Mittal Steel South Africa Profile

We are South Africa's leading steel producer, producing 7,2 million tonnes of liquid steel per annum.

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

Reliable

We do what we say. We stand by our promises. In the steel industry, a secure, reliable line of supply is critical to the success of our business and that of our customers. As a reliable and secure employer, we support our employees and their communities.

Strong

We don't give up. We are determined to achieve our goals and will pursue them single-mindedly regardless of the prevailing wind of opinion.

Expert

Whether in technology, manufacturing, human resources, acquisitions or community activity, we pride ourselves on being the best in our respective fields. Continual learning is key to retaining expertise.

Confident

Great achievements require confidence. We believe in ourselves and what we are doing. We have strength of character and self-belief that gives us the edge.

Authority

We are the voice of steel. The world turns to us to learn about new processes and innovations and to get the facts about our industry. Our authority comes from an objective standpoint built on years of experience.

Influential

Already influential in the steel industry, we aim to broaden our sphere of influence in associated industries, local communities and new markets. Our employees are given the power to influence their careers and our business.

Innovative

Everybody says they are innovative; we truly are. We not only pioneered the use of DRI in the manufacturing process, we reinvented the steel industry. We encourage experimentation and reward new ideas. Now innovation is a way of life for all of us at Mittal Steel.

Open

While we always protect our business, we are clear in what we say and encourage transparency in our business dealings given our responsibilities to our stakeholders.

STRATEGIC GOALS

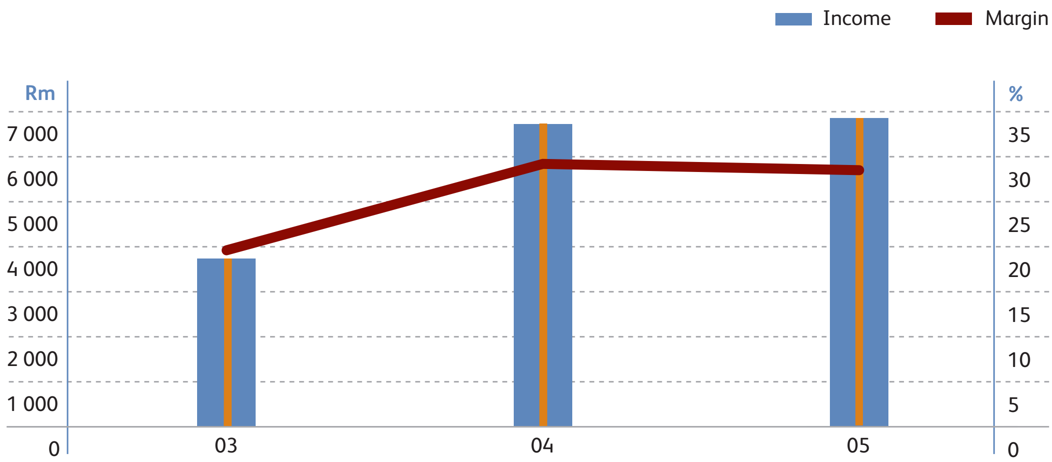
We have set clear goals for ourselves as we enter the next phase of our journey towards transformation. We believe that we are well equipped to realise key objectives and to meet whatever challenges the future may bring. We use both objective and subjective criteria to measure our ability to create value. From an external point of view, we consider the value propositions that will drive the share price of Mittal Steel South Africa over time. From an internal point of view, we assess and analyse our business fundamentals, which include: strategy, operational effectiveness and the quality of our human resource assets. As a result of these processes, the board of Mittal Steel South Africa has developed and 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
  - Substantial reduction in hot rolled coil/billet cash cost
- 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				
Mittal Steel Vanderbijlpark (Gauteng)	Slabs	207	3 688	5 158
• 2 blast furnaces	Plates	233		
• 3 electric arc furnaces	Hot rolled coil	1 324		
• 3 basic oxygen furnaces	Cold rolled coil	475		
	Galvanised	383		
	Electro-galvanised	84		
	Tinplate	344		
	Colour coated	73		
Mittal Steel Saldanha (Western Cape)			785	685
• Corex, Midrex continuous process	Hot rolled coil	1 137		
Long Steel Products			2 100	3 502
Mittal Steel Newcastle (KwaZulu-Natal)	Profiles	1 506		
Mittal Steel Vereeniging (Gauteng)	Billets, ingots			
• 1 blast furnace	and forged	264		
• 3 basic oxygen furnaces	Seamless tube	104		
• 1 electric arc furnace	Windows and posts	73		

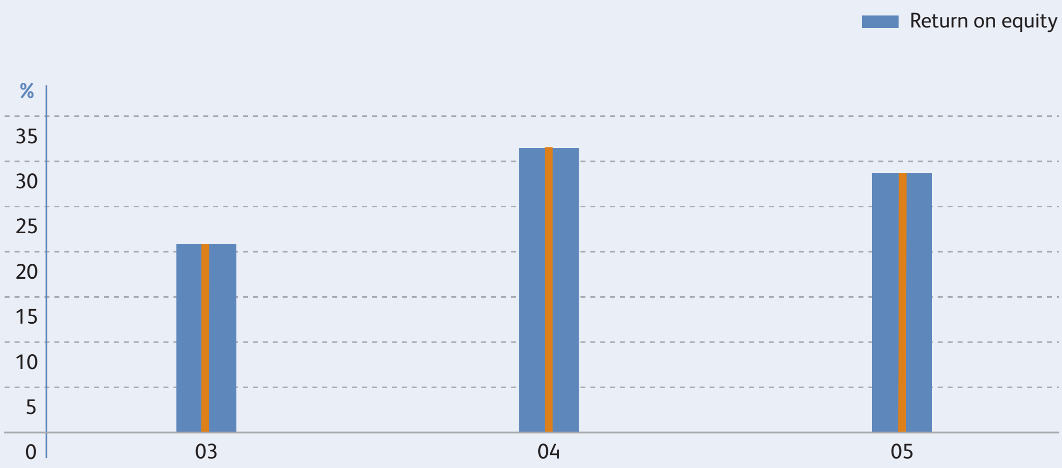
Operating income and operating margin



Business Objectives

Return on equity	Competitiveness	Cash generation	Shareholder value release
OBJECTIVE			
At least cost of capital (currently 15%)	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			
28,7% for the year	Most recent cost curves confirm lowest quartile ranking	Comparative cash flow positive	Average share price of R54,91 was higher than the average net equity value of R39,71
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

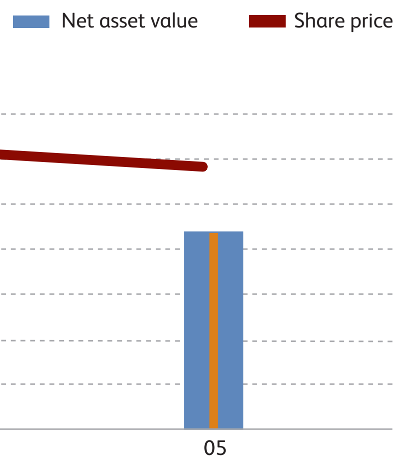
Return on equity (headline)



Financial Summary

	Year ended 31 Dec 2005	31 Dec 2004
Physical ('000 tonnes)		
Liquid steel production	**7 261**	7 033
Domestic sales	**3 485**	3 879
Export sales	**2 745**	2 344
Financial (Rm)		
Revenue	**24 032**	23 053
EBITDA	**8 026**	7 686
Net operating profit	**6 855**	6 727
Flat Steel Products		
– Mittal Steel Vanderbijlpark	**3 688**	4 137
– Mittal Steel Saldanha	**785**	1 173
Long Steel Products	**2 100**	1 783
Mittal Steel Coke and Chemicals	**301**	462
Other	**56**	43
Corporate Centre	**(75)**	(140)
Business assistance agreement remuneration	**–**	(731)
Headline earnings	**5 079**	4 548
Net cash inflow	**1 235**	3 994
Total assets	**25 753**	23 584
Share performance (cents)		
Headline earnings per share	**1 139**	1 020
Dividends per share	**380**	400
Financial ratios (%)		
Return on ordinary shareholders' equity (headline) – per annum	**28,7**	31,5
Net cash to equity	**26,4**	25,0

Net asset value vs share price



Group Review at a Glance

	Year ended 31 Dec 2005 Rm	2004 Rm	6 months ended 31 Dec 2003 Rm	Year ended 30 Jun 2003 Rm	2002 Rm	2001* Rm
GROUP INCOME STATEMENTS						
Revenue	**24 032**	23 053	9 175	19 082	14 188	10 883
Net operating profit						
Mittal Steel Vanderbijlpark	**3 688**	4 137	941	2 429	842	460
Mittal Steel Saldanha	**785**	1 173	107	451	(247)	
Long Steel Products	**2 100**	1 783	328	878	679	159
Mittal Steel Coke and Chemicals	**301**	462	99	142	121	67
Business assistance agreement remuneration		(731)	(613)			
Corporate Centre and other	**(19)**	(97)	(137)	(166)	(87)	(77)
Total	**6 855**	6 727	725	3 734	1 308	609
Gains/(losses) on foreign exchange rate and financial instruments	**246**	(52)				
Net interest income/(finance cost)	**29**	(139)	(71)	(144)	(391)	(193)
Income from investments	**5**	5	2	8	3	5
Investment and equity income after tax						
– Mittal Steel Saldanha					(288)	(526)
– Other	**275**	258	67	85	55	40
Taxation (excluding tax on equity income and disposals)						
– Normal and deferred	**(2 329)**	(2 245)	(258)	(1 201)	(207)	(127)
Minority interest	**(2)**	(6)	(3)			
Loss on disposal or scrapping of fixed assets added back						29
Headline earnings/(loss)	**5 079**	4 548	462	2 482	480	(163)
Headline earnings/(loss) per share (cents)	**1 139**	1 020	104	557	139	(54)
Dividends per share (cents)	**380**	400	75	200	40	

**Pro forma excluding the mining operations*

	Year ended 31 Dec		6 months ended 31 Dec	Year ended 30 Jun		
	2005	2004	2003	2003	2002	2001*
	Rm	Rm	Rm	Rm	Rm	Rm
GROUP BALANCE SHEET						
Assets						
Non-current assets						
Property, plant and equipment	**13 133**	12 701	12 218	12 221	11 993	5 302
Intangible assets	**74**	114	32	33	34	
Goodwill		11	32	43		
Investments in joint ventures	**901**	596	418	375	419	301
Non-current receivables	**401**	512	376	188	136	114
Non-current financial assets	**61**				496	
Current assets						
Cash and cash equivalents	**5 241**	4 064	1 107	852	578	
Intercompany loan – Kumba Resources						1 677
Other	**5 942**	5 586	4 391	4 697	4 458	3 508
Total assets	**25 753**	23 584	18 574	18 409	18 114	10 902
Equity and liabilities						
Capital and reserves						
Total shareholders' equity	**19 507**	15 895	12 971	12 815	11 104	6 176
Minority interest	**9**	7	5	2	2	2
Non-current liabilities						
Interest-bearing borrowings	**71**	81	92	92	726	1 051
Non-current provisions	**1 289**	1 201	1 084	1 047	985	911
Deferred taxation	**2 032**	1 708	1 122	1 059	643	675
Current liabilities						
Interest-bearing borrowings	**10**	10	988	10	1 487	132
Other	**2 835**	4 682	2 312	3 384	3 167	1 955
Total equity and liabilities	**25 753**	23 584	18 574	18 409	18 114	10 902
Net cash/(debt)	**5 160**	3 973	27	750	(1 139)	(1 183)

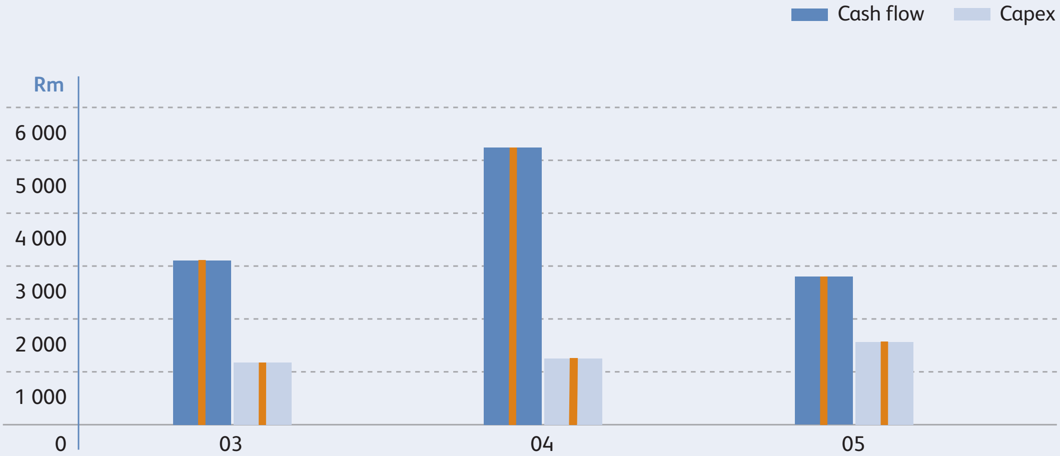
**Pro forma excluding the mining operations*

	Year ended 31 Dec		6 months ended 31 Dec	Year ended 30 Jun		
	2005	2004	2003	2003	2002	2001*
	Rm	Rm	Rm	Rm	Rm	Rm
CASH FLOW STATEMENTS						
Cash inflows from operations	**2 797**	5 239	(486)	3 107	1 521	1 076
Sale of assets	**6**	14	46	88	487	92
Capital expenditure	**(1 568)**	(1 254)	(499)	(1 176)	(969)	(901)
Investments						
– Mittal Steel Saldanha					(228)	(1 086)
– Other		(5)		2		(67)
Take over of Mittal Steel Saldanha loans					(2 923)	
Rights issue proceeds					1 670	
Other	**(4)**	(1)	116	(132)	486	479
Decrease/(increase) in net debt	**1 231**	3 993	(823)	1 889	44	(407)

**Cash inflows from operations and capex*

Pro forma excluding the mining operations

Cash inflows from operations and capex



	Year ended 31 Dec		6 months ended 31 Dec	Year ended 30 Jun		
	2005	2004	2003	2003	2002	2001*
RATIOS						
Profitability and asset management						
Return on net assets (%) – annualised	**33,2**	38,8	10,4	25,6	9,1	(1,0)
Return on ordinary shareholders' equity (%) annualised						
– Attributable earnings (%)	**28,6**	33,8	7,2	21,0	47,9	(19,7)
– Headline earnings (%)	**28,7**	31,5	7,2	20,8	5.6	(2,4)
Return on invested capital (%) – annualised	**44,0**	47,2	11,1	27,4	9,6	(1,0)
Operating margin (%)	**28,5**	29,2	7,9	19,6	9,2	5,6
Net asset turn (times) – annualised	**1,1**	1,1	1,1	1,3	0,9	1,2
Solvency and liquidity						
Financing cost cover (times)	**–**	48,4	10,5	27,5	3,4	3,2
Current ratio (times)	**3,9**	2,1	1,6	1,6	1,1	1,7
Net cash/(debt) to equity ratio (%)	**26,5**	25,0	0,2	5,9	(10,3)	(19,2)
Cash realisation rate (%)	**41,9**	87,6	(41,3)	80,1	172,2	93,4
Number of years to repay net debt (years)	**0,0**	0,0	0,7	0,0	0,5	1,1
Productivity						
Average number of employees ('000)	**10,9**	12,0	12,9	13,2	13,6	14,5
– Steel	**10,1**	11,4	12,7	13,0	13,4	14,2
– Corporate Centre	**0,8**	0,6	0,2	0,2	0,2	0,3
Revenue per average employee (R'000) – annualised	**2 199**	1 925	1 440	1 446	1 043	751
Cash value added (Rm)	**10 727**	9 440	2 845	6 674	4 911	n/a
Prices (actual invoiced) US$/t C&F						
Hot rolled coil export price	**560**	541	320	324	210	233
Low carbon wire rod export price	**490**	445	310	265	229	242

**Pro forma excluding the mining operations*

		5-year annual compound growth rate*	Year ended 31 Dec 2005	2004	6 months ended 31 Dec 2003	Year ended 30 Jun 2003	2002	2001
South African steel market ('000 tonnes)								
Country total (including imports)			**4 587**	4 872	2 067	4 449	4 523	3 665
Supplied by Mittal Steel South Africa (excluding DSP)			**2 998**	3 288	1 359	3 043	3 048	2 263
Mittal Steel South Africa market share (excluding re-rollers) (%)	Ave	66	**65**	67	66	68	67	62
Steel								
Liquid steel production ('000 tonnes)								
Mittal Steel Vanderbijlpark		2,8	**3 823**	3 628	1 870	3 711	3 512	3 541
Mittal Steel Saldanha		8,8	**1 244**	1 227	645	1 251	933	942
Long Steel Products		1,7	**2 194**	2 178	1 080	2 161	2 008	1 985
Total		3,3	**7 261**	7 033	3 595	7 123	6 453	6 468
Sales								
Local ('000 tonnes)								
Mittal Steel Vanderbijlpark		1,4	**2 017**	2 224	942	2 167	2 177	1 794
Mittal Steel Saldanha		5,0	**385**	504	184	406	182	237
Long Steel Products		5,8	**1 083**	1 151	496	965	1 032	774
Total		3,1	**3 485**	3 879	1 622	3 538	3 391	2 805
SA customers (%)	Ave	57	**56**	62	50	59	60	52
Export ('000 tonnes)								
Mittal Steel Vanderbijlpark		0,4	**1 106**	942	722	885	807	924
Mittal Steel Saldanha		20,3	**775**	659	438	754	705	764
Long Steel Products		0,2	**864**	743	443	863	717	891
Total		4,0	**2 745**	2 344	1 603	2 502	2 229	2 579
Export (%)	Ave	43	**44**	38	50	41	40	48

Annualised

	5-year annual compound growth rate*	Year ended 31 Dec 2005	2004	2003	2002	2001	2000
International crude steel production (million tonnes)							
Worldwide	7,2	**1 129**	1 035	945	886	845	828
Asia	12,9	**584**	485	436	391	349	320
Europe	1,9	**218**	193	208	204	205	208
Northern America	(0,3)	**127**	133	123	124	119	134
Former USSR	5,8	**113**	107	106	100	100	96
Other	5,7	**87**	117	72	67	72	70

**Annualised*

	Year ended 31 Dec		6 months ended 31 Dec	Year ended 30 Jun		
	2005	2004	2003	2003	2002	2001*
Share performance						
Number of shares in issue (million)	**446**	446	446	446	446	272
Weighted average in issue (million)	**446**	446	446	446	345	301
Earnings per ordinary share						
– Basic earnings basis (cents)	**1 137,0**	1 094,3	103,9	562,6	1 200,3	(441,9)
– Headline earnings basis (cents)	**1 139,4**	1 020,3	103,6	556,5	139,1	(54,2)
– Cash equivalent basis (cents)	**1 496,6**	1 341,8	265,8	869,5	421,7	376,2
Dividend per ordinary share (cents)	**380,0**	400,0	75,0	200,0	40,0	
Dividend cover (times)	**3,0**	2,6	1,4	2,8	3,5	
Net equity per ordinary share (cents)	**4 378**	3 567	2 910	2 876	2 492	2 271
Attributable cash flow per ordinary share (cents)	**627,5**	1 175,3	(109,7)	696,6	726,1	351,5

**Pro forma excluding the mining operations*

Five-year annual compound growth rate not applicable due to unbundling of mining operations in November 2001

Mittal Steel Company N.V. at a Glance

1. **Mittal Steel Annaba**
(Algeria)

2. **Mittal Steel Zenica**
(Bosnia)

3. **Mittal Canada**
(Canada)

4. **Mittal Steel Ostrava**
(Czech Republic)

5. **Mittal Steel Gandrange**
(France)

6. **Mittal Steel Hochfeld**
(Germany)

   Mittal Steel Hamburg
(Germany)

   Mittal Steel Ruhrort
(Germany)

7. **Mittal Steel Temirtau**
(Kazakhstan)

8. **Mittal Steel Skopje**
(Macedonia)

9. **Mittal Steel Lazaro Cardenas**
(Mexico)

10. **Mittal Steel Poland**
(Poland)

11. **Mittal Steel Hunedoara**
(Romania)

    Mittal Steel Iasi
(Romania)

    Mittal Steel Galati
(Romania)

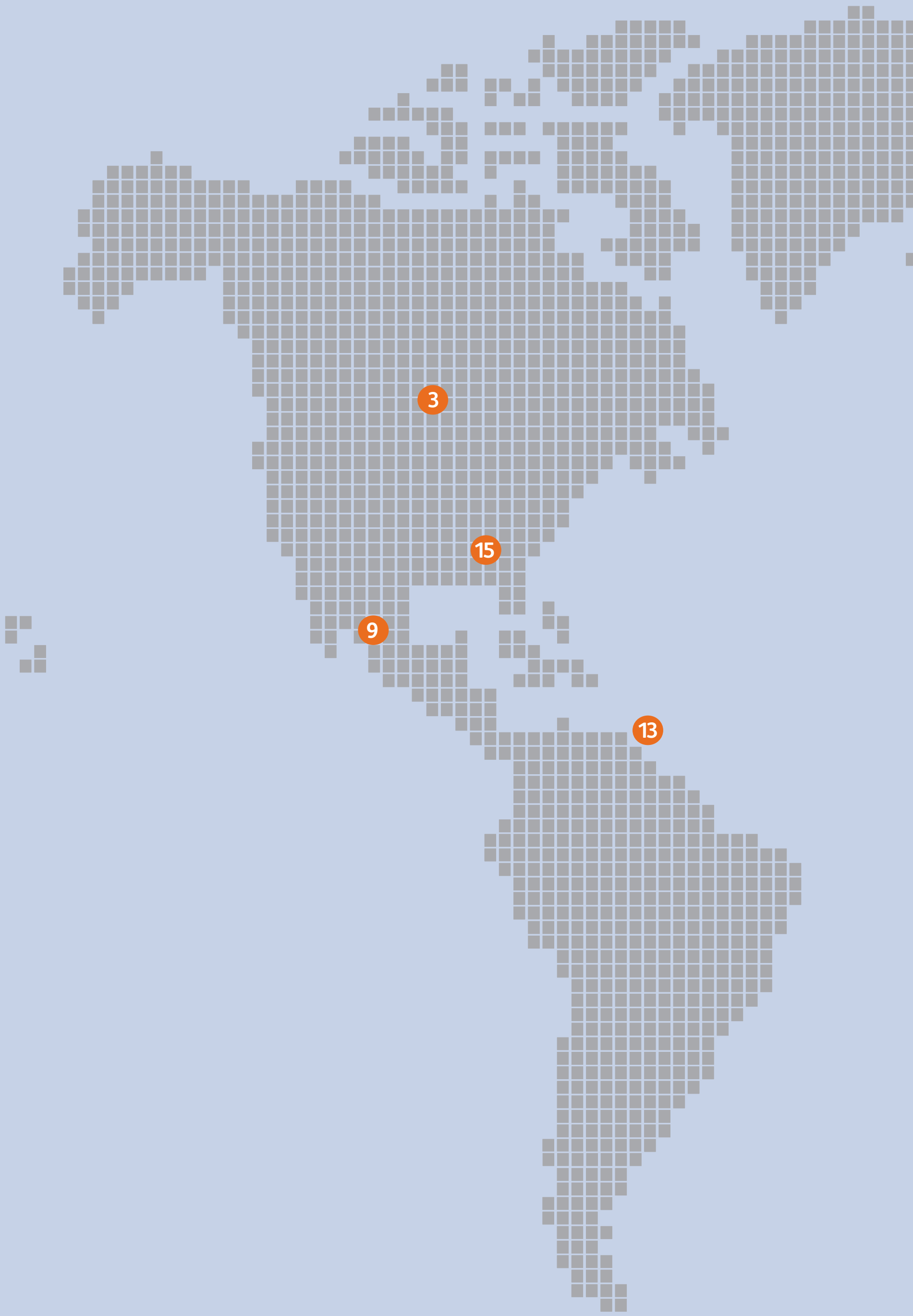
    Mittal Steel Roman
(Romania)

12. **Mittal Steel South Africa**
(South Africa)

13. **Mittal Steel Point Lisas**
(Trinidad)

14. **Mittal Steel Kryviy Rih**
(Ukraine)

15. **Mittal Steel USA**
(USA)

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Board of Directors

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1. **Khaya Ngqula** (50)

   Non-executive chairman

   BAdmin, Executive Development Programme (WBS), Honorary Doctorate in Commerce (Fort Hare)

   Appointed non-executive director on 1 December 2001 and chairman of the board of directors in November 2002. President and CEO of the South African Airways Limited. Serves on several boards including Worldwide African Investment Holdings (Pty) Limited, Elan Group (Pty) Limited, SAA Technical, Air Chefs and SA Travel Centre. Member of the Investment Committee of United Nations Pension Fund.

2. **Sudhir Maheshwari** (42)

   Non-executive director

   BCom (Hons), CA CS

   Appointed non-executive director in December 2002. Member of the Audit Committee. Executive Vice President, Finance and Corporate Treasurer for Mittal Steel Company N.V.

3. **Aditya Mittal** (30)

   Non-executive director

   BSc (Economics)

   Appointed non-executive director in January 2002. Member of the Human Resources & Remuneration Committee. President and Group Chief Financial Officer of Mittal Steel Company N.V. Director of several international companies.

4. **Lakshmi Mittal** (55)

   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.

5. **Khotso Mokhele** (50)

   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 & Remuneration Committee. President of the National Research Foundation.

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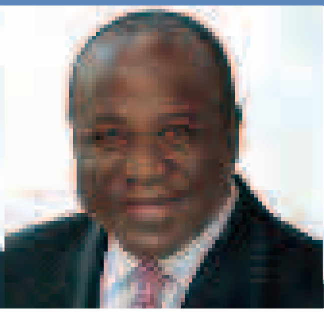

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6. **JJ Njeke** (47)
   Non-executive director
   BCom, BCompt (Hons), CA(SA), Higher Diploma Tax Law

   Appointed non-executive director on 1 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.

7. **Samuel Jonah** (56)
   Non-executive director
   DSc, MSc, DIC

   Appointed non-executive director on 3 November 2005. Chairman of various listed entities. Director of several international companies. He currently serves on the international investment advisory councils of President T Mbeki (SA), President Kufuor (Ghana) and President Obasanjo (Nigeria).

8. **Davinder Chugh** (49)
   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 Mittal Steel Europe.

9. **Juba Mashaba** (39)
   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-Saharan Africa).

10. **Harak Banthia** (39)
    Executive Director Finance
    BCom (Hons), FCA

    Appointed Executive Director Finance in September 2005. Previously worked as CFO at Mittal Steel units in Romania and Ireland for over 10 years and at various positions with member firm of Coopers & Lybrand in India for seven years.

Dear Shareholder

As South Africa's leading steel producer with excellence in performance, caring for and developing our employees, adding value to our shareholders, exercising our social and environmental responsibilities and providing top-class customer service, we materially contribute towards achieving the vision of our parent company to "create the most admired steel institution".

RESULTS

The results for 2005 were exceptionally good, especially in the light of volatile market conditions characterised by fluctuating demand, a strong domestic currency and a surge in global input costs. This performance materially contributed towards achieving the vision of our parent company, Mittal Steel Company N.V. to "create the most admired steel institution".

Headline earnings of Mittal Steel South Africa for the year rose by 12% to a record R5,1 billion from last year's record figure of R4,5 billion, with headline earnings per share at 1 139 cents. This performance was built on excellent results for the first half year, in which we saw headline earnings of R3,2 billion, 108% higher than for the corresponding period in the previous year. The figures were largely a reflection of strong export volumes, up by 17%, and higher average international steel prices during the period.

Revenue for the year increased by 4,2% to R24,0 billion, while operating profit fell by 8,1% to R6,9 billion. Comparable net operating profit, stood 1,9% higher, mainly due to the fact that the business assistance agreement remuneration payment made during 2004 was not applicable in 2005.

Our equity accounted earnings of R275 million remained at the high level achieved during 2004 and increased by R17 million (6,6%) due to the excellent results of Macsteel International Holdings B.V., responsible for international marketing and shipping operations.

In respect of 2005 earnings, the board declared an interim dividend of 240 cps and a final dividend of 140 cps, covered about three times by headline earnings.

We maintained our operating margin at 29% by containing cost increases, increasing liquid steel production marginally by 3% and increasing labour productivity by 11%.

The company's return on equity decreased to 29% from 32% last year mainly due to higher shareholders' funds.

In 2005, R1,6 billion was spent on capital projects.

SAFETY

We are happy to report that we achieved outstanding results for the year while at the same time improving our excellent safety track record. In 2005 we reduced our accident frequency rate by 13%. Our safety performance compares well with global standards of the steel industry.

BEE AND SOCIAL INVESTMENT

We remain committed to furthering Broad Based Black Economic Empowerment (BBBEE), recognising that it is the cornerstone of a strong and sustainable economy. In particular, we actively promote the development and growth of BEE organisations in the Republic of South Africa. In 2005 we procured goods and services from Affirmative Business Enterprises to the value of R1 837 million, an increase of 79% on the previous year. We are further aligning our policies and programmes to the new BBBEE code of conduct published by the government.

Skills development programmes and affirmative employment practices continue to receive our full attention. At the same time, we continued to help reduce poverty by creating jobs and investing in corporate social responsibility projects aimed at the historically disadvantaged unemployed and rural poor. Over the past 12 years, we have invested some R196 million in social programmes aimed broadly at empowering historically disadvantaged communities.

We are currently implementing a support programme for employees and their families affected by HIV/AIDS at all our centres. This focuses on behavioural change, communication and support. We have implemented a voluntary counselling and testing initiative. Training, awareness as well as peer educator programmes are also ongoing.

RELATIONSHIP WITH MITTAL STEEL COMPANY N.V.

The performance of Mittal Steel South Africa is a reflection in smaller compass of the remarkable strength of the worldwide Mittal Group, which, in the 27 years since it was founded, has grown massively to become the world's largest steel producer with annual revenues of almost US$30 billion and net profits of US$3,4 billion. Operating in 16 countries on four continents, it shipped 58 million tonnes of steel in 2005 and currently has a total production capacity of 80 million tonnes. Group operating income in 2005 was US$7 billion and EBITDA was US$7,8 billion. It invested US$1,5 billion in capital projects during the year. It is the largest producer of high quality flat products in the USA and the largest producer of high quality long products in the European Union. If the proposed merger with the EU based Arcelor group goes through, Mittal Steel Company N.V. will be the first steel producer in the world to exceed 100 million tonnes per annum. Mittal Steel South Africa draws several strengths from our membership of this powerful international steel giant. We benefit from its aggregated purchasing power and its extensive sales and marketing network. We also benefit from its comprehensive global knowledge base backed by the resources of state-of-the-art research and development facilities that help us maintain and strengthen our market leading position.

OPERATIONS

In line with our expansion programme to add throughput capacity, liquid steel production was increased by 3,2% compared with last year with an increase at Mittal Steel Vanderbijlpark of 5,4%, Mittal Steel Saldanha of 1,4% and Long Products of 0,7%. This excellent increase could have been higher if a deliberate cutback in production of approximately 100 000 tonnes during the middle of the year, following a sudden collapse in the international market, did not occur.

Mittal Steel Vanderbijlpark produced an all-time record of 3,8 million tonnes in 2005. This increase of 7% was achieved despite putting 100 000 tonnes of production capacity on hold when the market weakened temporarily around June and management moderated the production through the electric arc furnace route. At the same time blast furnace C was down for a mini-reline, which also affected output. Mittal Steel Vanderbijlpark also achieved several production records, notably in hot strip mill production, wharf coke and sinter production. Labour productivity improved substantially as a result of increased production and a reduction in manpower.

Mittal Steel Saldanha produced 1,2 million tonnes of liquid steel, marginally up on last year. It produced 1,2 million tonnes of hot rolled coil, most of it thin and ultra-thin, despite encountering some short-term technical problems in the plant. Mittal Steel Saldanha's productivity of 1,2 man hours per tonne of liquid steel is world-class, as is its safety record, with a Disabling Injury Frequency Rate (DIFR) of just over two per million man hours worked.

