Mittal Steel South Africa Limited

(Formerly Ispat Iscor Limited)

Audited Group Annual Financial Results

and dividend announcement for the year ended 31 December 2005

Financial results

Headline earnings for the year of R5 079 million represents an increase of 12 % compared to last year. This excellent result was driven by higher average sales prices, higher export sales, significant gains on foreign exchange and financial instruments, higher interest income and the Business Assistance Agreement (BAA) remuneration payment during 2004 not being applicable during 2005. This was partially offset by lower domestic sales and an increase in the cost of raw materials.

On a comparable basis headline earnings for the year, before BAA remuneration, increased by 0,4 % compared to last year.

	Year ended 31 December	
	2005	2004
	Audited	Audited
	Rm	Rm
Revenue	**24 032**	23 053
Operating profit	**6 855**	7 458*
Gains/(losses) on foreign exchange and financial instruments	**246**	(52)
Finance costs:		
• net interest income	**169**	31
• imputed interest on non-current provisions	**(140)****	(170)**
Income from investments	**5**	5
Taxation	**(2 329)**	(2 465)
Equity earnings***	**275**	258
Minority interest	**(2)**	(6)
Comparable headline earnings	**5 079**	5 059
In US$m	**807**	794
BAA remuneration		(511)***
Headline earnings	**5 079**	4 548
Attributable earnings	**5 068**	4 878

* *Before BAA remuneration payment of R731 million (R6 727 million after BAA remuneration)*

** *Includes an additional charge of R69 million (2004: R100 million) as a result of reducing the discount rate applied to estimated future cash flows as a consequence of the significant reduction in interest rates*

*** *After tax*

Quarterly comparable headline earnings

The quarterly earnings increased further to all time record levels during the first and second quarters of 2005 but decreased by approximately 40 % during the third and fourth quarters of 2005 mainly due to a significant decline in sales prices and an increase in costs. However, the level of earnings during the last two quarters were still substantially higher compared to the levels achieved during 2003 and the beginning of 2004.

Quarter to	US$m	Rm	Exchange rate
Average 2003	75	565	7,51
March 2004	99	669	6,75
June 2004	212	1 393	6,57
September 2004	248	1 575	6,35
December 2004	235	1 422	6,06
Average 2004	199	1 265	6,43
March 2005	264	1 578	5,97
June 2005	257	1 643	6,40
September 2005	152	987	6,50
December 2005	134	871	6,52
Average 2005	202	1 270	6,35

Operating results

Revenue

	Year ended 31 December	
	2005	2004
	Audited	Audited
	Rm	Rm
Vanderbijlpark	**12 664**	12 288
Saldanha	**3 712**	3 638
Long Products	**7 173**	6 339
Coke & Chemicals	**1 014**	1 253
Other	**98**	111
Inter-group eliminations	**(629)**	(576)
Total	**24 032**	23 053

Operating profit

	Year ended 31 December	
	2005	2004
	Audited	Audited
	Rm	Rm
Vanderbijlpark	**3 688**	4 137
Saldanha	**785**	1 173
Long Products	**2 100**	1 783
Coke & Chemicals	**301**	462
Other	**56**	43
Corporate	**(75)**	(140)
Comparable totals	**6 855**	7 458
BAA remuneration		(731)
Total	**6 855**	6 727

Operating profit of R6 855 million for the year decreased by 8 % on a comparable basis with declines at Coke and Chemicals (35 %), Saldanha (33 %) and Vanderbijlpark (11 %) while Long Products increased by 18 % . Liquid steel production increased by 3,2 % compared with last year with an increase at Vanderbijlpark of 5,4 % , Saldanha of 1,4 % and Long Products 0,7 % .

The decrease at Saldanha and Vanderbijlpark is mainly attributable to lower domestic sales and an increase in raw material input cost partially offset by higher average sales prices.

The main reasons for the increase in operating profit for long products compared to the decrease at our flat production units were a higher increase in the average sales prices, a lower decline in domestic offtake and an increase in total sales volumes for long products compared to a decrease for flat products.

