethuraman

By: Vaidya Sethuraman
Vice President Finance and
Chief Accounting Officer
Mittal Steel USA ISG Inc.