The long steel products plant at Newcastle also achieved a number of operational records in an exceptional year. The sinter, coke making and steel plants, together with the billet and bar mills, reached levels of production never previously attained; while production in the blast furnace was the highest in eight years and the plant recorded the highest through yield in its history, accompanied by even higher levels of quality, so that the plant registered the lowest number of quality rejections ever and the fewest number of customer quality complaints.

Operating conditions at Mittal Steel Coke and Chemicals were stable during the year. However, revenue declined by 19%, largely because of a significant downturn in international coke prices following large-scale expansion of coke-making capacity in China.

Our manpower reduction programme in conjunction with our voluntary severance package programme enabled us to reduce our labour force by 8,5%. As a result, our manpower efficiency ratios improved by 11% to 1 487 employees per million tonne of liquid steel produced.

CAPITAL PROJECTS

The performance discussed above confirms that our strategy of continuous improvement in our operations is bearing fruit. In addition, we announced in September that we have embarked on an R8 billion capital expenditure programme, which will conclude in 2008 and will involve upgrading existing plants as well as replacing various assets. Important features of this programme are that it will benefit the greater community by creating hundreds of downstream jobs for individuals and business opportunities for a large number of contractors in regions around our operations.

This very significant expenditure is in addition to the R1 billion we are already investing at our various operations on environmental projects.

Of the R1,6 billion spent on capital projects in 2005, 50% went towards replacements, 28% towards new value-adding projects and 22% towards environmental projects. In respect of environmental matters, it is pleasing to report that the Mittal Steel Vanderbijlpark plant, having commissioned a R222 million main water treatment plant in December 2005, is now a zero effluent discharge facility.

An important environmental project at Mittal Steel Newcastle is the biological treatment and a reverse osmosis plant. This equipment along with its evaporator-crystalliser will enable us to dispose of treated brine as a solid on an approved waste disposal site.

Mittal Steel Vanderbijlpark invested R983 million in capital projects, of which a third was on environmental projects – in the main treatment plant and in the coke ovens. It invested R45 million in value-adding projects, such as expanding the electro-galvanising plant to increase capacity by 35% and a further R489 million in plant replacements.

Mittal Steel Saldanha invested R103 million in a number of relatively small projects. These are either sustainable maintenance projects or small developments offering high returns.

Our long steel products business invested R309 million in capital projects of which 54% went towards value adding projects, 35% on maintaining operational capacity and 11% towards environmental projects. The main value added projects consisted of phase two of the coke oven refurbishment project and the installation of a pulverised coal injection plant.

The Mittal Steel Coke and Chemical division invested R168 million in capital programmes, most of it (80%) on the ongoing coke battery expansion at Mittal Steel Newcastle to add some 450 000 tonnes of production capacity. The refurbishment of the Pretoria battery was completed in August 2005. The company, therefore, is maintaining a strong investment programme on the up keep, debottle-necking as well as capacity expansion.

SUSTAINABLE DEVELOPMENT

Mittal Steel South Africa embraces sustainability as a business imperative and seeks to ensure that its operations are planned, implemented and monitored with full regard to economic, social and environmental concerns.

An indication of our commitment to meeting recognised international standards in these areas is that all our operations have achieved ISO 14001 environmental management system certification. We are engaged in a process of continuously investing physical, personnel and financial resources in mitigating the potential adverse impacts of solid waste as well as air and water emissions. As a matter of sound business practice and in the interest of sustainability in a world of shrinking physical resources, our operations seek to minimise our consumption of energy and water. Main treatment plants at Mittal Steel Vanderbijlpark and Mittal Steel Newcastle units have both resulted in an appreciable reduction of water consumption.

A pillar of our sustainability programme is our drive to ensure that we benefit the communities with whom and among whom we conduct our business. An important aspect of this policy is our drive to provide pricing and other benefits for the down-stream industry in South Africa. In December 2005 we were pleased to announce a number of such benefits which demonstrate our determination to ensure that we make a positive contribution to the sectors which are traditionally our customers as well as the economy in general.

The benefits include rationalising our prices in favour of smaller customers; providing price rebates for the value added export and import replacement sectors; benefits for the contracting sector; providing discounted steel for government housing projects; and establishing a new R250 million investment fund for downstream industry, particularly SMEs.

PRICE REDUCTIONS

With effect from 1 August 2005, we lowered prices for most of our flat rolled products by 5% – 7,5%. Our decision to drop prices on flat steel products by an average of 6,6% follows an earlier decision not to increase the price on all steel products, in spite of the weakness of the Rand in May and June 2005. It also follows a price concession in January, when we lowered prices for most of our products by an average of 8%.

HUMAN RESOURCES

In 2005 the company made significant progress towards the effective management of its human resources and the reinforcement of a stable labour relations environment. Major achievements during the year include:

- Successful relocation of the Head Office and Group support functions from Pretoria to Vanderbijlpark without any disruption to operations
- An 11% improvement in our labour productivity in terms of number of employees per million tonnes of liquid steel produced
- Signing a two year No Forced Retrenchment Agreement with our unions
- Further optimisation of our remuneration practices by limiting guaranteed pay to CPIX while basing variable pay on performance in terms of our Long Term Wage Agreement
- Launching various initiatives to reinforce the attraction and retention of critical skills to counter the shortage of experienced technical skills due to the current high growth of the South African economy
- Increasing alignment of our leadership development and knowledge management initiatives with the global initiatives of our parent company, Mittal Steel Company N.V.

We built trust with our unions by openly sharing with them our strategic direction and voluntarily offering them another No Forced Retrenchment Agreement that runs until December 2006. In that regard, a transparent, collaborative labour environment has been created that resulted in no man-days being lost through labour unrest during the year.

The roll-out of our HIV/AIDS response strategy gained momentum in 2005 with the appointment of full-time HIV/AIDS Co-ordinators in Mittal Steel Vanderbijlpark and Mittal Steel Newcastle; and the launching of the "Know Your Status" campaign, which is aimed at encouraging employees to undergo voluntary counselling and testing. We are proud of the fact that we have achieved our 2005 target in terms of number of employees that volunteered for confidential counselling and testing.

Regarding Employment Equity, we again succeeded in retaining our Employment Equity profile at management level, despite significantly reducing our manpower complement during the year. We achieved this by rigorously applying our affirmative recruitment practices that prioritise previously disadvantaged candidates in filling vacancies through external recruitment. In view of the continuing shortage of technical skills in the labour market, we re-focused our employment equity strategy to ensure the development of a talent pipe-line of technical skills among previously disadvantaged individuals. This way we are able to align our future skills requirements with the employment equity drive. We should begin to see the benefits of this approach in the next three to five years as current trainees graduate and are placed in the business.

BUSINESS ENVIRONMENT

International

Global economic growth slowed from 5,1% in 2004 to 4,3% in 2005, with growth in the United States and China remaining robust while growth in EU countries failed to improve. Steel prices declined towards the end of the first half of 2005, after which most regions, with the exception of Asia, experienced improvements towards the end of the year.

The upward trend could not be sustained, as continued weakness in the Far East was accompanied by stagnating prices in North America and significant parts of Europe.

Perceptions of excessive growth in Chinese production continue to cloud the fact that regional consumption is also rising rapidly and it appears that the markets in Asia are likely to improve in 2006.

The international steel market in 2005 was marked by annual production capacity in China expanding to surpass 400 million tonnes and steel prices that have continued to fall monthly since May 2005 in that country. The strongest growth in steel demand also came from China, which experienced an 18% increase, while steel demand in the rest of the world remained largely at 2004 levels or even experienced a drop in some regions.

The positive economic environment that supported global steel demand was led by the United States economy and by extremely good growth in leading developing economies, most notably China, India and Brazil. Other developing countries have benefited significantly from rising commodity prices resulting from strong Chinese demand.

Prices of some raw materials dropped during the second half of 2005, mainly as a result of weakness in the Far East. Demand for iron ore, however, remained robust due to the increase in Chinese steel production.

During this period, global steel production increased by 6%. China's contribution to this increase was 69 million tonnes (an increase of 25%).

Domestic

During 2005, the South African economy kept up its strong growth momentum, which was mainly a function of a boom in consumer spending, typified by double-digit growth in vehicle sales. Exports of value added products, however, came under strain as a strong Rand eroded the competitiveness of South African products. Steel consumption in sectors linked to exports consequently declined and this, together with a reduction in inventories, led to a 10% decline in steel despatches.

The drop in domestic steel despatches stands in contrast with the strong growth in gross domestic product recorded during the year. The reasons for this drop were:

- The global steel price boom of the latter half of 2004 led to speculative buying, which resulted in excessive inventory levels at merchants and service centres. This had to be reduced during most of 2005
- Customers adopting a wait-and-see approach in the wake of falling global steel prices
- A strong Rand having a negative effect on the exports of value added products while encouraging local businesses to purchase imported goods in lieu of domestically produced products
- A decline in non-platinum mining activities as mines postponed capital projects because of the strong Rand

Prices

- In the United States, sheet prices increased by 25% during September and October alongside successfully implemented rises of US$44 a ton for structural steels and wire rod. The upward price trend in US long product markets proved to be short lived and a drop was experienced in November. The resumption of an upward trend cannot be ruled out, as an increase in scrap prices is expected
- In Asia, the continuing oversupply of steel products from China has become the major feature of the market. Growing Chinese consumption is being neutralised by rising capacity in that country. Prices for both flat and long products in the region are expected to improve during 2006 to cover costs, especially in China
- In the EU, economic growth remained relatively lacklustre and real economic growth over the past year averaged only 1%. Steel demand remained low and any price increases were the result of reduced production. The threat of increased Asian imports into Europe and a subdued demand for both flat and long steel products will moderate European price rises during 2006
- In Eastern Europe and the CIS wide economic divergences are found across the regions. While demand in the Russian Republic is expected to increase by more than 6% to 48 million tonnes in 2006, countries in Eastern Europe such as Poland are experiencing declines in demand. Lower steel inventories in CIS countries, and buoyant economic growth in Russia, are expected to keep prices in the region to 2005 levels or even assist in improving them

INPUT COSTS

Global steel input costs rose substantially during the year. For example, the price for iron ore fines increased by 72%, while price increases for lump ore and iron ore pellets were even higher. Similarly, contracts for metallurgical coking coal for 2005/2006 were settled at prices that were 120% higher than in 2004. Although scrap prices and freight rates stabilised during 2005, they were still above the historical trend line. The overall effect of these quantum increases in raw materials prices has been to move the global cost curve considerably higher. Because of our high level of raw material integration, notably iron ore as well as scrap, and our self sufficiency in coke supply, we were to some extent shielded from the effects of these developments. However, as a result of substantial increases in the cost of coking coal, iron ore pellets, scrap and alloys, our average HRC cash cost per ton increased by 11% and average billet cash cost per ton by 12%.

Our corporate strategy to maintain our position in the lowest cost quartile of world operators continues to drive our cost reduction programmes. We achieved cost savings by successfully commissioning the pulverised coal injection plant at Mittal Steel Newcastle. It has significantly reduced Mittal Steel Newcastle's exposure to the expensive imported coal. Other initiatives include expanding the Thabazimbi iron ore mine; replacing expensive scrap with direct reduction iron; increasing production volumes through improving operational efficiencies; improving labour productivity; and capturing the benefit of the impact of the strong Rand on indirect dollar based cost.

Overall, however, rising raw materials costs, which now constitute 44% of our cash costs, will continue to exert upward pressure on our cost structure.

BOARD OF DIRECTORS

We have great pleasure in welcoming Dr Sam Jonah to the board of Mittal Steel South Africa as a non-executive director. We are confident that a man of his stature and experience will make a significant contribution to our deliberations.

We also have pleasure in welcoming Kobus Verster, who has been appointed executive director, finance, with effect from 17 February 2006. He replaces Harak Banthia, who resigned with effect from 17 February 2006, and Vaidya Sethuraman who resigned with effect from 8 August 2005. We thank them both for their services and wish them well for the future.

PROSPECTS

Global economic growth in 2006 is expected to slow marginally in the early months of the year, partly because of a higher oil price. It should pick up moderately thereafter, resulting in a growth rate of about 3,5%. Growth rates across regions are expected to vary. Growth is expected to remain robust in the US, China, Japan and India, while in the EU countries it will remain moderate. Global steel demand is expected to grow to about 1 050 million tonnes, up 5% from last year's 998 million tonnes. The strongest growth in 2006 is expected to continue to come from China, which should experience a 7% – 10% growth in steel consumption. Generally, we expect international steel prices to be stable in 2006.

We expect domestic demand for steel products to rise in line with government's drive to improve the infrastructural capacity of the country to facilitate faster growth and to prepare the country for the 2010 Soccer World Cup. Growing building activities, as evidenced by a substantial increase in non-residential building plans passed during 2005, should further boost steel demand.

Broadly, prospects for our business in the year ahead are positive although rising input prices will affect production costs and put our management to the test.

We expect earnings in quarter one of 2006 to remain robust and in line with the fourth quarter of 2005, although movements in the currency exchange rate will have an important influence.

Khaya Ngqula
Chairman

Davinder Chugh
Chief executive officer

We strive to keep abreast of the continuous changes in the business environment that determine changes in the requirements of our customers and end users. In this context, our product portfolio is adapted to optimally serve the diverse needs of the marketplace – in both the short and longer term. We look forward to the challenges that will be presented in the coming year.

BUSINESS ENVIRONMENT

International

Global economic growth slowed down from 5,1 % in 2004 to 4,3 % in 2005, according to IMF figures. Growth in the United States and China remained robust while growth in EU countries failed to improve. Steel prices dropped during the first half of 2005 whereafter most regions, with the exception of Asia, experienced improvements.

The upward trend proves to have been short-lived as continued weakness in the Far East was accompanied by stagnating prices in North America and significant parts of Europe.

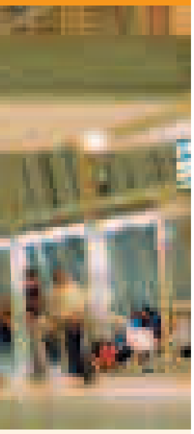
The perception of excessive Chinese production growth continues to cloud the fact that regional consumption is rising rapidly, but it appears that further falls in Asia are likely to be limited in 2006.

Domestic

The South African economy has maintained its strong economic growth momentum during 2005. The strong growth was mainly a function of a boom in consumer spending that manifested in double-digit growth in vehicle sales. Exports of value added products, however, came under strain as a strong Rand has eroded the competitiveness of South African products. Steel consumption in sectors linked to exports subsequently declined and together with an inventory reduction exercise, led to a 6,1 % decline in steel despatches.

The higher oil price is causing a temporary increase in inflation and the Reserve Bank is expected to increase short-term interest rates by one percentage point in 2006. This increase is not expected to have a serious adverse impact on consumer spending and investment decisions in 2006. Any negative impact of higher interest rates could be partially offset by further tax relief for consumers emanating from the healthy fiscal situation as reflected in the government's Medium-term Expenditure Framework (MTEF).

The outlook for the South African economy remains upbeat for 2006 and is expected to result in an increase in the domestic demand for steel.



MARKET REVIEW

International

Overview

The international steel market in 2005 was characterised by the annual production capacity of China surpassing 400 million tonnes and steel prices that have continuously fallen monthly since May 2005 in that country. The strongest growth in steel demand came from China, which experienced an 18% increase, while steel demand in the rest of the world remained largely at the 2004 levels.

The positive economic environment, which supported global steel demand, was led by the United States economy and by extremely good growth in leading developing economies, most notably China, India and Brazil. Other developing countries have benefited significantly from rising commodity prices emanating from strong Chinese demand.

Prices of raw materials dropped during the second half of 2005 mainly as a result of weakness in the Far East. Iron ore demand, however, remained robust due to the increase in Chinese steel production.

Supply and demand

International steel consumption increased by 4% during 2005 and was mainly driven by China whose steel consumption increased by about 10%. With the exception of Asia, all other regions experienced declines in consumption.

During this period global steel production increased by 6%. China's contribution to this increase was 69 million tonnes (an increase of 25%), which is more than the 61 million tonnes increase in total world steel output.

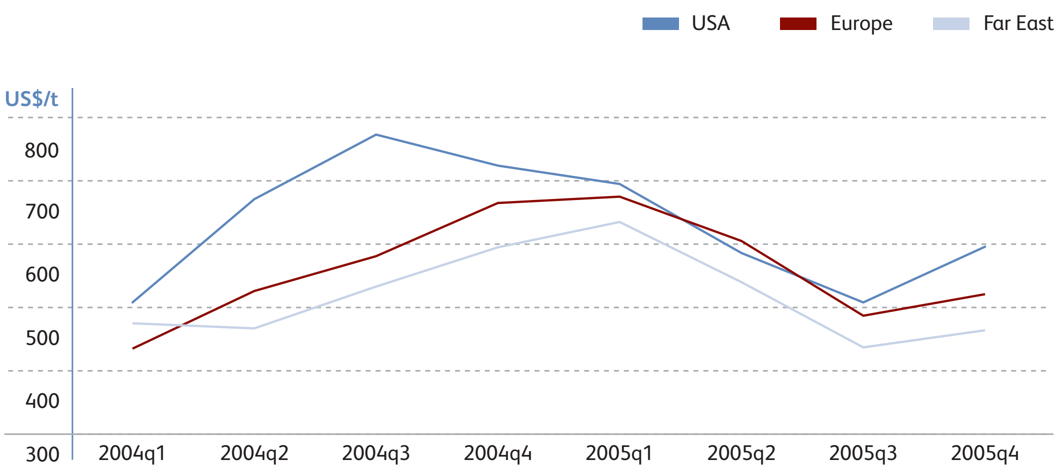
Global economic growth in 2006 is expected to slow marginally during early 2006, partly as a result of a higher oil price, but picking up moderately thereafter, resulting in a growth rate of about 4,3%, the same as 2005. Growth rates across regions are expected to vary. Growth momentum will remain robust in the US, China, Japan and India, while that of EU countries will remain slow. Global steel demand is expected to grow to about 1 050 million tonnes, up 5% from last year's 998 million tonnes. The strongest growth in 2006 is expected to continue to come from China, which should experience a 7 – 10% growth in steel consumption.

Prices

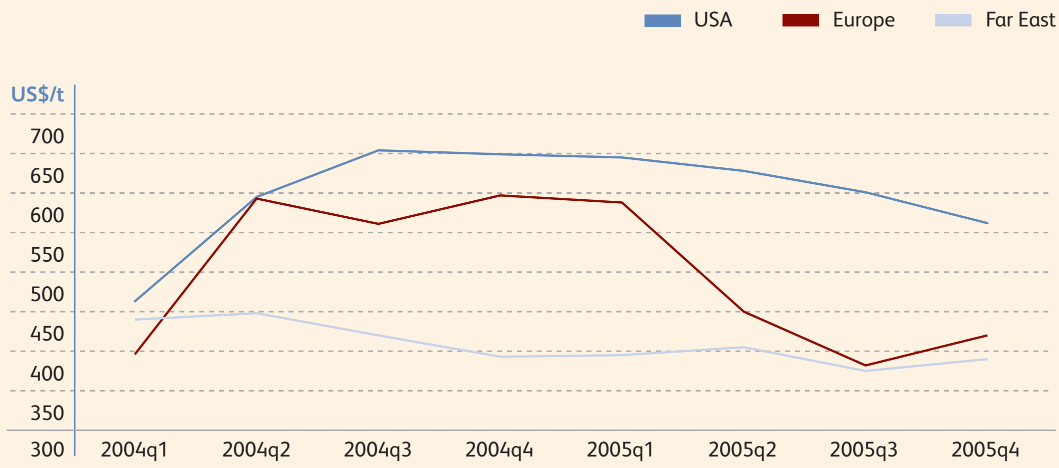
International steel prices declined during the first half of 2005 after reaching a record high towards the end of 2004. With the exception of Asia, where steel prices continued to drop as a result of the over-supply situation in China, prices in other steel consuming regions have increased due to production constraints.

- In the United States, sheet prices experienced a 25% increase during September and October alongside successfully implemented rises of US$44 per tonne for structurals and wire rod. The upward price trend in US long product markets has proved to be short lived when a drop was experienced in November last year. A resumption of an upward trend cannot be ruled out as an increase in scrap prices is expected.

Hot rolled coil prices



Mesh wire rod prices



- In **Asia**, the continuing oversupply of steel products from especially China has become the major feature of the market. Growing Chinese consumption is being neutralised by capacity in that country which is being added at an even more rapid rate. Prices for both flat and long products in the region are expected to remain under pressure during 2006 owing to rising capacity and production in China.
- In the **EU**, economic growth remained relatively lacklustre and real economic growth over the past year averaged only 1%. Steel demand remained low and any price increases were the result of reduced production. The threat of increased Asian imports into Europe and a subdued demand for both flat and long steel products are expected to keep European prices close to 2005 levels during 2006.
- In **Eastern Europe** and the **CIS**, wide economic divergences are found across the regions. While demand in the Russian Republic is expected to increase by more than 6% to 48 million tonnes in 2006, countries in Eastern Europe such as Poland are experiencing declines in demand. Lower steel inventories in CIS countries, and buoyant economic growth in Russia, are expected to keep prices in the region close to 2005 levels.

Domestic

Demand

Steel demand in South Africa declined during 2005, notwithstanding an estimated 4,8% growth in gross domestic product. Consumer spending on durable goods such as vehicles remained high as result of relatively low inflation and historically low short-term interest rates. Residential building activity remained extremely strong while non-residential building activity started to increase during the latter half of the year.

The 10,3% decline in domestic steel despatches by Mittal Steel South Africa when compared with the previous year, stands in contrast with the strong growth in gross domestic product recorded during the year, fuelled by steady growth in total consumer spending. The main reasons for the drop in steel despatches to the domestic market are:

- The global steel price boom of the latter half of 2004 led to speculative buying which resulted in excessive inventory levels at merchants and service centres, which had to be reduced during most of 2005
- Customers adopting a wait-and-see approach in the wake of falling global steel prices
- A strong Rand having a negative effect on the exports of value added products while encouraging local businesses to purchase imported goods in lieu of domestically produced products
- A decline in non-platinum mining activities as mines postponed capital projects due to the strong Rand

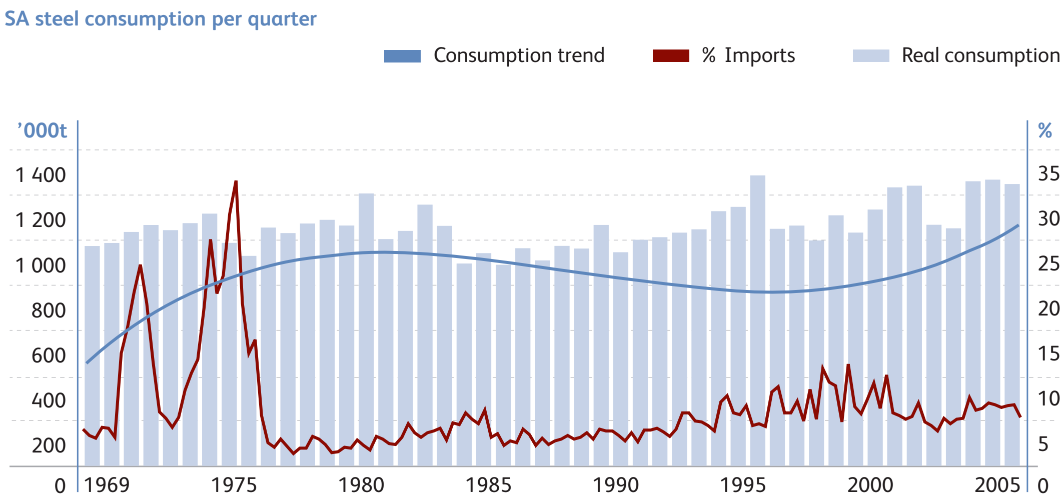
International trade actions

- Positive conditions in international markets during 2005 have limited trade actions and no new anti-dumping, countervailing duty or safeguard actions were initiated against South Africa.

Developments in existing trade cases:

- On 7 July 2005 the US Court of Appeal declined an appeal against the finding of the International Trade Commission that imports of South African cold rolled coil products caused injury to the domestic market.

- The International Trade Court referred an appeal against the finding of the International Trade Commission on South African wire rod exports, to the Commission for review. The International Trade Commission confirmed their finding that exports from South Africa did not cause injury to the domestic market, as export volumes were negligible.
- Anti-dumping duties on hot rolled coil remaining in place are 55,3 % to Argentina, 128,1 % to Thailand and 15,0 % in the USA, as well as normal values applicable for sales to Canada.

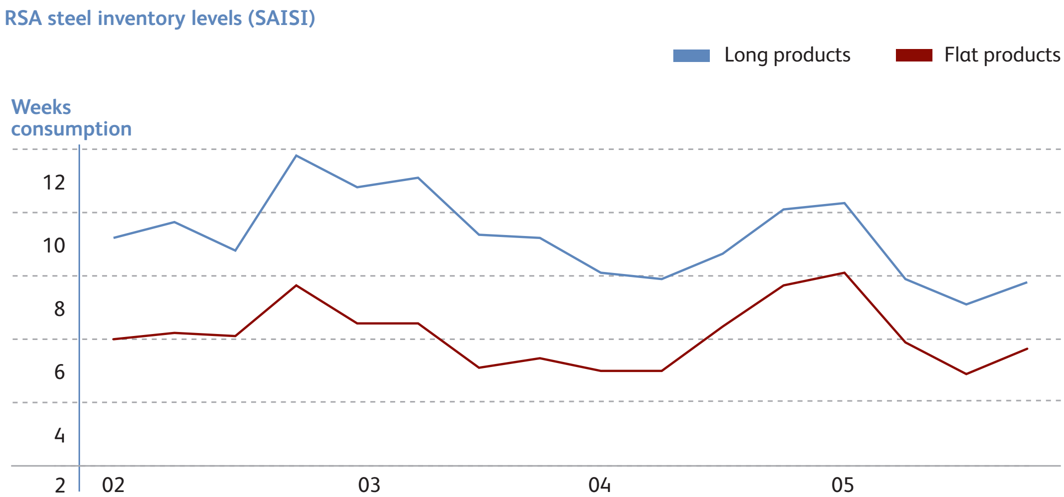


OUTLOOK FOR 2006

Domestic

An increase in steel despatches to the various steel consuming industries is expected during 2006 as a result of:

- Equilibrium between supply and demand following the 2005 reduction in inventory levels
- A limited increase in short-term interest rates in 2006 as CPIX inflation is expected to remain within the 3 % to 6 % target
- Private fixed investment is expected to remain strong as a result of the current high business confidence level and the forecast of continued buoyant economic growth
- The expected drive by the government to improve the infrastructural capacity of the country to accommodate increased growth and to prepare the country for the 2010 Soccer World Cup
- Higher growth in non-residential building activities emanating from a robust increase in non-residential building plans passed during 2005



Flat Steel Products

The strength in the flat steel market continued from 2004 into 2005 but slowed down during the second half of 2005, mainly because of de-stocking and a decline in international prices. Production levels at the two flat steel operations improved significantly in 2005 compared with 2004 despite a slowdown of production in the middle of the year due to market conditions.

FLAT STEEL PRODUCTS

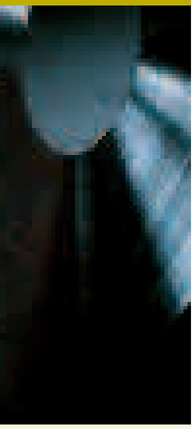
We produce flat steel products at our steel works at Vanderbijlpark and Saldanha. The Mittal Steel Vanderbijlpark plant, an integrated steel works situated near Johannesburg, is one of the world's largest inland steel works and the largest supplier of flat steel products in sub-Saharan Africa. The Corex/Midrex –based steel works at Mittal Steel Saldanha is on the west coast, north of Cape Town.

The Mittal Steel Vanderbijlpark plant produces nearly 4 million tonnes of flat steel products per annum including hot rolled steel in coil and plate; cold rolled; hot-dipped galvanised; electro-galvanised; colour coated and tinplate coil and sheet.

Mittal Steel Saldanha produces some 1,2 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 structure and extensive product range ensure that we have a leading position in the Southern African flat steel market, whilst a strong demand for our comprehensive range of products is well established in global steel markets.

	Year ended 31 December	
All markets; all grades	**2005** **%**	2004 %
Hot rolled coil	**57**	56
Cold rolled sheet	**11**	11
Galvanised sheet	**9**	10
Tinplate	**8**	8
Slab	**6**	6
Plate	**5**	5
Colour-coated sheet	**2**	2
Electro-galvanised sheet	**2**	2



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.

Domestic flat sales per industry

Domestic prime sales

All products, per industry	Actual 2005 %	Actual 2004 %
Building and construction	**30**	32
Pipe and tube (Welded)	**26**	27
Packaging	**17**	16
Automotive	**13**	11
Mining, energy, water, chemicals and gas	**7**	6
Furniture and appliances	**3**	4
Machinery and equipment	**2**	2
Agriculture	**1**	1
Transportation	**1**	1

During the past year, our strategy to support the domestic downstream industries continued. In an attempt to restrict the effects of the strong Rand, particular attention was given to countering imports of steel and stimulating the growth of value added product exports. Secondary export rebates totalling R118,9 million were made available to customers.

Geographical sales distribution

Region	Actual 2005 %	Actual 2004 %
South Africa (Domestic)	**56**	63
Far East	**22**	12
Africa/other	**12**	10
Middle East	**5**	8
Europe	**5**	5
South America		2

MARKET OVERVIEW

Domestic

Domestic sales volumes decreased sharply by 12 % from last year and represented 56 % of total sales compared to 63 % the previous year. Demand came under pressure mainly as a result of a destocking effect and the continued effect of the strong Rand on the competitiveness of downstream industries reliant on exports.

Domestic demand for flat products is expected to improve during 2006 to near 2004 levels, driven mainly by a healthy forecasted growth rate for the domestic economy supported by low interest and inflation rates as well as a balance between demand and supply following the reduction in customer inventory levels during 2005.

International

The high international price for flat products experienced during 2004 continued during the first half of 2005 resulting in average sales prices increasing by 7 % year on year. However, since quarter three we witnessed a significant decline in demand and prices, driven by high inventory levels, the postponement of orders by customers in anticipation of further price decreases as well as a softening in demand in China.

Several steel makers have reduced their production levels in response to the decline in demand and prices. Towards the end of 2005 the pace of the decline started to slow down supported by inventory returning to normal levels.

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

OPERATING RESULTS

	Year ended 31 December			
	Mittal Steel Vanderbijlpark		Mittal Steel Saldanha	
Operational results	2005	2004	2005	2004
Revenue (Rm)	12 664	12 288	3 712	3 638
Net operating income before BAA remuneration (Rm)	3 688	4 394	785	1 343
BAA remuneration (Rm)		(257)		(170)
Net operating income after BAA remuneration (Rm)	3 688	4 137	785	1 173
Liquid steel production ('000t)	3 823	3 628	1 244	1 227
Sales volumes ('000t)	3 123	3 166	1 160	1 163
– domestic	2 017	2 224	385	504
– export	1 106	942	775	659
Domestic sales (%)	65	70	33	43
Capital expenditure (Rm)	983	790	103	104
Hot rolled coil export price (US$/t)/(CFR)	496	431	550	536

For Mittal Steel Vanderbijlpark, operating income before BAA remuneration decreased by 16% and Mittal Steel Saldanha by 42% compared to last year, mainly due to lower domestic sales volumes and a substantial increase in the cost of raw materials, notably coking coal, iron ore pellets and scrap. This was partially offset by higher sales prices and higher export volumes. The main reason for the larger decline in operating profit at Mittal Steel Saldanha is due to their higher exposure to export sales and a higher percentage decline in their local volumes.

Liquid steel production increased by 5,4% at Mittal Steel Vanderbijlpark and by 1,4% at Mittal Steel Saldanha. The excellent improvement at Mittal Steel Vanderbijlpark was limited by a deliberate cutback in production of approximately 100 000 tonnes during the middle of the year following a sudden collapse in the international market.

