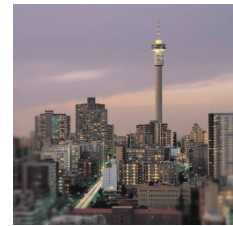


# MITTAL

Mittal Steel South Africa Limited

Annual Financial Results  
for the 12 months ended December 2006



partnership, plant and product

market & operations

Rick Reato



partnership, plant and product

## Introduction and Overview

- Earnings remain strong at R4.6bn
  - Earnings per share of 1 042c down 8%
  - Operating margin of 23%
- Domestic markets remained buoyant
  - Demand at record levels
  - Domestic sales constitute 71% of total sales
- Cost pressures continue
  - Raw material cost increased by 19%
  - Cost of steel sales increased 15%
- Operations
  - Liquid steel production down 3%
  - Several production records in downstream plants
  - Sales down only 1%

## Key Result Drivers

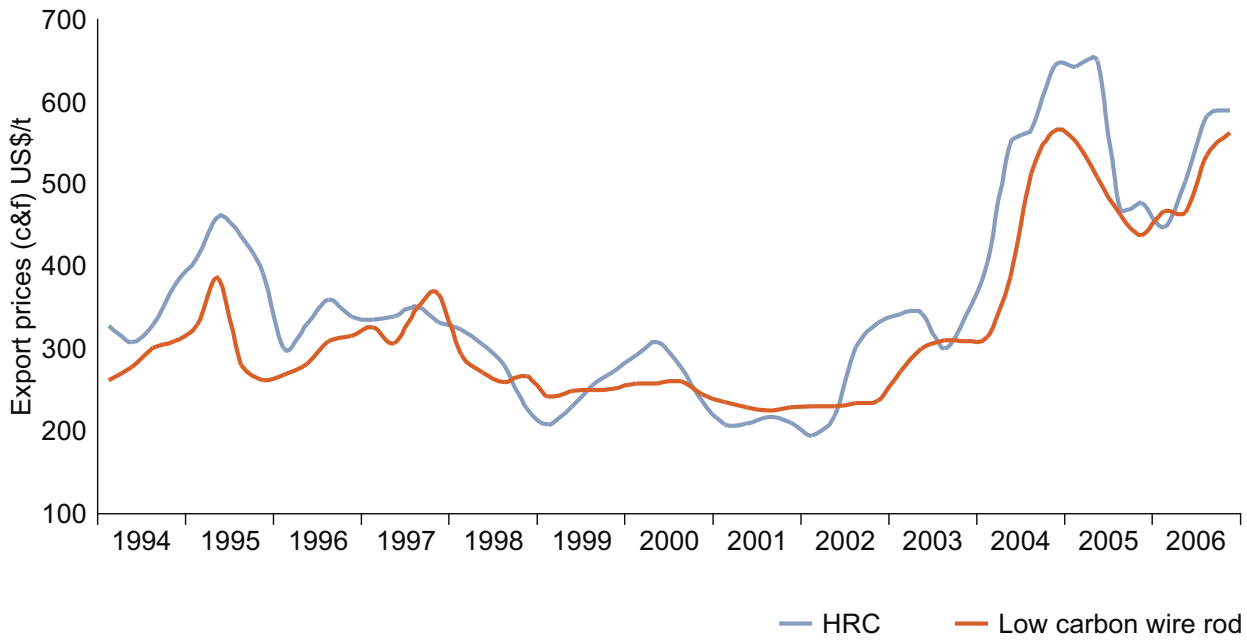
	2006 vs 2005
HRC US\$ export price	-5%
LCWR US\$ export price	+4%
Total sales volume	-1%
Export sales volume	-35%
Domestic sales volume	+26%
HRC Rand cash cost per tonne	+10%
Billet Rand cash cost per tonne	+9%
Labour productivity	+12%
ZAR movement	-6%

Strong local market impacted on export volumes

## Global Environment - General Market Trends

- Prices improved in H2'06 and expected to increase further in Q2'07
- World economic growth in 2006 increased from 3.8% to 3.9%
- Global consolidation received new impetus with Arcelor Mittal merger
- Consolidation continues with Tata taking over Corus
- Steelmakers' input costs remain high & will continue to support prices
- World consumption and production of steel increased by 9% in 2006
- Chinese economy continues to grow at high rate (10%)
- Lower price volatility expected to continue

