



# ISPAT ISCOR LIMITED

(formerly Iscor Limited)

unaudited group earnings and physical information for the quarter ended 30 September 2004

## FINANCIAL RESULTS

Headline earnings for the quarter were up by 347% (417% in US Dollar terms) over the corresponding quarter of the previous year, driven primarily by record global steel prices and significantly higher domestic sales.

Operating profit for the quarter was 15% up (19% in US Dollar terms) on the previous quarter excluding the effect of the Business Assistance Agreement (BAA) remuneration charge.

### COMPARABLE HEADLINE EARNINGS (Rm)

	Quarter ended			Six months ended
	30 September 2004	30 June 2003	30 June 2004	31 December 2003
Operating profit	2 235	564	1 945	1 504
Net financing income/(costs)	1	(28)	(15)	(69)
Equity income	39	20	151	88
Taxation	(698)	(202)	(618)	(513)
Minority interest	(2)	(2)		(3)
<b>Comparable earnings</b>	<b>1 575</b>	<b>352</b>	<b>1 463</b>	<b>1 007</b>
BAA remuneration*			(511)	(429)
Restructuring costs*				(116)
Additional interest adjustment on non-current provisions*			(70)	
<b>Headline earnings</b>	<b>1 575</b>	<b>352</b>	<b>882</b>	<b>462</b>
<b>Comparable headline earnings US\$ (at average spot rate)</b>	<b>248</b>	<b>48</b>	<b>212</b>	<b>145</b>

\*After tax

## MARKET REVIEW

### International

Overall global steel demand remained strong during the past quarter with US & EU growth off-setting some easing in Asia. Prices also improved but are expected to level off.

Prices realised for both flat and long steel exports for the quarter were substantially higher than the same period last year (by 104% for hot rolled coil and 77% for low carbon wire rod) and also up on the second quarter (by 19% and 36%, respectively). Prices for the fourth quarter are expected to remain at current levels.

### Domestic

Domestic sales volumes increased by 33% compared to the same quarter last year and by 5% compared to the previous quarter.

While underlying demand remains firm, the "inventory build" element has now moderated and fourth quarter despatches are expected to be at a lower level than the third quarter.

## PRODUCTION

Production for the quarter was negatively affected by two stoppages at Vanderbijlpark for a 46 day planned interim repair of blast furnace D in July/August with a loss of 195 000 tonnes of liquid iron and for a smaller routine repair stoppage. All other operating units performed well, with Saldanha Steel achieving a record output.

## MARKET COKE EXPANSION PROJECT

During September the Board approved the construction of another coke battery at Newcastle for the supply of an additional 450 000 tonnes of market coke to the South African ferro-alloy industry. This will replace imports and more than double our current market coke production of 420 000 tonnes per annum. The plant is scheduled for commissioning during the third quarter of 2006. The project will make an attractive contribution to earnings.

## COST REDUCTION DRIVE

All cost reduction initiatives are on target. However, prices of key input materials and services continue to increase, particularly coking coal, alloys, ocean freight and railage.

Price escalations and the impact of lower production for the quarter, offset the benefits of the cost reduction drive, resulting in a net increase in costs per tonne.

## OUTLOOK

Earnings for the fourth quarter are expected to be similar to those of the third quarter with the benefits of higher throughput offsetting the negative impact of lower domestic deliveries.

The International Trade Commission of South Africa recently called for comment on a proposal to abolish the current 5% *ad valorem* duty on steel imports. Such a move would put the South African steel industry at an international competitive disadvantage as it already has one of the lowest duties and one of the least aggressive anti-dumping dispensations of any steel producing country. If implemented, it may have a negative impact through possible increased imports.