The performance of the hot strip mill at Mittal Steel Vanderbijlpark improved significantly with more than 300 000 tonnes per month produced twice during the year. The October production of 316 300 tonnes represents an all time record. This shows conclusively how effective, significant and sustainable the process streamlining exercise has been.

Mittal Steel Saldanha's improvement in production was achieved despite several short-term technical problems experienced in the plant, principally in the iron-making areas of the process. The higher margins earned on thin gauge steel were further optimised by increasing the ratio of thin gauge products (≤1,6mm) from 46,5% to 47,3% and that of ultra-thin gauge products (≤1,2mm) from 16,5% to 18,7% of total hot rolled coil output.

CAPITAL EXPENDITURE

	Year ended 31 December	
	2005	2004
Value adding (Rm)	118	148
Replacements (Rm)	651	559
Environmental (Rm)	317	187
Total (Rm)	1 086	894

During the past year, R1 086 million was spent on capital projects of which 60% was allocated to maintain operational capability, 29% toward environmental expenditure and 11% on new value adding projects.

Capital expenditure on replacement capital included:

- Replacement of Blast furnace D power reticulation system
- Blast furnace C interim repair

Environmental outlays increased substantially from 2004 and were necessary in order to comply with critical plant operating permits and to meet environmental regulation requirements. The main environmental projects that we commissioned this year were the water treatment plant (which made the Mittal Steel Vanderbijlpark plant a Zero Effluent Discharge Facility) and the blast furnace dust extraction project, which has improved air quality immensely.

CONTINUOUS IMPROVEMENT

	Year ended 31 December			
	Mittal Steel Vanderbijlpark		Mittal Steel Saldanha	
Operational results	**2005**	2004	**2005**	2004
Number of employees	**5 158**	5 444	**685**	762
Cost savings (Rm)	**(19)**	406	**(43)**	134
Cost savings (%)	**(0,3)**	6,7	**(1,4)**	6,0
Total HRC cash cost (R/t)	**1 919**	1 723	**2 049**	1 852
Total HRC cash cost (US$/t)	**302**	270	**322**	288

Our continuous improvement programme delivered marginal negative results during 2005, mainly due to operational difficulties and commercial challenges. However, we managed to sustain almost all of the substantial savings generated during the previous year.

Cash cost per tonne of hot rolled coil increased by 11% at both Mittal Steel Vanderbijlpark and Mittal Steel Saldanha driven by substantial increases in raw material costs, notably coking coal, imported iron ore pellets and scrap.

There was a significant improvement in overall labour productivity, with higher production volumes of 4,4% despite a reduction in manpower of 5,8%.

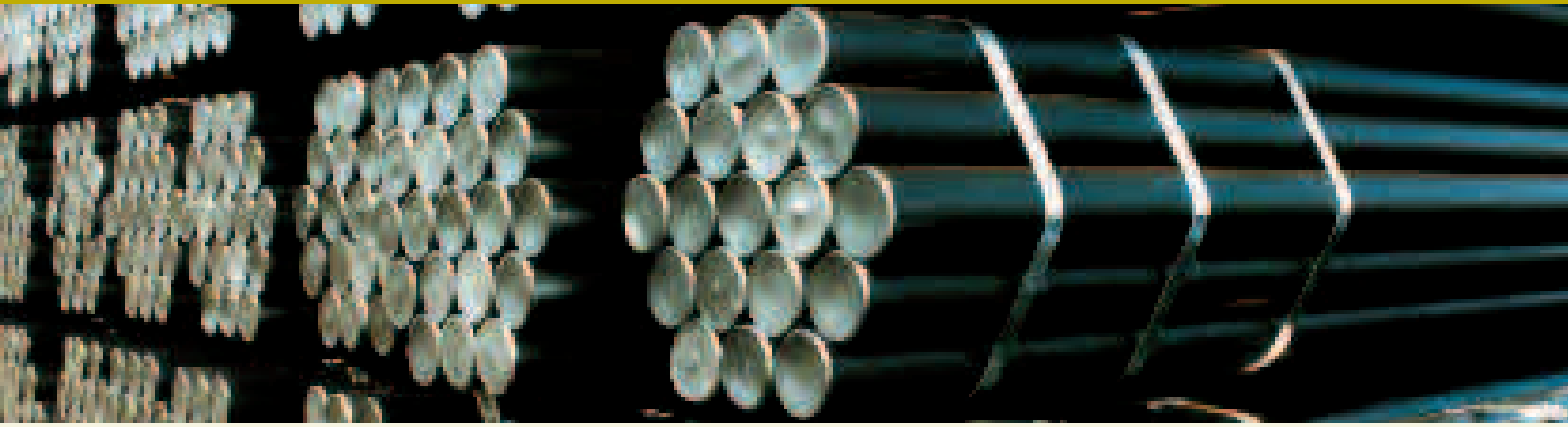
Our continuous improvement programme is expected to deliver savings during the new financial year through focus on equipment availability, higher throughput, better efficiencies and further labour productivity improvements.

NEW DEVELOPMENTS

Among the value adding projects, we are installing a new galvanising line focusing on the production of thin roofing material especially for the low cost housing market. We are expanding our electro-galvanising plant to increase capacity by 35% for the automotive industry, where demand is growing rapidly. During 2006 we also plan to introduce higher strength pipe steel to the market while we also plan to introduce shot blast and primed plate, ship building plate and roller quenched and tempered plate products in order to match the surface conditions of imported products.

THE YEAR AHEAD

Operating income is expected to decline compared with the past year, driven mainly by lower average selling prices and an increase in input costs. We have also scheduled a major reline of blast furnace D at Mittal Steel Vanderbijlpark for the middle of 2006 with an outage of approximately 90 days. On the positive side, we expect domestic volumes to show a marked improvement and we plan to increase the throughput of all our other production units, including the electric arc furnaces to limit the loss in production as a result of the planned outage of blast furnace D.



Long Steel Products

We aim to fully satisfy the demand in South African markets for long steel products comprising rolled carbon and alloy steel profiles and forged products. Our operations remain among the lowest cost producers of steel in the world.

LONG STEEL PRODUCTS

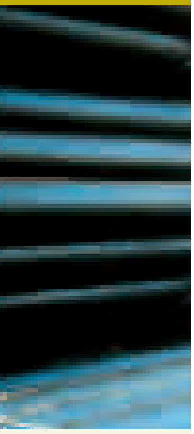
Our long steel business comprises an integrated steel works at Newcastle in KwaZulu Natal and an electric arc furnace-based steel works at Vereeniging, south of Johannesburg.

We produce a comprehensive range of long products, comprising rolled and forged carbon and alloy 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 South African and global steel markets.

Product distribution

	Year ended 31 December	
	2005	2004
	%	%
Wire rod	**34**	35
Light/medium sections	**26**	30
Engineering/SBQ bar	**11**	11
Billets & ingots	**11**	7
Reinforcing bar	**8**	6
Seamless tubes	**5**	5
Windows & fencing	**4**	4
Forge	**1**	2



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 52% share of the total domestic long products market.

During the reporting period, we despatched 1 083 000 tonnes to the domestic market, representing a decrease of 6% from the previous year following the influence of the exchange rate on secondary exports and inventory build down by our customers.

Local market segmentation

	Year ended 31 December	
	2005	2004
	%	%
Construction	**35**	29
Machinery and equipment	**21**	21
Energy, mining, chemicals & water	**20**	23
Automotive	**10**	17
Agriculture	**7**	5
Furniture and appliances	**7**	5

We continued our strong support for the secondary steel export industry through our export rebate scheme. As a result of the continued strengthening of the Rand, secondary export customers, as in 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 R206 million were made available to customers, representing an increase of 13,2% over last year.

We export a full range of products to sub-Saharan Africa and value-added steels to long-term customers in international markets. During the past year, we shipped more than 860 000 tonnes to 57 countries on five continents. Sales to the international steel market consisted mainly of value-added steels and totalled 79% of export sales. More than 90% of exports were sold to long-term repeat customers.

Geographical sales distribution

	Year ended 31 December	
	2005	2004
	%	%
South Africa	**56**	61
Far East	**10**	11
North America	**5**	7
Europe	**5**	7
Indian Ocean	**5**	4
East Africa	**8**	3
Middle East	**7**	3
South America	**2**	3
West Africa	**2**	1

MARKET OVERVIEW

Domestic

Our domestic sales volumes decreased by 6% from last year and represented 56% of total sales compared to 61% last year. Demand came under pressure mainly as a result of inventory build down and the continued effect of the strong Rand on the competitiveness of export orientated downstream industries.

Domestic demand is expected to increase during 2006 as a result of low interest and inflation rates, growth in the domestic economy and equilibrium between demand and supply following the reduction in customer inventory levels during 2005.

International

The recovery in international steel demand and prices evident during the 2004 financial year continued during the first half of the 2005 financial year, resulting in average price levels increasing by 10% year-on-year. However, during the second half of 2005 we witnessed a significant decline in both international demand and prices as a result of a softening in demand in China and a destocking effect following an inventory build-up by customers during the first half of the year in anticipation of further price increases. However, towards the end of 2005 the pace of the decline started to slow down and we expect prices to stabilise and bottom out during the beginning of 2006.

Our long steel product exports have not been affected by international safeguard measures or trade barriers, notably in the US and EU. We do, however, face specific anti-dumping duties on seamless line pipe in the US. 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	
	2005	2004
Revenue (Rm)	**7 173**	6 339
Net operating income before BAA remuneration (Rm)	**2 100**	2 087
BAA remuneration (Rm)		-304
Net operating income after BAA remuneration (Rm)	**2 100**	1 783
Liquid Steel Production (000t)	**2 194**	2 178
Sales volumes (000t)	**1 947**	1 894
• Domestic	**1 083**	1 151
• Export	**864**	743
Domestic (%)	**56**	61
Capital expenditure (Rm)	**309**	290
Average low carbon wire rod export price ($/t)/(CFR)	**472**	458

Operating income, before BAA remuneration, was almost unchanged from 2004. This was the net result of lower local volumes, a substantial increase in the cost of input materials – notably coal, scrap and alloys – being offset by higher average sales prices, an increase in export sales volumes and cost containment through our Continuous Improvement Programme.

Liquid steel production increased by 0,7% compared to 2004 and the Mittal Steel Newcastle plant achieved a number of operational records in various areas in an exceptional year. Quality improved considerably with the lowest number of quality rejections and the fewest number of customer complaints recorded during the past year.

CAPITAL EXPENDITURE

	Year ended 31 December	
	2005	2004
Value adding	**167**	168
Replacements	**108**	107
Environmental	**34**	15
Total	**309**	290

During the year, R309 million was spent on capital projects of which 54% went towards value adding projects, mainly:

- Expenditure on Phase II of the coke oven refurbishment project at Mittal Steel Newcastle, which involves the replacement of battery machines, the gas collecting main and battery doors, which is expected to be completed in July 2006
- The installation of a pulverised coal injection (PCI) plant at Mittal Steel Newcastle, aimed at reducing the use of expensive imported coal. This plant was commissioned during May 2005 and is performing above plan

The balance of the capital expenditure went towards maintaining operational capability (35%) and environmental projects (11%).

CONTINUOUS IMPROVEMENT

	Year ended 31 December	
	2005	2004
Number of employees	**3 502**	4 005
Cost savings (Rm)	**103**	470
Cost savings (%)	**2,2**	11,5
Total billet cash cost per ton (R)	**1 824**	1 622
Total billet cash cost per ton ($)	**287**	253

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 commissioning of the pulverised coal injection (PCI) plant during the year, which reduces the use of expensive imported coal. An additional R103 million (2%) of continuous improvement savings were realised of which R62 million resulted from efficiency improvements and R41 million from procurement savings.

The total operating cash cost of billets increased by 12% in Rand terms and 13,4% in dollar terms. This was the result of substantial global increases in the prices of raw materials.

Our Continuous Improvement Programme is expected to deliver further major savings during the new financial year.

NEW DEVELOPMENTS

During 2006 we will focus on the development of certain new products notably high strength pipe steel as well as spring steel and forgings for the automotive industry.

THE YEAR AHEAD

Operating income for 2006 is expected to decline from the levels achieved during the past year, mainly as the result of weaker average international selling prices and higher input costs, partially offset by improved domestic demand, higher production volumes and continuous improvement savings.

Mittal Steel Coke and Chemicals

The new market coke expansion project at Newcastle will double our capacity to almost 900 000 tonnes a year to serve the ferro-alloy industry, which consumes about one million tonnes a year.

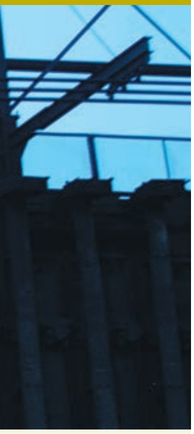
MITTAL STEEL COKE AND CHEMICALS

The division's core business is the production of market coke for the ferro-alloy industry from coke batteries located in Pretoria, Vanderbijlpark and Newcastle, as well as the processing and beneficiation of metallurgical and steel by-products. The main products produced from the processing of metallurgical and steel by-products are coal tar pitch, sold to aluminium producers in Southern Africa, and magnetic-ferrite powder, sold in the export market.

OPERATING RESULTS

	Year ended 31 December	
	2005	2004
Revenue (Rm)	**1 014**	1 253
Net operating profit (Rm)	**301**	462
Capital expenditure (Rm)	**168**	68
Sales volumes	**1 774**	1 735
• Coke	**445**	459
• Tar	**128**	124
• Other	**1 201**	1 152
Number of employees	**316**	394

Operating results, with turnover of R1 014 million and operating profit of R301 million, declined significantly by 19% and 35% respectively compared with the previous year. The decreases are attributable mainly 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.



CAPITAL EXPENDITURE

We spent R168 million on various capital programmes, an increase of 147% on 2004. Almost 80% of the total capital expenditure relates to the battery expansion project in Mittal Steel Newcastle, which will add around 450 000 tonnes of market coke capacity. Projects to the value of R72 million, to refurbish our two operating market coke batteries at Mittal Steel Vanderbijlpark and Pretoria, were completed in December 2004 and in August 2005 respectively, three months ahead of schedule.

CONTINUOUS IMPROVEMENT PROGRAMME

We achieved cost savings of R51,6 million under our Continuous Improvement Programme, mainly through productivity improvements and savings in the commercial area.

MARKET COKE EXPANSION PROJECT

We are the only local producer of market coke in South Africa. After rebuilding our two existing market coke batteries our current capacity increased by 43 000 tonnes to 443 000 tonnes per annum. Domestic demand for market coke from the ferro-alloy industry is almost a million tonnes per annum.

The R470 million market coke expansion project in Mittal Steel Newcastle, approved by the board in 2004, is on schedule and within budget. Civil construction work is complete, while the specialised bricklaying for construction of the 450 000 tonnes coke battery is well under way and will be completed by mid 2006, with coke production planned to commence during the second half of 2006.

PROSPECTS

Operating income for 2006 is expected to remain under pressure compared with the previous two years. However, indications are that the lower international coke prices experienced during the second half of 2005 are not sustainable and that the price cycle reached its lowest point in the fourth quarter of 2005. International coke prices are expected to increase during 2006, driven by the increase in the cost of coking coal and an improved balance between coke demand and supply in China.

Finance Report

We continue to maximise our profitability by enriching our product mix, implementing cost reduction initiatives, continuously improving our operational efficiencies and by sweating our assets.

CHANGE IN ACCOUNTING POLICY AND ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Following the early adoption last year of four new and two revised accounting standards issued by the International Accounting Standards Board, the Group adopted all the remaining new and revised standards relevant to its operations and effective for accounting periods beginning on 1 January 2005. As part of the adoption of the new and revised standards, improvements were also made to measurement, recognition and presentation methodologies. As a result non-integrated software was reclassified from the property, plant and equipment category to intangible assets. The net carrying amount of non-integrated software as at 31 December 2004 amounted to R84 million.

This also resulted in the accounting policy to recognise mineral rights at fair value being changed to recognise the mineral rights at cost, as an intangible asset. The net effect is a decrease in retained earnings of R145 million.

The only new or revised standard not yet adopted that has been assessed as having a potential impact on the Group's 2006 financial year is IFRIC4; i.e. determining whether an arrangement contains a lease. The adoption of this standard is not expected to materially affect reported earnings in 2006.

HEADLINE EARNINGS

Headline earnings for 2005 increased by 12% over the previous year, after a non-recurrence of the charge in respect of the Business Assistance Agreement (BAA) remuneration of R731 million (R511 million after tax) for 2004.

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

		Year ended 31 December	
		2005	2004
		Rm	Rm
Revenue		**24 032**	23 053
Operating profit		**6 855**	7 458
Gains/(losses) on foreign exchange and financial instruments		**246**	(52)
Income from investments		**5**	5
Net interest income/(finance cost)		**29**	(139)
Taxation		**(2 329)**	(2 465)
Effective tax rate	%	**31,6**	33,7
Equity earnings *		**275**	258
Minority interest		**(2)**	(6)
Comparable headline earnings		**5 079**	5 059
– return on equity pa	%	**29**	35
BAA remuneration *			(511)
Headline earnings		**5 079**	4 548
Comparable headline earnings in US$m		**807**	794

**After tax*

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.

Our return on equity of 29%, based on comparable headline earnings for 2005, decreased from the previous year's 35%, mainly due to higher shareholders' funds.

Net finance income for 2005 comprised mainly interest received on our cash balances of R190 million (2004: R94 million), a top-up adjustment on provisions in respect of the present value of future expenditure on environmental rehabilitation and decommissioning provision of R140 million, a decrease of R30 million over 2004. This is a result of the lower discount rate applied to our estimated future cash outflows, consequent to the reduction in interest rates.

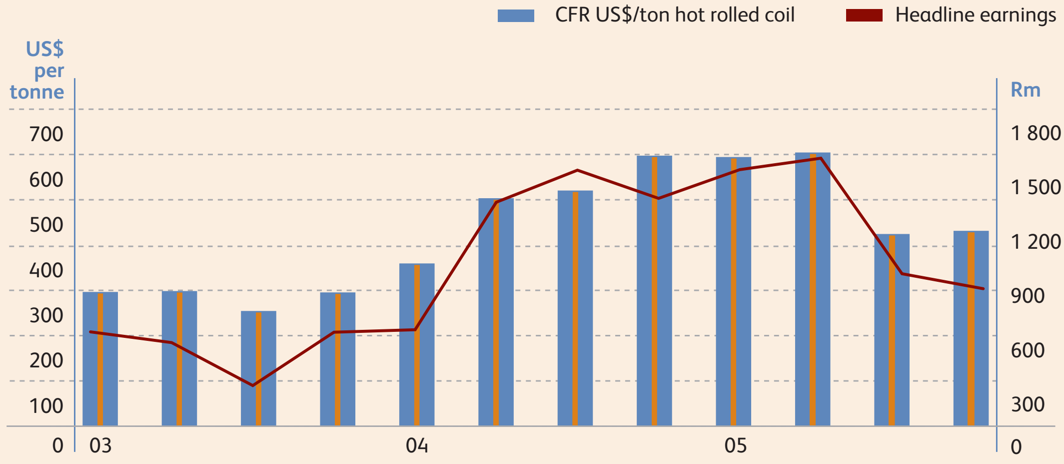
The effective tax rate of 31,6% (2004: 33,7%) includes the 12,5% tax on the dividend payments. The effective tax rate excluding STC on income was 29,0% (2004: 30,9%).

Our equity accounted earnings of R275 million remained at the high level achieved during 2004 and increased by R17 million (6,6%) mainly due to the excellent results of Macsteel International Holdings B.V. responsible for international marketing and shipping operations.

The following table and graph of comparable headline earnings demonstrates the impact of price movements on the stability of earnings.

Quarter to	HRC sales price C & F US$mt	Headline earnings US$m	Headline earnings Rm	Exchange rate R/US$
March 2004	405	99	669	6,75
June 2004	549	212	1 393	6,57
September 2004	566	248	1 575	6,35
December 2004	643	235	1 422	6,06
Average 2004	540	199	1 265	6,43
March 2005	642	264	1 578	5,97
June 2005	650	257	1 643	6,40
September 2005	470	152	987	6,50
December 2005	477	134	871	6,52
Average 2005	560	202	1 270	6,35

Hot rolled coil vs headline earnings



Attributable earnings

	Year ended 31 December	
	2005	2004
	Rm	Rm
Impairment of goodwill	**(11)**	(21)
Impairment reversal of fixed assets of Saldanha Steel after tax		351
Total of after-tax non-headline items	**(11)**	330
Headline earnings	**5 079**	4 548
Attributable earnings	**5 068**	4 878

The non-headline earnings item for 2005 of R11 million (2004: R21 million) comprise an impairment of goodwill. The impairment reversal of fixed assets of Mittal Steel Saldanha during 2004 of R351 million after tax was the result of a higher estimated fair value due to increased throughput capacity and an improved outlook for steel prices.

OPERATING PROFIT

The details of our operating profit are given below:

	Year ended 31 December			
	2005		2004	
	Rm	**Margin %**	Rm	Margin %
Flat Steel Products				
– Mittal Steel Vanderbijlpark	**3 688**	**29**	4 137	34
– Mittal Steel Saldanha	**785**	**21**	1 173	32
Long Steel Products	**2 100**	**29**	1 783	28
Mittal Steel Coke & Chemicals	**301**	**30**	462	37
Other	**56**		43	
Corporate Centre	**(75)**		(140)	
Comparable operating profit	**6 855**	**29**	7 458	32
BAA remuneration			(731)	
Net operating profit	**6 855**	**29**	6 727	29

The comparable operating profit of R6,9 billion was 8,1% down on last year's results of R7,5 billion. However, the comparable net operating profit, was 1,9% higher, mainly due to the final BAA remuneration payment made during 2004.

The excellent financial results were driven by exceptionally strong international market conditions during the first half of the year. Export sales volumes increased by 17% and average global steel prices were 4% higher, while local sales decreased by 10% and costs increased by 12%. The average Rand/US$ exchange rate for 2005 was marginally stronger (1,3%) compared to 2004.

Operating profits for both our flat product business units, Mittal Steel Vanderbijlpark and Mittal Steel Saldanha, declined by 11% and 33% respectively while operating profit for our Long Products business unit improved by 18%. The main reasons for this opposite trend in profitability were a higher increase in average selling 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 lower sales volumes at Mittal Steel Vanderbijlpark were mainly attributable to an interim repair of blast furnace C during the end of 2005 and the build-up of inventory levels in anticipation of the reline of blast furnace D scheduled for the middle of 2006.

The operating profit for our Coke and Chemicals business units declined by 35% mainly due to the sharp down-turn in the international coke prices following large scale expansion of coke making capacity in China, which created an imbalance in demand and supply.

Our other operations, comprising the Collect-A-Can used beverage can recovery unit, captive insurance business and harbour activities, contributed R56 million to operating profit.

In 2005, corporate costs of R75 million were substantially down from last year's R140 million mainly due to once-off costs, related to a SAP-system upgrade and the name change during 2004, as well as the full benefit of the Organising for Improved Corporate Performance (OICP) Programme and the relocation of the corporate office from Pretoria to Vanderbijlpark that were captured during 2004.

The comparable operating margin declined marginally to 29% in 2005 from 32% in 2004.

MANAGEMENT OF EXCHANGE RATE AND BASE METAL EXPOSURES

We are exposed to both economic and transaction risks arising from the volatility in exchange rates, particularly the Rand/US dollar and the pricing of commodities in US dollars. During the year 2005, the Rand strengthened marginally (1,3% on average) against the US dollar. However, if we compare year-end closing rates the Rand weakened considerably with R5,60/US$1 at 31 December 2004 to R6,34/US$1 at the end of 2005 illustrating the volatility of the Rand.

In Rand terms, changes in the exchange rate have a significant influence on our earnings, with approximately 40% of our products being exported on average, which are predominantly dollar driven. Our domestic sales prices are influenced by international sales prices and the resultant conversion to Rand, while our costs in Rand are only partially impacted since about 37% of our cost structure is direct US dollar denominated. We also hold a considerable amount of our cash balances in US dollars.

We continue to focus on managing the exchange rate exposure by matching foreign currency revenue with foreign currency expenditure and other hedging policies.

We manage our risk to movements in base metal price movements by an active hedging policy in conjunction with our holding company.

COST PERFORMANCE

Our cost of steel sales per tonne (excluding the BAA remuneration) increased by 12% compared to 2004.

Average HRC cash cost per tonne increased by 11% and average billet cash cost per tonne by 12% during 2005, driven by a substantial increase in the cost of coking coal, iron ore pellets as well as scrap and alloys.

Given the quantum of the increase in the prices of raw materials, the global cost curve has moved considerably higher. Through our high level of raw material integration, notably iron ore as well as scrap, and being self sufficient in coke supply we were to a certain extent sheltered from the significant global increase in costs.

Our strategy continues to drive cost reductions with the aim of maintaining our position of being within the lowest cost quartile of global steel producers.

Finance Report continued

During 2005 additional cost savings were achieved through the successful commissioning of a pulverised coal injection plant at Newcastle, which significantly reduces our exposure to the cost of expensive imported coal, higher production volumes and the improvement in labour productivity.

Future actions includes the following projects:

- the expansion project of Thabazimbi iron ore mine
- replacement of expensive scrap with direct reduction iron (DRI)
- reduction of fixed cost per tonne through higher production volumes
- improvement of operational efficiencies
- improving labour productivity
- capturing the benefit of the impact of the strong Rand on indirect dollar based costs

RESTRUCTURING PROGRAMME

The full benefit of the restructuring programme, executed during 2004, was captured during 2005. It included the establishment of a Shared Services Centre, which provides transaction processing and bookkeeping for the entire company, and the creation of Centres of Excellence in finance, human resources, information management, marketing, procurement and technology.

Our corporate office was also successfully restructured and relocated from Pretoria to Vanderbijlpark during the end of 2004 and the beginning of 2005.

BUSINESS ASSISTANCE AGREEMENT [BAA] REMUNERATION

During 2004, Mittal Steel Company N.V. was paid the final payment in terms of the BAA for savings generated during the first half of 2004. The three year period of the BAA expired at 31 December 2004 and no new contract has been negotiated.

Any new agreement will be reviewed by management, recommended to the board and be subject to approval of shareholders, other than Mittal Steel Company N.V.

DIVIDEND

A final dividend of 100 cents per share in respect of 2004 earnings was declared by the board on 8 February 2005, which resulted in a total dividend in respect of 2004 earnings of 400 cents, covered approximately three times by headline earnings if the BAA remuneration is excluded. This final dividend together with the 12,5% secondary tax thereon is recorded in the 2005 financial results.

Considering our current cash position, future capital expenditure and working capital requirements, the board has decided to distribute one third of the 2005 headline earnings, in line with the current dividend policy.

The board declared an interim dividend of 240 cents per share on 8 September 2005. The dividend was recorded in the 2005 financial statements together with the 12,5% secondary tax on companies thereon. Payment was made to shareholders on 12 September 2005.

A final dividend of 140 cents per share was declared by the board on 13 February 2006, covered about three times by headline earnings. Payments will be made on 20 March 2006 to shareholders registered on 17 March 2006. This final dividend together with 12,5% secondary tax thereon will be recorded in the 2006 financial results.

CASH FLOW

The cash flow is summarised below:

	Year ended 31 December	
	2005	2004
	Rm	Rm
Cash profit from operations	**8 396**	8 563
Working capital	**20**	(1 410)
BAA remuneration	**–**	(731)
Cash generated from operations	**8 416**	6 422
Investment in other non-current assets	**–**	(5)
Sale of assets	**6**	14
Capex	**(1 568)**	(1 254)
Net interest income	**168**	31
Investment income	**43**	11
Taxation	**(2 977)**	(886)
Dividends	**(2 853)**	(339)
Net cash inflow	**1 235**	3 994
Working capital		
(Increase) in inventories	**(848)**	(288)
Decrease/(increase) in trade and other receivables	**722**	(1 128)
Increase in trade and other payables	**146**	6
Net working capital	**20**	(1 410)

Cash flow from operations improved by R2 billion in 2005, mainly due to BAA remuneration paid during 2004 of R731 million and a slight decrease in working capital during 2005 compared to a substantial increase during 2004.

The main reason for the substantial increase in working capital during 2004 was as a result of a change in the definition to account for debtor collections.

During 2005 inventories increased by R848 million, mainly on steel inventory and scrap as a result of a deliberate build-up in anticipation of the reline of blast furnace D at Mittal Steel Vanderbijlpark as well as the general increase in the value of steel and raw material inventories following the increase in costs.

Trade and other receivables decreased by R722 million, due to some of our major customers who usually pay on the first of the following month that paid at the end of December as well as lower selling prices.

Net interest income improved from R31 million in 2004 to R168 million as a result of a higher average net cash surplus position.

Cash outflow for dividends and tax during 2005 was higher compared to 2004 due to some of the dividends and tax for 2004 which were paid during 2005.

Finance Report continued

CAPITAL EXPENDITURE

Capital expenditure for the year was 25 % higher than the previous year, details of which are given below:

	Year ended 31 December	
	2005	2004
	Rm	Rm
Value-adding capital	**430**	342
Replacements	**787**	714
Environmental	**351**	198
Total	**1 568**	1 254
Depreciation charge	**1 131**	919

Of the almost R1,6 billion spent on capital projects 50 % went towards replacements, 28 % towards new value-adding projects and 22 % towards environmental projects.

Major replacements completed in 2005 were various projects associated with coke oven batteries, replacement of the oxygen steel making process automation equipment and blast furnace D power reticulation system. An interim repair was also successfully carried out on blast furnace C at Mittal Steel Vanderbijlpark.

Expenditure on value-adding projects included the upgrading of the sinter plant, installation of a new galvanising line (to be commissioned in mid 2006) as well as two additional cells at the electro-galvanising plant. A PCI facility at blast furnace N5 at Mittal Steel Newcastle was also installed and commissioned successfully.

The expansion programme to add throughput capacity over the next three years is continuing. This, along with other interventions, will reduce the cost of production appreciably by 2008. Major expenditures include the addition of new DRI kilns, additional sinter capacity and the reline of blast furnace D at Mittal Steel Vanderbijlpark.

Our environmental compliance projects will cost R550 million in the next two years, which will make a large contribution to resolving legacy issues.

The total capital expenditure outlay for 2006 will be approximately R1,9 billion and will be financed internally.

FINANCIAL MANAGEMENT

Our financial facilities available at 31 December 2005 were as follows:

	Facility Rm	Drawn Rm	Available Rm	Term
Supplier loan	81	(81)		8 annual repayments
Standby facilities				
– available for conversion to term and LC facilities	1 000		1 000	12 months
– working capital lines	2 513		2 513	12 months
	3 594	(81)	3 513	
Cash balance		5 241		
Net cash balance/funds available		5 160		

We have a strong balance sheet with virtually no debt and our net cash position at the end of the year increased by R1,2 billion to R5,2 billion, due to a strong cash flow performance from the operations.

Some of the available funds are earmarked for dividends and tax payments as well as investments, in particular our expansion programmes to increase throughput and the major blast furnace relines. We plan to meet all our investment needs from internal cash resources over the next three years.

In terms of the debt/equity structure, we strive to avoid any debt (except 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 denominated in currencies other than US dollars. US dollar capital expenses are offset against US dollar cash balances.

SHARE PERFORMANCE

The average share price for the twelve months was R54,91 with a high of R69,30 during March 2005 and a low of R41,60 during June 2005. For the previous year ended December 2005 the average was R42,36, with a high of R68,50 in December and a low of R26,50 in January 2004.

Liquidity in our shares remains high with 66% of the total issued shares being traded during the twelve months (67% during the previous twelve months ending December 2004), with an average daily value of R64 million or US$10 million (during the previous twelve months, R46 million or US$6 million).

