Mittal Steel South Africa Limited

Annual Report 2004

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Proxy Form attached

This annual report is available on the company's website at http://www.mittalsteelsa.com

On 14 March 2005, Ispat Iscor Limited was officially renamed Mittal Steel South Africa Limited. This exciting development follows the December 2004 merger of Ispat International and LNM Holdings, our parent company, to form Mittal Steel Company N.V., the world's most global steel producer.

MITTAL

THE NEW NAME FOR STEEL

Mittal Steel South Africa

We are South Africa's leading steel producer with world class steel production facilities in flat and long steel products.

Vision

Mittal Steel South Africa strives to be one of the highest operating margin steel producers globally, while being a key player in the steel market in sub-Saharan Africa.

Mission

Mittal Steel South Africa is a South African-based producer of carbon (flat and long) steel products and a beneficiator of its by-products.

Values

- We trust in our people's ability to implement our strategy and to realise our vision and mission.
- We enable our people to develop to their full potential and encourage them to participate in a responsible way to achieve our objectives.
- We reward innovation and performance and do not accept mediocrity.
- We believe the highest level of honesty and integrity must be demonstrated in everything we do.
- We create challenging, healthy and safe working conditions and are sensitive to the impact of our operations on the environment.
- We only operate in well-defined and focused core businesses that are internationally competitive.
- We continuously improve unit cost, quality and customer intimacy.
- We accept our social responsibility towards the communities in which we operate.
- We strive to improve all elements of sustainable development in every aspect of our business.

Strategic goals

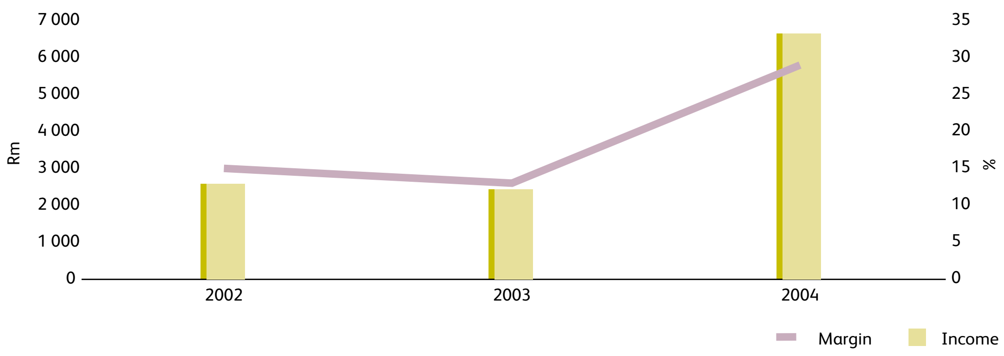
Clear goals have been set as we enter into the next phase of our transformation journey. We are well placed to accept future challenges and achieve key objectives. We measure our ability to create value from an external perspective, by focusing on those value propositions that will drive the Mittal Steel South Africa share price over time, or from an internal perspective by analysing our business fundamentals, which include: strategy, operational effectiveness and the quality of our human resource assets. As a result, the board of Mittal Steel South Africa has approved the following strategic goals:

- Industry leading value-creation for our shareholders
  - *Positive economic value add (EVA) over the steel price cycle*
- Improve operating capabilities
  - *Value-creating throughput increases of 2 million tonnes per annum*
  - *Substantial reduction in hot rolled coil/billet cash cost by 2007*
- Build on our existing performance culture
  - *Create an environment that generates true employee pride and attracts, develops and retains top-performing people*
- Be a responsible corporate citizen.

Group Profile

	Products	Sales ('000 tonnes)	Net operating profit* Rm	Employees
Flat Steel Products			4 129	5 444
Vanderbijlpark Steel (Gauteng)	Slabs	256		
• 2 blast furnaces	Plates	211		
• 3 electric arc furnaces	Hot rolled coil	1 295		
• 3 basic oxygen furnaces	Cold rolled coil	458		
	Galvanised	438		
	Electro galvanised	92		
	Tinplate	351		
	Colour coated	65		
Saldanha Steel (Western Cape)			1 147	762
• Corex, Midrex continuous process	Hot rolled coil	1 141		
Long Steel Products			1 769	4 005
Newcastle Steel (KwaZulu-Natal)	Profiles	1 561		
Vereeniging Steel (Gauteng)	Billets, ingots			
• 1 blast furnace	and forged	237		
• 3 basic oxygen furnaces	Seamless tube	96		
• 1 electric arc furnace				

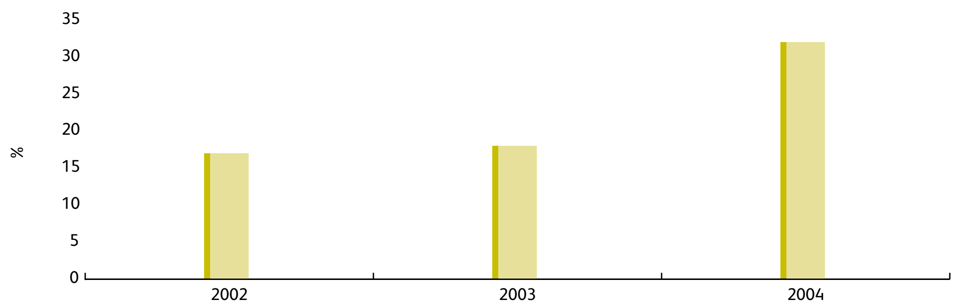
*Before business assistance agreement (BAA) remuneration



OPERATING INCOME AND OPERATING MARGIN

Business Objectives

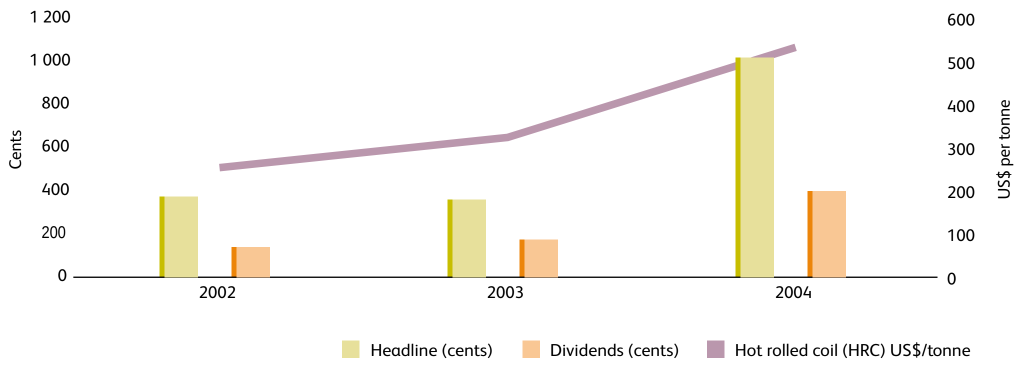
Return on equity	Competitiveness	Cash generation	Shareholder value release
Objective			
At least cost of capital (currently 16,5%)	Remain in lowest quartile of global cost curve	Positive cash flow before major new investments throughout commodity cycle	Share price to reflect at least underlying net equity value
Achievement			
31,3% for the year	Most recent cost curves confirm lowest quartile ranking	Comparative cash flow positive despite BAA payment	Average share price of R42,36 was higher than the average net equity value of R32,54
Future initiative			
To exceed cost of capital by improving earnings through: • cost reductions; • value added products; and • higher throughput	To maintain lowest quartile ranking at all plants despite rand strength through cost leadership	To maintain positive free cash flow through focusing on cost, working capital reduction and improvement of margins	To maximise EVA through capital productivity and margins, coupled with stability in earnings, over the cycle, which will translate into added wealth for our shareholders



RETURN ON EQUITY (COMPARABLE EARNINGS)

Financial Summary

	Year ended 31 December 2004 Rm	Six months ended 31 December 2003 Rm
Physical ('000 tonnes)		
Liquid steel production	**7 033**	3 595
Domestic sales	**3 879**	1 622
Export sales	**2 322**	1 603
Financial (Rm)		
Revenue	**23 053**	9 175
EBITDA	**7 634**	1 195
Net operating profit	**6 668**	725
Flat Steel Products		
– Vanderbijlpark Steel	**4 129**	941
– Saldanha Steel	**1 147**	107
Long Steel Products	**1 769**	328
Coke and Chemicals	**462**	99
Other	**42**	28
Corporate Centre	**(150)**	(165)
Business assistance agreement remuneration	**(731)**	(613)
Headline earnings	**4 541**	462
Normal net cash inflow/(outflow)	**3 993**	(823)
Total assets	**23 729**	18 574
Share performance (cents)		
Headline earnings per share	**1 019**	104
Dividends per share	**400**	75
Financial ratios (%)		
Return on ordinary shareholders' equity (headline) – per annum	**31,3**	7,2
Net cash to equity	**24,8**	0,2



HEADLINE EARNINGS PER SHARE, DIVIDENDS PER SHARE AND HRC EXPORT PRICES

Group Review at a Glance

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	Years ended 30 June 2003 Rm	2002 Rm	2001* Rm	2001 Rm	2000 Rm
Group income statements							
Revenue	**23 053**	9 175	19 082	14 188	10 883	15 115	13 653
Net operating profit							
– Mining						1 229	844
– Steel						608	142
Vanderbijlpark Steel	**4 129**	941	2 429	842	460		
Saldanha Steel	**1 147**	107	451	(247)			
Long Steel Products	**1 769**	328	878	679	159		
Coke and Chemicals	**462**	99	142	121	67		
Business assistance agreement remuneration	**(731)**	(613)					
Corporate Centre	**(108)**	(137)	(166)	(87)	(77)	(124)	(131)
Total	**6 668**	725	3 734	1 308	609	1 713	855
Loss on scrapping of Ifcon plant						(209)	
Net operating profit	**6 668**	725	3 734	1 308	609	1 504	855
Investment and equity income after tax							
– Saldanha Steel				(288)	(526)	(526)	(473)
– Other	**258**	67	85	55	40	192	169
Net financing costs	**(134)**	(69)	(136)	(388)	(188)	(459)	(405)
Taxation (excluding tax on equity income and disposals)							
– Tax credit							
– Normal and deferred	**(2 245)**	(258)	(1 201)	(207)	(127)	(317)	(124)
Minority interest	**(6)**	(3)					
Loss on disposal or scrapping of fixed assets added back					29	171	24
Headline earnings/(loss)	**4 541**	462	2 482	480	(163)	565	46
Headline earnings/(loss) per share (cents)	**1 019**	104	557	139	(54)	188	16
Dividends per share (cents)	**400**	75	200	40			

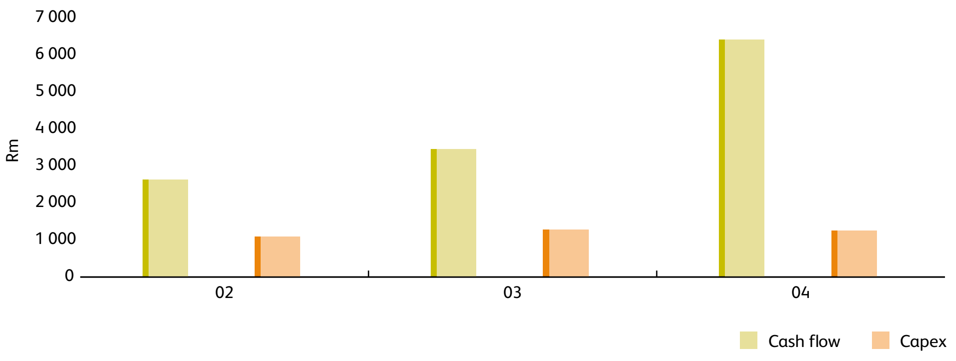
*Pro forma excluding the mining operations

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	Years ended 30 June 2003 Rm	2002 Rm	2001* Rm	2001 Rm	2000 Rm

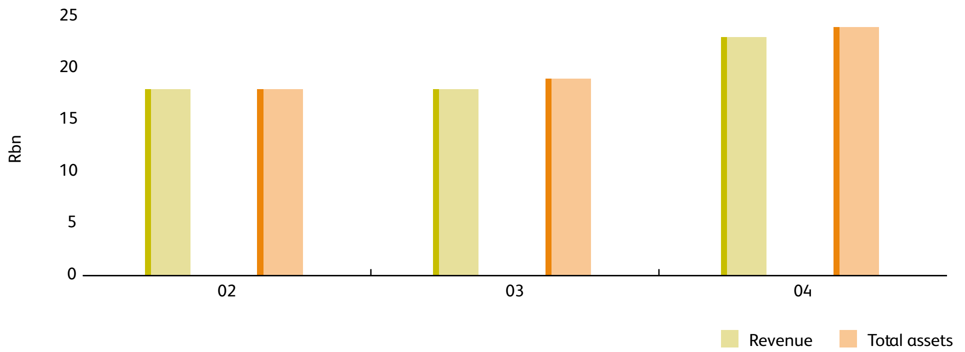
Cash flow statements

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	2003 Rm	2002 Rm	2001* Rm	2001 Rm	2000 Rm
Cash inflows/(outflows) from operating activities	**5 239**	(486)	3 107	1 521	1 076	1 594	1 013
Sale of assets	**14**	46	88	487	92	144	209
Capital expenditure							
– Heavy minerals project						(656)	(77)
– Other	**(1 254)**	(499)	(1 176)	(969)	(901)	(1 542)	(1 171)
Investments							
– Saldanha Steel				(228)	(1 086)	(1 086)	
– Other	**(5)**		2		(67)	(115)	(44)
Odd-lot share buyback							(50)
Take over of Saldanha loans				(2 923)			
Rights issue proceeds				1 670			
Distribution of share trust		100					
Other	**(1)**	116	(132)	486	479	65	152
Decrease/(increase) in net debt	**3 993**	(723)	1 889	44	(407)	(1 596)	32

*Pro forma excluding the mining operations



CASH FLOW FROM OPERATIONS AND CAPEX



REVENUE AND TOTAL ASSETS

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	Years ended 30 June 2003 Rm	2002 Rm	2001* Rm	2001 Rm	2000 Rm
Group balance sheet							
Assets							
Non-current assets							
Property, plant and equipment	**12 930**	12 218	12 221	11 993	5 302	9 668	8 690
Intangible assets	**30**	32	33	34			
Goodwill	**11**	32	43			47	70
Investments in associates and joint ventures	**596**	418	375	419	301	1 111	1 659
Financial assets	**512**	376	188	136	114	408	223
Derivative instrument				496			95
Current assets							
Cash and cash equivalents	**4 064**	1 107	852	578		420	726
Intercompany loan – Kumba Resources					1 677		
Other	**5 586**	4 391	4 697	4 458	3 508	5 074	3 935
Total assets	**23 729**	18 574	18 409	18 114	10 902	16 728	15 398
Equity and liabilities							
Capital and reserves							
Shareholders' funds	**16 040**	12 971	12 815	11 104	6 176	7 140	7 966
Minority interest	**7**	5	2	2	2	351	5
Non-current liabilities							
Interest-bearing borrowings	**81**	92	92	726	1 051	1 887	2 011
Non-current provisions	**1 201**	1 084	1 047	985	911	1 309	1 173
Deferred taxation	**1 708**	1 122	1 059	643	675	1 399	1 176
Current liabilities							
Interest-bearing borrowings	**10**	988	10	1 487	132	2 257	938
Other	**4 682**	2 312	3 384	3 167	1 955	2 385	2 129
Total equity and liabilities	**23 729**	18 574	18 409	18 114	10 902	16 728	15 398
Net cash/(debt)	**3 973**	27	750	(1 139)	(1 183)	(3 274)	(2 128)

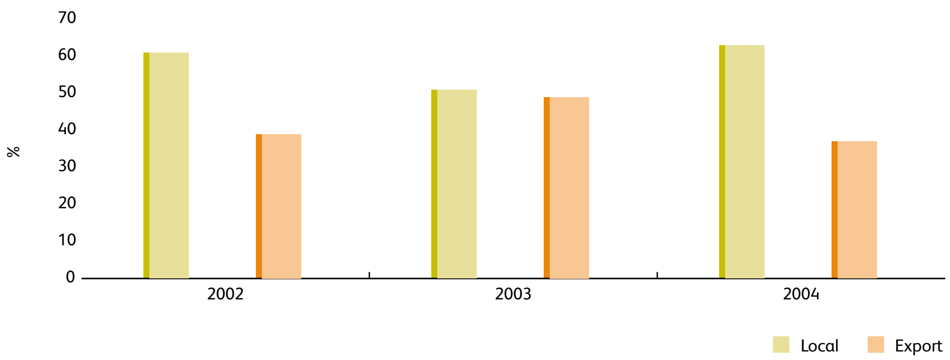
*Pro forma excluding the mining operations

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	Years ended 30 June 2003 Rm	2002 Rm	2001* Rm	2001 Rm	2000 Rm	1999 Rm
Ratios								
Profitability and asset management								
Return on net assets (%)								
– annualised	**38,4**	10,4	25,6	9,1	(1,0)	6,8	2,2	4.9
Return on ordinary shareholders' equity (%) – annualised								
– Attributable earnings (%)	**33,6**	7,2	21,0	47,9	(19,7)	(9,6)	0,7	3.4
– Headline earnings (%)	**31,3**	7,2	20,8	5.6	(2,4)	7,5	0,6	4,8
Return on invested capital (%)								
– annualised	**46,6**	11,1	27,4	9,6	(1,0)	7,1	2,3	5,2
Operating margin (%)	**28,9**	7,9	19,6	9,2	5,6	10,0	6,3	3,8
Net asset turn (times) – annualised	**1,1**	1,1	1,3	0,9	1,2	1,1	1,0	1,0
Solvency and liquidity								
Financing cost cover (times)	**49,8**	10,5	27,5	3,4	3,2	3,3	2,1	1,2
Current ratio (times)	**2,1**	1,6	1,6	1,1	1,7	1,2	1.5	1,9
Net debt to equity ratio (%)	**24,8**	0,2	5,9	(10,3)	(19,2)	(49,7)	(27,9)	(20,8)
Cash realisation rate (%)	**86,8**	(41,3)	80,1	172,2	93,4	71,1	79,5	95,3
Number of years to repay net debt (years)	**0,0**	0,0	0,0	0,5	1,1	2,1	1,9	1,3
Productivity								
Average number of employees ('000)	**12,0**	12,9	13,2	13,6	14,5	23,9	27,7	33,0
– Mining						8,7	10,0	11,5
– Steel	**11,4**	12,7	13,0	13,4	14,2	14,2	16,7	20,5
– Corporate Centre	**0,6**	0,2	0,2	0,2	0,3	1,0	1,0	1,0
Revenue per ave. employee (R'000) – annualised	**1 925**	1 440	1 446	1 043	751	632	493	388
Cash value added (Rm)	**9 446**	2 845	6 674	4 911	n/a	5 181	4 973	5 287
Prices (actual invoiced) US$/t C&F								
Hot rolled coil export price	**541**	320	324	210	233	233	282	236
Low carbon wire rod export price	**458**	310	265	229	242	242	254	254

*Pro forma excluding the mining operations

		Five-year annual compound growth rate* %	Year ended 31 Dec 2004	Six months ended 31 Dec 2003	2003	Years ended 30 June 2002	2001	2000
South African steel market ('000 tonnes)								
Country total (including imports)		5,5	**4 872**	2 067	4 449	4 523	3 665	3 548
Supplied by Mittal Steel South Africa (excluding DSP)		6,6	**3 288**	1 359	3 043	3 048	2 263	2 272
Mittal Steel South Africa market share (excluding re-rollers) (%)	Ave	65,4	**67**	66	68	67	62	64
Steel								
Liquid steel production ('000 tonnes)								
Vanderbijlpark Steel		0,3	**3 628**	1 870	3 711	3 512	3 541	3 289
Saldanha Steel		36,3	**1 227**	645	1 251	933	942	784
Long Steel Products		5,0	**2 178**	1 080	2 161	2 008	1 985	1 998
Total		5,1	**7 033**	3 595	7 123	6 453	6 468	6 071
Sales								
Local ('000 tonnes)								
Vanderbijlpark Steel		6,1	**2 224**	942	2 167	2 177	1 794	1 865
Saldanha Steel			**504**	184	406	182	237	295
Long Steel Products		8,4	**1 151**	496	965	1 032	774	793
Total		10,2	**3 879**	1 622	3 538	3 391	2 805	2 953
SA customers (%)	Ave	55,7	**63**	50	59	60	52	57
Export ('000 tonnes)								
Vanderbijlpark Steel		(5,1)	**942**	722	885	807	924	1 082
Saldanha Steel			**637**	438	754	705	764	281
Long Steel Products		(0,9)	**743**	443	863	717	891	854
Total		3,8	**2 322**	1 603	2 502	2 229	2 579	2 217
Export (%)	Ave	44,3	**37**	50	41	40	48	43

*Annualised



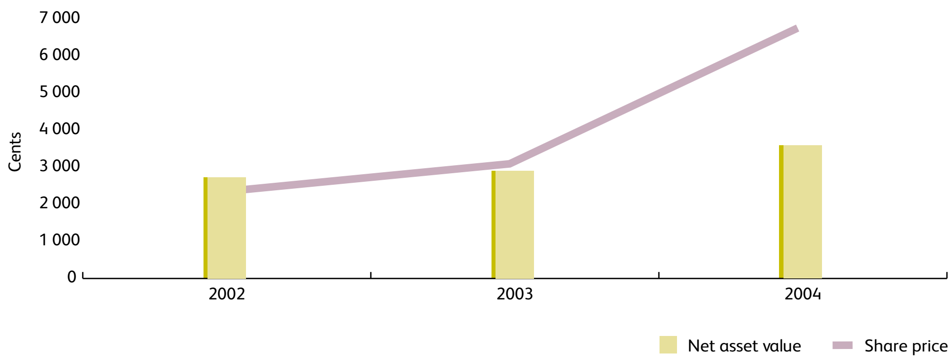
SALES

	Five-year annual compound growth rate* %	Year ended 31 Dec 2004	Six months ended 31 Dec 2003	2002	Years ended 30 June 2001	2000	1999
International crude steel production (million tonnes)							
Worldwide	7,1	**1 035**	945	886	845	828	772
Asia	12,3	**485**	436	391	349	320	299
Europe	(1,4)	**193**	208	204	205	208	197
Northern America	0,7	**133**	123	124	119	134	129
Former USSR	9,5	**107**	106	100	100	96	83
Other	13,6	**117**	72	67	72	70	64

* Annualised

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	2003 Rm	Years ended 30 June 2002 Rm	2001* Rm	2001 Rm	2000 Rm
Share performance							
Number of shares in issue (million)	**446**	446	446	446	272	272	258
Weighted average in issue (million)	**446**	446	446	345	301	301	294
Earnings per ordinary share							
– Attributable earnings basis (cents)	**1 092,8**	103,9	562,6	1 200,3	(441,9)	(240,9)	19,7
– Headline earnings basis (cents)	**1 018,7**	103,6	556,5	139,1	(54,2)	187,7	15,6
– Cash equivalent basis (cents)	**1 353,4**	265,8	869,5	421,7	376,2	743,9	430,9
Dividend per ordinary share (cents)	**400,0**	75,0	200,0	40,0			
Dividend cover (times)	**2,5**	1,4	2,8	3,5			
Net equity per ordinary share (cents)	**3 598**	2 910	2 873	2 490	2 271	2 625	3 088
Attributable cash flow per ordinary share (cents)	**1 175,3**	(109,7)	696,6	726,1	351,5	529,2	342,7

*Pro forma excluding the mining operations
Five year annual compound growth rate not applicable due to unbundling of mining operations in November 2001



NET ASSET VALUE VERSUS SHARE PRICE

Current Board of Directors

Khaya Ngqula (49)
Non-executive Chairman
BAdmin, Executive Development Programme (WBS), Honorary Doctorate in Commerce (Fort Hare)

Appointed Non-executive Director in December 2001 and Chairman of the board in November 2002. President and Chief Executive Officer of South African Airways Limited. Serves on several boards including Worldwide African Investment Holdings (Pty) Limited, Engen South Africa, Elan Group (Pty) Limited and Air Tanzania Company Limited. President of African Airlines Association. Member of the Investment Committee of United Nations Pension Fund.

Sudhir Maheshwari (41)
Non-executive Director
BCom (Hons), CA CS

Appointed Non-executive Director in December 2002. Member of the audit committee. Chief Financial Officer, Europe & Rest of World for Mittal Steel Company N.V.

Aditya Mittal (29)
Non-executive Director
BSc (Economics)

Appointed Non-executive Director in January 2002. Member of the human resources and remuneration committee. President and Group Chief Financial Officer of Mittal Steel Company N.V. Director of several international companies.

Lakshmi Mittal (54)
Non-executive Director
BCom

Appointed Non-executive Director in January 2002. Chairman and founder of Mittal Steel Company N.V. Director of several international companies.

Khotso Mokhele (49)
Non-executive Director
BSc (Agric), MS (Food Science), PhD (Microbiology)

Non-executive Director since February 1998. Chairman of the safety, health and environmental (SHE) committee and of the human resources and remuneration committee. President of the National Research Foundation. Founding President, Academy of Science of South Africa.

Johnson Njeke (46)
Non-executive Director
BCom, BCompt (Hons), CA(SA), Higher Diploma Tax Law

Appointed Non-executive Director in January 2002. Member of the audit committee. Deputy Chairman of Kagiso Media. Director of numerous companies including First Lifestyle (Pty) Limited, NM Rothschild (SA) (Pty) Limited, Compass Group (SA) (Pty) Limited and Waco Africa Limited.

Davinder Chugh (48)
Chief Executive Officer
BSc (Physics), LLB, MBA

Appointed Chief Executive Officer in September 2004. Previously Executive Director, Commercial since May 2002. Former Vice President, Purchasing for Ispat Europe Group.

Juba Mashaba (38)
Executive Director, Human Resources
BA, LLB, MAP, HR Executive Programme

Appointed Executive Director, Human Resources in October 2004. Previously Executive Director, Human Resources for Simba (Pty) Limited and PepsiCo International (Sub-Sahara Africa).

Vaidya Sethuraman (51)
Executive Director, Finance
BSc (Chem), Chartered Accountant, (ICAI), MBA (IIM, Ahmedabad, India)

Appointed Executive Director, Finance in September 2004. Previously Chief Financial Officer of Ispat's affiliate company Imexsa in Mexico.

We trust in our people's **ability** to implement our **strategy** and to realise our **vision** and **mission**

Chairman's and Chief Executive's Report

Dear Shareholder

Our world class assets, improved operating efficiencies and cost control, together with higher local sales volumes and surging international steel prices, have all contributed to our healthy operating margin and an excellent profit performance for the financial year ended 31 December 2004.

Record results

It is a privilege to report record headline earnings of over R4,5 billion, recording a significant 183% increase compared to 2003.

Our excellent performance is attributable to a 50% increase in US dollar prices for hot rolled coil (HRC), 22% growth in domestic sales volumes and successful containment of our costs. For example, our HRC cash cost in rand increased by only 3%. These extraordinary results were achieved despite the international escalation of raw material prices, and a 17% strengthening of the local currency against the US dollar.

Our operating profits more than doubled at almost all business units for the year. This was despite the planned shutdown for the throat armour repair of blast furnace C and the scheduled interim repair of blast furnace D, both at Vanderbijlpark, as well as the Conarc furnace burn-through at Saldanha Steel.

Notwithstanding the Conarc incident, Saldanha Steel's operating profit improved by more than 200% from R379 million to R1 147 million in 2004. This phenomenal turnaround is attributable to higher sales prices, an increase in local sales volumes and achieving a higher percentage of ultra thin gauge product in the sales mix.

Our Vanderbijlpark mill achieved an 89% improvement in operating profit to R4 129 million, while our long products business, comprising our Newcastle and Vereeniging plants, recorded a 128% improvement to R1 769 million. In addition, our Coke and Chemicals business improved profits by more than 150% to R462 million due to strong volumes and high international coke prices.

Relationship with Mittal Steel Company

With LNM Holdings raising its shareholding in Iscor to 50,01% in June 2004, we reached an important milestone in terms of our participation in the international consolidation of the steel industry by becoming a subsidiary of the group. In light of this, we revised our name to Ispat Iscor, in line with the other LNM companies.

LNM's involvement with Ispat Iscor has been extremely valuable in respect of the business, technical, marketing and purchasing support received in terms of the business assistance agreement (BAA) between the two companies. The BAA has achieved annualised savings during the six months ended 31 December 2004 of R926 million (170% of maximum target). Although no further remuneration is due to LNM, it has continued to render services in terms of the agreement.

In December 2004, Ispat International N.V. acquired LNM Holdings and simultaneously, Ispat International and US-based International Steel Group (ISG) unanimously approved a definitive agreement under which Ispat International and ISG will merge. Ispat International was renamed Mittal Steel Company N.V. and is listed on the New York Stock Exchange and Euronext Amsterdam. Upon completion of the ISG deal, the combined company will be the largest and most global steel company in the world with pro forma revenues in 2004 of US$30 billion and an annual production capacity of 64 million metric tonnes.

Mittal Steel Company is aspiring to create a strong and unified global brand across all the markets in which the company has a presence. In line with this branding strategy, all subsidiary companies are undergoing a name change. Ispat Iscor recently completed this process and is now officially Mittal Steel South Africa Limited.

We continue to enjoy the full support of Mittal Steel Company and through our partnership, we stand to benefit considerably by remaining at the cutting edge of the global steel industry.

Business environment

Three macro economic drivers that had a major influence on our results during the twelve months to December 2004 were:

- a massive surge in international steel prices;
- a robust domestic economy; and
- the strengthening of the rand to levels last seen in 1998.

International

The international economic environment was characterised by strong growth in the US and Chinese economies. Steel prices surged and were further driven by tight supplies of raw materials as mills made an effort to increase production.

Steel demand in China remained strong throughout 2004, notwithstanding policies implemented by the Chinese government to bring supply and demand into equilibrium. Chinese steel mills became sizable exporters of steel slab, long products and sheet products, although imports of steel sheet still exceeded exports.

Government intervention in China and the slow growth of the European and Japanese economies during the second half of 2004, together with weakening scrap prices, slowed the momentum of further price increases towards the end of the year.

Domestic

Steel despatches for the period increased by 22% compared with the previous year. This significant increase was brought about by buoyant economic conditions in almost all major steel consuming sectors and industries emanating from historical low interest rates. Of concern, however, was the adverse impact of the strength of the rand on the domestic manufacturing industries with strong export links. Secondary exports have, nevertheless, benefited from an increase in global economic conditions resulting from the reduction in oil prices and manufacturers adapting their businesses to the strong local currency.

Interest rates are expected to remain on low levels for most of 2005, which should result in a further increase in domestic steel consumption for the year as a whole.

Recently, the South African government removed anti-dumping duties on steel from Russia and the Ukraine and is also assessing the removal of the 5% standard duty on all steel imports. These are fairly recent developments and we are assessing the possible impact. The threat of dumping is of real concern to us and we will monitor imports in terms of pricing, trends, quantities and qualities.

Steel pricing

In January 2004, the South African Competition Commission ruled that our pricing policies in the domestic market were both fair and reasonable and that we do not act monopolistically or anti-competitively when pricing our steel for local consumption. The ruling followed extensive investigation by the competition authorities into our domestic pricing policies.

In light of its finding, the Commission decided not to refer the matter to the Competition Tribunal for further review. Of their own accord, the complainants in the matter decided to pursue the issue further and requested that the Tribunal re-investigate our pricing policies in the South African market. At present, an investigation by the competition authorities is underway and we await their final ruling on the matter.

Due to an earlier undertaking by Mittal Steel Company to the South African Government to review domestic pricing, we are engaging in constructive discussions with the Department of Trade and Industry (DTI) on a pricing methodology for the local market. We have provided significant amounts of data to the DTI in this respect, including price comparison information and benchmarking statistics.

Our domestic pricing policy reflects market trends for steel commodities and all additions that make up the composition of the final price, which is cost and market driven.

We also continued our support of the country's downstream steel industry through our export rebate scheme. For 2004, we provided R450 million in rebates to value added secondary steel exporters. Our contribution to the sector totals over R1 billion in the past five years alone.

New strategic direction

Our team is fully entrenched with the implementation of our recently announced and exciting strategic direction.

Our core focus is to deliver earnings that exceed weighted average cost of capital through the steel cycle. This will prepare us for the varied external threats that we currently face and which can escalate in the future. Cost reduction, by taking advantage of operational and throughput improvement opportunities, will always be the cornerstone of our approach to maintain our position in the lowest cost quartile of the global cost curve. The key elements of this drive are:

- attaining further operating efficiency improvements;
- reducing raw material and procurement costs;
- increasing labour productivity; and
- introducing new technological upgrades, like the pulverised coal injection (PCI) project at our Newcastle plant.

We have embarked on a plan to increase liquid steel throughput by one million tonnes per annum, with modest capital expenditure by the end of 2007. This entails:

- 325 000 tonnes per annum from two new direct reduced iron (DRI) kilns at Vanderbijlpark by the first half of 2006 with a projected capital expenditure of R432 million; and
- 660 000 tonnes per annum from efficiency improvements by the second half of 2006.

Further opportunities exist at our Vanderbijlpark plant to increase throughput by another one million tonnes per annum through additional capital expenditure. Our current plans include:

- expanding the plant's sinter capacity by the second half of 2006;
- producing an additional 445 000 tonnes per annum from blast furnace D reline by the second half of 2006;
- achieving an additional 355 000 tonnes per annum from blast furnace C reline by 2009; and
- installing more DRI kilns.

Our plan to increase throughput is modular in approach and affords us the opportunity to review each step of the process in terms of the market and investment environment.

With respect to our value-adding capital projects, we are progressing well and are on schedule to meet our implementation timelines. The most significant projects are:

	Rm	Planned completion
• Newcastle Steel		
– Pulverised coal injection	211	1H'05
• Vanderbijlpark Steel		
– Basic oxygen furnace control systems	112	Completed
– Blast furnace C – throat armour repair	23	Completed
– Blast furnace D – interim repair	139	Completed
– Sinter plant repair and upgrade	42	Completed
– New DRI kilns (to be approved)	432	1H'06
– Blast furnace D – hot blast stoves	318	2H'06
• Saldanha Steel		
– Third roll grinder	30	Completed
• Coke and Chemicals		
– Market coke expansion	455	2H'06

Sustainable development

In striving for world-class performance by making use of internationally accepted standards, all our operations have achieved ISO 14001 environmental management system certification.

We embrace environmental sustainability as a core business imperative by continuously improving our conservation efforts in mitigating the potential impacts of solid waste and air, water and land emissions. Towards this end, we are currently spending R964 million on environmental projects.

The main environmental capital projects are:

	Rm	Planned completion
• Vanderbijlpark Steel		
– Cleaning of coke oven gas	306	1H'06
– Zero effluent discharge (main treatment plant)	222	2H'05
– New sinter plant off-gas system	210	2H'07
• Newcastle Steel		
– Coke oven repair project	231	Completed
– Reverse osmosis plant	50	1H'06

We have embarked on a structured intervention programme for HIV/AIDS that is focused on awareness, education and the prevention of infection through behaviour change. We are confident that we will manage the disease and decrease its impact on our business through this approach. Through a well participated testing programme we have determined that an average 9,3% HIV prevalence rate exists in the company.

All our plants are well positioned for OHSAS 18001 safety and health management system certification by December 2005 and we compare favourably with international industry standards, ranking among the country's best in terms of our safety performance.

Notwithstanding our comprehensive collective effort in aspiring for safety excellence, it is with regret that we report on two employees and three contractor fatalities at our Vanderbijlpark operation during 2004. We offer our sincere condolences to the families and friends of the deceased.

During 2004, employment equity ratios for top management, senior management, middle management and professionally qualified levels, showed improvement. Although the targets for top senior management and the professionally qualified groups were achieved, for other categories they still remain a challenge. A number of aggressive initiatives aimed at reinforcing the EE pipeline and to introduce job opportunities for the advancement of EE candidates have been implemented.

In respect of our procurement spend, we exceeded our 2004 target by procuring a total of over R1 billion in goods and services from business enterprises owned by historically disadvantaged South Africans. These results were achieved through a policy of preferential purchasing from affirmative business enterprises, and several other initiatives.

Our corporate social investment programme continues to focus on the improvement of the communities in the areas in which we operate by supporting sustainable projects, promoting education and job creation. Towards this end, we have invested over R180 million on social development projects since 1994 and this is set to grow in future years. An exciting challenge for 2005 is to make a profound difference in maths and science skills levels in our schools.

Our people

A partnership between management and staff, based on trust, commitment and performance, will ensure our continued success and prosperity.

Accordingly, we have adopted the principles of voluntary separation and natural attrition, as opposed to forced retrenchment. With this philosophy, to provide positive industrial relations, two historic agreements were reached with our representative unions. Firstly, a three year wage agreement and secondly, a two year no forced retrenchment agreement.

The effort and commitment required by all our employees, at every one of our operations, has been significant. We are extremely proud to be leading a team that has contributed to our successes. It is our belief that we all desire to be part of a major, successful and progressive global company – one that can be proud of us and one that will make us proud. We thank our people for their efforts and firmly believe that our company is well prepared for the challenges that will be encountered as we move into an exciting future.

The board of directors

Louis van Niekerk, Malcolm Macdonald and Martin van Wijngaarden resigned as executive directors during the second half of 2004. We would like to thank them for their invaluable involvement over several years, which contributed extensively towards unlocking shareholder value. At this time, Louis van Niekerk was appointed non-executive deputy chairman.

The Mittal Steel South Africa board appointed Davinder Chugh, executive director, commercial, as chief executive officer, while Vaidya Sethuraman was appointed as executive director, finance and Juba Mashaba as executive director, human resources.

