



**June 2010**

## **Letter from Scott MacDonald, Chief Executive Officer**

I wish to thank management and the employees for the warm manner in which I have been accepted as a member of the Highveld team.

I believe that we should keep things simple, and that the values of loyalty, commitment and accountability with good communication will foster the climate of business and personal performance we all strive for.

I look forward to building on the achievements of the competent and experienced Highveld team to reach the maximum potential of Highveld. I have identified environmental management, BEE and Transformation, SHEQ, alternative energy sources, productivity and efficiency enhancements and the optimisation and development of Highveld's customer base as key priorities.

I thank all employees for their positive contribution in improving the general housekeeping of the entire steelworks and look forward to your continued support in maintaining a working environment we can all be proud of.

## **Highveld Steel and Vanadium Corporation Limited - History**

The company on which Highveld was founded was established in 1957 when Minerals Engineering of Colorado built a plant in eMalahleni to produce vanadium pentoxide.

In 1960 the Highveld Development Company Limited had been established to investigate the viability of processing titaniferous magnetite ore for the production of liquid iron and vanadium-bearing slag and four years later the process to build an integrated iron- and steelworks commenced.

In 1965 the name of the Highveld Development Company was changed to Highveld Steel and Vanadium Corporation Limited and by 1966 Highveld was the global leader in vanadium production.

2006 saw Evraz Group S.A. (Evraz) and Credit Suisse purchasing Anglo American plc's shareholding in Highveld, each acquiring 24.9 per cent of Highveld's issued share capital. In 2007 Evraz exercised its option to acquire the share capital held by Credit Suisse and the remaining Anglo American plc shareholding. This transaction was subject to competition related conditions set by the Commission of European Communities, namely that certain of Highveld's vanadium-related assets be divested.

On 29 August 2008 the conditions set by the Commission of the European Communities for Evraz were met and Highveld became a part of the Evraz Group S.A. registered in Luxembourg.

Highveld currently employs 2 390 people who contributed to an annual production of 687 990 tons of steel and 46 614 tons vanadium-bearing slag, produced in 2009.



## Evraz at a glance

Evraz Group S.A. is a large vertically-integrated steel, mining and vanadium business with operations in South Africa, Russia, Ukraine, Europe, USA and Canada. The Company was ranked the 15th largest steel producer in the world based on crude steel production in 2008. In 2009, Evraz produced 15.3 million tonnes of crude steel and sold 14.3 million tonnes of steel products. Evraz's consolidated revenues for the year ended 31 December 2009 were US\$9.772 million and consolidated adjusted EBITDA amounted to US\$1.237 million.

Evraz's metallurgical assets include three of Russia's leading steel plants, steel mills in the USA and Canada as well as steel works in Ukraine, Italy and the Czech Republic. Its vanadium business comprises Strategic Minerals Corporation in the USA, Nikom in the Czech Republic and Highveld in South Africa.

Evraz Group S.A. is a public company registered in Luxembourg and since June 2005, 30.5 per cent of its issued share capital, in the form of GDRs, is traded on the London Stock Exchange under the stock symbol EVR.

## Evraz Vision is to be:

- A world class steel and mining company, one of the top five most profitable steelmakers globally by ROCE and EBITDA margin.
- A leader in the construction and railway steel product markets in Russia and CIS.
- A global player with a strong position in flat product markets of Europe and the USA.
- The lowest cost producer of crude steel in Russia and CIS through superior efficiency and vertical integration.
- A leading global producer of vanadium products.

## Highveld Products

Highveld manufactures a range of plate, coil and structural sections. We also produce vanadium-bearing slag and sell fines to Vanchem Vanadium Products (Proprietary) Limited.

Plate is used in the construction industry for the fabrication of girders, support structures and bridges; in the fabrication industry for the manufacturing of liquid storage facilities, including tanks, pressure vessels and boilers; and in the ship-building industry.

Coil is used in the construction industry for the cladding of buildings and bridges; in the fabrication industry for the production of cold-formed sections, tube and pipe; in the engineering industry; and in the ship-building industry.

Structural sections are used in the construction industry for support and structural steel frameworks; in the fabrication industry for the manufacturing of cars; trucks and trailers; and in the transport and mining industries for light-gauge rail tracks.

