MITTAL

Mittal Steel South Africa Limited

Audited group annual financial results

and dividend announcement for the year ended 31 December 2006

- Headline earnings increased by 43 % during second half
- Positive cash flow of R2,1 billion
- Local sales tonnes increased from 56 % to 71 % of total sales

FINANCIAL RESULTS

Headline earnings for the year remained strong at R4 646 million although decreased by 8 % compared to last year.

The decline was primarily driven by a significant increase in the cost of input materials. This was partially offset by an increase in domestic sales volumes and a weaker Rand/US Dollar exchange rate.

	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Revenue	**25 363**	23 984
Profit from operations	**5 833**	6 894
Gains and losses on changes in foreign exchange and financial instruments	**480**	246
Net interest income/(finance costs):	**193**	(29)
– interest income	**362**	188
– interest on bank overdrafts, borrowings and finance lease obligations	**(68)**	(77)
– imputed interest on non-current provisions	**(101)**	(140)
Income from investments	**7**	5
Income from equity accounted investments	**195**	294
Income tax expense	**(2 062)**	(2 344)
Attributable earnings	**4 646**	5 066
Headline earnings	**4 646**	5 077
Headline earnings (US$ million)	**680**	806

QUARTERLY COMPARABLE HEADLINE EARNINGS

Headline earnings for the fourth quarter decreased by 14 % compared to the previous quarter mainly due to the seasonal slowdown in sales during the December holiday period. However, compared to the corresponding quarter last year, headline earnings increased by 45 % driven by higher domestic sales volumes and an increase in international steel prices.

Quarter to	US$m	Rm	Exchange rate
Average 2004	199	1 265	6,43
March 2005	264	1 578	5,97
June 2005	257	1 643	6,40
September 2005	152	987	6,50
December 2005	133	869	6,52
Average 2005	202	1 269	6,35
March 2006	112	684	6,13
June 2006	190	1 228	6,45
September 2006	205	1 470	7,16
December 2006	173	1 264	7,31
Average 2006	170	1 162	6,76

OPERATING RESULTS

Revenue	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Flat Products	17 350	16 371
Long Products	7 691	7 161
Coke and Chemicals	1 033	1 057
Intergroup eliminations	(711)	(605)
Total	25 363	23 984

Operating profit	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Flat Products	3 550	4 518
Long Products	2 100	2 109
Coke and Chemicals	184	301
Corporate and other	(1)	(34)
Total	5 833	6 894

Operating profit for the year declined by 15 % compared to the previous year. Flat products declined by 21 % and Coke and Chemicals by 39 % while long products remained in line with the previous year.

The main reasons for the decline in operating profit for flat products compared to a roll-over for long products were a higher increase in the cost of input materials, especially the price increase of zinc, used in galvanised flat products and imported iron ore pellets for Saldanha Steel. Production interruptions also impacted more severely on the operational stability of the flat product plants. Average selling prices, compared to 2005, were also higher for long products than flat products.

The decline in operating profit for the Coke and Chemicals business was largely due to a sharp decline in the international market coke price.

Liquid steel production for the year of 7,055 million tonnes decreased by 3 % compared to last year due to several production disruptions experienced. These disruptions included a skip hoist failure at one of the blast furnaces at Vanderbijlpark Steel, electricity and oxygen supply outages at Saldanha Steel, two fire incidents at Vanderbijlpark Steel and a cut-back in production, both at Vanderbijlpark Steel and Newcastle Steel, necessitated by a lack of iron ore due to delivery problems.

