MITTAL

Mittal Steel South Africa Limited

(formerly Ispat Iscor Limited and prior to that Iscor Limited)
Reviewed group interim financial results and dividend announcement
for the six months ended 30 June 2005

Record headline earnings R3221 million

Financial results

Headline earnings for the six months of R3.2 billion represents an all-time record. This excellent result was driven by a continuation of the high international price levels experienced since the second half of last year as well as higher export volumes. This was partially offset by lower local sales volumes, higher costs and a stronger rand.

Headline earnings increased by 108 % compared to the corresponding period last year while on a comparable basis, before BAA remuneration, the increase was 56 %. In dollar terms it increased by 68 % due to the rand's strengthening by 7.7 %.

	30 June 2005 Rm	Six months ended 31 Dec 2004 Rm	30 June 2004 Rm	Year ended 31 Dec 2004 Rm
Revenue	**12 264**	12 509	10 544	23 053
Operating profit	**4 347**	4 451	2 948	7 399
Finance costs:				
– Net interest income/(expense)	**83**	50	(14)	36
– Interest adjustment on non-current provisions	**(30)**	(37)	(133)**	(170)**
Taxation	**(1 329)**	(1 551)	(914)	(2 465)
Equity earnings*	**153**	79	179	258
Minority interest	**(3)**	(2)	(4)	(6)
Comparable headline earnings	**3 221**	2 990	2 062	5 052
In US$m	***521***	*482*	*311*	*793*
BAA remuneration*			(511)	(511)
Headline earnings	**3 221**	2 990	1 551	4 541
Attributable earnings	**3 210**	3 331	1 540	4 871

* *After tax.*

** *Includes an additional charge of R100 million as a result of reducing the discount rate applied to estimated future cash flows as a consequence of the significant reduction in interest rates.*

Quarterly comparable headline earnings

Earnings improved further for the past quarter, maintaining the trend of the higher earnings level since second quarter 2004.

Quarter to	US$m	Rm	Exchange rate
March 2003	79	657	8,32
June 2003	77	596	7,73
September 2003	48	352	7,40
December 2003	97	655	6,72
March 2004	99	669	6,75
June 2004	212	1 393	6,57
September 2004	248	1 575	6,35
December 2004	234	1 415	6,06
March 2005	264	1 578	5,97
June 2005	257	1 643	6,40

Operating results

Revenue	30 June 2005 Rm	Six months ended 31 Dec 2004 Rm	30 June 2004 Rm	Year ended 31 Dec 2004 Rm
Vanderbijlpark	**6 388**	6 558	5 730	12 288
Saldanha	**1 977**	2 065	1 573	3 638
Long Products	**3 646**	3 428	2 911	6 339
Coke and Chemicals	**517**	741	512	1 253
Other	**53**	56	55	111
Inter-group	**(317)**	(339)	(237)	(576)
Total	**12 264**	12 509	10 544	23 053

Operating profit	30 June 2005 Rm	Six months ended 31 Dec 2004 Rm	30 June 2004 Rm	Year ended 31 Dec 2004 Rm
Vanderbijlpark	**2 332**	2 289	1 840	4 129
Saldanha	**685**	799	348	1 147
Long Products	**1 195**	1 129	640	1 769
Coke and Chemicals	**159**	301	161	462
Other	**12**	24	18	42
Corporate	**(36)**	(91)	(59)	(150)
Comparable total	**4 347**	4 451	2 948	7 399
BAA remuneration			(731)	(731)
Total	**4 347**	4 451	2 217	6 668

Operating profit of R4.3 billion for the six months increased by 47 % on a comparable basis, with the most notable improvements at Saldanha (97 %), Long Products (87 %) and Vanderbijlpark (27 %). Liquid steel production increased by 7 % compared to the corresponding period last year with an increase at Saldanha of 9 %, Vanderbijlpark of 9 % and Long Products 2 %.

Market review

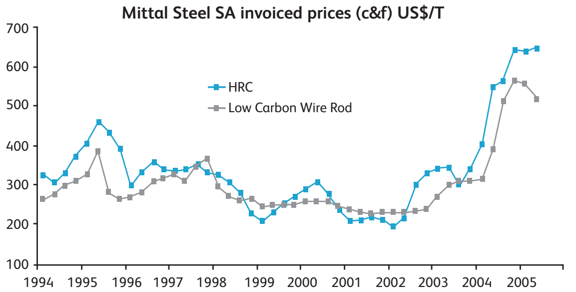
International

Export volumes for the six months were higher than the corresponding period last year by 6 %. Export prices invoiced remained at the levels achieved during the second half of 2004.