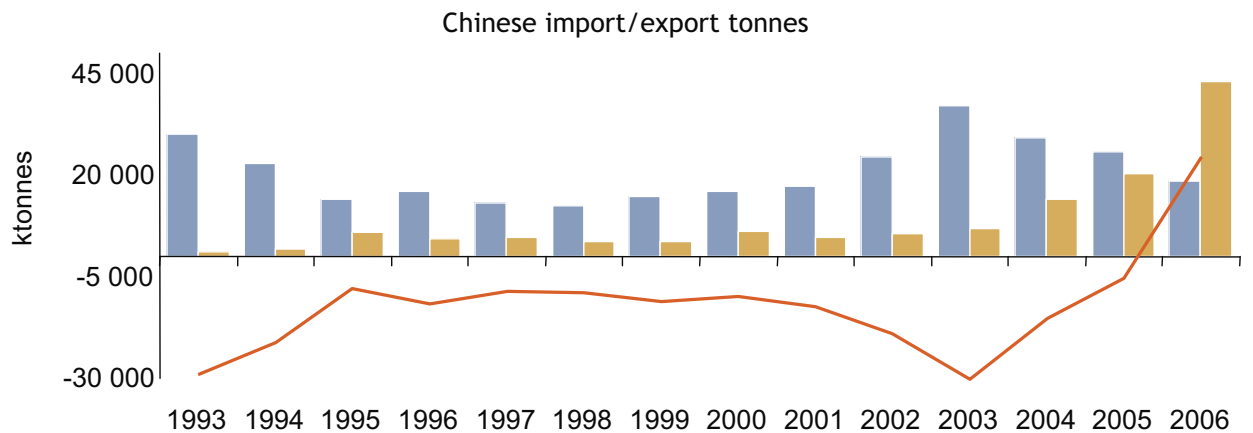
# Global Environment - Export Prices



Steel prices established new trading range

## Global Environment - Chinese Market Trends

- China net exporter of finished steel products in 2006
- China accounted for 34% of world steel production & 33% of consumption

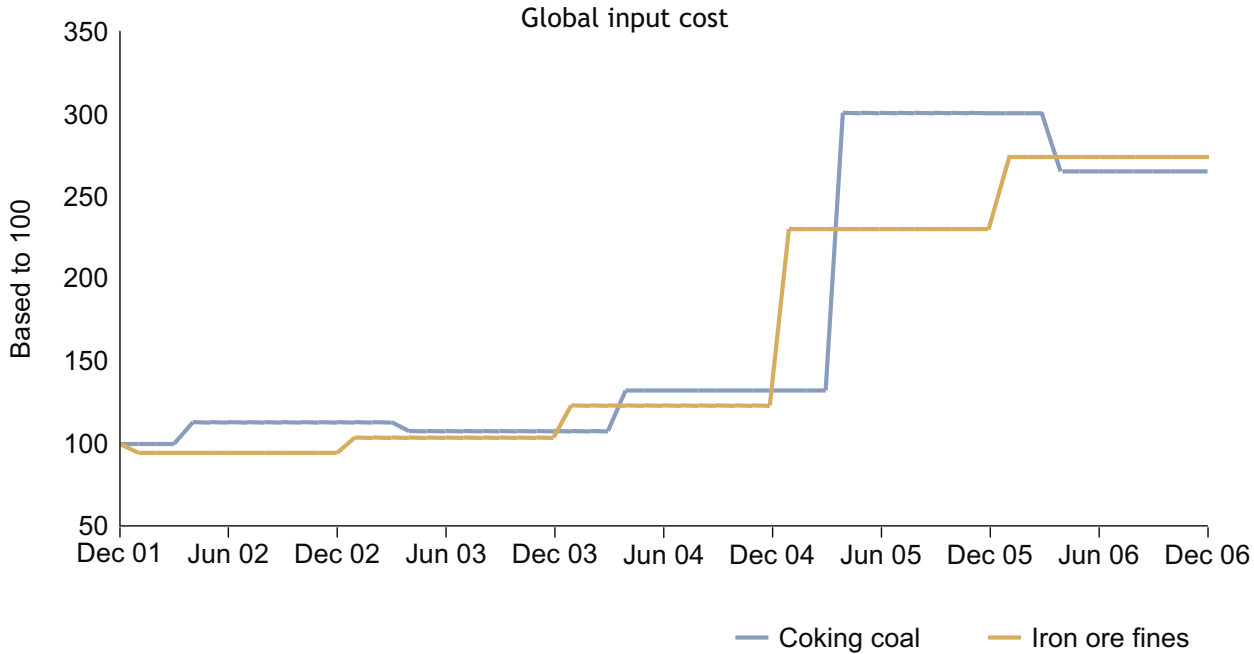


Source: TEX Report

— Net    ■ Import    ■ Export

China expected to retain its status of a responsible net exporter

# Global Environment - Benchmark Prices



Input costs remain high



## Global Environment - Input Cost Trends

- Scrap prices & freight rates moved higher during 2006
- Diverging price trends for base metals & alloys
  - Tin +19%
  - Nickel +65%
  - Aluminium +35%
  - Ferro Alloys -20%
- Zinc price increased by 131% in 2006 after increasing by 32% in 2005
- Price trends for 2007
  - BF iron ore increased by 9.5%
  - Pellets increased by 5.3%
  - Metallurgical coking coal decreased by 15.5%
  - Upward price trend of base metals softer but volatile, most notably nickel