Louis van Niekerk, Cathie Markus and Rick Cottrell also resigned as non-executive directors in the latter part of the year. We would like to extend our gratitude and sincere appreciation for their service.

Dividends

At our interim period, a dividend of 300 cents a share was declared, and we declared a final year-end dividend of 100 cents a share, which is a total dividend of 400 cents for the year. This is in line with the company's policy of distributing one-third of headline earnings.

Our cash position of R3,9 billion at 31 December 2004 is now reduced significantly after payment of the interim and final dividends and the taxation charge thereon, totalling R2 billion, as well as a corporate tax payment of approximately R0,7 billion.

Shareholders in Mittal Steel South Africa have received dividends totalling 715 cents a share since 2002 when Mittal Steel Company acquired its initial interest in the company.

Prospects

We are optimising our operations, striving for operational efficiencies to ensure competitiveness, focusing on our customers' demands, and proceeding with internal organic growth projects aimed at increasing our liquid steel output.

While we remain positive about market prospects and future outlook, we are focused on building long-term relations with customers, developing local and regional markets and moving up the quality spectrum. We believe this will ensure the continued delivery of shareholder value and contribute towards our objective of being a leading steel company, while preparing us well for any adverse developments in the market due to China, or otherwise, in years to come.

There has been a fair amount of debate about China's influence on the steel industry. So far it has surely been a cure for an ailing industry, but can it turn into a curse going forward? China has undergone immense expansion of capacity. Fortunately, demand has grown faster. An optimist's view can be that considering the gap in per capita steel consumption, China still has to match the western world and the regional imbalance in development, demand is going to grow for some years to come. On the other hand, should Chinese demand falter for any reason and the newly installed capacity is directed to the world markets, it can dampen prices significantly.

In terms of the local market, we expect the strong demand for steel to continue, driven by good macro economic conditions. However, if the rand continues to strengthen further, industrial production, particularly of sectors reliant on exports, may be negatively impacted. During the first quarter of 2005, we expect volumes to be generally in line with the fourth quarter of 2004, while local prices could be slightly lower.

Overall, our results for 2005 are expected to remain generally in line with those of the past year.

Khaya Ngqula
Chairman

Davinder Chugh
Chief executive officer

Market Review

We continually recognise the changing environment of our markets, and the associated change in the needs of our customers. In response, we have strongly aligned our product structuring and risk management skills in order to meet the physical product needs of our customers and to help them manage their related market and financial exposures. Meeting the changing needs of customers with appropriate new solutions will continue to be the focus of our marketing activities.

International

Overview

Last year's international steel market was characterised by steel shortages emanating from strong growth in the economies of especially the US, China and the CIS countries. Latest estimates indicate that world economic growth was about 5% during 2004.

Chinese economic growth slowed marginally from approximately 10% in the second quarter to 9% in the third quarter of 2004 following measures by the government to cool down its rampant economy. The Chinese steel industry encountered an array of infrastructure related restrictions, including limits in rail, road and port availability as well as water and electricity supply. Chinese output, nevertheless, rose from 250 million tonnes during 2003 to 305 million tonnes during 2004. The growth in the Chinese economy spread to other parts of the world such as India, the CIS, the Middle East and South America.

Rising prices for raw material inputs used in steel making, especially coke, coking coal, iron ore and scrap supported high steel prices, notwithstanding the fact that steel production outside of China also increased sharply.

Other factors that boosted steel prices were:

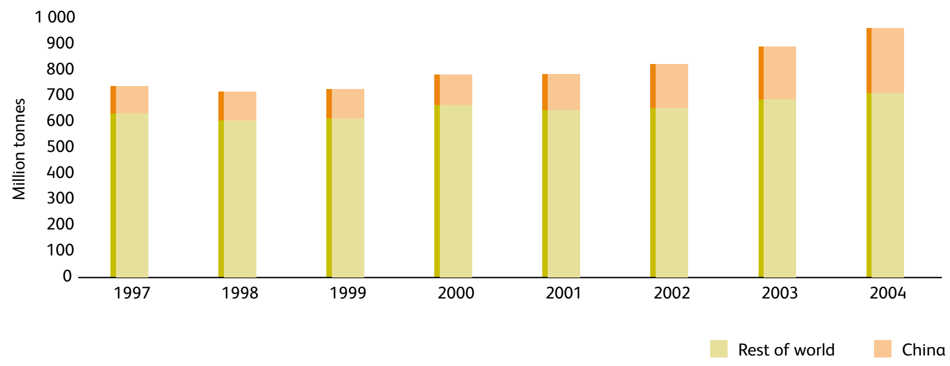
- The US dollar weakened sharply versus the Euro;
- Steel scrap prices surged three times in 2004; and
- Mergers and acquisition activity accelerated.

Steel demand and prices are expected to remain firm into 2005.

Supply and demand

Global steel consumption increased by 8% during 2004, driven by CIS countries, China and the US. Global steel production during this period increased by 8,2% with China leading by 22,1% followed by the US with 8,3% and South America with 7%.

Although global economic growth of 4% during 2005 is expected to be marginally less than the 5% in 2004, it is still sufficient to obtain considerable gains in steel consumption. Regions expected to post above average increases in steel consumption include India, the Middle East, the CIS countries and South America.



GLOBAL FINISHED STEEL DEMAND

Prices

International steel prices increased throughout most of 2004 driven by robust economic growth in many regions, steel shortages, high raw material costs and global consolidation among producers. Continued global consolidation, orderly pricing policies and production disciplines are also likely to have a positive impact on prices in 2005.

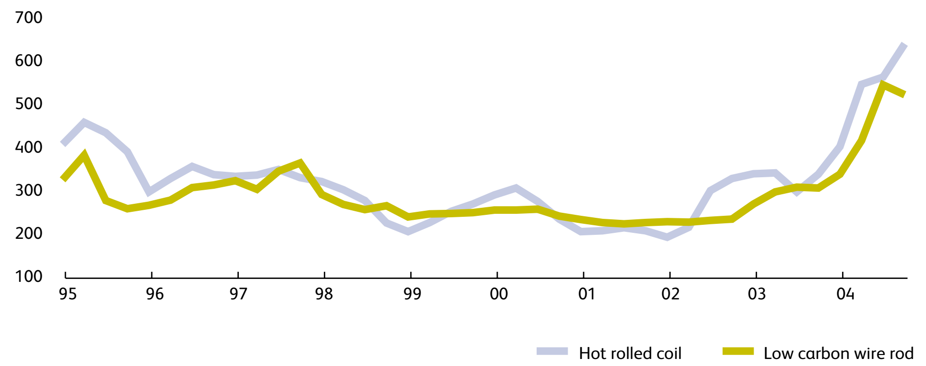
All regions experienced steel price increases:

- In the **United States** (US), hot rolled coil base prices reached an all time record of over US$800/tonne in September 2004. This is well above the ten-year average of less than US$350/tonne. During October and November, US sheet prices experienced a correction of about 100 percent per tonne, but more recently, prices have shown some signs of stability and the near-term outlook is fairly positive. Demand from the construction industry for long products remained strong while increasing scrap prices also supported long product prices. Import opportunities remain limited following the recent decline in the US dollar.
- In **Asia**, economic growth is slowing down following the measures taken to cool down China's economy. China now accounts for about 55 % of Asia's finished steel consumption and about 28 % of total world demand. Demand for hot rolled material remains strong in China and India, but prices of long products are under pressure due to falling scrap prices. With a slowdown in growth forecasted for the major world economies, the likelihood of gradually decreasing scrap prices and mounting trade pressures, 2004's price peaks are unlikely to be matched in 2005.
- In the **European Union** (EU), market fundamentals vary. Northern European mills have been successful in obtaining price increases for sheet deliveries in the first quarter of 2005, while in the southern European countries, imports are undercutting local prices as this region is more vulnerable to imports due to their geographic positions. Long product prices in the EU have come under pressure as scrap prices started to weaken as well as the threat of rising finished steel imports emanating from a strong Euro.
- In **Eastern Europe** and the **CIS countries**, growth has been significantly higher than at any stage in their most recent history. End-user demand for finished steel products in the CIS has been strong throughout 2004, with the Russian economy benefiting from the surge in international oil prices. This situation is expected to continue throughout most of 2005, however, at a slightly lower level.

Trade actions

The current status of trade remedy cases against South Africa is as follows:

- The duties applicable on carbon steel plate exported to the US were suspended after a full five-year sunset review;
- The quota-tariff safeguard action against wire rod exports to the US expired during March 2004 and this product can now be exported unrestricted until a finding is made by the International Trade Court;
- A duty of 14,6% is still applicable on all hot rolled sheet exports to the US and could be reviewed during 2005;
- On 13 September 2004 the Council of the European Union terminated the anti-dumping duty of 5,2% on all hot rolled coil imports from South Africa; and
- Anti-dumping duties on hot rolled coil of 55,26% to Argentina and 128,11% to Thailand are still in place.



MITTAL STEEL SOUTH AFRICA INVOICED EXPORT PRICES (C&F) US$/T

As the global steel shortage is expected to remain in place during the first quarter of 2005, steel prices are expected to hold at current levels. Global steel production is expected to be in a process of rising to a level in excess of demand, which may prevent substantial increases during the remainder of 2005.

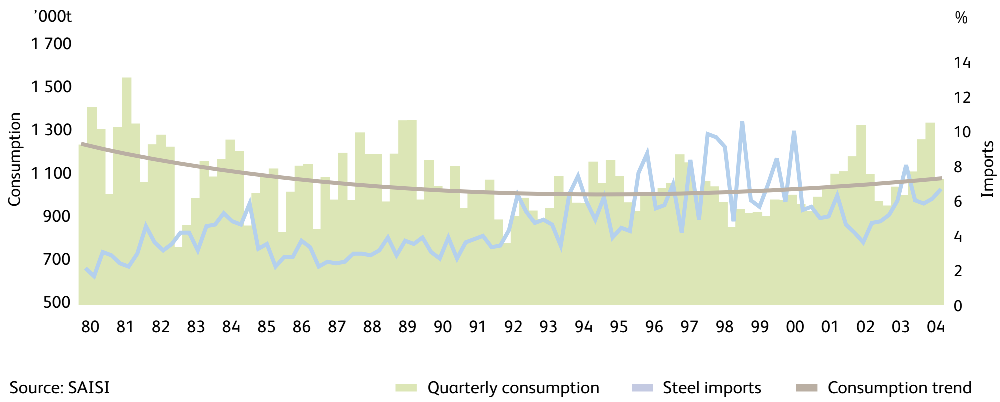
Domestic

Demand

Strong economic growth in the South African economy in 2004 manifested in a 22% increase in domestic steel despatches for the year as a whole.

This significant increase was brought about by buoyant economic conditions in almost all major steel consuming sectors and industries emanating from historical low interest rates.

Of concern to us is the adverse impact of the strength of the rand on the domestic manufacturing industries reliant on exports. Secondary exports have, nevertheless benefited from an increase in global economic conditions and manufacturers adapting their businesses to the strong rand.

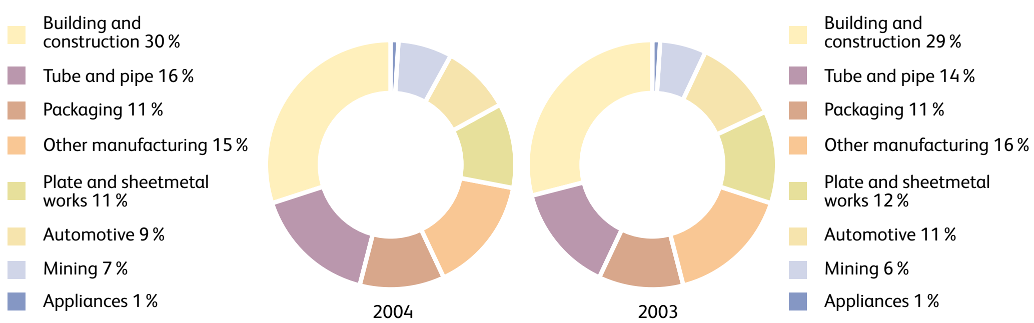


DOMESTIC STEEL CONSUMPTION

The buoyant conditions experienced in steel consuming industries are expected to continue in 2005 due to:

- the expectation that interest rates will remain at the current low levels;
- continued growth in fixed investment associated with large infrastructural investment projects;
- an extremely positive outlook for inflation in the short term;
- the expectation that demand for durable goods such as automotive and appliance goods will remain high as many individuals are now able to gain access to credit in a manner that was previously unavailable to them;
- international demand for commodities remaining high; and
- benefits of fiscal discipline of the past decade boosting consumer spending and supporting previously disadvantaged communities.

Our steel deliveries are despatched to a broad cross-section of the domestic economy as illustrated below:



DOMESTIC SALES PER SECTOR

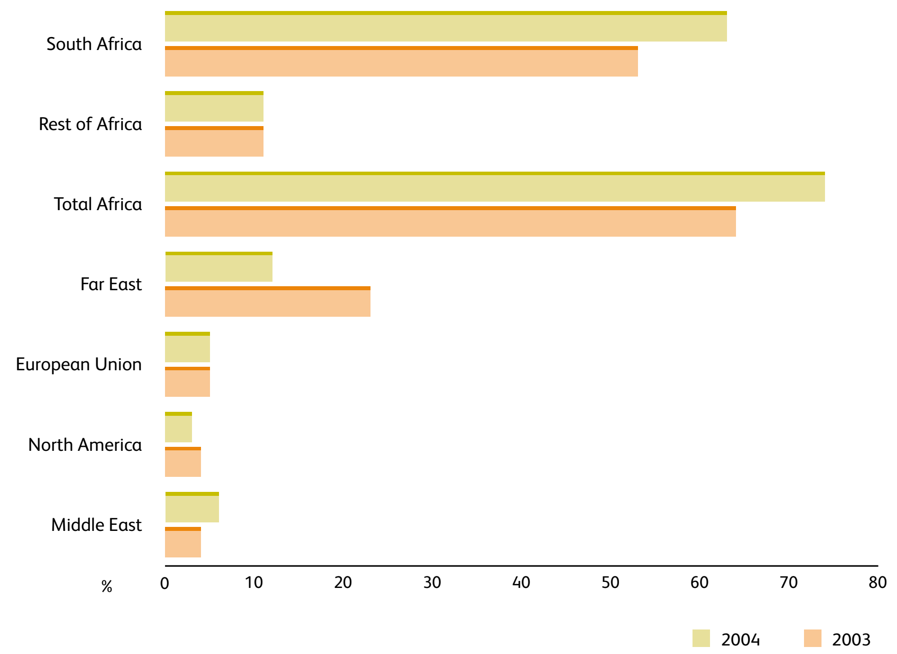
Prices

Domestic steel prices increased at a slower rate than the domestic steel prices elsewhere in the world, mainly due to the strengthening of the local currency.

Our flat steel products increased on average by 23% over the year and long steel products by 30%, compared to the average international price increase of 49%. Contract prices remained stable throughout the year and increases for 2005 for the automotive and appliance industries were successfully negotiated towards the end of 2004.

Geographic sales distribution

The significant increase in our domestic sales and consequent decrease in exports, resulted in domestic sales growing 22%. Our focus on the African export market continues to show positive results with a further increase in volume.



GEOGRAPHIC SALES

Through **extensive re-engineering**, we have forged our company into a **modern**, **low cost** producer of **high quality** steels

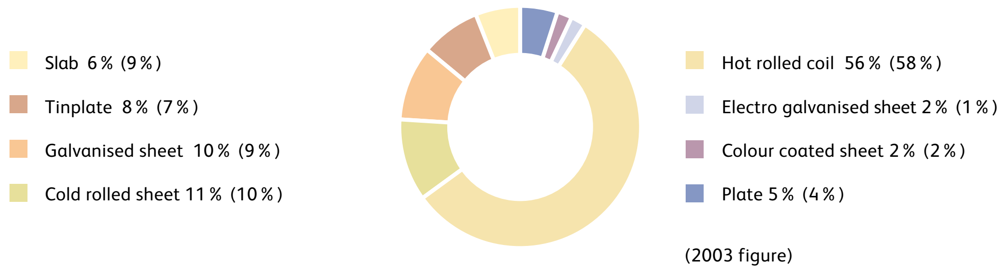
Operations

Flat Steel Products

Our flat steel business comprises the integrated inland steel works at Vanderbijlpark, south of Johannesburg and the Corex/Midrex-based steel works at Saldanha, located on the South African west coast.

Our Vanderbijlpark mill currently produces 3,4 million tonnes per annum of a wide range of flat products from slab and plate, to hot rolled, cold rolled, hot-dipped galvanised, electro galvanised, tin and colour coated sheet. Saldanha Steel produces 1,3 million tonnes per annum of mainly thin and ultra thin gauge hot rolled coil.

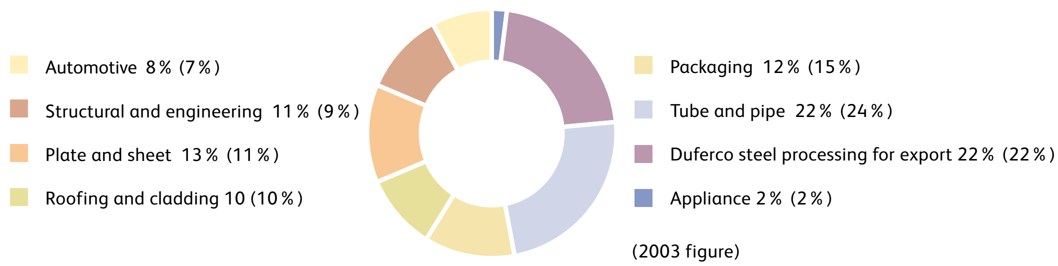
We are the largest flat steel producer on the African continent. Our competitive cost structures and extensive product range ensures a leading position in the Southern African flat steel market, while our comprehensive range of products is also proving to be extremely popular in global steel markets.



PRODUCT DISTRIBUTION

Our markets

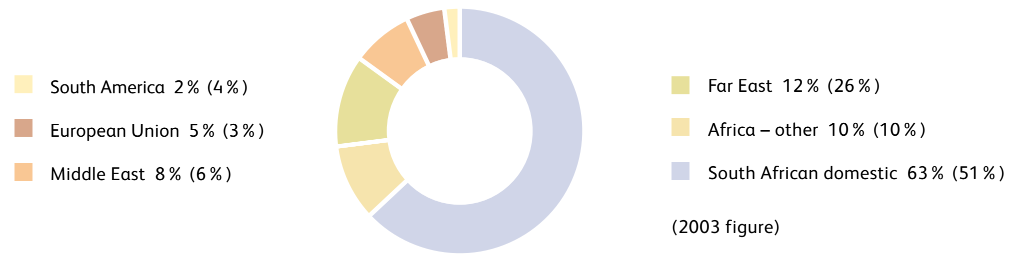
We supply approximately 80 % of South Africa's flat steel demand, covering the full spectrum of flat steel consuming sectors, such as the roofing, pipe and tube, packaging, appliance, automotive and structural and engineering industries.



LOCAL MARKET SEGMENTATION

During the past year, our strategy to support the domestic downstream industries continued. In an attempt to restrict the effects of the strong South African currency, particular attention was given to countering imports of steel and stimulating the growth of value added product exports. Secondary export rebates totalling R165 million were granted to customers, representing an increase of 17% relative to the rebates paid out during 2003. Imports increased from a low level of 5,8% of domestic demand during 2003 to 6,4% during 2004.

Our exports are spread across a wide international customer base: we shipped 1 579 000 tonnes to five continents, representing 37% of our total sales. Approximately 16% of our sales to the international steel market consisted of slabs and 84% of commercial, thin and ultra thin gauge hot rolled strip, plate and other value-added steels. We have increased the percentage of value-added steels in our export mix from 41% to 57%, and it is our intention to further increase this percentage, especially through higher thin and ultra thin volumes.



GEOGRAPHICAL SALES DISTRIBUTION

Robust growth in the domestic market resulted in a significant decline in volumes available for exports. However, the lower tonnes allocated for export sales facilitated a greater focus on the strategically important areas of Africa, particularly East Africa and the Indian Ocean Islands, as well as sales to selected strategic and niche customers notably in the European Union (EU), Middle East and Latin America.

The African market remains a key export region as it offers us a natural competitive advantage in terms of logistics. It is our strategy to further increase exports into this region.

Market overview

Domestic

Domestic sales increased sharply by 23% during 2004 on the back of a general recovery in the domestic economy, driven mainly by higher demand from the construction, building, automotive and appliance sectors. Domestic sales represent 63% of total sales, compared to 51% during 2003.

Despite the strengthening of the rand, domestic selling prices increased from 2003 levels, mainly as a result of the significant increase in international selling prices.

Domestic demand for flat products is expected to further improve during 2005, driven mainly by new export programmes by the automotive industry, large planned public infrastructural projects, a replenishment of customers' inventory levels and a further improvement in the domestic economy following the steady decline in interest rates, low inflation rates and an expected weakening of the rand.

International

The recovery in international flat product demand and prices, after the short-term collapse in the first half of 2003, accelerated strongly during 2004 with prices reaching all time record levels. This improvement was driven mainly by continued strong global growth in demand, especially from China. The average hot rolled coil price for 2004 increased by 50% in dollar terms compared to 2003, and 26% in rand terms.

Recent orders placed are indicating that average flat steel export prices for the first quarter of 2005 will remain at levels achieved towards the end of 2004.

While South Africa, being a developing country, was not affected by the safeguard measures enforced by the US and EU until December 2003, we face specific anti-dumping duties on hot rolled coil in the US, Argentina and Thailand resulting in an increased share of our exports being allocated to other markets.

Operating results

	Year ended 31 Dec		Six months ended 31 Dec	**Year ended 31 Dec**		Six months ended 31 Dec
	2004	2003	2003	**2004**	2003	2003
	Vanderbijlpark			**Saldanha**		
Revenue (Rm)	**12 288**	9 947	5 026	**3 638**	2 846	1 364
Net operating income before BAA remuneration (Rm)	**4 129**	2 141	941	**1 147**	222	107
BAA remuneration (Rm)	**(257)**	(223)	(223)	**(170)**	(94)	(94)
Net operating income after BAA remuneration (Rm)	**3 872**	1 918	718	**977**	128	13
Liquid steel production (‘000 t)	**3 628**	3 681	1 870	**1 227**	1 251	645
Sales volumes (‘000 t)	**3 166**	3 173	1 664	**1 141**	1 187	622
• Domestic	**2 224**	1 863	942	**504**	354	184
• Export	**942**	1 310	722	**637**	833	438
Domestic (%)	**70**	59	57	**44**	30	30
Capital expenditure (Rm)	**790**	748	276	**104**	110	41
Hot rolled coil export price (US$/t) (CFR)	**431**	302	288	**527**	346	331

The excellent improvement in operating income was achieved because of a substantial increase in local sales, a significant increase in sales prices, as well as savings generated through our continuous improvement programme. This was partially offset by the impact of the strengthening of the rand on export revenue and the sharp increase in the international prices of raw materials.

Liquid steel production at Vanderbijlpark declined marginally by 1,4% compared to 2003, due to two planned major blast furnace outages in order to facilitate a throat armour repair at blast furnace C and an interim-reline repair at blast furnace D. The effective use of the electric arc furnaces compensated to a large extent for the loss of production due to the planned shutdowns.

Despite the Conarc furnace burn-through, liquid steel volumes at Saldanha declined by only 1,9%. Approximately 67 000 tonnes of liquid steel production (64 000 tonnes of hot rolled coil) was lost as a result of this incident. However, the bulk of the loss, including the consequential loss, was recovered from the insurers during 2004. The higher margins earned on thin gauge product were further optimised by increasing the ratio of ultra thin gauge product (< 1,2mm) from 14,5% to 16,5% of total hot rolled coil output. Production of thin gauge products (< 1,6mm) increased from 46,2% to 46,5% of total hot rolled coil output.

Capital expenditure

Rm	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Six months ended 31 Dec 2003
Value adding projects	**147**	274	74
Replacements	**570**	523	197
Environmental	**177**	61	46
Total	**894**	858	317

During the past year, R894 million was spent on capital projects of which 64% was allocated to maintaining operational capacity, 20% towards environmental expenditure and 16% was expensed on new value adding projects.

Capital expenditure on replacement capital included:

- a throat armour replacement at blast furnace C;
- an interim mini-reline at blast furnace D;
- a new hot blast stove for the blast furnaces; and
- process computer replacements at our basic oxygen furnaces.

Environmental outlays increased substantially from 2003 and were necessary in order to comply with critical plant operating permits and to meet environmental regulation requirements. The primary environmental projects included the water-cleaning plant and numerous air emission control projects in the iron and steel making areas. Expenditure on value-adding projects included the completion of the hot strip mill process computer upgrade and the reconfiguration of the sinter plant at Vanderbijlpark, as well as capital expenditure at Saldanha to increase plant reliability and performance levels.

Continuous improvement

	Vanderbijlpark			Saldanha		
	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Six months ended 31 Dec 2003	Year ended 31 Dec 2004	Year ended 31 Dec 2003	Six months ended 31 Dec 2003
Number of employees	**5 444**	6 314	6 314	**762**	800	800
Cost savings (Rm)	**406**	385	150	**134**	329	68
Cost savings (%)	**6,7**	5,6	4,3	**6,0**	13,6	6,5
Total HRC cash cost per tonne (R)	**1 723**	1 699	1 599	**1 852**	1 688	1 628
Total HRC cash cost per tonne (US$)	**270**	227	226	**288**	224	231

Our continuous improvement drive continued to deliver positive results with our cost saving initiatives yielding a 6,7% saving at Vanderbijlpark and 6% at Saldanha.

Despite substantial increases in the cost of all major input materials, the total cash cost per tonne in rand terms increased by only 1,4% at Vanderbijlpark and 9,7% at Saldanha, however, in dollar terms, the cash cost per tonne increased by 18,9% and 28,6%, respectively. This was mainly as a result of the strong recovery of the rand, combined with the lag effect of the stronger exchange rate on US dollar-linked input costs, as well as significant global increases in the prices of raw materials and freight.

At Vanderbijlpark noteworthy achievements during the past year include substantial throughput improvements at all major rolling units, coke making and sinter production. As a result, numerous production records were achieved during the process. At Saldanha we were successful in the implementation of a material distribution system in the reduction shaft of the liquid iron-making unit, which resulted in a significant decrease in the fuel consumption rate. A new production record of 113 000 tonnes of hot rolled coil was set during July 2004.

A general improvement in efficiencies, an increase in labour productivity, a higher percentage of prime sales and an improvement in quality also made an important contribution towards the continuous improvement results for the year.

Our continuous improvement programme is expected to deliver additional savings during the new financial year with an intense focus at Vanderbijlpark and Saldanha to improve equipment availability, throughput rates, processing speeds and yield factors. We will also continue to pay particular attention to recouping the impact of the stronger rand on indirect dollar-based input costs.

New developments

Following the company-wide, three-year strategy to substantially increase production and reduce costs, developments will focus on capacity creation through efficiency improvements and the optimisation and reconfiguration of assets.

At Vanderbijlpark the blast furnace hot blast stove rebuild programmes and the commencement of the installation of an additional two direct reduction kilns will assist in achieving this objective. At Saldanha, the upgrade of the iron ore screening and stock house facilities will reduce the double handling and screening of iron ore and the iron-making unit will be able to recycle additional ore fines and iron-containing waste.

The year ahead

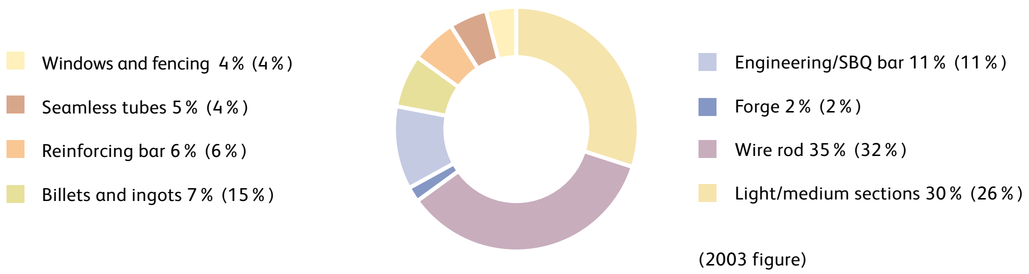
Operating income is expected to improve compared with the past year, driven mainly by higher expected average selling prices and higher sales volumes. However, any significant variation in the exchange rate will have a major impact on earnings.

Long Steel Products

Our long steel business comprises an integrated steel works at Newcastle in KwaZulu-Natal and an electric arc furnace-based steel works in Vereeniging, south of Johannesburg.

We produce a comprehensive range of long products, comprising rolled and forged carbon, alloy and stainless steel profiles. These include rod, bar, light, medium and heavy sections, window and fencing profiles, billets and blooms as well as an extensive range of hot-finished and cold-drawn seamless tubes.

During the past year, our production of finished products was at near full capacity of approximately 2,0 million tonnes per annum. Our operations remain among the lowest cash cost producers of steel in the world. Our competitive cost position, extensive product range and capability to manufacture high-quality, value-added products places us in a prominent position in both the South African and global steel markets.

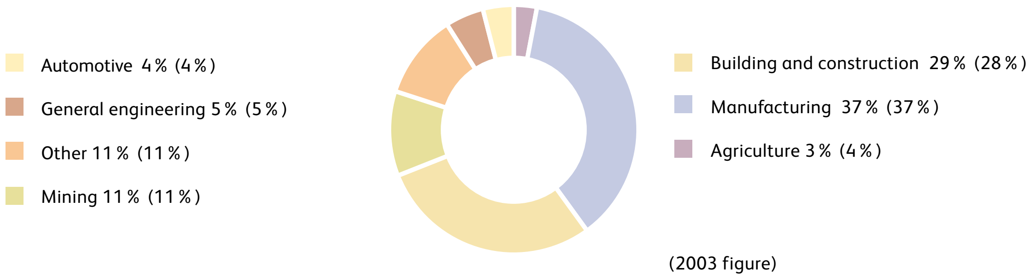


PRODUCT DISTRIBUTION

Markets

We aim to fully satisfy the demand of the South African long products market. Directly, and indirectly through the merchant industry, we service customers in the manufacturing, construction, mining, automotive, agricultural, general engineering and petrochemical industries and enjoy approximately a 50 % share of the total domestic long products market.

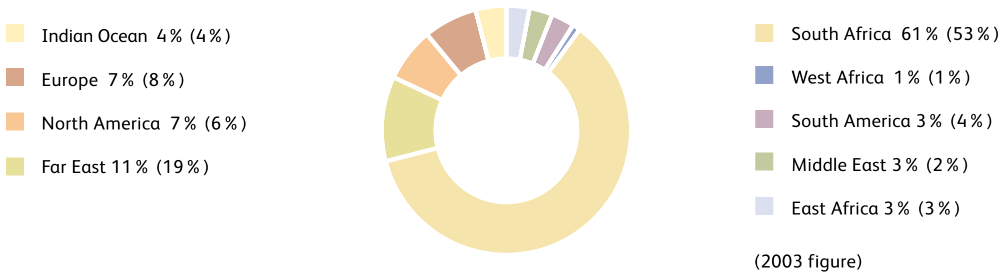
During the last year, 1 151 000 tonnes were despatched to the domestic market, representing an increase of 20 % relative to the previous year, which is indicative of the strong local economy and infrastructural spending.



LOCAL MARKET SEGMENTATION

Strong support to the secondary steel export industry continued through our export rebate scheme. As a result of the continued strengthening of the rand, secondary export customers, similar to most exporting industries, struggled to remain competitive internationally. To assist them in retaining their presence in the international market, we increased our secondary export rebates. During the past year, secondary export rebates totalling R182 million were made available to customers, representing an increase of 2,3 % compared to last year.

Through our exports a full range of products are supplied to sub-Saharan Africa and value-added steels are exported to long-term customers in international markets. During the past year, more than 740 000 tonnes were shipped to 57 countries on five continents. Sales to the international steel market consisted of value-added steels, totalling some 74 %, and more than 90 % of all exports were sold to long-term repeat customers.



GEOGRAPHICAL SALES DISTRIBUTION

Market overview

Domestic

Our domestic sales volumes increased by 20 % from last year and represented 61 % of total sales compared to 53 % last year. Demand remained strong throughout the year with a slight decline towards the latter part of the year, mainly as a result of the tailing off of the restocking effect during the first half, the effect of the strengthening of the rand on secondary exports, as well as the normal seasonal slow-down during the festive season.

Domestic demand is expected to remain strong during 2005 with further improvements envisaged, especially from the building and construction industries, driven by the steady decline in interest rates, the low inflation rate and growth expected in the domestic economy.

International

The recovery in international steel demand and prices evident during the 2003 financial year continued during the 2004 financial year, with price levels more than doubling by the end of the year compared to 2003 fourth quarter levels. The main driver for the continued strong growth during 2004 remains exceptional demand growth in the CIS countries, the Middle East and South-East Asia, especially China.

In the US and the EU, a recovery in underlying demand, along with production discipline, import safeguard measures and trade flows being redirected to South-East Asia resulted in record price levels being achieved during 2004.

The substantial global steel input cost increases experienced since the second half of 2003 continued throughout 2004 and were a major contributor towards the increase in steel prices.

Expectations for 2005 are that international prices for long steel products will remain firm, although some pressure is expected due to weakening scrap prices. It is anticipated that demand will continue to grow in India, the CIS countries, the Middle East and Asia, although at a lower rate, while conditions in the US and the EU are expected to remain stable. Raw material input costs and shipping costs will remain high during 2005 and, together with good progress in the consolidation of the steel industry, production discipline and orderly pricing policies should temper the extent of any cyclical price downturn.

Our long steel product exports have not been affected by international safeguard measures or trade barriers, notably in the US and EU. We will continue to export responsibly by controlling our export tonnage to ensure that steel product import threshold levels are not exceeded.

Operating results

	Year ended 31 December		Six months ended 31 December
	2004	2003	2003
Revenue (Rm)	**6 339**	5 131	2 496
Net operating income before BAA remuneration (Rm)	**1 769**	757	328
BAA remuneration (Rm)	**(304)**	(296)	(296)
Net operating income after BAA remuneration (Rm)	**1 465**	461	32
Liquid steel production (‘000 t)	**2 178**	2 153	1 080
Sales volumes (‘000 t)	**1 894**	1 899	939
• Domestic	**1 151**	956	496
• Export	**743**	943	443
Domestic sales (%)	**61**	50	53
Capital expenditure (Rm)	**290**	368	160
Average low carbon wire rod export price (US$/t)/(CFR)	**458**	298	310

The excellent improvement in operating income was achieved on the back of higher prices, an increase in local sales volumes, as well as cost savings realised through our continuous improvement programme.

This was partially offset by lower export sales volumes, the impact of the stronger rand and a substantial increase in our cost structure.

Liquid steel production increased by 1% compared to 2003 and all other production facilities performed well.

Capital expenditure

	Year ended 31 December 2004 Rm	Year ended 31 December 2003 Rm	Six months ended 31 December 2003 Rm
Value adding	**168**	85	58
Replacements	**107**	219	84
Environmental	**15**	64	31
Total	**290**	368	160

During the year, R290 million was spent on capital projects of which 58% went towards new projects, mainly:

- expenditure on Phase II of the coke oven refurbishment project at Newcastle, which involves the repair of the external structure and equipment of both the coke oven batteries and by-products plant;
- the installation of a pulverised coal injection (PCI) plant at Newcastle, aimed at reducing the use of expensive imported coal; and
- the balance went towards maintaining operational capacity (37%) and environmental projects (5%).

The construction of the PCI plant and Phase II of the coke oven refurbishment project is on schedule and commissioning of both plants is planned for May 2005.

Continuous improvement

	Year ended 31 December 2004 Rm	Year ended 31 December 2003 Rm	Six months ended 31 December 2003 Rm
Number of employees	**4 005**	4 562	4 562
Cost savings (Rm)	**470**	157	80
Cost savings (%)	**11,5**	3,9	3,7
Total billet cash cost per tonne (R)	**1 613**	1 509	1 520
Total billet cash cost per tonne (US$)	**253**	201	215

Our continuous improvement programme, which aims to reduce costs and achieve world-class standards in all business areas, gained further momentum during the year with the benefits of the completion of Phase I of the coke oven refurbishment project during December 2003 that has eliminated the importation of expensive coke, making a significant contribution. An additional R470 million (12%) of continuous improvement savings were realised of which R414 million were efficiency improvements and R56 million procurement savings.

The total operating cash cost of billets increased by 6,9% in rand terms, but in dollar terms the increase amounted to 25,9%. This was the result of substantial global increases in the prices of raw materials and freight, while the strong recovery of the rand had a significant impact on the increase in dollar terms.

Our continuous improvement programme is expected to deliver further major savings during the new financial year with a substantial contribution expected from the pulverised coal injection project.

The recent strengthening of the currency has placed our position in the lowest cost quartile under pressure. Our primary focus, therefore, remains to reduce the negative impact on our cost in US dollar terms.

New developments

A feasibility study for a billet caster will commence in 2005. The purpose of this project is to further reduce the cost base and contribute to continued long-term global competitiveness.

Prospects

Operating income for 2005 is expected to be maintained on 2004 levels. However, any significant variation in the exchange rate will have a major effect on earnings, particularly in the short term, where the impact is mainly on the revenue line.

Coke and Chemicals

Our core business is the processing of metallurgical by-products as well as producing market coke for the ferro-alloy industry from two coke batteries at Pretoria and Vanderbijlpark. The main products produced from metallurgical by-product processing are coal tar pitch, which is sold to the aluminium producers in Southern Africa and magnetic-ferrite powder, which is exported.