However, quarter three will witness a significant decline in prices, driven by high inventory levels and the postponement of orders by customers in anticipation of further price decreases.

Several steel manufacturers have reduced their production levels in response to the decline in demand and prices and it now seems that the slowdown is bottoming-out and that both demand and prices are starting to recover, especially on flat products.

Mittal Steel SA invoiced prices (c&f) US$/T

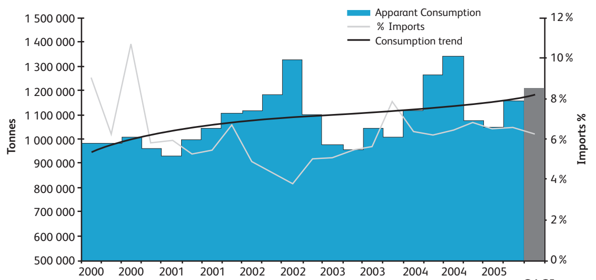


source: Mittal Steel SA

Domestic market

Local sales volumes for the six months declined by 7 % compared to the corresponding period last year and 12 % compared to the previous six months. This decline was driven by similar reasons applicable to the global slowdown, i.e. high inventory levels and a delay in orders due to anticipated lower prices. In general, the underlying local demand remains strong, in line with the domestic economy.

South Africa – Domestic sales of carbon steel



source: SASI

Cost

Cash cost per tonne of hot rolled coil for the six months increased by 11 % compared to the corresponding period last year and billets by 16 %, driven by a substantial increase in the cost of coal (41 %), alloys (51 %) and scrap (28 %). In US dollar terms, the cost increased by 19 % and 25 % respectively due to the strengthening of the rand.

The quantum increase in the international price of iron ore of 71 % from January 2005 and more than 120 % on coking coal from April 2005 have shifted the global cost curve up considerably. Through our high level of raw material integration, notably on iron ore, we were to a certain extent sheltered from the significant global increase in costs.

Taxation

The notice received from the tax authorities during quarter one 2005, indicating their intention to disallow the deductibility of the payment made in terms of the Business Assistance Agreement, has now been confirmed by an assessment. An official objection will be lodged by the company by the end of August 2005.

The company maintains its position that the said payment was indeed revenue in nature and hence tax deductible and therefore has not provided for the tax under dispute. There is a contingent liability of R403 million in this regard.

Outlook for Quarter Three 2005

The local market is expected to improve slightly with inventories starting to return to normal levels; supported by price decreases on flat products announced effective from 1 August 2005, following the decline in international prices.

Export volumes are expected to increase significantly as part of our plan to keep inventory levels in control. Export prices will be lower although some improvement is expected towards the end of the third quarter.

Costs are expected to increase from second quarter levels, driven mainly by a substantial increase in the cost of imported iron ore pellets and coking coal.

Overall, the results for the next quarter are expected to remain reasonably strong though materially lower compared to the second quarter 2005, driven mainly by lower sales prices and an increase in costs. However, this impact could be softened if the rand continues to weaken.

Dividend announcement

In line with the company's policy, the Board declared an interim dividend of 240 cents per share, covered approximately three times by headline earnings.

Payment in South African rands will be made on Monday, 12 September 2005 to shareholders recorded in the register on Friday, 9 September 2005. The last day to trade to qualify for the dividend will be Friday, 2 September 2005 and the shares will trade ex-dividend from Monday, 5 September 2005. Share certificates may not be dematerialised or rematerialised between Monday, 5 September 2005 and Friday, 9 September 2005 both days inclusive. Dividend entitlements of less than ten rand will be donated to charity in terms of the articles of association.