MARKET REVIEW

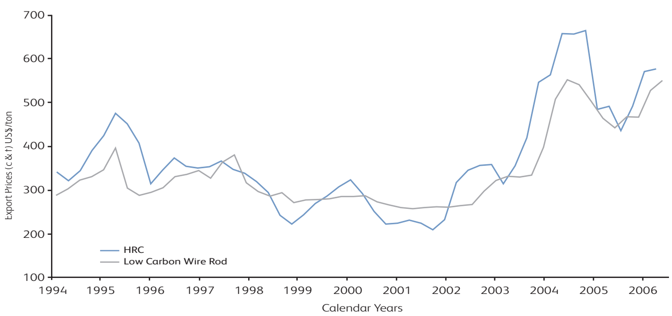
International

Global steel consumption increased by 9 % to about 1,12 billion tonnes during 2006. The predominant drivers behind the increase were the expansions in Euro countries and Japan while rapid growth continued in China and India. Of concern is the growing output of China which now represents more than a third of total world steel production. It is, however, encouraging that China's National Development and Reform Commission aims to bring about restructuring of the greatly fragmented industry and to phase out outdated production capacity. China was a net exporter of 24,5 million tonnes of finished steel products during 2006. Based on current trends, China's net export position is expected to decline during 2007.

Export volumes decreased by 35 % during 2006 due to higher domestic demand. Average export prices for hot rolled coil were 5 % down on last year while low carbon wire rod prices were up 4 %. The upward trend in international prices that started during the second quarter of 2006 resulted in the average prices for hot rolled coil and low carbon wire rod during the second half of 2006 to exceed the average prices obtained during the same period last year by 24 % and 22 % respectively.

The lower volumes available for exports created the opportunity to withdraw from less attractive markets which in return also impacted positively on average export prices achieved.

Mittal Steel South Africa invoiced export price (c and f) US$/ton



Source: Mittal Steel SA

GROUP INCOME STATEMENT

	Note	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Revenue		**25 363**	23 984
Raw materials and consumables used		**(11 071)**	(8 325)
Employee costs		**(2 243)**	(2 104)
Energy		**(1 332)**	(1 232)
Movement in inventories of finished goods and work in progress		**623**	(24)
Goodwill impairment			(11)
Depreciation		**(1 150)**	(1 152)
Amortisation of intangible assets		**(16)**	(40)
Other operating expenses		**(4 341)**	(4 202)
Profit from operations		**5 833**	6 894
Gains and losses on changes in foreign exchange and financial instruments	2	**480**	246
Net interest income /(finance costs)	3	**193**	(29)
Interest income		**362**	188
Finance costs		**(169)**	(217)
Income from investments		**7**	5
Net profit from equity accounted investments before taxation		**195**	294
Profit before tax	4	**6 708**	7 410
Income tax expense	5	**(2 062)**	(2 344)
Profit for the year		**4 646**	5 066
Attributable earnings per share (cents)			
– basic		**1 042**	1 137
– diluted		**1 041**	1 134
Additional Information			
Reconciliation of headline earnings			
Profit attributable to ordinary shareholders		**4 646**	5 066
Adjusted for:			
– Goodwill impairment			11
Headline earnings		**4 646**	5 077
Reconciliation of earnings before interest, taxation, depreciation and amortisation (EBITDA)			
Profit from operations		**5 833**	6 894
Adjusted for:			
– Goodwill impairment			11
– Depreciation		**1 150**	1 152
– Amortisation of intangible assets		**16**	40
EBITDA		**6 999**	8 097
Performance per ordinary share			
Headline earnings per share (cents)			
– basic		**1 042**	1 139
– diluted		**1 041**	1 137
Dividend per share (cents)			
– interim		**143**	240
– final		**204**	140
Net asset value per share (cents)		**5 147**	4 360
Ordinary shares (thousands)			
– in issue		**445 752**	445 752
– weighted average number of shares		**445 752**	445 752
– diluted weighted average number of shares		**446 449**	446 625
Ratios (%)			
EBITDA margin		**27,6**	33,8
Return on ordinary shareholders' equity per annum			
– attributable earnings		**21,9**	28,7
– headline earnings		**21,9**	28,7
Net cash to equity		**30,9**	22,9
Market capitalisation (Rm)		**43 795**	27 302

