



# EVRAZ

## Evraz Highveld News

### 2010 FINANCIAL RESULTS ANNOUNCED – Strong strategy going forward to improve productivity and efficiency

Evraz Highveld's annual financial results were announced on 17 March 2011 - detailing 2010 as a very challenging year.

In their presentation to analysts and media in Johannesburg and later in Cape Town, the CEO Scott MacDonald and FD Bernie de Beer focused on six key areas in their review of 2010:

Key financial indicators were:

| 2010                           | 2009                             |
|--------------------------------|----------------------------------|
| EBITDA loss of R263 million    | Positive EBITDA of R477 million  |
| Headline loss of R383 million  | Earnings of R167 million         |
| Operating loss of R823 million | Operating profit of R192 million |

#### A TWO-STAGE STRATEGIC APPROACH

CEO Scott MacDonald is leading Evraz Highveld's two-stage strategic approach to improve Evraz Highveld's performance. "Whilst we will always be at the mercy of market conditions, there are actions we can take to ensure that our productivity and efficiencies are vastly improved," says MacDonald.

"Stage 1 focuses on the implementation of a robust

#### 1. Health and Safety

Safety has been identified as the top priority of the Company. Stringent action plans have been put in place to reduce the number of incidents.

#### 2. Key financials

The main contributors to the R823 million operating loss were:

- the 13% strengthening of the Rand;

commercial plan linked to a quantum leap in productivity and efficiency driven by high levels of customer service with 95% on time delivery. Stage 2 sees the implementation of significant CAPEX plans focusing on manufacturing to further enhance the achievements of Stage 1.

"Our strategy is to focus on safety and health and overall business improvement," MacDonald concludes.

- impairment of R230 million for the channel induction furnace;
- substantial increase in energy costs;
- additional maintenance costs; and
- an increase in provisions.

#### 3. Operations

Casted steel output was less than planned mainly as a result of disruptions in the gas supply and operational shutdowns.

#### 4. Markets

Domestic steel sales volumes increased by 8%. Export sales volumes of both structurals and flat-rolled products increased significantly. However, imports into SA continue to increase.

#### 5. Granting of new order mining rights

The Department of Mineral Resources (DMR) granted the Company's application for the conversion of old order mining rights on 28 January 2011, which will bring about the finalisation of the empowerment transaction with Umnotho weSizwe.

#### 6. Outlook

There are indications of market improvement as demand and prices pick up. A strong strategy is required to capitalise on this which is being finalised.



Picture: Scott MacDonald, Evraz Highveld CEO

# NEW BUSINESS OVERVIEW PROGRAMME TO ASSIST NEWCOMERS

The first ever presentation of the Evraz Highveld Business Overview Programme took place on 15 and 16 February 2011 at The Central Training Unit. This two day tailor-made programme is an initiative aimed at integrating recently appointed Senior Managers into Evraz Highveld and Evraz Group and to share the Company's strategy and objectives.

In this interactive programme, departmental heads are given the opportunity to share their divisions' vision, strategy, structure and goals with the delegates.

Evraz Highveld also has several Induction Programmes that are offered to on-boarding incumbents to ensure the effective integration of employees into or across the organisation for the benefit of both the individual and the organisation. It is during this type of induction that employees get to know each other and about the organisation's culture and values, physical work environment, employee rights and responsibilities along with key business processes.

The launch of this programme was a success and will in future be rolled out to include other management levels and shop stewards.



From left to right (standing): Malcom Simpson (General Manager Projects), Mandla Mabele (Shift Manager), Khethani Mphaphuli (Manager Continuous Casting), Jerry Molefe (General Manager HR), Peter Suchanek (Steel Technologist), Mandla Ndlozi (Manager Health & Safety), Siphso Sibeko (Project Manager), Mylin Pather (Senior Metallurgist), Xolani Hlakanyana (Section Manager Reporting).

From left to right (sitting): Natasha Thomas (Unit Manager Legal Services), Sindi Nsele (Unit Manager Investor Relations), Kefilwe Mothupi (Manager Procurement & Stores), Thabisile Mchunu (Manager Transformation), Farhana Rahaman (Unit Manager Treasury), Marelie Greyling (Head Remuneration).

## CREATING A POSITIVE TRAINING ENVIRONMENT

Evraz Highveld is committed to creating a training environment in which students of ability and application can develop rewarding careers at all levels in the engineering and related fields. Over the past 35-40 years Evraz Highveld has consistently given bursaries to students studying in the Engineering fields.

Of the bursars that completed their degrees with Evraz Highveld, the majority were appointed as Engineers-in-training (EITs). We have a number of bursars that with their exquisite performance and hard work went on further to be appointed as Technical Assistants or Junior Engineers and

went on to make their way up the corporate ladder.