Slabs are used for the production of plate and coil.

Billets are used for the production of rebar, but also for merchant bar.

Vanadium-bearing slag is co-produced with iron from magnetite ore at the integrated Steelworks operation and sold locally and internationally to independent converters for the downstream production of vanadium-bearing products, and to Hochvanadium, a wholly owned subsidiary of Highveld.



## Highveld's steel building South Africa

Construction on the new Heineken/Sedibeng brewery situated in Meyerton commenced in 2008 and the brewery was completed in 2009. This is a perfect example of the speed of steel construction. In this case the steel, which was supplied by Highveld, was not only well ahead of competing material but provided an aesthetically pleasing solution for the brewery.

The MacSteel Trading project team worked closely together to ensure that the venture was completed on time. This involved special mill rolling by Highveld to reduce wastage and cellular beam fabrication.

Continuous and simply supported cellular beams were detailed into concrete columns to provide large (30m) internal spans which are efficient, shallow, clean and pleasing to look at.

Highveld supplied the project with more than 700 tons of 533x210x92 universal beams and 100 tons of 533x210x109 universal beams which were expanded to 850x210 cellular beams.

The project highlighted the successful co-operation between steel players in the industry, particularly the assistance received from Highveld.

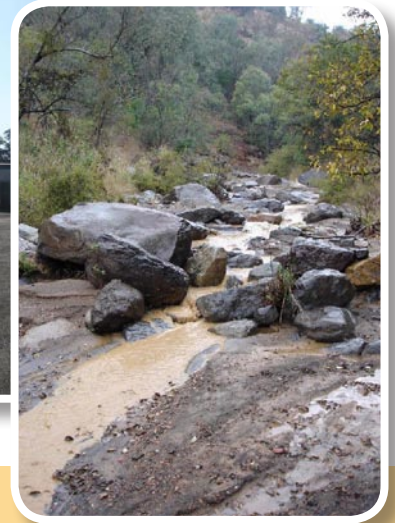
Highveld is also involved in the supply of steel to the ongoing Medupi and Kusile Power Station projects. In addition, approximately 6 000 tons of structural steel went into the new King Shaka Airport in KZN. Highveld has been supplying various grades of plates and structurals via local merchants to these projects.

Highveld accepted the challenge to supply a portion of the steel which went into numerous soccer stadiums throughout South Africa and we are proud to be associated with the success of these projects.

*(Information on Heineken Brewery supplied by Paolo Trincherio, MacSteel Trading)*



**The establishment of a dedicated environmental management unit for Highveld during 2009 not only signified the dawn of a new era for Highveld but it also demonstrated Highveld's commitment to strive to voluntarily compliance with legal requirements for waste and water quality management, biodiversity requirements, land management, water and energy conservation and air quality management (including emissions control). The environmental department consists of a waste management unit (which includes solid and industrial process waste management and a spillage response unit); an environmental monitoring unit; an environmental management compliance-, community awareness-, mining- (which includes mine rehabilitation and environmental responsible mining practices) and air quality and terrestrial management unit.**



The environmental department aims to position Highveld as one of the industry leaders in minimising the impacts of its mining and manufacturing activities on the environment through innovation, sustainability and environmental best practice. Initiatives to achieve this goal include active programmes and initiatives encompassing: integrated environmental management, stakeholder communication, integrated water and waste management, air quality management, biodiversity conservation, sustainability science, habitat rehabilitation and ecological engineering.

**“We recognise our environmental responsibility. We make every effort to reduce the impact Evraz operations may have on the environment and strive to develop our business without compromising the needs of future generations.”**

**(Evraz's Code of Ethics)**



Highveld's initiatives to monitor, assess and manage the direct, indirect and cumulative effects of its business on the environment are based on a wide range of national and international measures, standards, best practices and principles. The environmental department is also proud to have established its own experimental environmental laboratory where a multitude of propagation, cultivation, environmental and microbiological analysis and environmental experiments will be performed in future for purposes of implementing environmental projects at full scale.