CONDENSED GROUP CASH FLOW STATEMENT

	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Cash inflows from operating activities	**3 463**	2 616
Cash generated from operations	**6 147**	8 407
Net interest income	**294**	111
Dividend paid	**(1 261)**	(2 853)
Income tax paid	**(1 660)**	(2 977)
Realised foreign exchange movement	**(57)**	(72)
Cash outflows from investing activities	**(1 263)**	(1 559)
Investment to maintain operations	**(910)**	(1 250)
Investment to expand operations	**(536)**	(358)
Proceeds from disposals of property, plant and equipment	**9**	6
Investment income – interest	**7**	5
Dividend from equity accounted investments	**167**	38
Net cash inflow	**2 200**	1 057
Cash outflows from financing activities	**(89)**	(93)
Increase in cash and cash equivalents	**2 111**	964
Effect of foreign exchange rate changes	**420**	215
Cash and cash equivalents at beginning of year	**5 219**	4 040
Cash and cash equivalents at end of year	**7 750**	5 219

GROUP BALANCE SHEET

	Note	As at 31 December 2006 Audited Rm	2005 Audited Rm
Assets			
Non-current assets		**15 675**	15 317
Property, plant and equipment		**14 526**	14 260
Intangible assets		**58**	74
Investments in joint ventures – unlisted	6	**953**	912
Non-current financial assets		**134**	61
Non-current loan receivables	7	**4**	10
Current assets		**14 926**	11 020
Assets classified as held for sale		**6**	
Inventories		**4 775**	3 907
Trade and other receivables		**2 088**	1 732
Taxation		**179**	116
Current financial assets		**128**	46
Cash and cash equivalents		**7 750**	5 219
Total assets		**30 601**	26 337
Equity and liabilities			
Shareholders' equity			
Stated capital		**6 389**	6 389
Non-distributable reserves		**684**	609
Retained income		**15 870**	12 453
Ordinary shareholders' capital		**22 943**	19 451
Non-current liabilities		**4 245**	3 962
Interest-bearing borrowings		**61**	71
Non-current finance lease obligations		**502**	596
Deferred income tax liability		**2 355**	2 007
Provision for post-retirement medical costs		**8**	6
Non-current provisions		**1 319**	1 282
Current liabilities		**3 413**	2 924
Trade and other payables		**3 041**	2 637
Interest-bearing borrowings		**10**	10
Current finance lease obligations		**93**	89
Current provisions		**269**	188
Total equity and liabilities		**30 601**	26 337

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
Profit for the year	**4 646**	5 066
Other recognised income and expenses		
Exchange differences on translation of foreign operations	**102**	68
Movement in gains and losses deferred to equity on cash flow hedges	**23**	25
Share of other joint ventures hedging reserve		1
Income tax on income taken directly to equity	**(5)**	
Total recognised income and expense for the year	**4 766**	5 160
Attributable to:		
Equity holders of the company	**4 766**	5 160

NOTES TO THE AUDITED FINANCIAL STATEMENTS

1. **Basis of preparation**

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

These audited group financial results for the year ended 31 December 2006 constitute a summary of the group's audited financial statements. They have been prepared on the historical cost basis, except for the revaluation of financial instruments and conform to International Financial Reporting Standards and Schedule 4 of the South African Companies Act 1973, as amended. The announcement should be read in conjunction with the 31 December 2006 financial statements. The group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

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

Adoption of IFRIC 4, Determining whether an arrangement contains a lease

All arrangements that take the form of a lease have been recognised in terms of IAS 17, Leases. The recognition of such leases requires a retrospective adjustment to financial information.

The net carrying value of property, plant and equipment increased by R1 067 million (December 2005: R1 130 million) loan receivables decreased by R526 million (December 2005: R526 million), finance lease obligations increased by R595 million (December 2005: R685 million), opening retained earnings, as at 1 January 2005, decreased by R52 million, 2005 earnings decreased by R3 million.