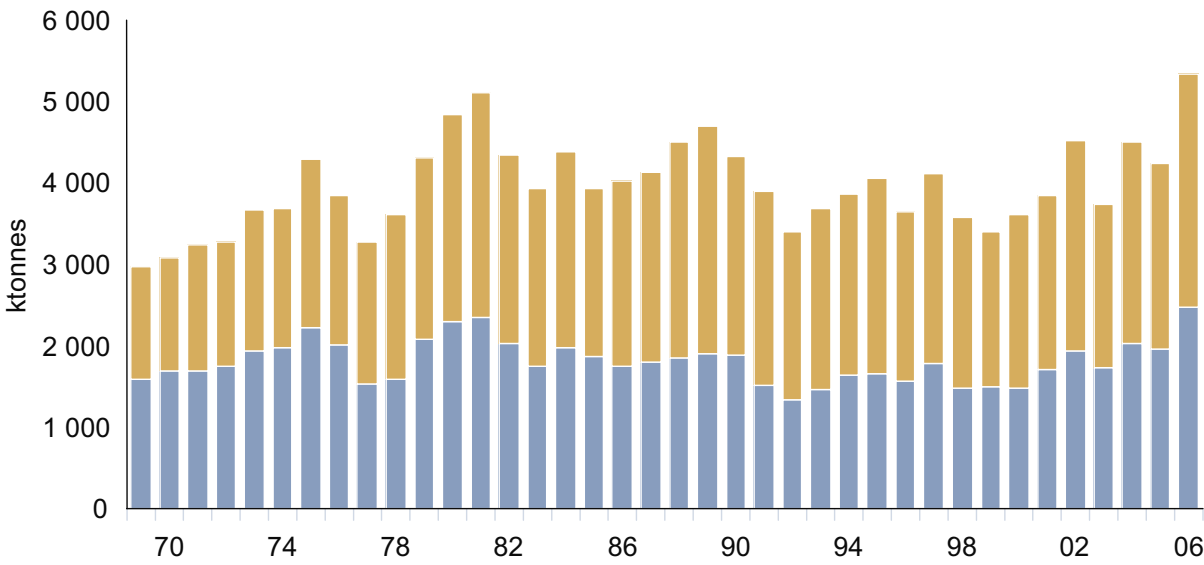
## Input Cost Positioning

12 months to December 2006	ktonnes	Backward integrated	Domestic supply agreements	Imported
Iron ore (Lump, Fine & DRI)	8 969	97%	3%	0%
Pellets*	485	0%	0%	100%
Scrap (Purchase & internal)	1 254	58%	42%	0%
Coke (Metallurgical)	1 885	94%	0%	6%
Coking coal (Metallurgical)	2 738	12%	24%	64%
Coking coal (Market)	905	9%	91%	0%
Other coal & anthracite	2 110	0%	100%	0%

