EVRAZ

The Evraz Highveld Customer News

STRATEGIC STOCK INITIATIVE

New warehouse opens in Dunswart

The latest step in EVRAZ Highveld's delivery performance improvement project is the opening of the new warehouse in Dunswart.

Unlike flat products, where EVRAZ Highveld has more flexibility in its planning process (production buckets span over two weeks and campaigns are planned on a monthly basis), structural offer tighter planning constraints. Production buckets are planned on a daily basis and the frequency of these buckets can be anything from monthly to quarterly rollings. This less flexible process has required that selected structural sizes be kept in stock.

To overcome space constraints Evraz Highveld has taken the strategic stock initiative off-site – to 37 Main Reef Road, Dunswart. This off-site storage location is an extension of the finishing end and should not change the interface with customers.

The Dunswart warehouse was officially opened on 1 September 2012.

MOTIVATION AND MEMORIES

We held our annual customer function on 1 November 2012, a small way of saying thank you to you all for your support during the year. It hasn't been an easy one and although we know the changes that we have undergone at EVRAZ Highveld have set us on a path for future success, it has certainly been challenging to maintain our position as a truly world-leading vertically integrated producer of steel and vanadium slag.

We've included some fun shots of the event in this edition of the EVRAZ Highveld Customer News, as well as some news and photographs of new people joining us and old friends leaving. We are ultimately a company of people – not products and processes – and we hope that this newsletter helps you to get to know us all a little better.

Till 2013,

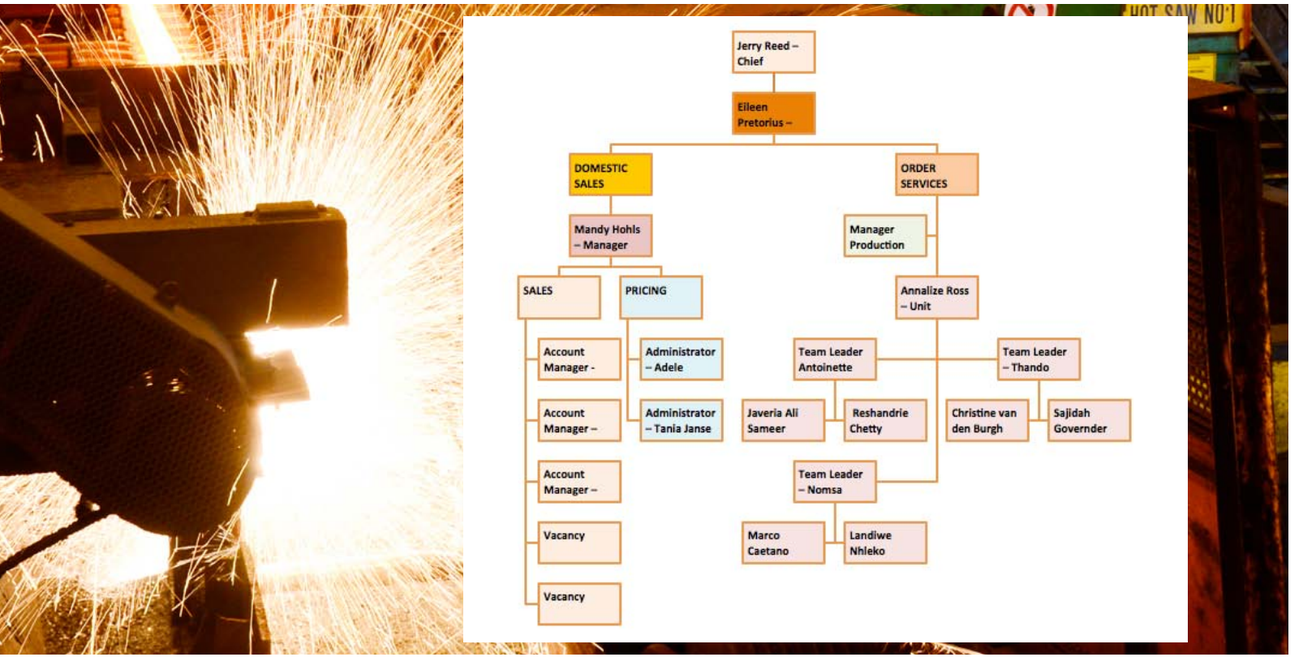
Eileen

MARKETING'S MAKEOVER

Both Order Services and Steel Marketing have undergone restructuring in order to improve services levels.

This improvement is driven by individual attention to customers, internal exposure to all products and processes (flat products, structural, export shipments, etc), and new positions created and vacancies to be filled.