Throughout the past twelve months Mittal Steel South Africa has been ranked in the JSE Limited's Top 40 Index in terms of both total market capitalisation and free float. Average market capitalisation for the twelve months was R24,5 billion (US$ 3,9 billion) and for the previous twelve months; R18,9 billion (US$2,9 billion). Our position in the Top 40 Index at 31 December 2005 was number 26 (at 31 December 2004: 20) for total market capitalisation and number 34 (previous twelve months, number 29) for free float.

Mittal Steel South Africa is officially the country's best performing blue chip company. According to the Sunday Times Top 100 Companies Survey, Mittal Steel South Africa was the top-performing blue chip stock on the JSE Limited over a five year period ended 30 September 2005. According to the survey, Mittal Steel South Africa has provided investors with a 93% return. Mittal Steel South Africa also took second place overall in the Top 100 Companies Survey.

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 R10 million exists that has been fully provided for.

Our retirement benefit funds comprise a number of defined contribution funds and defined benefit funds. These defined benefit funds are multi-employer funds which are accounted for on a defined contribution basis. These 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 68 contributing members to the defined benefit funds on 31 December 2005. All the funds were adequately funded at the date of the latest actuarial valuations.

Human Resources

In 2005 the company made significant progress towards the effective management of its human resources by:

- Further improving labour productivity in terms of number of employees per million tonnes of liquid steel produced by 11 %
- Implementing retention initiatives aimed at reducing the high turnover of artisans, engineers and technicians
- Re-focusing the Employment Equity drive on talent pipeline development
- Stabilising labour relations by concluding another No Forced Retrenchment Agreement with our unions
- Fully leveraging the international leadership and skills development opportunities emanating from our association with the Mittal Steel Company N.V.

OUR PEOPLE

The company employs 10 441 people, based in various locations across South Africa. Management, professional specialists and administrative staff make up 24 % of the total staff complement, with the remaining 76 % being bargaining unit employees. 77 % of the total workforce are members of the three trade unions recognised by the company, namely Solidarity, National Union of Metalworkers of South Africa (NUMSA) and the United Association of South Africa (UASA). Membership of the various unions is reflected in Table 1 below:

Table 1: Union membership profile

Labour Union	Membership
National Union of Metalworkers of SA	45 %
Solidarity	41 %
United Association of SA	14 %
Total membership	77 %

ATTRACTION AND RETENTION OF TECHNICAL SKILLS

While we have managed to reduce the turnover of engineers and technicians over the past two years, the current high economic growth rate in South Africa is resulting in a shortage of experienced technical staff. The turnover of millwrights and artisans has steadily climbed over the last two years and averaged 12 % in 2005.

We have continued to focus our efforts on attracting, developing and retaining key skills, and improving our labour productivity whilst continuously striving to reduce the fixed labour cost element. A strategy for the attraction and retention of millwrights and artisans was implemented in the latter half of 2005 and a positive reduction in turnover is expected going forward.

This strategy consists of the following:

- Implementation of a scarce skills allowance for millwrights and artisans
- Increasing the operational proficiency and turn-key skills level of artisans and technicians who have completed their learnerships via the company's internal technical training initiative
- Implementation of an integrated career path model aimed at developing multi-trade and multi-skilled technicians and operators

LABOUR EFFICIENCY

Headcount reduction during 2005 resulted in an overall reduction (excluding new hires) of 975 employees (8,5 % of total staff complement). The key enablers for this reduction were voluntary separations, natural attrition and vacancy management. This resulted in an additional 11 % improvement in our manpower efficiency ratio of number of employees per million tonnes of liquid steel produced in 2005.

LABOUR RELATIONS CLIMATE

The company once again enjoyed a stable and productive labour relations climate during 2005 with no man days lost due to industrial action.

NO FORCED RETRENCHMENT AGREEMENT

The cordial relationship that the company enjoys with its three recognised trade unions, the National Union of Metalworkers of South Africa (NUMSA), United Association of South Africa (UASA) and Solidarity was further enhanced by the signing in February 2005 of another No Forced Retrenchment Agreement which runs until December 2006. This agreement was voluntarily offered by the company and as such was well received by our employees and unions. Although in essence this agreement only covers the employees in the bargaining unit, the company decided to extend it to all employees and management.

The agreement has given employees security of employment, and eliminated anxiety and the consequent drop in productivity, inherent in forced retrenchments. However, it has also offered those who decided to pursue other opportunities an avenue to exit the company voluntarily and without loss of dignity.

LONG-TERM WAGE AGREEMENT

The three-year wage agreement signed in 2004 entered its second year in July 2005.

The 2005 wage increases were within the parameters that were projected and agreed at the inception of the Agreement in 2004 and consist of a combination of guaranteed and variable pay. This comprised a CPIX related increase on guaranteed pay and an additional performance-based variable pay, which is dependent on the achievement of individual, quarterly and annual business objectives. The ratio of variable pay as a component of overall pay increased in 2005.

Overall wage increases (including the performance-based portion) averaged out at 7,3 % for lower category employees and 5,9 % for higher category employees, and were therefore above the CPIX.

This agreement continues to deliver results for both the company and the employees by:

- enabling employees to share in the wealth created by the company
- reducing potential for conflict and the threat of industrial action that tends to accompany annual wage negotiations
- enabling the company to more accurately forecast wage bill escalations

The company intends to commence negotiations with the unions for a new long-term wage agreement before the expiry of the current one in 2007.

MANAGEMENT DEVELOPMENT

One of Mittal Steel South Africa's strategic objectives is to develop the capability of its employees in order to improve and sustain organisational performance and productivity. The identification and development of leadership talent is a critical success factor for the development and sustainment of a high performing organisation. Accordingly, a total of 201 candidates from supervisory to senior management level underwent formal leadership development through various company funded programmes, such as First Line Management Development Programme, Emerging Business Leader Development Programme, Supervisory Development Programme and the Senior Management Programme. These programmes have been developed in partnership with Wits Business School and other leading institutions. Eight senior managers are currently completing their MBAs and 23 managers and professionals attended the Management Advancement Programme at Wits Business School this year. Two of our managers gained additional international exposure through their participation in the annual International Iron and Steel Industry Conference that was held in the United Kingdom.

BENEFITING FROM OUR ASSOCIATION WITH MITTAL STEEL COMPANY N.V.

The company's skills and leadership development efforts have been significantly enhanced through our association with our parent company, Mittal Steel Company N.V. In this regard a number of our managers and specialists participated in various workshops and conferences referred to as Knowledge Management Programmes (KMP) in different parts of the world. These programmes bring together specialists and experts on specific disciplines from across the Mittal Steel Group to share experiences and best practices with one another.

Another important milestone for Mittal Steel South Africa in 2005 was our inaugural participation in the Mittal Steel Company's talent management and development programme known as the Global Executive Development Programme (GEDP). This programme enables our executives and managers to be benchmarked against global peers and to be considered for possible developmental assignment in other parts of the Group. Moreover critical talent identified in this process becomes eligible to attend executive development programmes sponsored by Mittal Steel Company N.V. at various leading international business schools. In this regard two of our senior managers were selected to attend an executive development programme at Kellogg School of Management and four others attended a similar programme at Darden Business School.

Career planning, succession planning and development processes are integrated in the GEDP for all senior staff. The assessment of performance and leadership potential of all senior employees, has made it possible to identify future talent, to build career paths and to deliver focused individualised development.

BURSARY SCHEMES/LEARNERSHIPS

We continued to develop technical skills for our further needs as well as for the country.

In 2005 Mittal Steel South Africa had 85 engineering bursary holders studying at various universities. At the end of the year eighteen bursars had successfully completed their studies, of whom seventeen were placed within Mittal Steel and one continued his studies towards a Masters degree in Engineering.

A total of 33 learner technicians were offered practical training opportunities. Of the twenty five who successfully completed their practical training, ten were permanently employed by Mittal Steel South Africa. In addition, 177 technical trainees underwent artisan training, 123 qualified and 69 were permanently employed. The remaining qualified technicians and artisans were released to the external market for the benefit of the broader industry.

We also successfully implemented production learnerships as part of a MERSETA pilot project. All production learners that participated in this pilot project were subsequently employed by Mittal Steel South Africa. By the end of 2005 another ten (internal) learners completed the "Iron & Steel Manufacturing" learnership on NQF level 3.

HIV/AIDS

Mittal Steel South Africa has long recognised the impact that the HIV/AIDS epidemic is having on productivity, employee benefits, occupational health and safety, and workplace morale. Our response strategy has focused on HIV/AIDS awareness education aimed at reducing the prevalence rate of 9,3% by encouraging behaviour change. In this regard, all employees were encouraged to undergo voluntary counselling and testing.

A "know your status" campaign was consequently launched during 2005. Targets were set for voluntary testing per business unit ranging from 10% for 2005, increasing to 80% by end 2008. It is encouraging to note that our 2005 target has been met.

Over and above the education programme, Mittal Steel South Africa also provides support to HIV-positive employees. This support includes coverage of laboratory costs to confirm the HIV status of infected employees and provision of dietary additives and anti-oxidant immune boosters for employees that are not on any of the company subsidised medical aid schemes.

EMPLOYMENT EQUITY TALENT PIPE-LINE

The main thrust of the Employment Equity strategy remains to increase the representation of previously disadvantaged employees at selected levels. In 2005 the Employment Equity strategy was reviewed and refocused on the development of a talent pipe-line. Various interventions were launched to increase numbers of previously disadvantaged employees in technical, supervisory and managerial levels.

These included improving the intake-ratio of designated groups in the granting of bursaries, training, management development opportunities and recruitment. In this regard, 84% of the engineering bursaries for 2006 were allocated to Employment Equity candidates. This will contribute to the achievement of targets on the professionally qualified and middle management levels in the future. The technician intake for 2005 was 100% Employment Equity and this again will enable the achievement of future targets in the skilled and specialist levels. Fifty percent of candidates attending executive development programmes at international institutions were Employment Equity candidates.

It is anticipated that these initiatives will start to deliver results in the next two to five years. In view of this as well as the constraints resulting from the ongoing manpower optimisation initiatives, a decision was taken to set three year targets.

RECRUITMENT AND RETENTION OF EMPLOYMENT EQUITY TALENT

Another area of focus is the optimisation of external recruitment and retention of black talent already employed.

Despite continued headcount reduction during 2005, the company succeeded in retaining the level of Employment Equity representation by rigorously applying its practice of affirmative recruitment, as reflected in Table 2 below.

The focus during 2005 on the recruitment and retention of Employment Equity leadership talent did pay off as reflected in Table 2 below.

Table 2: Comparison of Employment Equity Recruitments, Promotions and Terminations for 2004 and 2005

Year	External recruitment			Internal promotions			Terminations		
	Snr Mngt	Mngt & Profess	Supervisors	Snr Mngt	Mngt and Profess	Supervisors	Snr Mngt	Mngt and Profess	Supervisors
2004	3	9	12	1	40	28	9	58	70
2005	**4**	**28**	**10**	**4**	**65**	**46**	**8**	**57**	**41**
%	33	211	(17)	300	63	64	11	2	41

The following conclusions can be drawn from the above:

- Significant increase in the external appointments of Employment Equity middle managers and professionals (211%)
- More than 60% improvement in the promotion of Employment Equity middle managers, professionals and supervisors
- 41% reduction in the termination of Employment Equity supervisory staff

Safety, Health and Environmental (SHE) Management

We were able to further improve on our safety track record by implementing internationally accepted methodologies for managing safety, health and the environment. Thus we succeeded in actually reducing the accident frequency rate by 13% to bring us in line with international standards and best performing countries.

COMMITMENT

It is our belief that sustainable development is central to growth and prosperity of the company. We have therefore created and implemented management systems and governance practices to achieve an equitable balance between business, social and environmental needs in a manner that does not compromise long-term prosperity.

Our Executive Committee, chaired by the Chief Executive Officer, is responsible for establishing safety, health and environmental policies and guidelines for implementation across the Group. These policies are also applicable to contractors, sub-contractors and labour broker employees performing work on our behalf.

In maintaining sound corporate governance, the Safety, Health and Environmental Committee of the board, chaired by a non-executive director, assists in setting standards, reviewing operational performance and advising on strategic options for further improvement. This important structure is supported by various specialised committees and operational forums whose collective purpose is to ensure effective day to day coordination and implementation of policies throughout the organisation.

We continue to make progress in implementing internationally accepted standards for managing safety, health and environment. We recently increased the number of our operations that have achieved certification under OHSAS 18001 health and safety management system. Four of our five operations are OHSAS 18001 certified, while Mittal Steel Vereeniging is committed to gaining certification during 2006.

SAFETY

We are committed to providing a safe workplace for our employees and contractors. Our primary safety performance indicator is the disabling injury frequency rate (DIFR). In line with international best practice, our disabling injury definition includes restricted work cases.

During the past year, we improved our DIFR per million man hours to 3,9, a 13% improvement from 2004 performance. This compares favourably with international standards and puts us amongst the country's best in terms of safety performance.

Tragically, three contractors and one full time employee were fatally injured during the year. The hazards associated with these fatalities were electricity, rail transport, moving machinery and lifting equipment. Improvements were implemented to prevent any re-occurrence. The focus going forward will be to address unsafe behaviours, which have been identified as the major contributing factor to all serious incidents we experienced.

Our overall performance for 2005 is reflected below:

Disabling Injury Frequency Rates

	2005			2004			2003			2002		
	Empl	Contr	Total	Empl	Contr	Total	Empl	Contr	Total	Empl	Contr	Total
Mittal Steel Vanderbijlpark	**3,30**	**4,61**	**3,67**	5,51	4,66	5,23	3,27	1,86	2,82	6,44	5,46	6,17
Mittal Steel Saldanha	**2,35**	**1,89**	**2,13**	2,10	2,52	2,32	0,96	3,37	2,24	3,33	7,51	5,67
Mittal Steel Newcastle	**3,43**	**5,84**	**3,98**	3,92	2,38	3,67	3,58	7,92	4,02	3,83	9,50	4,39
Mittal Steel Vereeniging	**6,67**	**3,44**	**6,29**	4,81	0,97	4,08	4,84	7,44	5,23	5,47	6,05	5,53
Mittal Steel Coke and Chemicals	**5,45**	**3,02**	**4,02**	7,22	2,45	4,51	3,77	2,33	3,06	3,25	6,66	5,59
Total	**3,76**	**4,28**	**3,91**	4,83	3,64	4,47	3,42	2,99	3,31	5,28	6,45	5,57

Note: Disabling Injury Frequency Rate calculated per million man-hours worked

We are committed to achieving a goal of zero injuries. In 2005 we embarked on a process to improve the safety culture across the Group. We selected Du Pont Safety Resources, the world-renowned leaders in safety performance, to guide us in implementing this initiative.

During this period, Du Pont Safety Resources conducted safety management evaluations at most of our operations and also facilitated the development and implementation of safety improvement plans. The safety improvement plans include:

- Coaching managers and supervisors on principles of behaviour based safety i.e. showing consistent visible management commitment to safety, assessing and dealing with unsafe behaviours and hazards
- Reviewing existing safety systems which includes improving tools used to manage safety e.g. incident investigations and audits
- Reviewing the safety scorecard to include proactive safety performance measurements
- Clarifying roles, responsibility and accountability of management and employees with respect to safety management
- Implementing a behaviour audit programme at all levels of the organisation
- Reviewing standards to select, orientate and appraise performance of contractors rendering a service to our organisation

Whilst pursuing the long-term benefits of a behaviour based safety programme, we put significant effort in ensuring that our equipment is safe to operate and that high standards of housekeeping are maintained.

Our priorities going forward include:

- Eliminating fatalities and further improving injury frequency rates
- Entrenching a positive safety culture among employees and contractors
- Certification of all our operations under OHSAS 18001 health and safety management system requirements

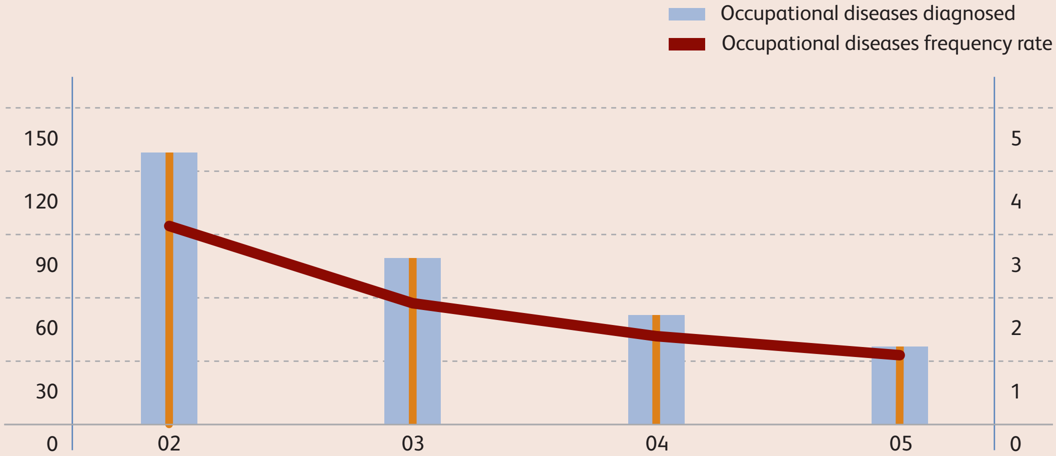
OCCUPATIONAL HEALTH AND HYGIENE

Managing and eliminating undesirable impacts that our operations may have on the health of employees, contractors and other stakeholders remains an important element of our business strategy. Our risk-based medical surveillance and biological monitoring programmes have ensured successful identification and management of potential health risks and implementation of remedial strategies.

Our occupational hygiene assessments indicate that noise, dust and heat contact remain our most critical and prevalent health hazards. To mitigate the risks to our people, we regularly upgrade our plants to meet stringent health standards, while ongoing communications and awareness programmes ensure the proper use of personal protective equipment.

The graph below illustrates the number of occupational diseases and frequency rates for the past four years.

Occupational health statistics



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

ENVIRONMENT

Given the nature of our business, we recognise that our operations could have unintended impacts on the natural environment. The global steel industry is a significant emitter of greenhouse gases and we recognise that we have a responsibility to contribute towards achievement of environmental sustainability.

All our operations have environmental improvement plans which focus on rehabilitating historical pollution, constructing modern waste handling facilities and installing cleaner technologies. Over the past few years, we committed close to R1 billion of capital towards environmental clean up and improvement. All our operations are certified under ISO 14001 environmental management system requirements.

Reducing greenhouse gas emissions

Carbon dioxide emissions are directly linked to energy usage, hence we are implementing projects to achieve improvements in this area. Investigations to sell our surplus gases to an independent power producer for electricity generation are at an advanced stage. The aim of this project is to convert gases currently flared into a usable form of energy, thus leading to significant reduction in carbon dioxide emissions.

Efficient utilisation of natural resources and recycling initiatives

Our commitment to responsible use of natural resources is underscored by our objective to achieve zero effluent discharge status at our major operations. This will result in the total recycling of process water and less strain on natural water sources. Mittal Steel Saldanha is already a zero effluent discharge facility. Mittal Steel Vanderbijlpark achieved this on 31 December 2005 and Mittal Steel Newcastle is in line to achieve this significant milestone by early 2007.

We continue to implement waste minimisation strategies and our by-product strategy focuses on recycling and optimal consumption of materials within our processes. Our objective is to reduce the disposal of by-products by 90% before year 2010. We have achieved significant success in using some of our by-products in applications such as road construction, brick making etc.

Our Collect-a-Can initiative is a world-class example of sustainable development. It is an initiative established in 1993 as a joint venture between Mittal Steel South Africa and Nampak and its primary objective is to facilitate recovery of used beverage cans for recycling.

Collect-a-Can has not only provided environmental benefits through recycling of steel but has provided financial benefits to a number of entrepreneurs and communities. More than 37 000 people are directly involved in the sale of cans to Collect-a-Can. Over the past 12 years approximately R300 million has been paid to collectors who in turn provide job opportunities to hundreds of people.

This initiative has not only received local acclaim for its contribution to sustainable development but has also been acknowledged internationally.

Sustainable performance indicators

To ensure the sustainability of our business and to exercise world-class environmental management, we continually review and benchmark our methods to measure and report on sustainable development. The table below reflects our sustainability data for the 2004 and 2005 period. The IISI values reflected in the table are aggregate figures for some of the steel companies affiliated with the International Iron and Steel Institute (IISI).

These indicators are presented as a commitment to continuous improvement rather than in the interest of benchmarking our company against others.

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

- Greenhouse Gas Emissions, caused by direct and indirect steel manufacturing
- 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

ENVIRONMENTAL SUSTAINABILITY INDICATORS – SUMMARY DATA

Indicator	Mittal Steel South Africa 2004	IISI value	Mittal Steel South Africa **2005**	Units
Water consumed	2,82	N/A	**2,90**	Kl/tonne crude steel produced (not an IISI indicator)
Greenhouse gas emissions	2,38	1,70	**2,37**	tonnes of CO_2/tonne of crude steel produced
Material efficiency	79,13	95,60	**71,29**	%
Energy intensity	23,66	19,10	**23,15**	GJ/tonne crude steel produced
Steel recycling	19,00	42,70	**25,00**	tonnes scrap/tonne crude steel produced
Environmental management systems	96,00	90,80	**96,00**	% production facilities EMS Certified

Sustainability continued

Stakeholder relations

We aim to grow dialogue with all our stakeholders on sustainability development initiatives. We will continue to listen to the views and concerns of our communities and seek to achieve common ground, especially when dealing with sensitive issues such as air quality, water and land management. We will continue to engage our communities when implementing new projects.

Legal actions, fines, penalties, disputes and settlements

There were no fines nor penalties paid as a result of non-compliance with laws and regulations relating to the protection of the environment and human health.

The court case on the damages claim filed by two owners of smallholdings on the western part of Mittal Steel Vanderbijlpark was postponed to the first quarter of 2006. The claim relates to alleged health and commercial losses suffered as a result of environmental pollution.

A settlement was amicably reached with one of the complainants which leaves one family as an applicant in this case. We will continue with our positive cooperation in this process.

Environmental management at our operations

Mittal Steel Saldanha

Saldanha Steel maintained its track record of sound environmental management and implemented various improvement projects during the year. These include:

Stockhouse extension project: The purpose of this project is to increase the screening capacity at the stockhouse facility. The quantity of iron ore fines to be screened in open air will be reduced from 35 000 t/month to 15 000 t/month which will significantly improve dust levels. The project is on schedule for implementation during 2006.

Increased capacity of brine evaporation ponds: Mittal Steel Saldanha is a zero effluent discharge facility, which means that no process water is discharged into the natural water system. During the year, additional brine evaporation ponds were constructed to maintain the zero effluent discharge status.

Reduction of fugitive emissions from the Conarc: Engineering changes were implemented on the dust extraction system of the Conarc building to reduce the levels of dust emitted into the environment. This project had positive impact in protecting both the environment and the health of employees.

Future focus

Mittal Steel Saldanha's environmental objectives for 2006 include:

- A 3% reduction in carbon dioxide emissions per ton of crude steel produced
- A 3% improvement in energy consumption per ton of crude steel produced
- Improving material efficiency rate to 80%
- Improving water consumption to 2,2 kilolitres per ton of crude steel produced

Mittal Steel Vanderbijlpark

Environmental performance: The air quality performance index improved during the year following successful implementation of a number of projects such as the installation of an electrostatic precipitator at the direct reduction product separation plant and the bag house system at the basic oxygen furnace.

The water quality performance index remained stable due to construction of the main water treatment plant which will lead to significant improvement of this index.

Major environmental improvement projects: The following projects currently being implemented were selected from the holistic, all encompassing environmental master plan which was based on internationally-recognised best practices and completed in December 2002.

Zero effluent discharge (main treatment plant): The purpose of this project was to attain a zero effluent discharge status at Mittal Steel Vanderbijlpark. The project entailed upgrading the existing central effluent treatment plant as well as constructing the main water treatment plant and various dams. The new plant was successfully put into operation at a total cost of approximately R220 million.

Coke plant gas and water cleaning: The main objective of this project is to improve the quality of gas from coke ovens whilst reducing emissions. The project consists of various upgrades in the coke plant by-products area, including installation of new technology such as incineration of H_2S. Construction is scheduled for completion in August 2006 at a cost of approximately R310 million.

New off gas system sinter plant: The prime objective of this project is to minimise emissions from the main stack of the sinter plant. Technology has been developed locally, tested on a pilot plant scale and good removal efficiencies obtained. Construction of a demonstration plant to treat approximately 25% of the gas stream is ongoing. Commissioning of the overall project is planned for December 2007 at an estimated cost of R170 million.

Blast furnace D tap floor de-dusting: The objective of this project was to minimise emissions during tapping of liquid iron. The project was successfully completed and commissioned during the year.

Closure of the existing waste disposal site: Mittal Steel Vanderbijlpark obtained a licence to operate the existing waste disposal site until 2010. Closure and rehabilitation plans for the existing site have been developed and an environmental impact assessment study and licensing process is being carried out for the construction of the new waste disposal site.

Waste minimisation: During the past year work continued on minimising waste disposal. Two projects initiated during 2003 reached the implementation phase.

The first project entails the manufacture of clay bricks using waste from the direct reduction process as part of the mix. A test kiln has been built whilst the full plant is under construction and will be commissioned early in 2006.

The second project entails supplying slag from the basic oxygen furnace to various cement brick manufacturers in the area. Trial batches have been supplied and are being evaluated. The plan is to have both projects fully implemented during 2006 and this will result in 50% reduction of waste disposed.

Mittal Steel Newcastle

Mittal Steel Newcastle maintained a good overall environmental performance during the year. There were no major environmental incidents reported. Air emissions remained within permit conditions.

Work is proceeding on the zero effluent discharge strategy. Following the commissioning of the biological treatment plant, construction of a R44 million reverse osmosis water treatment plant began in 2005. This plant will be commissioned early in 2006.

Coke oven rebuild project: Construction of the new coke oven battery commenced during the year following necessary authorisation by the state departments. Environmental considerations were incorporated in the early planning stages of this project. An air quality monitoring exercise was performed to comply with conditions from the Record of Decision (ROD) issued during the environmental impact assessment (EIA) process.

Sulphur recovery plant: This project forms part of the coke battery rebuild and its main objective is to reduce hydrogen sulphide emissions from the coke making process. Detailed designs were finalised during the year and the project is on schedule for commissioning during September 2006 at an estimated cost of R48 million.

Rehabilitation of discontinued operations: The rehabilitation of Mittal Steel South Africa's portion of the old South Works site was successfully completed during the year.

Mittal Steel Vereeniging

During the last few years, Mittal Steel Vereeniging has made good progress in implementing the environmental master plan. Details on each project are given below.

Rehabilitation of the Vaal disposal site: A 'positive' ROD, authorising Mittal Steel Vereeniging to proceed with the rehabilitation of the Vaal Dump site was received from the Gauteng Department of Agriculture, Conservation & Environment (GDACE) in September 2004. The first phase of re-shaping and grassing the slopes was completed in December 2004. In 2005 the focus has been to obtain an operating permit from the Department of Water Affairs and Forestry (DWAF), and to source clay needed for the cover. The process of securing an operating permit is still in progress.

Rehabilitation of old Klip disposal site: Work is progressing in rehabilitating the old Klip disposal site. Detailed rehabilitation plans were completed during the year.

A design report, with the proposed rehabilitation measures, was handed to GDACE & DWAF. The proposed rehabilitation measures include the construction of temporary lined facilities to allow land-farming of the organically contaminated material and removal of the dried sludge to a permitted site. Feedback is expected from the authorities early in 2006.

Noise and dust study at the melt shop: Fugitive dust emissions and noise at the melt shop are the major environmental aspect at Mittal Steel Vereeniging operations. A study was concluded during February 2005 and solutions to address issues proposed. The proposed solutions will be implemented in phases with the first phase scheduled to start in 2006.

MANAGEMENT OF DISCONTINUED OPERATING SITES

Old Pretoria works

Following completion and approval of the environmental master plan, this plant made good progress in aligning the plan with the ongoing demolition programme. Some environmental improvement projects were executed earlier than scheduled in order to coincide with the demolition activities. The demolition programme is expected to continue until 2008. Major work on the environmental master plan will commence in 2006.

Significant progress has been made in rehabilitating the site since closure of operations in the late 1990s. The recovery of valuable materials for reuse and sale to different industries is progressing well. Materials recovered to date include:

- 1 840 000 tonnes of iron slag, which is used in road construction, concrete, brick making and other industries
- 30 200 tonnes of steel slag which is recycled in the iron making process
- 1 060 000 tonnes of coal ash which is used as a binding material at some of the local authority waste disposal facilities

The first phase of tar removal at Mooiplaats section commenced in December 2004 following completion of the environmental impact assessment process. A total of 850 tonnes of liquid tar has been removed and reused.

Different options to rehabilitate the remaining non-liquid phase are being investigated. The execution of this rehabilitation phase, including the legal process, will commence during 2006.

Dunswart waste disposal site

The relocation of some 754 informal households, occupying a redundant disposal site at Dunswart facility in Benoni, progressed well during the year. Ninety six families have been relocated to new houses built in conjunction with the Ekurhuleni Metropolitan Council. The relocation process is scheduled for completion during the first quarter of 2006.

Plaas Rietkuil – sustainable land management

Following the buy-out of various areas to the west of Mittal Steel Vanderbijlpark in the late 1990s, the area has since been converted into a game farm of approximately 2 500 ha. The establishment of the nature conservancy, which forms an effective buffer zone around the plant, was the outcome of a dispute between Mittal Steel South Africa and the residents who used to reside in the area.

The farm was fenced off and subsequently contracted out to a company specialising in land management, Vesco Community Enterprise. Profits generated from this activity are used in a job creation initiative for the local community.

After five years of existence, the farm shows no signs of pollution and cattle, game and birds drink from the waterholes and dams without incident.

Corporate Social Responsibility

We are committed to help build capacity in our broader society, focusing especially on historically disadvantaged communities. In line with this objective, our CSR budget is weighted in favour of improving education in mathematics and science for the benefit of our country.

The basis of our corporate social responsibility (CSR) programme is active participation in communities, institutions and organisations, in the areas around our operations with special emphasis on previously disadvantaged communities.

During 2005, we identified education, more specifically mathematics and science education, as a priority. There is a country-wide shortage of skills in the engineering fields, largely because learners do not follow the science disciplines and because there are insufficient qualified teachers and inadequate facilities in many schools.

In order to address the problem, we have developed an innovative plan to provide centralised facilities in the Vaal Triangle on a pilot project basis for teaching mathematics and science to both learners and educators in the region. This project will be run in partnership with the Gauteng Department of Education and is planned for implementation in the second quarter of 2006 at a cost of approximately R5 million per annum. Tangible results in the form of statistics on teacher training and learner performance, as well as demonstrated interest in the sciences will be measured during the implementation of the project.

In addition to the science centre, we also made substantial contributions to:

- The Mittal Science Olympiad, which is a national initiative to stimulate interest in science amongst learners. About 10 000 learners participated in the Olympiad during 2005
- Scitech, a national exhibition, attended by 38 000 learners also aimed at stimulating interest and providing curriculum based classes for learners
- ABET (adult basic education and training) programme, which provides basic reading, writing and mathematics skills to employees and the community. Some 550 students completed their training during 2005

We addressed unemployment through allocations of R150 000 to the Saldanha Business Development Centre and R12 000 to the Bophelong Community Project. Both projects develop and assist unemployed persons in various skills, so that they may become employed, or self-supporting and financially independent.

We are investigating a major project, in partnership with the Emfuleni Local Government and North West University, to develop and grow the informal economy in the Vaal Triangle that has the potential to create more than 60 000 jobs over the next 10 years.

Mittal Steel South Africa made a contribution of R5 million towards a low cost housing project in the Chief Albert Luthuli Township. This project should be completed early in 2006.

We made a substantial contribution towards addressing air pollution in communities by providing subsidised steel for gas cylinders in an attempt to decrease smoke and emissions from coal fires in townships. This project will continue during the current financial year.

During the reporting period we contributed a sum of approximately R4,4 million to educational projects, R5,0 million to community and rural development projects, R650 000 to HIV/AIDS initiatives, and R408 500 to general welfare and development sport projects. We also donated 550 tonnes of steel to various worthy projects.