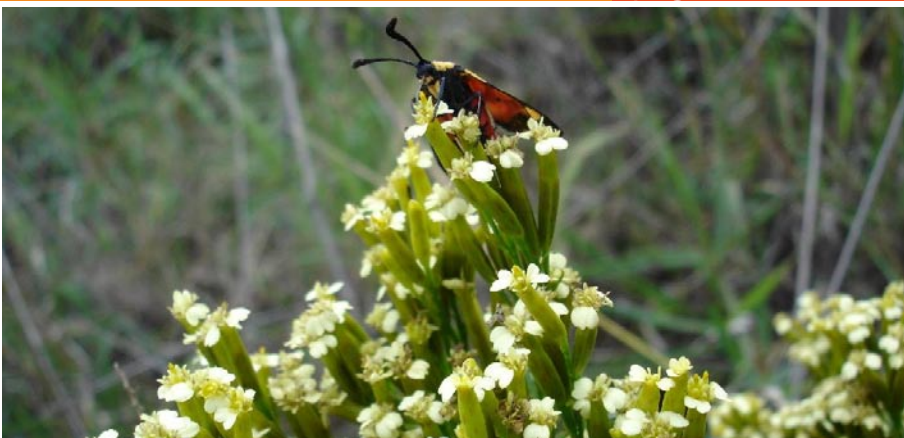
In 2009, the various facets of Highveld's environmental focus have been integrated into an environmental management plan, which is to be finalised and fully implemented in 2010. It establishes the framework for measuring and monitoring all environmental issues, and includes a specialised emission control, environmental management and biodiversity strategy. This integrated plan was developed by means of applying environmental best practice and the duty of care principle.

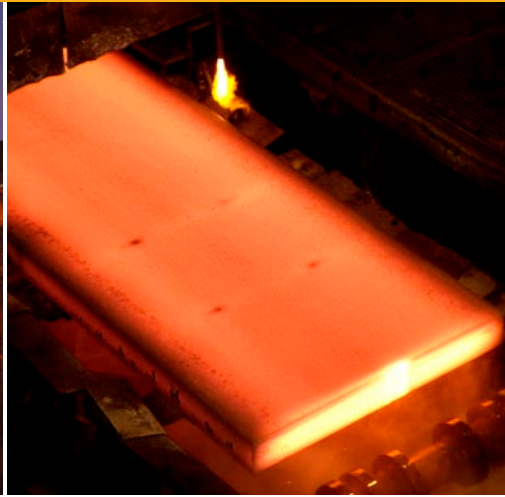
Key projects planned for 2010 include: biodiversity assessments for both the Steelworks and Mapochs Mine, finalising the biodiversity action plan for both the Steelworks and Mapochs Mine and the subsequent implementation thereof which will also include an alien invasive plant eradication programme, the implementation of the industrial waste management plan for the Steelworks, implementing Project: Restore at Mapochs Mine, finalising the air quality management plan for Highveld and developing and implementing the integrated air quality monitoring programme (which includes ambient and point source), the implementation of dedicated environmental awareness programmes at the Steelworks and the implementation of the integrated environmental management plan for the Steelworks.



**“Highveld aims to become one of the industry leaders in environmental innovation, environmental best practice implementation and moving towards sustainable industrial ecology.”**

**(Highveld's Environmental Department)**





## Investors visit Highveld

Highveld has established a more transparent investor relations strategy whereby open communication with investors, analysts, stakeholders and the community will be focused on and actively improved. The strategy was kicked off with media interviews on 24 March 2010 after the Board meeting and presentations of the 2009 annual financial results to investors in Johannesburg and Cape Town. The presentations were well received and good working relationships are being established.

A site visit of the Steel Plant took place on 31 March 2010 and some investors and analysts even flew up from Cape Town to attend.

Transparent communication and the development of relationships with all Highveld's stakeholders, including the surrounding communities will be a key focus point of the Corporation.

The next investor presentations are scheduled for 30 and 31 August 2010 after the release of the interim results followed by a site visit on 2 September 2010.

## Evraz Highveld Community Forum

The Evraz Highveld Community Forum's vision is to invest in South Africa's economic transformation with a primary focus on socio economic development and a secondary focus on education and health for the benefit of the most vulnerable members of the communities where Highveld operates. Through these initiatives, Highveld aims to create opportunities to integrate marginalised communities in the mainstream of the economy.