Currently Evraz Highveld has 19 Bursars and 10 EITs across the metallurgical, mechanical and electrical engineering fields, and it is our goal to increase the bursary opportunities for more students that would like to pursue their careers in Engineering.

At a recent function Pavel Tatyatin, Senior Vice President and Head of International Business, and Ms Natalia Ionova, Vice President for Human Capital, encouraged the bursars and EITs to achieve the best of their ability during their studies and training.

# NEWS FROM MAPOCHS

## MAPOCHS RETAINS OHSAS 18001 CERTIFICATE

Global leader in independent testing and assessment services, TÜV Rheinland, has reawarded Mapochs Mine its OHSAS 18001 certificate following an audit on 17 and 18 January 2011.

It is imperative that even though the certificate was retained, we continually look at ways of improving the system. Identifying gaps and focussing on them will assist us in reducing incidents and accidents, as well as minimising occupational diseases of employees at the Mine. This is particularly important in light of the five nonconformities recorded against the Mine.

We must continue to strive for a safe and healthy workplace that we can all be proud to come to every day.

Let us continue in the spirit of "Re mmogo" on occupational health and safety matters as well!



## MINING RIGHTS CONVERSION APPLICATION GRANTED

The Department of Mineral Resources (DMR) granted Evraz Highveld's application for the conversion of its old order mining rights on 28 January 2011. The formal process of notarial execution and registration is expected to be completed within the first half of this year. This will bring about the finalisation of the empowerment transaction with Umnotho weSizwe for the Mapochs Mine.

## NEW HOPE AND GROWTH FOR ROOSSENEKAL

On 7 December 2010, Evraz Highveld representatives met with key leaders and officials of the Roossenekal community, and on 14 December, with about 200 people from the broader Roossenekal community, to bring a message of good news.

These meetings, and the meeting with employee union leaders of Mapochs Mine on 15 December, were to discuss the Company's commitment



During the meetings the community leaders expressed their sincere gratitude to Evraz Highveld for bringing such new found hope to an impoverished community.

to the implementation of Local Economic Development (LED) projects in the Roossenekal community. The first of these projects is the Roossenekal Agricultural and Hydroponics Community Development Project which will focus on job creation and enterprise creation through the establishment of an Agricultural-Hydroponics development hub. The second project is Project Restore which will see the establishment of an indigenous nursery for rehabilitation of Mapochs Mine and other mines.

Both projects will establish other downstream community based economic industries, which will further create jobs and income streams for the community.

More good news is that the Roossenekal community will benefit from the establishment of the Mapochs Mine Community Trust, whereby 3% of the mine's equity will be given to the Roossenekal Community. The Trust will administer dividends received from the Mapochs Mine through the execution of poverty alleviation and social upliftment projects for the benefit of the community. Not only will the community receive substantial benefits from the implementation of the Mapochs Mine LED projects, but also from the Mapochs Mine Community Trust.

# SHEQ MAKES A DIFFERENCE

An initiative by Ms Marina Colledge, SHEQ Coordinator at Production Services, saw three employees winning themselves some lovely prizes.

A safety competition was run within the division where SHE related questions were sent to employees. Written answers had to be submitted and the winner drawn from those submissions. Three



**Ms M Colledge, SHEQ Coordinator at Production Services, has a big heart for the wellbeing of all employees within the division**



**Mr. Dlamini, a Boilermaker at Production Service, receiving his prize**

employees submitted the correct answers and the judges decided to award each of them with a prize.

It is hoped that the next round of the competition will see more employees sending in their entries and at the same time creating more safety, health and environmental awareness amongst their colleagues.



**Mr. Rashokene, a Master Electrician at Production Services, celebrating after receiving his prize**

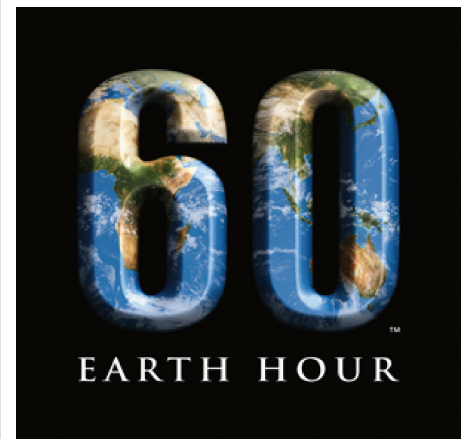


**Mr. Lesese, a team member at Production Services, receiving his prize**

Iconic buildings and landmarks from Asia Pacific to Europe and Africa to the Americas switched off. People across the world from all walks of life turned off their lights.