Our total social investment commitment for the reporting period was R11,6 million and for the 12 year period from 1994 to 2005, R196,3 million.

The social problems that South Africa faces are vast and severe. As a responsible corporate citizen, Mittal Steel South Africa endeavours to assist in solving those problems by committing ourselves to building capacity within our broader society by improving education in mathematics and science and addressing the high levels of unemployment. To this end our CSR programme is focused on benefiting historically disadvantaged communities and forming partnerships or strategic alliances with government departments to leverage the already substantial corporate social responsibility funding that we provide.

Broad Based Black Economic Empowerment

Mittal Steel South Africa believes that promoting and supporting Broad Based Black Economic Empowerment (BBBEE) is essential for achieving broad based sustainable economic growth and general prosperity in South Africa.

Realising that Broad Based Black Economic Empowerment (BBBEE) is the cornerstone of a strong and sustainable economy, we commit ourselves to actively supporting and contributing to the development and growth of Black Economic Empowerment (BEE) companies in the Republic of South Africa.

We believe that the active development and the participation of BEE companies will ensure broad based growth of the economy and the achievement of sustainable development, job creation and general prosperity in our country.

Our policy aims at ensuring that Mittal Steel South Africa's procurement activities are accessible to BEE vendors and that we contribute to the development and growth of BEE companies. In the context of this policy we establish and monitor progress against annual targets for goods and services procured. We also encourage major non- BEE companies to establish BEE initiatives, which we believe will enable us to contribute effectively to a better South Africa. We shall pursue and actively promote this process.

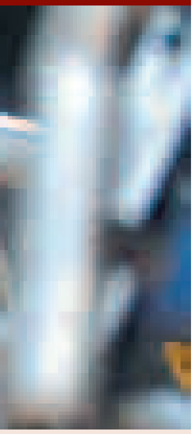
We further commit ourselves to breaking down barriers to access to equitable economic opportunities.

In this regard, preferential treatment in the awarding of tenders is given to BEE vendors. However, in the awarding of these tenders the company does not compromise on expertise and experience, the quality of goods being supplied, delivery reliability and price. During 2006 we shall also align our supplier base with the new codes of good practice as determined by the Department of Trade and Industry.

POVERTY

We believe that by supporting the development of small business enterprises and investing in corporate social responsibility (CSR) initiatives aimed at the historically disadvantaged unemployed and rural poor, we can help reduce levels of poverty.

As discussed in the CSR report, we have established educational facilities for the benefit of the historically disadvantaged communities and our employees. We have also contributed to the Business Development Centre in Saldanha to help address the issue of unemployment.



Several of our community upliftment programmes are also in progress.

The company has, through a local community radio station, addressed educational needs and provided advertising opportunities at minimal rates in order to assist with welfare initiatives in the Vaal triangle.

SKILLS

In 2004, the company transferred its Adult Basic Education and Training initiatives to Vesco, a local Section 21 company. We undertook to support this initiative with both financial and material resources over the next two years. These facilities provide adult numeracy and literacy training in the broader Vaal Triangle.

We continue to provide study loans for our employees who wish to enhance their education. We also provide these loans to their children who intend furthering their studies from Grade 12 (NQF level 4) upwards.

We are currently in the initial stages of a project aimed at addressing the shortcomings in the teaching of mathematics and science in the Vaal area.

Finally, we provide bursaries to school leavers to study at universities to obtain degrees in engineering. Of the bursary holders benefited, 64% are from historically disadvantaged groups.

BUSINESS DEVELOPMENT

Affirmative procurement and enterprise development creates black entrepreneurs. We work closely with the local council and development institutions to encourage business development in all the regions where we operate.

A vendor day was held in Vanderbijlpark where our commitment to emerging companies was emphasised. More than 1 100 vendors attended this event. Further to this, two BEE days were held at Mittal Steel Vanderbijlpark and Mittal Steel Newcastle where black empowerment companies and particularly SMMEs were afforded an opportunity to present their products and services to Mittal Steel South Africa and the surrounding communities.

BUSINESS OPPORTUNITY

Mittal Steel South Africa encourages the development of successful small and medium enterprises. Business opportunities available within the company are identified beforehand and vendors are informed of such opportunities.

In this regard, Mittal Steel South Africa, on 30 November 2005 briefed contractors and suppliers on the various projects in its R9 billion capital expenditure programme to increase production. The objective of the briefing was to allow contractors and suppliers to interact with our procurement and project managers and understand the company's needs and goals. The contractors were also briefed on various projects for which they could tender, and a broad outline was given as to how the projects would be structured and managed.

SPEND

In the year ending December 2005 we procured goods from affirmative business enterprises to the value of R1 837 million, an increase of 79% on our 2004 spend. This is how businesses contributed to this spending:

Mittal Steel Vanderbijlpark	R932 million
Mittal Steel Newcastle	R241 million
Mittal Steel Saldanha	R116 million
Mittal Steel Vereeniging	R275 million
Mittal Steel Coke and Chemicals	R20 million
Logistics cost for all operations	R253 million
Total	R1 837 million

Index to Global Reporting Initiative (GRI) Guidelines

	Detail	Reference made on page or comments
	Economic performance indicators	
EC1	Net sales	Page 110
EC2	Geographic breakdown of markets	Pages 108 and 109
EC3	Cost of all goods, materials and services purchased	Page 110
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 110
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 78
EC7	Increase or decrease in retained earnings at end of period	Page 91
EC8	Total sum of taxes of all types paid broken down by country	Pages 78 and 113
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 56 and 57
	Economic performance indicators Environmental performance indicators	Details will be included in the GRI report to be published on our website. Environmental reporting is also included on pages 48 to 55.

	Detail	Reference made on page or comments
	Social performance indicators:	
	Labour practices and decent work	
LA1	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 108 and 109 for breakdown per segment
LA2	Net employment creation and average turnover segmented in region/country	Page 44
LA3	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 44
LA4	Policy and procedures involving information, consultation, negotiation with employees over changes in the reporting organisation's operations (e.g. restructuring)	Page 44
LA7	Standard injury, lost day and absentee rates and number of work-related fatalities (including subcontracted workers)	Page 49
LA8	Description of policies or programmes (for the workplace and beyond) on HIV/AIDS	Page 46
LA11	Composition of senior management and corporate governance bodies (including the board or directors), including female/male ratios and other indicators of diversity as culturally appropriate	Pages 14 and 47
	Social performance indicators: Society	
SO2	Description of the policy, procedures/management systems, and compliance mechanisms for organisations and employees addressing bribery and corruption	Page 69
SO3	Description of policy, procedures/management systems, and compliance mechanisms for managing political lobbying and contributions	Page 69

We are committed to upholding not only the high standards of Corporate Governance laid down in the King II Report but also, as a subsidiary of Mittal Steel Company N.V. which is listed in New York and the Netherlands, to keep abreast of the standards of these jurisdictions.

The board of Mittal Steel South Africa Limited fully supports the high standards of corporate governance espoused in the King Report on Corporate Governance for South Africa 2002 (King II) and recognises that the application of these standards lends credence to and under-pins our policies and practices centred on integrity, accountability, and transparency.

Mittal Steel South Africa complies with all 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. As a subsidiary of Mittal Steel Company N.V. a company listed on the New York Stock Exchange and The Netherlands, Mittal Steel South Africa keeps abreast of the standards of these jurisdictions.

BOARD OF DIRECTORS

Composition

The board comprises four independent non-executive directors, three non-executive directors, and three executive directors. The three executive directors are the Chief Executive Officer, the Human Resources Director and the Finance Director.

Changes during the year

Dr Sam Jonah was appointed to the board of Mittal Steel South Africa as a non-executive director on 3 November 2005.

On 8 August 2005, Vaidya Sethuraman resigned as Executive Director Finance and Harak Banthia was appointed as Executive Director Finance on 7 September 2005. Harak Banthia resigned as Executive Director Finance on 17 February 2006 and Kobus Verster was appointed Executive Director Finance, with effect from 17 February 2006.

CLS Consulting Services (Pty) Limited resigned and Xoliswa Motswai was appointed as Company Secretary effective 1 March 2005.

In line with good corporate governance, our policy is to have a greater number of non-executive directors than executive directors.

Qualification and experience

With the assistance of the Human Resources and Nominations Committee, the entire board is involved in the process of nominating, selecting and appointing directors, who are selected on the basis of their personal integrity, professional ethics, skill, business acumen and experience. Directors are required to make a meaningful contribution to the activities of the company in the interest of all its stakeholders. Non-executive directors bring unfettered and independent judgement to bear on all matters considered by the board and their opinions have significant influence in board deliberations.

All directors have the requisite knowledge and experience required to properly execute their duties, and all participate actively in proceedings at board meetings.

At 31 December 2005, the board and its committees were constituted as follows:

Board of directors

Non-executive directors

Independent	Khaya Ngqula (chairman)
	Khotso Mokhele
	Johnson Njeke
	Sam Jonah
Non-independent	Aditya Mittal
	Lakshmi Mittal
	Sudhir Maheshwari
Executive directors	Davinder Chugh (Chief Executive Officer)
	Harak Banthia (Finance)
	Juba Mashaba (Human resources)

Audit Committee

Johnson Njeke (Chairman)
Sudhir Maheshwari
Sam Jonah
Arvind Chopra (Non-board Member)

Human Resources and Nominations Committee

Khotso Mokhele (chairman)
Aditya Mittal
Sam Jonah
Inder Walia (non-board member)

SHE Committee

Khotso Mokhele (Chairman)
Representative of one of recognised trade unions on an annual rotation basis

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 14 to 15
- Remuneration – pages 146 to 149
- Shareholding – pages 154 and 155

The board charter

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
- 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 the 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.

Board agenda

The board agenda is drawn up in consultation with the Chief Executive Officer and the Chairman, where appropriate, and includes, among others, the following items:

- Strategic plans
- Capital expenditure
- Budgets
- Financial information
- Risk management
- Senior appointments
- Minutes of board committees
- Any other matters of importance for the proper stewardship of the company by the board

Separate meeting of non-executive directors

During July 2005, the non-executive directors of the company held a meeting in London, without the presence of management. The purpose of the meeting was to introduce the independent non-executive directors to the Mittal Steel Company N.V. in particular its corporate governance framework as dictated by its listing obligations, and to understand the implications on the relationship between Mittal Steel South Africa and Mittal Steel Company N.V.

Attendance at board meetings

	2005-02-08	2005-05-30	2005-08-08	2005-08-29	2005-12-08
HC Banthia(1)			✓	✓	✓
DK Chugh	✓	✓	✓	✓	✓
SE Jonah(2)					X
S Maheshwari	T	T	T	T	T
JJA Mashaba	✓	X	✓	✓	✓
A Mittal	X	X	T	X	X
LN Mittal	T	X	T	X	X
KDK Mokhele	T	✓	T	X	✓
K Ngqula	T	T	T	✓	✓
MJN Njeke	✓	✓	✓	✓	✓
V Sethuraman(3)	✓	✓	✓		

(1) Appointed to board on 2005-09-07 (2) Appointed to board on 2005-11-04 (3) Resigned from board on 2005-08-08

X Apology T Via telephone conference facility

Note: Our Articles of Association provide for attendance via telephone or video conferencing

POLICIES AND PROCEDURES

Professional advice

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.

Price sensitive information

The board acknowledges its responsibility for ensuring the equal treatment of all shareholders. To this end, a Disclosure of Information Policy is in place and sets out the necessary guidelines that have to be adhered to at all times in the external communication of the company's affairs.

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 or 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 Limited, procedures have been put in place to ensure that no director of the company trades in the company's shares without the requisite approval.

BOARD COMMITTEES

The committees listed below have been established to assist the board in discharging its responsibilities. The nature and scope of authority for each committee is detailed in the respective committee's terms of reference as approved by the board. The terms of reference also address issues such as composition and meetings. As concerns composition, the terms of reference of all the committees of the board were reviewed during the year and the board agreed to make provision for non-board members who possess the requisite expertise, skill and knowledge, to be appointed to serve on the committees where the board, through the Human Resources and Nominations Committee, deems it appropriate. Membership of the various committees is indicated in the structure on page 63.

Board of directors

Audit Committee

- Financial control
- Compliance
- Regulatory environment
- Risk management

Human Resources and Nominations Committee

- Human resources
- Nominations
- Share scheme

Safety, Health and Environment Committee

– Safety
– Health
– Environment
– Compliance
– Certification

Audit Committee

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 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.

Johnson Njeke was appointed as Chairman of the Audit Committee in April 2005. Sam Jonah and Arvind Chopra, a non-board member, were appointed to the Audit Committee on 3 November 2005. Arvind Chopra is a director of Mittal Steel Company N.V. responsible for the Group's internal assurance function.

Attendance at meetings of the Audit Committee

	2005-02-08	2005-05-30	2005-08-08	2005-08-29	2005-11-08
MJN Njeke	✓	✓	✓	✓	✓
SE Jonah(1)					X
A Chopra(1)					X
S Maheshwari	T	T	T	T	T
DK Chugh	✓	✓	✓	✓	✓
HC Banthia(2)				✓	✓
V Sethuraman(3)	✓	✓	✓		

(1)Appointed to committee on 2005-11-03 (2)Appointed to committee on 2005-09-07
(3)Resigned from committee on 2005-08-08
X Apology T Via telephone conference facility

Human Resources and Nominations Committee

The committee is primarily responsible for assisting the board on human resources and remuneration policies, succession planning and 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 also include responsibility for assisting the board with nominations for the appointment of non-executive directors.

Attendance of meetings of the Human Resources and Nominations Committee

	2005-05-12
KDK Mokhele	✓
DK Chugh	✓
SE Jonah[(1)]	
JJA Mashaba	✓
A Mittal	X
K Ngqula	✓
I Walia[(2)]	T

[(1)]Appointed to committee on 2005-11-03 [(2)]Appointed to committee on 2005-11-03 Non-board member
X Apology T Via telephone conference facility

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

	2005-03-24	2005-07-29	2005-11-02
KDK Mokhele	✓	✓	✓
DK Chugh	✓	✓	✓
JJA Mashaba	✓	✓	✓

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 Officer chairs the committee and its membership consists of the Executive Director Finance 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.

ANNUAL FINANCIAL STATEMENTS

The board acknowledges its responsibility for ensuring the preparation of the annual financial statements in accordance with 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 Company N.V. 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 the end of 2006. SOX covers adequacy of internal controls over financial reporting. SOX implementation is a major process, which will require extensive documentation of internal controls of all business processes and testing of the same by management and will be subject to review by both internal and external auditors. This will result in a significant strengthening of the corporate governance standards in financial reporting.

SUSTAINABLE DEVELOPMENT

Sustainable development is a cornerstone of our management philosophy, hence the mantra: "Boosting economic viability whilst ensuring social equity and protecting ecological integrity".

We acknowledge the need to report to all relevant stakeholders on our sustainability initiatives and our aim continues to be to move towards reporting in accordance with the Global Reporting Initiative guidelines.

Mittal Steel South Africa is an active member of the International Iron and Steel Institute (IISI) and contributes to and supports its policies and initiatives on sustainable development.

Specific initiatives aimed at achieving our objectives in regard to sustainable development were undertaken during the year under review and are covered extensively elsewhere in this annual report and include:

- 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
- The identification and management of risk

INTERNAL AUDIT

The internal audit 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 internal audit 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 purposes, 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. The external auditors review all internal audit reports.

CODE OF ETHICS

Our code of ethics addresses our relationships with a number of stakeholders, including our shareholders, customers, suppliers, employees and 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.

As part of our fraud policy, 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 required ethical standards are being met throughout the company in every material respect.

Risk management

Risk management is addressed in respect of 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 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 162 to 164 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 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 at 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. When 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.

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
- The result of these actions is 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 losses, reconciliations between risk profiles 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 performed on an annual basis.

During the period under review, 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
- Insurable or event risk
- Financial risks which include the following:
  - Exchange rates
  - Interest rates
  - Liquidity
  - Commodity price risks

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
- Unplanned production interruptions caused by failure/breakdown of critical plant and machinery

We manage the price cycle by endeavouring to ensure that all business units operate within the lowest cost quartile of world steel producers to guarantee survival in the worst likely circumstances. In this regard a continuous improvement programme has been implemented. It focuses 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, since 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 for domestic sales compared to exports. The long-term growth rate of the domestic economy has a major effect on operating income. The impact of the progress made in the implementation of the government's market orientated economic policy has ushered 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 measure 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 by setting strict credit limits based on a combination of creditworthiness assessments, credit risk insurance, and confirmed letter 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
- Counterparty exposures arising from money market investments, foreign currency, and interest rate and base metal price hedging operations are controlled by restricting dealing to financial institutions of high credit standing. Credit exposure to any one counterparty is managed by setting transaction limits

Exchange rate exposure on capital equipment purchase commitments denominated in foreign currencies other than US dollars is fully covered through foreign exchange contracts or option structures. US dollar denominated purchases are offset against US Dollar export receipts. 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 collar option structures, for periods up to one year. Derivatives that increase our underlying risk are avoided.

In times of significant currency depreciation, the cover may be increased to benefit from the window of opportunity. The hedging 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 R6,28 US$ compared with the weighted average spot rate of R6,35 US$ resulting in a negative impact on operating income of R29 million. The 2004 comparative rates of R6,31 US$ and R6,30 US$ respectively, yielded a positive pre-tax impact of R4 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 mixed, fixed and floating deposit facilities. In light of our positive net US dollar cash position, limited short-term interest rate hedging was implemented during the course of 2005 in order to obtain the maximum benefit from rising US interest rates.

Liquidity risk is addressed by maintaining a high degree of cash flow forecasting accuracy. Cash flow forecasts are stress tested and scenario analysis is 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 2005 financial year 14% of our expected base metal consumption for the next 12 months was hedged in the forward market. On 31 December 2005 these hedges realised a profit amounting to R36 million.

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 EQUIVALENTS

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 Limited

EARNINGS PER ORDINARY SHARE

- **Basic 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 (NET 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 Limited

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 year-end.

NUMBER OF YEARS TO REPAY INTEREST-BEARING DEBT

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

OPERATING INCOME

Revenue less operating expenses and depreciation and amortisation.

OPERATING MARGIN

Net operating profit as a percentage of revenue.

PRICE-EARNINGS RATIO

The closing share price on the JSE Limited 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.

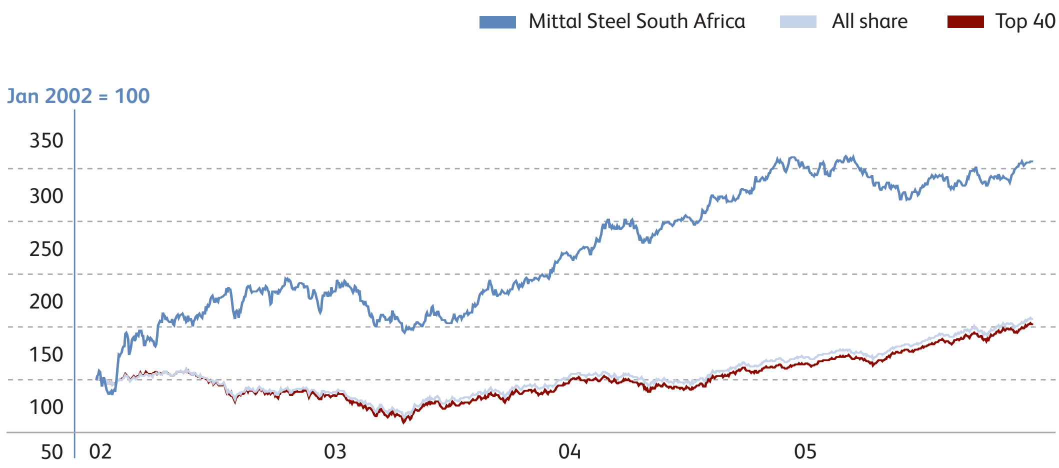
WEIGHTED AVERAGE PRICE PAID PER SHARE TRADED

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

JSE Limited Statistics

	Year ended 31 Dec		6 months ended 31 Dec	Year ended 30 Jun		
	2005	2004	2003	2003	2002	2001
Number of ordinary shares traded (m)	**294**	298	160	353	659	205
Number of transactions ('000)	**87**	50	20	43	56	35
Value of ordinary shares traded (Rm)	**15 953**	11 518	3 377	7 240	7 730	3 551
% of issued shares traded (Rm)	**66**	67	36	79	148	79
Year-end market price/headline earnings ratio (times) – annualised	**5,4**	6,4	13,8	2,9	15,8	13,4
Headline earnings yield at year-end (%) – annualised	**18,6**	15,6	14,4	34,8	6,3	7,4
Dividend yield at year-end (%) – annualised	**6,2**	6,1	5,2	12,5	1,8	
Market price per ordinary share (cents)						
– year-end	**6 125**	6 550	2 880	1 600	2 200	2 900
– highest	**6 930**	6 850	2 901	2 530	3 450	3 160
– lowest	**4 160**	2 650	1 545	1 440	440	850
– weighted average price per share trade	**5 426**	3 865	2 111	2 051	1 173	1 732
Year-end market price/net equity per ordinary share (times)	**1,40**	1,84	0,99	0,56	0,88	1,10
Market capitalisation at year-end (Rm)	**27 302**	29 197	12 838	7 132	9 807	7 890
Mittal Steel South Africa price index (base: 2000 = 0)	**530**	567	249	139	73	97
JSE Actuaries index – Industrial (base 2000 = 0)	**160**	121	85	64	97	97

Share performance (Indexed)



Group Cash Value Added Statement

for the year ended 31 December 2005

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 Dec 2005 Rm	%	Wealth created Year ended 31 Dec 2004 Rm	%
Cash generated				
Cash derived from sales and services	24 626		22 085	
Income from investments and interest received	195		99	
Paid to suppliers for materials and services	(14 094)		(12 744)	
Cash value added	10 727	100	9 440	100
Cash utilised to:				
Remunerate employees for services	2 122	20	2 193	23
Pay direct taxes to the state	2 977	28	886	9
Provide lenders with a return on borrowings	21		63	1
Business assistance agreement remuneration			731	8
Provide shareholders with cash dividends	2 853	27	339	4
Cash disbursed among stakeholders	7 973	74	4 212	45
Cash retained in the Group to maintain and develop operations	2 754	26	5 228	55

NOTES TO GROUP CASH VALUE ADDED STATEMENT

	2005 Rm	2004 Rm
1. Taxation contribution		
Direct taxes (as above)	2 977	886
Value added taxes levied on purchases of goods and services	2 187	2 065
Regional services council levies	40	41
Rates and taxes paid to local authorities	23	21
Gross contribution	5 227	3 013
2. Additional amounts collected by the Group on behalf of the government		
Value added tax and other duties charged on turnover	2 246	2 666
Employees' tax deducted from remuneration paid	331	373
	2 577	3 039

Selected Group Financial Data Translated into US Dollars and Euros

for the year ended 31 December 2005

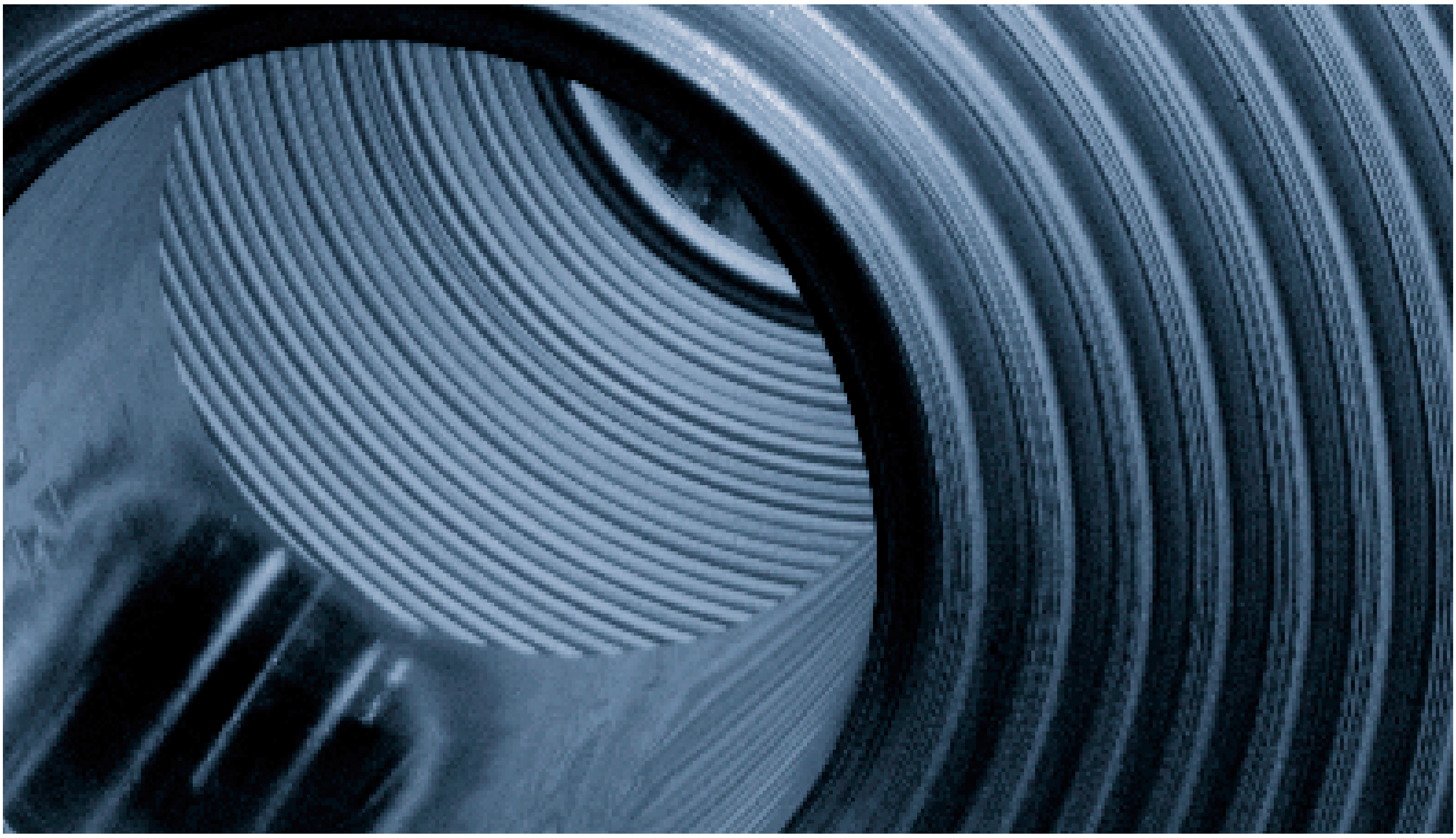
	2005 US$ million	2004 US$ million	2005 Euro million	2004 Euro million
INCOME STATEMENTS				
Revenue	**3 785**	3 585	**3 046**	2 889
Operating expenses	**(2 521)**	(2 390)	**(2 029)**	(1 926)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**1 264**	1 195	**1 017**	963
Depreciation	**(178)**	(143)	**(143)**	(115)
Amortisation of intangible assets	**(6)**	(6)	**(5)**	(5)
Profit from operations before impairment and goodwill movements	**1 080**	1 046	**869**	843
Impairment credit		78		63
Goodwill impairment	**(2)**	(3)	**(2)**	(3)
Profit from operations	**1 078**	1 121	**867**	903
Gains/(losses) on foreign exchange rate and financial instruments	**38**	(8)	**31**	(7)
Net interest income/(finance cost)	**5**	(23)	**4**	(17)
Income from equity accounted investments	**45**	54	**36**	43
Income from investments	**1**	1	**1**	1
Profit before taxation	**1 167**	1 145	**939**	923
Income tax expenses	**(369)**	(386)	**(297)**	(312)
Profit for the year	**798**	759	**642**	611
Attributable to:				
Equity holders of the parent	**798**	758	**642**	610
Minority interest		1		1
Basic earnings per share	**179**	170	**144**	137
Headline earnings per share	**179**	159	**144**	128
BALANCE SHEET				
Assets				
Non-current assets				
Property, plant and equipment	**2 071**	2 268	**1 746**	1 658
Intangible assets	**12**	20	**10**	15
Goodwill		2		1
Investments in joint ventures	**142**	106	**120**	78
Non-current receivables	**63**	91	**53**	67
Non-current financial assets	**10**		**8**	
Current assets				
Cash and cash equivalents	**827**	726	**697**	531
Other	**937**	998	**790**	729
Total assets	**4 062**	4 211	**3 424**	3 079

Selected Group Financial Data Translated into US Dollars and Euros continued

for the year ended 31 December 2005

	2005 US$ million	2004 US$ million	2005 Euro million	2004 Euro million
BALANCE SHEET				
Equity and liabilities				
Shareholders' funds	**3 077**	2 839	**2 594**	2 075
Minority interest	**1**	1	**1**	1
Non-current liabilities				
Interest-bearing borrowings	**11**	14	**9**	11
Other	**524**	519	**442**	380
Current liabilities				
Interest-bearing borrowings	**2**	2	**1**	1
Other	**447**	836	**377**	611
Total equity and liabilities	**4 062**	4 211	**3 424**	3 079
Net cash	**814**	709	**686**	519
CASH FLOW STATEMENT				
Cash inflows from operating activities	**434**	813	**349**	656
Cash outflows from investing activities	**(239)**	(192)	**(193)**	(155)
Cash outflows from financing activities	**(9)**	(161)	**(7)**	(130)
Increase in cash and cash equivalents	**186**	460	**149**	371
Effect of foreign exchange rates	**(85)**	94	**17**	21
Cash and cash equivalents at beginning of year	**726**	172	**531**	139
Cash and cash equivalents at end of year	**827**	726	**697**	531
The group statements on these pages have been expressed in US$ and Euro 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	**6,34**	5,60		
R=US$ average for year	**6,35**	6,43		
R=Euro at end of year			**7,52**	7,66
R=Euro average for year			**7,89**	7,98

Group Annual Financial Statements 2005



Directors' Responsibility for Financial Reporting

for the year ended 31 December 2005

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, 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, 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 2006 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 83.

Against this background the directors of the company accept responsibility for the financial statements for the year ended 31 December 2005, which were approved by the board of directors on 13 February 2006 and are signed on its behalf by:

DK Chugh	HC Banthia
Chief Executive Officer	Executive Director Finance

Report of the Independent Auditors

To the members of Mittal Steel South Africa Limited

We have audited the annual financial statements of Mittal Steel South Africa Limited set out on pages 84 to 159 for the year ended 31 December 2005. 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.

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. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company at 31 December 2005, and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Deloitte & Touche
Registered Accountants and Auditors

Johannesburg
13 February 2006

Certificate by Company Secretary

In terms of the Companies Act 1973, I, X Motswai, in the capacity as company secretary, confirm that for the year ended 31 December 2005, 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.

X Motswai
Company Secretary

13 February 2006

Report of the Directors

for the year ended 31 December 2005

The directors have pleasure in presenting the financial statements for Mittal Steel South Africa Limited and the Group for the year ended 31 December 2005.

NATURE OF BUSINESS

Mittal Steel South Africa Limited, 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 14 March 2005 Ispat Iscor Limited changed its name to Mittal Steel South Africa Limited.

AUDITORS

KPMG Inc. resigned with effect from 10 August 2005 and Deloitte & Touche was appointed with effect from 11 August 2005.

COMPANY SECRETARIAT

CLS Consulting Services resigned as company secretary effective from 1 March 2005. Xoliswa Motswai was appointed as company secretary with effect from 1 March 2005.

ACTIVITIES AND FINANCIAL RESULTS

Earnings

	Year ended 31 December 2005	Year ended 31 December 2004
Basic earnings (Rm)	**5 068**	4 878
Headline earnings (Rm)	**5 079**	4 548
Basic earnings per share (cents)	**1 137**	1 094
Headline earnings per share (cents)	**1 139**	1 020
Net asset value (Rm)	**19 516**	15 902
Net asset value per share (cents)	**4 378**	3 567

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

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the 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 previous accounting policy to recognise mineral rights at fair value has been changed to recognise mineral rights at cost, as an intangible asset. The net effect is a decrease in retained earnings in 2004 of R145 million and an increase in net income after tax of R7 million in 2005.