As of 3 September 2012 the teams looked as follows:



NEW DIRECTION FOR COMMERICAL AND BUSINESS DEVELOPMENT

Evraz Highveld has appointed Jerry Reed as Chief Commercial and Business Development Officer, reporting directly to the Chief Executive, Mike Garcia, from 15 October 2012.

Jerry, who joined the EVRAZ Group in 2011 as Senior Vice President of Business Development for North America, is responsible for EVRAZ Highveld's commercial strategy as well as the successful sales and marketing of the company's steel products in South and sub-Saharan Africa. Jerry will also lead the Business Development Function where he has responsibility for the analysis and implementation of growth opportunities.

EVRAZ EVRAZ HIGHVELD STEEL AND VANADIUM

THE PEOPLE BEHIND THE PRODUCT

Our new Chief Operations Officer, Jaco de Klerk, took over from Franz Holy on 1 October 2012. Franz will be returning to Europe once his contract ends in the first quarter of 2013 and will continue to manage a portfolio of strategic projects until this time.

Jaco began his career at EVRAZ Highveld as a production assistant at rand Carbide. Over 15 years he held various positions before taking on a related role overseas. He rejoined the company as Deputy Chief Operating Officer.

Reporting to Jaco are key individuals involved in producing quality, on-time, products for our customers.

Mark Eaton –

Works Manager Steelmaking.

Mark has been with the company for over a year and accountable for the safe operations of the steelmaking area.

Jacoline Botha –

Manager Metallurgical and Quality Control Division. Jacoline is responsible for laboratories, mechanical testing and certification, product quality control an inspection of final product.

Jaco Steyn –

Manager Flat Products.

Jaco has been with the company for 13 years and is responsible for the manufacturing of plate and coil products.

Jaco Pienaar –

Manager Structural Mill.

Profile products - universal columns, parallel flanged beams, channels, angles, rounds, and billets are rolled in Evraz Highveld's universal structural mill, a semi- automatic combination installation.

Derek Pienaar -

Plant Manager for Ironmaking.

Derek is responsible for coordinating the production of Pig Iron to be delivered to the Steelplant.

FAREWELL AND WELCOME

Annette Kotze (right), retired from the company after 38 years of valued service. Theresa Davies (left) has been appointed Mike Garcia's (centre) Personal Assistant.

EVRAZ EVRAZ HIGHVELD STEEL AND VANADIUM

SEEN AT THE ANNUAL CUSTOMER FUNCTION

A big thank you to all who attended the annual EVRAZ Highveld customer function on 1 November 2012. It has been a tough year for EVRAZ Highveld and many others in the industry and the event was an opportunity to thank our customers for their on-going support.

Left to right: Javeria Ali Sameer (EVRAZ Highveld), Liezel Richter, Daleen Herselman, Addelize Hopley, Karien Geldenhuys (all Aveng Trident Steel)

Left to right:
Mervyn Dansie
(EVRAZ Highveld) and Chris Soames
(George Stott & Co)

Left to right: Michael Perimal (EVRAZ Highveld), Alessandro Guerra (Guerra Steel), Daniele Guerra (Guerra Steel) and Yugan Naidoo (EVRAZ Highveld)

ENVIRONEERING THE FUTURE

Mapochs Mine – EVRAZ Highveld's Roossenekal, Limpop operation mining titaniferous magnetite ore - is responsible for rehabilitating disturbed land as a result of mining operations. This is not only a compliance requirement but also part of the Duty of Care principle the mine has to look after the environment.

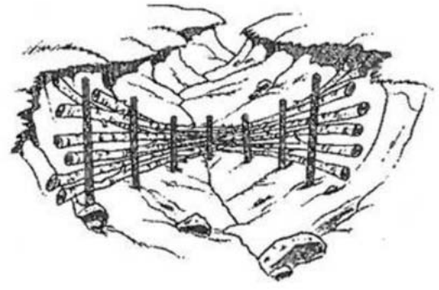
In early 2011 the EVRAZ Highveld environmental department, together with Mapochs Mine, initiated a one of a kind project where the development of an integrated rehabilitation plan commenced. Weeks of fieldwork commenced where every corner of Mapochs Mine was ground-truthed and the ecosystem was assessed together with understanding of the current levels of biodiversity at Mapochs Mine.

Intensive studies were done on the soil, plants, aquatic ecosystems and animals of Mapochs Mine. This fieldwork was crucial to understanding the Mapochs natural environment so that a rehabilitation plan could be developed suitable for the environment at Mapochs Mine.