Operating results

	Year ended 31 December 2004 Rm	Year ended 31 December 2003 Rm	Six months ended 31 December 2003 Rm
Revenue (Rm)	**1 253**	801	409
Net operating profit (Rm)	**462**	168	99
Capital expenditure (Rm)	**68**	51	19
Sales volumes (‘000 t)	**1 735**	1 542	814
• Coke	**459**	437	223
• Tar	**124**	120	61
• Other	**1 152**	985	530
Number of employees	**394**	497	497

Operating results improved substantially in comparison to last year, with turnover of R1 253 million and operating profit of R462 million, up 56% and 175%, respectively. This is largely attributable to the higher international dollar price of market coke, which more than offset the negative impact of the stronger exchange rate.

Capital expenditure

During the past year, R68 million was spent on various capital programmes representing an increase of 33% on last year. Almost 50% of the total capital expenditure relates to the coke oven battery expansion project in Newcastle. The R72 million projects to refurbish our two operating coke batteries at Pretoria and Vanderbijlpark are well on track with the refurbishment of the coke battery at Vanderbijlpark completed at the end of 2004, and the coke battery at Pretoria scheduled to commence during the beginning of 2005 to be completed towards the end of the year.

Continuous improvement

During the year various cost reduction initiatives resulted in savings of R43 million, which is equivalent to 6% of total costs. Costs increased by 25% as a result of our coal price, which is linked to the international coke price.

Market coke expansion

We are the only local producer of market coke in South Africa, with a current capacity of 400 000 tonnes per annum. Domestic demand for market coke from the ferro-alloy industry is almost a million tonnes per annum and growing rapidly, the balance being imported.

The growing global shortage in coke-making capacity has resulted in sharp coke price increases and feasibility studies to recommission some of our mothballed coke batteries had been initiated. Subsequently, a detailed feasibility study for the recommissioning of a 450 000 tonne coke battery at Newcastle has been completed and board approval has been given to proceed with the project at an estimated cost of R455 million. A contract for the construction of the coke oven battery has been concluded with a Chinese industrial consortium and coke production will commence by mid 2006.

In addition, a long-term agreement for the supply of additional coking coal requirements has been signed with Kumba Resources Limited.

Prospects

Operating income is expected to remain strong during 2005, although at a lower level compared to 2004. This is mainly due to lower coke prices compared with average 2004 levels, following the decrease in the cost of Chinese export licences and a higher increase in the production levels of coke in China compared to the increase in their domestic demand.

Finance Report

Change in Reporting Period

Following the decision to change our financial year-end from 30 June to 31 December, to correspond with that of our major shareholder, Mittal Steel Company, this report covers the twelve months period ended 31 December 2004. To facilitate comparison with past results, our comparative audited figures for the twelve months ended 31 December 2003 have been used together with those for the last statutory reporting period, the six months ended 31 December 2003.

Change in accounting policy and early adoption of International Financial Reporting Standards (IFRS)

The principal accounting policies are consistent with those applied in the previous period, except for the following:

- a change in policy to consolidate the Iscor Management Share Trust retrospectively. The effect on equity for this change is reflected in the group statement of changes in shareholder's equity. The effect on net profit for the current period is Rnil; and
- the accounting treatment for negative goodwill arising on the acquisition of the remaining 50% of Saldanha Steel was re-examined. It has now been established that the original interpretation of IAS22 in 2002 for the treatment of negative goodwill was not in line with the preferred interpretation at that time. Accordingly, negative goodwill should have been amortised over the life of the Saldanha Steel plant. This change in interpretation has been corrected retrospectively.

The following financial reporting standards were adopted early:

- IFRS 2 Share Based Payments
- IFRS 3 Business Contracts
- IFRS 4 Insurance Contract
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IAS 36 (Revised) Impairment of Assets
- IAS 38 (Revised) Intangible Assets

The effect of the policy change and early adoption of the financial reporting standards was as follows:

	Net income Increase/(decrease)		**Shareholders' equity Increase/(decrease)**	
	2004	2003	**2004**	2003
	Rm	Rm	**Rm**	Rm
Consolidation of the Iscor Management Share Trust			**(36)**	15
Preferred interpretation for treatment of goodwill				(2 585)
IFRS2 Share Based Payments	**(2)**			
IFRS3 Business Combinations				2 585
IFRS4 Insurance Contracts*				
IFRS5 Non-current Assets Held for Sale and Discontinued Operations*				
IAS36 (Revised) Impairment of Assets*				
IAS38 (Revised) Intangible Assets*				

*Implementation of these standards had no effect

Headline earnings

Headline earnings for 2004 increased by 183% over the previous year, after the following once-off, non-comparable charges:

- the business assistance agreement (BAA) remuneration charge of R731 million (R511 million after tax) for 2004 and R613 million (R429 million after tax) for 2003;
- the restructuring costs of R116 million after tax for 2003; and
- the Saldanha Steel power contract settlement of R110 million after tax for 2003.

The following table provides a comparable view of earnings relating to the periods under review:

		Year ended 31 December		Six months ended 31 December
		2004	2003	2003
		Rm	Rm	Rm
Revenue		**23 053**	18 487	9 175
Operating profit		**7 399**	3 375	1 504
Finance costs		**(134)**	(128)	(69)
Taxation		**(2 465)**	(1 100)	(492)
Effective tax rate	%	**33,7**	34,3	37,4
Equity earnings*		**258**	115	67
Minority interest		**(6)**	(2)	(3)
Comparable headline earnings		**5 052**	2 260	1 007
– return on equity pa	%	**35**	18	16
BAA remuneration*		**(511)**	(429)	(429)
Restructuring costs*			(116)	(116)
Power contract settlement charge*			(110)	
Headline earnings		**4 541**	1 605	462
Comparable headline earnings in US$m		**793**	301	143

* After tax

The comparable headline earnings reached an all time record and were 124% higher for 2004 over 2003 due to changes in the trading environment, the stronger domestic and international steel demand and higher steel prices. Expressed in US dollar terms, earnings increased by 163%.

The following table of comparable headline earnings demonstrates the impact of higher prices on the stability of earnings, despite the strengthening of the rand.

Quarter to	US$m	Rm
March 2003	79	657
June 2003	77	596
September 2003	48	352
December 2003	97	655
March 2004	99	669
June 2004	212	1 393
September 2004	248	1 575
December 2004	234	1 415

The quarterly earnings increased more than 100% in the second quarter, over the first quarter of 2004 and improved again in the last two quarters due to factors mentioned earlier. Fourth quarter 2004 earnings decreased by 10% in rand terms (6% in US$ terms) compared to the third quarter 2004. This is mainly due to the strengthening of the rand, as well as the lower volumes delivered during the December 2004 holiday season. However, this was partially offset by higher prices.

Our return on equity of 35%, based on comparable headline earnings for 2004, was sharply up on the previous year's 18%, and far exceeded our current cost of capital of 16,5%, thereby adding substantial economic value, reflected in the company's share price.

Finance costs for 2004 comprise mainly a top-up adjustment to provisions for the present value of future expenditure on environmental rehabilitation and discontinued operations of R170 million, an increase of R89 million over 2003. This is a result of the lower discount rate applied to our estimated future cash outflows, consequent to the significant reduction in interest rates. Net interest charges dropped from R47 million in 2003 to an income of R36 million in 2004 as a result of a net cash surplus position.

The effective tax rate of 33,7% includes the 12,5% tax on the dividend payment. The effective tax rate on income was 30,9% (2003: 30,6%).

Our equity accounted earnings increased by R143 million (124%) mainly due to the excellent results of Macsteel International Holdings B.V. This was driven by the strong shipping rates in 2004, particularly in the first half of the year.

Attributable earnings

Non-headline earning items for 2004 included the reversal of the impairment of Saldanha Steel's assets as well as the impairment of goodwill on the acquisition of the company, and the holding of certain assets utilised by us under a finance lease:

	Year ended		Six months ended
	31 Dec	**31 Dec**	31 Dec
	2004	2003	2003
	Rm	Rm	Rm
Surplus on liquidation of employee housing portfolio		38	12
Impairment of goodwill	**(21)**	(32)	(11)
Impairment of steel forge assets after tax		(9)	
Impairment reversal on fixed assets of Saldanha Steel after tax	**351**		
Total of after-tax non-headline items	**330**	(3)	1
Headline earnings	**4 541**	1 605	462
Attributable earnings	**4 871**	1 602	463

Saldanha Steel impairment credit

At the end of the year, an impairment assessment on the carrying value of Saldanha Steel assets showed a significant higher fair value compared with the assessment done last year, due to increased throughput capability and improved outlook for steel prices in the future. Saldanha Steel therefore reversed the impairment provision of R1 513 million. On a group level, the impairment reversal is limited to the charge of the impairment raised by Mittal Steel South Africa in the past.

During June 2001, an impairment charge of R3 000 million was raised against the carrying value of Saldanha Steel's fixed assets. Since Saldanha Steel was a joint venture, Mittal Steel South Africa equity accounted its 50% thereof. For the year ended 30 June 2002, Mittal Steel South Africa owned 100% of Saldanha Steel when there was a reversal of R998 million of the impairment of which Mittal Steel South Africa consolidated 100%.

This resulted in Mittal Steel South Africa recognising on a group basis an impairment reversal of only R502 million before tax.

Operating profit

The details of our operating profit are given below:

	Year ended 31 Dec 2004 Rm	Margin %	2003 Rm	Margin %	Six months ended 31 Dec 2003 Rm	Margin %
Flat Steel Products						
– Vanderbijlpark Steel	**4 129**	**34**	2 179	22	979	19
– Saldanha Steel	**1 147**	**32**	379	13	107	8
Long Steel Products	**1 769**	**28**	777	15	348	14
Coke and Chemicals	**462**	**37**	172	21	103	25
Other	**42**		10		28	
Corporate Centre	**(150)**		(142)		(61)	
Comparable operating profit	**7 399**	**32**	3 375	18	1 504	16
BAA remuneration	**(731)**		(613)		(613)	
Restructuring costs			(166)		(166)	
Saldanha power contract settlement			(157)			
Net operating profit	**6 668**	**29**	2 439	13	725	8

The comparable operating profit of R7 399 million was 119% up on last year's results of R3 375 million before tax. The net operating profit of R6 668 million, however, was 173% higher.

The excellent financial results were driven by strong domestic and international market conditions as well as a good operating performance. Domestic sales volumes increased by 22% and global steel prices rose in excess of 50%, while the rand (average for the year) strengthened by 17% against the dollar.

Operating profits more than doubled at almost all business units for the year. This was despite a substantial increase in raw material input costs, a strong rand and the repair of blast furnaces C and D at Vanderbijlpark. Saldanha Steel's operating profit improved by more than 200%, due to higher domestic sales, a higher percentage ultra thin material in the sales mix and higher sales prices. Coke and Chemicals also improved its profits by more than 150% due to strong volumes and international coke prices.

Our other operations, comprising the Collect-A-Can used beverage can recovery unit, captive insurance business, harbour activities and the estate company, contributed R42 million to earnings.

In 2004, corporate costs of R150 million were 6% higher than last year mainly due to once-off costs, related to a SAP-system upgrade and the name change. Corporate costs will reduce in future as the full benefit of the Organising for Improved Corporate Performance (OICP) Programme and the relocation of the corporate office from Pretoria to Vanderbijlpark start to flow through.

The comparable operating margin grew to 32% in 2004 from 18% in 2003.

Liquid steel production for the year 2004 was marginally (1%) down compared with the previous year, in spite of throughput losses of about 338 000 tonnes, resulting from the Conarc burn-through at Saldanha Steel during the first half of 2004 and the planned stoppages on blast furnaces C and D at Vanderbijlpark in July and October 2004 respectively. However, about 286 000 tonnes of production was made up through the electric arc furnace at Vanderbijlpark and other efficiency improvements.

Our key challenge in 2005 will be to improve operational reliability and capability and minimise throughput losses, especially during the good market conditions that we are currently experiencing.

Exchange rates and business/financial performance

We are exposed to both economic and transaction risks arising from the volatility in exchange rates particularly the rand/dollar and the pricing of commodities in dollars. During the year 2004, the rand strengthened considerably (17% on average) from US$1 : R6,58 at 31 December 2003 to about US$1 : R5,60 at the end of 2004. The main driver was the weakening of the dollar against most currencies, as well as strong economic fundamentals supporting the domestic economy.

In rand terms, the strengthening exchange rate had an adverse effect on export revenue, which is predominantly dollar driven, while our cost in rand terms only benefited partially since about a third of our cost structure is dollar denominated.

We continue to focus on managing the economic exposure of a strengthening rand through hedging policies and alternative import sourcing.

Cost performance

Steel production costs per tonne (excluding the BAA remuneration) for flat products increased by 3,4% and for long products by 6,9% in 2004 over 2003.

Average hot rolled coil (HRC) cash cost per tonne increased from R1 696 in 2003 to R1 756 in 2004, the major contributors to the net cost increase were scrap 2,2% and coal/coke 1,1%. In US dollar terms, the cost increased by 21,5% to $275 per tonne.

Average billet cash cost per tonne increased from R1 509 in 2003 to R1 613, the major contributors to the net cost increase were scrap 2,7%, coal/coke 1,7% and alloys 2,5%.

Current negotiations with global mining suppliers for 2005 contracts indicate a likely iron ore price increase of more than 50% over 2004, while one of the leading suppliers has negotiated a 72% increase. Contract prices for metallurgical coal from Australia have increased by up to 100% to US$125 per tonne for 2005.

Given the quantum increase in the prices of raw materials, the global cost curve has moved considerably higher. Our high level of raw material integration, together with significant cost savings, has enabled us to mitigate the impact of the escalation in coking coal, alloy, scrap and freight.

The strengthening exchange rate against the US dollar, as well as the currencies of most other steel producing countries, has placed our position on the global cost curve under pressure.

Therefore our strategy continues to address this key issue with the aim of maintaining our position of being within the lowest cost quartile of world operators.

Our focus to achieve this objective will include specific actions, namely:

- expansion project of Thabazimbi iron ore mine;
- installation of a pulverised coal injection plant at Newcastle;
- replacement of expensive scrap with direct reduction iron (DRI);
- reduction of fixed cost per tonne through higher production volumes;
- improvement of operational efficiencies; and
- proactively managing freight rates with the transport service providers.

Restructuring programme

Our shared services programme, part of our Organisation for Improved Corporate Performance (OICP) project, was successfully implemented during quarter three of 2004, with the target saving of R105 million for 2004 fully realised. Some 308 positions became redundant as a result of OICP, which represents an annualised R60 million saving.

A newly-established Shared Services Centre, located in the Vaal Triangle, provides transaction processing and bookkeeping for the entire company and has been rated as one of the best shared service programmes that have been implemented to date in South Africa. The programme also comprised the creation of Centres of Excellence in finance, human resources, information management, marketing, commercial and technology, which provide services, knowledge and process inputs for the entire company.

Other labour reductions on a voluntary basis resulted in 676 separation packages at a cost of R45 million, for which the annualised saving amounts to R80 million, a part of which will accrue in 2005.

Business assistance agreement (BAA) remuneration

Audited figures up to December 2004 are given below:

Period	Annualised savings Rm	Remuneration Rm
December 2002	644	
June 2003	388	613
December 2003	687	
June 2004	1 326	731
December 2004	926	
Total		1 344

The BAA, which expired on 31 December 2004, made a sterling contribution to our cost reduction programme. The total remuneration of R1 344 million paid to Mittal Steel Company compares very favourably in relation to the cumulative realised savings over the three-year period of R1 985 million. These savings are sustainable in nature.

Mittal Steel Company received R731 million, the balance of remuneration payable in terms of the BAA, for savings generated during the first half of 2004. The audited annualised cost savings for the six months ended 31 December 2004 amounted to R926 million, for which Mittal Steel Company is not entitled to further remuneration in terms of the agreement.

Management will review and recommend to the board a new contract to replace the expired one, which will be subject to approval of shareholders, other than Mittal Steel Company.

Dividend

Considering our current cash position, future capital expenditure and working capital requirements, the board has decided to distribute one third of the headline earnings adjusted for once-off charges, in line with the current dividend policy.

The board declared an interim dividend of 300 cents per share on 17 December 2004. The dividend was recorded in the 2004 financial statements together with the 12,5% secondary tax on companies thereon. Payment was made to shareholders on 10 January 2005.

A final dividend of 100 cents per share was declared by the board on 8 February 2005, covered about three times by headline earnings. The dividend will be recorded in the 2005 financial statements together with the 12,5% secondary tax on companies thereon. Payment was made on 14 March 2005 to shareholders registered on 11 March 2005.

The cash earnings per share for 2004 was R14,92. Capital expenditure amounted to R2,81 and working capital increased by R3,16 per share, which leaves R8,95 free cash per share available for distribution as dividend. The total dividend of R4 per share is about 50% of the cash earnings available per share (including STC).

Cash flow

The cash flow is summarised below:

	Year ended 31 December		Six months ended 31 December
	2004	2003	2003
	Rm	Rm	Rm
Cash profit from operations	**8 563**	4 245	2 022
Working capital	**(1 410)**	(219)	(292)
BAA remuneration	**(731)**	(613)	(613)
Cash from operations	**6 422**	3 413	1 117
Sale of assets	**14**	84	46
Capex	**(1 254)**	(1 278)	(499)
Finance costs	**36**	(43)	(9)
Taxation	**(886)**	(1 135)	(1 032)
Dividends	**(339)**	(892)	(446)
Net cash (outflow)/inflow	**3 993**	149	(823)

Cash flow from operations improved by R3 billion in 2004, mainly due to the higher operating profit, offset by higher working capital investment of R1,4 billion.

An increase in receivables of R1 128 million contributed to the higher working capital. This was due to higher price realisation, an increased percentage of domestic sales with a large collection period compared to exports, and a change in definition for accounting collections.

Inventories increased by R288 million, mainly due to higher imported coal and iron ore to ensure continuous operations and an increase in production costs in the latter part of the year.

Net financing costs improved from a cost of R43 million in 2003 to an income of R36 million as a result of the strong cash flow and a net cash surplus position.

Cash outflow for dividends in 2004 was lower, as the interim dividend declared in December 2004 was paid during January 2005.

Capital expenditure

Capital expenditure for the year was 2% lower than the previous year, details of which are given below:

	Year ended 31 December		Six months ended 31 December
	2004	2003	2003
	Rm	Rm	Rm
Value-adding capital	**342**	343	124
Replacements	**714**	751	300
Environmental	**198**	184	75
Total	**1 254**	1 278	499
Depreciation charge	**964**	920	469

We expended R1 254 million on capital projects of which 57% went towards replacements, 27% towards new value-adding projects and 16% on environmental expenditure.

Capital expenditure on replacement capital included a throat armour replacement at blast furnace C and an interim mini-reline at blast furnace D, both at Vanderbijlpark.

Expenditure on value-adding projects included the pulverised coal injection (PCI) plant at Newcastle, completion of the hot strip mill and reconfiguration of the sinter plant at Vanderbijlpark.

The environmental capital expenditure, which included the water-cleaning project at Vanderbijlpark, is *inter alia* aimed at ensuring compliance with environmental regulations.

A detailed feasibility study for the recommissioning of a 450 000 tonne coke battery at Newcastle has been completed and board approval has been given to proceed with the project at an estimated cost of R455 million. A contract for the construction of the coke oven battery has been concluded with a Chinese industrial consortium and coke production will commence by mid-2006.

We have also embarked on an expansion programme to add throughput capacity of about two million tonnes of liquid steel over the next three years. This, along with other interventions, will reduce the cost of production appreciably by 2007. Major expenditures include the addition of new DRI kilns (R1 032 million), additional sinter capacity (R460 million), the reline of blast furnaces C and D at Vanderbijlpark and other balancing facilities.

Our environmental compliance projects would cost R964 million in the next three years, which will resolve all legacy issues.

The total capital expenditure outlay for 2005 will be about R1,5 billion and will be financed by internal accruals.

Financial management

Our financial facilities available at 31 December 2004 were as follows:

	Facility Rm	Drawn Rm	Available Rm	Term Rm
Supplier loan	91	(91)		9 annual repayments
Standby facilities				
– available for conversion to term and LC facilities	1 000		1 000	12 months
– working capital lines	2 131		2 131	12 months
	3 222	(91)	3 131	
Cash balances		4 064		
Net cash balance		3 973		
Lines available			3 131	

We have a strong balance sheet with no debt and our net cash position at the end of the year was R3,9 billion, due to a strong cash flow performance from the operations. The cash position includes commitments for interim and final dividend and STC of about R2 billion and tax payments of about R0,7 billion.

We will use the retained earnings for investments, in particular our expansion programmes to increase throughput by about two million tonnes and the major blast furnace relines. We plan to meet all our investment needs from internal cash generation over the next three years.

In terms of the debt/equity structure, we strive to avoid any debt (excepting working capital funding if necessary), in order to maintain a strong balance sheet, given the cyclical nature of the steel industry and the relatively high interest rates of the local economy.

Our present policy is to hedge ourselves against foreign currency financing liabilities, if any and capital commitments.

Share performance

The average share price for the twelve months was R42,36 with a high of R68,50 during December and a low of R26,50 during January. For the previous year ended December 2003 the average was R19,48 with a high of R29,01 in December 2003 and a low of R13,75 in April 2003.

Liquidity in our shares remains high with 67% of the total issued shares being traded during the twelve months (67% during the previous twelve months ending December 2003), with an average daily value of R46 million or US$6 million (during the previous twelve months, R20 million or US$3 million).

Throughout the past twelve months Mittal Steel South Africa has been ranked in the JSE Securities Exchange's Top 40 Index in terms of both total market capitalisation and free float. Average market capitalisation for the twelve months was R18,9 billion (US$2,9 billion) and for the previous twelve months, R8,7 billion (US$1,2 billion). Our position in the Top 40 Index at 31 December 2004 was number 20 (at 31 December 2003, 28) for total market capitalisation and number 29 (previous twelve months, number 35) for free float.

During the past twelve months the share price improved by 127%, while the all share index on the JSE Securities Exchange increased by 22%.

Post-retirement benefit liabilities

Our medical aid funds are structured to exclude any employer liability for post-retirement medical benefits in respect of either existing or past employees, other than specific dispensations made for early retirees in 1991 and 1993, for which an actuarially determined liability of R19 million exists that has been fully provided for.

Our retirement benefit funds comprise a number of defined contribution funds and defined benefit funds. The latter became closed funds some time ago after the conversion by most members to the defined contribution dispensation and will accordingly phase out over time. There were only 72 contributing members to the defined benefit funds on 31 December 2004. All the funds were adequately funded at the date of the latest actuarial valuations.

Inflation accounting

Our financial statements are prepared on the historical cost basis. We do not believe it practical to draw up inflation-adjusted accounts. Steel making technology has changed significantly in recent years and is still in a process of dynamic development so that our steel making capacity will never be replaced in its present form, in terms of neither technology, geographic location nor capacity. As inflation accounting for capital-intensive businesses is directed primarily at ensuring realistic cost driven replacement provisions, it would be impractical to attempt to do this where replacement values are so nebulous.

Our financial **prosperity** is inextricably linked to the **manner** in which we care for our people, the environment and the communities in which we **operate**

Sustainability

Human Resources

Our human resource initiatives during the past year were designed and executed in order to build a solid base to support the realisation of Mittal Steel South Africa's new strategic direction in partnership with Mittal Steel Company.

Exposure to global steel industry best practices, emanating from our association with Mittal Steel Company, has brought about a need for a review and alignment of our human resource strategies. One such insight is the international cost competitiveness imperative. Our human resource initiatives are therefore geared to support the improvement of our business performance by focusing on the enhancement of operational excellence, continuous cost reduction, and the internalisation of our "one company" philosophy.

Our people and our strategic focus

We employ 11 416 people spread across three different South African geographic locations in the Western Cape, KwaZulu-Natal and Gauteng. Supervisory, specialist, and management staff comprise some 22 % of our total workforce, with bargaining unit employees making up the remaining 78 %. Some 79 % of our employees are members of the three recognised trade unions, which are Solidarity, National Union of Metalworkers of South Africa (NUMSA), and United Association of South Africa (UASA), as reflected in the table below:

Labour union	Number of employees
National Union of Metalworkers of SA	3 680
Solidarity	3 802
United Association of SA	1 280
Others	87
Total union membership	8 849
Total employees	11 416

In order to successfully compete in our markets, we must attract, develop and retain world-class skills, as well as continuously reduce the labour cost element of production. To this end, our human resource strategies focus on manpower efficiency and labour turnover, as high-level indicators of performance.

The 2004 manpower complement represents a 9 % reduction on last year. This reduction was predominantly as a result of voluntary separation and natural attrition, which together accounted for 80 % of all terminations. Vigorous vacancy management prevented the employee complement from rising to 2003 levels. Average labour turnover (excluding retrenchment severances) for all employee categories was 5,2 % for the year. Through the initiatives described above, manpower efficiency ratios have improved by 8,3 %, from a 2003 year-end figure of 1 769 to 1 623 employees per million tonnes of liquid steel produced annually for 2004.

One company philosophy

We have adopted a "one company" philosophy, which aims to break down barriers between different parts of our business and improve co-ordination and efficiency.

In this respect, we implemented two significant initiatives during the course of the year, namely the introduction of a shared services methodology and the relocation of the corporate office from Pretoria to Vanderbijlpark. These two activities have provided impetus to making our "one company" philosophy a reality.

The establishment of a shared services organisation

The successful commissioning of a shared services dispensation, which incorporates and optimises all the transactional support services and administrative disciplines (Human Resources, Finance, Information Management, Procurement and Logistics) was a major success.

The implementation of the various Centres of Expertise and the Shared Service Centre, with its emphasis on standardised work procedures and economies of scale, was completed within five months following a four-month design phase. The world average for both phases is 12 to 24 months.

The project resulted in a reduction of 308 positions, representing an annualised labour cost saving of R60 million. This contributed significantly to our improved revenue per head, which rose to just over R2 million, from R1,4 million in 2003. Our shared service structures and standardised work practices across organisational boundaries, promoted a single identity and improved integration of decision-making at all levels.

The service delivery performance of the Shared Service Centre is reviewed and measured by a panel of senior managers, including Operational General Managers, who are the main clients of the facility. The client/service provider relationship is regulated via detailed service level agreements.

The relocation of the corporate office

The relocation of the corporate office from Pretoria to Vanderbijlpark in December 2004 was another important initiative during the reporting period. It followed as a natural consequence of the implementation of the shared services structure earlier in the year. Since the majority of our functions and employees providing support services to the operating business units were already located around the Vaal Triangle, it no longer made sense for the corporate office to remain in Pretoria.

Centralising all the functions in Vanderbijlpark has improved internal synergies and operational efficiency through quicker decision-making. It has also accelerated the transition towards the "one company" philosophy between the two traditionally different cultures of the corporate office and the operating businesses.

We are already seeing an improved single-minded focus on key challenges and opportunities. Approximately 40% of the corporate office staff opted not to relocate, and took advantage of the severance package that was offered. To ensure business continuity, most of the resultant vacant positions have been offered to internal employees with relevant skills, restructured into new roles, and in some instances eliminated through rationalisation. In cases where specific skills were lost, and were not available within the business, recruitment processes have been initiated. Most of the key vacancies were filled within two months.

Organisational climate

The full integration with Mittal Steel Company brought about rapid and extensive change in our organisation. There has been an intensified focus on achieving world-class production standards. It was therefore imperative to establish an organisational climate in which employee relations were conducive to the implementation and achievement of the new business objectives. To this end, we engaged our recognised trade unions and entered into a number of groundbreaking agreements.

Long-term wage agreement

We achieved an historic three-year wage agreement (2004 – 2007) with our representative trade unions. This was a first for the company and it represented a breakthrough in employee and labour relations. The agreement was also based on the new remuneration philosophy, which was originally agreed to during 2003.

The philosophy aims to create a more flexible and competent workforce. Remuneration consists of a combination of guaranteed and variable pay. Guaranteed pay is based on the acquisition and application of defined competencies, whilst variable pay is paid monthly, and is dependent on the achievement of individual, quarterly and annual business objectives. The balance between variable and guaranteed pay was improved substantially this year, and the agreement provides for further annual improvements in this balance, dependent on business performance.

The agreement also significantly reduces the risk of annual industrial relations conflict; offers an annual CPIX related increase to guaranteed pay; and links variable pay directly to annual business and quarterly business unit performance.

The value of wealth created as a result of annual business performance is used as the basis for determining the annual increase for the variable pay element. The wealth created is derived from the company's debt and equity status at the end of each financial year, and is measured as the ratio between ROIC (return on invested capital) and WACC (weighted average cost of capital). Quarterly business unit performance and individual measures will further modify monthly variable pay to employees. The approach substantially improves "line of sight" for employees, and replaces the annual incentive bonus for the bargaining unit as of July 2004. These incentive measures are more aligned to international norms.

No forced retrenchment agreement

As a means to improving manpower efficiency ratios, we opted for voluntary separation and natural attrition, as opposed to forced retrenchment. A "no forced retrenchment" agreement, which offered employees protection from forced retrenchments until the end of December 2004, was reached with the majority of our unions. This allowed us to restructure towards improved operational flexibility and multi-functional utilisation of employees.

The main benefits of the agreement were:

- reduced risk of industrial relations conflict;
- improved flexibility to restructure operations and to re-deploy employees in order to realise efficiency and resource optimisation improvements across the business;
- an improved labour productivity ratio. A total of 676 employees opted for voluntary severance packages at a cost of R45 million, resulting in an annualised saving of R80 million;

- an improved level of employee control over their own destiny in terms of their choice to either remain in employment, or opt for a severance package; and
- an improved organisational climate as a result of the removal of the forced retrenchment threat for the duration of the agreement.

We remain committed to this approach going forward and therefore recently concluded a new two-year “no forced retrenchment” agreement with all our recognised trade unions.

Employment equity

Improvement in employment equity ratios was achieved in almost all relevant categories – top management, senior management, middle management and professionally qualified level. While targets for top management and the professionally qualified groups were achieved, only small progress was made towards achieving our 2004 employment equity targets for the senior and middle management, as well as for the skilled and specialist groups. This was largely as a result of the manpower reduction programme, which meant that external hiring was significantly curtailed and most vacant positions were scrapped.

Our performance for the year is reflected as follows:

Employment equity progress summary

Occupational level	**Dec 2004 Actual**	**Dec 2004 Target**	Dec 2003 Actual
Top management	**45%***	40%	24%
Senior management	**16%**	30%	15%
Middle management	**20%**	30%	19%
Professionally qualified	**41%**	30%	38%
Skilled & specialist	**36%**	50%	42%
Semi skilled	**83%**	70%	90%
Unskilled	**96%**	70%	97%

*This figure includes two Indian citizens

% employment equity figures include – African, Coloured, Indian, and White female employees

New initiatives to improve our employment equity (EE) performance

In order to overcome the above-mentioned constraints and ensure progress, we have approved the implementation of a number of initiatives. The following actions have been taken to build a strong pipeline, and to open up opportunities for the advancement of candidates from the designated groups:

- seventy percent of graduate-in-training positions have been reserved for candidates from designated groups as an ongoing policy;
- currently the total complement of bursary students across all study years reflects an EE profile of 67%. Candidates from designated groups will constitute 77% of the 2005 intake;
- the establishment of a “fast-track” development programme has commenced. An EE talent pool consisting of high potential candidates will be developed, under the direct supervision of the executive committee. These candidates will be developed for appointment into senior management positions; and

- at the middle management and professionally qualified levels, a number of multi-grade positions have been created in order to facilitate and accelerate the career advancement of EE incumbents. This will enable accelerated competency growth and advancement in the same position without having to wait for higher-level vacancies.

We are optimistic that the above initiatives will improve our profile at senior and middle management levels.

HIV/AIDS strategy

The voluntary HIV/AIDS test programme conducted in 2003 indicated that an average 9,3% prevalence rate exists in the company.

We have implemented a number of HIV risk management initiatives over the past three years, the strategic goal of which remains to mitigate the impact of the disease.

Our strategy focuses on HIV status awareness, education, and the prevention of infection through behaviour change. An AIDS impact study, conducted by an outside consultant, revealed that HIV could become a significant economic liability over the next 15 years.

A structured intervention programme has been embarked upon which should considerably reduce this liability. The programme includes the following:

Measuring and tracking

In line with the King II report and the JSE requirements, a reporting system is being developed to track the impact of the disease. This system is envisaged to be operational by mid-2005.

Support programme

A proposed HIV/AIDS employee support programme will be launched by April 2005. The programme will include the following:

- provision of rapid HIV test kits;
- coverage of laboratory costs to confirm the HIV status of infected employees who are not on a medical scheme, and to monitor disease activity level blood (CD 4) counts;
- Provision of dietary additives to infected employees with CD 4 counts of less than 200, and who are not on a medical scheme;
- Provision of anti-oxidant immune boosters to infected employees who are not members of medical schemes regardless of CD 4 count levels; and
- The appointment of two full-time HIV/AIDS coordinators to facilitate the referral of infected employees who are not covered by medical aid to the relevant disease management programmes and institutions.

Peer educators

A peer educator programme is being implemented, with the objective of assisting with awareness and communication in order to encourage employees to become aware of their status, encourage early disclosure, and to change high-risk behaviour.

Corporate HIV focus

A corporate HIV/AIDS policy has been established. Senior management within the Human Resources Centre of Expertise will drive the HIV programme. This body will ensure that consistency of standards and implementation is maintained throughout. It will also guide and support interventions at the business units, and report on progress and compliance to the executive committee.

Skills development

Our skills development philosophy is to continuously improve the flexibility and competence of our workforce in order to equip our employees with the capability to increasingly contribute towards business performance improvement and operational excellence.

Agreement with our representative unions was reached on a competency and capacity building programme that is based on predetermined job requirement profiles. Acquisition and application of additional competencies will lead to job enrichment and enlargement, resulting in enhanced workforce flexibility, multi-skilling and enhanced reward.

During the past year, employees were exposed to more than 46 500 training interventions which equates to more than four training interventions per employee. The total training expenditure amounted to R54 million or 2,8 % of the salary bill. These training interventions ranged from leadership to functional competency development.

Full compliance to the MERSETA skills development guidelines continues at a cost of R36,9 million (spent over the past four years) in the form of grants received for training provided to employees. This is 30 % above the maximum claimable grants amount, and is due to our optimisation of the discretional grant opportunities.

The development of skills within the company is fully aligned with the national skills development standards in South Africa and as a result, full accreditation has been received for the operating units at Vanderbijlpark, Newcastle and Saldanha. This enables us to train and assess learners in Iron & Steel Manufacturing Learnerships for the NQF levels 2 to 4.

We have been intensively involved in the establishment of learnerships within the Iron and Steel Manufacturing sub-field, and Vanderbijlpark Steel participated in a pilot project in co-operation with the MERSETA. This resulted in the successful completion of the Iron & Steel Manufacturing Learnership Programme at NQF level 2 by 20 learners. These candidates were also registered for the NQF Level 3, Iron & Steel Manufacturing Learnership. This makes us the first company in the South African steel industry to achieve this. We intend to extend this programme to our operations in Newcastle and Saldanha during 2005, and envisage increasing the number of learnerships to 50.

The scarcity of technical skills in South Africa, with its resultant risk to our company, is addressed through a bursary scheme that currently supports 400 students enrolled on formal courses for apprenticeships, learner technicians, production learners and graduate engineers. More than 75 % of students sponsored by Mittal Steel South Africa enter formal employment with the company on successful completion of their studies.

Functional literacy and numeracy is addressed via ABET (adult basic education and training) programmes at levels 1 to 4, and during the past year 288 learners successfully completed various levels. These learners now have access to improved career prospects in the company.

Active participation in industry-based policy making bodies, as well as network forums with government structures in the labour field, was maintained. We participate as an employer representative in various MERSETA structures on national and regional level. Our subject matter experts are involved in unit standards generation and qualification design processes, thus ensuring that business needs are catered for.

Talent management

Our integration with Mittal Steel Company has presented new opportunities for further development of our senior management.

A global executive development planning process has been implemented whereby high performing senior managers have been identified for periodic exposure to Mittal Steel Company's manufacturing operations around the world. Below senior management level, a similar approach has been implemented between the operational business units of Mittal Steel South Africa. A number of our managers gained additional international exposure through their participation in the annual International Iron and Steel Industry conference.

A further benefit of our new relationship with Mittal Steel Company is the structured involvement of our managers in the Mittal Steel Global Knowledge Management Programme (KMP). This programme drives and directs all major operational steel making improvement initiatives throughout the Mittal Steel group. Peer groups of managers or technicians belonging to a process or functional speciality meet once or twice a year to share their knowledge, experience and programmes. During 2004, numerous KMPs were attended by our managers at various locations around the world.

Within our business units, a large number of our managers from the supervisory to senior levels underwent formal leadership development through various programmes. These programmes were developed in partnership with the Witwatersrand School of Business. Eight senior managers are currently completing their MBAs and 38 managers and professionals attended the Management Advancement Programme at Wits Business School this year. All these programmes are company funded.

Safety, Health and Environmental (SHE) Management

Our commitment to uphold high levels of safety and occupational health standards is underscored by our objectives, to not only meet relevant legislative requirements, but to achieve world best practice norms in our safety, health and environmental (SHE) performance. In so doing, we also ensure that we maintain an equitable balance between our commercial activities and environmental sustainability.

Our SHE policy applies equally to contractors, sub-contractors and labour broker employees that provide services on our behalf.

In striving for world-class performance and making use of internationally accepted measurement standards, all our operations have achieved ISO 14001 environmental management system certification. They are also well-positioned for OHSAS 18001 safety and health management system certification by December 2005. Saldanha Steel received certification in 2002.

The NOSA integrated SHE management system has also been implemented at all our operations. Saldanha Steel excelled in its first year of participation by achieving a platinum five star rating with a score of 95%; the highest ever in the steel industry in Africa.