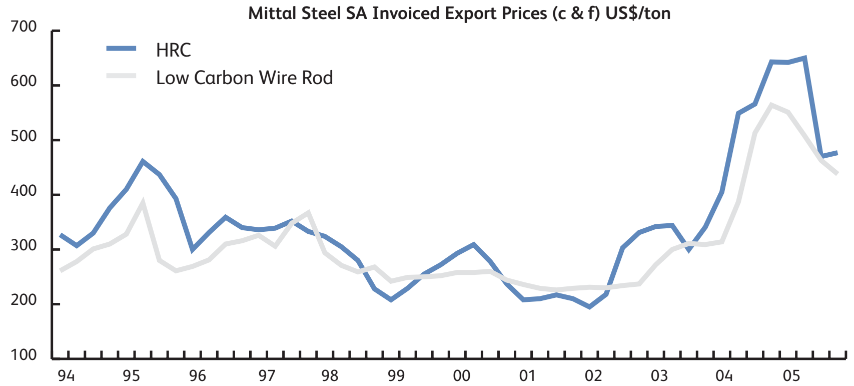
The significant decline in the profitability at our Coke and Chemicals business was due to the sharp down-turn in international coke prices following large-scale expansion of coke making capacity in China, which created an imbalance in demand and supply.

Market review

International

Export volumes increased by 17 % compared to last year mainly due to lower domestic sales redirected to exports. Average export prices for 2005 were 11 % higher compared to last year, however since quarter three we witnessed a significant decrease in steel prices following a softening in demand in China and a destocking effect following an inventory buildup by customers during the first half of the year in anticipation of further price increases.

Mittal Steel SA Invoiced Export Prices (c & f) US$/ton



Domestic market

Domestic sales volumes decreased by 10 % compared to last year mainly due to higher inventory levels and a delay in orders due to anticipated lower prices. However, during the last quarter domestic order intake showed a noticeable improvement driven by low inventory levels as well as a general increase in the demand for steel. Some of our customers, especially customers manufacturing value added products, are experiencing difficulty to export as a result of the strong rand while also competing with cheap imports from China. Domestic prices were reduced during February and August 2005.

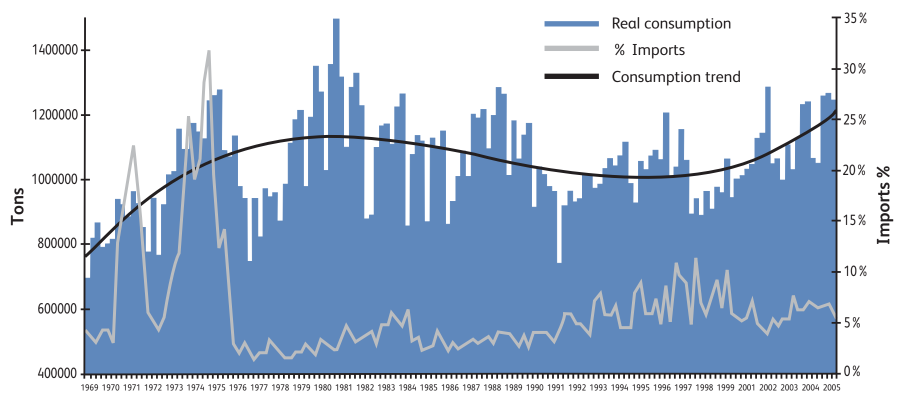
Cost

Cash cost per tonne of hot rolled coil increased by 11 % compared to last year and billets by 12 % , driven by a substantial increase in the cost of coking coal, iron ore pellets and scrap.

The increase in the international price of iron ore fines of 72 % from January 2005 and more than 120 % on coking coal from April 2005 have shifted the global cost curve up considerably.

Through our high level of raw material integration, notably on iron ore, and being self sufficient in coke supply we were to a certain extent sheltered from the significant global increase in costs.

South Africa – Real domestic carbon steel consumption



Contingent liabilities

We submitted our objection, disputing the disallowance of the deductibility of the payment made in terms of the BAA, to SARS during August 2005. SARS responded by a request for more information which was subsequently submitted. There is a contingent liability of R403 million plus interest thereon and no liability has been raised in this regard.

Three complaints have been lodged with the Competition Authorities alleging that Mittal Steel South Africa contravened the Competition Act. One of these complaints will be heard by the Competition Tribunal at a hearing scheduled to start during the middle of March 2006 while the other two complaints are still under investigation by the Competition Commission. Management is of the opinion, based on advice from legal counsel, that no significant exposure exists in this regard and therefore no provision for a liability has been accounted for.