Before the integrated rehabilitation plan can be fully implemented, it is necessary to conduct a trial in certain areas. The site has little cover and steep slopes as evidenced in the pictures below.

The environmental modelling is nearing completion and the project is well on track. Water management is particularly important so as to limit silt from migrating into water courses or water habitats, and to limit erosion from the area. To avoid this Mapochs will employ biological engineering methods and use natural materials as much as possible. Examples of this are in the following illustrations.

This project will be one of the first integrated rehabilitation methods implemented in South Africa on a very challenging area in South Africa and a true sustainable project in the mining environment



CO-GENERATION CLOSER THAN EVER

Co-generation still remains a target for EVRAZ Highveld and we are undergoing an initial environmental impact assessment for a co-generation plant which will convert off-gas energy produced at the iron plan into electrical power through steam generation.

Dependent on final process design and capacity converted the plant should produce an estimated 75 MW to 150 MW of power. If all goes as planned we are looking at construction starting in 2013 and commissioning two years later.

However, we are implementing new reduction technology at the iron plant to reduce iron ore to metal contact before it is placed in the furnaces. This technology - being reviewed by the multi-disciplinary services firm Hatch – will significantly reduce EVRAZ Highveld's energy consumption and overall process efficiency, and therefore influence the design of the co-generation process.

These two initiatives form part of EVRAZ Highveld's continuous improvement drive to improve efficiency and reduce costs. There are a number of projects underway that will move the company down the cost curve, improve our competitiveness and make us more sustainable in the South African market.

OUR BUY BACK SCHEME WITH ESKOM

Not unlike many other companies of our nature and size, EVRAZ Highveld has a power buy-back agreement in place with Eskom. This means that we curtail our electricity usage when required and make a portion of that available to Eskom. Our demand is not capped at a certain level and we run unconstrained until Eskom needs us to take some demand off-line. This off-sets some of our electricity costs.

Although it is a permanent agreement it can be terminated with one month's notice, and is regularly reviewed.

A COMPETITIVE FUTURE

Rising energy, labour and raw material costs have contributed significantly to pressure on the steel sector in South Africa. Globally there are cost challenges but these appear to be escalating in the South African market.

Our CEO, Mike Garcia, sees a more competitive future for EVRAZ Highveld: "We have embarked on an aggressive cost-shedding exercise which has seen restructuring within the company and intensive scrutinising of operational efficiencies and practices. The strategic projects in place – including the new co-generation process and reduction technology – form a major part of our future success

A REFLECTION ON TIME AT EVRAZ HIGHVELD

We asked Trish Hatton to reflect on her time at EVRAZ Highveld as she prepared for her exciting move from behind the desk as Superintendent Logistics & Shipping Administration.

Says Trish:

"Malcolm and I emigrated here to Witbank from England after Malcolm was interviewed in the UK by Bunny Turner and Reg Callahan. We arrived on 13 April 1981 with our son Dean (who was one week off turning two years old). Malcolm was initially employed as a fitter in STM phase 3, and I started at EVRAZ Highveld three months later in Order Services which at that time was part of Production Services and not Steel Marketing.

My previous employment in the UK revolved around running a payroll department so suddenly moving from an HR function to a production and export environment was a great challenge.

In those days EVRAZ Highveld had no PCs , faxes or e-mail. Everything was handwritten with the novelty of a teletex machine for transmitting messages externally. Each phase of technological growth thereafter brought even more exciting challenges.

Time passed and both Malcolm and I grew with the company and remained loyal through the good times and bad.

In 2008 Malcolm officially retired after 27 years of service but I have carried on for another four. Dean also started with the ECRAZ Highveld group so as a family we have in the region of 68 combined years of service.

Finally, after a few years of debating where to permanently retire to we decided it was time to return to the UK. This has not been an easy decision as I have spent more of my life here and both South Africa and EVRAZ Highveld have been good to us throughout the many years.

We will miss many people especially our family here Dean, Johanita and the grandkids. We will miss the sunshine and the many timeshare holidays we have had, but I know for sure we will return as often as we can.

Our plans for the future are to catch up with remaining UK family and set up a new home. Thereafter we intend to travel the UK and return here to visit Dean as often as we can and I hope to also pick up again on drawing and painting".

Good luck Trish – we'll miss you!

DISPELLING THE MYTHS – FORMABILITY

The misconception exists that all structural steel grades are formable and could be used in such applications without further considerations or precautions.