Saldanha Steel also won the Sector D4 (manufacturing) competition in the Western Cape. The plant's Risk Manager, Jan Ferreira, won the Group Risk Manager: Western Cape award, while Charlie Weir was awarded the SHE Representative of the year (advanced level) award and Igsaan Khan took second place in the SHE Representative of the year (elementary level) competition.

In line with accepted corporate governance norms, the board has mandated a special committee, chaired by a non-executive director, to ensure that this responsibility is completely and effectively discharged through the formulation of policy, setting of standards, monitoring of compliance and reporting on actual performance.

Safety

Even though we include contractor incidents in our safety statistics, we compare favourably with international industry standards and we rank among the country's best in terms of our safety performance.

Notwithstanding our comprehensive collective effort in aspiring for safety excellence, it is with regret that we report on two employees and three contractor fatalities at our Vanderbijlpark operation during 2004. Investigations confirmed findings by external auditors, which included commentary that our systems and procedures are well entrenched. However, non-compliance with systems and procedural requirements was found to be a major contributing factor leading to these incidents. We are in the process of developing strategies to address the lack of compliance and, to a degree, discipline.

Our disabling injury frequency rate (DIFR) per million employee man-hours worked of 4,47 during 2004 deteriorated significantly when compared to 3,31 in the previous year.

We are very concerned about the negative trend in our 2004 safety performance. In order to eliminate injuries, we have implemented additional procedures and techniques in incident and hazard analysis to better identify the root cause of accidents. In addition, senior management are personally responsible for conducting investigations of all serious incidents that occur in their area of responsibility, and for reporting the findings to the SHE committee of the board.

The safety statistics for our major operations are as follows:

Work related fatal injuries

		2004			2003			2002	
	Empl	**Contr**	**Total**	Empl	Contr	Total	Empl	Contr	Total
Vanderbijlpark Steel	2	3	**5**						
Saldanha Steel								3	3
Newcastle Steel				1		1			
Vereeniging Steel					2	2			
Coke and Chemicals								1	1
Total	**2**	**3**	**5**	1	2	3		4	4

Disabling Injury Frequency Rates

		2004			2003			2002	
	Empl	**Contr**	**Total**	Empl	Contr	Total	Empl	Contr	Total
Vanderbijlpark Steel	**5,51**	**4,66**	**5,23**	3,27	1,86	2,82	6,44	5,46	6,17
Saldanha Steel	**2,10**	**2,52**	**2,32**	0,96	3,37	2,24	3,33	7,51	5,67
Newcastle Steel	**3,92**	**2,38**	**3,67**	3,58	7,92	4,02	3,83	9,26	4,39
Vereeniging Steel	**4,81**	**0,97**	**4,08**	4,48	7,44	5,23	5,47	6,05	5,53
Coke and Chemicals	**7,22**	**2,45**	**4,51**	3,77	2,33	3,06	3,25	6,66	5,59
Total	**4,83**	**3,64**	**4,47**	3,42	2,99	3,31	5,28	6,45	5,57

Note: (1) Disabling Injury Frequency Rate calculated per million man-hours worked.
(2) Empl: Own employees Contr: Contractors
(3) Statistics have been normalised and now represent calendar years.

Although the overall company safety performance of our employees and contractors deteriorated during 2004, when compared with the excellent performance during the previous year, our Vereeniging operation experienced its best safety performance period since inception. Furthermore, in recognition of Saldanha's continued world-class performance, the plant was awarded the Mittal Steel South Africa – Best SHE management performance trophy.

Our strategy for continuous safety performance improvement is based on:

- focusing on attitudes and behaviour of all our employees;
- continuously reviewing our management systems and structures within all our operations;
- ensuring senior management visibility and involvement in safety programmes through regular participation in plant visits, inspections and investigations;
- involving all employees in our safety improvement efforts; and
- linking the accomplishment of safety targets to individual performance appraisals and bonus formulae.

Most improved safety performance

After many years of indifferent safety performance, Vereeniging Steel not only reduced its safety incidents significantly, but also operated for four months (almost 2 000 000 man hours) without a single disabling injury. Vereeniging attributes its record-breaking safety performance to a radical review of its strategy, leading to the launch of a behaviour-based safety campaign during December 2003. DuPont, the world-renowned leaders in safety management, were chosen as the experts to guide our colleagues with the implementation of this initiative.

The campaign included:

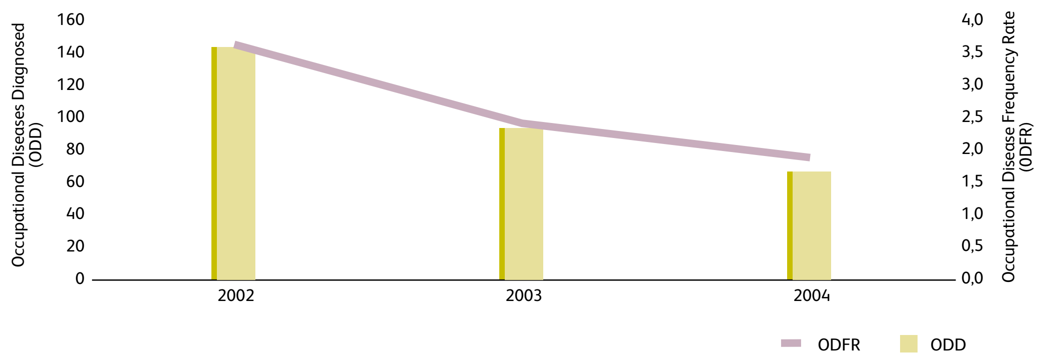
- a safety management evaluation to determine the needs to establish a world-class interdependent safety culture;
- a safety review of all current systems;
- the development of a safety performance measurement system consisting of trailing, current and leading indicators;
- establishing clear roles and responsibilities and linking specific safety indicators to management performance appraisals; and
- implementing a successful culture-change management programme.

The Vereeniging team, nevertheless, believes that they will still need to maintain the momentum and commitment created through all stakeholders for a sustainable improvement in their safety performance.

Occupational health and hygiene

Our risk-based medical surveillance and biological monitoring programmes implemented at all our operations underpin our commitment to secure the health of all our employees and contractors. Our occupational hygiene assessments indicate that noise, dust and heat contact remain our most critical and prevalent health hazards. To mitigate the risks, we regularly upgrade our plants to meet stringent hygiene standards, while ongoing communications and awareness programmes ensure the proper use of protective equipment.

The graph below illustrates the occupational diseases and frequency rate for the past three years.



OCCUPATIONAL HEALTH STATISTICS

Note: Occupational Disease Frequency Rate calculated per million man-hours worked.

To further reduce health risks and facilitate the implementation of intervention measures, hazardous chemicals and material safety data sheets are compiled at all our operations. We are also progressively substituting all hazardous materials currently in use with safer, healthier and more environmentally friendly alternative products, wherever possible.

Disability management

Our disability management guidelines have been revised to include the necessary policies and procedures to facilitate and promote the employment of disabled people. Where reasonable and practical, our buildings, including some of our operating processes, have already been adapted to accommodate specific disabilities.

Our HIV/AIDS policy is covered in the Human Resources report on pages 56 to 57.

Environment

We embrace environmental sustainability as a core business imperative by continuously improving our conservation efforts in mitigating the potential impacts of solid waste and air, water and land emissions. Our progress in this regard is confirmed by the successful ISO 14001 Environmental Management System (EMS) certification of our Coke and Chemicals operation during 2004. All our steel and coke making operations are now ISO 14001 EMS certified.

Environmental management at our operations

Saldanha Steel

In recognition of Saldanha's efforts and excellent environmental performance, which supports its status as a producer of "green steel", the plant was awarded the Mittal Steel South Africa – Best Environmental Management Performance trophy.

Stable operating conditions enabled the plant to further improve key environmental sustainability indicators per unit of product produced. The plant successfully maintained its zero effluent discharge record and its commitment to zero visible emissions.

Current environmental improvement projects:

- **Medium ore project:** The successful implementation of this project has enabled the iron-making facilities to use a smaller iron fraction, thereby reducing the amount of by-products on site by 150 000 tonnes per annum. The upgrading of the screening facility being completed this year will significantly improve the handling of iron ore fines, which will further optimise the project. This project contributed significantly to reduce the by-product generation per tonne of steel produced by 11% (from 0,98 to 0,87t/tHRC). Saldanha's by-products sold, and recycled, increased by 17% from 70% in 2003 to 82% in 2004.
- **Stockyard extension project:** Previously coke, iron ore and smaller quantities of various raw materials were stored in an area which did not conform to requirements. At a cost of approximately R6 million, this project (completed during 2004) has enabled the storing of all raw materials in compliant areas.
- **Benetech dust abatement system:** Commissioned during 2004, this has successfully assisted in reducing fugitive dust emissions from raw materials during handling. The process entails spraying the raw materials with a dust-binding agent during material transfer in various chutes.
- **Dust extraction unit for iron granulation plant:** A new dust extraction unit has been installed at this plant to eliminate visible fumes being emitted.
- **New fume booth project:** In line with our policy of continuous improvement, we have installed a new 5000t/m fume booth facility in order to lance scrap under controlled conditions. The lancing process was previously performed in the open air, resulting in visible plumes of iron oxide fumes.

Vanderbijlpark Steel

Serious incident

A serious incident occurred during July 2004. A significant amount of "Spent Pickle Liquor" was incorrectly diverted to the Central Effluent Treatment Plant (CETP). The CETP was unable to deal with the volume and some of the diluted liquor was released. The incident was fully investigated and corrective actions implemented to prevent future similar incidents.

Water licence

Vanderbijlpark Steel successfully obtained a water use licence as prescribed by the National Water Act (Act no. 36 of 1998), which is valid until the end of 2006. This is significant since Vanderbijlpark Steel was the first and remains the only organisation in the catchment area in possession of a valid licence.

Environmental performance

Major air quality improvements were achieved during the past year as a result of better practices on de-dusting equipment at all facilities.

The water quality performance recorded during the year was stable.

Current environmental improvement projects:

The following projects currently being implemented were chosen from the all encompassing environmental master plan. The latter was based on internationally recognised best practices, completed in December 2002.

- **Zero effluent discharge (main treatment plant):** Our objective for this project is to achieve zero effluent release from Vanderbijlpark by December 2005. The project entails the upgrading of the existing Central Effluent Treatment Plant (CETP), the construction of the Main Treatment Plant (MTP) and the construction of various dams. After obtaining the Environmental Impact Assessment (EIA) Record of Decision from the relevant authorities in February, construction commenced in the various areas during September 2004. The project is on target for completion during December 2005 at a cost of approximately R222 million. In addition, we continue investigations into the reclamation of salts to be generated at the Main Treatment Plant.
- **Coke plant gas and water cleaning:** Our main objective for this project is to improve the quality of the coke oven gas, whilst reducing emissions. The project consists of various upgrades in the coke plant by-products area, as well as the installation of new technology for the incineration of H_2S. The necessary authorisations were obtained during May 2004 and orders were placed for construction to commence during January 2005. The target date for completion of this project is October 2006 at a cost of approximately R310 million.
- **New sinter plant off-gas system:** The prime objective of this project is to minimise emissions from the main stack of the sinter plant. The locally-developed technology produced excellent results on a pilot plant scale. Commissioning of this project is planned for December 2007 at an estimated cost of R210 million.
- **Blast furnace D tap floor de-dusting:** Our objective for this project is to minimise emissions during tapping of liquid iron. This project is well on-track for completion during May 2005. The capital expenditure for the project is approximately R40 million.
- **Closure of the existing waste disposal site:** We have obtained a licence to operate the existing waste disposal site until 2010. Closure and rehabilitation plans for the existing site are currently being developed and an environmental impact assessment (EIA) is being done, while the licensing process for the new site is underway.

Legal actions at Vanderbijlpark Steel

The interdict action filed by a number of landholders located on the western boundary of the operation, requesting various forms of relief, was dismissed by the High Court during November 2003. The litigants then exercised their right to petition the Supreme Court of Appeal for all the judgements given in the High Court. The appeal period has lapsed and no further actions have been forthcoming. A court hearing date for a claim regarding damages filed by two other landholders on the western boundary has been set for later this year. We will respond appropriately and act responsibly.

Newcastle Steel

The overall environmental performance at Newcastle Steel during 2004 was commendable and good progress was made with the implementation of the environmental master plan.

We achieved noteworthy air quality performances at our Newcastle operation following a major repair programme to the coke ovens and the upgrading of the bag houses at the steel plant. The implementation of the water strategy progressed to the successful construction of the cold lime softening plant. This facility enables significant volumes of water from process plants to be recycled, thereby reducing the effluent released. The board subsequently approved the construction of a R50 million reverse osmosis plant, which will further enhance the water recycling initiatives. Construction of this facility will commence in February 2005.

The new solid waste disposal facility is in full operation following its successful construction during 2003.

Current environmental improvement projects:

- **Coke oven rebuild project:** An EIA was successfully completed during 2004. We have received a positive Record of Decision from the KwaZulu-Natal Department of Agriculture and Environmental Affairs for the project to proceed. The planned date for completion of this project is September 2006 at an estimated cost of R455 million.

Vereeniging Steel

The Vereeniging plant's environmental master plan was completed in 2001 and its implementation is progressing as scheduled.

The plant's environmental performance continues to improve, whilst maintaining a high level of regulatory compliance on emissions and effluents discharged.

Current environmental improvement projects:

- **Rehabilitation of the Vaal disposal site:** An EIA and a positive ROD, authorising Vereeniging Steel to proceed with the rehabilitation of the Vaal dump site was accomplished earlier in the year. We have progressed the project to its first stage of implementation that also includes the re-shaping of the slopes and grassing.
- **Rehabilitation of the Klip dump site:** Work on the "abandoned" Klip dump site has started with an objective of ascertaining the types and volumes of products on the site. We will develop detailed plans for rehabilitation once the waste characterisation of the site has been completed.
- **Storm water and process water separation:** We have concluded a study that identified areas where storm water and process water mix in the plant. Detailed designs and drawings have also been finalised, and construction has been scheduled for 2005.
- **Noise and dust study:** Fugitive dust emissions and noise at the melt shop remain a major aspect of the Vereeniging Steel operations. We are analysing the results of a study launched during 2004 and the implementation of viable solutions to the problem is scheduled for 2005.

Management of discontinued operating sites

Dunswart waste disposal site

The relocation of 710 people following the occupation of a redundant waste disposal site at the Dunswart facility in Benoni has progressed slower than anticipated. After we purchased suitable land for relocation, delays were experienced, which related to the complexities surrounding the township application and proclamation process. Nevertheless, we have completed the township site preparation, civil engineering water and power reticulation, and road network. The project is managed as a joint undertaking with the Ekurhuleni Metropolitan Council in terms of which we will contribute to the construction of formal housing structures. At the beginning of December 2004, 85 of the 219 houses built had been occupied. The relocation and transfer of all stands to the dwellers should be completed by July 2005.

Pretoria Works

A planned rehabilitation programme is underway at the downscaled Pretoria Works. The demolition of the plant and buildings is on schedule and the logistics of moving large volumes of potentially hazardous material have been completed without any environmental impact. We have completed an environmental master plan, commissioned to address the long-term prospects for the site, and the plan is currently being reviewed before negotiations commence with the relevant stakeholders.

Some noteworthy rehabilitation achievements since the major downscale of this operation in the late 1990s include:

- the recovery of 880 000 tonnes of coal ash for use as day cover of domestic waste sites;
- the recovery, grading and sale of 1 560 000 tonnes of blast furnace slag to the concrete and road building industries; and
- the recovery of 180 000 tonnes of steel from the demolition programme, as well as from old waste dumps. All steel recovered has been recycled at Vereeniging Steel.

Our commitment to sustainable development

Our sustainable development objectives are aimed at improving the quality of life for everyone, today and for generations to come. For the world steel industry it means valuing the interdependence of environmental, social and economic aspects in all decision making *(International Iron and Steel Institute – IISI)*.

Global Steel Industry Sustainability Indicators

To ensure the sustainability of our business and world-class environmental management, we participated in the working group of the IISI responsible for developing a systematic method to measure and report on sustainable development. The IISI aggregate values are for all companies that participated in the exercise irrespective of type of process used, and therefore cannot be utilised for benchmarking purposes.

Environmental sustainability indicators – summary data

Indicator	IISI Value	2003 Mittal Steel South Africa Value	Number of participating companies	**2004 Mittal Steel South Africa Value**	Units
Water consumed	n/a	3,01	n/a	2,82	*Kl/tonne crude steel produced (not an IISI indicator)*
Greenhouse gas emissions	1,6	2,17	39	2,38	tonnes of CO_2/tonne of crude steel produced
Material efficiency	96,80	75,50	39	79,13	%
Energy intensity	19	21,10	40	23,66	GJ/tonne crude steel produced
Steel recycling	42,30	11,00	39	19,00	tonnes scrap/tonnes crude steel produced
Environmental management systems	85,00	38,00	39	96,00	% production facilities EMS certified

These indicators are therefore presented as a commitment to continuous improvement rather than benchmarking our company against others.

We have also included water consumption as an indicator since water is a vital and important commodity in our country.

Although all indicators are important, we have identified the following three as critical for sustainability of our business:

- Greenhouse gas emissions, caused by direct and indirect steel manufacturing. As identified in the Kyoto Protocol, the greenhouse gases considered are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF_6).
- Material efficiency, meaning the ratio of material waste and production output. Waste includes those materials that ultimately end up in a landfill.
- Energy intensity, meaning the ratio of energy consumption and production output.

Plaas Rietkuil – sustainable land management

Following the buy-out of various areas to the west of Vanderbijlpark Steel during 1999 and 2000, objects of value have been reclaimed, houses demolished and rubble removed. The land was fenced off and management of the area was subsequently contracted out to a company specialising in land management. During 2001 and 2002, we conducted soil amelioration and a cattle and game grazing area has now been established. There are approximately 360 head of cattle and 820 head of game, consisting mainly of red hartebeest, black wildebeest, blesbok, zebras, ostriches and springbuck. Further rehabilitation work, such as the removal of weeds and added establishment of grazing, is being continued.

COLLECT-A-CAN: A world-class example for sustainable development

Our commitment to addressing sustainable development is clearly evident in the successful Collect-a-Can recovery operation. The latter was established in 1993 as a joint venture between ourselves and Nampak, with the objective of effectively facilitating the recovery of used beverage cans, although it also recovers aerosol, aluminium, food, and paint cans for recycling.

Collect-a-Can is achieving its objective of beverage cans remaining an environmentally friendly product.

Job creation and community benefits

More than 37 000 people are directly or indirectly involved in the sale of cans to Collect-a-Can. Some collectors who run small business enterprises employ as many as 65 people. Over the past 11 years more than R270 million has been paid out to these collectors.

International recognition

Not only has Collect-a-Can received local acclaim for its contribution towards sustainable livelihoods, it has also been acknowledged internationally. In July 2004, Collect-a-Can was selected as one of three South African case studies by the World Business Council for Sustainable Development for its contribution towards sustainable livelihoods. The Collect-a-Can case study has reached a wide audience via the World Business Council for Sustainable Development and the National Business Initiative communications.

Recovery rates

Collect-a-Can has recovered more than 530 000 tonnes of used steel beverage cans and 400 000 tonnes of tin bearing scrap in the past eleven years for recycling. With a used steel beverage can recovery rate of 66 %, this superb operation is well entrenched amongst world leaders in sustainable development.

Corporate Social Investment

We have, over many years, been actively involved in supporting communities, institutions and organisations as part of our social investment initiatives. Although we contribute to the social needs of communities, specifically those in areas where our operations reside, our social investment philosophy is focused on building capacity within broader society with an emphasis on education and training initiatives in mainly mathematics, science and technology disciplines.

During the reporting period, an amount of approximately R1,7 million was disbursed to general welfare projects that addressed the needs of the disabled, the terminally ill, the aged and disadvantaged communities.

We addressed unemployment through an allocation of R255 000 to a number of initiatives including the Learn to Earn project, which trains, develops and assists unemployed persons in the Western Cape in various skills, so that they may become employed, or self-supportive and financially independent.

In line with our philosophy, the major focus, however, was education and, in addition to donations of R3,3 million to universities and training institutions, we contributed some R2 million towards SciTech 2005, a science and technology festival for school-going learners.

Our total social investment commitment for the reporting period was R7,2 million, as illustrated in the table below:

Year	Educational support Rm	Community and welfare support Rm	Training facilities Rm	Research facilities Rm	Total Rm
June 1994			1,0		1,0
June 1995	2,7	0,2			2,9
June 1996	5,0	2,9			7,9
June 1997	6,0	3,3			9,3
June 1998	10,5	4,9	17,0		32,4
June 1999	8,9	2,5	30,0	50,7	92,1
June 2000	6,8	3,2			10,0
June 2001	3,2	4,7			7,9
June 2002	4,0	4,0			8,0
June 2003	1,4	0,5			1,9
December 2003	2,2	1,9			4,1
December 2004	5,5	1,7			7,2
Total	56,2	29,8	48,0	50,7	184,7

We firmly believe in partnerships, where possible, to ensure the effective utilisation of social investment funds from different sources. As such, we are proud to be a partner of the National Business Initiative with its core focus on skills, education and enterprise development.

The social problems that South Africa faces are vast and severe. As a responsible corporate citizen, we fully recognise our moral duty to do our part in addressing these issues and in making a contribution to the development of a growing economy to the advantage of all South Africans.

Black Economic Empowerment

We believe that promoting and supporting affirmative business enterprises (ABE) is essential for achieving broad-based sustainable economic growth and job creation in South Africa.

The major strategic thrust of our ABE programme is to create opportunities for access to our procurement processes, promote the development of skills levels and encourage entrepreneurial talent for historically disadvantaged South Africans.

Our contribution in this regard involves:

- working with training and development institutions in the areas where we operate:
  - the West Coast Business Development Centre;
  - Gaumac in the Vaal Triangle area; and
  - a number of business chambers in KwaZulu-Natal;
- giving preferential treatment to ABEs in line with our group-wide procurement policy;
- sensitising and communicating the ABE policy to all our employees, particularly procurement functionaries and end users;
- setting targets for respective business units and ensuring that these targets are achieved;
- monthly review sessions to track performance against targets;
- liaising with government departments, such as the Department of Trade and Industry, to ensure that Mittal Steel South Africa's policy objectives are aligned to government's empowerment objectives; and
- continuous peer benchmarking exercises to ensure innovative ways of ABE implementation.

For the year ending December 2004, we procured goods and services from ABEs to the value of R1 024 million, 137% of our target. The contribution to this expenditure comprises R728 million in commodities purchased and R296 million from logistical expenditure. All business units contributed to this excellent performance.

Business unit	ABE expenditure
Vanderbijlpark Steel	R356 million
Newcastle Steel	R131 million
Saldanha Steel	R134 million
Vereeniging Steel	R97 million
Logistical costs for all operations	R296 million
Total	R1 024 million

We are confident of systematically increasing our ABE expenditure level in the future.

The number of ABE vendors registered on our vendor data base increased by 35%, from 765 to 1 034 during the reporting period, and we are constantly in the process of identifying and developing new ABE vendors.

Vendor Days were held at Vanderbijlpark and Saldanha where our drive for ABE development was clearly stated and discussed with suppliers. More than 1 800 vendors were represented at the events.

Our ABE policy is under continual review to ensure that we remain at the forefront of proposed legislation and develop historically disadvantaged citizens in order to create a better South Africa for all.

Index to Global Reporting Initiative (GRI) Guidelines

Key factors

We have had an independent review done that measures our sustainability reporting framework against the Global Reporting Initiative (GRI) guidelines.

Detail		Reference made on page or comments
Economic performance indicators		
EC1	Net sales	Page 128
EC2	Geographic breakdown of markets	Page 26 and pages 126 to 127
EC3	Cost of all goods, materials and services purchased	Page 129
EC4	Percentage of contracts that were paid in accordance with agreed terms, excluding agreed penalty arrangements	All contracts were paid in accordance with agreed terms.
EC5	Total payroll and benefits (including wages, pension, other benefits and redundancy payments) broken down by country or region	Page 129
EC6	Distributions to providers of capital broken down by interest on debt and borrowings, and dividends on all classes of shares, with any arrears of preferred dividends to be disclosed	Page 94
EC7	Increase or decrease in retained earnings at end of period	Page 111
EC8	Total sum of taxes of all types paid broken down by country	Page 94 and page 132
EC9	Subsidies received broken down by country or region	No subsidies were received
EC10	Donations to community, civil society and other groups broken down in terms of cash and in-kind donations per type of group	Pages 68 to 69
Environmental performance indicators		Details will be included in the GRI report to be published on our website. Environmental reporting is also included on pages 59 to 67 of this report.

Detail		Reference made on page or comments
Social performance indicators: Labour practices and decent work		
LA_1	Breakdown of workforce, where possible, by region/country, status (employee/non-employee), employment type (full-time or part-time), and by employment contract (indefinite or permanent/fixed term or temporary). Also identify workforce retained in conjunction with other employers (temporary agency worker or workers in co-employment relationships), segment by region/country	Pages 126 to 127 for breakdown per segment
LA_2	Net employment creation and average turnover segmented in region/country	Page 52
LA_3	Percentage of employees represented by independent trade union organisations or other bona fide employee representatives broken down geographically or percentage of employees covered by collective bargaining agreements broken down by region/country	Page 52
LA_4	Policy and procedures involving information, consultation, negotiation with employees over changes in the reporting organisation's operations (eg restructuring)	Page 52
LA_7	Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontracted workers)	Page 60
LA_8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	Page 56
LA_{11}	Composition of senior management and corporate governance bodies (including the board of directors), including female/male ratio and other indicators of diversity as culturally appropriate	Pages 13 and 55
Social performance indicators: Society		
SO_2	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	Page 80
SO_3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions	Page 80

Corporate Governance

Corporate governance has always been an important item on the agenda of our board of directors. The board fully appreciates the growing demand for accountability, honesty and transparency in fulfilling their fiduciary duties towards shareholders and the company. Towards this end, we comply with all material aspects of the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance for South Africa 2002, as a minimum standard.

Board of directors

Composition

There were significant changes to the composition of the board during the year. In February 2004, Abe Thebyane resigned from his position as executive director. Cathie Markus was appointed to the board effective 1 January 2004 as an independent non-executive director.

On 10 September 2004, three executive directors, namely, Louis van Niekerk, chief executive officer; Malcolm Macdonald, executive director, finance and Martin van Wijngaarden, chief operating officer, resigned from the company and the board. Mr Louis van Niekerk was appointed as non-executive vice chairman and the board appointed Mr Davinder Chugh as the chief executive officer and Mr Vaidya Sethuraman as executive director, finance. Mr Juba Mashaba was appointed executive director, human resources, with effect from 1 October 2004.

In November 2004, the board extended Khaya Ngqula's appointment as chairman of the board for a further twelve-month period, as provided for in the articles of association.

In December 2004, Louis van Niekerk the non-executive vice chairman, Rick Cottrell, independent non-executive director and Cathie Markus, another independent non-executive director, resigned from the board. As of 31 December 2004, the composition of the board is made up of three independent non-executive directors, three non-executive directors representing the majority shareholder, Mittal Steel Company, and three executive directors. We are in the process of appointing one or more independent non-executive directors to fill the vacancies on the board. These appointments will be made by April 2005.

In December 2004, Annemarie van der Merwe, the company secretary resigned from her position and CLS Consulting Services (Pty) Limited was appointed to provide the company secretarial service, effective 10 December 2004 and on a temporary basis.

At 31 December 2004, the board and its committees were constituted as follows:

Board of directors

Non-executive directors

Independent	Khaya Ngqula (chairman)
	Khotso Mokhele
	Johnson Njeke
Non-independent	Aditya Mittal
	Lakshmi Mittal
	Sudhir Maheshwari
Executive directors	Davinder Chugh (chief executive officer)
	Vaidya Sethuraman (finance)
	Juba Mashaba (human resources)

Audit committee

Sudhir Maheshwari

Johnson Njeke

Human resources and nominations committee

Khotso Mokhele (chairman)

Aditya Mittal

SHE committee

Khotso Mokhele (chairman)

Additional information regarding our directors can be found on the following pages of the annual report:

- Short curriculum vitae, including age and date of appointment – pages 13 to 14
- Remuneration – pages 162 to 163
- Shareholding – pages 174 to 175

In line with good corporate governance, it remains our policy to have a greater number of non-executive directors than executive directors. With the assistance of the human resources and nominations committee, the entire board is involved in the process of nomination, selection and the appointment of directors, who are selected on the basis of their skill, acumen, experience and level of contribution to, and impact on, the activities of the company. Non-executive directors are expected to contribute an unfettered and independent view on matters considered by the board and have the benefit of significant influence in deliberations at meetings. All directors have the requisite knowledge and experience required to properly execute their duties, and all participate actively in proceedings at board meetings.

Policies and procedures

The directors have access to the advice and services of the company secretary, who plays an active role in the corporate governance of the company. They are entitled, at the company's expense, to seek independent professional advice about the affairs of the company regarding the execution of their duties, for which a formal procedure is in place.

In order to ensure that we comply with all laws and regulations, a procedure has been implemented whereby members of management are required to certify annually that applicable legislation has been complied with in their specific areas of responsibility. The company secretary is responsible to co-ordinate the process and to submit a report to the board, confirming compliance and identifying areas of non-compliance, if any.

The board regards corporate governance as a living and dynamic part of our overall operations. It has been deemed appropriate to incorporate a corporate governance checklist into quarterly meeting papers to assist directors in ensuring that all aspects of a comprehensive corporate governance process will be addressed during a twelve-month period, and to monitor the board's performance and progress in this regard.

Corporate governance has now become a standard item on the agenda of every board meeting. Sub-items include the corporate governance checklist, relevant memorandums in respect of specific corporate governance issues, copies of relevant media articles and an update on all new and amended legislation that is relevant to the business.

The dissemination of price sensitive information by public companies is becoming an increasingly sensitive issue to ensure equal treatment of all shareholders and in the interest of good governance the board approved a Disclosure of Information Policy setting out the necessary guidelines that have to be adhered to at all times in the external communication of the company's affairs.

The board charter outlines the responsibilities of the board as follows:

- To give strategic direction to the company;
- To appoint the chief executive officer and ensure proper succession planning at senior management level;
- To retain full and effective control of the company and to monitor the implementation by management of board plans and strategies;
- To ensure compliance with relevant laws, regulations and codes of business practice;
- To define levels of materiality, reserve specific powers and delegate others with written authority;
- To identify and monitor key risk areas and key performance indicators and to accept full responsibility to ensure the integrity of the risk management process and internal controls in the company;
- To communicate with shareholders and all relevant stakeholders openly and promptly;
- To identify, monitor and report on relevant non-financial matters; and
- To establish a formal, transparent and effective process for the appointment, orientation and induction of new directors, including the ongoing development and regular performance evaluation of all board members.

The charter also addresses issues such as the composition and size of the board, board procedures, matters reserved for board decision, frequency and proceedings of board meetings, directors' share dealings and declaration of directors' interests.

Meetings and related matters

The board meets regularly and retains full and effective control over our company. It monitors management in implementing board plans and strategies. The information needs of the directors are considered on an annual basis and directors are given unrestricted access to all company information, records, documents and property.

Attendance at board meetings

	2004-02-16	2004-05-27	2004-06-15*	2004-08-16	2004-09-10*	2004-09-23*	2004-10-25	2004-12-10*
*DK Chugh	√	√	T	√	√	√	√	√
RG Cottrell (1)	√	√	√	√	√	√	√	√
M Macdonald (2)	√	√	√	√				
S Maheshwari	√	X	T	T	√	T	X	T
CE Markus (3)	√	√	T	√	X	√	√	√
JJA Mashaba (4)							√	√
A Mittal	T	X	T	X	√	X	X	X
LN Mittal	T	X	T	X	√	X	X	X
KDK Mokhele	√	X	X	√	√	√	√	X
MJN Njeke	√	√	X	X	√	√	√	√
K Ngqula	√	√	√	√	√	√	√	X
V Sethuraman (5)						√	√	√
LL van Niekerk (6)	√	√	√	√	√	T	T	√
MJUT van Wijngaarden (2)	√	√	√	√	X			

(1) Resigned from board on 2004-12-10 (2) Resigned from board on 2004-09-10 (3) Resigned from board on 2004-12-28 (4) Appointed to board on 2004-10-01
(5) Appointed to board on 2004-09-10 (6) Resigned from board on 2004-12-22 X Apology T Via telephone conference facility *Unscheduled meeting

Annual financial statements

The board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and International Financial Reporting Standards (IFRS) and the responsibility of the external auditors to report on these financial statements. The board is responsible for ensuring the maintenance of adequate accounting records and effective systems of internal control. Nothing has come to the board's attention to indicate that any breakdown in the functioning of the internal controls and systems has occurred during the period under review, which could have a material impact on the business. The annual financial statements are prepared from the accounting records on the basis of the consistent use of appropriate accounting policies supported by reasonable and prudent judgements and estimates that fairly present the state of affairs of the company.

The financial statements have been prepared on a going concern basis and there is no reason to believe that we will not continue as a going concern in the next financial year.

We place strong emphasis on achieving the highest levels of financial management, accounting and reporting to stakeholders. Our accounting policies and practices also conform to International Financial Reporting Standards.

As a subsidiary of Mittal Steel, which is listed on the New York Stock Exchange, we are expected to comply fully with the requirements of Sarbanes-Oxley Act [SOX] 404 by mid 2006. SOX covers adequacy of internal controls over financial reporting and will require to be certified by the statutory auditors. SOX implementation is a major process, which will require extensive documentation of internal controls of all business processes and testing of the same by the management and will be subject to review by both internal and external audits. This will result in a significant strengthening of the corporate governance standards in financial reporting, both under IFRS and US GAAP.

Board committees

The board has appointed the committees listed below. Each committee has agreed terms of reference as approved by the board that address issues such as the committee's composition, its duties and responsibilities and its scope of authority. Membership of the various committees is indicated in the structure on page 75.

Audit committee

In December 2004 Rick Cottrell, an independent non-executive director and the chairman of the audit committee resigned from the board and we are in the process, as indicated earlier, of appointing a suitable person in this position, which will be in place by April 2005. The 2004 financial results were approved by the audit committee, with JJ Njeke chairing the committee and Sudhir Masheshwari in attendance.

The committee meets at least four times a year and is primarily responsible for assisting the board in carrying out its duties relating to accounting policies and procedures, internal controls, financial reporting practices, the relationship with the external auditors and internal audit function and the identification and monitoring of significant risks. The committee has, for the period under review, performed its duties and responsibilities in line with its formal terms of reference.

The chief executive officer, the executive director finance, senior audit partners representing the external auditors, internal audit manager and senior members of the finance department attend every meeting of the committee by invitation. The chairman of the audit committee has requested that the general manager, information management, also attend at least two committee meetings per annum.

The external and internal auditors have unrestricted access to the chairman of the committee, as well as the chairman of the board and each and every non-executive director on the board. The chairman of the audit committee meets with the manager of internal audit prior to every committee meeting to discuss the various reports to be tabled by internal audit and to identify areas of concern, if any.

Attendance at meetings of the audit committee

	2004-02-16	2004-05-27	2004-08-16	2004-10-18*	2004-10-25
RG Cottrell	√	√	√	√	√
S Maheshwari	√	X	T	T	X
MJN Njeke	√	√	X	X	√

X Apology T Via telephone conference facility * Unscheduled meeting

Human resources and nominations committee

Two meetings of the committee are scheduled annually, with ad hoc meetings convened as and when required.

The committee is primarily responsible for assisting the board on human resources and remuneration policies, succession planning and the appointment as well as terms and conditions of service of the executive directors, and other members of senior management. The terms of reference of the committee were amended to also include the responsibility for assisting the board with nominations for the appointment of non-executive directors.

The remuneration of non-executive directors is determined by the board, on recommendation of the committee, based on market norms. As previously reported, the board had agreed to an increase in the non-executive directors' fees with effect from 1 July 2004 and shareholders were requested to approve the proposed fees for the period July 2004 to December 2005. The various components of the remuneration of all directors are set out in the annual financial statements.

Attendance at meetings of the human resources and nominations committee

	2004-02-05(*)	2004-05-13	2004-08-16**	2004-09-02	2004-11-19*
KDK Mokhele	√	√	√	√	√
A Mittal#	X	X	X	X	X

X Apology
*Unscheduled meeting
**Adjourned meeting
(*)Human resources and remuneration committee meeting
#A Mittal, with the committee's consent, appointed a director of Mittal Steel Company to participate in meetings on his behalf.

Safety, health and environment (SHE) committee

The committee was constituted to assist the board with its critically important responsibilities for sound management of safety, occupational health and environmental matters. At least two committee meetings are scheduled annually and ad hoc meetings are held as and when required. Regular presentations are made to the committee on environmental matters and in the event of a fatality, where management have to provide comprehensive detail on all circumstances surrounding the incident.

Attendance at meetings of the SHE Committee

	2004-03-30	2004-07-29	2004-10-27
CE Markus	√	√	√
KDK Mokhele	√	√	√
LL van Niekerk	√	√	X

X Apology

Additional committees

Executive committee

The committee is chaired by the chief executive officer and comprises the executive directors of the company and members of the senior management team. It meets formally on a monthly basis.

The executive committee and its members are individually mandated, empowered and held accountable for implementing the strategies and key policies determined by the board; managing and monitoring the business and affairs of the organisation in accordance with approved business plans and budgets; prioritising the allocation of capital and other resources, and establishing best management and operating practices.

Capital review committee

The chief executive office, chairs the committee and its membership consists of the chief financial office, and other senior managers. The committee meets formally on a monthly basis.