Outlook quarter one 2006

On the local market we expect the recovery in demand which started towards the end of 2005 to further improve, driven by good macro economic conditions. However, if the Rand continues to strengthen, the offtake from domestic customers, particularly by sectors reliant on exports, may be negatively impacted. The first quarter also indicates a further marginal decline in global steel prices. The full impact of the substantial price increase for imported coal since third quarter 2005 will be reflected in our costs during first quarter 2006.

It is expected that the results of our Coke & Chemical business will show a moderate improvement as a result of higher international coke prices.

Overall the results for the next quarter are expected to be in line with the previous quarter, subject to fluctuations in the exchange rate.

Dividend announcement

In line with the company's policy, the Board declared a final dividend of 140 cents, covered approximately three times by headline earnings.

Payment in South African rands will be made on Monday, 20 March 2006 to shareholders recorded in the register on Friday, 17 March 2006. The last day to trade to qualify for the dividend will be Friday, 10 March 2006 and the shares will trade ex-dividend from Monday, 13 March 2006. Share certificates may not be dematerialised or rematerialised between Monday,13 March 2006 and Friday, 17 March 2006 both days inclusive. Dividend entitlements of less than ten rand will be donated to charity in terms of the articles of association.

On behalf of the Board

DK Chugh
(Chief Executive Officer)

HC Banthia
(Executive Director Finance)

13 February 2006

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

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

Directors: K Ngqula *(Chairman)*, DK Chugh* *(Chief Executive Officer)*, HC Banthia*, Dr SE Jonah KBE**, S Maheshwari*, JJ Mashaba, A Mittal*, LN Mittal*, Dr KDK Mokhele, MJN Njeke

* *Citizen of India*
** *Citizen of Ghana*

Company Secretary: Xoliswa Motswai

Mittal Steel South Africa Limited
(Formerly Ispat Iscor Limited)
Registration number 1989/002164/06
Share code: MLA ISIN: ZAE 000064044
("the Company" or "the Group")

This report is available at Mittal Steel South Africa's World Wide Web site at: http://www.mittalsteelsa.com

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Group income statement

	Year ended 31 December 2005 Audited Rm	2004 Audited Rm
Revenue	**24 032**	23 053
Operating expenses	**(16 006)**	(15 367)
Earnings before interest, taxation, depreciation and amortisation (Ebitda)	**8 026**	7 686
Depreciation	**(1 131)**	(919)
Amortisation of intangible assets	**(40)**	(40)
Profit from operations before impairment and goodwill movements	**6 855**	6 727
Goodwill impairment (Note 2)	**(11)**	(21)
Impairment credit		502
Profit from operations	**6 844**	7 208
Gains/(losses) on foreign exchange and financial instruments (Note 3)	**246**	(52)
Net interest income/(finance cost) (Note 4)	**29**	(139)
Income from investments	**5**	5
Income from equity accounted investments before taxation	**292**	347
Profit before taxation	**7 416**	7 369
Income tax expense	**(2 346)**	(2 485)
Profit for the year	**5 070**	4 884
Attributable to:		
– Equity holders of the parent	**5 068**	4 878
– Minority interest	**2**	6
Attributable earnings per share (cents)		
– basic	**1 137**	1 094
– diluted	**1 135**	1 092
Dividend per share (cents)		
– interim	**240**	300
– final	**140**	100
ADDITIONAL INFORMATION		
Profit attributable to ordinary shareholders	**5 068**	4 878
Adjusted for:		
– Goodwill impairment (Note 2)	**11**	21
– Impairment credit		(502)
– Taxation on adjustments		151
Headline earnings	**5 079**	4 548
Performance per ordinary share		
Headline earnings per share (cents)		
– basic	**1 139**	1 020
– diluted	**1 137**	1 018
Net asset value per share (cents)	**4 376**	3 566
Ordinary shares (million)		
– in issue	**446**	446
– weighted average number of shares	**446**	446
– diluted weighted average number of shares	**447**	447
Ratios (%)		
Ebitda margin	**33,4**	33,3
Return on ordinary shareholders' equity per annum		
– Attributable earnings	**28,6**	33,8
– Headline earnings	**28,7**	31,5
Net cash to equity	**26,4**	25,0
Market capitalisation (Rm)	**27 302**	29 197

