ISPAT ISCOR LIMITED

(formerly Iscor Limited)

interim results

reviewed group interim financial results for the six months ended 30 June 2004

EARNINGS

Headline earnings for the first half were 36% up on last year. Significantly improved global steel prices, firmer domestic steel demand and cost savings more than offset the negative impact of the stronger rand and provision for the final remuneration payable to the LNM Group for achieving the maximum cost savings target set in the Business Assistance Agreement.

Comparable headline earnings, excluding the impact of charges not related to the periods in which they were recorded, improved by 65%, and in US dollar terms by 99%, demonstrating the significance of the 21% strengthening of the exchange rate over the past year.

	Six months to 30 June 2004 Rm	Six months to 30 June 2003 Rm	31 December 2003 Rm
Revenue	**10 544**	9 312	9 175
Operating profit	**2 948**	1 871	1 504
Finance costs:			
• Net interest expense	**(14)**	(31)	(16)
• Interest adjustment on non-current provisions	**(133)**[#]	(28)	(53)
Taxation	**(914)**	(608)	(492)
Equity earnings*	**179**	48	67
Minority interest	**(4)**	1	(3)
Comparable headline earnings	**2 062**	1 253	1 007
In US$m	***311***	*156*	*145*
BAA remuneration*	**(511)**		(429)
Restructuring costs*			(116)
Power contract settlement charge*		(110)	
Headline earnings	**1 551**	1 143	462
Attributable earnings	**1 540**	1 139	463

* 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

Quarterly comparable headline earnings for the past two years have improved consistently in US dollar terms, with the exception of the September 2003 quarter, as a result of the sharp temporary drop in world prices, and the latest quarter, where international steel prices rose sharply.

Quarter to	US$m	Rm	Exchange rate
September 2002	58	601	10,40
December 2002	76	737	9,64
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

OPERATING RESULTS

Operating profits improved at all business units despite the R120 million lost as a result of the furnace burn-through at Saldanha. Some R70 million of the Saldanha loss is expected to be recovered from insurance in due course.

	Operating profit Six months to 30 June 2004 Rm	Operating profit Six months to 30 June 2003 Rm	Operating profit 31 Dec 2003 Rm	Revenue Six months to 30 June 2004 Rm	Revenue Six months to 30 June 2003 Rm	Revenue 31 Dec 2003 Rm
Vanderbijlpark	**1 840**	1 200	979	**5 730**	4 921	5 026
Saldanha	**348**	272	107	**1 573**	1 482	1 364
Long Products	**640**	429	348	**2 911**	2 635	2 496
Coke & Chemicals	**161**	69	103	**512**	392	409
Other	**18**	(18)	28	**55**	51	62
Corporate	**(59)**	(81)	(61)			
Inter Group				**(237)**	(169)	(182)
Comparable totals	**2 948**	1 871	1 504	**10 544**	9 312	9 175
BAA remuneration	**(731)**		(613)			
Restructuring			(166)			
Power contract settlement		(157)				
Total	**2 217**	1 714	725	**10 544**	9 312	9 175

MARKET REVIEW

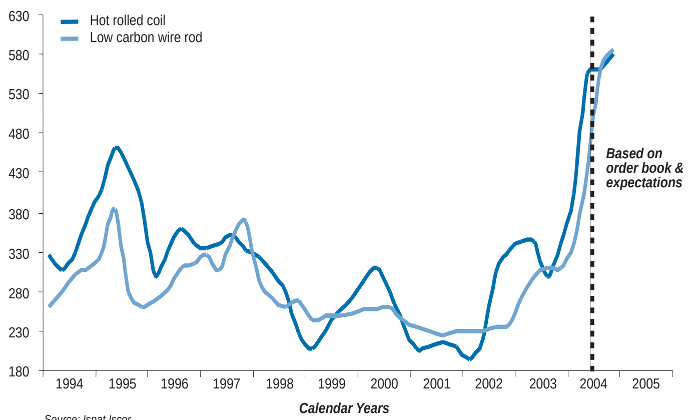
International

The exceptional global steel price surge since the third quarter of 2003 was interrupted during the past quarter in the Far East by the measures taken by the Chinese authorities to cool down their economy. Chinese importers withdrew from the market causing Far East prices to fall sharply, although prices in other markets remained buoyant, particularly in North America. Chinese imports have since resumed, leading to price recovery in the Far East.