The committee is responsible for reviewing all requests for capital expenditure involving amounts exceeding R10 million and for monitoring the effective functioning of the capital expenditure management process, including the post-implementation review system.

Sustainable development

The executive committee approved the following definition of sustainability as appropriate for the company: *Boosting economic viability whilst ensuring social equity and protecting ecological integrity*.

It is clear from current international trends and developments that non-financial issues – social, ethical and environmental – are no longer regarded as secondary to more conventional business imperatives. Fully recognising the need to report to all relevant stakeholders on our sustainability initiatives, our aim is to move towards reporting in accordance with the Global Reporting Initiative guidelines.

An exciting sustainability initiative of ours, in partnership with Nampak, the largest steel can manufacturer in South Africa, is the recycling efforts of Collect-a-Can (Pty) Limited. At a recovery rate of approximately 66%, Southern Africa has become a world leader in the recovery of used beverage cans. Not only does Collect-a-Can have a major positive impact on the environment through its recycling operations, but it also provide an income for thousands of collectors, thereby addressing the social element of sustainable development.

On a global level, we participate in the sustainability initiatives of the International Iron and Steel Institute (IISI), which, in August 2002, published its policy statement on sustainable development, committing its members to a number of goals in this regard.

In addition to the above, the following matters are covered extensively elsewhere in this annual report:

- Social responsibility;
- Safety, health and environmental management, policies and practices;
- Employee issues such as employment equity, the potential impact of HIV/AIDS on our activities and the development of human capital;
- Initiatives to support black economic empowerment; and
- The identification and management of risk.

Internal audit

The audit and advisory services department has made a major contribution to ensuring effective corporate governance processes. Its main areas of focus include all aspects concerning internal controls and risk management, compliance, the reliability of the financial records and the safeguarding of assets. With the active involvement and support of the audit committee, the audit and advisory services team assists the board in ensuring a sound system of risk management and internal control.

In its day-to-day operations the department enjoys the full support of the audit committee of the board, as well as the external auditors. It is fully mandated by, and accountable to, the audit committee as an independent appraisal activity for the review of all operations. The audit committee approves the internal audit work plan for the year and monitors the department's performance against the plan. The internal audit charter defines the purpose, authority and responsibility of the internal audit function.

The head of internal audit has full access to the chairman of the company, as well as the chairman of the audit committee. Internal audit activities are monitored by the external auditors, who review all internal audit reports.

Code of ethics

Our Code of Ethics addresses a number of stakeholder relationships, including our shareholders, customers, suppliers, employees and the Government. We have committed ourselves to the highest ethical standards of conduct as confirmed by our value statement. As part of our policy, no contributions are made to any political party or organisation whatsoever. The code can be viewed on our website should more detail be required.

The forensic team dealt with some cases involving fraud and dishonesty. As a result of the investigations, the employees found guilty of fraud were dismissed. Incidents of dishonesty and unethical behaviour are a reality, which we have to deal with. We are committed not to tolerate this kind of behaviour and employees are well aware that strong action will be taken against anyone found guilty in this respect. We have a fraud policy in which all of these issues are addressed. An internal fraud hotline is in place to facilitate the reporting of possible misconduct and corruption and employees are regularly encouraged to make use of this facility.

In general, the board is satisfied that the ethical standards are being met throughout the company in every material respect.

Insider trading

In line with best practice, no employee or director may deal, directly or indirectly, in Mittal Steel South Africa shares on the basis of unpublished price-sensitive information regarding the business or affairs of the company. Furthermore, no director, nor any employee who participates in the management share scheme, may trade in Mittal Steel South Africa shares during embargo periods determined by the board. These include the periods between the end of the interim and annual reporting periods and the announcement of financial and operating results for such periods.

In line with the new Listings Requirements of the JSE Securities Exchange South Africa, procedures have been put in place to ensure that no director of the company trades in the company's shares without the requisite approval.

Risk management

Risk management is addressed in the areas of general business risks, credit risks, exchange rate exposure, insurable or event risk, interest rate risk, liquidity risk and price hedging. Relevant activities are specifically addressed in the separate report on risk management.

Monitoring of the implementation of the risk management process is specifically included in the mandate of the internal audit function.

Stakeholder communication

We recognise that there are a number of parties who are affected by our operations and who have an interest in our affairs. For this reason the annual report covers a number of non-financial issues in addition to the pure financial information. The objective is to present a balanced and understandable assessment of the company's affairs to stakeholders.

Our corporate affairs department plays an important role in ensuring regular communication with shareholders and the investment community.

Our website, **www.mittalsteelsa.com** is a valuable tool in communicating with interested parties. It covers a variety of issues concerning the company and our operations. The section on corporate governance contains a number of relevant documents, including this report, the board charter, terms of reference of board committees and many others.

The annual general meeting is an ideal opportunity for shareholders to engage with the directors and the management team, and shareholders are encouraged to attend this event. The notice of the meeting can be found on pages 183 to 186 of this report and on our website.

Risk Management

The cornerstone of our risk management process is the embedded risk management culture in our day-to-day business activities, at all levels of the organisation. The board recognises that risk management is of critical importance and is fully committed to complying with the risk management requirements and mandates of the Code of Corporate Practices and Conduct of the King Report on Corporate Governance 2002 (King II). The executive committee, as mandated by the board, has established an exhaustive risk management process to identify, understand and manage the wide range of risks associated with our diverse operations.

The risk management process is managed through a system of risk management committees on different levels throughout the organisation with clear policies and guidelines on control processes across all significant risk areas.

The committees, chaired by the general manager of each operating division or functional area, meet formally on a regular basis to identify and quantify risks and establish processes to manage them where possible. Where necessary, outside experts are contracted to assist.

A senior risk officer reporting to the executive committee, which in turn reports to the board, coordinates the system. In addition, a risk committee at corporate level has been established in order to assist the risk management function.

The system ensures that:

- risk assessments are undertaken at least annually;
- a comprehensive risk profile is drawn up detailing risk assessment results;
- identified risks are ranked according to the potential impact on the company;
- effective interventions are implemented to counter the effects of identified potential losses; and
- the results of these actions are communicated to the relevant structures.

The effectiveness of the system is monitored by our internal audit department, which reports specifically in this respect to the audit committee of the board.

Apart from the register of key risks that is kept and regularly updated by the senior risk officer, the risk management system ensures that costs associated with significant loss, reconciliations between risk profile and actual losses and risk costs, material losses including reduction in earnings and cash flows, material changes to the risk profile, and details of risk finance arrangements, are captured and reported to the executive committee. A calculation of the risk bearing capacity of the company is also done on an annual basis.

During the course of the period, the board considered responsiveness to changes within the business environment and the effectiveness of the systems of control. The board is satisfied that remedial steps have been put in place to rectify all identified inadequacies and that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the company.

The significant risks are identified and managed under the following headings: business risk, credit risk, exchange rate exposure, insurable or event risk, interest rate risk, liquidity risk and price hedging.

Business risks

We have identified the following major risk exposures:

- An extended downturn in the steel price cycle;
- An extended period of domestic currency strength;
- A prolonged period of low domestic economic growth;
- Losing our position on the global cost curve; and
- Unplanned production interruptions caused by failure/breakdown of critical plant and machinery.

We manage the **price cycle** by endeavouring that all business units operate within the lowest cost quartile of world steel producers to ensure survival in the worst likely circumstances. In this regard a continuous improvement programme has been implemented focusing on ongoing cost reduction with the objective of maintaining margins in a commodity environment characterised by volatility and possible long-term declines in real price levels.

Domestic **currency strength** has an impact similar to a reduction in the steel price, although not as severe, as approximately one third of our total costs are directly linked to the exchange rate. The current appreciation of the rand has placed additional emphasis on the importance of cost reduction and has resulted in an increased focus on further cost reduction initiatives.

The inland location of our steel mills, in close proximity to our major local customers, provides us with a significant margin advantage compared to export sales. The long-term **growth rate** of the domestic economy has a major effect on operating income. The impact of the progress made on the implementation of the Government's market orientated economic policy is generally expected to usher in a period of extended economic growth in South Africa above the critical level of 2,0% a year that triggers an increase in steel demand. An extended decline in domestic demand, however, would have a significant negative impact on earnings.

Maintaining our position on the global **cost curve** is the central focus of our business strategy. Our continuous improvement programme ensures ongoing measurement of all our key performance drivers against international best-practice benchmarks coupled with follow-up actions to manage gap-closure. Our incentive remuneration policy is also directly linked to the achievement of continuous improvement objectives.

We have launched an initiative to assess the risk of **failure/breakdown of critical plant and machinery** and the preventative measures in place to minimise their impact. Internal teams' sharing experiences at all plants form the core of this initiative.

Credit risk, specifically in relation to trading and treasury aspects, is managed as follows:

- Customer receivables are controlled through setting strict credit limits based on a combination of creditworthiness assessments, credit risk insurance, confirmed letters of credit and guarantees.
- A risk committee ensures that effective credit governance is in place and reviews the credit portfolio against the group's appetite for credit risk.

- Counter-party exposures arising from money market investments, foreign currency, interest rate and base metal price hedging operations are controlled by restricting dealing only to financial institutions of high credit standing, and with the credit exposure to any one counter-party managed by setting transaction limits.

Exchange rate exposure on loans and equipment purchase commitments in foreign currencies is fully covered through foreign exchange contracts or currency swap arrangements. Hedging against fluctuations in expected net foreign currency receipts (exports less trading imports) is undertaken on a limited basis in periods of relative exchange rate stability, in line with a well-defined policy, with preset credit/exposure limits. The hedges are executed through the use of forward exchange contracts and zero cost dollar option structures, for periods up to six months. Derivatives that increase our underlying risk are avoided. At times of significant currency depreciation, the cover may be increased to benefit from the window of opportunities. The hedging and transactions are subject to strong internal controls from an independent back office.

For the year, the average rate realised on currency receipts for the period was R6,31/$ compared with the weighted average spot rate of R6,30/$, resulting in a positive impact on operating income of R4 million. The 2003 comparative rates of R7,00/$ and R6,88/$ respectively, yielded a positive pre-tax impact of R59 million.

Insurable losses, including material damage to assets and the resultant business interruption losses, are covered through policies underwritten both locally and internationally by reputable insurers. An active programme to identify potential pure risk areas, to manage the identified risks and to promote risk awareness in all operating divisions is in place. Cover is purchased on a catastrophe basis.

Interest rate risks are addressed by maintaining a mix of fixed and floating rate loan facilities. In light of our positive net cash position, no interest rate hedging existed at year-end.

Liquidity risk is addressed by maintaining a high degree of cash flow forecasting accuracy. Cash flow forecasts are stress tested and scenario analysis undertaken to determine the level of funding required or cash to be reserved to meet operational requirements. Backup facilities have been implemented to provide for 'worst case' scenarios or unforeseen circumstances. Investments and/or borrowings are structured within a maturity schedule that closely matches cash requirements.

Input price hedging is only undertaken in respect of input commodities for which an international hedging market is available. At the end of the 2004 financial year 29% of our expected base metal consumption for the next 12 months was hedged in the forward market. On 31 December 2004 these hedges realised a profit amounting to R36 million, compared with a R2,2 million loss recorded at the end of 2003.

Our **partnership** with Mittal Steel Company gives us access to **leading edge** steel research, development and technologies, ensuring we remain at the **forefront** of the global steel industry

Mittal Steel Company

Mittal Steel Company is the world's most global steel producer. Formed from the combination of Ispat International N.V. and LNM Holdings N.V., the company has operations in fourteen countries, on four continents. Mittal Steel encompasses all aspects of modern steelmaking, to produce a comprehensive portfolio of both flat and long steel products to meet a wide range of customer needs. It serves all the major steel consuming sectors, including automotive, appliance, machinery and construction.

Strategy

Mittal Steel Company's strategy is to play a leading role in the consolidation of the global steel industry and to position itself as a low cost producer of high quality steels. It has an unrivalled track record in the acquisition and rehabilitation of steel making facilities around the world.

At the core of its management philosophy is continuous improvement and the sharing of knowledge and expertise through its global Knowledge Management Programmes (KMPs), encompassing all functions, key to building superior competitive advantage and maximising performance, especially in a global market place.

Business assistance agreement (BAA)

Mittal Steel South Africa established a strategic equity partnership with Mittal Steel Company N.V. following the approval of a three-year BAA by the South African company's shareholders in January 2002.

In terms of the BAA, Mittal Steel Company undertook to:

- provide business, technical, procurement and marketing assistance to Mittal Steel South Africa;
- assist the company in attaining additional sustainable savings; and
- invest a minimum of US$75 million in market purchases of Mittal Steel South Africa shares before March 2003.

To date, Mittal Steel Company has invested over US$436 million in Mittal Steel South Africa share purchases and currently holds above 50% of its issued capital.

The BAA entitled Mittal Steel Company to two representatives on the South African company's board. In addition to this, the board agreed to a further Mittal Steel nominee. Current representatives from Mittal Steel Company are Lakshmi Mittal, chairman and chief executive officer, Aditya Mittal, president and group chief financial officer and Sudhir Maheshwari, chief financial officer, Europe and rest of the world.

Remuneration for Mittal Steel Company's business assistance was performance based, linked to a sliding scale of cost savings targets. Settlement was initially negotiated for by the issue of shares but this was amended in December 2003 to provide for settlement by way of either issue of shares or payment of cash. For purposes of remuneration, Mittal Steel South Africa shares are valued at the average twenty-day volume weighted market price prior to determination of the savings. The percentage of shares is based on our issued share capital on 5 April 2002, after the rights issue. In the event of remuneration being settled in shares, this is limited to a maximum of 4,9% of the issued capital in any twelve month period.

The sliding scale of cost savings targets and remuneration shares is as follows:

Cost savings per annum in December 2001 monetary terms Rm	Cumulative % of issued shares for determination of remuneration*
700	10
630	9
560	8
490	7
420	6
350	5
<350	0

*Calculated on issued shares on 5 April 2002 after rights issue

The savings are measured on cash costs in real terms and exclude labour cost savings and the first 1% of savings generated each year, which is for Mittal Steel South Africa's account. Savings are measured every six months in relation to the base period of July to December 2001, and must be sustained for the following six months for Mittal Steel Company to be eligible for remuneration.

The audited annualised cost savings for the six months up to 31 December 2003 of R687 million exceeded the maximum target savings by 15%, increasing further to an annualised amount of R1 326 million (132%) for the six months to 30 June 2004. This entitled Mittal Steel Company to the balance of the maximum remuneration due in terms of the BAA of R731 million.

Annualised savings realised during the six months ended 31 December 2004 increased to R926 million (170%). Savings realised were R1 985 million in the form of efficiency savings and 31% in the form of procurement savings. Although no further remuneration is due to Mittal Steel Company, services are still rendered in terms of the agreement, which will end on 30 June 2005 (including the final sustainability period of six months).

The BAA has made a significant contribution to Mittal Steel South Africa's cost reduction programme. The total remuneration of R1 344 million compares very favourably in relation to the cumulative saving realised savings over the three-year period of R1 985 million.

The BAA makes provision for renegotiation subject to approval by shareholders other than Mittal Steel Company.

Operations

Mittal Steel Company comprises the following operations:

Location/Facility	2004 shipments
Americas	12,1 million tons
Mittal Canada, Canada	
Mittal Steel Lazaro Cardenas, Mexico	
Mittal Steel Point Lisas, Trinidad	
Ispat Inland, USA	
Europe	18 million tons
Mittal Steel Zenica, Bosnia	
Mittal Steel Ostrava, Czech Republic	
Mittal Steel Gandrange, France	
Mittal Steel Hamburg, Germany	
Mittal Steel Hochfeld, Germany	
Mittal Steel Ruhrort, Germany	
Mittal Steel Skopje, Macedonia	
Mittal Steel Poland, Poland	
Mittal Steel Galati, Romania	
Mittal Steel Iasi, Romania	
Mittal Steel Hunedoara, Romania	
Mittal Steel Roman, Romania	
Rest of the World	11,9 million tons
Mittal Steel Annaba, Algeria	
Mittal Steel Temirtau, Kazakhstan	
Mittal Steel South Africa, South Africa	
Total	42,1 million tons

Prospects

In December 2004, Mittal Steel Company and US-based International Steel Group (ISG) unanimously approved a definitive agreement under which the companies will merge.

Upon completion of the ISG deal, the combined company will be the largest and most global steel company in the world with pro forma revenues in 2004 of US$30 billion and an annual production capacity of 64 million metric tonnes.

Through our **one** company philosophy, we are **breaking down** barriers to **improve** internal co-ordination and efficiency. It is **core** to our pursuit for **excellence**

Supplementary Information

Definitions

Attributable cash flow per ordinary share

Cash flow from operating activities after adjusting for minority participation therein divided by the weighted average number of ordinary shares in issue during the year.

Cash and cash equivalent

Comprise cash on hand and current accounts in bank, net of bank overdrafts together with any highly liquid investments readily convertible to known amounts of cash and not subject to significant risk of changes in value.

Cash realisation rate

Percentage of the potential cash earnings realised and is derived by attributable cash flow per ordinary share as a percentage of cash equivalent earnings per ordinary share.

Current ratio

Current assets divided by current liabilities. Current liabilities include short-term borrowings and interest free liabilities other than deferred taxation.

Dividend cover

Headline earnings per ordinary share divided by dividends per ordinary share.

Dividend yield

Dividends per ordinary share divided by the year-end share price at the JSE Securities Exchange.

Earnings per ordinary share

- **Attributable earnings basis**

  Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.
- **Cash equivalent basis**

  Earnings attributable to ordinary shareholders adjusted for non-cash items in attributable earnings and excluding equity accounted retained earnings divided by the weighted average number of ordinary shares in issue during the year.

- **Headline earnings basis**

  Earnings attributable to ordinary shareholders adjusted for profits and losses on items of a capital nature recognising the taxation and minority impacts on these adjustments divided by the weighted average number of ordinary shares in issue during the year.
- **Diluted earnings basis**

  Earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year increased by the number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Financial cost cover

Net operating profit divided by net financing costs.

Financial gearing (debt-equity ratio)

Interest-bearing debt less cash and cash equivalents as percentage of total shareholders' equity.

Headline earnings yield

Headline earnings per ordinary share divided by the year-end share price at the JSE Securities Exchange.

Invested capital

Net equity, interest-bearing debt at hedged values, non-current provisions and deferred taxation less cash and cash equivalents.

Net assets

Sum of non-current assets and current assets less all current interest-free liabilities.

Net asset turn

Revenue divided by closing net assets.

Net equity per ordinary share

Ordinary shareholders' equity divided by the number of ordinary shares in issue at the year-end.

Number of years to repay interest-bearing debt

Interest-bearing debt divided by cash flow from operating activities before dividends paid.

Operating margin

Net operating profit as a percentage of revenue.

Price-earnings ratio

The closing share price on the JSE Securities Exchange divided by earnings per ordinary share.

Return on ordinary shareholders' equity

- **Attributable earnings**

  Attributable earnings to ordinary shareholders as a percentage of average ordinary shareholders' equity.
- **Headline earnings**

  Headline earnings attributable to ordinary shareholders as a percentage of average ordinary shareholders' equity.

Return on invested capital

Net operating profit plus income from non-equity accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average invested capital.

Return on net assets

Net operating profit plus income from non-equity accounted investments plus income from investments in associates and incorporated joint ventures as a percentage of the average net assets.

Revenue per employee

Revenue divided by the average number of employees during the year.

Weighted average number of shares in issue

The number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period which they have participated in the income of the group. In the case of shares issued pursuant to a share capitalisation award in lieu of dividends, the participation of such shares is deemed to be from the date of issue.

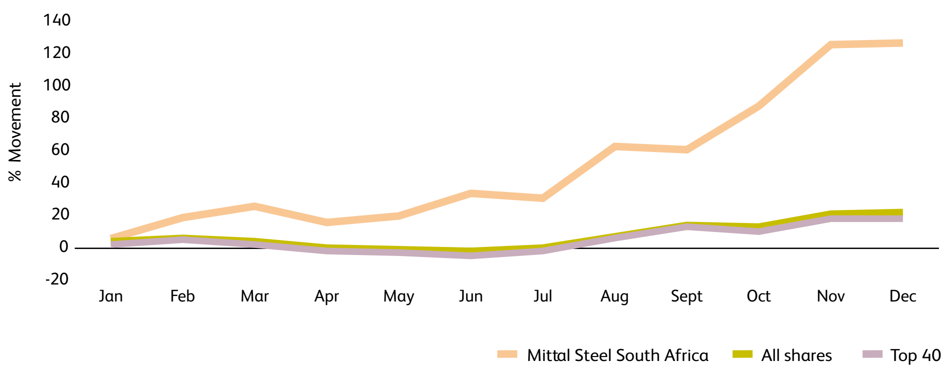
Weighted average price paid per share traded

The total value of shares traded each year divided by the total volume of shares traded for the year on the JSE Securities Exchange.

JSE Securities Exchange Statistics

	Years ended 31 Dec 2004	Six months ended 31 Dec 2003	2003	Years ended 30 June 2002	2001	2000
Number of ordinary shares traded (m)	**298**	160	353	659	205	147
Number of transactions ('000)	**50**	20	43	56	35	33
Value of ordinary shares traded (Rm)	**11 518**	3 377	7 240	7 730	3 551	2 927
% of issued shares traded (Rm)	**67**	36	79	148	79	57
Year-end market price/headline						
earnings ratio (times) – annualised	**6,4**	13,8	2,9	15,8	13,4	64,3
Headline earnings yield at year-end (%)						
– annualised	**15,6**	14,4	34,8	6,3	7,4	1,6
Dividend yield at year-end (%) – annualised	**6,1**	5,2	12,5	1,8		
Market price per ordinary share (cents)						
– year-end	**6 550**	2 880	1 600	2 200	2 900	1 155
– highest	**6 850**	2 901	2 530	3 450	3 160	2 850
– lowest	**2 650**	1 545	1 440	440	850	1 110
– weighted average price per share trade	**3 865**	2 111	2 051	1 173	1 732	1 991
Year-end market price/net equity						
per ordinary share (times)	**1,82**	0,99	0,56	0,88	1,10	0,37
Market capitalisation at year-end (Rm)	**29 197**	12 838	7 132	9 807	7 890	2 981
Iscor share price index (base: 1999 = 0)	**347**	152	85	73	97	39
JSE Actuaries index						
– Industrial (base 1999 = 0)	**149**	105	79	97	97	109

Note: 1:10 consolidation of shares at 29 November 1999. Comparative figures have been adjusted.



SHARE PERFORMANCE

Group Cash Value Added Statement

for the year ended 31 December 2004

The value added statement shows the wealth the group has created through manufacturing, trading and investment operations. The statement below summarises the total cash wealth created and how it was disbursed amongst the group's stakeholders, leaving a retained amount which was re-invested in the group for the replacement of assets and the further development of operations

	Wealth created Year ended 31 December 2004 Rm	Wealth created Six months ended 31 December 2003 Rm
Cash generated		
Cash derived from sales and services	**22 966**	9 368
Income from investments and interest received	**94**	11
Paid to suppliers for materials and services	**(13 614)**	(6 534)
Cash value added	**9 446**	2 845
Cash utilised to:		
Remunerate employees for services	**2 193**	1 220
Pay direct taxes to the state	**886**	1 032
Provide lenders with a return on borrowings	**58**	20
Business assistance agreement remuneration	**731**	613
Provide shareholders with cash dividends	**339**	446
Cash disbursed among stakeholders	**4 207**	3 331
Cash retained in the group to maintain and develop operations	**5 239**	(486)

Notes to group cash value added statement

1. Taxation contribution		
Direct taxes (as above)	**886**	1 032
Value added taxes levied on purchases of goods and services	**2 065**	885
Regional services council levies	**41**	15
Rates and taxes paid to local authorities	**21**	11
Gross contribution	**3 013**	1 943
2. Additional amounts collected by the group on behalf of the government		
Value added tax and other duties charged on turnover	**2 666**	977
Employees' tax deducted from remuneration paid	**373**	221
	3 039	1 198

Selected Group Financial Data Translated into US Dollars and Euros

for the year ended 31 December 2004

	Year ended 2004 US$ million	Six months ended 2003 US$ million	Year ended 2004 EURO million	Six months ended 2003 EURO million
Income statements				
Revenue	**3 585**	1 300	**2 889**	1 126
Operating expenses	**(2 398)**	(1 130)	**(1 932)**	(979)
Earnings before interest, taxation, depreciation and amortisation (Ebitda)	**1 187**	169	**957**	147
Depreciation	**(150)**	(66)	**(121)**	(58)
Profit from operations before impairment and goodwill movements	**1 037**	103	**836**	89
Impairment credit/(charged)	**78**		**63**	
Goodwill impairment	**(3)**	(2)	**(3)**	(1)
Profit from operations	**1 112**	101	**896**	88
Net financing costs	**(21)**	(10)	**(17)**	(8)
Net profit from equity accounted investments	**54**	12	**43**	11
Exceptional items		2		1
Profit before taxation	**1 145**	106	**923**	91
Taxation	**(386)**	(40)	**(311)**	(34)
Profit from ordinary activities	**758**	66	**611**	57
Minority interest	**(1)**		**(1)**	
Net profit attributable to ordinary shareholders	**758**	66	**610**	57
Attributable earnings per share	**170**	15	**137**	13
Headline earnings per share	**158**	15	**128**	13
Balance sheet				
Assets				
Non-current assets				
Property, plant and equipment	**2 309**	1 857	**1 688**	1 477
Intangible assets	**5**	5	**4**	4
Goodwill	**2**	5	**1**	4
Investments in joint ventures	**106**	64	**78**	51
Other financial assets	**91**	57	**67**	45
Current assets				
Cash and cash equivalents	**726**	168	**531**	134
Other	**998**	667	**729**	531
Total assets	**4 237**	2 823	**3 098**	2 246

Selected Group Financial Data Translated into US Dollars and Euros

for the year ended 31 December 2004

	Year ended 2004 US$ million	Six months ended 2003 US$ million	Year ended 2004 EURO million	Six months ended 2003 EURO million
Balance sheet				
Equity and liabilities				
Shareholders' funds	**2 864**	1 971	**2 094**	1 568
Minority interest	**1**	1	**1**	1
Non-current liabilities				
Interest-bearing borrowings	**14**	14	**11**	11
Other	**519**	335	**380**	267
Current liabilities				
Interest-bearing borrowings	**2**	150	**1**	119
Other	**836**	351	**611**	280
Total equity and liabilities	**4 237**	2 823	**3 098**	2 246
Net cash	**709**	4	**519**	3
Cash flow statement				
Cash inflows from operating activities	**815**	(69)	**657**	(60)
Cash outflows from investing activities	**(194)**	(48)	**(156)**	(41)
Cash outflows from financing activities	**(161)**	153	**(130)**	132
Increase in cash and cash equivalents	**460**	36	**371**	31
Exchange rate translation adjustment	**94**	11		(2)
Cash and cash equivalents at beginning of period	**172**	121	**139**	105
Cash and cash equivalents at end of period	**726**	168	**509**	134

The group statements on these pages have been expressed in US$ and EUROS for information purposes. The average R/US$ and R/EURO rate for the year has been used to translate the income and cash flow statements, while the balance sheet has been translated at the closing rate at the last day of the reporting period.

R=US$ at end of year	**5,60**	6,58		
R=US$ average for year	**6,43**	7,06		
R=EURO at end of year			**7,66**	8,27
R=EURO average for year			**7,98**	8,15

Comparative Income Statements

for the year ended 31 December 2004

	Year ended 31 December 2004 Audited Rm	31 December 2003 Audited Rm
Revenue	**23 053**	18 487
Operating expenses	**(15 419)**	(15 126)
Earnings before interest, taxation, depreciation and amortisation (Ebitda)	**7 634**	3 361
Depreciation	**(964)**	(920)
Amortisation of intangible assets	**(2)**	(2)
Profit from operations before impairment and goodwill movements	**6 668**	2 439
Goodwill impairment	**(21)**	(32)
Impairment credit/(charge)	**502**	(13)
Profit from operations	**7 149**	2 394
Net financing costs	**(134)**	(128)
Net profit from equity accounted investments before taxation	**347**	140
Exceptionals		38
Profit before taxation	**7 362**	2 444
Taxation	**(2 485)**	(840)
Profit from ordinary activities	**4 877**	1 604
Minority interest	**(6)**	(2)
Profit attributable to ordinary shareholders	**4 871**	1 602

Additional information

Profit attributable to ordinary shareholders	**4 871**	1 602
Adjusted for:		
– Goodwill impairment	**21**	32
– Impairment (credit)/charge	**(502)**	13
– Exceptionals		(38)
– Taxation on adjustments	**151**	(4)
Headline earnings	**4 541**	1 605
Performance per ordinary share		
Attributable earnings per share (cents)		
– basic	**1 093**	359
– diluted	**1 093**	358
Headline earnings per share (cents)		
– basic	**1 019**	360
– diluted	**1 016**	359
Dividend per share (cents)		
– interim	**300**	100
– final	**100**	75

Comparative Group Balance Sheet

as at 31 December 2004

	As at 31 December 2004 Audited Rm	As at 31 December 2003 Audited Rm
Assets		
Non-current assets	**14 079**	13 076
Property, plant and equipment	**12 930**	12 218
Intangible assets	**30**	32
Goodwill	**11**	32
Investments in joint ventures – unlisted	**596**	418
Other financial assets	**512**	376
Current assets	**9 650**	5 498
Cash and cash equivalents	**4 064**	1 107
Inventories	**3 105**	2 817
Trade and other receivables	**2 481**	1 507
Taxation		67
Total assets	**23 729**	18 574
Equity and liabilities		
Capital and reserves		
Ordinary shareholders' equity	**16 040**	12 971
Minority interest	**7**	5
Total equity	**16 047**	12 976
Non-current liabilities	**2 990**	2 298
Interest-bearing borrowings	**81**	92
Non-current provisions	**1 188**	1 062
Provision for post-retirement medical costs	**13**	22
Deferred taxation	**1 708**	1 122
Current liabilities	**4 692**	3 300
Trade and other payables	**2 305**	2 074
Interest-bearing borrowings	**10**	988
Taxation	**857**	
Current provisions	**183**	238
Shareholders for dividend	**1 337**	
Total equity and liabilities	**23 729**	18 574
Net cash	**3 973**	27

Comparative Cash Flow Statements

for the year ended 31 December 2004

	Year ended 31 Dec Audited Rm	Year ended 31 Dec Audited Rm
Cash inflows from operating activities	**5 239**	1 397
Cash retained from operations	**6 422**	3 460
Before BAA remuneration	**7 153**	4 073
BAA remuneration	**(731)**	(613)
Income from equity accounted investments	**6**	7
Net financing costs	**36**	(43)
Dividend paid	**(339)**	(892)
Taxation paid	**(886)**	(1 135)
Cash outflows from investing activities	**(1 246)**	(1 248)
Capital expenditure	**(1 254)**	(1 278)
Proceeds from disposals of property, plant and equipment	**14**	84
Investment in other non-current assets	**(5)**	
Foreign currency translations	**(1)**	(54)
Normal net cash inflow	**3 993**	149
Cash (outflows) from financing activities	**(1 036)**	(91)
Increase in cash and cash equivalents	**2 957**	58
Cash and cash equivalents at beginning of period	**1 107**	1 049
Cash and cash equivalents at end of period	**4 064**	1 107

Reconciliation of Shareholders' Equity and Earnings between IFRS and US GAAP

	Year ended December 2004 Rm	Six months ended December 2003 Rm
Net profit attributable to ordinary shareholders		
Balance as reported under IFRS	**4 871**	463
US GAAP adjustments	**372**	8
Depreciation	**179**	48
Reversal of impairment of assets – Saldanha Steel	**(502)**	
Interest on Saldanha Steel Investment	**(3)**	(4)
Exchange differences capitalised	**(5)**	5
Share options	**(46)**	(28)
Reversal of valuation allowance	**651**	
Taxation effect	**98**	(13)
Adjusted balance under US GAAP	**5 243**	471
Shareholders' equity		
Balance as reported under IFRS	**16 040**	12 956
US GAAP adjustments	**(1 884)**	(2 352)
Impairment of assets – Saldanha Steel	**1 500**	1 500
Depreciation	**341**	145
Interest on Saldanha Steel Investment	**143**	163
Revaluation of mineral rights	**(169)**	(169)
Exchange differences capitalised	**(179)**	(190)
Negative goodwill	**(2 585)**	(2 585)
Gains on instruments for property, plant and equipment	**62**	28
Change in accounting policy	**(126)**	(126)
Reversal of impairment of assets – Saldanha Steel	**(1 500)**	(998)
Reversal of valuation allowance	**651**	
Taxation effect	**(22)**	(120)
Adjusted balance under US GAAP	**14 156**	10 604

Our **world class** operations produce **high quality** steel products that provide foundations for secure environments

Directors' Responsibility for Financial Reporting

To the members of Mittal Steel South Africa Limited

The directors of the company are responsible for the preparation of the financial statements of the company and group and to maintain a sound system of internal control to safeguard the group's assets. In presenting the accompanying financial statements, South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards have been followed, applicable accounting policies have been used and prudent judgements and estimates have been made.

In order for the directors to discharge their responsibilities, management has developed and continues to maintain a system of internal control aimed at reducing the risk of error or loss in a cost-effective manner. Such systems can provide reasonable but not absolute assurance against material misstatement or loss. The directors, primarily through the audit committee which consists of non-executive directors, meet periodically with the external and internal auditors, as well as executive management to evaluate matters concerning accounting policies, internal control, auditing and financial reporting. The group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the external auditors. The external auditors are responsible for reporting on the financial statements. The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee. The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review.

The directors are of the opinion, based on the information and explanations given by management and the internal auditors, and on comment by the external auditors on the results of their audit conducted for the purpose of expressing their opinion, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities.

As the directors have reviewed the group's financial budgets for the year to 31 December 2005 and in the light of the current financial position and existing borrowing facilities, they considered it appropriate that the financial statements be prepared on the going-concern basis.

The external auditors have audited the financial statements of the company and group and their unqualified report appears on page 103.

Against this background the directors of the company accept responsibility for the financial statements for the year ended 31 December 2004, which were approved by the board of directors on 8 February 2005 and are signed on its behalf by:

Vaidya Sethuraman

DK Chugh
Chief Executive Officer

V Sethuraman
Executive Director, Finance

Report of the Independent Auditors

To the members of Mittal Steel South Africa Limited

We have audited the financial statements and the group financial statements of Mittal Steel South Africa Limited set out on pages 104 to 179 for the year ended 31 December 2004. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group at 31 December 2004 and the results of their operations, and cash flows and changes in equity for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa.

KPMG Inc.

KPMG Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors

Pretoria
8 February 2005

Certificate by Company Secretary

In terms of the Companies Act 1973, I, JC Smit on behalf of CLS Consulting Services (Proprietary) Limited, in the capacity as company secretary, confirm that for the year ended 31 December 2004, the company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date.

JC Smit
Company Secretary

Report of the Directors

The directors have pleasure in presenting the financial statements for Mittal Steel South Africa Limited and the group for the year ended 31 December 2004. The decision in 2003 to change our financial year-end from 30 June to 31 December was made to fall in line with the year-end of our major shareholder, the Mittal Steel Group. Consequently the comparative amounts for the income statement, changes in equity, cash flows and related notes are for the six months and are not comparable in the financial statements.

Nature of business

Mittal Steel South Africa, incorporated in South Africa, is the leading steel producer on the African continent, producing long and flat steel products and beneficiating its by-products.

Name change

On 17 August 2004 Iscor Limited changed its name to Ispat Iscor Limited.

Corporate governance

The board of Mittal Steel South Africa endorses the Code of Corporate Practice and Conduct as set out in the King II Report on Corporate Governance and has satisfied itself that Mittal Steel South Africa has complied throughout the period with the King II Code. A detailed report can be found on page 74.

Activities and financial results

	Year ended 31 December 2004 Audited	Year ended 31 December 2003 Audited	Six months ended 31 December 2003 Audited
Attributable earnings (Rm)	**4 871**	1 602	463
Headline earnings (Rm)	**4 541**	1 605	462
Attributable earnings per share (cents)	**1 093**	359	104
Headline earnings per share (cents)	**1 019**	360	104
Net asset value (Rm)	**16 040**	12 971	12 971
Net asset value per share (cents)	**3 598**	2 910	2 910

Detailed reports on the activities and performance of the group and the various divisions of the group are contained in the reports on pages 28 to 39.

Change in accounting policy and early adoption of International Financial Reporting Standards (IFRS)

The principal accounting policies are consistent with those applied in the previous period, except for the following:

- 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; and
- the accounting treatment for negative goodwill arising on the acquisition of the remaining 50% of Saldanha Steel was re-examined. It has now been established that the original interpretation of IAS22 in 2002 for the treatment of negative goodwill was not in line with the preferred interpretation at that time. Accordingly, negative goodwill should have been amortised over the life of the Saldanha Steel plant.

This change in interpretation has been corrected retrospectively.

- the group early adopted the following IFRS's:
  - IFRS2 Share Based Payments
  - IFRS3 Business Contracts
  - IFRS4 Insurance Contracts
  - IFRS5 Non-current Assets Held for Sale and Discontinued Operations
  - IAS36 (Revised) Impairment of Assets
  - IAS38 (Revised) Intangible Assets

Dividends

The board declared an interim dividend of 300 cents per share on 17 December 2004 payable on 10 January 2005.

The board has decided to declare a final dividend of 100 cents per share for the financial year ended 31 December 2004, payable to shareholders registered at close of business on 11 March 2005. Dividends will be paid on or about 14 March 2005.

Property, plant and equipment

Capital expenditure for the year amounted to R1 254 million (six months to December 2003: R499 million). Details are contained in the divisional reports.