On behalf of the Board

DK Chugh
(Chief Executive Officer)

MJN Njeke
(Chairman of the audit committee)

8 August 2005

Registered office
Mittal Steel South Africa
Room N3-5
Main Building
Delfos Boulevard
Vanderbijlpark, 1911

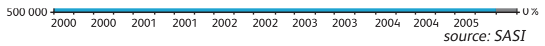
Transfer secretaries
Computer Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg
PO Box 61051,
Marshalltown, 2107

Directors: K Ngqula *(Chairman)*, DK Chugh* *(Chief Executive Officer)*, S Maheshwari*, JJ Mashaba, A Mittal*
LN Mittal*, Dr KDK Mokhele, MJN Njeke
**Citizen of India*

Company Secretary: Xoliswa Motswai

Mittal Steel South Africa Limited:
(Formerly Ispat Iscor Limited and prior to that Iscor Limited)
Registration number 1989/002164/06
Share code: MLA ISIN: ZAE000064044
("the company" or "the Group")

Group income statement Group balance sheet Group cash flow


source: SASI

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Group income statement

	Six months ended 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	Year ended 31 Dec 2004 Audited Rm
Revenue	12 264	10 544	23 053
Operating expenses	(7 347)	(7 848)	(15 419)
Earnings before interest, taxation, depreciation and amortisation (Ebitda)	4 917	2 696	7 634
Depreciation	(569)	(478)	(964)
Amortisation of intangible assets	(1)	(1)	(2)
Profit from operations before impairment and goodwill movements	4 347	2 217	6 668
Goodwill impairment (Note 2)	(11)	(11)	(21)
Impairment credit (Note 3)			502
Profit from operations	4 336	2 206	7 149
Net financing income/(expense) (Note 4)	53	(147)	(134)
Share of profit of equity-accounted joint ventures before taxation	166	211	347
Profit before taxation (Note 5)	4 555	2 270	7 362
Taxation expense (Note 6)	(1 342)	(726)	(2 485)
Profit from ordinary activities	3 213	1 544	4 877
Attributable to:			
• ordinary shareholders	3 210	1 540	4 871
• minority interest	3	4	6
ADDITIONAL INFORMATION			
Profit attributable to ordinary shareholders	3 210	1 540	4 871
Adjusted for:			
• Goodwill impairment (Note 2)	11	11	21
• Impairment credit (Note 3)			(502)
• Taxation on adjustments			151
Headline earnings	3 221	1 551	4 541
Performance per ordinary share			
Attributable earnings per share (cents)			
• basic	720	345	1 093
• diluted	718	344	1 090
Headline earnings per share (cents)			
• basic	723	348	1 019
• diluted	721	346	1 016
Dividend per share (cents)			
• interim	240		300
• final			100
Net asset value per share (cents)	4 246	3 172	3 600
Ordinary shares (million)			
• in issue	446	446	446
• weighted average number of shares	446	446	446
• diluted weighted average number of shares	447	448	447
Ratios (%)			
Ebitda margin	40,1	25,6	33,1
Return on ordinary shareholders' equity per annum			
• attributable earnings	36,7	22,7	33,6
• headline earnings	36,8	22,9	31,3
Net cash to equity	22,6	9,7	24,8
Market capitalisation (Rm)	20 950	17 206	29 197

Group balance sheet

	As at 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	As at 31 Dec 2004 Audited Rm
ASSETS			
Non-current assets	14 170	13 201	14 079
Property, plant and equipment	12 826	12 124	12 930
Intangible assets	29	31	30
Goodwill		21	11
Investments in joint ventures			
• unlisted (Note 7)	856	567	596
Financial receivables (Note 8)	459	458	512
Current assets	10 965	7 010	9 650
Inventories	3 896	2 805	3 105
Trade and other receivables	2 708	2 625	2 481
Cash and cash equivalents	4 361	1 580	4 064
Total assets	25 135	20 211	23 729
EQUITY AND LIABILITIES			
Shareholders' equity			
Stated capital	6 389	6 389	6 389
Reserves	570	314	306
Retained income	11 959	7 428	9 345
Ordinary shareholders' capital	18 918	14 131	16 040
Minority interest	10	9	7
Total equity	18 928	14 140	16 047
Non-current liabilities	3 174	2 504	2 990
Interest-bearing borrowings	71	81	81
Provisions	1 220	1 179	1 188
Provision for post-retirement medical costs	10	27	13
Deferred tax liability	1 873	1 217	1 708
Current liabilities	3 033	3 567	4 692
Interest-bearing borrowings	10	130	10
Trade and other payables	2 341	2 970	2 305
Current taxation	511	260	857
Provisions	171	207	183
Dividend payable			1 337
Total equity and liabilities	25 135	20 211	23 729
Net cash (Note 9)	4 280	1 369	3 973