Earth Hour 2011 will take place on Saturday 26 March at 8.30PM. On the official website, the organisers are stating that "This Earth Hour we want you to go beyond the hour, so after the lights go back on think about what else you can do to make a difference. Together our actions add up." <http://www.earthhour.org/About.aspx>

This year is especially important for South Africa as we will host the crucial COP17 climate change conference in Durban in December and will once again be in the global spotlight. This annual conference is where world leaders meet to assess progress in dealing with climate change and negotiate obligations for reducing greenhouse gas emissions.



This year, Earth Hour is asking everyone to "go beyond the hour" and commit to an on-going personal action to benefit the environment. With COP 17 on the horizon, it is especially important for people in South Africa to make their voices heard and to go beyond the hour.

[http://www.wwf.org.za/earth\\_hour\\_2011/](http://www.wwf.org.za/earth_hour_2011/)

How will you "go beyond the hour"?

EARTH  
HOUR

Earth Hour started in 2007 in Sydney, Australia when 2.2 million individuals and more than 2,000 businesses turned their lights off for one hour to take a stand against climate change. Three years later, on Saturday 27 March, Earth Hour 2010 became the biggest Earth Hour ever. A record 128 countries and territories joined the global display of climate action.

# QUALITY

– DON'T ACCEPT ANYTHING LESS

We all expect quality products and service from shops, restaurants and other retail outlets. We demand safe houses and neighbourhoods and working environments. We all want to live in a clean and healthy environment. If we won't accept anything less, why is it that when we are on the supply end of the chain, we forget that our customers expect the same? SHEQ stands for Safety,

## What is SHEQ and what does it mean to us?

Health, Environment and Quality. For us to be able to remain in business and operate in a safe and healthy environment, and produce quality products to sustain us into the future, we need to have a system in place to help us do exactly that.

Three international guidelines are used to assist us in implementing and maintaining such a management system:

- For quality: ISO 9001;
- For environment: ISO 14001; and
- For Occupational Health and Safety: OHSAS 18001

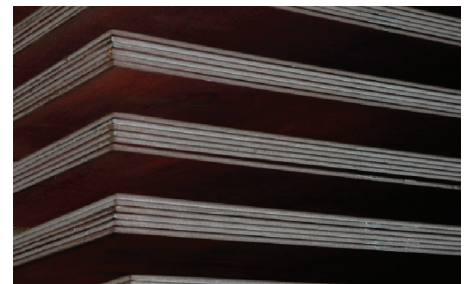
These guidelines have been integrated for Evraz Highveld and they are the core of our SHEQ policy, which outlines how we will comply with the requirements of this integrated system's requirements.

Each one of us has a key role to play. It is neither top management's responsibility alone nor only that of employees on the shop floor, but a combination of everyone's efforts that makes it work.

The Quality guideline, ISO 9001, tells us how to ensure that the products we produce are internationally acceptable, as well as how the services we render can be enhanced to ensure that our customers are happy. Without an ISO 9001 certificate it is difficult to do business in local or export markets. An ISO 9001 certificate reassures our customers that what we produce is indeed the best in the market as it is endorsed by an external auditing body.



Stacked material at the Structural Mill Finishing End



Plates ready for dispatch after final inspection



Beams ready for dispatch after final inspection



Finished coil ready for dispatch

In South Africa, PriceWaterhouse Coopers (PWC) estimates that 72% of companies have fallen prey to economic crime. It is thought that in the United States, the average company loses 6% of its total annual revenue to internal fraud and abuse. At Evraz Highveld an anonymous tip-off line is available to protect the Company and its employees from dishonest, unethical and illegal activities in the workplace.

### What should be reported?

#### Any wrongdoing

- Theft, fraud, crime syndicate activities

#### Not obeying the company policies and procedures

- Overriding of controls
- Sharing of user IDs or access badges

#### Theft of time

- Playing computer games during company time
- Incorrect information on manual clocking slips
- Extended lunches
- Prolonged personal calls

#### Highly sensitive issues

- Sexual harassment, nepotism, racism

# DISHONESTY IN THE WORK PLACE

One of the most serious issues facing business today

#### Abuse of company property and equipment

- Making excessive personal calls
- Use of internet, fax machine and company equipment to run your own business

#### Bribery and corruption

- A supplier offers a kickback to an employee to gain a tender

#### Not obeying the law

- Alcohol/drug abuse
- Non-roadworthy vehicles
- Collusion with external and internal parties
- Paying/receiving bribes to/from external parties

#### About Gifts

It's not unusual for companies to send clients small tokens of appreciation after closing important business deals, or to invite them to the occasional lunch. As long as these gestures don't come with strings attached, they're generally considered gifts. If someone expects something in return for a gift,

the gift is a kickback or bribe. Kickbacks might be offered in exchange for steering business to a particular company. An employee that accepts kickbacks for making sure a preferred vendor gets the work is also guilty. At the very least, these kinds of actions compromise business ethics and improperly influence decisions.