Shareholders' resolutions

***At the sixteenth annual general meeting of shareholders, held on 27 May 2004, the following resolutions were passed:**

Ordinary resolution

- to place the unissued ordinary shares in the capital of the company under the control of the directors and to renew the authority of the directors to allot and issue any of the unissued shares of the company on such terms and conditions as they may deem fit, subject to the Companies Act, 1973 and the requirements of the JSE Securities Exchange South Africa;
- to authorise the directors to allot and issue unissued ordinary shares of the company for cash on such terms and conditions as they may deem fit, subject to the Companies Act, 1973 and the requirements of the JSE Securities Exchange South Africa; and
- that in terms of the authority granted in the articles of association of the company and/or any subsidiary of the company, the company and/or its subsidiaries be and are hereby authorised, by way of a general approval, to acquire the company's own ordinary shares ("shares"), upon such terms and conditions and in such amounts as the directors of the company (and, in the case of an acquisition by a subsidiary(ies), the directors of the subsidiary(ies)), may from time to time decide but subject to the provisions of the Act and the Listings Requirements of the JSE and any other stock exchange upon which the shares of the company may be quoted or listed.

***At a special meeting of shareholders, held on 17 August 2004, the following resolution was passed:**

- That the name of the company be changed from South African Iron and Steel Industrial Corporation Limited to Ispat Iscor Limited or to such other similar name as may be approved by the Companies and Intellectual Property Registration Office and that is acceptable to the board of directors of the company, with effect from Tuesday, 17 August 2004.

Stated capital

Authorised

The authorised capital of 1 200 000 000 ordinary shares remained unchanged during the year.

Issued

The total number of ordinary shares in issue remained the same during the year at 445 752 132 shares.

Shareholders

The issued shares of the company are held widely by the public. An analysis of shareholders and shareholdings appears on page 180. On 8 June 2004 LNM Holdings N.V. increased its shareholding to above 50%.

Investments and subsidiaries

The financial information in respect of interests in subsidiaries and joint ventures of the company is disclosed in Annexures 1 and 2 to the financial statements. Shareholders are also referred to the report of the chairman and chief executive officer and the finance report.

On 20 October 2004 Mittal Steel South Africa obtained a 50% share in Pietersburg Iron Ore Company (Pty) Limited, a company owning iron ore mineral rights. In line with the adopted accounting policy the group equity accounts this investment.

Borrowing powers

The borrowing powers of the company are limited to total equity.

Directorate and shareholding

The names of the directors in office and serving on the various committees of the board at the date of this report are set out on page 75.

The following changes occurred to the board:

- DK Chugh was appointed as chief executive officer on 10 September 2004
- CE Markus was appointed from 1 January 2004 and resigned with effect from 28 December 2004
- AM Thebyane resigned with effect from 12 February 2004
- M Macdonald resigned with effect from 10 September 2004
- MJUT van Wijngaarden resigned with effect from 10 September 2004
- LL van Niekerk resigned and was appointed as deputy chairman on 10 September 2004. He resigned as deputy chairman with effect from 22 December 2004
- V Sethuraman was appointed from 10 September 2004
- JJA Mashaba was appointed from 1 October 2004
- R Cottrell resigned with effect from 10 December 2004

Both executive and non-executive directors are subject to retirement by rotation. The newly appointed executive directors will retire by rotation at the forthcoming general meeting of shareholders and, being eligible for re-election, have offered themselves for re-election. They are JJA Mashaba and V Sethuraman. In addition, the following non-executive directors will retire by rotation and, being eligible for re-election, have offered themselves for re-election: LN Mittal and MJN Njeke.

The details of the direct and indirect interests of directors in the shares of the company are set out in note 31.3 to the financial statements.

Subsequent events

The directors are not aware of any matter or circumstance arising since the end of the financial year, not dealt with in this report or in the group financial statements that would significantly affect the operations or the results of the group.

Auditors

The auditors of the company, KPMG Inc. will continue in office in accordance with section 270(2) of the Companies Act, 1973.

Secretary

The secretary of the company is CLS Consulting Services (Proprietary) Limited. Its business and postal addresses appear on page 181.

Income Statements

for the year ended 31 December 2004

	Notes	GROUP Year ended 31 Dec 2004 Rm	GROUP Six months ended 31 Dec 2003 Rm	COMPANY Year ended 31 Dec 2004 Rm	COMPANY Six months ended 31 Dec 2003 Rm
Revenue	3	**23 053**	9 175	**20 216**	8 053
Operating expenses	4	**(15 419)**	(7 980)	**(13 911)**	(7 052)
Earnings before interest, taxation, depreciation and amortisation (Ebitda)		**7 634**	1 195	**6 305**	1 001
Depreciation	4	**(964)**	(469)	**(654)**	(311)
Amortisation of intangible assets	4	**(2)**	(1)		
Profit from operations before impairment and goodwill movements		**6 668**	725	**5 651**	690
Impairment reversal	8	**502**		**1 011**	
Goodwill impairment	14	**(21)**	(11)		
Profit from operations		**7 149**	714	**6 662**	690
Net financing costs	5	**(134)**	(69)	**(133)**	(78)
– Net interest received		**99**	31	**93**	44
– Net financing cost		**(233)**	(100)	**(226)**	(122)
Income from investments	6			**10**	74
Net profit from equity accounted investments	15	**347**	88		
Exceptional items	7		12		
Profit before taxation		**7 362**	745	**6 539**	686
Taxation	9	**(2 485)**	(279)	**(1 937)**	(249)
Profit from ordinary activities		**4 877**	466	**4 602**	437
Minority interest		**(6)**	(3)		
Net profit attributable to ordinary shareholders		**4 871**	463	**4 602**	437
Additional information					
Profit attributable to ordinary shareholders		**4 871**	463		
Adjusted for:					
– Exceptional items	7		(12)		
– Goodwill impairment	14	**21**	11		
– Impairment reversal	8	**(502)**			
Taxation on adjustments		**151**			
Headline earnings		**4 541**	462		
Attributable earnings per share (cents)	10				
– basic		**1 093**	104		
– diluted		**1 090**	103		
Headline earnings per share (cents)	10				
– basic		**1 019**	104		
– diluted		**1 016**	103		
Dividend per share (cents)	11				
– interim		**300**			
– final (declared after balance sheet date)		**100**	75		

Balance Sheets

as at 31 December 2004

	Notes	GROUP 2004 Rm	GROUP 2003 Rm	COMPANY 2004 Rm	COMPANY 2003 Rm
Assets					
Non-current assets					
Property, plant and equipment	12	**12 930**	12 218	**6 588**	6 166
Intangible assets	13	**30**	32		
Goodwill	14	**11**	32		
Investments in joint ventures	15	**596**	418	**30**	24
Investments in subsidiaries	16			**6 089**	6 105
Financial assets	17	**512**	376	**536**	343
Total non-current assets		**14 079**	13 076	**13 243**	12 638
Current assets					
Inventories	18	**3 105**	2 817	**2 724**	2 526
Trade and other receivables	19	**2 481**	1 507	**2 107**	1 266
Taxation			67		73
Cash and cash equivalents		**4 064**	1 107	**3 814**	920
Total current assets		**9 650**	5 498	**8 645**	4 785
Total assets		**23 729**	18 574	**21 888**	17 423
Equity and liabilities					
Capital and reserves					
Stated capital	20	**6 389**	6 389	**6 389**	6 389
Non-distributable reserves		**306**	186	**10**	10
Retained income		**9 345**	6 396	**9 092**	6 162
Total shareholders' equity		**16 040**	12 971	**15 491**	12 561
Minority interest		**7**	5		
Non-current liabilities					
Interest-bearing borrowings	21	**81**	92		
Non-current provisions	22	**1 201**	1 084	**1 192**	1 075
Deferred taxation	23	**1 708**	1 122	**1 019**	854
Total non-current liabilities		**2 990**	2 298	**2 211**	1 929
Current liabilities					
Trade and other payables	24	**2 305**	2 074	**1 844**	1 717
Interest-bearing borrowings	21	**10**	988		978
Current provisions	22	**183**	238	**183**	238
Shareholders for dividend		**1 337**		**1 337**	
Taxation		**857**		**822**	
Total current liabilities		**4 692**	3 300	**4 186**	2 933
Total equity and liabilities		**23 729**	18 574	**21 888**	17 423
Net cash		**3 973**	27		

Cash Flow Statements

for the year ended 31 December 2004

	Notes	GROUP Year ended 31 Dec 2004 Rm	GROUP Six months ended 31 Dec 2003 Rm	COMPANY Year ended 31 Dec 2004 Rm	COMPANY Six months ended 31 Dec 2003 Rm
Cash flows from operating activities					
Cash retained from operations	25.1	**6 422**	999	**5 156**	863
Income from equity accounted investments	25.2	**6**	2	**6**	2
Income from investments				**4**	72
Net financing costs	25.3	**36**	(9)	**37**	(25)
Dividends paid	25.4	**(339)**	(446)	**(335)**	(446)
Normal taxation	25.5	**(886)**	(1 032)	**(877)**	(1 030)
		5 239	(486)	**3 991**	(564)
Cash flows from investing activities					
Investment to maintain operations	25.6	**(1 001)**	(362)	**(935)**	(342)
Investment to expand operations	25.7	**(253)**	(137)	**(214)**	(115)
Proceeds from disposal of property, plant and equipment		**14**	46	**2**	16
Investment in other non-current assets	25.8	**(5)**		**(5)**	
Foreign currency translations		**(1)**	116	**1**	38
		(1 246)	(337)	**(1 151)**	(403)
Net cash inflow/(outflow)		**3 993**	(823)	**2 840**	(967)
Cash flows from financing activities					
Non-current interest-bearing borrowings repaid		**(11)**			
Current interest-bearing borrowings (repaid)/raised		**(978)**	978	**(978)**	978
Decrease in loans to subsidiaries				**1 032**	74
(Decrease)/increase in reserves of Management Share Trust		**(47)**	100		100
		(1 036)	1 078	**54**	1 152
Net increase in cash and cash equivalents		**2 957**	255	**2 894**	185
Cash and cash equivalents at beginning of period		**1 107**	852	**920**	735
Cash and cash equivalents at end of period		**4 064**	1 107	**3 814**	920

Group Statement of Changes in Equity

for the year ended 31 December 2004

	Non-distributable reserves					
	Stated capital Rm	Attributable reserves of equity accounted investments Rm	Foreign currency translation Rm	Other non-distributable reserves[1] Rm	Retained income Rm	Total Rm
Balance at 1 July 2003	6 289	143	(20)	57	6 444	**12 913**
As previously stated	6 289	143	(20)	(41)	6 444	**12 815**
Change in accounting policy				98		**98**
– consolidated treasury shares				(2)		**(2)**
– consolidated management share trust reserves				100		**100**
– change in interpretation on negative goodwill				(2 585)		**(2 585)**
– adoption of IFRS3				2 585		**2 585**
Net gains/(losses) not recognised in income statement	100	(18)	(11)	(30)		**41**
Distribution from management share trust	100					**100**
Management share trust loss				(83)		**(83)**
Currency translation differences		(18)	(11)	1		**(28)**
Share of joint ventures' revaluation reserve				(2)		**(2)**
Share of joint ventures' hedging reserve				10		**10**
Financial instruments fair value movements recognised in equity				44		**44**
Net profit					463	**463**
Dividend paid					(446)	**(446)**
Transfer of equity accounted earnings		65			(65)	
Balance at 31 December 2003	6 389	190	(31)	27	6 396	**12 971**
Net gains/(losses) not recognised in income statement			(83)	(47)		**(130)**
Management share trust loss				(45)		**(45)**
Cost of share options in terms of IFRS2				(2)		**(2)**
Currency translation differences			(83)	2		**(81)**
Financial instruments fair value movements recognised in equity				(2)		**(2)**
Net profit					4 871	**4 871**
Dividend					(1 672)	**(1 672)**
Transfer movement of insurance reserve				(2)	2	
Transfer of equity accounted earnings		252			(252)	
Balance at 31 December 2004	**6 389**	**442**	**(114)**	**(22)**	**9 345**	**16 040**

[1] Other non-distributable reserves comprise: financial instruments revaluation reserve R12 million loss (December 2003: R10 million loss), comprising R36 million loss (December 2003: R39 million loss) on foreign currency, R24 million gain (December 2003: R29 million gain) on price hedging (note 26), capital redemption reserve R23 million (December 2003: R23 million), insurance reserve R1 million (December 2003: R3 million), joint ventures hedging reserves Rnil (December 2003: R2 million loss), joint ventures revaluation reserve Rnil (December 2003: R2 million profit), management share trust R30 million (December 2003: R15 million) and the share-based payments reserve of R2 million.

Company Statement of Changes in Equity

for the year ended 31 December 2004

	Stated capital Rm	Non-distributable reserves Other non-distributable reserves[1] Rm	Retained income Rm	Total Rm
Balance at 1 July 2003	6 289	(34)	6 171	**12 426**
Net gains not recognised in income statement	100	44		**144**
Distribution from management share trust	100			**100**
Financial instruments fair value movements recognised in equity		44		**44**
Net profit			437	**437**
Dividend paid			(446)	**(446)**
Balance at 31 December 2003	6 389	10	6 162	**12 561**
Net gains not recognised in income statement				
Cost of share options in terms of IFRS2		2		**2**
Financial instruments fair value movements recognised in equity		(2)		**(2)**
Net profit			4 602	**4 602**
Dividend			(1 672)	**(1 672)**
Balance at 31 December 2004	**6 389**	**10**	**9 092**	**15 491**

[1] Non-distributable reserves comprise: financial instruments revaluation reserve R15 million loss (December 2003: R13 million loss), capital redemption reserve R23 million (December 2003: R23 million) and share-based payments reserve R2 million.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the group.

Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments where the hedged transaction has not yet occurred.

Capital redemption reserve

The capital redemption reserve was created following the odd-lot buyback of shares during the year ended 30 June 2000.

Insurance reserve

The insurance reserve represents the unrealised portion of commission receivable from re-insurers.

Management share trust reserve

The management share trust reserve represents the accumulated losses of the equity-settled share-based compensation plan for senior management and executive directors.

Share based payments reserve

The share based payments reserve represents the valuation of share options in terms of IFRS2.

Notes to the Financial Statements

for the year ended 31 December 2004

1. Accounting policies

Principal accounting policies

The principal accounting policies of the group and the disclosures made in the financial statements conform with South African Statements of Generally Accepted Accounting Practice and comply with International Financial Reporting Standards (IFRS) effective for the group's financial period. The principal policies are consistent with those applied in the previous periods unless otherwise stated.

The financial statements are presented in South African rand, rounded to the nearest million and prepared on the historical basis modified by the restatement of some financial instruments to fair value.

Policy change

The Iscor Management Share Trust is now consolidated. 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 year is Rnil. Where appropriate comparative figures have been restated.

The accounting treatment for negative goodwill arising on the remaining 50% of Saldanha Steel was re-examined. The original interpretation of IAS 22 in 2002 for treatment of negative goodwill was not in line with the preferred interpretation at that time. Accordingly negative goodwill should have been amortised over the life of the Saldanha Steel plant. This change in interpretation was corrected retrospectively. The early adoption of IFRS 3 and this change in interpretation (which was corrected retrospectively) had an offsetting effect.

Early adoption of standards

In 2004, the group early adopted the following IFRSs, which are relevant to its operations. The 2003 accounts have been amended as required, in accordance with the relevant requirements.

IFRS 2 (issued 2004) Share-based Payments
IFRS 3 (issued 2004) Business Combinations
IFRS 4 (issued 2004) Insurance Contracts
IFRS 5 (issued 2004) Non-current Assets Held for Sale and Discontinued Operations
IAS 36 (revised 2004) Impairment of Assets
IAS 38 (revised 2004) Intangible Assets

The early adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until December 2002, the provision of share options to employees did not result in a charge in the income statement. Subsequent to that date, the group charges the cost of share options to the income statement. The new policy has been applied to share options granted after 7 November 2002 that had not yet vested at 1 July 2003.

The early adoption of IFRS 3, IAS 36 and IAS 38 resulted in a change in accounting policy for goodwill and negative goodwill.

Until June 2003 goodwill was:

- Amortised on a straight line basis over its estimated useful life; and
- Assessed for an indication of impairment at each balance sheet date.

1. Accounting policies (continued)

Early adoption of standards (continued)

Negative goodwill was either recognised in the income statement when future identified losses and expenses were recognised (to the extent that they related to an expectation of future losses and expenses that were identified in the plan of acquisition), in income over the weighted average useful lives of the depreciable assets (to the extent that it did not exceed the fair value of the depreciable assets acquired) or otherwise, immediately in income.

In accordance with the provisions of IFRS 3:

- The group ceased amortisation of goodwill from July 2003
- Accumulated amortisation as at 30 June 2003 has been eliminated with a corresponding decrease in the cost of goodwill
- From the year ended 31 December 2003 onwards, goodwill is tested annually for impairment as well as when there are indications of impairment. Although no indication of impairment existed, goodwill was tested for impairment on 1 July 2003.

Negative goodwill existing at 1 July 2003 was derecognised with a corresponding adjustment to retained earnings at that date. From 1 July 2003 onwards, negative goodwill arising on acquisition is recognised directly in profit or loss.

The group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this reassessment.

The early adoption of IFRS 5 has resulted in a change in the accounting policy for non-current assets (or disposal groups) held for sale. The non-current assets (or disposal groups) held for sale were neither classified nor presented separately from other assets and liabilities. There were no non-current assets (or disposal groups) classified as held for sale at 1 January 2004, and therefore no differences in measurement.

All changes in accounting policies have been made in accordance with the transitional provisions in the respective standards.

Mittal Steel South Africa has adopted standards as follows:

- IFRS 2 – retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 July 2003;
- IFRS 3 – prospectively from 1 July 2003. IFRS 3 requires simultaneous adoption with IAS 36 and IAS 38;
- IFRS 4 – retrospective application of the disclosure requirements of the standard except for disclosures required about accounting policies and recognised assets, liabilities, income and expense; and
- IFRS 5 – prospective application from 1 January 2004. The application of IFRS 5 does not impact on prior period financial statements.

1. Accounting policies (continued)

Early adoption of standards (continued)

Effect of policy change and early adoption of standards

	Net income increase/(decrease)		**Shareholders' equity increase/(decrease)**	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**31 Dec 2004 Rm**	31 Dec 2003 Rm
Consolidation of the Iscor Management Share Trust			**(36)**	15
Preferred interpretation for treatment of goodwill				(2 585)
IFRS 2 Share-based Payments	**(2)**			
IFRS 3 Business Combinations				2 585
IFRS 4 Insurance Contracts*				
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*				
IAS 36 (Revised) Impairment of Assets*				
IAS 38 (Revised) Intangible Assets*				

* Implementation of these standards had no effect

Effect of all the above on opening retained income 1 July 2003 was an R86 million increase.

None of the above impacted other balance sheet items apart from reserves, except for the consolidation of the Iscor Management Share Trust.

	31 Dec 2004 Rm	31 Dec 2003 Rm
(Decrease)/increase in financial assets	**(25)**	30
Increase in trade and other receivables	**2**	5
Increase in trade and other payables	**(13)**	(20)
Decrease/(increase) in shareholders' equity	**36**	(15)

Basis of consolidation

The group financial statements present the consolidated financial position and changes therein, operating results and cash flow information of the company and its subsidiaries. Subsidiaries are those entities in which the group has an interest of more than one half of the voting rights or the power to exercise control so as to obtain benefits from their activities.

The group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

1. Accounting policies (continued)

Basis of consolidation (continued)

The results of subsidiaries are included for the period during which the group exercises control over the subsidiary. All intercompany transactions and resulting profits and losses between the group companies are eliminated on consolidation. Where necessary, accounting policies for subsidiaries are changed to ensure consistency with the policies adopted by the group.

The company carries its investments in subsidiaries at cost less accumulated impairment losses.

The results of special purpose entities that in substance are controlled by the group, are consolidated.

Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the group's share of the identifiable net assets of that entity at the date of acquisition.

Goodwill is reflected at cost less accumulated impairment losses, if any. In accordance with IFRS 3, goodwill is no longer amortised. Goodwill is allocated to cash-generating units and is tested annually for impairment.

The gain or loss on disposal of an entity includes the remaining balance of goodwill relating to the entity.

If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Investments in joint ventures

A joint venture is an entity jointly controlled by the group and one or more other venturers in terms of a contractual arrangement. It may involve a corporation, partnership or other entity in which the group has an interest.

Investments in joint ventures are accounted for in the group financial statements using the equity method for the period during which the group has the ability to exercise significant influence or joint control. Equity accounted income represents the group's proportionate share of profits of these entities and the share of taxation thereon. The group's share of retained earnings net of any dividends received are transferred to a non-distributable reserve. All unrealised profits and losses are eliminated. Where necessary, accounting policies are changed to ensure consistency with group policies.

The group's interest in joint ventures is carried in the balance sheet at an amount that reflects the group's share of the net assets. Goodwill on the acquisition of joint ventures is treated in accordance with the group's accounting policy for goodwill. Carrying amounts of investments in joint ventures are reduced to their recoverable amount where this is lower than their carrying amount.

Where the group's share of losses of a joint venture exceeds the carrying amount of the joint venture, the joint venture is carried at zero. Additional losses are only recognised to the extent that the group has incurred obligations in respect of a joint venture.

Property, plant and equipment

Extensions under construction are stated at cost and are not depreciated. Residential buildings are stated at cost less accumulated depreciation and accumulated impairment losses. Mineral rights are stated at valuation and are amortised over their estimated useful life with a maximum of 25 years. All other items of property, plant and equipment are reflected at cost less accumulated depreciation and accumulated impairment losses.

1. Accounting policies (continued)

Property, plant and equipment (continued)

Depreciation is charged on the straight-line basis over the estimated useful lives of the assets. Rolls, moulds and blast furnace relines are depreciated based on the usage thereof.

The estimated maximum useful lives of items of property, plant and equipment are:

Buildings and infrastructure (including residential buildings)	25 years
Fixed plant and equipment	25 years
Mobile equipment, built-in process computers and reconditionable spares	15 years
Loose tools and computer equipment	5 years
Development costs	5 years
Site preparation	20 years

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised.

Directly attributable expenses relating to major capital projects and site preparation are capitalised until the asset is brought to a working condition for its intended use. These costs include dismantling and site restoration costs to the extent these are recognised as a provision.

The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of production overheads.

Maintenance and repairs which neither materially add to the value of assets nor appreciably prolong their useful lives are charged against income.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalised at interest rates relating to loans specifically raised for that purpose, or at the average borrowing rate where the general pool of group borrowings is utilised. Capitalisation of borrowing costs ceases when the asset is substantially complete.

Directly attributable costs associated with the acquisition, development and installation of software are capitalised. Such assets are depreciated using the amortisation methods and periods applicable to computer equipment.

Surpluses and deficits on the disposal of property, plant and equipment are taken to income.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. Immediately before classification as held for sale, the measurement of assets (and all assets and liabilities in a disposal group) is brought up-to-date in accordance with the applicable IFRS.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

1. Accounting policies (continued)

Leased assets

Leases involving plant and equipment whereby the lessor provides finance to the group with the asset as security and where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease and depreciated over the useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance charge is charged against income over the lease period, using the effective interest rate method.

For a sale and leaseback transaction that results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and recognised on a straight-line basis over the period of the lease.

Leases of assets to the group under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Research and development costs

Research costs incurred with the prospect of gaining new scientific or technical knowledge and understanding are charged as an expense in the income statement in the period in which they are incurred.

Development costs are generally expensed in the period in which they are incurred. Development costs that relate to an identifiable product or process that is demonstrated to be technically or commercially feasible which the group has sufficient resources to bring to market and which is expected to result in future economic benefits, are recognised as assets. The expenditure capitalised includes the cost of material, direct labour and an appropriate portion of overheads. Capitalised development expenditure is shown at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets

No value is attributed to internally developed trademarks, patents and similar rights and assets. Trademarks, concessions, patents and similar rights purchased by the company are capitalised. Intangible assets are amortised on a straight-line basis over their estimated useful lives.

Intangible assets acquired by the group are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1. Accounting policies (continued)

Impairment of assets

The carrying amounts of assets mentioned in the accounting policy notes are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

Financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange, prices of base metals and interest rate risks arising from operating, financing and investment activities. In accordance with its treasury policy, the group does not hold or issue derivative financial instruments for trading purposes. However derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Marketable securities are carried at market value, which is calculated by reference to JSE Securities Exchange South Africa quoted prices at the close of business on the balance sheet date. Other investments are shown at fair value. Fair value adjustments are recognised in the income statement.

Trade and other receivables

Trade and other receivables originated by the group are stated at cost less provision for doubtful debts.

1. Accounting policies (continued)

Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are measured at fair value.

Financial liabilities

Financial liabilities are recognised at amortised cost, namely original debt less principal payments and amortisations, except for derivatives which are subsequently measured at fair value.

Derivative instruments

Derivative instruments are measured at fair value. Fair values are obtained from quoted market prices and option pricing models as appropriate.

Gains and losses on subsequent measurement

Gains and losses on subsequent measurement are recognised as follows:

- Gains and losses arising from a change in the fair value of financial instruments that are not part of a hedging relationship are included in net profit or loss for the period in which they arise.
- Gains and losses from measuring fair value hedging instruments, including fair value hedges for foreign currency denominated transactions, are recognised immediately in net profit or loss.
- The effective portion of gains and losses from remeasuring cash flow hedging instruments, including cash flow hedges for forecasted foreign currency denominated transactions and for interest rate swaps, are initially recognised directly in equity. Should the hedged firm commitment or forecasted transaction result in the recognition of an asset or a liability, then the cumulative amount recognised in equity is adjusted against the initial measurement of the asset or liability. For other cash flow hedges, the cumulative amount recognised in equity is included in net profit or loss in the period when the commitment or forecasted transaction affects profit or loss.
- When a hedging instrument or hedge relationship is terminated but the hedged transaction still is expected to occur, the cumulative unrealised gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer probable, the cumulative unrealised gain or loss recognised in equity is recognised in the income statement immediately.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

Accounting for insurance activities

Insurance activity profits and losses are determined in accordance with generally accepted practice for insurance companies. Full provision is made for estimated cost of claims notified but not settled and for those incurred but not yet reported.

1. Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on a standard cost basis, which approximates actual costs, by the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes interest charges. Fixed production overheads are allocated on the basis of normal capacity.

Writedowns to net realisable value and inventory losses are expensed in the period in which the writedowns or losses occur.

Foreign currencies

Transactions and balances

Transactions denominated in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary items denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains or losses arising on translation are credited to or charged against income.

Foreign entities

The financial statements of foreign entities are translated into South African rand as follows:

- Assets and liabilities at rates of exchange ruling at balance sheet date.
- Income, expenditure and cash flow items at weighted average rates.
- Goodwill and fair value adjustments arising on acquisition of a foreign entity at rates of exchange ruling at balance sheet date.

All resulting exchange differences are reflected as part of shareholders' equity. On disposal, such translation differences are recognised in the income statement as part of the cumulative gain or loss on disposal.

Foreign currency hedges

Foreign currency hedges are dealt with in the financial instruments accounting policy.

Revenue recognition

Revenue, which excludes value added tax and sales between group companies, represents the gross value of goods invoiced. Export revenues are recorded at the FOB price of products sold.

Revenue from the sale of goods is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer.

Revenue arising from services is recognised on an accrual basis in accordance with the substance of the relevant agreements.

1. Accounting policies (continued)

Interest and dividend income

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividends are recognised when the right to receive payment is established.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

Environment and rehabilitation

Expenditure on plant and equipment for pollution control is capitalised and depreciated over the useful lives of the assets while the cost of ongoing current programmes to prevent and control pollution and to rehabilitate the environment is charged against income as incurred.

Income taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current taxation comprises tax payable calculated on the basis of the expected taxable income for the period, using tax rates expected at the balance sheet date, and any adjustments of the tax payable for the previous year.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Deferred taxation

Deferred taxation is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for taxation purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable profit or loss.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised.

Deferred taxation is calculated using taxation rates that have been enacted at balance sheet date. The effect on deferred taxation of any changes in taxation rates is charged to the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

1. Accounting policies (continued)

Employee benefits

Post-employment benefits

Retirement

The group provides defined benefit and defined contribution funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the group, taking account of the recommendations of independent actuaries.

The group's contributions to the defined contribution funds are charged to the income statement in the period to which they relate.

The defined benefit funds consist of pensioner members and an insignificant number of employee members and are closed to new entrants. The benefit costs and obligations are assessed using the projected unit credit method. Under this method, the cost of providing benefits is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who perform a statutory valuation of the plans every three years.

Interim valuations are also performed on an annual basis. Consideration is given to any event that could impact the funds up to balance sheet date. The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. No actuarial surplus is recognised as the group's ability to access the future economic benefit is uncertain.

Medical

No contributions are made to the medical aid of retired employees, except for a closed group of retirees in respect of whom contributions are made. The present value of the post-retirement medical aid obligation for such early retirements is actuarially determined annually on the projected unit credit method and any deficit or surplus is immediately recognised in the income statement.

Short- and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions, is recognised during the period in which the employee renders the related service.

The vested portion of long-term benefits is recognised and provided for at balance sheet date.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits fall due more than 12 months after balance sheet date, they are discounted to present value.

1. Accounting policies (continued)

Employee benefits (continued)

Equity compensation benefits

The group operates an equity-settled, share based compensation plan for senior management, including executive directors. The fair value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, measured at grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value of the options granted is measured using a Black-Scholes European option-pricing model.

The amount recognised as an expense is adjusted to reflect the original number of share options that vest. A corresponding adjustment is made to equity.

The proceeds received net of any directly attributable transaction costs are credited to non-distributable reserve when the options are exercised.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the group and which individually or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence.

Discontinued operations

Discontinued operations are significant, distinguishable components of the group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal that is to be abandoned may also qualify.

Segment reporting

Mittal Steel South Africa is a focused steel producer. On a primary basis, the business segments are:

- Flat Products, comprising works at Saldanha and Vanderbijlpark which manufacture flat products
- Long Products, comprising works at Newcastle and Vereeniging which manufacture rolled and forged carbon, alloy, stainless steel profiles and seamless tubes
- Coke and chemicals which processes the by-products of the Mittal Steel South Africa coke batteries and operates certain coke batteries no longer used for steel making
- Corporate, comprising principally corporate functions, property and investment in joint ventures.

On a secondary segment basis, significant geographic marketing regions have been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

1. Accounting policies (continued)

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call, and investments in money market instruments, net of bank overdrafts, all of which are available for use by the group unless otherwise stated.

Dividends

Dividends declared to equity shareholders are included in the statements of changes in equity in the period in which they are declared. Taxation expenses incurred on the dividends are dealt with in the income statement in the period in which they are declared.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

	Flat Products			
	Vanderbijlpark		Saldanha Steel	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
2. Segmental reporting				
Business segmentation				
Revenue				
– External	**11 954**	4 961	**3 638**	1 364
– Inter-group	**334**	65		
Total	**12 288**	5 026	**3 638**	1 364
Profit/(loss) from operations before impairment and goodwill	**4 129**	941	**1 147**	107
Business assistance agreement remuneration	**(257)**	(223)	**(170)**	(94)
Net operating profit/(loss) from operations before impairment and goodwill	**3 872**	718	**977**	13
Depreciation and amortisation	**469**	219	**310**	158
Income from equity accounted investments				
Exceptional income before taxation				
Impairment reversal/(charge)			**1 513**	
Goodwill impairment				
Cash inflow/(outflow) from operations	**3 869**	1 150	**1 177**	133
Non-cash flow items	**78**	62	**6**	(53)
Capital expenditure	**790**	276	**104**	41
Number of employees at year-end	**5 444**	6 314	**762**	800
Segment assets and liabilities				
– Assets	**8 659**	7 111	**8 039**	6 493
– Investments in associates and joint ventures				
– Liabilities	**2 467**	2 206	**1 318**	485
Geographical segmentation				
Segment revenue				
– Local				
– Export				
– Africa				
– Europe				
– Asia				
– Other				
– Total exports				
Total segment revenue				

Long products		Coke & Chemicals		Corporate		Total	
Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
6 218	2 460	**1 132**	353	**111**	37	**23 053**	9 175
121	36	**121**	56	**(576)**	(157)		
6 339	2 496	**1 253**	409	**(465)**	(120)	**23 053**	9 175
1 769	328	**462**	99	**(108)**	(137)	**7 399**	1 338
(304)	(296)					**(731)**	(613)
1 465	32	**462**	99	**(108)**	(137)	**6 668**	725
157	79	**15**	7	**15**	7	**966**	470
				347	88	**347**	88
					12		12
				(1 011)		**502**	
				(21)	(11)	**(21)**	(11)
1 716	363	**420**	90	**(760)**	(737)	**6 422**	999
36	(21)	**4**	6	**74**	102	**198**	96
290	160	**68**	19	**2**	3	**1 254**	499
4 005	4 562	**394**	497	**811**	366	**11 416**	12 539
4 198	2 770	**670**	320	**1 567**	1 462	**23 133**	18 156
				596	418	**596**	418
1 468	853	**163**	109	**2 266**	1 945	**7 682**	5 598
						16 379	5 908
						1 525	580
						1 129	387
						2 265	1 644
						1 755	656
						6 674	3 267
						23 053	9 175

2. Segmental reporting (continued)

Total segment revenue, which excludes value added tax and sales between group companies, represents the gross value of goods invoiced. Export revenues are recorded at the FOB price of products sold. Total segment revenue further includes operating revenues directly and reasonably allocatable to the segments. Segment revenue includes sales made between segments. These sales are made on a commercial basis.

Segment net operating profit equals segment revenue less segment expenses. Segment expenses represent direct or reasonably allocatable operating expenses on a segment basis. Segment expenses exclude interest, losses on investments and income tax expenses.

Segment assets and liabilities include directly and reasonably allocatable operating assets investments in associates and joint ventures and liabilities. Given the concentration of assets and liabilities within South Africa it is not meaningful to allocate such elements on a geographical basis.

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
3. Revenue				
Sale of goods	**23 048**	9 170	**20 176**	7 994
Services	**5**	5	**40**	59
	23 053	9 175	**20 216**	8 053

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm

4. Operating expenses

Costs by type				
Raw materials and consumables	**7 597**	3 488	**7 068**	3 145
Employment costs	**2 193**	1 220	**2 176**	1 210
– Salaries and wages	**1 974**	1 000	**1 959**	990
– Termination benefits	**37**	118	**37**	118
– Pension and medical costs	**182**	102	**180**	102
Railage and transport	**1 135**	580	**1 067**	536
General charges	**1 216**	637	**958**	479
Business assistance agreement remuneration	**731**	613	**561**	519
Repairs and maintenance	**1 501**	721	**1 170**	572
Energy	**1 276**	653	**993**	503
Movement in inventories	**(190)**	81	**(38)**	104
Own work capitalised	**(40)**	(13)	**(44)**	(16)
	15 419	7 980	**13 911**	7 052
Depreciation and amortisation of intangible assets	**966**	470	**654**	311
	16 385	8 450	**14 565**	7 363
Costs by function				
Costs of goods sold	**14 527**	7 514	**13 073**	6 621
Selling and distribution costs	**892**	466	**838**	431
	15 419	7 980	**13 911**	7 052

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
4. Operating expenses (continued)				
The above costs are stated after including:				
Depreciation	**964**	469	**654**	311
– Land and buildings	**1**			
– Mineral rights	**7**	3	**7**	3
– Buildings and infrastructure	**66**	34	**52**	27
– Machinery, plant and equipment	**855**	414	**560**	264
– Site preparation, mining development and exploration	**8**	4	**8**	3
– Leased assets under finance leases	**27**	14	**27**	14
Amortisation on intangible assets	**2**	1		
Reconditionable spares usage	**27**	7	**27**	7
Research and development costs	**49**	28	**49**	28
Business assistance agreement remuneration	**731**	613	**561**	519
Consultancy fees	**26**	14	**23**	12
Operating lease rentals	**66**	26	**64**	25
– Property	**13**	6	**11**	5
– Equipment	**53**	20	**53**	20
Net deficit on disposal or scrapping of property, plant and equipment	**51**	3	**43**	3
Auditors' remuneration	**6**	6	**5**	5
– Audit fees	**5**	5	**4**	4
– Other services	**1**	1	**1**	1
Net realised losses on currency exchange differences	**313**	205	**194**	102
Net unrealised gains on currency exchange differences	**(3)**	(116)	**(1)**	(38)
Net realised gains on the revaluation of derivative instruments	**(257)**	(39)	**(169)**	(22)
Net unrealised gains on the revaluation of derivative instruments	**(3)**	(3)		(3)
Management fees			**(199)**	(101)
Directors' emoluments (refer note 31.1)			**25**	16

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
5. Net financing costs				
Interest expense and loan costs	**63**	24	**56**	31
Finance leases				14
Interest income	**(94)**	(11)	**(88)**	(24)
Interest received from joint ventures	**(5)**	(2)	**(5)**	(2)
Losses on derivative instruments		23		24
Gains on currency difference		(18)		(18)
Net interest expense	**(36)**	16	**(37)**	25
Interest adjustment on non-current provisions	**170**	53	**170**	53
	134	69	**133**	78
No financing costs have been capitalised during the year (December 2003: Rnil).				
6. Income from investments				
Subsidiaries and joint ventures				
Unlisted shares				
– Dividends			**10**	74
7. Exceptional items				
Surplus on sale of residential properties		12		
8. Impairment reversal				
Reversal of impairment of fixed assets	**502**			
Impairment reversal against investment in subsidiary			**1 011**	
	502		**1 011**	
Deferred taxation thereon	**(151)**			
	351		**1 011**	

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
9. Taxation				
Charge to income				
South African normal taxation				
– Current – current period (excluding Controlled Foreign Companies ("CFC")	**(1 589)**	(141)	**(1 559)**	(135)
– prior year (excluding ("CFC"))	**(6)**			
– controlled foreign companies ("CFC")	**(6)**	(5)	**(6)**	(5)
	(1 601)	(146)	**(1 565)**	(140)
– Deferred – current period	**(583)**	(68)	**(162)**	(65)
– prior year	**(3)**	7	**(3)**	7
	(586)	(61)	**(165)**	(58)
Share of associates and joint ventures taxation	**(89)**	(21)		
Secondary tax on companies	**(209)**	(51)	**(207)**	(51)
	(2 485)	(279)	**(1 937)**	(249)
Reconciliation of taxation rates	**%**	%	**%**	%
Taxation as a percentage of profit before taxation	**33,7**	37,4	**26,1**	36,2
Taxation effect of				
– Current taxation prior year	**(0,1)**			
– Deferred taxation prior year		0,9		1,0
– Share of associates and joint ventures taxation	**0,2**	0,7		
– Exempt income		1,1		0,3
– Disallowable expenditure	**(0,7)**	(2,1)	**(0,7)**	(2,2)
– Dividends received				3,2
– Secondary tax on companies	**(2,8)**	(6,8)	**(2,8)**	(7,4)
– Proportional net income of control foreign companies				
– taxable in RSA			**(0,1)**	(0,6)
– Impairment		(0,4)	**7,7**	
– Fixed assets and finance leases	**(0,2)**	(1,1)	**(0,2)**	(0,7)
– Other	**(0,1)**	0,3		0,2
Standard tax rate	**30,0**	30,0	**30,0**	30,0

10. Earnings per share

Basic earnings per share is calculated by dividing earnings by the weighted average number of ordinary shares in issue during the year. The weighted average number of shares is calculated taking into account the shares issued as disclosed in the directors' report.