As part of the adoption of the new and revised Standards and Interpretations, improvements were also made to measurement, recognition and presentation methodologies. As a result non-integrated software was reclassified from the property, plant and equipment category to intangible assets. (Net carrying amount of non-integrated software as at December 2004 amounted to R84 million. The amount at 31 December 2005 equalled R46 million.)

The only new or revised Standard and Interpretation not yet adopted that has been assessed as having a potential impact on the Group's 2006 financial year is IFRIC 4 Determining whether an Arrangement contains a Lease. The effect on reported earnings of adopting this standard is not expected to be material.

DIVIDENDS

A final dividend of 100 cents per share for the 2004 financial year was declared on 8 February 2005 and paid to shareholders on 14 March 2005.

The board declared an interim dividend of 240 cents per share on 8 August 2005 payable on 12 September 2005.

The board has decided to declare a final dividend of 140 cents per share for the financial year ended 31 December 2005, payable to shareholders registered at close of business on 10 March 2006. Dividends will be paid on or about 20 March 2006.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure for the year amounted to R1 568 million (December 2004: R1 254 million). Details are contained in the divisional reports.

SHAREHOLDERS' RESOLUTIONS

At the seventeenth annual general meeting of shareholders, held on 30 May 2005, 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 Limited; and
- 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 Limited; 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 Limited 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 14 March 2005, the following resolution was passed:

- That the name of the company be changed from Ispat Iscor Limited to Mittal Steel South Africa 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 Monday, 14 March 2005.

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 160. On 24 November 2005 Mittal Steel Holdings N.V. increased its shareholding to 52,02%.

INVESTMENTS IN JOINT VENTURES AND SUBSIDIARIES

The financial information in respect of interests in joint ventures and subsidiaries of the company is disclosed in Annexure 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.

BORROWING POWERS

The borrowing powers of the company are limited to total equity (refer note 28).

DIRECTORATE AND SHAREHOLDINGS

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 the inside back cover.

The following changes occurred to the board:

- V Sethuraman resigned with effect from 8 August 2005.
- HC Banthia was appointed from 7 September 2005 and resigned with effect from 17 February 2006.
- Dr SE Jonah KBE was appointed from 3 November 2005.
- HJ Verster was appointed effective 17 February 2006.

Both executive and non-executive directors are subject to retirement by rotation. The newly appointed executive director, HJ Verster will retire by rotation at the forthcoming general meeting of shareholders and, being eligible for re-election, has offered himself for re-election.

In addition, the following non-executive directors will retire by rotation and, being eligible for re-election, have offered themselves for re-election:

- Dr SE Jonah KBE
- S Maheshwari
- Dr KDK Mokhele

The details of the direct and indirect interests of directors in the shares of the company are set out in note 33.3 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 otherwise 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, Deloitte & Touche will continue in office in accordance with section 270(2) of the Companies Act, 1973.

SECRETARY

The secretary of the company is X Motswai. Her business and postal addresses appear on the inside back cover.

Income Statements

for the year ended 31 December 2005

		GROUP		COMPANY	
		2005	2004	2005	2004
	Notes	Rm	Rm	Rm	Rm
Revenue	3	**24 032**	23 053	**20 927**	20 216
Operating expenses	4	**(16 006)**	(15 367)	**(14 157)**	(13 888)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**8 026**	7 686	**6 770**	6 328
Depreciation	4	**(1 131)**	(919)	**(743)**	(609)
Amortisation of intangible assets	4	**(40)**	(40)	**(38)**	(38)
Profit from operations before impairment and goodwill movements		**6 855**	6 727	**5 989**	5 681
Impairment reversal	8		502		1 011
Goodwill impairment	14	**(11)**	(21)		
Profit from operations		**6 844**	7 208	**5 989**	6 692
Gains and losses on changes in foreign exchange and financial instruments	5	**246**	(52)	**202**	(23)
Net interest income/(finance costs)	6	**29**	(139)	**37**	(138)
Interest received		**190**	94	**184**	88
Financing cost		**(161)**	(233)	**(147)**	(226)
Income from investments	7	**5**	5	**14**	15
Income from equity accounted investments	15	**292**	347		
Profit before taxation		**7 416**	7 369	**6 242**	6 546
Income tax expense	9	**2 346**	2 485	**2 104**	1 937
Profit for the year		**5 070**	4 884	**4 138**	4 609
Attributable to:					
Equity holders of the parent		**5 068**	4 878		
Minority interest		**2**	6		
		5 070	4 884		
Attributable earnings per share (cents)	10				
– basic		**1 137**	1 094		
– diluted		**1 135**	1 092		
Dividend per share (cents)	11				
– interim		**240**	300		
– final (declared after balance sheet date)		**140**	100		

Balance Sheets

as at 31 December 2005

	Notes	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
ASSETS					
Non-current assets					
Property, plant and equipment	12	13 133	12 701	7 031	6 359
Intangible assets	13	74	114	46	84
Goodwill	14		11		
Investments in joint ventures	15	901	596	30	30
Investments in subsidiaries	16			4 885	6 089
Non-current receivables	17	401	512	460	536
Non-current financial assets	18	61		61	
Total non-current assets		14 570	13 934	12 513	13 098
Current assets					
Inventories	19	3 910	3 105	3 568	2 724
Trade and other receivables	20	1 822	2 481	1 689	2 107
Taxation		117		136	
Current receivables	17	47		47	
Current financial assets	21	46		46	
Cash and cash equivalents		5 241	4 064	4 513	3 814
Total current assets		11 183	9 650	9 999	8 645
Total assets		25 753	23 584	22 512	21 743
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	22	6 389	6 389	6 389	6 389
Non-distributable reserves		600	306	45	10
Retained income		12 518	9 200	11 569	8 947
Total shareholders' equity		19 507	15 895	18 003	15 346
Minority interest		9	7		
Total equity		19 516	15 902	18 003	15 346
Non-current liabilities					
Interest-bearing borrowings	23	71	81		
Non-current provisions	24	1 289	1 201	1 278	1 192
Deferred taxation	25	2 032	1 708	1 145	1 019
Total non-current liabilities		3 392	2 990	2 423	2 211
Current liabilities					
Trade and other payables	26	2 647	2 295	1 898	1 831
Interest-bearing borrowings	23	10	10		
Current financial liabilities	21		10		13
Current provisions	24	188	183	188	183
Shareholders for dividend			1 337		1 337
Taxation			857		822
Total current liabilities		2 845	4 692	2 086	4 186
Total equity and liabilities		25 753	23 584	22 512	21 743

Cash Flow Statements

for the year ended 31 December 2005

	Notes	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
Cash flows from operating activities					
Cash generated from operations	27.1	8 416	6 422	6 558	5 156
Net interest income	27.2	168	31	176	32
Dividends paid	27.3	(2 853)	(339)	(2 853)	(335)
Income tax paid	27.4	(2 977)	(886)	(2 936)	(877)
		2 754	5 228	945	3 976
Cash flows from investing activities					
Investment to maintain operations	27.5	(1 210)	(1 001)	(1 137)	(935)
Investment to expand operations	27.6	(358)	(253)	(327)	(214)
Proceeds from disposal of property, plant and equipment		6	14	6	2
Investment in other non-current assets	27.7		(5)		(5)
Dividend from equity accounted investments		38	6	6	6
Income from investments		5	5	8	9
		(1 519)	(1 234)	(1 444)	(1 137)
Net cash inflow/(outflow)		1 235	3 994	(499)	2 839
Cash flows from financing activities					
Non-current interest-bearing borrowings repaid		(10)	(11)		
Current interest-bearing borrowings repaid			(978)		(978)
Decrease in loans to subsidiaries				1 202	1 032
Decrease in management share trust		(44)	(47)	(2)	
		(54)	(1 036)	1 200	54
Net increase in cash and cash equivalents		1 181	2 958	701	2 893
Effect of foreign exchange rate changes		(4)	(1)	(2)	1
Cash and cash equivalents at beginning of year		4 064	1 107	3 814	920
Cash and cash equivalents at end of year		5 241	4 064	4 513	3 814

Group Statement of Changes in Equity

for the year ended 31 December 2005

	Stated capital Rm	Capital redemption reserve Rm	Management share trust Rm	Share-based payment reserve Rm	Attributable reserves of equity accounted investments Rm
Balance at 1 January 2004	6 389	23	15		190
As previously stated	6 389	23	15		190
Change in accounting policy					
– Mineral rights restated to cost					
Net profit					
Net gains/(losses) not recognised in income statement			(49)	2	
Management share trust loss			(49)		
Share options charge: IFRS2				2	
Currency translation differences					
Financial instruments' fair value movements recognised in equity					
Dividend					
Transfer movement of insurance reserve					
Transfer of equity accounted earnings					252
Balance at 31 December 2004	6 389	23	(34)	2	442
Net profit					
Net gains/(losses) not recognised in income statement			(42)	8	
Management share trust loss			(42)		
Share options charge: IFRS2				8	
Currency translation differences					
Financial instruments' fair value movements recognised in equity					
Share of joint venture hedging reserve					
Dividend					
Transfer movement of insurance reserve					
Transfer of equity accounted earnings					235
Balance at 31 December 2005	**6 389**	**23**	**(76)**	**10**	**677**

	Non-distributable reserves								
	Foreign currency translation Rm	Financial instruments revaluation reserve Rm	Insurance reserve Rm	Joint venture hedging reserve Rm	Joint venture revaluation reserve Rm	Retained income Rm	Shareholders' equity Rm	Minority interest Rm	Total equity Rm
	(31)	(14)	3	(2)	2	6 244	12 819	1	12 820
	(31)	(14)	3	(2)	2	6 396	12 971	1	12 972
						(152)	(152)		(152)
						4 878	4 878	6	4 884
	(83)	1		1	(2)		(130)		(130)
							(49)		(49)
							2		2
	(83)			1	(2)		(84)		(84)
		1					1		1
						(1 672)	(1 672)		(1 672)
			(2)			2			
						(252)			
	(114)	(13)	1	(1)		9 200	15 895	7	15 902
						5 068	5 068	2	5 070
	68	25		1			60		60
							(42)		(42)
							8		8
	68						68		68
		25					25		25
				1			1		1
						(1 516)	(1 516)		(1 516)
			(1)			1			
						(235)			
	(46)	**12**				**12 518**	**19 507**	**9**	**19 516**

Company Statement of Changes in Equity

for the year ended 31 December 2005

	Stated capital Rm	Capital redemption reserve Rm	Share-based payments reserve Rm	Financial instruments revaluation reserves Rm	Retained income Rm	Total Rm
Balance at 1 January 2004	6 389	23		(13)	6 010	12 409
As previously stated	6 389	23		(13)	6 162	12 561
Change in accounting policy – mineral rights restated to cost					(152)	(152)
Net profit					4 609	4 609
Net gains/(losses) not recognised in income statement			2	(2)		
Share options charge: IFRS2			2			2
Financial instruments' fair value movements recognised in equity				(2)		(2)
Dividend					(1 672)	(1 672)
Balance at 31 December 2004	6 389	23	2	(15)	8 947	15 346
Net profit					4 138	4 138
Net gains not recognised in income statement			8	27		35
Share options charge: IFRS2			8			8
Financial instruments' fair value movements recognised in equity				27		27
Dividend					(1 516)	(1 516)
Balance at 31 December 2005	**6 389**	**23**	**10**	**12**	**11 569**	**18 003**

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.

Financial instruments revaluation reserve

The financial instruments revaluation reserve comprises the 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 accumulated charge of share options in terms of IFRS2.

Notes to the Financial Statements
for the year ended 31 December 2005

1. ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those standards, as adopted by the International Accounting Standards Board and applicable legislation.

In 2004, the Group early adopted the following IFRSs, which are relevant to its operations.

IFRS2 – Share-based Payments
IFRS3 – Business Combinations
IFRS4 – Insurance Contracts
IFRS5 – Non-current Assets Held for Sale and Discontinued Operations
IAS36 – Impairment of Assets
IAS38 – Intangible Assets

The following revised standards were considered during the current financial year.

IAS1 – Presentation of Financial Statements
IAS2 – Inventories
IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors
IAS10 – Events After the Balance Sheet Date
IAS16 – Property, Plant and Equipment
IAS17 – Leases
IAS21 – The Effects of Changes in Foreign Exchange Rates
IAS24 – Related Party Disclosures
IAS27 – Consolidated and Separate Financial Statements
IAS28 – Investments in Associates
IAS31 – Interest in Joint Ventures
IAS32 – Financial Instruments: Disclosure and Presentation
IAS33 – Earnings Per Share
IAS39 – Financial Instruments: Recognition and Measurement
IFRIC1 – Changes in Existing Decommissioning, Restoration and similar Liabilities

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS6 – Exploration for and Evaluation of Mineral Resources
IFRS7 – Financial Instruments: Disclosures
IFRIC4 – Determining whether an Arrangement contains a Lease
IFRIC5 – Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC6 – Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment
IFRIC7 – Applying the Restatement Approach under IAS29 Financial Reporting in Hyper Inflationary Economies
IFRIC8 – Scope of IFRS2

The adoption of the above Standards and Interpretations is not expected to materially affect the financial statements of the Group.

Policy change

Mineral rights

The Group's right was carried at fair value of R169 million determined during the November 2001 unbundling of the Group's mining interests.

Management has judged it appropriate to revert to the initial accounting policy under which mineral rights are carried at historical cost less accumulated depreciation and impairment losses. This is consistent with the policy adopted for all other tangible and intangible assets.

	Rm
Effect on periods prior to 2004	
Decrease in opening retained earnings – 2004	(152)
Effect on 2004	
Increase in net income on reversal of depreciation charge	7
Decrease in closing retained earnings – 2004	(145)

The change in accounting policy was effective from 1 January 2005. The effect on the 2005 results was negligible. In terms of the change in accounting policy mineral rights recognised in the future will be classified as intangible assets and not as property, plant and equipment.

Reclassification

Non-integrated software

Non-integrated, off-the-shelf software that is fit-for-purpose, or which may require minor modifications, and the direct implementation costs have been carried at historical cost less accumulated depreciation and impairment losses, as property, plant and equipment. In order to comply with IAS38 *Intangible Assets*, such software has been reclassified as intangible assets.

The reclassification has no impact on the current or comparative period retained earnings.

In the balance sheet, the net carrying amount of property, plant and equipment as at 31 December 2004 and 2005 decreased by R84 million and R46 million respectively. The net carrying amount of intangible assets for the two reporting dates correspondingly increased by these values.

The opening retained earnings for 2004, and the 2004 and 2005 net income results as detailed in the income statement were unaffected by the adjustment.

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal policies are consistent with those applied in the previous years unless otherwise stated. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in subsidiaries

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquirer, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS5 *Non-Current Assets Held for Sale and Discontinued Operations,* which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the resultant negative goodwill is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS5 *Non-current Assets Held for Sale and Discontinued Operations*. 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 is transferred to a non-distributable reserve.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below). Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

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.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Investment property

Investment property is stated at cost less accumulated depreciation.

Accounting for insurance activities

Insurance activities 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.

Property, plant and equipment

The net carrying amount, being capitalised initial and subsequent costs (i.e. gross carrying amount) less subsequent accumulated depreciation and impairment losses, of property, plant and equipment is measured and recognised on an historical cost basis.

All assets are regarded as depreciable assets, other than for land which is reflected as historical cost less accumulated impairment losses.

The gross carrying amount of purchased and self-constructed assets included all initial and subsequent costs necessary to place the assets in a condition necessary to meet their intended use. For depreciable assets, depreciation commences once the aforementioned intended usable condition has been reached. Temporary interruptions in the assets' intended use does not result in the cessation of depreciation.

The gross carrying amount of assets does not include a separate restoration and rehabilitation component unless a legal or constructive obligation exists when the components of gross carrying amount's component costs are initially recognised, and the associated restoration and rehabilitation amount is probable and can be reliably estimated. The gross carrying amount of in-use assets are not retrospectively restated when a restoration and rehabilitation component is subsequently recognised. However, all legal or constructive rehabilitation and restoration costs are recognised as liabilities in terms of IAS37 *Provisions, Contingent Assets and Contingent Liabilities*.

For depreciable assets, initial and subsequently recognised costs are componentised in order to substantially reflect the useful lives of the significant asset components.

The residual value represents the best estimate of the current recoverable amount of the asset at the end of its useful life.

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

Useful lives and depreciation rates of property, plant and equipment are reassessed on an annual basis. In order to achieve comparability with other international steel companies, the following maximum useful lives are applied as guidelines in practice:

• Buildings and infrastructure	25 years
• Plant, machinery, and related equipment (including mill rolls and reconditionable spares)	25 years
• Mobile equipment, integrated process computers and reconditionable spares	15 years
• Non-integrated computer hardware	5 years

The above guidelines are re-assessed on an annual basis, and revised as appropriate.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Land and buildings with available spare capacity that are applied to earn incidental rental revenue are not classified as investment properties.

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

Intangible assets

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is 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.

Purchased intangible assets

- *Non-integrated software*

  Off-the-shelf software that is fit-for-purpose without modification is classified as an intangible asset and is carried at historical cost less accumulated depreciation and impairment losses. This software is amortised over an average period of 3 – 10 years.

Off-the-shelf software that is subjected to minor modifications, and the resultant implementation (training costs) is classified as an intangible asset and is carried at historical cost less accumulated depreciation and impairment losses.

- *Right-of-use operating licences*

  The cost of acquisition of operating licences, other than those obtained from the government authorities, are capitalised at their historical cost as intangible assets, and amortised over the right-of-use period. This period is reviewed at least annually.

  Environmental impact certifications and general operating licences granted by the authorities to operate a facility are not regarded as separable intangible assets. This cost-of-compliance is recognised as an integral component of the specific property, plant and equipment items to which it relates.

Mineral rights

Mineral rights are stated at historical cost less accumulated amortisation and impairment losses.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives

Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). In order to ensure completeness of the impairment assessment of individual assets, all tangible assets and intangible assets are allocated to the cash-generating unit to which they belong. An impairment assessment is then undertaken of the individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Due to the cyclical nature of the international steel industry, the recoverable amount of the tangible and intangible assets on a cash-generating unit basis is assessed half yearly. Cash-generating units are defined as the business units of Mittal Steel Vanderbijlpark, Mittal Steel Newcastle, Mittal Steel Saldanha, Mittal Steel Vereeniging and Mittal Steel Coke and Chemicals. A discounted cash flow methodology based on the latest budgets and forecasts is utilised. A 20-year time horizon is used to project the cash flows. Cash flows are segmented into ZAR and US$ denominated elements, that are discounted using a ZAR and US$ weighted average cost of capital respectively in order to derive a value-in-use for comparison against net carrying amount of tangible and intangible assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a standard cost basis, which approximates actual costs on a first-in, first-out method. Cost comprises cost of purchases and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Investments – Company

The company accounts for all investments using the cost method.

The cost method of accounting for an investment is whereby the investment is recognised at initial historic cost. Income is recognised from the investment only to the extent that the investor receives distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Investments that are neither subsidiaries, joint venture entities nor associates, continue to be accounted for by the Group on the cost method. The accounting for subsidiaries, joint venture entities and associates by the Group are detailed in the accounting policies above.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured on initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Lendings and deposits

Lendings and deposits are classified as held-to-maturity financial assets and are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Borrowings

Interest-bearing loans and overdrafts are classified as held-to-maturity financial liabilities and are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see above).

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at cost on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Hedge accounting applications include:

- *Foreign currency risk*
  Foreign currency risk on imported capital procurements is hedged using forward exchange contracts. These instruments are designated as part of a cash flow hedge relationship. If the cash flow hedge of a firm commitment results in the recognition of a tangible or intangible asset, then, at the time the asset is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or a liability, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

- *Commodity procurement risk*
  Commodity procurement risk is addressed using embedded derivative instruments and fixed-for-floating swap contracts.

  – Embedded derivative instruments

  – Derivatives embedded in non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in profit or loss.

  – Embedded derivative instruments are classified as fair value hedges.

  – The Group's embedded derivatives primarily consist of purchase price caps and forward procurement price escalations instruments.

  – The changes in the separately identified fair value of the embedded derivative financial asset or liability is reported in profit and losses in the period the gain or loss relates.

Fixed-for-floating swap contracts
Fixed-for-floating swap contracts are used to hedge base metal (aluminium, tin, zinc and nickel) risk. These hedging instruments are classified as cash flow hedges covering only the US$ price risk element in the underlying hedged instrument, being the forecasted purchase of the procurement of base metals in terms of commodity procurement contracts.

If the cash flow hedge of a forecasted firm commitment results in the recognition of an inventory asset on procurement of the affected base metal, then, at the time the inventory asset is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the inventory asset. For those base metal hedges that do not result in the recognition of an inventory asset, amounts deferred in equity are recognised in profit or loss in the same period in which the hedged item affects profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable (being South African Normal Tax), deferred tax, and a Secondary Tax on Companies (being a South African tax on dividends).

Normal tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Secondary Tax on Companies (STC)

STC is treated as part of the income tax expense in the income statement for the period. It is recognised as an expense in the same period as the related dividend is accrued as a liability. As the level of dividends may vary between reporting periods, the resulting tax charge in the income statement may be disproportionate to pre-tax earnings.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The time value of money impact on the discounting of future cash outflows to determine the carrying amount of long-term provisions (such as for decommissioning and environmental rehabilitation costs) is assessed on at least a half yearly basis in accordance with the South Africa yield curves trends for the corresponding timeframe over which the net cash outflows are expected to occur. Changes in the discount rate are accounted for as finance income/costs. The unwinding of the discount rate and changes in the timing of the estimated future cash flows are accounted for as finance charges, whilst changes in the scope of the future cash flows are accounted for against operating earnings.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in South African Rand (ZAR), which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (details of the Group's accounting policies in respect of such derivative financial instruments are dealt with in the financial instruments accounting policy).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in ZAR using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from contract accounting is recognised in accordance with the Group's accounting policy on contract accounting.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Contract accounting

Although the Group's core activities do not relate to construction contracts per se, there are a number of divisions within the company and its subsidiaries, joint ventures and associated companies that apply the accounting principles applicable to contracts with regard to revenue and cost recognition associated with either sales, general procurement and capital investment contracts. Where the outcome of an applicable contract can be estimated reliably, revenue and cost are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs, only when explicitly incurred, and thus being directly attributable to the acquisition, construction or production of qualifying assets, for assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government or parastatal grants

Government or parastatal grants as received as an incentive to, *inter alia*, purchase depreciable energy-efficient replacement equipment are recognised as a reduction in the cost of the equipment.

Government grants that are received in the form of skills development incentives are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Employee benefits

Post-employment benefits

Retirement

The Group provides defined benefits 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 allowance, 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 of 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 in exchange for these benefits.

Share-based payments

The Group issues equity-settled share-based payments to senior management employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured using the Binomial Tree/Matrix pricing model. The key assumptions for staff turnover per annum, the early-exercise multiple, risk-free rate, share price volatility and dividend yield are based on management's best estimates at the date of valuation. The reality of the pricing estimate is simultaneously assessed against the Black-Scholes pricing model.

The share-based payment scheme is housed within a special purpose entity (see scope of consolidation above). Any equity instruments housed within this entity are accounted for at fair value.

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.

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.

Comparative figures

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. Any such changes are disclosed in the applicable note to the financial statements.

Segment information

Segment information is reported on both a business unit (primary) and geographic marketing regions (secondary) basis. The basis of segment reporting is representative of the internal structure used for management reporting.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Embedded derivative instruments

In assessing if an embedded derivative required separate identification and measurement from the host contract, management assessed the fact patterns available to it with regards the impact the embedded derivative instrument has on the underlying value of the host contract. Judgement was applied as to whether the correlation between the host contract and derivative instrument could be regarded as closely related. Where the correlation relationship was judged to be weak, the embedded derivative instrument is separately identified.

Future decommissioning and rehabilitation costs as components of tangible property, plant and equipment assets

Management's recognition of future estimates of decommissioning and rehabilitation cost is dependent on its ability to measure and recognise these costs on initial recognition of the tangible asset. Management assess historical trends, legislative developments and guidelines issued by the authorities in order to derive a fact pattern on which to base its judgement as to the measurement and recognition of such asset components.

Decommissioning and environmental rehabilitation obligations

Upon decommissioning of a facility or business operation, the Group has a legal obligation with regard to the general site safeguarding and environmental rehabilitation.

The provision of plant removal and housekeeping costs that are not of a legal nature, are not provided for, unless a definitive constructive obligation exists that can be subject to objective measurement and recognition criteria. Management applies its judgement and the advice received from its external environmental experts in recognising such obligations as liabilities.

Contingent liabilities

Management applies its judgement to the fact patterns and advice it receives from its attorney, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

Consolidation of subsidiaries and special purpose entities

In assessing all its major procurement, sales and investment relationships, management has applied its judgement in the assessment of whether the commercial and economic relationship is tantamount to *de facto* control. Based on the fact patterns and management's judgement, if such control exists, the relationship of control has been recognised in terms of IAS27 and SIC-12.

Equity compensation benefits

Management classifies its share-based payment scheme as an equity-settled scheme based on its assessment of its role and that of the employees and brokerage firm in the transactions. In applying its judgment, management consulted with external expert advisors in the accounting and share-based payment advisory industry.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The nature of these estimation assumptions is inherently long-term and future experience may result in actual amounts differing from these estimates as applied in the reported financial results.

Useful lives, and residual values of tangible and intangible assets

The estimates of useful lives as translated into depreciation rates are detailed in the property, plant and equipment policy above. These rates and the residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments within the international steel industry.

Valuation of equity compensation benefits

The critical estimates as used in the Binomial Tree/Matrix valuation model are detailed in note 30.

Valuation of financial instruments

The valuation of derivative financial instruments is based on the market situation at the balance sheet date. The values of these derivative instruments fluctuate on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected at the balance sheet date.

The most significant application of estimates was made in the valuation of the embedded derivative instruments. These assumptions are detailed in note 18.

Decommissioning and environmental rehabilitation obligation estimates

Estimating the future costs of these obligations is complex and requires estimates and assumptions to be made as most of the obligations will only be fulfilled in the future. Existing contracts, laws and guidelines are not always clear as to the required end-state situation. The provisions are also affected by changing technologies and political, environmental safety, business and legal considerations.

Impairment of assets

An assessment at a cash-generating unit level for property, plant, equipment and intangible assets, as well as individual assessments of goodwill and financial assets is done half yearly. Individual assessment of property, plant, equipment and intangible assets is done annually based on the technical, economic and business circumstances.

The key estimates applied in the assessments are detailed in the respective notes, as necessary.

Deferred taxation assets

Deferred tax assets are recognised to the extent it is probable that future taxable income will be available against which they can be utilised. Future taxable profits are estimates based on business plans which include estimates and assumptions regarding economic growth, interest, inflation, taxation rates and competitive forces.

2. SEGMENTAL REPORTING

General

Total segment revenue, which excludes value added tax and inter-segment sales, represents the gross value of goods invoiced. Local revenues are recorded at the free on rail price of products sold, with export revenues recorded at the free on board price. Total segment revenue further represents operating revenues directly and reasonably allocable to the segments.

Segment operating results equals segment revenue less segment expenses, where segment expenses represent direct or reasonably allocable operating expenses on a segment basis.

Segment assets and liabilities include directly and reasonably allocable 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.

Business segments

For management purposes, the core steel manufacturing and sales, and support activities of the Group are currently organised into three operating divisions, and one support division. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Flat Steel Products, comprising Mittal Steel Vanderbijlpark and Mittal Steel Saldanha which manufacture flat products.
- Long Steel Products, comprising Mittal Steel Newcastle and Mittal Steel Vereeniging which manufacture rolled and forged carbon, alloy, stainless steel profiles and seamless tubes.
- Mittal Steel Coke and Chemicals which processes the by-products of the steel manufacturings' coke batteries and operates certain coke batteries no longer used for steel manufacturing.
- Corporate, comprising principally corporate sales and marketing, shared service and centres of excellence functions and strategic investments.