All structural steels are expected to display some formability and the elongation values specified on the standards are the minimum required to allow certification of the material. The mechanisms applied during production to obtain the minimum strength properties required often adversely affect the formability of the material. For this reason the majority of structural steel standards include a section addressing the formability of the material.

Traditionally structural steel standards recommended a bend test to be carried out to determine the formability of material. According to this test, material should show no cracks after bending through a diameter of 3 x the thickness of the material and through a minimum angle of 90˚C (equivalent to a bending radius of 1.5 x the thickness of the material).

The European standardisation body opted for elaborating on the formability of structural grades in the most recent version of the EN 10025 standard i.e. 2004 (on which the SANS 50025 standard is based). No formability requirements are specified for the standard structural grades. The standard separately lists structural grades suitable for cold forming and cold roll forming and assigned a different designation to these grades.

The standard does document the minimum recommended bending radius for each thickness as well as the direction of the bend in relation to the rolling direction. It further specifies different bending radii for each strength grade – acknowledging the effect the higher strength properties have on formability.

The minimum bending radius recommended for the EVRAZ Highveld flat products thickness range and of the lowest strength grade is 1.5 x thickness. The bending radius for the high strength grade is specified as twice to 2.5 x the thickness of the material.

Thus during the forming or rolling process of structural steel products it is extremely important to adhere to the applicable standard's prescribed bending radius. When a radius smaller than the standard radius is used the manufacturer needs to recognise the risk of premature cracking of the material. Although EVRAZ Highveld does not certify the formability of structural steel products, we guarantee that all instances of premature cracking during forming or rolling of the material will be investigated, provided the manufacturer can prove adherence to the standard's specified bending radius. This guarantee applies to normal grades and not only to the improved formability grades.

It remains important to also remember to use structural steel grades only when certified strength properties are required. EVRAZ Highveld produces several grades for which the strength properties are not certified/specified but the product is produced in such a manner to ensure improved formability compared to structural steel grades.

A WORD FROM SAISC

By Hennie de Clerq –
Executive Director, SAISC

Most of the steel produced by EVRAZ Highveld ends up in structures, especially the heavy sections, but also a lot of the plate. So, if EVRAZ Highveld would like to see the market for its products grow, it makes every bit of sense to develop the market for steel structures.

This is precisely the area in which the SA Institute of Steel Construction

operates. The mission of the Institute is to promote the use of steel in construction, in preference to concrete, timber and other materials, in any way it sees fit.

Now, if one thinks about the construction industry, and leaving out houses and other small structures, it is quite striking that most structures are already built in steel. Think of industrial buildings and warehouses, shopping centres, structures for the mining and the petrochemical industries, other industrial plants, towers, transmission lines, big advertising boards, and many others.

But there are two types of structures that are mostly built in concrete in this country, unlike in some other countries: bridges and multi-storey buildings. Bridges are a small market, but office buildings, parking garages, schools, hotels and other buildings with more than one storey add up to a very attractive market.

The Institute is working on steel solutions for that market. We have a brand new concept for office buildings in development and will soon build a part of such a building to test this highly innovative approach. At the same time, we are working on approaches to make structures more economical, for example by reducing the cost of protecting these structures against fire (steel doesn't burn, but the heat of a fire can cause the beams and columns to become all distorted). We hope soon to be able to prove that steel structures can now be built cheaper than concrete structures, so that we can really start pushing steel.

Another area of concern to the Institute is to protect the market of the local steel construction industry. We all know how subsidised products from certain countries tend to be brought in and destroy our local industries, and we can't allow this to happen to structural steel. The Institute is very active in this field, and over the past few years we have been successful in preventing the importation of many tons of steelwork from abroad. This has saved many, many jobs.
At the same time, we are, through our sister organisation ISF, promoting the export of fabricated structural steel. The combination of promoting exports and fighting imports seems like the recipe to follow at present.

A thing that sets structural steel aside from other applications is that every structure is unique and has to be designed from scratch. This means that a large number of engineers, architects, draughtsmen and others have to be trained and educated in specifying steelwork. This is actually a great market development opportunity – we teach the professions how to specify our product, and at the same time how good the product is, how it can be applied innovatively, etc.
So education is a big thing for the Institute. We run many courses, we are heavily engaged with the universities, we even have a school where young people can do a two year course to become structural steel draughtsmen.

One final thing: if an engineer or architect wants to specify a product made of steel produced by EVRAZ Highveld, where does he/she look for the information? Well, in the Institute's Red Book, of course! This demonstrates how the SAISC has become the vehicle by means of which the steel mills get information to the vast group of people who are the users of their products.

The Institute has become an essential part of the steel industry in South Africa.

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