For the current year and previous period, shares under option had an effect on the adjusted weighted average number of shares in issue as the average option price was lower than the average market price.

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm
Attributable earnings		
Net profit attributable to ordinary shareholders (R million)	**4 871**	463
Basic earnings per share (cents)	**1 093**	104
Diluted earnings per share (cents)	**1 090**	103
Headline earnings		
Headline earnings (R million)	**4 541**	462
Basic earnings per share (cents)	**1 019**	104
Diluted earnings per share (cents)	**1 016**	103
Shares in issue		
Weighted average number of ordinary shares in issue (million)	**446**	446
Weighted average number of diluted shares (million)	**447**	448

11. Dividends

An interim dividend of 300 cents per share was declared on 17 December 2004 and paid on 10 January 2005. The directors have resolved to declare a final dividend of 100 cents per share payable on 14 March 2005. This will give rise to secondary taxation on companies of R56 million.

	Land and buildings Rm	Mineral rights Rm
12. Property, plant and equipment		
Group		
For the year ended 31 December 2004		
Gross carrying amount		
At beginning of year	**50**	**169**
Additions	**2**	
Disposals	**(1)**	
At end of year	**51**	**169**
Accumulated depreciation and impairment losses		
At beginning of year		**17**
Depreciation charges	**1**	**7**
Reversal of impairment		
Accumulated depreciation on disposals		
At end of year	**1**	**24**
Net carrying amount at end of year	**50**	**145**
Group		
For the six months ended 31 December 2003		
Gross carrying amount		
At beginning of period	54	169
Additions	1	
Disposals	(5)	
Other movements		
At end of period	50	169
Accumulated depreciation and impairment losses		
At beginning of period		14
Depreciation charges	–	3
Accumulated depreciation on disposals		
At end of period		17
Net carrying amount at end of period	50	152

Residential land and buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining develop-ment, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
	1 689	**18 061**	**99**	**670**	**20 738**
	43	**1 065**	**10**	**134**	**1 254**
	(3)	**(208)**			**(212)**
	1 729	**18 918**	**109**	**804**	**21 780**
	875	**7 586**	**42**		**8 520**
	66	**882**	**8**		**964**
	(9)	**(493)**			**(502)**
	(2)	**(129)**	**(1)**		**(132)**
	930	**7 846**	**49**		**8 850**
	799	**11 072**	**60**	**804**	**12 930**
8	1 675	17 531	92	783	20 312
	13	577	7	(99)	499
(8)		(60)			(73)
	1	13		(14)	
	1 689	18 061	99	670	20 738
	841	7 197	39		8 091
	34	428	4		469
		(39)	(1)		(40)
	875	7 586	42		8 520
	814	10 475	57	670	12 218

	Land and buildings Rm	Mineral rights Rm
12. Property, plant and equipment (continued)		
Company		
For the year ended 31 December 2004		
Gross carrying amount		
At beginning of year	**44**	**169**
Additions	**2**	
Disposals	**(1)**	
At end of year	**45**	**169**
Accumulated depreciation and impairment losses		
At beginning of year		**17**
Depreciation charges		**7**
Accumulated depreciation on disposals		
At end of year		**24**
Net carrying amount at end of year	**45**	**145**
Company		
For the six months ended 31 December 2003		
Gross carrying amount		
At beginning of period	48	169
Additions	1	
Disposals	(5)	
At end of period	44	169
Accumulated depreciation and impairment losses		
At beginning of period		14
Depreciation charges		3
Accumulated depreciation on disposals		
At end of period		17
Net carrying amount at end of period	44	152

Included above are fully depreciated assets with an original cost of R1 281 million (December 2003: R1 270 million) which are still in use.

Buildings and infrastructure Rm	Machinery, plant and equipment Rm	mining develop-ment, exploration and rehabilitation Rm	Site preparation, Extensions under construction Rm	Total Rm
1 341	**9 153**	**99**	**625**	**11 431**
43	**1 007**	**11**	**86**	**1 149**
(3)	**(166)**	**(1)**		**(171)**
1 381	**9 994**	**109**	**711**	**12 409**
763	**4 444**	**41**		**5 265**
52	**587**	**8**		**654**
(2)	**(96)**			**(98)**
813	**4 935**	**49**		**5 821**
568	**5 059**	**60**	**711**	**6 588**
1 329	8 647	92	753	11 038
12	565	7	(128)	457
	(59)			(64)
1 341	9 153	99	625	11 431
736	4 204	38		4 992
27	278	3		311
	(38)			(38)
763	4 444	41		5 265
578	4 709	58	625	6 166

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
12. Property, plant and equipment (continued)				
The net carrying amount of machinery, plant and equipment includes assets held under finance leases.				
Gross carrying amount				
– At beginning of period	**571**	571	**571**	571
– At end of period	**571**	571	**571**	571
Accumulated depreciation and impairment losses				
– At beginning of period	**299**	285	**299**	285
– Depreciation charges	**27**	14	**27**	14
– At end of period	**326**	299	**326**	299
Net carrying amount at end of period	**245**	272	**245**	272
The replacement value of assets for insurance purposes amounts to R72 billion (December 2003: R55 billion).				
A register of land is available for inspection at the registered office of the company.				
13. Intangible assets				
Patents and trade marks				
Gross carrying amount				
At beginning of period	**41**	41		
At end of period	**41**	41		
Accumulated depreciation				
At beginning of period	**9**	8		
Impairment charge included in depreciation charge	**2**	1		
At end of period	**11**	9		
Net carrying amount at end of period	**30**	32		

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm

14. Goodwill

Positive goodwill

At beginning of period	**32**	43		
Impairment charge	**(21)**	(11)		
At end of period	**11**	32		

The realisability of goodwill is evaluated annually to assess the recoverability of carrying amounts. The valuation is based on various analyses including cash flow and profitability projections. The valuation necessarily involves significant management judgement.

The group assessed its expected benefits from one of its subsidiaries, Pybus Fifty-Seven (Proprietary) Limited, to be less than the carrying value. As a result an impairment loss of R21 million was realised for the year.

15. Investments in joint ventures

Unlisted incorporated joint ventures

At beginning of period	**418**	375	**24**	24
Additional interest acquired	**6**		**6**	
Net share of results				
– Share of results before taxation as per income statement	**347**	88		
– Share of taxation (Note 9)	**(89)**	(21)		
Dividends paid	**(6)**	(2)		
Exchange difference adjustments	**(85)**	(17)		
Share of foreign currency translation reserves	**2**	(11)		
Share of hedging reserves	**2**	10		
Share of revaluation reserve	**1**	(2)		
Loan account movements in the period		(2)		
At end of period (Annexure 1)	**596**	418	**30**	24
Aggregate post-acquisition reserves:				
– Joint ventures	**442**	190		

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
16. Investment in subsidiaries				
Indebtedness				
– by subsidiaries			**8 655**	9 679
– to subsidiaries			**(102)**	(99)
Provision			**(2 799)**	(3 810)
Net indebtedness			**5 754**	5 770
Shares at cost less impairment losses			**335**	335
Total (Annexure 2)			**6 089**	6 105
Aggregate attributable after tax profits of subsidiaries	**1 718**	45		
17. Financial assets				
Long-term receivables	**512**	376	**536**	343
18. Inventories				
Finished products	**763**	780	**695**	703
Work-in-progress	**1 082**	1 008	**1 062**	976
Raw materials	**910**	677	**725**	598
Plant spares and stores	**350**	352	**242**	249
	3 105	2 817	**2 724**	2 526
Inventories amounting to R7 million (December 2003: R112 million) are carried at net realisable value.				
19. Trade and other receivables				
Trade	**2 207**	1 239	**2 001**	1 154
Derivative instruments		1		1
Other	**274**	267	**106**	111
	2 481	1 507	**2 107**	1 266

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
20. Stated capital				
Authorised				
1 200 000 000 ordinary shares at par value (December 2003: 1 200 000 000 ordinary shares at no par value)				
2 357 584 "C" redeemable preference shares at R10 each (December 2003: 2 357 584)	**24**	24	**24**	24
Issued				
445 752 132 ordinary shares at no par value (December 2003: 445 752 132 ordinary shares at no par value)	**6 389**	6 389	**6 389**	6 389
Total	**6 389**	6 389	**6 389**	6 389

The unissued ordinary shares are under the control of the directors to allot and issue on such terms and conditions and at such times as they deem fit until the forthcoming general meeting.

The group has a share incentive scheme in terms of which shares are issued and options are granted (Refer to note 28).

21. Interest-bearing borrowings

Non-current borrowings

Summary of loans by financial year of redemption	GROUP Year ended 31 Dec 2004 Rm	GROUP Six months ended 31 Dec 2003 Rm	COMPANY Year ended 31 Dec 2004 Rm	COMPANY Six months ended 31 Dec 2003 Rm
2004		10		
2005	**10**	10		
2006	**10**	10		
2007	**10**	10		
2008	**10**	10		
2009	**10**	10		
2010 onwards	**41**	42		
Total non-current borrowings	**91**	102		
Current portion included in current liabilities	**(10)**	(10)		
	81	92		

The above loan is unsecured and bears interest at a fixed rate of 15,41 % and is repayable half-yearly with the final payment due in 2013.

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
21. Interest-bearing borrowings (continued)				
Interest-bearing borrowings				
Non-current borrowings	**81**	92		
Short-term borrowings		978		978
Current portion of non-current borrowings	**10**	10		
Total short-term borrowings	**10**	988		978
Total interest-bearing borrowings	**91**	1 080		978
Short-term borrowings comprises an unsecured call facility which bears interest at call borrowing rates.				
A finance lease liability at an effective interest rate of 8,42% (December 2003: 8,57%) has not been included in the above interest-bearing borrowings. It has been set-off against an interest-bearing loan to the lessee (a subsidiary of Mittal Steel South Africa) as provided for in the lease agreement as follows:				
– Gross finance lease liability			**143**	273
– Loan to lessor set-off against finance lease liability			**143**	273
Minimum lease payments:				
– Less than 1 year			**143**	152
– More than 1 year and less than 5 years				142
– Total			**143**	294
– Less: future finance charges				21
Present value of lease liabilities			**143**	273
Representing lease liabilities:				
– Current			**143**	131
– Non-current (more than 1 year and less than 5 years)				142
Total			**143**	273

	Discon-tinued operations Rm	Environ-mental rehabili-tation Rm	Leave pay benefits Rm	Post-retirement medical aid benefits Rm	Restruc-turing Rm	Total Rm
22. Provisions						
Group						
For the year ended 31 December 2004						
At beginning of year	**230**	**672**	**238**	**30**	**152**	**1 322**
Charge to income statement	**173**	**65**	**34**	**(4)**	**26**	**294**
Additional provisions	**108**	**23**	**54**	**1**	**33**	**219**
Interest adjustment	**65**	**105**				**170**
Unused amounts reversed		**(63)**	**(20)**	**(5)**	**(7)**	**(95)**
Utilised during year	**(72)**	**(12)**	**(32)**	**(7)**	**(109)**	**(232)**
At end of year	**331**	**725**	**240**	**19**	**69**	**1 384**
Current portion included in current liabilities	**(48)**	**(60)**		**(6)**	**(69)**	**(183)**
Total non-current provisions	**283**	**665**	**240**	**13**		**1 201**
Group						
For the six months ended 31 December 2003						
At beginning of period	211	668	214	34	7	1 134
Charge to income statement	34	4	49		171	258
Additional provisions			53		171	224
Interest adjustment	34	19				53
Unused amounts reversed		(15)	(4)			(19)
Utilised during period	(15)		(25)	(4)	(26)	(70)
At end of period	230	672	238	30	152	1 322
Current portion included in current liabilities	(53)	(31)		(8)	(146)	(238)
Total non-current provisions	177	641	238	22	6	1 084

22. Provisions (continued)

	Discon-tinued operations Rm	Environ-mental rehabili-tation Rm	Leave pay benefits Rm	Post-retirement medical aid benefits Rm	Restruc-turing Rm	Total Rm
Company						
For the year ended 31 December 2004						
At beginning of year	**230**	**666**	**236**	**29**	**152**	**1 313**
Charge to income statement	**173**	**63**	**33**	**(4)**	**26**	**291**
Additional provisions	**108**	**21**	**53**	**1**	**33**	**216**
Interest adjustment	**65**	**105**				**170**
Unused amounts reversed		**(63)**	**(20)**	**(5)**	**(7)**	**(95)**
Utilised during year	**(72)**	**(12)**	**(29)**	**(7)**	**(109)**	**(229)**
At end of year	**331**	**717**	**240**	**18**	**69**	**1 375**
Current portion included in current liabilities	**(48)**	**(60)**		**(6)**	**(69)**	**(183)**
Total non-current provisions	**283**	**657**	**240**	**12**		**1 192**
Company						
For the six months ended 31 December 2003						
At beginning of period	211	662	212	33	7	1 125
Charge to income statement	34	4	49		171	258
Additional provisions			53		171	224
Interest adjustment	34	19				53
Unused amounts reversed		(15)	(4)			(19)
Utilised during period	(15)		(25)	(4)	(26)	(70)
At end of period	230	666	236	29	152	1 313
Current portion included in current liabilities	(53)	(31)		(8)	(146)	(238)
Total non-current provisions	177	635	236	21	6	1 075

22. Provisions (continued)

Discontinued operations

Provision is made for discontinued operations from the discontinuance date. The discontinued operation lies within the Corporate Centre segment.

The obligation includes all the costs of the 1997 mothballing of steelmaking facilities at the Pretoria Works and revisions thereto. The carrying amount of this provision is based on expected future expenditure, discounted at a rate of 10% (2003: 15%). It is uncertain as to when the mothballing of the plant will be completed.

Net cash outflow for the year amounted to R72 million (December 2003: R15 million).

Environmental rehabilitation

Provision is made on a progressive basis for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The carrying amount of this provision is based on expected future expenditure, discounted at a rate of 10% (2003: 15%). The expected future cash flows are as follows: 2005: R62 million; 2006: R138 million; 2007: R156 million; 2008: R158 million; 2009: R164 million and thereafter R588 million; totalling R1 265 million.

Leave pay benefits

In terms of the group policy, employees are entitled to accumulate vested leave benefits not taken within a leave cycle. The obligation is reviewed annually.

Post-retirement medical benefits

The group recognises a liability relating to future medical aid for certain early retirees. The obligation represents a present value amount, which is actuarially valued on a yearly basis. Any surplus or deficit arising from the valuation is recognised in the income statement (refer to note 28).

Restructuring

The liability represents the provision for a reduction in personnel in terms of the announced restructuring plans for the whole group.

Provision is made on a piecemeal basis, only for those restructuring obligations supported by a formally approved plan. The restructuring will be completed in one year.

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
23. Deferred taxation				
The movement on the deferred taxation account is as follows:				
At beginning of period	**1 122**	1 059	**854**	796
Prior year adjustments	**3**	(7)	**3**	(7)
Negotiable taxation credit certificates		2		
Income statement charge (Note 9)	**583**	68	**162**	65
At end of period	**1 708**	1 122	**1 019**	854
Comprising:				
Deferred taxation liabilities				
– Property, plant and equipment	**3 010**	2 824	**1 226**	1 119
– Leased assets	**66**	74	**23**	(8)
– Other	**2**	6	**5**	6
	3 078	2 904	**1 254**	1 117
Deferred taxation assets				
– Provisions	**(241)**	(267)	**(235)**	(263)
– Taxation losses carried forward	**(1 129)**	(1 515)		
	(1 370)	(1 782)	**(235)**	(263)
	1 708	1 122	**1 019**	854
The above is net of deferred taxation assets raised by subsidiaries amounting to R1 million (December 2003: R1 million).	**1**	1		
Calculated taxation losses				
Available for set-off against future taxable income, as provided for above.	**3 762**	5 050		
24. Trade and other payables				
Trade	**1 181**	1 094	**1 039**	859
Derivative instruments	**10**	9	**13**	13
Other	**1 114**	971	**792**	845
	2 305	2 074	**1 844**	1 717

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
25. Notes to the cash flow statement				
25.1 Cash retained from operations				
Net operating income before BAA remuneration	**7 399**	1 338	**6 212**	1 209
BAA remuneration	**(731)**	(613)	**(561)**	(519)
Net operating income after BAA remuneration	**6 668**	725	**5 651**	690
Adjusted for non-cash movements				
– Depreciation and amortisation	**966**	470	**654**	311
– Provisions	**124**	205	**121**	205
– Foreign exchange gains	**(4)**	(119)	**(1)**	(41)
– Reconditionable spares usage	**27**	7	**27**	7
– Net deficit on disposal or scrapping of property, plant and equipment	**51**	3	**43**	3
Working capital movements				
– (Increase)/decrease in inventories	**(288)**	56	**(199)**	25
– (Increase)/decrease in trade and other receivables	**(986)**	299	**(842)**	290
– Increase in financial assets	**(142)**	(158)	**(194)**	(158)
– Increase/(decrease) in trade and other payables	**238**	(419)	**125**	(399)
– Utilisation of provisions (refer note 22)	**(232)**	(70)	**(229)**	(70)
	6 422	999	**5 156**	863
25.2 Income from equity accounted investments				
Profit from equity accounted investments as per income statement	**347**	88		
Dividends received from equity accounted investments	**6**	2	**6**	2
Less: Profit from equity accounted investments not involving cash flow	**(347)**	(88)		
	6	2	**6**	2
25.3 Net financing costs				
Net financing costs as per income statement	**(134)**	(69)	**(133)**	(78)
Financing costs not involving cash flow		7		
Less: Interest adjustment on non-current provision	**170**	53	**170**	53
	36	(9)	**37**	(25)

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm
25. Notes to the cash flow statement (continued)				
25.4 Dividends paid				
Unpaid at beginning of the period				
Charged to income statement	**(1 672)**	(446)	**(1 672)**	(446)
Dividends paid to minorities	**(4)**			
Unpaid at end of the period	**1 337**		**1 337**	
	(339)	(446)	**(335)**	(446)
25.5 Normal taxation				
Normal taxation receivable/(payable) at beginning of period	**67**	(768)	**73**	(766)
Amounts charged to the income statements	**(1 810)**	(197)	**(1 772)**	(191)
Normal taxation payable/(receivable) at end of period	**857**	(67)	**822**	(73)
	(886)	(1 032)	**(877)**	(1 030)
25.6 Investment to maintain operations				
Replacement of property, plant and equipment	**(744)**	(252)	**(733)**	(244)
Environmental	**(184)**	(84)	**(170)**	(80)
Reconditionable spares	**(73)**	(26)	**(32)**	(18)
	(1 001)	(362)	**(935)**	(342)
25.7 Investment to expand operations				
Property, plant and equipment for expansion and new technology	**(253)**	(137)	**(214)**	(115)
	(253)	(137)	**(214)**	(115)
25.8 Investment in other non-current assets				
Decrease in joint ventures and other investments	**(5)**		**(5)**	
	(5)		**(5)**	

26. Financial instruments

The Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

The group's objective in using derivative financial instruments is to reduce the uncertainty over future cash flows arising from currency, interest rate and base metal price exposures. Compliance with group policies and exposure limits are reviewed by the internal auditors on a continuous basis.

26.1 Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts and currency option agreements.

The group maintains a fully covered exchange rate position in respect of foreign currency (converted to rand) borrowings and imported capital equipment. Trade-related import exposures are managed through the use of the natural hedges arising from export revenue as well as forward exchange contracts (FECs). Trade export exposures are hedged using FECs and currency options with specific focus on short-term receivables.

The group has entered into certain forward exchange and currency option contracts which relate to specific foreign **commitments not yet due**. Details of the contracts at 31 December 2004 and 31 December 2003, are as follows:

	Foreign amount Rm	Contract value Rm	Recognised fair value losses taken to equity Rm
Foreign currency			
31 December 2004			
Capital imports			
United States dollar – FECs	**38**	**252**	**(29)**
Euro – FECs	**8**	**66**	**(6)**
Japanese Yen – FECs			
Pound sterling – FECs		**5**	**(1)**
			(36)

	Foreign amount Rm	Contract value Rm	Recognised fair value losses taken to equity Rm
26. Financial instruments (continued)			
26.1 Foreign currency risk management (continued)			
Foreign currency			
31 December 2003			
Capital imports			
United States dollar – FECs	6	50	(9)
Euro – FECs	21	208	(27)
Japanese Yen – FECs	276	20	(2)
Pound sterling – FECs	1	11	(1)
			(39)

26.2 Price hedging

Prices for future purchases and sales of goods and services are generally established on normal commercial terms through agents or direct with suppliers and customers. Price hedging is undertaken on a limited scale for future base metal consumption, specifically for zinc, aluminium, nickel and tin to secure operating margins and reduce cash flow volatility.

Base metal prices, like all other commodities, have increased dramatically during 2004. Supply constraints are furthermore expected to contribute to continuous higher prices in 2005.

Mittal Steel South Africa therefor entered into base metal future contracts whereby 29% of the consumption of zinc, aluminium and nickel was hedged forward until December 2005 to protect the business against possible adverse price movements. The hedge was done in United States dollar terms with settlement taking place monthly in the form of a cash flow settlement.

26. Financial instruments (continued)

26.2 Price hedging (continued)

Metal

Details of contracts which relate to specific base metal **commitments** as at 31 December 2004 and 31 December 2003, are as follows:

	Tons hedged	Contract value US$m	Recognised fair value gains in income statement US$m	Fair value gains taken to the income statement Rm
31 December 2004				
Zinc	**760**	**1**		**1**
Aluminium	**953**	**2**		**2**
				3
31 December 2003				
Tin	65			1
Zinc	760	1		1
Aluminium	689	1		1
				3

The details of contracts which relate to specific base metal **commitments not yet due**, at 31 December 2004 and 31 December 2003, are as follows:

	Tons hedged	Contract value US$m	Fair value gains in equity US$m	Fair value gains in equity Rm
31 December 2004				
Zinc	**4 560**	**4**	**1**	**8**
Aluminium	**5 718**	**8**	**2**	**15**
Nickel	**120**	**2**		**1**
			3	**24**
31 December 2003				
Tin	455	2	1	7
Zinc	13 680	12	2	10
Aluminium	15 570	23	2	12
			5	29

26. Financial instruments (continued)

26.3 Interest rate risk management

The group is exposed to interest rate risk as it borrows and places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings and placings within market expectations. The group's exposure to fixed interest rate financial instruments is limited to the interest-bearing borrowings disclosed in note 21.

26.4 Maturity profile of financial instruments

The maturity profiles of financial assets and liabilities at 31 December 2004 and 31 December 2003, are summarised as follows:

	0 - 12 months Rm	1 - 2 years Rm	3 - 5 years Rm	> 5 years Rm	Total Rm
31 December 2004					
Assets					
Financial assets		**171**	**281**	**60**	**512**
Cash and cash equivalents	**4 064**				**4 064**
Trade and other receivables	**2 481**				**2 481**
Liabilities					
Interest-bearing borrowings	**10**	**10**	**30**	**41**	**91**
Trade and other payables	**2 305**				**2 305**
	8 860	**181**	**311**	**101**	**9 453**
Percentage profile (%)	**94**	**2**	**3**	**1**	**100**
31 December 2003					
Assets					
Financial assets		125	210	41	376
Cash and cash equivalents	1 107				1 107
Trade and other receivables	1 502				1 502
Liabilities					
Interest-bearing borrowings	988	10	30	52	1 080
Trade and other payables	2 074				2 074
	5 671	135	240	93	6 139
Percentage profile (%)	92	2	4	2	100

26. Financial instruments (continued)

26.5. Fair value of financial instruments

The carrying amounts and fair values of the group's financial assets and liabilities are stated below:

	Carrying value 31 Dec 2004 Rm	**Fair value 31 Dec 2004 Rm**	Carrying value 31 Dec 2003 Rm	Fair value 31 Dec 2003 Rm
Assets				
Financial assets	**512**	**512**	376	376
Cash and cash equivalents	**4 064**	**4 064**	1 107	1 107
Trade and other receivables	**2 481**	**2 481**	1 507	1 507
Liabilities				
Non-current interest-bearing borrowings	**81**	**101**	92	115
Current interest-bearing borrowings	**10**	**10**	988	988
Trade and other payables	**2 305**	**2 305**	2 074	2 074

The carrying amounts of cash and short-term deposits, accounts receivable, accounts payable and short-term borrowings approximate their fair values due to the short-term maturities of these assets and liabilities.

Liabilities

The fair value of long- and medium-term borrowings is calculated using quoted prices or where such prices are not available discounted cash flow analyses using the applicable yield curve for the duration of the borrowing.

Derivative instruments

Comprise future forward exchange contracts and base metal futures. The fair value of derivative instruments, included in hedging assets and liabilities are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analyses using the applicable yield curve for the duration of the instruments.

At 31 December 2004 the unfavourable R9 million (December 2003: R7 million) fair value of instruments was made up of:

	2004 Rm	2003 Rm
– Favourable contracts	**27**	32
– Unfavourable contracts	**(36)**	(39)

When an anticipated future transaction has been hedged and the underlying position has not been recognised in the financial statements any change in fair value of the hedging instrument is recognised directly in equity.

26. Financial instruments (continued)

26.6. Credit risk management

Credit risk relates to potential exposure on cash and cash equivalents, investments, trade receivables and derivative instruments. The group limits its counterparty exposure arising from money market and derivative instruments by only dealing with well-established financial institutions of high credit standing. The group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit committee annually.

Trade accounts receivable consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and credit insurance cover is purchased.

Detail of the credit risk exposure above 5%:

	2004	2003
	%	%
By industry		
Manufacturing	**23**	32
Merchants	**61**	44
Structural metal	**8**	10
Food and beverage	**5**	13
Other	**3**	1
	100	100
By geographical area		
South Africa	**80**	70
Asia	**8**	16
Europe	**3**	4
Other	**9**	10
	100	100

26. Financial instruments (continued)

26.7 Liquidity risk management

The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	31 Dec 2004 Rm	31 Dec 2003 Rm
Borrowing capacity is determined by the directors in terms of the Articles of Association, namely 100% of shareholders' equity	**16 040**	12 971
Less total borrowings	**(91)**	(1 080)
Unutilised borrowing capacity	**15 949**	11 891

27. Related party transactions

During the year 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.

Joint ventures

Details of investments in joint ventures are disclosed in note 15 and Annexure 1 whilst income is disclosed in note 15. Interest income from joint ventures of R5 million (December 2003: R2 million) is included in net financing costs (note 5).

The group purchased goods and services to the value of R1 million (December 2003: R59 million) from, and sold goods to the value of R6 894 million (December 2003: R3 253 million) to joint ventures.

The outstanding balances at year-end are as follows:

- included in trade and other receivables (note 19) R360 million (December 2003: R298 million)
- included in the carrying value of joint ventures (note 15) are long-term loans of R10 million (December 2003: R10 million).

Subsidiaries

Details of income from, and investments in subsidiaries are disclosed in notes 6 and 16 respectively, and Annexure 2.

Directors

Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in notes 4 and 31 respectively.

27. Related party transactions (continued)

Senior employees

Details relating to option and share transactions are disclosed in note 28.

Shareholders

The principal shareholders of the company are detailed in the "Analysis of Shareholders" schedule on page 180.

Contingent liabilities

Details are disclosed in note 29.

Management fee

Mittal Steel South Africa received a management fee of R199 million (December 2003: R101 million) from Saldanha Steel for the Mittal Steel South Africa employees that work at Saldanha Steel (note 4).

Mittal Steel Group

The Mittal Steel South Africa group paid remuneration of R731 million (December 2003: R613 million) to Mittal Steel Company N.V. in terms of the Business Assistance Agreement, approved by shareholders at the general meeting held on 15 January 2002.

28. Employee benefits

Retirement funds

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial period the following funds were in existence:

- Iscor Selector Pension Fund and Iscor Selector Provident Fund, both operating as defined contribution funds
- Iscor Employees' Provident Fund, operating as a defined contribution fund
- Iscor Pension Fund, operating as a defined benefit fund. This fund is closed to new entrants
- Iscor Retirement Fund, operating as a defined benefit fund. This fund is closed to new entrants.

Members pay a contribution of 7 %, with the employer's contribution of 10 % being expensed as incurred.

All funds are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Membership of each fund at 31 December 2004 and employer contributions to each fund for the 2004 calendar year was as follows:

	Working members		Employer contributions	
	2004	2003	**2004**	2003
			Rm	Rm
Iscor Selector Funds	**5 651**	6 325	**58**	57
Iscor Employees' Provident Fund	**4 897**	5 679	**30**	30
			88	87

Due to the nature of these funds the accrued liabilities by definition equate to the total assets of these funds.

28. Employee benefits (continued)

Defined benefit funds

Funds are valued actuarially at intervals of not more than three years. At the last statutory valuation of the funds within the group (Iscor Pension Fund at 31 December 2001 and the Iscor Retirement Fund at 31 December 2000) and again at the interim valuation at 31 December 2003 for the Iscor Pension Fund and 31 December 2002 for the Iscor Retirement Fund, the actuaries were of the opinion that the funds were adequately funded. The statutory valuation of the Iscor Retirement Fund at 31 December 2002 was not finalised at date of signing this report, due to the surplus apportionment calculation, and will be completed during the next year.

No material transactions or other material changes in circumstances have occurred since the last valuations, necessitating additional bridging valuations between financial year-ends of the funds and that of the group.

Membership of each fund at 31 December 2004 and employer contributions to each fund for the 2004 calendar year was as follows:

	Pensioner members		**Working members**		**Employer contributions**	
	2004	2003	**2004**	2003	**2004**	2003
					Rm	Rm
Iscor Pension Fund	**9 957**	10 216	**72**	95	**1**	1
Iscor Retirement Fund	**1 830**	1 903				
					1	1

The above figures include previous employees from both steel and mining.

Plans are in progress to transfer the current working members to other funds.

Principal actuarial assumptions (expressed as weighted averages) at the last statutory valuations were as follows:

	Iscor Pension Fund	**Iscor Retirement Fund**
	31 Dec 2003	31 Dec 2002
	%	%
Pre-retirement discount rate	10,0	10,0
Post-retirement discount rate	5,0	4,5
Expected real after tax return on fund's assets	2,5	N/A[2]
Future general and merit salary increases	7,5[1]	N/A[2]

Future pension increases were allowed for the extent that the investment return exceeds the post-retirement discount rate.

[1]*Excluding merit increases according to age*

[2]*Not applicable*

28. Employee benefits (continued)

Medical funds

The group contributes to defined benefit medical aid schemes for the benefit of permanent employees and their dependants. The contributions charged against income amounted to R44 million (December 2003: R40 million). On the basis of current practice, which is reviewed annually, the actuarially determined present value of post-retirement medical aid obligations for early retirees is shown hereunder. The group has no further post-retirement medical aid obligations for current or retired employees.

Funded status

The funded status of the two defined benefit funds (Iscor Pension Fund at 31 December 2003 and Iscor Retirement Fund at 31 December 2002) and the medical obligation at 31 December 2004 were as follows:

	Defined benefit funds	Post-retirement medical aid	
	31 Dec 2003 Rm	**31 Dec 2004 Rm**	31 Dec 2003 Rm
Fair value of plan assets	6 457		
Present value of funded obligation	(6 409)		
Present value of unfunded obligation		**(19)**	(30)
Net asset/(liability)	48	**(19)**	(30)
Surplus not recognised	(48)		
Net liability as per balance sheet		**(19)**	(30)

Details of the movement during the period in the net liability are shown in note 22.

The pension plan assets consist primarily of equity (local and offshore) and interest-bearing stock.

The actual return on the plan assets on the defined benefit funds for the year ended 31 December 2003, amounted to R523 million (2002: R285 million). The latest financial statements were not available at date of signing this report.

Equity compensation benefits

The company operates, via a Management Share Scheme, an option, purchase or deferred purchase scheme for the benefit of group senior management, including executive directors.

Option scheme

Old scheme

Shares are offered at market price on option date and are released in five equal annual tranches commencing on the second anniversary of the offer date and expire after nine years. This Scheme was closed as from 7 May 2002 and will run out once all rights have been exercised or time lapsed.

New scheme effective from 7 May 2002

Share options are offered at market price and are released in three annual tranches of 30%, 30% and 40% respectively, commencing on the first anniversary of the offer date and expiring after six years.

28. Employee benefits (continued)

Equity compensation benefits (continued)

Purchased or deferred purchase scheme

Shares are offered at market price and, if taken up in terms of the scheme, are released unless decided otherwise by the directors, in five equal annual tranches commencing on the second anniversary of the offer date and expire after nine years. This scheme was closed as from 7 May 2002 and will continue to lapse after the expiry date.

A total of 44,6 million shares of the company, representing 10% of the issued shares, has been approved and allocated by shareholders for purposes of the scheme. Of the total of 44,6 million shares, 41,8 million shares are available for future offers to participants, while 2,8 million shares are allocated as options, purchase or deferred purchase shares to participants.

Details are as follows:

	Million
Number of shares available for utilisation in terms of the Iscor Management Share Scheme as at 1 January 2004	**38,9**
Add: Net effect of scheme shares released, forfeitures, resignation and adjustments to scheme allocation during the year	**3,6**
Less: Share offers accepted during the year	**(0,7)**
Number of shares available for future utilisation, as at 31 December 2004	**41,8**

At 31 December 2004 the company's loan to the Iscor Management Share Trust amounted to R25 280 060 (December 2003: R23 770 231).

The market value of the shares available for utilisation at the end of the year amounted to R2 740 million (December 2003: R1 122 million).

Details of the option/purchase schemes are:

	Options		Purchase	
	2004	2003	**2004**	2003
	Million	Million	**Million**	Million
Outstanding at beginning of period	**4,4**	4,9	**1,3**	3,0
Issued	**0,7**	0,1		
Exercised	**(2,2)**	(0,4)	**(0,9)**	(1,6)
Lapsed/cancelled	**(0,4)**	(0,2)	**(0,1)**	(0,1)
Outstanding at end of period	**2,5**	4,4	**0,3**	1,3
Details of issues during the period are as follows:				
Expiry date (New scheme)	**2010**	2009		
Exercise price range (R)	**23,00 – 47,00**	16,00 – 20,70		
Total proceeds if options are immediately exercised (R million)	**30**	1		
Details of options/deferred purchase shares exercised during the period are as follows:				
Exercise price range (R)	**14,54 – 36,47**	10,92 – 18,81	**2,68 – 40,00**	2,45 – 15,50
Total proceeds of shares issued (R million)	**41**	8	**6**	9

28. Employee benefits (continued)

Terms of the options and shares outstanding at year-end are as follows:

	Options		Purchase	
	Exercise price range R	Outstanding '000	Exercise price range R	Outstanding '000
Expiry date				
2005	10,92 – 33,90	26		
2006	10,92 – 35,50	41	10,92 – 23,10	8
2007	10,92 – 14,80	29	3,05 – 10,92	92
2008	17,10 – 21,00	1 582	2,18 – 10,92	110
2009	10,92 – 23,35	166	2,38 – 10,92	24
2010	28,80 – 47,00	616	4,74 – 10,92	66
2011	10,92 – 15,50	33	10,92 – 15,50	53
Total		2 493		353

	Options '000	Purchase '000	Total '000
Number of shares vesting at beginning of period	841	321	1 162
Net change during period	(332)	(138)	(470)
Number of shares vesting at end of period	509	183	692

The fair value of options granted during the period determined using the Black-Scholes valuation model was R1,7 million.

For the year ended 31 December 2004, the following assumptions were used:

Expected life

The weighted average expected life for all option grants is 3,1 years.

Volatility

The weighted average volatility assumption for the option grants is equal to 51% per year.

Risk free rate

The weighted average risk free rate used to value options issued in 2004 was 9,2%.

Dividend yield

A net dividend yield of 4,5% per year was used to value options granted.