The major global steel input cost increases experienced since the second half of 2003, precipitated by the rapid increase in Chinese steel production, have played a significant role in pushing up steel prices and are likely to temper the extent of any cyclical price downturn for as long as the tight input supply situation lasts.

Most commentators expect global steel demand to show continued growth with firm prices through the remainder of 2004.

Ispat Iscor invoiced export prices (c&f) (US$/t)



Source: Ispat Iscor

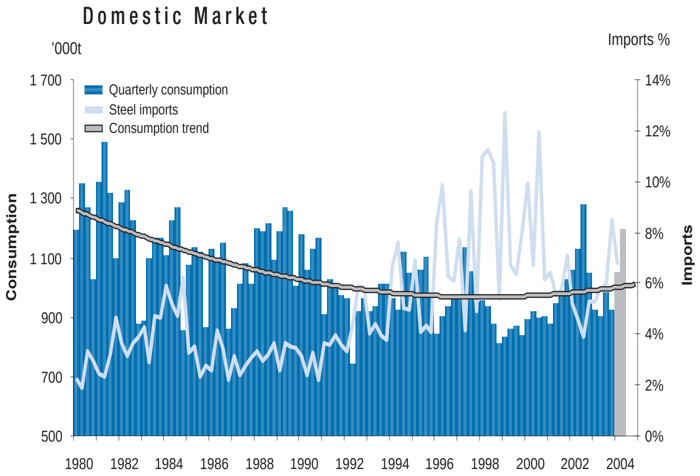
Export volumes declined during the past two quarters due to growing domestic demand, which facilitated the successful reduction in our exposure to the less attractive Far East market.

Our export order book covers the full third quarter at slightly above average second quarter price levels.

Domestic

Our domestic dispatches improved further during the second quarter and first half volumes increased by 22% on last year. Second half growth is expected to continue in line with the improvement in manufacturing activity but at a lower rate as the re-stocking effect of the first half tails off.

Domestic Market



Source: SAISI

COST REDUCTION DRIVE

The shared services restructuring programme has been implemented on schedule. The planned savings of R200 million per annum have started to flow through and should be fully effective by year end. The R120 million per annum labour reduction programme at our production units may take longer as it is being implemented through a process of voluntary and natural attrition.

Cash cost per tonne of hot rolled coil for the first half was 4% lower than the first half of 2003, while billets remained at the same level despite some very significant escalations of input costs – alloys, coal, scrap, freight and railage in particular. In US dollar terms, however, cost per tonne increased by 15% and 20% due to the stronger exchange rate.

No reliable updated global steel industry cost curve statistics are available yet, but the recent quantum input cost escalations have undoubtedly raised the level of the curve considerably. While we have been sheltered from much of this as a result of our high level of self-sufficiency in most key input areas other than coking coal, alloys and freight costs, we have been severely impacted by the strong currency. This has strengthened considerably more than the currencies of all other steel producing countries resulting in a much greater relative impact on our position on the cost curve.

Our primary focus remains to offset the negative impact on our costs in US dollar terms.

BUSINESS ASSISTANCE AGREEMENT ("BAA") WITH LNM GROUP

The audited annualised cost savings measured against the July to December 2001 base (excluding labour cost savings and a 2% deemed Iscor generated savings) in terms of the BAA for the 6 months up to 31 December 2003 of R687 million, exceeded the maximum target savings by 15%, increasing further to R1 326 million (132%) for the 6 months to 30 June 2004. This entitles LNM to the balance of the maximum remuneration due in terms of the BAA of R731 million.

The BAA has made a significant contribution to our cost reduction programme. The total remuneration, of R1 344 million, reflects very favourably in relation to the sustainable measured annual savings to date which are expected to increase further by the end of 2004.

The BAA expires on 31 December 2004 but makes provision for renegotiation subject to approval by shareholders other than LNM. Proposals in this regard will be put to minority shareholders before the end of the year.