Group balance sheet

	As at 31 December 2005 Audited Rm	2004 Audited Rm
ASSETS		
Non-current assets	**14 570**	13 934
Property, plant and equipment	**13 133**	12 701
Intangible assets	**74**	114
Goodwill		11
Investments in joint ventures – unlisted (Note 7)	**901**	596
Non-current receivables	**401**	512
Non-current financial assets	**61**	
Current assets	**11 183**	9 650
Inventories	**3 910**	3 105
Trade and other receivables	**1 822**	2 481
Taxation	**117**	
Current receivables	**47**	
Current financial assets	**46**	
Cash and cash equivalents	**5 241**	4 064
Total assets	**25 753**	23 584
EQUITY AND LIABILITIES		
Shareholders' equity		
Stated capital	**6 389**	6 389
Reserves	**600**	306
Retained income	**12 518**	9 200
Ordinary shareholders' equity	**19 507**	15 895
Minority interest	**9**	7
Total equity	**19 516**	15 902
Non-current liabilities	**3 392**	2 990
Interest-bearing borrowings	**71**	81
Provisions	**1 283**	1 188
Provision for post-retirement medical costs	**6**	13
Deferred tax liability	**2 032**	1 708
Current liabilities	**2 845**	4 692
Interest-bearing borrowings	**10**	10
Trade and other payables	**2 647**	2 295
Current financial liabilities		10
Taxation		857
Provisions	**188**	183
Dividends payable		1 337
Total equity and liabilities	**25 753**	23 584
Net cash (Note 8)	**5 160**	3 973

Group statement of changes in equity

	Year ended 31 December 2005 Audited Rm	2004 Audited Rm
Ordinary shareholders' funds at beginning of year	**15 895**	12 819
– as previously stated	**16 040**	12 971
– change in accounting policy – mineral rights restated to cost	**(145)**	(152)
Changes in reserves	**295**	122
– management share trust	**(42)**	(49)
– cost of share options	**8**	2
– currency translation profit/(losses)	**68**	(84)
– financial instruments movements	**25**	1
– share of joint venture hedging reserves	**1**	
– transfer of equity accounted earnings	**235**	252
Changes in retained income	**3 317**	2 954
– net profit for the year	**5 068**	4 878
– dividend paid	**(1 516)**	(1 672)
– transfer of equity accounted earnings	**(235)**	(252)
Ordinary shareholders' funds at end of year	**19 507**	15 895
Minority interest at beginning of year	**7**	1
Minority interest in net profit for the year	**2**	6
Minority interest at end of year	**9**	7
Total shareholders' funds at end of year	**19 516**	15 902

Group cashflow statement

	Year ended 31 December 2005 Audited Rm	2004 Audited Rm
Cash inflows from operating activities	**2 754**	5 228
Cash generated from operations	**8 416**	6 422
Before BAA remuneration	**8 416**	7 153
BAA remuneration		(731)
Net interest income	**168**	31
Dividend paid	**(2 853)**	(339)
Income tax paid	**(2 977)**	(886)
Cash outflows from investing activities	**(1 519)**	(1 234)
Investment to maintain operations	**(1 210)**	(1 001)
Investment to expand operations	**(358)**	(253)
Proceeds from disposals of property, plant and equipment	**6**	14
Investment in other non-current assets		(5)
Dividend from equity accounted investments	**38**	6
Investment income	**5**	5
Normal net cash inflow	**1 235**	3 994
Cash outflows from financing activities	**(54)**	(1 036)
Increase in cash and cash equivalents	**1 181**	2 958
Effect of foreign exchange rate changes	**(4)**	(1)
Cash and cash equivalents at beginning of year	**4 064**	1 107
Cash and cash equivalents at end of year	**5 241**	4 064

Notes to the audited financial statements

1. Basis of preparation

The announcement has been prepared in conformity with IAS34 Interim Financial Reporting.

These audited group financial results for the year ended 31 December 2005 constitute a summary of the group's unqualified audited financial statements. They have been prepared on the historical cost basis, except for the revaluation of financial instruments and conform to International Financial Reporting Standards and the Companies Act of South Africa. The group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005.

The group's financial report for the year will be available by the end of March 2006. The signed unqualified auditors' report issued by Deloitte & Touche for the year is available for inspection at the company's registered address. The principal accounting policies are consistent with those applied in the previous period except for the change in the recognition of mineral rights at cost previously recognised at fair value. (The net effect is a decrease in opening retained earnings in 2004 of R152 million and corresponding income statement effect is R7 million.)