\* Imported for Saldanha Steel

Coal remains the biggest exposure

# Domestic Environment - Shipments

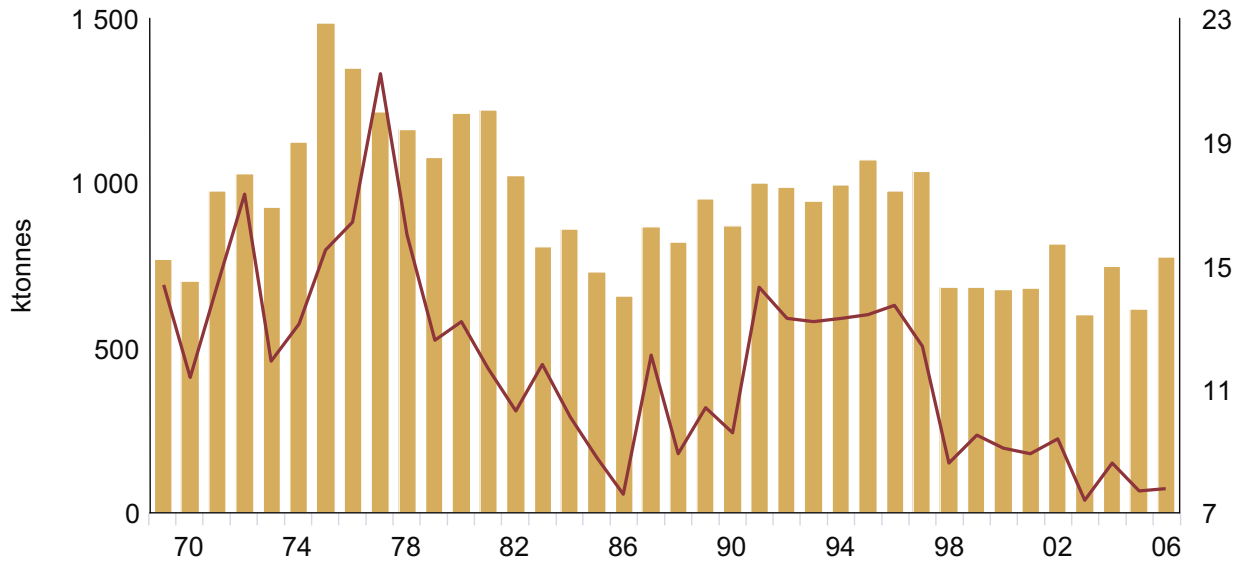


Source: SAISI

■ Long ■ Flat

Both flat and long steel local despatches achieved record levels

# Domestic Environment - Inventory Levels

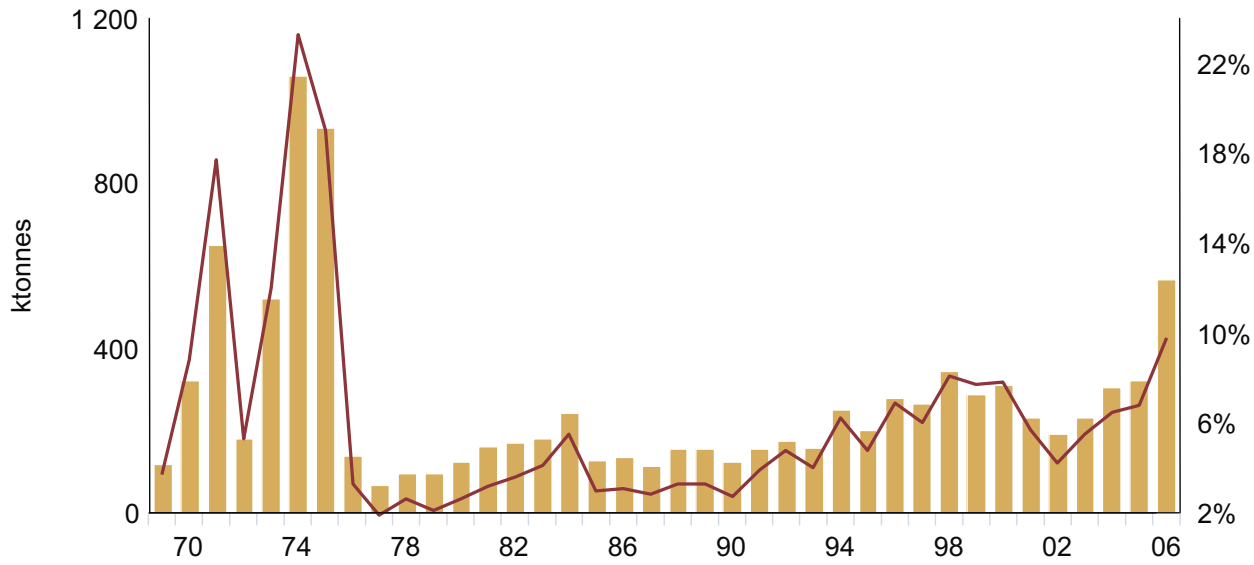


Source: SAIIS ■ Stocks

— Week's despatches

Industry inventory levels below recent averages

# Domestic Environment - Imports



Source: SAISI

Imports — % of consumption

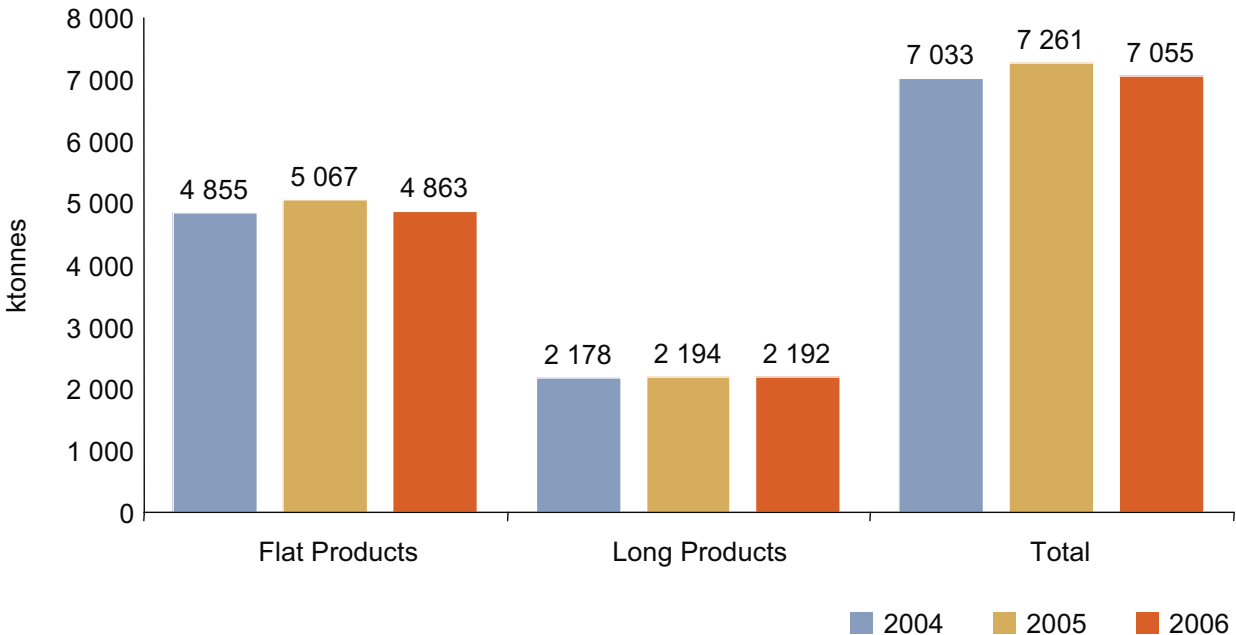