LNM GROUP SHAREHOLDING

The Competition Tribunal approved the merger of Iscor and LNM Holdings on 8 June 2004. Shortly thereafter LNM increased its shareholding to just over 50%, making Iscor a subsidiary.

On 17 August 2004 shareholders approved the name change of ISCOR to ISPAT ISCOR to fall in line with the practice throughout the LNM Group.

OUTLOOK

Third quarter headline earnings are expected to improve on those of the second quarter, excluding the effect of the BAA remuneration charge. The benefits of firm international steel prices, continued growth in domestic steel demand, and cost savings, should offset the effect of currency movements and the impact of the planned partial reline of blast furnace D at Vanderbijlpark during July/August.

DISTRIBUTION TO SHAREHOLDERS

In view of the company's strong cash flow, the Board has decided to review the current distribution policy with a view to making an announcement on a reduction of capital before the end of 2004.

In the light of this, the Board has decided not to declare an interim dividend.

On behalf of the Board.

LL van Niekerk
(Chief Executive Officer)

M Macdonald
(Executive Director, Finance)

18 August 2004

Registered Office
Ispat Iscor
Corporate Centre
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Pretoria, 0002

Transfer Secretaries
Computershare Investor
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Directors: K Ngqula *(Chairman)*, LL van Niekerk *(Chief Executive Officer)*, Dr MJUT van Wijngaarden *(Deputy Chief Executive Officer)*, DK Chugh*, RG Cottrell, M Macdonald, S Maheshwari*, CE Markus, A Mittal*, LN Mittal*, Dr KDK Mokhele, MJN Njeke.

**Citizen of India*

Company Secretary: A van der Merwe

Ispat Iscor Limited **Registration number:** 1989/002164/06
Share code: ISC **ISIN:** ZAE000037453

This report is available on the Ispat Iscor World Wide Web site at: **http://www.ispatiscor.com**

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(formerly Iscor Limited)

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GROUP INCOME STATEMENT

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
Revenue	10 544	9 312	9 175
Operating expenses	(7 848)	(7 146)	(7 980)
Earnings before interest, taxation depreciation and amortisation (Ebitda)	2 696	2 166	1 195
Depreciation	(478)	(451)	(469)
Amortisation of intangible assets	(1)	(1)	(1)
Profit from operations before impairment and goodwill movements	2 217	1 714	725
Goodwill amortisation (Note 2)	(11)	(21)	(11)
Impairment charge (Note 3)		(13)	
Profit from operations	2 206	1 680	714
Net financing costs (Note 4)	(147)	(59)	(69)
Net profit from equity accounted investments before taxation	211	52	88
Surplus on sale of residential properties		26	12
Profit before taxation (Note 5)	2 270	1 699	745
Taxation (Note 6)	(726)	(561)	(279)
Profit from ordinary activities	1 544	1 138	466
Minority interest	(4)	1	(3)
Profit attributable to ordinary shareholders	1 540	1 139	463
ADDITIONAL INFORMATION			
Profit attributable to ordinary shareholders	1 540	1 139	463
Adjusted for:			
• Goodwill amortised (Note 2)	11	21	11
• Surplus on sale of residential properties		(26)	(12)
• Impairment charge (Note 3)		13	
• Taxation on adjustments		(4)	
Headline earnings	1 551	1 143	462
Performance per ordinary share			
Attributable earnings per share (cents)			
• basic	345	255	104
• diluted	344	253	103
Headline earnings per share (cents)			
• basic	348	256	104
• diluted	346	253	103
Dividend per share (cents)			
• interim		100	
• final			75
Net asset value per share (cents)	3168	2895	2908
Ordinary shares (million)			
• in issue	446	446	446
• weighted average number of shares	446	446	446
• diluted weighted average number of shares	448	451	448
Ratios (%)			
Ebitda margin	25,6	23,3	13,0
Return on ordinary shareholders' equity per annum			
• Attributable earnings	22,7	18,2	7,2
• Headline earnings	22,9	18,3	7,2
Net cash to equity	9,7	5,8	0,2
Market capitalisation (Rm)	17 206	7 132	12 838