Non-integrated software was reclassified from the category property, plant and equipment to intangible assets. The net carrying value as at December 2004 was R84 million. This has no impact on retained earnings.

Embedded derivative instruments were recognised as required by IAS39 Financial Instruments: Recognition and Measurement. The net increase in retained earnings for 2005 is R75 million.

2. Goodwill impairment

As part of a structured finance deal the company purchased on 1 July 2002 100% in Pybus Fifty-Seven (Pty) Limited, resulting in the recognition of a R64 million positive goodwill asset on acquisition. The company assessed its expected benefits from this investment to be less than the carrying value and, as a result, the total amount of goodwill has been impaired.

	Year ended 31 December 2005 Audited Rm	2004 Audited Rm
3. Gains/(losses) on foreign exchange and financial instruments	**246**	(52)
Gains on changes in foreign exchange rates	**166**	241
Losses on changes in foreign exchange rates	**(58)**	(329)
Gains on changes in the fair value of embedded derivative instruments	**106**	
Gains on changes in the fair value of hedging derivative instruments accounted for as fair value and cash flow hedges	**32**	36
4. Net interest income/(finance cost)	**29**	(139)
Interest income	**190**	94
Interest expense	**(21)**	(63)
Imputed interest on non-current provisions	**(140)**	(170)

Notes to the audited financial statements *continued*

	Year ended 31 December 2005 Audited Rm	2004 Audited Rm
5. Profit before taxation is arrived at after		
Directors' emoluments		
– executive	**7**	24
– non-executive	**1**	1
Auditors' remuneration		
– audit fees	**9**	7
– audit related fees		9
– other services	**1**	1
Business assistance agreement remuneration		731
6. Taxation	**2 346**	2 485
Company and subsidiaries	**2 329**	2 396
Equity accounted investments	**17**	89
7. Investments in joint ventures		
Unlisted investments		
– directors' valuation	**1 077**	759
8. Net cash	**5 160**	3 973
Cash and cash equivalents	**5 241**	4 064
Interest-bearing borrowings		
– non-current	**(71)**	(81)
– current	**(10)**	(10)
9. Capital expenditure		
– incurred	**1 568**	1 254
– contracted	**740**	1 008
– authorised but not contracted	**486**	1 468
10. Contingent liabilities	**623**	234
– guarantees	**120**	134
– other contingent liabilities	**503**	100
11. Operating lease commitments	**29**	28
– less than one year	**2**	3
– more than one year and less than five years	**27**	25

12. Related party transactions

The group is controlled by Mittal Steel Company N.V. which owns 52,02% of the Company's shares.

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with joint venturers.

These transactions occurred under terms that are no less favourable to Mittal Steel South Africa than those arranged with third parties.

13. Directors' share option benefits

Rights to options and shares held by Executive Directors in terms of the Mittal Steel SA/Iscor Management Share Scheme totalled 328 416 at 31 December 2005 (December 2004: 331 060), representing 0,07% (2004: 0,07%) of the issued shares. During the year the directors sold a portion of their options realising a gain of R0,9 million, which was paid to them in terms of the Scheme during the year.

14. Corporate Governance

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

15. Listings Requirements

This announcement has been prepared in compliance with the Listings Requirements of the JSE Limited.

Unaudited supplementary physical information ('000 tonnes)

	Year ended 31 December 2005	2004
FLAT STEEL PRODUCTS		
– *Vanderbijlpark*		
Liquid steel production	**3 823**	3 628
Sales	**3 123**	3 166
– local	**2 017**	2 224
– export	**1 106**	942
Local sales as percentage of total sales	**65**	70
– *Saldanha Steel*		
Liquid steel production	**1 244**	1 227
Sales	**1 160**	1 163
– local	**385**	504
– export	**775**	659
Local sales as percentage of total sales	**33**	43
LONG STEEL PRODUCTS		
Liquid steel production	**2 194**	2 178
Sales	**1 947**	1 894
– local	**1 083**	1 151
– export	**864**	743
Local sales as percentage of total sales	**56**	61
TOTAL		
Liquid steel production	**7 261**	7 033
Sales	**6 230**	6 223
– local	**3 485**	3 879
– export	**2 745**	2 344
Local sales as percentage of total sales	**56**	62