Group statement of changes in equity

	Six months ended 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	Year ended 31 Dec 2004 Audited Rm
Shareholders' funds at beginning of period	16 040	12 971	12 971
• as previously stated	16 040	12 956	12 956
• change in accounting policy		15	15
– consolidated treasury shares		(2)	(2)
– consolidated management share trust reserves		17	17
– change in interpretation on negative goodwill			(2 585)
– adoption of IFRS3			2 585
Changes in reserves	264	127	124
• management share trust	(31)	(20)	(45)
• movement in treasury shares		(1)	
• share options – value of services	(3)		(2)
• currency translation profit/(losses)	56	(10)	(81)
• share of revaluation reserve		2	
• financial instruments movements	14	(1)	(2)
• transfer of equity-accounted earnings	150	173	252
• transfer to insurance reserve			2
• share of foreign currency translation reserve	78	(16)	
Changes in retained income	2 614	1 033	2 945
• net profit for the period	3 210	1 540	4 871
• dividend paid	(446)	(334)	(1 672)
• transfer of equity accounted earnings	(150)	(173)	(252)
• transfer to insurance reserve			(2)
Shareholders' funds at end of period	18 918	14 131	16 040

Group cash flow

	Six months ended 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	Year ended 31 Dec 2004 Audited Rm
Cash inflows/(outflows) from operating activities	790	1 755	5 239
Cash generated from operations	4 003	2 378	6 422
• before BAA Remuneration	4 003	2 378	7 153
• BAA Remuneration			(731)
Share of profit of equity-accounted joint investments	3	6	6
Net financing income/(expense)	75	(22)	36
Taxation paid	(1 508)	(273)	(886)
Dividend paid	(1 783)	(334)	(339)
Cash outflows from investing activities	(473)	(392)	(1 245)
Investment to maintain operations	(407)	(324)	(1 001)
Investment to expand operations	(86)	(81)	(253)
Proceeds from disposal of property, plant and equipment	20	13	14
Investment in other non-current assets			(5)
Normal net cash inflow	317	1 363	3 994
Cash outflows from financing activities	(35)	(889)	(1 036)
Increase in cash and cash equivalents	282	474	2 958
Cash and cash equivalents at beginning of period	4 064	1 107	1 107
Exchange gains/(losses)	15	(1)	(1)
Cash and cash equivalents at end of period	4 361	1 580	4 064

Notes to the reviewed financial statements

1. Basis of preparation
The interim financial statements are prepared in accordance with International Financial Reporting Standards, South African Statements of Generally Accepted Accounting Practice, and Schedule 4 of the South African Companies Act, 1973, as amended and should be read in conjunction with the 31 December 2004 financial statements. All IFRS and IFRIC interpretations issued and effective as at 30 June 2005 have been applied. The accounting policies adopted are consistent with those applied in the financial statements for the year ended at 31 December 2004.

2. Goodwill impairment
As part of a structured finance deal the company purchased on 1 July 2002 100% in Pybus Fifty-Seven (Pty) Ltd, resulting in the recognition of a R64 million goodwill asset on acquisition. The Group assessed its expected benefits from said company to be less than the carrying value, as a result, an impairment loss of R11 million was realised for the interim period. Together with the goodwill movements in prior periods (R53 million), the total amount of goodwill (R64 million) has now been impaired.

3. Impairment credit
The Company's share of the Saldanha Steel impairment charge raised in 2001 (R1 500 million) partly reversed in 2002 (R998 million) and further reversed in 2004 (R502 million).

	Six months ended 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	Year ended 31 Dec 2004 Audited Rm
4. Net financing income/(expense)	53	(147)	(134)
Interest expense and loan costs	(8)	(40)	(63)
Interest income	88	24	94
Interest received from joint ventures	3	2	5
Net interest income/(expense)	83	(14)	36
Interest adjustment on non-current provisions	(30)	(133)	(170)
5. Profit before taxation is arrived at after			
Business assistance agreement remuneration		731	731
6. Taxation	1 342	726	2 485
Company and subsidiaries	1 329	694	2 396
Equity accounted investments	13	32	89
The income tax expense is based on the best estimate of the weighted average annual income tax rate expected for the full financial year.			
7. Investments in joint ventures			
Unlisted investments			
• directors' valuation	1 028	567	759
8. Non-current financial receivables			
Non-derivative loans and receivables of determinable repayments	459	458	512
9. Net cash	4 280	1 369	3 973
Interest bearing borrowings			
• non-current	(71)	(81)	(81)
• current	(10)	(130)	(10)
Cash and cash equivalents	4 361	1 580	4 064
10. Capital expenditure			
• incurred	493	405	1 254
• contracted	1 019	552	1 008
• authorised but not contracted	1 018	677	1 468