GROUP BALANCE SHEET

	As at 30 June 2004 Reviewed Rm	30 June 2003 Audited Rm	As at 31 December 2003 Audited Rm
ASSETS			
Non-current assets	13 201	12 957	13 076
Property, plant and equipment	12 124	12 221	12 218
Intangible assets	31	33	32
Goodwill	21	43	32
Investments in joint ventures			
• unlisted (Note 8)	567	375	418
Other financial assets	458	285	376
Current assets	7 010	5 569	5 498
Cash and cash equivalents	1 580	852	1 107
Taxation			67
Inventories	2 805	2 873	2 817
Trade and other receivables	2 625	1 844	1 507
Total assets	20 211	18 526	18 574
EQUITY AND LIABILITIES			
Capital and reserves			
Ordinary shareholders' equity	14 131	12 913	12 971
Minority interest	9	2	5
Total equity	14 140	12 915	12 976
Non-current liabilities	2 504	2 198	2 298
Interest-bearing borrowings	81	92	92
Non-current provisions	1 179	1 013	1 054
Provision for post-retirement medical costs	27	34	30
Deferred taxation	1 217	1 059	1 122
Current liabilities	3 567	3 413	3 300
Trade and other payables	2 970	2 547	2 074
Interest-bearing borrowings	130	10	988
Taxation	260	769	
Current provisions	207	87	238
Total equity and liabilities	20 211	18 526	18 574
Net cash (note 9)	1 369	750	27

GROUP STATEMENT OF CHANGES IN EQUITY

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
Shareholders' funds at beginning of period	12 971	12 285	12 913
• as previously stated	12 956	12 199	12 815
• change in accounting policy	15	86	98
– consolidated treasury shares	(2)	(6)	(2)
– consolidated management share trust reserves	17	92	100
Changes in stated capital	(21)	13	17
• management share trust	(20)	8	(83)
• movement in treasury shares	(1)	4	
• distribution from management share trust			100
• odd-lot shares		1	
Changes in non-distributable reserves	148	(38)	89
• currency translation losses	(10)	(85)	(28)
• share of hedging reserves		(13)	10
• share of revaluation reserve	2		(2)
• financial instruments movements	(1)	15	44
• transfer of equity accounted earnings	173	43	65
• transfer from insurance reserve		(3)	
• share of foreign currency translation reserve	(16)	5	
Changes in retained income	1 033	653	(48)
• net profit for the period	1 540	1 139	463
• dividend paid	(334)	(446)	(446)
• transfer of equity accounted earnings	(173)	(43)	(65)
• transfer from insurance reserve		3	
Shareholders' funds at end of period	14 131	12 913	12 971

GROUP CASH FLOW

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
Cash inflows/(outflows) from operating activities	1 755	1 697	(486)
Cash retained from operations	2 378	2 294	999
• Before BAA Remuneration	2 378	2 294	1 612
• BAA Remuneration			(613)
Income from equity accounted investments	6		2
Net financing costs	(22)	(96)	(9)
Dividend paid	(334)	(446)	(446)
Taxation paid	(273)	(55)	(1 032)
Cash outflows from investing activities	(393)	(779)	(337)
Capital expenditure	(405)	(780)	(499)
Proceeds from disposal of property, plant and equipment	13	40	46
Investment in other non-current assets		1	
Foreign currency translations	(1)	(40)	116
Normal net cash inflow/(outflow)	1 362	918	(823)
Cash (outflows)/inflows from financing activities	(889)	(1 115)	1 078
Increase in cash and cash equivalents	473	(197)	255
Cash and cash equivalents at beginning of period	1 107	1 049	852
Cash and cash equivalents at end of period	1 580	852	1 107

NOTES TO THE AUDITED 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 2003 financial statements. The accounting policies adopted are consistent with those applied in the financial statements for the six months ended at 31 December 2003, except for a change in policy to now consolidate the Iscor Management Share Trust retrospectively. The effect on equity for the above is reflected in the Group statement of changes in shareholders equity. The effect on net profit for the current period is Rnil. Where appropriate comparative figures have been restated, refer also to note 7.