#### Are gifts acceptable?

At Evraz Highveld you are only allowed to accept gifts if these gifts were declared to the Company Secretary for approval, and such approval was granted.



24 hours a day  
35 days a year  
Absolute anonymity  
0800 213 112  
trust@tip-offs.com

## MESSAGE FROM EKATERINA BELYKH ON MAINTENANCE

We started the Maintenance Optimisation Project in October 2010. During the past five months we have been working hard to design a new maintenance system that allows us to:

- implement a comparable maintenance system across the Evraz group;

- get a better understanding of equipment criticality and technical status to inform management decisions; and
- implement an effective maintenance planning and budgeting processes.

All the process maps have been designed and new maintenance

guidelines have been developed. March sees the start of the implementation of the identified initiatives and the modification of the Evraz Highveld maintenance system.

*Ekaterina Belykh has since taken up another post in Moscow and is no longer with Evraz Highveld.*

In an effort to reduce the pollution it was decided to reinstall the Kiln raw gas stack caps. The Iron Plant piloted the project at Kiln 9, with a brand new design by Hatch.

The stack cap was fabricated by Engineering services workshops and installed by Services' Riggers and then commissioned and adopted by Iron Plant personnel.

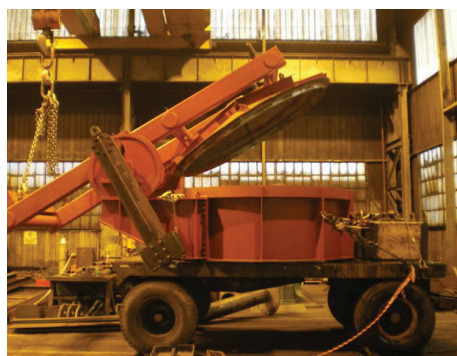
Most of the material used was sourced from inside the works. The cap diameter is 2,5metres and weighs in the region of 8 tons. It is powered by two process or manually controlled pneumatic cylinders at 6-8bar. The cap was designed to be fail-safe so that in the event of a power dip or process fault the cap would open to ensure that all pressure would be released and not contained within the tower.

The exhaust gas that comes out of the kiln contains Pulverized Fuel (PF) as well as other metallurgical dust and gasses which can cause environmental problems, including visual pollution. The stack cap project will not only reduce the pollution but it will also theoretically improve the combustion inside the kiln shell and the gas towers thus possibly enhancing the kiln output. After successful signing off of this pilot project it will be rolled out to other kilns starting with Kiln 10.

The stack cap project is just one of the projects Iron Making is busy with to reduce environmental impact.

Hats off to all the individuals and departments that pulled together to make this project a success!

# STACK CAP PROJECT REDUCES IMPACT ON ENVIRONMENT



The Evraz Highveld clinic offers a free confidential HIV/Aids testing, counselling and treatment service for employees and family members.

**This service aims to prevent the spread of infection and to care for those infected or affected by HIV/Aids.**

It is vital that we all know our HIV/Aids status. For those who test negative, we need to ensure that we maintain a healthy lifestyle to maintain our negative status. For those who test positive, it is important that we immediately start treatment and lifestyle changes to ensure that we cope with the disease in the best way possible to minimise the impact on the quality of our lives, and that of our families and friends.

The best way do this is through voluntary testing and knowing your HIV/Aids status. Members of the Evraz Highveld management team recently found out their statuses by participating in the Evraz Highveld Steel Voluntary Counselling and Testing (VCT) programme.

Sister Maggie says: "HIV/AIDS is an indiscriminate killer disease that affects young and old, poor and rich. We all need to fight it with passion by testing regularly as requested or advised. It is best to test early rather than to wait until you are sick with related HIV illnesses. I ensure total confidentiality, whether the results are positive or negative.

The treatment is provided by the Aurum Institute, for free at the clinic and it also caters for your immediate family members. This saves you time and money because you will receive

your treatment at the clinic at your workplace and for free.

Currently, the percentage of employees taking part in the VCT programme is unsatisfactory. Everyone should encourage their colleagues to get tested, now!"

# SAFE, SECRET, AND POTENTIALLY LIFE-SAVING



**Evraz Highveld managers who participated in the VCT programme.**



MAKE THE  
EVRAZ  
HIGHVELD  
NEWS  
YOURS

We hope you enjoyed reading the Q1 2011 edition of the Evraz Highveld News. Don't forget that you can contribute to the Evraz Highveld News and make it something YOU want to read. We'd love to hear about personal achievements, departmental successes, sporting prowess and community happenings.

Send your news, articles and photographs to [thealy@evrazhighveld.co.za](mailto:thealy@evrazhighveld.co.za) for editorial consideration.