Accounting treatment of investment in Collect-a-Can (Pty) Limited

The group has re-assessed its accounting treatment of the investment in Collect-a-Can (Pty) Limited and now accounts for it as a jointly controlled entity, using the equity accounting method; previously this was accounted for as a subsidiary. This treatment was retrospectively applied, resulting in a restatement to opening retained earnings of R9 million at 1 January 2005. Retained earnings for 2005 decreased by R3 million. This resulted in a decrease of net assets by R22 million (December 2005: R18 million).

Treatment of transport costs recovered from customers and settlement discount allowed

The treatment of these costs, where transport costs recovered from customers were deducted from revenue and settlement discount allowed was not offset against revenue, was re-assessed. Transport costs recovered from customers of R501 million are now included in revenue (December 2005: R374 million) and the cost paid to transport contractors is included in cost of sales. (December 2005: R374 million). Settlement discount allowed is now deducted from revenue, R451 million (December 2005: R349 million). These reclassifications have no impact on operating profits.

The prior year results have been restated in compliance with IAS 8, Accounting policies, changes in accounting estimates and errors.

The new standards, IFRS 7, Financial Instruments: Disclosure and IFRS 8, Operating Segments, effective for annual periods beginning on or after 1 January 2007 and 1 January 2009 respectively, have not yet been adopted. Adoption of these standards will have no impact on financial results or result in changes to the accounting policy of the group.

The group's financial report for the year will be available by the end of March 2007. The signed unmodified auditors' report issued by Deloitte & Touche for the year is available for inspection at the company's registered address.

	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
2. Gains and losses on foreign exchange and financial instruments	**480**	246
Gains on changes in foreign exchange rates	413	166
Losses on changes in foreign exchange rates	(2)	(4)
Losses on changes in the fair value of derivative instruments designated as fair value through profit and loss	(124)	(54)
Gains on changes in the fair value of embedded derivative instruments	145	106
Fair value gains transferred from equity on derivative instruments designated as cash flow hedges	48	32
3. Net interest income/(finance costs)	**193**	(29)
Interest income	362	188
Interest expense on bank overdrafts and borrowings	(14)	(21)
Interest expense on finance lease obligations	(54)	(56)
Imputed interest on non-current provisions	(101)	(140)
4. Profit before taxation is arrived at after		
Directors' emoluments		
– executive	8	7
– non-executive	1	1
Auditors' remuneration		
– audit fees	9	9
– other services	1	1
5. Taxation	**2 062**	2 344
Company and subsidiaries	2 002	2 327
Equity accounted investments	60	17
6. Investments in joint ventures		
Unlisted investments		
– directors' valuation of unlisted shares in joint ventures	1 037	1 088
7. Non-current loan receivables		
Non-current interest free loan receivables	4	10

	Year ended 31 December 2006 Audited Rm	2005 Audited Rm
8. Capital expenditure		
– incurred	1 446	1 608
– contracted	960	740
– authorised but not contracted	769	486
9. Contingent liabilities	**530**	623
– guarantees	115	120
– litigation and claims	415	503
10. Operating lease commitments	**44**	69
– less than one year	5	25
– more than one year and less than five years	39	44

11. Related party transactions
The Group is controlled by Mittal Steel Company N.V. which owns 52,02% of the company's shares. During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associates and joint ventures. These transactions occurred under terms that are no less favourable to Mittal Steel South Africa than those arranged with third parties.

12. Directors' share option benefits
Rights to options and shares held by Executive Directors in terms of the Mittal Steel South Africa Management Share Scheme totalled 376 056 at 31 December 2006 (December 2005: 468 486), representing 0,08% (2005: 0,11%) of the issued shares. During the period the directors sold a portion of their options realising a gain of R3 million (December 2005: R0,9 million), which was paid to them in terms of the Scheme during the year.

13. Corporate governance
The group subscribes to the Code on Corporate Practices and Conduct as contained in the second King Report on corporate governance.