	Six months ended 30 June 2005 Reviewed Rm	30 June 2004 Reviewed Rm	Year ended 31 Dec 2004 Audited Rm
11. Contingent liabilities	624	243	234
• guarantees	121	143	134
• other contingent liabilities	503	100	100
12. Operating lease commitments	22	53	28
• less than one year	2	8	3
• more than one year and less than five years	20	45	25

13. Related party transactions
The Group is controlled by Mittal Steel Company N.V. which owns marginally over 50% of the Company's shares. During the period the Company and its subsidiaries in the ordinary course of business entered into various sale and purchase transactions with joint venturers. The Company and its subsidiaries in the ordinary course of business also incurred the cost of compensating its key management personnel. These transactions occurred under terms that are not less favorable than those arranged with third parties.

14. Independent review by the auditors
These interim results have been reviewed by our auditors, KPMG Inc., who have performed their review in accordance with the Guideline for Auditors on Review of Interim Financial Information issued by the South African Institute of Chartered Accountants. The scope of the review was to enable the auditors to report that nothing came to their attention that caused them to believe that the accompanying condensed consolidated interim financial statements is not fairly presented, in all, material respects, in accordance with International Financial Reporting Standards (IAS 34 – Interim Financial Reporting), and the South African Companies Act. KPMG Inc.'s unmodified review report on the condensed consolidated interim financial statements is available for inspection at the registered office of the company.

15. JSE Limited requirements
This interim announcement has been prepared in accordance with the Listings Requirements of the JSE Limited.

16. Corporate governance
The Group subscribes to and complies, in all material respect, with the Code on Corporate Practices and Conduct as contained in the second King Report on Corporate Governance.

UNAUDITED SUPPLEMENTARY PHYSICAL INFORMATION ('000 TONNES)

	Six months ended 30 Jun 2005	31 Dec 2004	30 Jun 2004	Year ended 31 Dec 2004
FLAT STEEL PRODUCTS				
Vanderbijlpark				
Liquid steel production	1 986	1 799	1 829	3 628
Sales	1 520	1 597	1 569	3 166
• local	996	1 125	1 099	2 224
• export	524	472	470	942
Local sales as percentage of total sales	66	70	70	70
Saldanha Steel				
Liquid steel production	616	664	563	1 227
Sales	547	593	548	1 141
• local	214	306	198	504
• export	333	287	350	637
Local sales as percentage of total sales	39	52	36	44
LONG STEEL PRODUCTS				
Liquid steel production	1 105	1 093	1 085	2 178
Sales	966	910	984	1 894
• local	540	557	594	1 151
• export	426	353	390	743
Local sales as percentage of total sales	56	61	60	61
TOTAL				
Liquid steel production	3 707	3 556	3 477	7 033
Sales	3 033	3 100	3 101	6 201
• local	1 750	1 988	1 891	3 879
• export	1 283	1 112	1 210	2 322
Local sales as percentage of total sales	58	64	61	63

	Three months ended 30 Jun 2005	31 Mar 2005	31 Dec 2004	30 Sept 2004	30 June 2004
FLAT STEEL PRODUCTS					
Vanderbijlpark					
Liquid steel production	1 010	976	994	805	995
Sales	753	767	786	811	772
• local	504	492	525	600	580
• export	249	275	261	211	192
Local sales as percentage of total sales	67	64	67	74	75
Saldanha Steel					
Liquid steel production	298	318	321	343	235
Sales	241	306	287	306	249
• local	89	125	142	164	123
• export	152	181	145	142	126
Local sales as percentage of total sales	37	41	49	54	49
LONG STEEL PRODUCTS					
Liquid steel production	550	555	551	542	557
Sales	505	461	437	473	489
• local	285	255	245	312	320
• export	220	206	192	161	169
Local sales as percentage of total sales	56	55	56	66	65
TOTAL					
Liquid steel production	1 858	1 849	1 866	1 690	1 787
Sales	1 499	1 534	1 510	1 590	1 510
• local	878	872	912	1 076	1 023
• export	621	662	598	514	487
Local sales as percentage of total sales	59	57	60	68	68