## GROUP INCOME STATEMENT

	Quarter ended			Six months ended
	30 September 2004 Rm	30 June 2003 Rm	30 June 2004 Rm	31 December 2003 Rm
<b>Revenue</b>	<b>6 387</b>	<b>4 782</b>	<b>5 675</b>	<b>9 175</b>
Flat Steel Products				
• Vanderbijlpark	3 319	2 656	3 117	5 026
• Saldanha Steel	1 036	699	818	1 364
Long Steel Products	1 780	1 242	1 564	2 496
Coke & Chemicals	395	217	293	409
Other	26	29	25	37
Inter Group	(169)	(61)	(142)	(157)
<b>Operating profit</b>	<b>2 235</b>	<b>564</b>	<b>1 214</b>	<b>725</b>
Flat Steel Products				
• Vanderbijlpark	1 131	349	1 230	979
• Saldanha Steel	378	39	211	107
Long Steel Products	578	159	426	348
Coke & Chemicals	188	46	108	103
Other	5	12	8	28
Corporate	(45)	(41)	(38)	(61)
BAA remuneration			(731)	(613)
Restructuring costs				(166)
<b>Net financing income/(costs)</b>	<b>1</b>	<b>(28)</b>	<b>(115)</b>	<b>(69)</b>
<b>Profit from equity accounted investments before tax</b>	<b>39</b>	<b>20</b>	<b>151</b>	<b>88</b>
<b>Surplus on sale of residential properties</b>		<b>3</b>		<b>12</b>
<b>Goodwill amortised</b>	<b>(5)</b>	<b>(5)</b>	<b>(6)</b>	<b>(11)</b>
<b>Taxation</b>	<b>(698)</b>	<b>(202)</b>	<b>(368)</b>	<b>(279)</b>
<b>Minority interest</b>	<b>(2)</b>	<b>(2)</b>		<b>(3)</b>
<b>Profit attributable to ordinary shareholders</b>	<b>1 570</b>	<b>350</b>	<b>876</b>	<b>463</b>
<b>ADDITIONAL INFORMATION</b>				
<b>Profit attributable to ordinary shareholders</b>	<b>1 570</b>	<b>350</b>	<b>876</b>	<b>463</b>
Adjusted for				
• Surplus on sale of residential properties		(3)		(12)
• Goodwill amortised	5	5	6	11
<b>Headline earnings</b>	<b>1 575</b>	<b>352</b>	<b>882</b>	<b>462</b>
<b>Performance per ordinary share</b>				
Attributable earnings per share (cents)	352	78	196	104
Headline earnings per share (cents)	353	79	198	104

## PHYSICAL INFORMATION ('000 tonnes)

	Quarter ended			Six months ended
	30 September 2004	30 June 2003	30 June 2004	31 December 2003
<b>Flat Steel Products</b>				
– Vanderbijlpark				
Liquid steel production	805	935	995	1 870
Sales	811	922	774	1 664
• Local – DSP	61	75	83	150
– Other	539	408	498	792
• Exports	211	439	193	722
• Local sales as % of total sales	74	52	75	57
– Saldanha Steel				
Liquid steel production	343	320	235	645
Sales	306	326	249	622
• Local – DSP	97	42	66	114
– Other	67	30	57	70
• Export	142	254	126	438
• Local sales as % of total sales	54	22	49	30
<b>Long Steel Products</b>				
Liquid steel production	542	548	557	1 080
Sales	473	442	488	939
• Local	312	257	319	496
• Export	161	185	169	443
• Local sales as % of total sales	66	58	65	53
<b>Total</b>				
Liquid steel production	1 690	1 803	1 787	3 595
Sales	1 590	1 690	1 511	3 225
• Local – DSP	158	117	149	264
– Other	918	695	874	1 358
• Export	514	878	488	1 603
• Local sales as % of total sales				
– Including DSP	68	48	68	50
– Excluding DSP	58	41	58	42

### Registered Office

Ispat Iscor Corporate Office  
Roger Dyason Road  
Pretoria West 0002

### Transfer Secretaries

Computershare Investor Services 2004 (Pty) Limited  
70 Marshall Street  
Johannesburg, 2001 PO Box 61051, Marshalltown, 2107

**Directors:** K Ngqula (Chairman), LL van Niekerk (Deputy Chairman), DK Chugh (Chief Executive Officer), RG Cottrell, S Maheshwari, CE Markus, JJA Mashaba, A Mittal, LN Mittal, Dr KDK Mokhele, MJN Njike, V Sethuraman  
\*Citizen of India.

**Company Secretary:** A van der Merwe

**Ispat Iscor Limited Registration number:** 1989/002164/06 **Share code:** IIS **ISIN:** ZAE 000057162