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

UNAUDITED SUPPLEMENTARY PHYSICAL INFORMATION ('000 TONNES)

	Year ended 31 December 2006	2005
Flat Steel Products		
Liquid steel production	4 863	5 067
Sales	4 268	4 283
Long Steel Products		
Liquid steel production	2 192	2 194
Sales	1 926	1 947
Total		
Liquid steel production	7 055	7 261
Sales	6 194	6 230
– local	4 400	3 485
– export	1 794	2 745
Local sales as percentage of total sales	71	56

RECONCILIATION OF CHANGES IN EQUITY

	Stated capital Rm	Non-distributable reserves: Capital redemption reserve Rm	Management share trust Rm	Share-based payment reserve Rm	Attributable reserves of equity accounted investments Rm	Joint venture hedging reserve Rm	Translation of foreign operations Rm	Cash flow hedge accounting Rm	Insurance reserve Rm	Retained income Rm	Shareholders' equity Rm	Minority interest Rm	Total equity Rm
Balance at 1 January 2005	6 389	23	(34)	2	449	(1)	(114)	(13)	1	9 139	15 841		15 841
As previously stated	6 389	23	(34)	2	442	(1)	(114)	(13)	1	9 200	15 895	7	15 902
Effect of leased assets recognised in terms of IFRIC 4										(52)	(52)		(52)
Deconsolidation of subsidiary					7					(9)	(2)	(7)	(9)
Changes in equity for 2005													
Total recognised income and expense for the year						1	68	25		5 066	5 160		5 160
Profit for the year										5 066	5 066		5 066
Currency translation differences							68				68		68
Effect of cash flow hedge accounting								25			25		25
Share of joint venture hedging reserve						1					1		1
Management share trust loss			(42)								(42)		(42)
Share options charge: IFRS 2				8							8		8
Dividend										(1 516)	(1 516)		(1 516)
Transfer movement of insurance reserve									(1)	1			
Transfer of equity accounted earnings					237					(237)			
Balance at 31 December 2005	6 389	23	(76)	10	686		(46)	12		12 453	19 451		19 451
Total recognised income and expense for the year							102	18		4 646	4 766		4 766
Profit for the year										4 646	4 646		4 646
Currency translation differences							102				102		102
Effect of cash flow hedge accounting (net of income tax)								18			18		18
Management share trust loss			(30)								(30)		(30)
Share options charge: IFRS 2				17							17		17
Dividend										(1 261)	(1 261)		(1 261)
Transfer of equity accounted earnings					(32)					32			
Balance at 31 December 2006	6 389	23	(106)	27	654		56	30		15 870	22 943		22 943

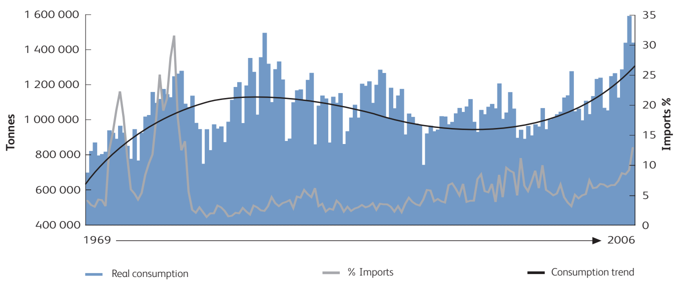
MARKET REVIEW (CONTINUED)

Domestic market

Domestic demand during the year was very strong and increased by 26 % compared to prior year. Preliminary numbers issued by the South African Iron and Steel Institute (SAISI) indicates a record apparent annual domestic steel consumption of 5,8 million tonnes for 2006, which is 10 % higher than the previous record set in 1981. It also represents an increase of about 27 % over 2005.

Of significance is that steel consuming sectors related to the automotive, furniture and appliances and other durable goods did exceptionally well. Demand for steel was further driven by the need to alleviate infrastructure bottlenecks which developed on the back of solid economic growth. The growth in the construction sector was approximately 14 % for 2006. The depreciation of the Rand also supported the manufacturing sector by being more competitive in the export market while increasing the scope for domestic production to replace value-added imports.