	FLAT STEEL PRODUCTS			
	Mittal Steel Vanderbijlpark		Mittal Steel Saldanha	
	2005	2004	**2005**	2004
	Rm	Rm	**Rm**	Rm
2. SEGMENTAL REPORTING continued				
Revenue				
– External sales	**12 293**	11 954	**3 712**	3 638
– Inter-segment sales	**371**	334		
Total segment value	**12 664**	12 288	**3 712**	3 638
Inter-segment sales are charged at prevailing market prices.				
Result				
Segment result (profit/(loss)) before depreciation, amortisation, impairments and BAA remuneration	**4 284**	4 606	**1 174**	1 483
Depreciation and amortisation	**(596)**	(469)	**(389)**	(310)
Impairment reversal/(charge)				1 513
Goodwill impairment				
Gains/(losses) on foreign exchange rate and financial instruments	**111**	(8)	**77**	(26)
Business assistance agreement remuneration		(257)		(170)
Segment operating results (profit/(loss))	**3 799**	3 872	**862**	2 490
Share of profits of associate companies and joint venture interests				
Net financing cost				
Income from investments				
Profit before tax	**3 799**	3 872	**862**	2 490
Income tax expense				
Profit/(loss) from ordinary activities	**3 799**	3 872	**862**	2 490
Other information				
Capital expenditure	**983**	790	**103**	104
Cash inflow/(outflow) from operations	**4 283**	3 869	**1 358**	1 177
Number of employees at year-end	**5 158**	5 444	**685**	762
Balance sheet				
Assets				
– Segment assets	**8 547**	8 659	**7 599**	8 039
– Investments in associates and joint ventures				
Consolidated total assets	**8 547**	8 659	**7 599**	8 039
Liabilities				
– Segment liabilities	**2 687**	2 467	**1 496**	1 318
Consolidated total liabilities	**2 687**	2 467	**1 496**	1 318
Geographical segmentation				
Segment revenue				
– Local				
– Export				
– Africa				
– Europe				
– Asia				
– Other				
– Total exports				
Total segment revenue				

LONG STEEL PRODUCTS		MITTAL STEEL COKE & CHEMICALS		CORPORATE AND OTHER		TOTAL	
2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
Rm	Rm	**Rm**	Rm	**Rm**	Rm	**Rm**	Rm
7 012	6 218	**941**	1 132	**74**	111	**24 032**	23 053
161	121	**73**	121	**(605)**	(576)		
7 173	6 339	**1 014**	1 253	**(531)**	(465)	**24 032**	23 053
2 263	1 940	**319**	477	**(14)**	(89)	**8 026**	8 417
(163)	(157)	**(18)**	(15)	**(5)**	(8)	**(1 171)**	(959)
					(1 011)		502
				(11)	(21)	**(11)**	(21)
41	(14)	**(1)**		**18**	(4)	**246**	(52)
	(304)						(731)
2 141	1 465	**300**	462	**(12)**	(1 133)	**7 090**	7 156
				292	347	**292**	347
				29	(139)	**29**	(139)
				5	5	**5**	5
2 141	1 465	**300**	462	**314**	(920)	**7 416**	7 369
				(2 346)	(2 485)	**(2 346)**	(2 485)
2 141	1 465	**300**	462	**(2 032)**	(3 405)	**5 070**	4 884
309	290	**168**	68	**5**	2	**1 568**	1 254
2 165	1 716	**293**	420	**317**	(760)	**8 416**	6 422
3 502	4 005	**316**	394	**780**	811	**10 441**	11 416
3 462	4 198	**584**	670	**4 660**	1 422	**24 852**	22 988
				901	596	**901**	596
3 462	4 198	**584**	670	**5 561**	2 018	**25 753**	23 584
1 167	1 468	**128**	163	**759**	2 266	**6 237**	7 682
1 167	1 468	**128**	163	**759**	2 266	**6 237**	7 682
						15 524	16 379
						2 188	1 525
						927	1 129
						4 454	2 265
						939	1 755
						8 508	6 674
						24 032	23 053

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
3. REVENUE				
Sale of goods	24 032	23 048	20 927	20 176
Services		5		40
	24 032	23 053	20 927	20 216
4. OPERATING EXPENSES				
Costs by type				
Raw materials and consumables	8 325	7 597	7 451	7 068
Employment costs	2 122	2 193	2 104	2 176
– Salaries and wages	1 881	1 974	1 864	1 959
– Termination benefits	60	37	60	37
– Pension and medical costs	181	182	180	180
Railage and transport	1 248	1 135	1 163	1 067
General charges	1 349	1 164	1 102	935
Business assistance agreement remuneration		731		561
Repairs and maintenance	1 634	1 501	1 294	1 170
Energy	1 310	1 276	1 023	993
Movement in inventories	43	(190)	51	(38)
Own work capitalised	(25)	(40)	(31)	(44)
	16 006	15 367	14 157	13 888
Depreciation and amortisation of intangible assets	1 171	959	781	647
	17 177	16 326	14 938	14 535
Costs by function				
Costs of goods sold	14 981	14 475	13 202	13 050
Selling and distribution costs	1 025	892	955	838
	16 006	15 367	14 157	13 888

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
4. OPERATING EXPENSES continued				
The above costs are stated after including:				
Depreciation	1 131	919	743	609
– Land and buildings	1	1		
– Buildings and infrastructure	64	66	50	52
– Machinery, plant and equipment	1 038	817	665	522
– Site preparation, mining development and exploration	6	8	6	8
– Leased assets under finance leases	22	27	22	27
Amortisation on intangible assets	40	40	38	38
Reconditionable spares usage	21	27	21	27
Research and development costs	53	49	53	49
Consultancy fees	21	26	19	23
Operating lease rentals	61	66	59	64
– Property	4	13	2	11
– Equipment	57	53	57	53
Net deficit on disposal or scrapping of property, plant and equipment	20	51	20	43
Auditors' remuneration*	10	17	10	16
– Audit fees	9	7	9	6
– Audit related fees		9		9
– Other services	1	1	1	1
Management fees			(188)	(199)
Directors' emoluments (refer note 33.1)			8	25
**2004 figures have been restated to include fees for other audit services.*				
5. GAINS AND LOSSES ON CHANGES IN FOREIGN EXCHANGE AND FINANCIAL INSTRUMENTS				
Gains on changes in foreign exchange rates	166	241	101	153
Losses on changes in foreign exchange rates	(58)	(329)	(33)	(208)
Gains on changes in the fair value of embedded derivatives	106		106	
Gains on changes in the fair value of hedging derivative instruments accounted for as fair value and cash flow hedges	32	36	28	32
	246	(52)	202	(23)

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
6. NET (INTEREST INCOME)/FINANCE COSTS				
Interest on bank overdrafts and loans	21	63	8	56
Bank deposit and other interest income excluding interest income from subsidiaries and equity accounted investments (refer note 7)	(190)	(94)	(184)	(88)
Total interest income	(190)	(94)	(184)	(88)
Discounting rate adjustment and unwinding of the discounting effect in the present valued carrying amount of the long-lived provisions[1]	140	170	139	170
Net (interest income)/finance cost	(29)	139	(37)	138
[1] The risk-free discounting rate was reduced from 10% to 8,5% in line with changes in the South African yield curves for the corresponding timeframe over which the net cash outflows, as obligated within the provision, are expected to occur.				
7. INCOME FROM INVESTMENTS				
Subsidiaries and equity-accounted investments				
Dividends received			9	10
Interest received	5	5	5	5
	5	5	14	15
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	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
9. INCOME TAX EXPENSE				
Charge to income				
South African normal taxation				
– Current tax – current period (excluding Controlled Foreign Companies (CFC))	1 793	1 589	1 767	1 559
– prior year (excluding CFC)		6		
– controlled foreign companies (CFC)	22	6	22	6
	1 815	1 601	1 789	1 565
– Deferred tax – current period	383	583	160	162
– prior year	(1)	3		3
– rate adjustment	(57)		(34)	
	325	586	126	165
Share of taxation of equity-accounted investments	17	89		
Secondary tax on companies	189	209	189	207
	2 346	2 485	2 104	1 937
Reconciliation of taxation rates	%	%	%	%
Taxation as a percentage of profit/(loss) before taxation	31,6	33,7	33,7	29,6
Taxation effect of				
• *South African normal taxation*				
– Share of associates and joint ventures taxation	0,9	0,2		
– Disallowable expenditure	(1,6)	(0,7)	(1,8)	(0,7)
– Impairment				4,6
– Rate change	0,8		0,5	
– Other	(0,1)	(0,4)	(0,4)	(0,3)
• *Secondary tax on companies*	(2,6)	(2,8)	(3,0)	(3,2)
Standard South African tax rate	29,0	30,0	29,0	30,0

10. EARNINGS PER SHARE

The earnings category definitions are as follows:

- Basic earnings: earnings attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.
- Headline earnings: earnings attributable to ordinary shareholders adjusted for profits and losses on items of a capital nature recognising the taxation and minority effects of these adjustments divided by the weighted number of ordinary shares in issue during the year.

Earnings per share measurement basis are as follows:

- 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.
- Diluted earnings per share is calculated by dividing the earnings by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of all dilutive potential ordinary shares.

  The dilutive potential used in computing the weighted average number of diluted shares is based on the granted, unvested share options at 31 December 2005 in terms of the management share scheme (note 30).

	2005 Rm	2004 Rm
Attributable earnings		
Net profit attributable to ordinary shareholders (Rm)	**5 068**	4 878
Basic earnings per share (cents)	**1 137**	1 094
Diluted earnings per share (cents)	**1 135**	1 092
Reconciliation to headline earnings		
Profit attributable to ordinary shareholder	**5 068**	4 878
Adjusted for:		
– Goodwill impairment	**11**	21
– Impairment reversal		(502)
Taxation on adjustments		151
	5 079	4 548
Headline earnings (Rm)	**5 079**	4 548
– Basic earnings per share (cents)	**1 139**	1 020
– Diluted earnings per share (cents)	**1 137**	1 018
Shares in issue		
Weighted average number of ordinary shares in issue (million)	**446**	446
Weighted average number of diluted shares (million)	**447**	447

The reclassification and restatements referred to elsewhere in these financial statements do not materially impact the earnings per share disclosed above.

11. DIVIDEND PER SHARE

The dividend distribution consists of the following:

– On 8 February 2005, a final dividend of 100,0 cents per share (R446 million) for the 2004 financial year was paid to shareholders on 14 March 2005.

– On 8 August 2005, an interim dividend of 240,0 cents per share (R1 070 million) for the 2005 financial year was paid to shareholders on 12 September 2005.

– On 13 February 2006 the directors declared a final dividend of 140 cents per share for the 2005 financial year that has not been included as a distribution liability payable to all shareholders on the Register of Members on 17 March 2006. The total estimated dividends to be paid is R624 million.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Rm	Mineral rights Rm
GROUP		
For the year ended 31 December 2005		
Gross carrying amount		
At beginning of year	**51**	
Additions	**4**	
Disposals		
Other movements		
At end of year	**55**	
Accumulated depreciation and impairment losses		
At beginning of year	**1**	
Depreciation charges	**1**	
Accumulated depreciation on disposals		
Other		
At end of year	**2**	
Net carrying amount at end of year	**53**	
GROUP		
For the year ended 31 December 2004		
Gross carrying amount		
At beginning of year	50	169
Additions	2	
Change in accounting policy		(169)
Reclassification adjustment (refer note 13)		
Disposals	(1)	
At end of year	51	
Accumulated depreciation and impairment losses		
At beginning of year		17
Depreciation charges	1	7
Changes in accounting policy		(24)
Reclassification adjustment (refer note 13)		
Impairment credit		
Accumulated depreciation on disposals		
At end of year	1	
Net carrying amount at end of year	50	

Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
1 729	**18 704**	**109**	**804**	**21 397**
16	**1 023**	**(11)**	**536**	**1 568**
	(116)			**(116)**
1	**69**		**(27)**	**43**
1 746	**19 680**	**98**	**1 313**	**22 892**
930	**7 716**	**49**		**8 696**
64	**1 060**	**6**		**1 131**
	(68)			**(68)**
1		**(1)**		
995	**8 708**	**54**		**9 759**
751	**10 972**	**44**	**1 313**	**13 133**
1 689	18 061	99	670	20 738
43	1 065	10	134	1 254
				(169)
	(214)			(214)
(3)	(208)			(212)
1 729	18 704	109	804	21 397
875	7 586	42		8 520
66	882	8		964
				(24)
	(130)			(130)
(9)	(493)			(502)
(2)	(129)	(1)		(132)
930	7 716	49		8 696
799	10 988	60	804	12 701

12. PROPERTY, PLANT AND EQUIPMENT continued

	Land and buildings Rm
COMPANY	
For the year ended 31 December 2005	
Gross carrying amount	
At beginning of year	**45**
Additions	**4**
Disposals	
At end of year	**49**
Accumulated depreciation and impairment losses	
At beginning of year	
Depreciation charges	
Accumulated depreciation on disposals	
Other movements	
At end of year	
Net carrying amount at end of year	**49**
COMPANY	
For the year ended 31 December 2004	
Gross carrying amount	
At beginning of year	44
Change in accounting policy	
Reclassification adjustment	
Additions	2
Disposals	(1)
At end of year	45
Accumulated depreciation and impairment losses	
At beginning of year	
Depreciation charges	
Change in accounting policy	
Reclassification adjustment	
Accumulated depreciation on disposals	
At end of year	
Net carrying amount at end of year	45

The maximum rates used for depreciation of property, plant and equipment are detailed in note 1.

Mineral rights Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Site preparation, mining development, exploration and rehabilitation Rm	Extensions under construction Rm	Total Rm
	1 381	**9 780**	**109**	**711**	**12 026**
	16	**972**	**(11)**	**483**	**1 464**
		(114)			**(114)**
	1 397	**10 638**	**98**	**1 194**	**13 376**
	813	**4 805**	**49**		**5 667**
	50	**687**	**6**		**743**
		(66)			**(66)**
	1				**1**
	864	**5 426**	**55**		**6 345**
	533	**5 212**	**43**	**1 194**	**7 031**
169	1 341	9 153	99	625	11 431
(169)					(169)
		(214)			(214)
	43	1 007	11	86	1 149
	(3)	(166)	(1)		(171)
	1 381	9 780	109	711	12 026
17	763	4 444	41		5 265
7	52	587	8		654
(24)					(24)
		(130)			(130)
	(2)	(96)			(98)
	813	4 805	49		5 667
	568	4 975	60	711	6 359

12. PROPERTY, PLANT AND EQUIPMENT continued

In addition to ongoing recoverable amount reviews on individual assets, the Group carried out a review of the recoverable amount of its tangible assets (being its property, plant and equipment) and intangible assets for all cash-generating units.

The review was performed in terms of the scheduled half yearly impairment assessment programme, as at 31 December 2005.

The recoverable amount of the relevant assets has been determined on the basis of their value in use. The discount rate used in measuring value in use was 14% (December 2004: 15%).

Scenarios for movements in steel prices, inflation rates and differentials, and the discount rate were included in the review.

As the best estimate of the recoverable amount of the cash-generating units exceeded their net carrying amount, no impairment charge is required.

Fully depreciated assets as at 31 December 2005 amounted to R2 204 million (December 2004: R1 987 million).

A register of land is available for inspection at the registered office of the company.

The Group has not pledged property, plant and equipment to secure banking facilities granted to the Group.

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
The net carrying amount of machinery, plant and equipment includes assets held under finance leases.				
Gross carrying amount				
– At beginning of year	571	571	571	571
– At end of year	571	571	571	571
Accumulated depreciation and impairment losses				
– At beginning of year	326	299	326	299
– Depreciation charges	22	27	22	27
– At end of year	348	326	348	326
Net carrying amount at end of the year	223	245	223	245

These assets are held as security against the underlying lease (refer note 23)

13. INTANGIBLE ASSETS

	Patents and trademarks Rm	Non-integrated software Rm	Total Rm
GROUP			
For the year ended 31 December 2005			
Gross carrying amount			
At beginning of year	**41**	**214**	**255**
At end of year	**41**	**214**	**255**
Accumulated depreciation			
At beginning of year	**11**	**130**	**141**
Amortisation charge	**2**	**38**	**40**
At end of year	**13**	**168**	**181**
Net carrying amount at end of year	**28**	**46**	**74**
GROUP			
For the year ended 31 December 2004			
Gross carrying amount			
At beginning of year	41		41
Reclassification adjustment[1]		214	214
At end of year	41	214	255
Accumulated depreciation			
At beginning of year	9		9
Reclassification adjustment[1]		92	92
Amortisation charge	2	38	40
At end of year	11	130	141
Net carrying amount at end of year	30	84	114

[1]Non-integrated software has been reclassified from the category of property, plant and equipment (refer note 12) to intangible assets

13. INTANGIBLE ASSETS continued

	Patents and trademarks Rm	Non-integrated software Rm	Total Rm
COMPANY			
For the year ended 31 December 2005			
Gross carrying amount			
At beginning of year		**214**	**214**
At end of year		**214**	**214**
Accumulated depreciation			
At beginning of year		**130**	**130**
Amortisation charge		**38**	**38**
At end of year		**168**	**168**
Net carrying amount at end of the year		**46**	**46**
COMPANY			
For the year ended 31 December 2004			
Gross carrying amount			
At beginning of year			
Reclassification adjustment[1]		214	214
At end of year		214	214
Accumulated depreciation			
At beginning of year			
Reclassification adjustment[1]		92	92
Amortisation charge		38	38
At end of year		130	130
Net carrying amount at end of the year		84	84

[1]Non-integrated software has been reclassified from the category of property, plant and equipment (refer note 12) to intangible assets

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
14. GOODWILL				
At beginning of year	11	32		
Impairment charge	(11)	(21)		
At end of year		11		
The realisability of goodwill is evaluated annually, or more frequently if there are indications that goodwill might be impaired. The valuation is based on various analyses based on cash flow and profitability projections.				
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 R11 million was realised for the year.				
15. INVESTMENTS IN JOINT VENTURES				
Unlisted incorporated joint ventures				
At beginning of year	596	418	30	24
Additional interest acquired		6		6
Net share of results				
– Share of results before taxation as per income statement	292	347		
– Share of taxation (refer note 9)	(17)	(89)		
Dividends paid	(38)	(6)		
Exchange difference adjustments	67	(85)		
Share of foreign currency translation reserves		2		
Share of hedging reserves	1	2		
Share of revaluation reserve		1		
At end of year (Annexure 1)	901	596	30	30
Aggregate post-acquisition reserves:				
– Joint ventures	678	442		
16. INVESTMENTS IN SUBSIDIARIES				
Indebtedness				
– by subsidiaries			7 446	8 655
– to subsidiaries			(97)	(102)
Total indebtedness			7 349	8 553
Net indebtedness after provision			4 550	5 754
Shares at cost (Annexure 2)			335	335
Total			4 885	6 089
Aggregate attributable after tax profits/losses of subsidiaries equals:				
– profits			663	1 718

The majority of the carrying value of the company's investment in subsidiaries consists of its investment in Saldanha Steel being the cost of shares and indebtedness, at the initial and subsequent acquisition dates, less impairments.

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
17. RECEIVABLES				
Non-current interest-free receivables	391	510	391	510
Non-current interest-free loans	10	2	69	26
	401	512	460	536
Current interest-free receivables	47		47	
	448	512	507	536
The complete maturity profile for non-current receivables is detailed in note 28.4.				
18. NON-CURRENT FINANCIAL ASSETS				
Embedded derivatives	61		61	
The non-current financial assets include the revaluation of in-the-money long-term embedded derivative instruments. The derivation of fair value is detailed in note 28.				
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.				
19. INVENTORIES				
Finished products	1 086	763	967	695
Work-in-progress[(1)]	1 234	1 043	1 218	1 032
Raw materials[(1)]	1 229	949	1 098	755
Plant spares and stores	361	350	285	242
	3 910	3 105	3 568	2 724
Inventories amounting to R44 million (December 2004: R7 million) are carried at net realisable value.				
[(1)] *Scrap material previously classified in 2004 as work in progress has been reclassified to raw materials.*				
20. TRADE AND OTHER RECEIVABLES				
Trade	1 613	2 207	1 521	2 001
Other	209	274	168	106
	1 822	2 481	1 689	2 107

Trade receivables are collected within a short period of time, and therefore the impact of applying an amortisation cost basis of valuation is not considered by the directors to be material. Trade debtors are therefore carried at face value.

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
21. CURRENT FINANCIAL ASSETS/(LIABILITIES)				
Embedded derivatives	45		45	
Financial instruments	1	(10)	1	(13)
	46	(10)	46	(13)
The financial instruments include the fixed-for-floating swaps and import capital forward exchange contracts.				
22. STATED CAPITAL				
Authorised				
1 200 000 000 ordinary shares at no par value (December 2004: 1 200 000 000 ordinary shares at no par value)				
2 357 584 "C" redeemable preference shares at R10 each (December 2004: 2 357 584)	24	24	24	24
Issued				
445 752 132 ordinary shares at no par value (December 2004: 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 note 30).				
23. INTEREST-BEARING BORROWINGS				
Non-current borrowings				
Summary of loans by financial year of redemption				
2005		10		
2006	10	10		
2007	10	10		
2008	10	10		
2009	10	10		
2010	10	10		
2011 onwards	31	31		
Total non-current borrowings	81	91		
Current portion included in current liabilities	(10)	(10)		
	71	81		

The above loan is unsecured and bears interest at a fixed rate of 16,00 % and is repayable annually with the final payment due in 2013.

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
23. INTEREST-BEARING BORROWINGS continued				
Interest-bearing borrowings				
Non-current borrowings	71	81		
Current portion of non-current borrowings	10	10		
Total interest-bearing borrowings	81	91		
A finance lease liability at an effective interest rate of 8,36 % (December 2004: 8,42 %) 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			73	143
– Loan to lessor set-off against finance lease liability			73	143
Minimum lease payments:				
– Less than 1 year			73	143
Present value of lease liabilities			73	143
Representing lease liabilities:				
– Current			73	143
Total			73	143

Refer note 12 for related assets held as security for this lease obligation.

24. PROVISIONS

	Decom-missioning provision Rm	Environ-mental rehabili-tation Rm	Leave pay benefits Rm	Post-retirement medical aid benefits Rm	Restruc-turing Rm	Total Rm
GROUP						
For the year ended						
31 December 2005						
At beginning of year	**331**	**725**	**240**	**19**	**69**	**1 384**
Charge to income statement	**16**	**212**	**73**	**(5)**	**27**	**323**
Additional provisions	**100**	**169**	**88**		**54**	**411**
Interest adjustment	**97**	**43**				**140**
Unused amounts reversed	**(181)**		**(15)**	**(5)**	**(27)**	**(228)**
Utilised during year	**(69)**	**(8)**	**(62)**	**(4)**	**(87)**	**(230)**
At end of year	**278**	**929**	**251**	**10**	**9**	**1 477**
Current portion included in current liabilities	**(75)**	**(11)**	**(89)**	**(4)**	**(9)**	**(188)**
Total non-current provisions	**203**	**918**	**162**	**6**		**1 289**
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

24. PROVISIONS continued

	Decommissioning provision Rm	Environmental rehabilitation Rm	Leave pay benefits Rm	Post-retirement medical aid benefits Rm	Restructuring Rm	Total Rm
COMPANY						
For the year ended						
31 December 2005						
At beginning of year	331	717	240	18	69	1 375
Charge to income statement	16	211	72	(5)	27	321
Additional provisions	100	169	88		54	411
Interest adjustment	97	42				139
Unused amounts reversed	(181)		(16)	(5)	(27)	(229)
Utilised during year	(69)	(8)	(62)	(4)	(87)	(230)
At end of year	278	920	250	9	9	1 466
Current portion included in current liabilities	(75)	(11)	(89)	(4)	(9)	(188)
Total non-current provisions	203	909	161	5		1 278
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

24. PROVISIONS continued

Decommissioning provision

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 8,5% (2004: 10%).

Net cash outflow for the year amounted to R69 million (December 2004: R72 million).

The long-term average escalation factor is 5% (2004: 5%). The time-frame applied in estimating future cash flows is 20 years (2004: 20 years).

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 8,5% (2004: 10%). 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.

The long-term average escalation factor is 5% (2004: 5%). The time-frame applied in estimating future cash flows varies between four and 20 years depending on the site. This is consistent with prior year estimates.

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 annual basis. Any surplus or deficit arising from the valuation is recognised in the income statement (refer note 30).

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 voluntary retrenchment obligations supported by a formally approved plan.

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
25. DEFERRED TAXATION				
The movement on the deferred taxation account is as follows:				
At beginning of year	1 708	1 122	1 019	854
Prior year adjustments	(1)	3		3
Income statement charge (refer note 9)	325	583	126	162
At end of year	2 032	1 708	1 145	1 019
Comprising:				
Deferred taxation liabilities				
– Property, plant and equipment	2 875	3 010	1 236	1 226
– Leased assets	57	66	36	23
– Other	(2)	2	2	5
	2 930	3 078	1 274	1 254
Deferred taxation assets				
– Provisions	(132)	(241)	(129)	(235)
– Taxation losses carried forward	(766)	(1 129)		
	(898)	(1 370)	(129)	(235)
	2 032	1 708	1 145	1 019
Calculated taxation losses				
Available for set-off against future taxable income, as recognised above.	2 644	3 762		
26. TRADE AND OTHER PAYABLES				
Trade	1 290	1 181	1 159	1 039
Other	1 357	1 114	739	792
	2 647	2 295	1 898	1 831

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
27. NOTES TO THE CASH FLOW STATEMENT				
27.1 Cash generated from operations				
Net operating income before BAA remuneration	6 844	7 939	5 989	7 253
BAA remuneration		(731)		(561)
Net operating income after BAA remuneration	6 844	7 208	5 989	6 692
Adjusted for non-cash movements				
– Depreciation and amortisation	1 171	959	781	647
– Share option costs	8	2	8	2
– Goodwill impairment	11	21		
– Provisions	175	124	175	121
– Foreign exchange gains/(losses)	146	(58)	100	(26)
– Reconditionable spares usage	21	27	21	27
– Net deficit on disposal or scrapping of property, plant and equipment	20	51	20	43
– Impairment reversal		(502)		(1 011)
Working capital movements				
– Increase in inventories	(848)	(288)	(844)	(199)
– Decrease/(increase) in trade and other receivables	658	(986)	418	(842)
– Decrease/(increase) in receivables	64	(142)	29	(194)
– Increase in trade and other payables	376	238	91	125
– Utilisation of provisions (refer note 24)	(230)	(232)	(230)	(229)
	8 416	6 422	6 558	5 156
27.2 Net interest income				
Net interest income/(finance cost) as per income statement	29	(139)	37	(138)
Financing costs not involving cash flow	(1)			
Less: Imputed interest on non-current provision	140	170	139	170
	168	31	176	32

	GROUP 2005 Rm	GROUP 2004 Rm	COMPANY 2005 Rm	COMPANY 2004 Rm
27. NOTES TO THE CASH FLOW STATEMENT continued				
27.3 Dividends paid				
Unpaid at beginning of year	(1 337)		(1 337)	
Charged to equity	(1 516)	(1 672)	(1 516)	(1 672)
Dividends paid to minorities		(4)		
Unpaid at end of year		1 337		1 337
	(2 853)	(339)	(2 853)	(335)
27.4 Income tax paid				
Normal taxation payable/(recoverable) at beginning of year	(857)	67	(822)	73
Amounts charged to the income statements	(2 003)	(1 810)	(1 978)	(1 772)
Normal taxation payable/(recoverable) at end of year	(117)	857	(136)	822
	(2 977)	(886)	(2 936)	(877)
27.5 Investment to maintain operations				
Replacement of property, plant and equipment	(760)	(744)	(724)	(733)
Environmental	(350)	(184)	(339)	(170)
Reconditionable spares	(100)	(73)	(74)	(32)
	(1 210)	(1 001)	(1 137)	(935)
27.6 Investment to expand operations				
Property, plant and equipment for expansion and new technology	(358)	(253)	(327)	(214)
	(358)	(253)	(327)	(214)
27.7 Investment in other non-current assets				
Decrease in joint ventures and other investments		(5)		(5)
		(5)		(5)

28. 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 primarily from movements in currency and the procurement of foreign currency denominated commodities. Treasury-related exposure is managed within board-approved policies and guidelines, which restrict the use of derivatives to the hedging of specific underlying currency (primarily relating to the capital outlays), and base metal price procurement exposures. Compliance with Group policies and exposure limits are reviewed by the internal auditors on a continuous basis.

28.1 Foreign currency risk management

Foreign currency risk on an economic level emanates from the net foreign currency position arising from export-market sales and foreign currency denominated procurements, that need to be repatriated within a six-month period after occurring in terms of South African Reserve Bank regulations.

28. FINANCIAL INSTRUMENTS continued

28.1 **Foreign currency risk management** continued

Foreign currency risk on a transactional level emanates primarily from foreign currency denominated procurements, specifically relating to imported capital.

These exposures are managed within approved policy parameters utilising forward exchange contracts.

The Group maintained a fully covered exchange rate position in respect of forward exchange contracts until November 2005. Thereafter its policy was changed to allow it to take advantage of its natural hedging opportunities afforded by net foreign currency position maintained primarily in USD. For other currencies the fully covered policy continues to apply with specific focus on short-term receivables and imported capital equipment, denominated in currencies other than USD.

Details of the unexpired cash flow hedge forward exchange contracts at 31 December 2005 and 31 December 2004 are as follows:

	Foreign amount hedged m	Forward contract value Rm	Recognised fair value losses taken to equity Rm
Foreign currency			
31 December 2005			
Capital imports			
United States dollar – FECs	**7**	**52**	**(1)**
Euro – FECs	**9**	**75**	**(1)**
Swiss franc – FECs	**1**	**7**	
Pound sterling – FECs	**2**	**18**	
			(2)
31 December 2004			
Capital imports			
United States dollar – FECs	38	252	(29)
Euro – FECs	8	66	(6)
Pound sterling – FECs		5	(1)
			(36)

28.2 **Foreign currency denominated 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. Additionally, price hedging through the limited inclusion of embedded derivative instruments occurs at the procurement contracting level.

Base metal hedging

Base metal prices, like all other commodities, have increased dramatically during 2005.

The company has entered into base metal fixed-for-floating swap contracts whereby 50% of the consumption of nickel and tin was hedged forward until December 2006. Due to market conditions, no hedging on aluminium and zinc has been undertaken. The hedges were denominated in United States dollar terms with settlement taking place monthly in the form of a cash flow settlement.

28. FINANCIAL INSTRUMENTS continued

28.2 **Foreign currency denominated price hedging** continued

Base metal swaps

Details of contracts which relate to specific base metal commitments[1] as at 31 December 2005 and 31 December 2004, are as follows:

	Tonnes hedged	Swap contract value US$m	Fair value gains taken to equity Rm
31 December 2005			
Tin	**95**		**1**
Zinc	**1 000**	**1**	**4**
Aluminium	**425**	**1**	**1**
Nickel	**30**		
			6
31 December 2004[2]			
Zinc	760	1	1
Aluminium	953	2	2
			3

[1] *Expiring in January 2006 (2004: January 2005)*

[2] *Amount recognised in income statement in 2004*

The details of contracts which relate to specific unexpired base metal commitments not yet due[3], at 31 December 2005 and 31 December 2004, are as follows:

	Tonnes hedged	Contract value US$m	Fair value gains in equity US$m	Fair value gains in equity Rm
31 December 2005				
Tin	**840**	**5**		**1**
Nickel	**234**	**3**	**1**	**8**
			1	**9**
31 December 2004				
Zinc	**4 560**	**4**	**1**	**8**
Aluminium	**5 718**	**8**	**2**	**15**
Nickel	**120**	**2**		**1**
			3	**24**

[3] *Expiring on or after February 2006 (2004: February 2005)*

28. FINANCIAL INSTRUMENTS continued

28.2 **Foreign currency denominated price hedging** continued

Embedded derivative price forwards and caps

	Number of instruments	Active hedging values	Expiry date(s)	Instrument value	Recognised fair value gains in income statement Rm
Raw material – price forwards	3	SA PPI, Exchange rate	June 2006 – June 2008	37	37
Refractory – price forwards	1	Exchange rate	December 2009	4	4
Energy – price forwards	1	SA, PPI, Steel Industry Index	(4)	(38)	(38)
– price caps	1	US PPI, Oil price		103	103
				106	106

(4) *No expiry date defined in contract*

Raw material contracts

The forward contract within the embedded derivative was solved for a fair value of zero at inception. Management's estimated increases in PPI as at inception were applied to the estimated volumes for the duration of the contract at inception. The change in the fair value of the forward contract was determined by applying management's revised increase estimations as at subsequent valuation dates to the volume estimations, and calculating the difference between the initial estimated cash flows and the revised estimates.

Refractory materials and services contract

The forward contract within the embedded derivative was solved for a fair value of zero at inception. Foreign currency forward rates as at inception were estimated from observable interest rate differentials. These, together with management's expectation of increases in the relevant price components were applied to management's estimated volumes for the duration of the contract at inception. The change in the fair value of the forward contract was determined by applying the revised estimated foreign currency forward rates (calculated from observable interest rate differentials), as well as management's revised component increase expectations as at subsequent valuation dates to the volume estimations, and calculating the difference between the initial estimated cash flows and the revised estimates.

Energy contract

The forward contract within the embedded derivative was solved for a fair value of zero at inception. Management's estimated increases in the related prices and indices as at inception were applied to the estimated volumes for the duration of the contract at inception.

The change in the fair value of the forward contract portion was determined by applying management's revised increase estimations as at subsequent valuation dates to the volume estimations, and calculating the difference between the initial estimated cash flows and the revised estimates. The increase in the oil price component was subsequently modelled in line with the expected increase in US PPI as the price cap (see below) was enforced since inception, adjusted for the expected changes in the ZAR/USD exchange rate.

The intrinsic value of the cap was calculated by comparing the expected cash flows of the contract where the oil price was capped to the expected cash flows on the contract should the oil price not have been capped. The expectation of the increase in PPI and the future increases in the oil price was therefore applied to the expected future volumes.

28. FINANCIAL INSTRUMENTS continued

28.3 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 23.

28.4 Maturity profile of financial instruments – Group

The maturity profiles of financial assets and liabilities at 31 December 2005 and 31 December 2004 are summarised as follows:

	0 – 12 months Rm	13 – 24 months Rm	25 – 60 months Rm	>60 months Rm	Total Rm
31 December 2005					
Assets					
Financial assets	46	33	28		107
Receivables	47	61	227	113	448
Cash and cash equivalents	5 241				5 241
Trade and other receivables	1 822				1 822
Liabilities					
Interest-bearing borrowings	(10)	(10)	(30)	(31)	(81)
Trade and other payables	(2 647)				(2 647)
	4 499	84	225	82	4 890
Percentage profile (%)	92	2	5	1	100
31 December 2004					
Assets					
Receivables		171	281	60	512
Cash and cash equivalents	4 064				4 064
Trade and other receivables	2 481				2 481
Liabilities					
Financial liabilities	(10)				(10)
Interest-bearing borrowings	(10)	(10)	(30)	(41)	(91)
Trade and other payables	(2 295)				(2 295)
	4 230	161	251	19	4 661
Percentage profile (%)	91	3	5	1	100

28. FINANCIAL INSTRUMENTS continued

28.5 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 2005 Rm	Fair value 31 Dec 2005 Rm	Carrying value 31 Dec 2004 Rm	Fair value 31 Dec 2004 Rm
Assets				
Financial assets	107	107		
Receivables	448	448	512	512
Cash and cash equivalents	5 241	5 241	4 064	4 064
Trade and other receivables	1 822	1 822	2 481	2 481
Liabilities				
Financial liabilities			10	10
Non-current interest-bearing borrowings	71	89	81	101
Current interest-bearing borrowings	10	10	10	10
Trade and other payables	2 647	2 647	2 295	2 295

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

These comprise unexpired exchange and swap contracts, and contracts hosting embedded derivative instruments. The fair value of derivative instruments is calculated using quoted prices, rates and, in the case of embedded instruments, management's future expectations of volumes, rates and indices etc, based on internal budgets and market consensus views.