Increase in imports prompted by strong local demand

## Key Performance Indicators

	2005	2006
CI savings (Rm)	105	-4
Employees per million tonnes produced	1 438	1 291
Revenue per head (R000)	2 226	2 604
HRC cash cost	1 949	2 150
- R/t		
- US\$/t	307	318
Billet cash cost	1 830	1 880
- R/t		
- US\$/t	288	294
Percentage value-add exports	94%	96%
- flat		
- long	79%	94%

Cost increases influenced by production interruptions

# Liquid Steel Production



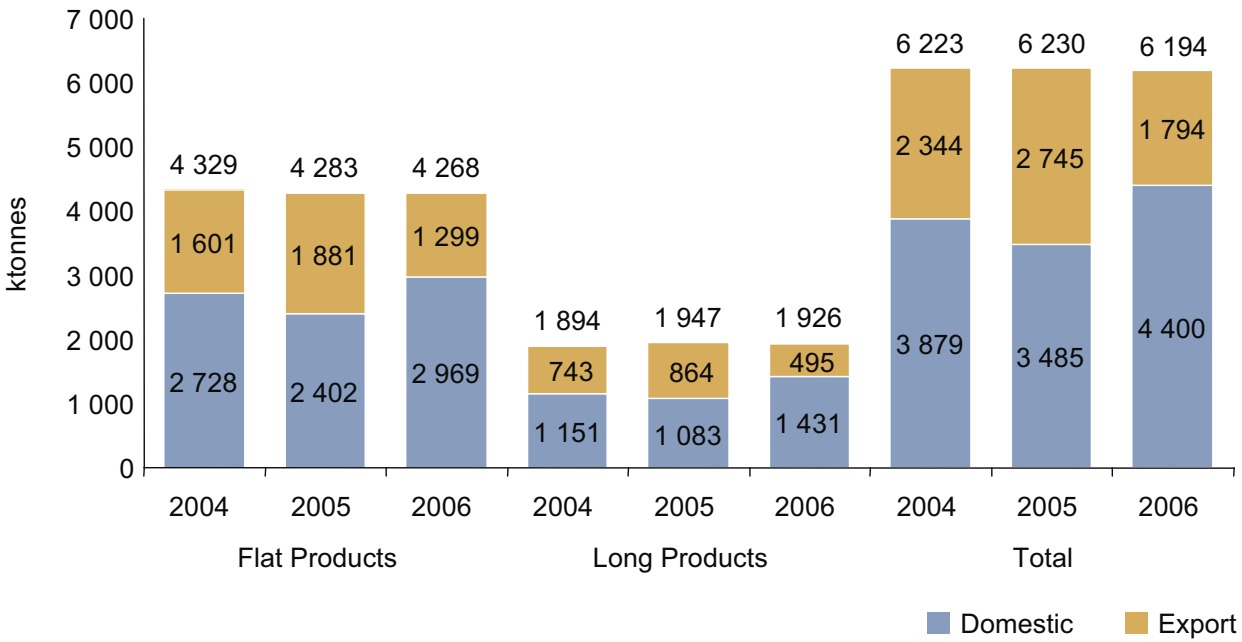
Production interruptions reduced output volumes