South Africa – Real domestic carbon and alloy steel consumption



Source: SAISI

COST

Cash cost per ton of hot rolled coil and billets increased by 10,3 % and 8,8 % respectively, compared to last year, driven by substantial increases in the cost of metallurgical coking coal, imported iron ore pellets, tin, nickel, aluminum and iron ore. The cost of hot rolled coil was further negatively impacted by the production disruptions at the flat product plants.

The cost of galvanised material increased by 36 % compared to last year due to the higher cost to produce hot rolled coils and an 131 % increase in the price of zinc.

CONTINGENT LIABILITIES

An Alternative Dispute Resolution (ADR) meeting was held with SARS on 1 December 2006 regarding the disallowance of the tax deduction of the payments made in terms of the Business Assistance Agreement. The full amount at risk is R403 million of tax plus interest. Although SARS still have to respond to the outcome of the proceedings, it was considered prudent to provide for 20 % of the tax amount.

In the case at the Competition Tribunal on alleged excessive pricing brought by the gold miners, Harmony and DRD Gold, closing arguments were presented on 29 and 30 November 2006, with a ruling expected towards the end of March 2007. We maintain our view, based on advice from senior counsel that no significant exposure exists in this regard. No provision has been raised and no contingent liability quantified in respect of this and other subsequent complaints, referred to the Competition Tribunal, after year end.

OUTLOOK QUARTER ONE 2007

International steel prices are expected to be stronger backed by a balanced supply and demand environment, high cost pressures and improved supply discipline. Domestic demand is set to increase further, ahead of the government's multi- billion infrastructure development programme. This includes the expansion of the electricity system, the upgrade and construction of new rail infrastructure and the refurbishment and building of stadiums for the 2010 Soccer World Cup.

It is expected that the results for the first quarter of 2007 will improve compared to quarter four of 2006, mostly driven by higher domestic sales volumes.

DIVIDEND ANNOUNCEMENT

In line with the company's policy, the Board declared a final dividend of 204 cents, covered approximately three times by headline earnings.

Payment in South African Rands will be made on Monday, 26 March 2007 to shareholders recorded in the register on Friday, 23 March 2007. The last day to trade to qualify for the dividend will be Thursday, 15 March 2007 and the shares will trade ex-dividend from Friday, 16 March 2007. Share certificates may not be dematerialised or rematerialised between Friday, 16 March 2007 and Friday, 23 March 2007 both days inclusive. Dividend entitlements of less than ten rand will be donated to charity in terms of the articles of association.

On behalf of the Board

EM Reato	**HJ Verster**
(Chief Executive Officer)	(Executive Director Finance)

19 February 2007

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Transfer Secretaries
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Directors:
Dr KDK Mokhele* (Chairman), EM Reato (Chief Executive Officer),
DK Chugh*•, S Maheshwari*•, JJA Mashaba, M Mukherjee*•, MJN Njeke*,
HJ Verster, ND Orleyn*, M Wurth*.
Dr K Ngqula resigned as director on 31 December 2006 and Dr KDK Mokhele was appointed as Chairman.

* *Non-executive*
• *Citizen of India*

Company Secretary: Xoliswa Motswai

Mittal Steel South Africa Limited
Registration number 1989/002164/06
Share code: MLA ISIN: ZAE000064044
("the Company" or "the Group")

FORWARD-LOOKING STATEMENTS

Certain statements in this release that are neither reported financial results nor other historical information, are forward-looking statements, including but not limited to statements that are predictions of or indicate future earnings, savings, synergies, events, trends, plans or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors, that could cause actual results and company plans and objectives to differ materially from those expressed or implied in the forward-looking statements (or from past results).

This report is available on the Mittal Steel South Africa Website at:
http://www.mittalsteelsa.com.
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partnership, plant and product