2. **Goodwill amortised**

   As part of a structured finance deal Iscor purchased on 1 July 2002 100% in Pybus Fifty-Seven (Pty) Ltd, resulting in R64 million positive goodwill on acquisition. The goodwill has been amortised over three years which takes into account the period over which future benefits will accrue.

3. **Impairment charge**

   The impairment charge was raised on specific assets which will not be generating adequate cash flows for the value in use to exceed the book value.

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
4. **Financing costs**	147	59	69
Interest expense and loan costs	40	38	24
Interest income	(24)	(18)	(11)
Interest received from joint ventures	(2)	(7)	(2)
Losses on derivative instruments		87	23
Gains on currency difference		(69)	(18)
Net interest expense	14	31	16
Interest adjustment on non-current provisions	133	28	53

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
5. **Profit before taxation is arrived at after**			
Business assistance agreement remuneration	731		613
6. **Taxation**	726	561	279
Company and subsidiaries	694	557	258
Equity accounted investments	32	4	21

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. **Consolidation of Iscor Management Share Trust**

   As the Iscor Management Share Trust has been consolidated for the period and the prior year's figures have been restated, the adjustments resulting from the consolidation were as follows:

	Six months ended 30 June 2004 Reviewed Rm	30 June 2003 Unaudited Rm	Six months ended 31 December 2003 Audited Rm
Balance sheet			
Decrease/(increase) in stated capital	6	(98)	(15)
Increase in other financial assets	9	97	30
Increase in trade and other receivables	6	20	5
Increase in trade and other payables	(21)	(18)	(20)
Increase in taxation		(1)	
8. **Investments in joint ventures**			
Unlisted investments			
• directors' valuation	567	515	479
9. **Net cash**	1 369	750	27
Interest bearing borrowings			
• non-current	(81)	(92)	(92)
• current	(130)	(10)	(988)
Cash and cash equivalents	1 580	852	1 107
10. **Capital expenditure**			
• incurred	405	780	499
• contracted	552	414	547
• authorised but not contracted	677	577	555
11. **Contingent liabilities**	243	532	245
• guarantees	143	223	145
• other contingent liabilities	100	309	100
12. **Operating lease commitments**	53	68	70
• less than one year	8	19	11
• more than one year and less than five years	45	44	59
• more than five years		5	

13. **Related party transactions**

    During the period the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with joint ventures. These transactions occurred under terms that are no less favourable than those arranged with third parties. Except for the business assistance agreement, the company did not enter into any significant sale and purchase transactions with the LNM Group.

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), South African Statements of General Accepted Accounting Practice (AC127) 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 Securities Exchange South Africa requirements**

    This interim announcement has been prepared in accordance with the listings requirements of the JSE Securities Exchange South Africa.

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)

	Three months ended 30 June 2004	Three months ended 30 June 2003	Six months ended 30 June 2004	Six months ended 30 June 2003	Six months ended 31 December 2003
FLAT STEEL PRODUCTS					
Vanderbijlpark					
Liquid steel production	995	908	1 829	1 811	1 870
Sales	772	734	1 569	1 509	1 664
• local – DSP	82	54	176	134	150
– other	498	373	923	787	792
• export	192	307	470	588	722
Local sales as percentage of total sales	75	58	70	61	57
Saldanha steel					
Liquid steel production	235	306	563	606	645
Sales	249	265	548	565	622
• local – DSP	66	35	114	98	114
– other	57	37	84	72	70
• export	126	193	350	395	438
Local sales as percentage of total sales	49	27	36	30	30
LONG STEEL PRODUCTS					
Liquid steel production	557	534	1 085	1 073	1 080
Sales	489	529	984	960	939
• local	320	239	594	460	496
• export	169	290	390	500	443
Local sales as percentage of total sales	65	45	60	48	53
TOTAL					
Liquid steel production	1 787	1 748	3 477	3 490	3 595
Sales	1 510	1 528	3 101	3 034	3 225
• local – DSP	148	89	290	232	264
– other	875	649	1 601	1 319	1 358
• export	487	790	1 210	1 483	1 603
Local sales as percentage of total sales					
• Including DSP	68	48	61	51	50
• Excluding DSP	58	42	52	43	42