## Key Result Drivers

	<b>ktonne</b>
2005 liquid steel output	<b>7 261</b>
Skip hoist failure at BFD	<b>-120</b>
Power outages at Saldanha	<b>-54</b>
Cable burn at EAF	<b>-20</b>
Air separation unit failure at Saldanha	<b>-32</b>
Hearth conditions at Newcastle	<b>-50</b>
Iron ore shortage	<b>-100</b>
Fire at slab casters	<b>-103</b>
Efficiency improvements	<b>+273</b>
2006 liquid steel output	<b>7 055</b>

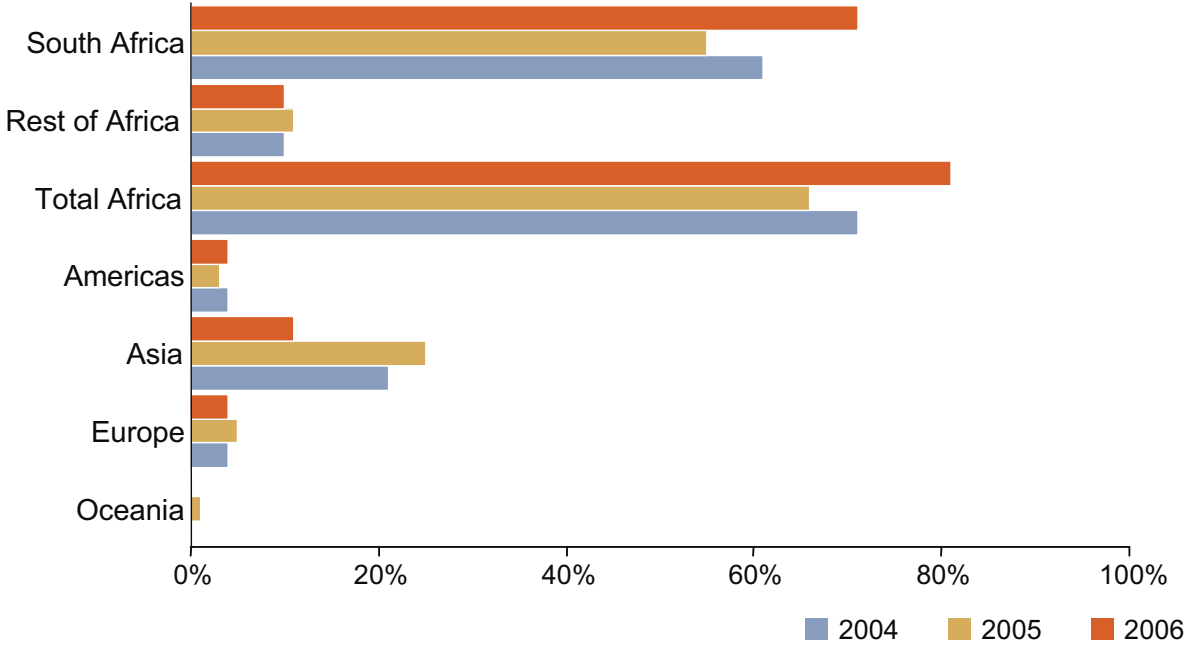


# Shipment Volumes



Substantial shift to meet local demand

# Geographic Shipments

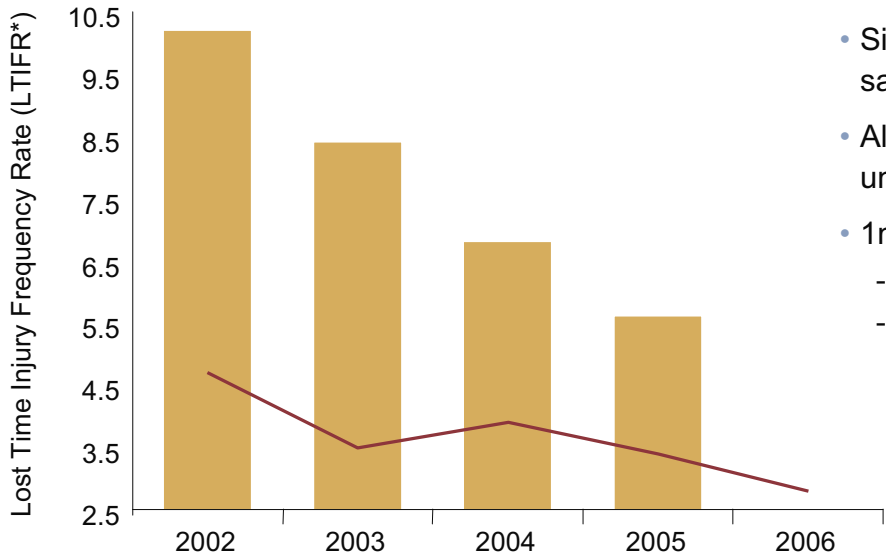


Maintain Africa focus

## Major Investments

	Rm
Relines	1 250
Maintain capability	1 180
Steel capacity increase	1 500
Downstream value adding projects	1 800
Environmental investments	600
Completed in 2006	1 333