	GROUP		COMPANY	
	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm	**Year ended 31 Dec 2004 Rm**	Six months ended 31 Dec 2003 Rm

29. Contingent liabilities

Contingent liabilities at balance sheet date, not otherwise provided for in these financial statements, arising from:				
– Guarantees in the normal course of business from which it is anticipated that no material liabilities will arise:				
– related parties	**8**	6	**8**	6
– other	**126**	139	**126**	139
– Other, including General export incentive scheme	**100**	100	**100**	100

No contingent liability is raised for STC on the full accumulated earnings amount due to the remoteness of the possibility of such an event occurring.

30. Commitments

Capital commitments

Capital expenditure contracted for plant and equipment	**1 008**	547	**981**	475
Capital expenditure authorised for plant and equipment but not contracted for	**1 468**	555	**1 319**	508

The above includes the group's share of capital commitments of joint ventures.

Operating lease commitments

– Equipment

The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than 1 year	**2**	6	**2**	6
– More than 1 year and less than 5 years	**24**	31	**24**	31
– Total	**26**	37	**26**	37

– Property

The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than 1 year	**1**	5		4
– More than 1 year and less than 5 years	**1**	28		26
– Total	**2**	33		30

These commitments will be financed from available cash resources, funds generated from operations and available borrowing capacity.

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries

31.1 Directors' emoluments

	Notes	Fees R
Year ended 31 December 2004		
Executive directors		
DK Chugh		
J Mashaba	1	
M Macdonald	2	
V Sethuraman	3	
AM Thebyane	4	
LL van Niekerk	2	
MJUT van Wijngaarden	2	
Sub-total		
Non-executive directors		
K Ngqula	5	**310 000**
RG Cottrell	6	**166 000**
S Maheshwari		**128 000**
C Markus	7	**126 000**
LN Mittal		**90 000**
A Mittal		**126 000**
KDK Mokhele		**234 000**
MJN Njeke	8	**128 000**
LL van Niekerk	9	**41 140**
Sub-total		**1 349 140**
Total		**1 349 140**

The above exclude share options, which are disclosed in note 31.2.

Notes

1. Appointed 1 October 2004
2. Resigned 10 September 2004
3. Appointed 10 September 2004
4 Resigned 12 February 2004
5. Paid to Industrial Development Corporation of South Africa and the South African Airways
6 Resigned 10 December 2004
7. Appointed 1 January 2004 and resigned 28 December 2004
8. Paid to Kagiso Media
9. Appointed 10 September 2004 and resigned 22 December 2004
10. Include travel, entertainment, telephone and computer allowances
11. Include deferred compensation, medical aid and relocation costs
12. Includes remaining restraint of trade payment, monthly salary for the remaining months up to 31 March 2005 and normal retrenchment package in terms of the retention and restraint contract. Also includes payment of remaining leave
13. Includes an additional restraint of trade of R5,25 million payable in four equal instalments up to 31 March 2008

Basic salary R	Bonuses/ performance related payments R	Allowances (note 10) R	Other benefits (note 11) R	Retirement contributions R	Loss of office (note 12) R	Total R
1 069 015	490 352	288 735	151 725			1 999 827
258 535	98 666	45 000	4 447	25 291		431 939
938 070		31 582		234 150	2 699 642	3 903 444
362 096	120 115		201 300	40 233		723 744
105 975		21 635	93 206	14 046		234 862
1 129 247		123 758	286 699	182 079	8 868 284 [(13)]	10 590 067
866 851	480 183	384 355	28 915	95 033	4 101 404	5 956 741
4 729 789	1 189 316	895 065	766 292	590 832	15 669 330	23 840 624
						310 000
						166 000
						128 000
						126 000
						90 000
						126 000
						234 000
						128 000
						41 140
						1 349 140
4 729 789	1 189 316	895 065	766 292	590 832	15 669 330	25 189 764

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.1 Directors' emoluments (continued)

	Fees R	Basic salary R
Six months ended 31 December 2003		
Executive directors		
DK Chugh		498 248
WF Coertzen		352 412
M Macdonald		608 096
AM Thebyane		446 024
LL van Niekerk		849 259
MJUT van Wijngaarden		588 745
Sub-total		3 342 784
Non-executive directors		
K Ngqula	150 000	
RG Cottrell	76 000	
S Maheshwari	58 000	
LN Mittal	40 000	
A Mittal	58 000	
KDK Mokhele	112 000	
MJN Njeke	58 000	
Sub-total	552 000	
Total	552 000	3 342 784

Pensions

Pensions paid or receivable by executive directors are paid or received under contributory pension schemes.

Bonuses/ performance related payments R	Allowances (note 10) R	Restraint/ retention payment (note 12) R	Other benefits (note 11) R	Retirement contributions R	Loss of office (note 12) R	Total R
261 142	170 630	500 000	6 740	30 360		1 467 120
	194 544		19 900	39 442	6 026 694	6 632 992
335 997	103 978	500 000	3 060	165 000		1 716 131
182 511	66 547	500 000	27 752	51 875		1 274 709
373 008	85 728	750 000	18 288	252 101		2 328 384
260 604	335 580	500 000	23 153	64 678		1 772 760
1 413 262	957 007	2 750 000	98 893	603 456	6 026 694	15 192 096
						150 000
	1 026					77 026
						58 000
						40 000
						58 000
						112 000
						58 000
	1 026					553 026
1 413 262	958 033	2 750 000	98 893	603 456	6 026 694	15 745 122

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.2 Share options

Options issued to and shares purchased by executive directors, which are included in the allocation of 44,6 million shares in terms of the Iscor Management Share Scheme (note 28) totalled 331 060 as at 31 December 2004 (December 2003: 904 990) as follows:

Year ended 31 December 2004

	Balance as at 1 January 2004					
Name	Subscription price R	Number	Date of issue	Period granted (years)	Subscription price R	No of options/ shares
DK Chugh	18,15	**89 110**	7/5/02	6		
M Macdonald	2,60	90 000	23/3/98	9		
	3,05	23 260	4/11/98	9		
	10,92	47 000	23/3/98	9		
	10,92	12 140	4/11/98	9		
	18,15	136 970	7/5/02	6		
	18,15					
	18,15					
	18,15					
		309 370				
J Mashaba					37,25	**140 070**
V Sethuraman					37,25	**140 070**
AM Thebyane	2,58	22 000	2/9/98	9		
	4,80	15 000	4/1/00	9		
	4,80					
	4,80					
	4,86	5 460	25/7/01	9		
	10,92	6 890	2/9/98	9		
	10,92	7 830	4/1/00	9		
	10,92					
	10,92					
	10,92	2 850	25/7/01	9		
	18,15	77 200	7/5/02	6		
		137 230				
Sub-total		**535 710**				**280 140**

Issues			Sold			Balance
Date of issue	Period granted (years)	Notes	Number during the year	Net gains on options/ shares	Notes	as at 31 Dec 2004
			38 190	**621 398**	1	**50 920**
			90 000		2	
			23 260		2	
			47 000		2	
			12 140		2	
			136 970	1 250 791		
			19 040	413 894	3	
			50 540	836 897	4	
			67 390		2	
			309 370	**1 250 791**		
22/7/04	6					**140 070**
22/7/04	6					**140 070**
			22 000		5	
			15 000	127 874		
			10 000		5	
			5 000	127 874	6	
			5 460		5	
			6 890		5	
			7 830	53 277		
			5 220		5	
			2 610	53 277	7	
			2 850		5	
			77 200		5	
			137 230	**181 151**		
			484 790	**2 053 340**		**331 060**

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.2 Share options (continued)

Year ended 31 December 2004

Name	Balance as at 1 January 2004 Subscription price R	Number	Date of issue	Period granted (years)	Subscription price R	No of options/ shares
LL van Niekerk	3,05	10	4/11/98	9		
	10,92	71 420	23/3/98	9		
	10,92	5 950	4/11/98	9		
	18,15	179 700	7/5/02	6		
	18,15					
	18,15					
	18,15					
		257 080				
MJUT van Wijngaarden						
	18,15	112 200	7/5/02	6		
		112 200				
Sub-total		**369 280**				
Total		**904 990**				**280 140**

Notes

1. Sold on 27 May 2004 at R34,56
2. Resigned as director on 10 September 2004
3. Sold on 10 March 2004 at R40,05
4. Sold on 31 May 2004 at R34,85
5. Resigned as director on 12 February 2004
6. Sold on resignation at R30,50
7. Sold on resignation at an average of R31,46
8. Sold on 9 March 2004 at R40,00
9. Sold on 9 March 2004 at an average price of R40,01
10. Resigned as director on 10 September 2004, appointed as non-executive director on 10 September 2004
11. Sold on 27 May 2004 at R34,56
12. Sold on 13 September 2004 at an average price of R45,90

Issues Date of issue	Period granted (years)	Notes	Sold Number during the period	Net gains on options/ shares	Notes	Balance as at 31 Dec 2004
			10	370	8	
			71 420	2 065 732	9	
			5 950	172 067	8	
			179 700	1 620 353		
			24 970	541 570	8	
			66 300	1 078 783	9	
			88 430		10, 12	
			257 080	**3 858 522**		
			112 200	927 460		
			57 000	927 460	11	
			55 200		2	
			112 200	**927 460**		
			369 280	**4 785 982**		
			854 070	**6 839 322**		**331 060**

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.2 Share options (continued)

Six months ended 31 December 2003

Name	Balance as at 1 July 2003 Subscription price R	No of options/ shares	Date of issue	Period granted (years)
DK Chugh	18,15	**103 500**	7/5/02	6
WF Coertzen	2,60	20 000	23/3/98	9
	3,05	28 460	4/11/98	9
	4,86	40 310	25/7/01	9
	10,92	16 300	23/3/98	9
	10,92	14 840	4/11/98	9
	10,92	21 050	25/7/01	9
	18,15	123 420	7/5/02	6
		264 380		
M Macdonald	2,60	90 000	23/3/98	9
	3,05	46 520	4/11/98	9
	10,92	47 000	23/3/98	9
	10,92	24 280	4/11/98	9
	18,15	136 970	7/5/02	6
		344 770		
AM Thebyane	2,58	40 240	2/9/98	9
	4,80	19 500	4/1/00	9
	4,86	5 460	25/7/01	9
	10,92	26 860	2/9/98	9
	10,92	10 180	4/1/00	9
	10,92	2 850	25/7/01	9
	18,15	89 660	7/5/02	6
		194 750		
Sub-total		**907 400**		

	Number during the year R	Sold Net gains on options/ shares	Notes	Number released and paid	Balance as at 31 Dec 2003
	14 390	**134 547**	1		**89 110**
	20 000	366 520	2		
	28 460	444 201	3		
	40 310	559 057	4		
	16 300	122 684	5		
	14 840	111 802	5		
	21 050	158 603	5		
	123 420		6		
	264 380	**1 762 867**			
					90 000
				23 260	23 260
					47 000
				12 140	12 140
					136 970
				35 400	**309 370**
	18 240	305 649	7		22 000
	4 500	110 094	8		15 000
					5 460
	19 970	166 182	9		6 890
	2 350	43 176	8		7 830
					2 850
	12 460	69 900	8		77 200
	57 520	**695 001**			**137 230**
	336 290	**2 592 415**		**35 400**	**535 710**

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.2 Share options (continued)

Six months ended 31 December 2003

	Balance as at 1 July 2003			
Name	Subscription price R	No of options/ shares	Date of issue	Period granted (years)
LL van Niekerk	2,60	90 000	23/3/98	9
	3,05	52 760	4/11/98	9
	10,92	146 620	23/3/98	9
	10,92	38 000	4/11/98	9
	18,15	179 700	7/5/02	6
		507 080		
MJUT van Wijngaarden	2,84	46 800	15/10/98	9
	3,05	40 980	4/11/98	9
	4,86	20 820	25/7/01	9
	10,92	24 440	15/10/98	9
	10,92	21 380	4/11/98	9
	10,92	10 870	25/7/01	9
	18,15	112 200	7/5/02	6
		277 490		
Sub-total		**784 570**		
Total		**1 691 970**		

Notes

1. Sold on 24 December 2003 at R27,50
2. Sold on 20 August 2003 at R18,40
3. Sold on 20 August 2003 at R18,45
4. Sold on 20 and 21 August 2003 at an average of R18,59
5. Sold on 20 August 2003 at R18,41
6. Resigned as director on 31 October 2003
7. Sold on 21 August 2003 at R19,11
8. Sold on 24 December 2003 at R27,50
9. Sold on 21 August 2003 at R19,20
10. Sold on 24 December 2003 at R27,25
11. Sold on 29 August 2003 at R20,70
12. Sold on 29 August 2003 at R20,80
13. Sold on 29 August 2003 at an average of R20,83
14. Sold on 29 August 2003 at an average of R20,75

		Sold			
	Number during the year R	Net gains on options/ shares	Notes	Number released and paid	Balance as at 31 Dec 2003
	90 000	2 425 201	10		
	52 750	1 427 823	10		10
	75 200	1 362 857	10		71 420
	32 050	580 846	10		5 950
					179 700
	250 000	**5 796 727**			**257 080**
	46 800	964 594	11		
	40 980	698 420	12		
	20 820	336 335	13		
	24 440	31 581	14		
	21 380	522 186	14		
	10 870	5 724	14		
					112 200
	165 290	**2 558 840**			**112 200**
	415 290	**8 355 567**			**369 280**
	751 580	**10 947 982**		**35 400**	**904 990**

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.3 Directors' interest in shares

The interest of the directors in the ordinary share capital of the company are as follows:

	Notes
As at 31 December 2004	
Non-executive directors	
LN Mittal	1
Total	

Notes

1. Acquired 2 000 indirect beneficial shares on 9 June 2004

	Notes
As at 31 December 2003	
Executive directors	
M Macdonald	
LL van Niekerk	
AM Thebyane	
MJUT van Wijngaarden	
Non-executive directors	
RG Cottrell	
LN Mittal	
Total	

	Beneficial		Non-beneficial			
	Direct	Indirect	Direct	Indirect	Total	Total %
		222 876 454			**222 876 454**	**50,00**
		222 876 454			**222 876 454**	**50,00**
		41 866		172 400	214 266	0,05
				77 380	77 380	0,02
	50 080		60 030		110 110	0,02
	500				500	0,00
	1 560				1 560	0,00
		222 874 454			222 874 454	49,99
	52 140	**222 916 320**	**60 030**	**249 780**	**223 278 270**	**50,08**

31. Directors' emoluments for Mittal Steel South Africa and subsidiaries (continued)

31.4 Directors' service contracts

All executive directors entered into service contracts with the company, commencing on 1 April 2002 and terminating on 31 March 2005.

Under these service contracts with the company retention and restraint of trade payments will be made to executive directors, payable as follows:

- 50% on signature of the agreement (signed during September 2002);
- 25% eighteen months after the commencement date (30 September 2003); and
- 25% at the termination date.

Mittal Steel South Africa and executive directors may terminate the service contracts subject to one month's calendar notice. The following principles will apply wherever a service contract is terminated prior to the termination date:

- Should an executive director resign from his employment with Mittal Steel South Africa before the termination date of the agreement, the executive director will refund to Mittal Steel South Africa any payments already received with interest within seven days from date of resignation.
- Should Mittal Steel South Africa terminate the agreement for other reasons than based on the misconduct or non-performance of the employee or termination by mutual consent Mittal Steel South Africa shall, in addition to the standard Mittal Steel South Africa retrenchment package, pay an amount equal to the executive director's total monthly cost to company multiplied by the number of full calendar months left to the termination date, as well as amounts outstanding in terms of the retention and restraint payments.

32. Rental agreement

A depot and off-loading facility owned by the company (included under note 12) is leased to a third party in terms of a 14 year rental agreement ending 30 June 2013. In terms of the rental agreement, the lessee does not have the option to purchase the facility at any stage during or after the completion of the contract.

In terms of a material supply and purchase agreement with the aforementioned lessee over the rental agreement period, the price of materials supplied to the company compensates the lessee for the rentals paid over the period.

The total rentals received for the period ended 31 December 2004 amounted to R30 million (December 2003: R16 million) and were off-set against production costs for the period. The future gross operating rentals to be received in accordance with the agreement are set out below:

	December 2004 Rm	December 2003 Rm
Gross operating rentals		
Not later than one year	**28**	16
Later than one year but not later than five years	**98**	107
Later than five years	**64**	97
Total	**190**	220

Annexure 1: Investments in Joint Ventures

	Number of shares held	Percentage holding		Group carrying amount		Company carrying amount		Year-end other than 31 Dec
		As at 31 Dec 2004 %	As at 31 Dec 2003 %	**As at 31 Dec 2004 Rm**	As at 31 Dec 2003 Rm	**As at 31 Dec 2004 Rm**	As at 31 Dec 2003 Rm	
Joint venture								
Unlisted shares								
Consolidated Wire Industries Limited	1 999 999	**50**	50	**55**	50	**14**	14	
Ensimbini Terminals (Pty) Limited	1 000	**50**	50	**14**	13	**10**	10	30 June
Macsteel International Holdings BV	35 001	**50**	50	**521**	355			
Microsteel (Pty) Limited	2 000	**50**	50					30 June
Pietersburg Iron Company (Pty) Limited	4 000	**50**		**6**		**6**		
Total investment				**596**	418	**30**	24	
Directors' valuation of unlisted shares in joint ventures				**759**	479	**30**	24	

Where the above entities' financial year-ends are not coterminous with that of the company, financial information has been obtained from management accounts.

The group's effective share of income statement, balance sheet and cash flow items in respect of joint ventures is as follows:

	As at 31 Dec 2004 Rm	As at 31 Dec 2003 Rm
Balance sheets		
Non-current assets	**292**	152
Current assets	**1 192**	834
Total assets	**1 484**	986
Shareholders' equity	**596**	428
Non-current liabilities		
Interest-bearing borrowings	**214**	114
Current liabilities		
Interest-bearing borrowings	**166**	66
Other	**508**	378
Total equity and liabilities	**1 484**	986

	Year ended 31 Dec 2004 Rm	Six months ended 31 Dec 2003 Rm
Income statements		
Revenue	**9 789**	3 293
Operating expenses	**(9 480)**	(3 205)
Net operating profit	**309**	88
Net financing costs	**(1)**	(3)
Income from investments		3
Income from equity accounted investments	**39**	
Profit before taxation	**347**	88
Taxation		
– Normal	**(89)**	(21)
Net profit attributable to ordinary shareholders	**258**	67
Cash flow statements		
Net cash flows from operating activities	**(185)**	115
Net cash flows from investing activities	**(15)**	(4)
Net cash flows from financing activities	**124**	14
Foreign currency translations	**(8)**	9
Net increase/(decrease) in cash and cash equivalents	**(84)**	134

Annexure 2: Investments in Subsidiaries

	Country of incor-poration[2]	Issued capital-unlisted ordinary shares	Interest of company			
			Shares		Indebtedness	
			Dec 2004	Dec 2003	**Dec 2004**	Dec 2003
		R	**R**	R	**Rm**	Rm
Property						
Dunswart Iron and Steel Works Limited	RSA	124 619	**1 653 047**	1 653 047	**(6)**	(6)
Yskor Landgoed (Pty) Limited	RSA	4 000	**4 000**	4 000	**(96)**	(93)
Manufacturing						
Iscor Building System (Pty) Limited	RSA	100	**100**	100		
Saldanha Steel (Pty) Limited	RSA	2 000	**1 009**	1 009	**5 855**	5 868
Service						
Collect-A-Can (Pty) Limited (60% interest)	RSA	4 000 000	**2 400 000**	2 400 000		
Ferrosure (South Africa) Insurance Co Limited	RSA	1 000	**3 000 000**	3 000 000		
Ferrosure (Isle of Man) Insurance Co Limited	IOM	1 002	**86 623 805**	86 623 805		
Iscor Investments BV	NEH	134 669	**241 105 200**	241 105 200	**1**	1
Pybus Fifty-Seven (Pty) Limited	RSA	1	**1 000**	1 000		
Vicva Investments and Trading Nine (Pty) Limited	RSA	1	**1 000**	1 000		
Total investments in subsidiaries (note 16)			**334 789 161**	334 789 161	**5 754**	5 770

[1]At 100% holding except where otherwise indicated
[2]RSA – Republic of South Africa, IOM – Isle of Man and NEH The Netherlands

Analysis of Shareholders

as at 31 December 2004

Range of shareholders	Number of shareholders	%	Holdings	%
1 – 100 shares	5 900	18,71	335 855	0,08
101 – 1 000 shares	23 285	73,83	4 339 514	0,97
1 001 – 50 000 shares	1 985	6,29	14 412 109	3,23
50 001 – 100 000 shares	118	0,37	8 583 619	1,93
100 001 – 10 000 000 shares	250	0,79	145 883 841	32,73
10 000 001 and more shares	3	0,01	272 197 194	61,06
	31 541	**100,00**	**445 752 132**	**100,00**

Type of shareholders	% shareholding
Corporate holdings	58,79
Pension funds	16,61
Unit trusts	10,65
Insurance companies	4,90
Private investors	2,55
Other management funds	2,03
Other funds	1,86
Overseas banks	1,40
Unclassified and below threshold	1,21
	100,00

Geographical holdings by owner	% shareholding
Netherlands	50,05
South Africa	36,07
USA	7,58
Other countries	2,71
England and Wales	2,36
Below threshold	1,23
	100,00

Shareholding of more than 5%	Holdings	%
Mittal Steel Company N.V.	222 876 454	50,00
Industrial Development Corporation of South Africa	39 167 364	8,79

Public and non-public shareholders	Holdings	%
Directors*	222 876 454	50,00
Iscor Management Share Trust	66 965	0,02
Industrial Development Corporation of South Africa	39 167 364	8,79
	262 110 783	
Non-public shareholders	262 110 783	
Public shareholders	183 641 349	
	445 752 132	

*Mr LN Mittal has an indirect, but beneficial, interest in the shares held by Mittal Steel Company N.V.

Directorate and Administration

Directors

Chairman

K Ngqula

Executive Directors

DK Chugh ◆ (Chief Executive)

V Sethuraman ◆ (Executive Director, Finance)

JJA Mashaba (Executive Director, Human Resources)

Non-Executive Directors

S Maheshwari ◆*

A Mittal ◆#

LN Mittal ◆

Dr KDK Mokhele #▲

MJN Njeke *

Company Secretary

CLS Consulting Services (Pty) Limited

Auditors

KPMG Inc

Registered Office

Vanderbijlpark Steel

Room N3-5, Main Building

Delfos Boulevard

Vanderbijlpark

Postal address

PO Box 2

Vanderbijlpark

1900

Company registration

Mittal Steel South Africa Limited

Reg No 1989/002164/06

Internet address

http://www.mittalsteelsa.com

Transfer Secretaries

Computershare Investor Services 2004 (Pty) Limited

70 Marshall Street, Johannesburg

PO Box 61051

Marshalltown, 2107

Tel: 011 370 5000

Fax: 011 688 7721

United States ADR Depositary

The Bank of New York

ADR Department

101 Barclay Street, 22nd Floor, New York, NY10286

United States of America

Tel: 091 212 815 5133

Fax: 091 212 815 3050

Internet: http://www.bankofny.com

* Member of Audit Committee

\# Member of Human Resources & Nomination Committee

▲ Member of Safety, Health and Environment Committee (SHE)

◆ Citizen of India

Information relating to the Directors of Mittal Steel South Africa who Retire by Rotation

Vaidya Sethuraman	**(51)**
Academic qualifications	BSc (Chem), Chartered Accountant, (ICAI), MBA (IIM, Ahmedabad, India)
Occupation	Executive director, Finance
Experience	Appointed Executive Director, Finance on 10 September 2004
Other current directorships	None
Lakshmi Niwas Mittal	**(54)**
Academic qualifications	BCom
Occupation	Non-executive Director
Experience	Appointed non-executive director in January 2002
Other current directorships	Chairman and founder of the Mittal Steel Group Director of several international companies
Juba Joseph Angelo Mashaba	**(38)**
Academic qualifications	BA, LLB, MAP, HR Executive Programme
Occupation	Executive Director, Human Resources
Experience	Appointed executive director on 1 October 2004
Other current directorships	None
Mfundiso Johnson Ntabankulu Njeke	**(46)**
Academic qualifications	BCom, BCompt (Hons), CA(SA), Higher Diploma Tax Law
Occupation	Non-executive Director
Experience	Appointed director of Mittal Steel South Africa Ltd on 1 January 2002 Member of the audit committee
Other current directorships	Deputy Chairman of Kagiso Media Director of numerous companies including First Lifestyle (Pty) Limited NM Rothschild (SA) (Pty) Limited, Compass Group (SA) (Pty) Limited and Waco Africa Limited.

Shareholders' diary

Year end	**31 December**
Final results for December 2004	**February 2005**
Annual general meeting	**30 May 2005**
Interim results for 2005	**August 2005**

Notice to Shareholders

Seventeenth Annual General Meeting

Notice is hereby given that the seventeenth annual general meeting of members of Mittal Steel South Africa Limited (formerly Ispat Iscor Limited and prior to that, Iscor Limited) will be held at the Park Hyatt Hotel, Room 191 At The Park, Ground Floor, 191 Oxford Road, Rosebank, Johannesburg, on Monday, 30 May 2005 at **11:00**, to conduct the following business:

Ordinary business

1. To receive and consider the annual financial statements for the company and the group for the year ended 31 December 2004, including the directors' report and the report of the auditors thereon.

2. To elect directors in the place of those who in terms of articles 15.2 and 16.1 of the company's articles of association retire by rotation and, being eligible, offer themselves for re-election:

   - LN Mittal
   - MJN Njeke
   - V Sethuraman
   - JJA Mashaba

   Refer to page 182 of this report for abbreviated curriculum vitae of the above.

3. To approve the non-executive directors' fees for the year ended 31 December 2004 (refer to note 31 on page 164)

4. To place the unissued share capital of the company under the control of the directors in terms of section 221 of the Companies Act, 1973, and to renew the authority of the directors to allot and issue any of the unissued shares of the company on such terms and conditions as they may deem fit, subject to the provisions of the Companies Act, 1973, and the requirements of the JSE Securities Exchange South Africa ("the JSE") [1].

5. To consider and, if deemed fit, to pass, with or without modification, the following resolution as an ordinary resolution [1]:

   Resolved that, subject to meeting the requirements of the JSE, the directors are hereby authorised to issue ordinary shares for cash as and when suitable opportunities arise, subject to the following conditions:

   - that this authority shall not extend beyond the next annual general meeting or 15 months from the date of this annual general meeting, whichever date is the earlier;
   - that there will be no restrictions in regard to the persons to whom the shares may be issued, provided that such shares are to be issued to public shareholders and not to related parties;
   - that a press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of shares in issue prior to the issue/s;
   - that issues in the aggregate in any one financial year shall not exceed 15% of the company's issued ordinary share capital; and

[1] No issue of shares is contemplated at the present time, other than shares to be issued in terms of the Iscor Management Share Incentive Scheme as and when required.

- that in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of the shares in question, as determined over the 30 business days prior to the date that the price of the issue is determined or agreed by the directors.

The approval of a 75% majority of the votes cast by shareholders present or represented by proxy at the general meeting is required for this resolution to become effective.

Special Business

6. To consider and, if approved, to pass with or without modification the following special resolution subject to the approval of the JSE:

Special Resolution: "Resolved that in terms of the authority granted in the articles of association of the company and/or any subsidiary of the company, the company and/or its subsidiaries be and are hereby authorised, by way of a general approval, to acquire the company's own ordinary shares ("shares"), upon such terms and conditions and in such amounts as the directors of the company (and, in the case of an acquisition by a subsidiary(ies), the directors of the subsidiary(ies)), may from time to time decide but subject to the provisions of the Act and the Listings Requirements of the JSE and any other stock exchange upon which the shares of the company may be quoted or listed, subject to the following conditions:

(a) that this authority shall be valid until the next annual general meeting of the company, or for 15 months from the date of passing of this resolution, whichever period is shorter;
(b) that any repurchases of shares in terms of this authority be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counter-party, such repurchases being effected by only one appointed agent of the company at any point in time, and may only be effected if after the repurchase the company still complies with the minimum spread requirements stipulated in the JSE Listings Requirements;
(c) that the acquisitions in any one financial year shall be limited to 10% (ten percent) of the issued share capital of the company at the date of this annual general meeting, provided that any subsidiary(ies) may acquire shares to a maximum of 10% (ten percent) of the issued share capital of the company at the date of this annual general meeting, provided that any subsidiary(ies) may acquire shares to a maximum of 10% (ten percent) in the aggregate of the shares in the company;
(d) that any acquisition of shares in terms of this authority, may not be made at a price greater than 10% (ten percent) above the weighted average market value of the shares over the 5 (five) business days immediately preceding the date on which the acquisition is effected;
(e) the repurchase of shares may not be effected during a prohibited period, as defined in the JSE Listings Requirements; and
(f) that an announcement containing full details of such acquisitions of shares will be published as soon as the company and/or its subsidiary(ies) has/have acquired shares constituting, on a cumulative basis, 3% (three percent) of the number of shares in issue at the date of the general meeting at which this special resolution is considered and, if approved, passed, and for each 3% (three percent) in aggregate of the initial number acquired thereafter."

Reason for and effect of the special resolution:

The reason for, and the effect of, this special resolution is to grant the directors a general authority in terms of the act and, subject to the Listings Requirements of the JSE and any other stock exchange upon which the shares of the company may be quoted or listed, for the acquisition by the company or one of its subsidiaries of the company's own shares on the terms set out above.

The directors of the company have no specific intention to acquire any of the company's shares, a position which will as and when required by the directors be re-examined having regard to prevailing circumstances and, after considering the effects of a maximum repurchase, the directors are of the opinion that:

(a) the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 (twelve) months after the date of notice of the annual general meeting;
(b) the consolidated assets of the company and its subsidiaries ("the group"), fairly stated in accordance with Generally Accepted Accounting Practice, will be in excess of its consolidated liabilities for a period of 12 (twelve) months after the date of notice of the annual general meeting;
(c) the company's and the group's issued share capital and reserves will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of notice of the annual general meeting; and
(d) the company's and the group's working capital will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of notice of the annual general meeting.

The company will ensure that its sponsor will provide the necessary letter on the adequacy of the working capital in terms of the JSE Listings Requirements, prior to the commencement of any purchase of the company's shares on the open market.

The directors, whose names are given on pages 13 and 14 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the annual report contains all information required by law and the Listing Requirements of the JSE.

The company is not aware of any legal or arbitration proceedings, including any proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 months, a material effect on the financial position of the group.

Shareholders' attention is drawn to the following information that is required to be disclosed and which is contained in the pages referred to of the annual report:

- independent non-executive and executive directors: pages 13 and 14
- major shareholders: page 180
- directors' interests in securities: page 174 to 175
- share capital of the company: page 141
- material changes: pages 113 to 115.

Any member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a member of the company. Proxy forms should be forwarded to reach the company's transfer secretaries by no later than 9:00 on 27 May 2005. The completion of a proxy form will not preclude a member from attending the meeting.

Please refer to the notes to the proxy form on page 188 for additional guidance on completion of the proxy form and attendance at the meeting.

Beneficial shareholders whose shares are not registered in their own name but in the name of another, for example a nominee, must **not** complete a form of proxy or attend the general meeting unless a form of proxy is issued to them by the registered shareholder. This will include shareholders whose shares have been dematerialised in the name of a nominee of a CSDP or a broker or SDS Nominees (Pty) Limited. Beneficial shareholders who are not registered shareholders should contract the registered shareholder or the **Mittal Steel South Africa ShareCare Line (0800 006 960 or +27 11 370 7850** if you are calling from outside South Africa) for assistance in issuing instructions on voting their shares or obtaining a form of proxy to attend the general meeting.

Shareholders holding dematerialised shares in the company through a CSDP or broker, other than with an “own name” registration, must timeously advise their CSDP or broker of their intention to attend and vote at the annual general meeting in order for their CSDP or broker to provide them with the necessary authorisation to do so, or should they not wish to attend the annual general meeting in person but wish to be represented thereat, they must timeously provide their CSDP or broker with their voting instruction in order for the CSDP or broker to vote in accordance with their instruction at the annual general meeting.

The form of proxy must be lodged at or posted or faxed to the transfer secretaries, Computershare Investor Services 2004 (Pty) Limited, at 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688 7721 to be received no later than 48 hours before the time fixed for the meeting.

By order of the board

CLS Consulting Services (Pty) Limited
Company Secretary

24 March 2005

Form of Proxy

Mittal Steel South Africa Limited
(formerly Ispat Iscor Limited)
(formerly Iscor Limited)
(Incorporated in the Republic of South Africa)
(Registration number 1989/002164/06)
JSE Code: MLA
ISIN: ZAE 0000 64044
("Mittal Steel South Africa" or "the Company")

Form of proxy for use at the seventeenth annual general meeting of the company, to be held on 30 May 2005 at 11:00 at the Park Hyatt Hotel, Room 191 At The Park, Ground Floor, 191 Oxford Road, Rosebank, Johannesburg.

Only registered shareholders who are registered in the register of members of the company under their own name may complete a form of proxy or alternatively attend the annual general meeting. This will include registered shareholders who have not dematerialised their shares, in other words who still hold their Mittal Steel South Africa share certificate/s, or shareholders who have dematerialised their shares in their own name.

Deliver to	**or**	**Mail to**	**or**	**Fax to**
Computershare Investor Services 2004 (Pty) Ltd 70 Marshall Street Johannesburg		Computershare Investor Services 2004 (Pty) Ltd PO Box 61051 Marshalltown, 2107		(011) 688 7721

I/We

(name in block letters)

of (address)

being the holder/s of ____________ Shares in the company do hereby appoint (see note 1)

(number of shares)

1. or, failing him/her,

2. or, failing him/her,

the chairman of the annual general meeting, as my/our proxy to act for me/us at the seventeenth annual general meeting of the company which will be held at the Park Hyatt Hotel, Room 191 At The Park, Ground Floor, 191 Oxford Road, Rosebank, Johannesburg on 30 May 2005 at 11:00 and at any adjournment thereof, and to vote for me/us on my/our behalf or to abstain from voting as indicated below:

	For	Against	Abstain
Ordinary business			
1. Adoption of 2004 annual financial statements.			
2. a) Re-election of LN Mittal			
b) Re-election of MJN Njeke			
c) Re-election of V Sethuraman			
d) Re-election of JJA Mashaba			
3. Approval of non-executive directors' fees			
4. Placing of unissued shares under control of directors			
5. Authority to directors to issue unissued shares for cash			
Special business			
6. Authority to repurchase shares			

Signed at this day of 2005

(Signature) Assisted by me (Where applicable)

Please see notes on reverse

Notes to Proxy

1. ***Only registered shareholders who are registered in the register of members of the company under their own name may complete a form of proxy or alternatively attend the annual general meeting. This will include registered shareholders who have not dematerialised their shares, in other words who still hold their Mittal Steel South Africa (formerly Ispat Iscor Limited and prior to that Iscor Limited) share certificate/s, or shareholders who have dematerialised their shares in their own name.***
2. Beneficial shareholders whose shares are not registered in their own name but in the name of another, for example, a nominee, must **not** complete a form of proxy or attend the general meeting unless a form of proxy is issued to them by the registered shareholder. This will include shareholders whose shares have been dematerialised in the name of a nominee of a CSDP or, a broker or SDS Nominees (Pty) Ltd. Beneficial shareholders who are not registered shareholders should contract the registered shareholder or the **Mittal Steel South Africa ShareCare Line (0800 006 960 or +27 11 370 7850** if you are calling from outside South Africa) for assistance in issuing instructions on voting their shares or obtaining a form of proxy to attend the general meeting.
3. Shareholders holding dematerialised shares in the company through a CSDP or broker, other than with an "own name" registration, must timeously advise their CSDP or broker of their intention to attend and vote at the annual general meeting in order for their CSDP or broker to provide them with the necessary authorisation to do so, or should they not wish to attend the annual general meeting in person but wish to be represented thereat, they must timeously provide their CSDP or broker with their voting instruction in order for the CSDP or broker to vote in accordance with their instruction at the annual general meeting.
4. A Mittal Steel South Africa (formerly Ispat Iscor Limited, and prior to that Iscor Limited) shareholder may insert the name of a proxy or the names of two alternative proxies of his/her choice in the space provided, with or without deleting "the chairman of the general meeting". The person whose name stands first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
5. A Mittal Steel South Africa (formerly Ispat Iscor Limited, and prior to that Iscor Limited) shareholder's instructions to the proxy must be indicated by the insertion in the appropriate box provided of the relevant number of ordinary shares in respect of which he/she wishes to exercise his/her votes. Failure to comply with the above will be deemed to authorise the chairman of the general meeting, if he is the authorised proxy, to vote in favour of the ordinary resolutions at the general meeting, or any other proxy to vote or to abstain from voting at the meeting as the proxy deems fit, in respect of all the Ispat Iscor shareholder's votes exercisable thereat.
6. This form of proxy must be lodged at or posted or faxed to the transfer secretaries, Computershare Investor Services 2004 (Pty) Ltd, at 70 Marshall Street, Johannesburg (PO Box 61051, Marshalltown, 2107) or faxed to +27 11 688 7721 to be received no later than 48 hours before the time fixed for the meeting (excluding Saturdays, Sundays or public holidays).
7. The completion and lodging of this form of proxy will not preclude the ordinary shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
8. The chairman of the meeting may reject or accept any form of proxy which is completed and/or received otherwise than in accordance with these notes.
9. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the company's transfer secretaries or waived by the chairman of the general meeting.
10. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.
11. A company or any other body corporate wishing to vote on a show of hands should ensure that the resolution required by section 188 of the South African Companies Act, 1973 (Act 61 of 1973), as amended ("the Act"), to authorise a representative to vote, is passed by its directors or other governing body. Resolutions authorising representatives in terms of section 188 of the Act must be received by the company's transfer secretaries no later than 48 hours prior to the time fixed for the meeting.

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