The Forum will seek regular engagement with the local communities and other stakeholders on issues that may affect them and the support to be rendered will reflect the principles of sustainability and cost effectiveness.

Highveld recognises that its success depends on the effective application of its resources in a gainful and structured manner.

## Community Liaison

A Community Liaison Meeting was held on 25 May 2010.

The purpose of this meeting was to inform the community and stakeholders of our operations and the upstream and downstream effect we have on the community, the environment, on skills development, etc. The meeting was attended by ward councillors from the local community, representatives from the business sector, government departments and the eMalahleni Local Municipal Council amongst others.

The presentation made by Highveld management touched on key issues such as environmental matters, BEE, skills development, employment equity and the establishment of the Evraz Highveld Community Forum.

## Roosenekal Schools attend 2010 Career Expo

The Middelburg Chamber of Commerce and Industry and Steve Tshwete Local Municipality hosted the Annual Career Expo from 11 to 13 May 2010 in Middelburg. The event is scheduled by the Department of Education in the annual school calendar.

The purpose of the Annual Career Expo is to address local industry requirements, specifically technical skills shortage, and to expose the youth to career opportunities in the eMalahleni/Middelburg area. This year the focus was on Grade 9/10 learners (making subject choices) and Grade 12 learners (ready to leave school). Learners also had the opportunity to complete a Careers Workbook assisting them to identify a preferred career and where such a career can be pursued.

Different corporate organisations exhibited career opportunities in their businesses, discussed the opportunities available and how to get educated through the appropriate channels. The interaction between learners and company representatives contributed to the opportunity to promote and market industries, communicate skill shortages and to create awareness of bursary opportunities, experiential training and apprenticeship availability.

In total, 2 600 learners visited the Annual Career Expo. The opportunity was ideal to involve the three Secondary Schools in Roosenekal, an area that would normally not have opportunities to expose learners to such events. Twenty learners from each of the three Secondary Schools (Tonteldoos Secondary School, Sango Combined School and Mohlarekoma High School) were identified based on their performance in mathematics and science.

It is envisaged that this event was the beginning of a more comprehensive involvement with these schools in an attempt not only to improve the quality of education, but also to identify potential learners for further development and ultimately to secure job opportunities within Mapochs Mine.



## Health and Safety Initiatives

A total commitment to the health and safety of Highveld employees by management resulted in the launch of Project Zero Tolerance on 12 April 2010 with a three-card system being implemented to monitor and control unsafe acts and conditions in the work place.

Sanctions pertaining to the various cards include a formal enquiry and disciplinary action in accordance with the Highveld Disciplinary Code for a red card offence. A yellow card will result in formal counselling sessions for offenders, followed by a disciplinary hearing for a second offence where, as for red card offenders, employees will be disciplined according to the Highveld Disciplinary Code.

A green card entails a reward presented by management to deserving employees at an appropriate forum and communication thereof through the divisions in the form of a brief or HOTTO flash.



**Highveld is committed to: “Actively promote and improve the safety and health of its employees including contractors, service providers and visitors on site through the application of the principles of HOTTO - Highveld zero tolerance, target zero and is underpinned by the CAST IRON RULES. This is an approach to safety and health which requires an absolute adherence to standards at all times and an intolerance to unsafe acts and conditions.”**

**(Highveld’s SHEQ Policy)**

Reinforcing the commitment, a Health, Safety and Wellness day was held at the Steelworks on Tuesday, 4 May 2010. Scott MacDonald, new Chief Executive Officer, took this opportunity to address the workforce for the first time since taking over the reins in March. Mr MacDonald emphasised that health and safety were his number one priority.



Representatives from NUMSA and Solidarity also addressed employees before the workforce was entertained with safety plays based on the Corporation’s Cast Iron Rules.

Service providers assisted employees with training in the correct care and use of their PPE and Life Occupational Health offered wellness testing for employees to check their health, including cholesterol and sugar levels.

The Safety Banner/Slogan competition was won by the Structural Mill with Ironmaking taking second place. The winning divisions will both enjoy a braai to celebrate.

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