The differential between the carrying amount and fair value of guarantees provided to non-related parties, disclosed as contingent liabilities (refer note 31), is immaterial.

At 31 December 2005 the favourable R1 million (December 2004: unfavourable R9 million) fair value of hedging instruments is comprised as follows:

	2005 Rm	2004 Rm
– Favourable contracts – base metals	14	27
– Unfavourable contracts – capital	(13)	(36)

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.

28. FINANCIAL INSTRUMENTS continued

28.6 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:

	2005 %	2004 %
By industry		
Manufacturing	32	23
Merchants	47	61
Structural metal	11	8
Food and beverage	9	5
Other	1	3
	100	100
By geographical area		
South Africa	79	80
Asia	7	8
Europe	3	3
Other	11	9
	100	100

28.7 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 2005 Rm	31 Dec 2004 Rm
Borrowing capacity is determined by the directors in terms of the Articles of Association, namely 100% of shareholders' equity	19 507	15 895
Less total borrowings	(81)	(91)
Unutilised borrowing capacity	19 426	15 804

29. 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.

Holding company Mittal Steel Holdings N.V.

The company purchased finished products to the value of R9 million (December 2004: Rnil) from one of the other companies in the Group.

Joint ventures

Details of investments in joint ventures are disclosed in Annexure 1 whilst income is disclosed in note 15. Interest income from joint ventures of R5 million (December 2004: R5 million) is included in investment income (refer note 7).

The Group purchased goods and services to the value of Rnil (December 2004: R1 million) from, and sold goods to the value of R8 665 million (December 2004: R6 894 million) to joint ventures.

The outstanding balances at year-end are as follows:

- Included in trade and other receivables (refer note 20) R341 million (December 2004: R360 million)
- Included in the carrying value of joint ventures (refer note 15) are long-term loans of R10 million (December 2004: R10 million)

Subsidiaries

Details of income from, and investments in subsidiaries are disclosed in notes 7 and 16 respectively, and Annexure 2.

Directors

Executive directors are defined as key senior management. Details relating to directors' emoluments and shareholdings (including options) in the company are disclosed in notes 4 and 33 respectively.

Senior employees

Details relating to option and share transactions are disclosed in note 30.

Shareholders

The principal shareholders of the company are detailed in the "Analysis of Shareholders" schedule on page 160.

Contingent liabilities

Details are disclosed in note 31.

Management fee

Mittal Steel South Africa received a management fee of R188 million (December 2004: R199 million) from Saldanha Steel for the Mittal Steel South Africa employees that work at Saldanha Steel (refer note 4).

30. EMPLOYEE BENEFITS

Retirement funds

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of the financial year the following funds were in existence:

- Mittal Selector Pension Fund and Mittal Selector Provident Fund, both operating as defined contribution funds
- Iscor Employees' Provident Fund, operating as a defined contribution fund
- Mittal 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 2005 and employer contributions to each fund for the 2005 calendar year was as follows:

	Working members		Employer contributions	
	2005	2004	2005 Rm	2004 Rm
Mittal Selector Funds	5 274	5 651	78	80
Iscor Employees' Provident Fund	4 379	4 897	29	30
			107	110

Due to the nature of these funds the accrued liabilities by definition equate to the total assets of these funds.

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 (Mittal Pension Fund at 31 December 2004 and the Iscor Retirement Fund at 31 December 2002) the actuaries were of the opinion that the funds were adequately funded.

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 2005 and employer contributions to each fund for the 2005 calendar year was as follows:

	Pensioner members		Working members		Employer contributions	
	2005	2004	2005	2004	2005 Rm	2004 Rm
Mittal Pension Fund	9 682	9 957	68	72	1	1
Iscor Retirement Fund	1 718	1 830				
					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.

30. EMPLOYEE BENEFITS continued

Retirement funds continued

Principal actuarial assumptions (expressed as weighted averages) at the last statutory valuations were as follows:

	Iscor Pension Fund 31 Dec 2004 %	Iscor Retirement Fund 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	1,5	N/A[2]
Future general and merit salary increases	6,5[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*

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 R76 million (December 2004: R77 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 (Mittal Pension Fund at 31 December 2004 and Iscor Retirement Fund at 31 December 2002) and the medical obligation at 31 December 2005 were as follows:

	Defined benefit funds		Post-retirement medical aid	
	Mittal Pension Fund 31 Dec 2004 Rm	Iscor Retirement Fund 31 Dec 2002 Rm	31 Dec 2005 Rm	31 Dec 2004 Rm
Fair value of plan assets	6 213	321		
Present value of funded obligation	(6 213)	(281)		
Present value of unfunded obligation			(10)	(19)
Net asset/(liability)		40	(10)	(19)
Surplus not recognised		(40)		
Net liability as per balance sheet			(10)	(19)

Details of the movement during the period in the net liability are shown in note 24.

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 2004, amounted to R947 million (2003: R523 million). The latest financial statements were not available at date of signing this report.

30. EMPLOYEE BENEFITS continued

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.

The transaction administration with participants is outsourced to a service provider, Compensation Technologies (Pty) Limited.

Scheme types

Legacy Option 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.

Legacy Purchased, Deferred Purchase, or Paid-up 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.

30:30:40 Option Scheme *(effective 7 May 2002 to 11 December 2005)*

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.

$33^{1/3}$:$33^{1/3}$:$33^{2/5}$ Mittal-Type Option Scheme *(effective from 12 December 2005)*

Share options are offered at market price and are released in three annual tranches of 33,3%, 33,3% and 33,4% respectively, commencing on the first anniversary of the offer date and expiring after ten years.

The first offer in terms of the new scheme was made on 12 December 2005, at an offer price of R60,00 per share. The offer, comprising 1 260 850 options, is open until 12 March 2006. As the offer had yet to close as at 31 December 2005, it is not included in the management share scheme detail presented below.

Existing share distribution and shares available for future distribution

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, 42,5 million shares are available for future offers to participants, while 2,1 million shares have been distributed to participants via the option, purchase, deferred purchase or paid up scheme arrangements.

Details are as follows:

	Million
Number of shares available for utilisation in terms of the Iscor management share scheme as at 1 January 2005	42,1[(1)]
Add: Net effect of scheme shares released, forfeitures, resignation and adjustments to scheme allocation during the year	1,4
Less: Share offers accepted during the year	(1,0)
Number of shares available for future utilisation, as at 31 December 2005	42,5

[(1)] *Amount restated from 41,8 million disclosed as at 31 December 2004*

30. EMPLOYEE BENEFITS continued

Scheme types continued

At 31 December 2005 the company's loan owing by Iscor management share trust amounted to R60,3 million (December 2004: R25,3 million).

The market value of the shares available for utilisation at the end of the year amounted to R2 615 million at R61,25 per share (December 2004: R2 740 million at R65,50 per share).

Details of the option/purchase schemes are:

	Options		Purchase/ Deferred purchase/Paid up	
	2005 Million	2004 Million	**2005 Million**	2004 Million
Outstanding at beginning of year	**2,2**	4,4	**0,3**	1,3
Issued	**1,0**	0,4[2]		
Exercised	**(1,2)**	(2,2)	**(0,1)**	(0,9)
Lapsed/cancelled		(0,4)		(0,1)
Outstanding at end of year	**2,0**	2,2	**0,2**	0,3
Details of issues during the year are as follows:				
Expiry date (New scheme)	**2011**	2010	**2011**	2011
Exercise price range (R)	**18,15 – 65,19**	18,15 – 47,00	**2,18 – 23,10**	2,18 – 23,10
Total proceeds if options are immediately exercised (Rm)	**114**	136	**12**	23
Expiry date (Old scheme)	**2011**	2011		
Exercise price range (R)	**10,92 – 35,50**	10,92 – 35,50		
Total proceeds if options are immediately exercised (Rm)	**5**	9		
Closing price	**R61,25**	R65,50		
Details of options/deferred purchase shares exercised during the period are as follows:				
Exercise price range (R)	**36,20 – 65,19**	28,08 – 47,00		
Total proceeds of shares issued (Rm)	**50**	12		

[2]*Amount restated from 0,7 as at 31 December 2004*

Terms of the options and shares outstanding at year-end are as follows:

	Options		Purchase/ Deferred purchase/Paid up	
	Exercise price range R	Outstanding '000	Exercise price range R	Outstanding '000
Expiry date				
2006	10,92 – 35,50	45 980	10,92 – 23,10	8 320
2007	10,92 – 14,80	18 520	3,05 – 10,92	50 810
2008	17,10 – 21,00	528 760	2,18 – 10,92	25 160
2009	10,92 – 23,35	136 150	2,38 – 10,92	2 790
2010	28,80 – 65,19	510 260	4,74 – 10,92	22 020
2011	10,92 – 64,10	717 606	10,92 – 15,50	1 140
Total		1 957 276		110 240

30. EMPLOYEE BENEFITS continued

Scheme types continued

The fair value of options granted during the year, determined using the Binomial Matrix valuation model, is R7,4 million (2004: R1,7 million).

In 2004, the Black-Scholes valuation model was used to derive the IFRS2 charge. For 2005, the Binomial Matrix model was used as it better suited the Mittal Steel South Africa scheme structure. Recalculation of the 2004 Black-Scholes charge using the Binomial Matrix model results in an increase of the 2004 charge to R2,5 million. The difference of R0,8 million has been included in the 2005 charge. The change to the Binomial Matrix model is regarded as a change in accounting estimate.

For the year ended 31 December 2005, the following assumptions were used:

Expected life

The early exercise multiple for all option grants is 2,0 years.[2]

Volatility

The weighted average volatility assumption for the option grants is equal to 40,5% (2004: 51,0%) per year.

Risk free rate

The weighted average risk free rate used to value options issued in 2005 was 7,6% (2004: 9,2%).

Dividend yield

A net dividend yield of 4,6% (2004: 4,5%) per year was used to value options granted.

[2] *2004 Black-Scholes valuation used a 3,1 years weighted average expected life for all options.*

	GROUP		COMPANY	
	2005 Rm	2004 Rm	2005 Rm	2004 Rm
31. 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		8
– other	120	126	120	126
– other, including claims	503	100	503	100

Taxation dispute – Business Assistance Agreements

During the reporting period, the South African Revenue Service disallowed the claims for the payments made in terms of the Business Assistance Agreement (BAA) for the 2003 financial year.

The company objected to the assessment received. Management, in consultation with senior counsel and taxation lawyers, maintains its position that the aforementioned payments are revenue in nature and are hence deductible. The full amount at risk is R403 million based on the tax deduction claimed on the BAA remuneration of R613 million (2003 financial year) and R731 million (2004 financial year). Based on management's judgement, this contingent liability is not considered probable and has therefore not been provided for.

Alleged contravention of Competition Act

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 complaint by the other two is 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 possible liability has been accounted for.

	GROUP		COMPANY	
	2005	2004	2005	2004
	Rm	Rm	Rm	Rm
32. COMMITMENTS				
Capital commitments				
Capital expenditure contracted for plant and equipment	740	1 008	717	981
Capital expenditure authorised for plant and equipment but not contracted for	486	1 468	471	1 319
The company has a commitment to continue funding Saldanha Steel until such time as that company's assets, fairly valued exceed its liabilities.				
The Group's share of the capital commitments of its joint venture is as follows:				
Capital expenditure contracted	336	118		
Capital expenditure authorised but not contracted	476	188		
Operating lease commitments				
– Equipment				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than 1 year	1	2	1	2
– More than 1 year and less than 5 years	27	24	27	24
– Total	28	26	28	26
– Property				
The future minimum lease payments under non-cancellable operating leases are as follows:				
– Less than 1 year	1	1		
– More than 1 year and less than 5 years		1		
– Total	1	2		

These commitments will be financed from available cash resources, funds generated from operations and available borrowing capacity.

33. DIRECTORS' EMOLUMENTS FOR MITTAL STEEL SOUTH AFRICA AND SUBSIDIARIES

33.1 Directors' emoluments

	Notes	Fees R	Basic salary R
Year ended 31 December 2005			
Executive directors			
DK Chugh			2 001 501
HC Banthia	1		447 107
J Mashaba			1 063 196
V Sethuraman	2		719 038
Sub-total			4 230 842
Non-executive directors			
K Ngqula	9	320 000	
S Maheshwari		140 000	
LN Mittal		100 000	
A Mittal		136 000	
KDK Mokhele		244 000	
MJN Njeke	3	180 000	
SE Jonah KBE	4	35 005	
Sub-total		1 155 005	
Total		1 155 005	4 230 842

The above exclude share options, which are disclosed in note 33.2.

Bonuses/ performance related payments R	Allowances (Note 13) R	Other benefits (Note 14) R	Retirement contributions R	Loss of office (Note 15) R	Total R
639 331	165 000	14 114	223 821	500 000	3 543 767
	215 909				663 016
98 666	168 000	20 111	85 948		1 435 921
120 115	201 300	4 020	66 000	62 510	1 172 983
858 112	750 209	38 245	375 769	562 510	6 815 687
					320 000
					140 000
					100 000
					136 000
					244 000
					180 000
					35 005
					1 155 005
858 112	750 209	38 245	375 769	562 510	7 970 692

33. DIRECTORS' EMOLUMENTS FOR MITTAL STEEL SOUTH AFRICA AND SUBSIDIARIES continued

33.1 **Directors' emoluments** continued

	Notes	Fees R	Basic salary R
Year ended 31 December 2004			
Executive directors			
DK Chugh			1 069 015
J Mashaba	5		258 535
M Macdonald	6		938 070
V Sethuraman	7		362 096
AM Thebyane	8		105 975
LL van Niekerk	6		1 129 247
MJUT van Wijngaarden	6		866 851
Sub-total			4 729 789
Non-executive directors			
K Ngqula	9	310 000	
RG Cottrell	10	166 000	
S Maheshwari		128 000	
C Markus	11	126 000	
LN Mittal		90 000	
A Mittal		126 000	
KDK Mokhele		234 000	
MJN Njeke	3	128 000	
LL van Niekerk	12	41 140	
Sub-total		1 349 140	
Total		1 349 140	4 729 789

The above exclude share options, which are disclosed in note 33.2.

Notes

1. Appointed 7 September 2005
2. Resigned 8 August 2005
3. Paid to Kagiso Media in Mr Njeke's capacity as deputy chairman of that company
4. Appointed 3 November 2005
5. Appointed 1 October 2004
6. Resigned 10 September 2004
7. Appointed 10 September 2004
8. Resigned 12 February 2004

Bonuses/ performance related payments R	Allowances (Note 13) R	Other benefits (Note 14) R	Retirement contributions R	Loss of office (Note 15) R	Total R
490 352	288 735	151 725			1 999 827
98 666	45 000	4 447	25 291		431 939
	31 582		234 150	2 699 642	3 903 444
120 115		201 300	40 233		723 744
	21 635	93 206	14 046		234 862
	123 758	286 699	182 079	8 868 284	10 590 067
480 183	384 355	28 915	95 033	4 101 404	5 956 741
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
1 189 316	895 065	766 292	590 832	15 669 330	25 189 764

9. Paid to Industrial Development Corporation of South Africa (2004) and the South African Airways (2004 and 2005)
10. Resigned 10 December 2004
11. Appointed 1 January 2004 and resigned 28 December 2004
12. Appointed 10 September 2004 and resigned 22 December 2004
13. Includes travel, entertainment, telephone, computer and relocation allowances
14. Includes deferred compensation and medical aid
15. Includes remaining restraint of trade payments, normal retrenchment package and the payment of bonus and remaining leave benefit

Pensions

Pensions paid or receivable by executive directors are paid or received under contributory pension schemes.

33. DIRECTORS' EMOLUMENTS FOR MITTAL STEEL SOUTH AFRICA AND SUBSIDIARIES continued

33.2 **Share options**

Options issued to and shares purchased by executive directors, which includes the allocation of 44,6 million (December 2004: 44,6 million) shares in terms of the Mittal Steel South Africa/Iscor management share scheme (note 30), totalled 468 468 as at 31 December 2005 (December 2004: 331 060) as follows:

	Balance as at 1 January 2005			
Name	Subscription price R	Number	Date of issue	Period granted (years)
Year ended 31 December 2005				
DK Chugh	**18,15**	**50 920**	**2002/05/07**	**6**
HC Banthia				
J Mashaba	**37,25**	**140 070**	**2004/07/23**	**6**
V Sethuraman	**37,25**	**140 070**	**2004/07/23**	**6**
Total		**331 060**		

	Balance as at 1 January 2004			
Name	Subscription price	Number	Date of issue	Period granted (years)
Year ended 31 December 2004				
DK Chugh	18,15	89 100	2002/05/07	6
M Macdonald	2,60	90 000	1998/03/23	9
	3,05	23 260	1998/11/04	9
	10,92	47 000	1998/03/23	9
	10,92	12 140	1998/11/04	9
	18,15	136 970	2002/05/07	6
	18,15			
	18,15			
	18,15			
		309 370		
J Mashaba				
V Sethuraman				
AM Thebyane	2,58	22 000	1998/09/02	9
	4,80	15 000	2000/01/04	9
	4,80			
	4,80			
	4,86	5 460	2001/07/25	9
	10,92	6 890	1998/09/02	9
	10,92	7 830	2000/01/04	9
	10,92			
	10,92			
	10,92	2 850	2001/07/25	9
	18,15	77 200	2002/05/07	6
		137 230		

Subscription price R	Issues: Number of options/ shares	Date of issue	Period granted (years)	Notes	Sold: Number during the year	Net gains on options/ shares	Notes	**Balance as at 31 Dec 2005**
56,50	**38 046**	**2005/09/28**	**6**		**50 920**	**920 367**	**2**	**38 046**
51,00	**150 300**	**2005/09/07**	**6**	**1**				**150 300**
								140 070
							3	**140 070**
	188 346				**50 920**	**920 367**		**468 486**

Subscription price	Issues: Number of options/ shares R	Date of issue	Period granted (years)	Notes	Sold: Number during the year	Net gains on options/ shares	Notes	Balance as at 31 December 2004
					38 190	621 398	4	50 920
					90 000		5	
					23 260		5	
					47 000		5	
					12 140		5	
					136 970	1 250 791		
					19 040	413 894	6	
					50 540	836 897	7	
					67 390		5	
					309 370	1 250 791		
37,25	140 070	2004/07/22	6					140 070
37,25	140 070	2004/07/22	6					140 070
					22 000		8	
					15 000	127 874		
					10 000		8	
					5 000	127 874	9	
					5 460		8	
					6 890		8	
					7 830	53 277		
					5 220		8	
					2 610	53 277	10	
					2 850		8	
					77 200		8	
					137 230	181 151		

33. DIRECTORS' EMOLUMENTS FOR MITTAL STEEL SOUTH AFRICA AND SUBSIDIARIES continued

33.2 **Share options** continued

Name	Balance as at 1 January 2004			
	Subscription price R	Number	Date of issue	Period granted (years)
LL van Niekerk	3,05	10	1998/11/04	9
	10,92	71 420	1998/03/23	9
	10,92	5 950	1988/11/04	9
	18,15	179 700	2002/05/07	6
	18,15			
	18,15			
	18,15			
		257 080		
MJUT van Wijngaarden	18,15	112 200	2002/07/05	6
		904 990		

Notes

1. Appointed 7 September 2005.
2. Sold on 11 May 2005 at an average price of R48,60.
3. Resigned 8 August 2005.
4. Sold on 27 May 2004 at R34,56.
5. Resigned as director on 10 September 2004.
6. Sold on 10 March 2004 at R40,05.
7. Sold on 31 May 2004 at R34,85.
8. Resigned on 12 February 2004.
9. Sold on resignation at R30,50.
10. Sold on resignation on average R31,46.
11. Sold on 9 March 2004 at R40,00.
12. Sold on 9 March 2004 at R40,01.
13. Resigned as executive director on 10 September 2004, appointed as non-executive director on 10 September 2004.
14. Sold on 27 May 2004 at R34,56.
15. Sold on 13 September 2004 at an average price of R45,90.

	Issues				Sold			
Subscription price R	Number of options/ shares	Date of issue	Period granted (years)	Notes	Number during the year	Net gains on options/ shares	Notes	Balance as at 31 December 2004
					10	370	11	
					71 420	2 065 732	9	
					5 950	172 067	11	
					179 700	1 620 353		
					24 970	541 570	11	
					66 300	1 078 783	12	
					88 430		13,15	
					257 080	3 858 522		
					112 200	927 460		
					57 000	927 460	14	
					55 200		5	
	280 140				854 070	6 839 322		331 060

33. DIRECTORS' EMOLUMENTS continued

33.3 **Directors' interest in shares**

The interest of the directors in the ordinary share capital of the company is as follows:

	Notes
As at 31 December 2005	
Non-executive directors	
LN Mittal	1
Total	
As at 31 December 2004	
Non-executive directors	
LN Mittal	2
Total	

Notes

1. Acquired 9 million indirect beneficial shares on 24 November 2005.

2. Acquired 2 million indirect beneficial shares on 9 June 2004.

33.4 **Directors' service contracts**

All executive directors are employed in terms of ordinary service contracts subject to a single calendar month notice period.

	Beneficial		Non-beneficial			
	Direct	Indirect	Direct	Indirect	Total	Total %
		231 876 454			**231 876 454**	**52,02**
		231 876 454			**231 876 454**	**52,02**
		222 876 454			222 876 454	50,00
		222 876 454			222 876 454	50,00

34. 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.

The total rentals received for the year ended 31 December 2005 amounted to R28 million (December 2004: R30 million). The future gross operating rentals to be received in accordance with the agreement are set out below:

	December 2005 Rm	December 2004 Rm
Gross operating rentals		
Not later than 1 year	27	28
Later than 1 year but not later than 5 years	90	98
Later than 5 years	43	64
Total	160	190

Annexure 1: Investments in Joint Ventures

	Number of shares held	Percentage holding As at 31 Dec 2005 %	Percentage holding As at 31 Dec 2004 %	Group carrying amount As at 31 Dec 2005 Rm	Group carrying amount As at 31 Dec 2004 Rm	Company carrying amount As at 31 Dec 2005 Rm	Company carrying amount As at 31 Dec 2004 Rm	Year-end other than 31 December
JOINT VENTURES								
Unlisted shares								
Consolidated Wire Industries Limited	1 999 999	**50**	50	**56**	55	**14**	14	
Ensimbini Terminals (Pty) Limited	1 000	**50**	50	**11**	14	**10**	10	30 June
Macsteel International Holdings BV	35 001	**50**	50	**828**	521			
Microsteel (Pty) Limited	2 000	**50**	50					30 June
Pietersburg Iron Company (Pty) Limited	4 000	**50**	50	**6**	6	**6**	6	
Total investment				**901**	596	**30**	30	
Directors' valuation of unlisted shares in joint ventures				**1 077**	759	**30**	30	

Where the above entities' financial year-ends are not coterminous with that of the company, financial information has been obtained from management accounts.

Annexure 1: Investments in Joint Ventures continued

The income statement, balance sheet and cash flow items in respect of joint ventures are as follows:

	As at 31 Dec 2005 Rm	As at 31 Dec 2004 Rm
BALANCE SHEETS		
Non-current assets	**690**	584
Current assets	**2 718**	2 384
Total assets	**3 408**	2 968
Shareholders' equity	**1 800**	1 192
Non-current liabilities		
Interest-bearing borrowings	**576**	428
Other	**2**	
Current liabilities		
Interest-bearing borrowings	**14**	332
Other	**1 016**	1 016
Total equity and liabilities	**3 408**	2 968

	Year ended 31 Dec 2005 Rm	Year ended 31 Dec 2004 Rm
INCOME STATEMENTS		
Revenue	**21 176**	19 578
Operating expenses	**(20 654)**	(18 960)
Net operating profit	**522**	618
Net financing costs	**23**	(2)
Income from investments		
Income from equity accounted investments	**18**	78
Profit before taxation	**563**	694
Taxation		
– Normal	**(68)**	(178)
Profit from ordinary activities	**495**	516
Minority interest		
Net profit attributable to ordinary shareholders	**495**	516
CASH FLOW STATEMENTS		
Net cash flows from operating activities	**724**	(370)
Net cash flows from investing activities	**50**	(30)
Net cash flows from financing activities	**(416)**	248
Foreign currency translations	**2**	(16)
Net increase/(decrease) in cash and cash equivalents	**360**	(168)

Annexure 2: Investments in Subsidiaries[(1)]

	Country of incor-poration[(2)]	Issued capital-unlisted ordinary shares R	Interest of company Shares December 2005 R	December 2004 R	Indebtedness December 2005 Rm	December 2004 Rm
PROPERTY						
Dunswart Iron and Steel Works Limited	RSA	124 619	**1 653 047**	1 653 047	**(3)**	(6)
Yskor Landgoed (Pty) Limited	RSA	4 000	**4 000**	4 000	**(94)**	(96)
MANUFACTURING						
Iscor Building System (Pty) Limited	RSA	100	**100**	100		
Saldanha Steel (Pty) Limited	RSA	2 000	**1 009**	1 009	**4 625**[(3)]	5 855[(3)]
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	**21**	
Vicva Investment and Trading Nine (Pty) Limited	RSA	1	**1 000**	1 000		
Total investments in subsidiaries (note 16)			**334 789 161**	334 789 161	**4 550**	5 754

[(1)]*At 100% holding except where otherwise indicated*

[(2)]*RSA – Republic of South Africa, IOM – Isle of Man and NEH – The Netherlands*

[(3)]*This amount consists of the Shareholders' loan of R7,6 million (December 2004: R7,6 million) and intercompany advances of R3 million (December 2004: R1,8 million)*

Analysis of Shareholders

as at 31 December 2005

RANGE OF SHAREHOLDERS

	Number of shareholders	%	Holdings	%
1 – 100 shares	6 123	19,81	311 570	0,07
101 – 1 000 shares	22 262	72,02	4 878 331	1,09
1 001 – 50 000 shares	2 163	7,00	15 613 027	3,50
50 001 – 100 000 shares	120	0,39	8 928 182	2,00
100 001 – 10 000 000 shares	241	0,78	134 343 135	30,14
10 000 001 and more shares	3	0,01	281 677 887	63,19
	30 912	100,00	445 752 132	100,00

TYPE OF SHAREHOLDERS

	% shareholding
Corporate holdings	58,79
Pension funds	17,48
Unit trusts	9,71
Other management funds	4,04
Private investors	2,46
Insurance companies	2,23
Other funds	1,92
Unclassified and below threshold	3,37
	100,00
GEOGRAPHICAL HOLDINGS BY OWNER	
Netherlands	52,09
South Africa	36,07
USA	4,97
Other countries	2,49
England and Wales	3,00
Below threshold	1,38
	100,00

SHAREHOLDINGS OF MORE THAN 5 %

	Holdings	%
Mittal Steel Holdings N.V.	231 876 454	52,02
Industrial Development Corporation of South Africa	39 167 364	8,79
PUBLIC AND NON-PUBLIC SHAREHOLDERS		
Directors*	231 876 454	52,02
Iscor Management Share Trust	100 780	0,02
Industrial Development Corporation of South Africa	39 167 364	8,79
	271 144 598	
Non-public shareholders	271 144 598	
Public shareholders	174 607 534	
	445 752 132	

**Mr LN Mittal has an indirect, but beneficial, interest in the shares held by Mittal Steel Holdings N.V.*

Information relating to the Directors of Mittal Steel South Africa who Retire by Rotation

Hendrik Jacobus Verster	(39)
Academic qualifications	B.Com, Hons; Masters in Business Leadership; Executive Management Programme
Occupation	Executive director, Finance
Experience	Appointed Executive Director, Finance on 17 February 2006
Other current directorships	None
Samuel Essen Jonah	(56)
Academic qualifications	D.Sc; MSc; D.I.C.
Occupation	Non-executive director
Experience	Appointed non-executive director on 3 November 2005
Other current directorships	Anglogold Ashanti Limited Anglo Platinum Corporation Limited (Amplats) Transnet Limited Equator Exploration Limited MotoGold Mines Limited Titanium Resources Group Limited Equinox Minerals Limited Bayport Holdings Limited Standard Bank of South Africa
Sudhir Maheshwari	(42)
Academic qualifications	BCom (Hons); CA CS
Occupation	Non-executive director
Experience	Appointed non-executive director in December 2002
Other current directorships	None
Khotso David Kenneth Mokhele	(50)
Academic qualifications	BSc(Agric); MS (Food Science); PhD (Microbiology)
Occupation	Non-executive director
Experience	Appointed non-executive director in February 1998
Other current directorships	President of NRF Director of Impala Platinum Holdings Limited Chairperson of SALF Foundation (Pty) Limited

Shareholders' diary

Year end	31 December
Final results for December 2005	February 2006
Annual general meeting	31 May 2006
Interim results for 2006	August 2006

Notice to Shareholders

EIGHTEENTH ANNUAL GENERAL MEETING

Notice is hereby given that the eighteenth 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 Wednesday, 31 May 2006 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 2005, 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 the re-election:

   - Dr SE Jonah KBE;
   - Dr KDK Mokhele
   - S Maheshwari
   - HJ Verster

   Refer to page 161 of this report for abbreviated *curriculum vitae* of the above.

3. To approve the non-executive directors' fees for the year ended 31 December 2005 (refer note 33 on page 146).

4. To approve the following annual fees as the maximum non-executive directors' fees payable for the period 1 January 2006 until the next Annual General Meeting

	Annual retainer per meeting	Attendance fee
Chairman	R245 000	R25 000
Director	R115 000	R10 000
Audit Committee chairman		R22 000
Audit Committee member		R10 000
Committee chairman		R20 000
Committee members		R10 000
Trustee share trust: Chairman		R20 000
Trustee		R10 000

5. To authorise the directors, in terms of section 221 of the Companies Act, 1973, to allot and issue from time to time out of the unissued ordinary shares in the authorised capital of the company not more than 10% of the total issued ordinary shares of the company in accordance with and for the purpose of the Mittal Steel South Africa management share scheme.

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) on the JSE Limited open market, 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 JSE Listings Requirements 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 effected only 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) of 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

(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

(g) That an embargo on trading in shares or the exercise of share scheme options by management share incentive scheme participants will be enforced two weeks before and two weeks after any share buy-back."

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 JSE Listings Requirements 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

(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 14 and 15 of the Annual Report, collectively and individually accept full responsibility for the accuracy of the information given in that report and certify that to the best of their knowledge and belief there are not facts that have been omitted that 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, ie 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 of the Annual Report referred to:

- Independent non-executive and executive directors: pages 14 and 15
- Major shareholders: page 160
- Directors' interests in securities: page 150 to 155
- Share capital of the company: page 125

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 11:00 on 26 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 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 contact 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 share 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

XB Motswai
Company Secretary

14 March 2006

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 Eighteenth Annual General Meeting of the company, to be held on Monday, 31 May 2006 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 attend the General Meeting. This includes registered shareholders who have not dematerialised their shares, ie who still hold their Mittal Steel South Africa share certificate/s, or shareholders who have dematerialised their shares in their own name

Deliver to
Computershare Investor Services 2004
(Pty) Limited
70 Marshall Street
Johannesburg

or

Mail to
Computershare Investor Services 2004
(Pty) Limited
PO Box 61051
Marshalltown, 2107

or

Fax to
(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 eighteenth 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 31 May 2006 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 2005 annual financial statements.			
2. a) Re-election of Dr SE Jonah KBE			
b) Re-election of Dr KDK Mokhele			
c) Re-election of S Maheshwari			
d) Re-election of HJ Verster			
3. Approval of non-executive directors' fees			
4. Approval of non-executive directors' future fees			
5. Placing of unissued shares under control of directors			
Special business			
6. Authority to repurchase shares			

Signed at this day of 2006

(Signature) *Assisted by me (Where applicable)*

Please see notes on reverse

Notes to the form of 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 attend the general meeting. This includes registered shareholders who have not dematerialised their shares, ie 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 includes 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 your 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 Mittal Steel South Africa 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) 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 (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 initialled 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.