## Safety Remains our Priority



- Significant progress in safety performance
- All Business Units certified under OHSAS 18001
- 1m DI free hours achieved
  - 7x at Vanderbijlpark
  - 2x at Newcastle

\* Includes contractors

— Mittal Steel South Africa    ■ IISI

Our safety record compares well with global standards

finance

Kobus Verster



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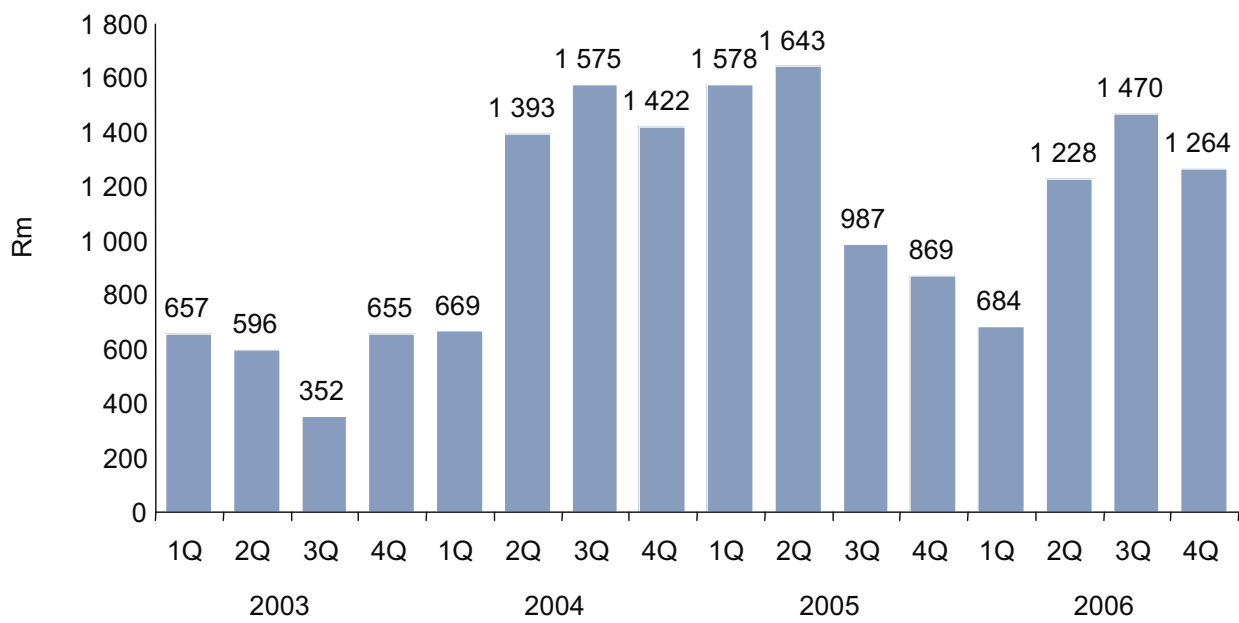
## Headline Earnings

Rm	2005	2006
Revenue	23 984	<b>25 363</b>
Operating profit	6 894	<b>5 833</b>
Gains & losses on foreign exchange rate & financial instruments	246	<b>480</b>
Financing cost - net interest income	111	<b>294</b>
- imputed interest on non-current provisions	(140)	<b>(101)</b>
Income from investments	5	<b>7</b>
Tax	(2 327)	<b>(2 002)</b>
Equity earnings*	277	<b>135</b>
Goodwill impairment added back for headline earnings	11	<b>0</b>
Headline earnings	5 077	<b>4 646</b>
- in US\$m	806	<b>680</b>

\* After tax

Earnings remain strong

## Comparable Headline Earnings Trend



Earnings off previous lows

## Operating Profit

Rm	2005	2006
Flat products	4 518	<b>3 550</b>
Long products	2 109	<b>2 100</b>
Coke & Chemicals	301	<b>184</b>
Corporate & other	(34)	<b>(1)</b>
Operating profit	6 894	<b>5 833</b>

Long products maintained its contribution



## Cash Flow

Rm	2005	2006
Cash profits from operations	8 282	7 132
Working capital	59	(1 033)
Capex	(1 608)	(1 446)
Net interest income	111	294
Investment income	43	174
Tax	(2 977)	(1 660)
Dividends	(2 853)	(1 261)
Net cash flow	1 057	2 200
Cash	5 219	7 750

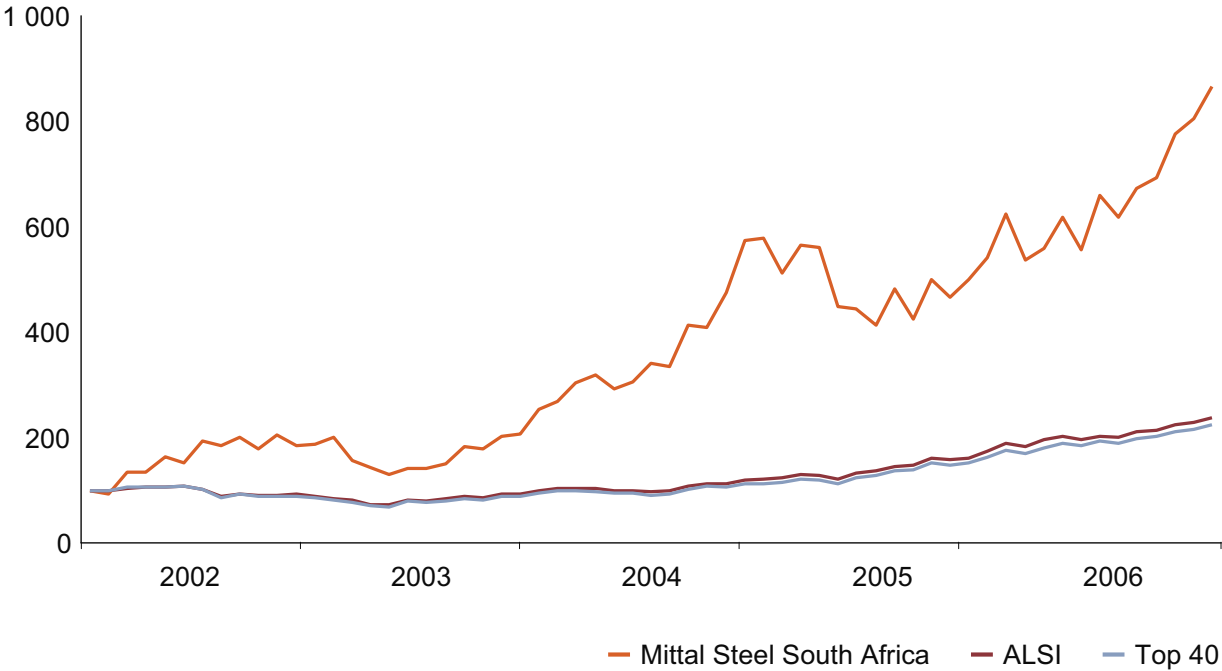
Strong cash flow

## Financial Ratios

	2005	2006
Operating margin	29%	<b>23%</b>
EBITDA margin	34%	<b>28%</b>
Revenue/invested capital (times)	1.4	<b>1.3</b>
Return on equity	29%	<b>22%</b>
Net cash/equity	23%	<b>31%</b>

Ratios still support good investment case

# Share Performance



Excellent medium to long term share performance

## Dividend

- Dividend policy
  - Distributing one third of headline earnings
- Dividend declared
  - Interim dividend of 143 cents per share - 4 September 2006
  - Final dividend of 204 cents per share - 26 March 2007
  - Total dividend of 347 cents covered 3 times by EPS of 1 042 cents

## other developments

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## Meeting Local Demand

- Channels for capturing strong local demand
  - Focus on production stability
  - Divert exports
  - Import from group companies
  - Investing in additional capacity

## Competition Tribunal, SARS and Pricing Policy

- **Competition Tribunal**
  - Final arguments were heard in November 2006
  - Decision expected this quarter
- **SARS BAA dispute**
  - Alternative dispute resolution hearing was held in December 2006
  - Process still in progress
- **Pricing structure**
  - Interaction with DTI continues

## Operational Developments

- Blast furnace D reline
  - Reline forms part of capital expenditure programme
  - Improved efficiencies will enable higher output
- Expansion plans
  - New galvanising line (commissioned Dec 2006)
  - New shot blast & prime facility (commissioned Oct 2006)
  - Acquired Mozambique mills
  - Plan for installing more straightening capacity at Newcastle
  - Increasing barmill capacity at Newcastle
  - Additional iron making capacity
  - Additional downstream capacity at flat & long facilities under investigation
- Iron ore supply
  - Thabazimbi
  - Spoornet



## Other Developments

- **Industrial relations**
  - Extended long term wage agreement to 2008
  - Signed no-force retrenchment agreement for another year
- **Corporate Social Investment**
  - Mittal Steel South Africa Science and Educational Centre
  - Science Unlimited exhibition
  - Mittal Steel Science Olympiad
  - Sport Development Fund
- **Technical skills development**
  - Additional apprentices
  - Technical conversion programme

# Outlook

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## Outlook for Q1'07

- **Business environment**
  - Domestic demand expected to further improve
  - Lower price volatility expected to continue
  - Higher input prices will influence production costs
- **Earnings**
  - Earnings to improve compared to Q4'06
  - Exchange rate may have an influence

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