



GROUP AUDITED RESULTS

for the year ended 31 December 2011

↑ **Headline loss R15 million**
(2010: loss R383 million)

↑ **Net profit R45 million**
(2010: loss R549 million)

• **Change in directorate**

• **Successful completion
of the conversion of
Furnace 7**

Chairman and CEO's review

1. Safety

The Lost Time Injury Frequency Rate (LTIFR) as at 31 December 2011 was 1.57, this is a 16% improvement from the LTIFR as at 31 December 2010 of 1.87.

It is with the deepest regret that 2 fatalities are reported for the period.

2. Key financials

The operating loss for the period was R49 million, compared to a loss of R823 million for the same period in 2010. The main reasons for the improvement are higher sales volumes and prices. The EBITDA for the period was R153 million profit, compared to a R264 million loss for the same period last year. Sales revenue increased to R5 587 million compared to R5 125 million for the same period last year as a result of higher sales prices and a change in volume mix.

Total steel margins improved from a negative 14% for 2010, to a negative 2% for 2011. The total steel margins increased from a negative 0.1% in the third quarter of 2011 to a positive 4.7% in the fourth quarter of 2011.

3. Operations

Steel

The cast steel output for 2011 decreased by 13% to 670 880 tons, and liquid iron output by 15% to 659 603 tons compared to 2010, mainly due to the outage to convert Furnace 7 to open slag bath technology and the SEIFSA contractor strike.

Production of long products increased by 7% to 225 282 tons for the period compared to the same period in 2010, mainly due to improved demand. The production of flat products decreased by 16.5% to 287 473 tons due to the reduced availability of cast steel, and a planned mill shut down during June and July.

The improvement projects of the primary equipment in the Iron and Steel plants were completed. These projects were focused towards the improvement of equipment availability, the upgrade of hot metal rail infrastructure and the installation of seven of a possible 13 caps on the kiln raw gas stacks.

The conversion of Furnace 7 to the open slag bath design was successfully completed and reflected positively on fourth quarter liquid iron volume and vanadium recovery.

Extensive improvements were completed in the Steel plant, including vessel relining and installation of new hoods at both BOF 1 and BOF 3, and crane upgrades. Improvements were progressed at the rolling mills, following some initial challenges encountered as a result of the SEIFSA contractor strike. Most significant was a two-phase project (in August and December) to upgrade several electrical drives at the Structural mill, from which a yield improvement is evident.

Vanadium

A total of 61 083 tons of vanadium slag was produced with 8 088 Mt V for the period, compared to 64 202 tons, with 8 673 Mt V produced for the same period last year.

4. Markets

Global and local markets

Global crude steel production for 2011 increased by 7.1% to 1.49 billion tons, compared to such production for 2010. However, the global growth rate continues to slow down from the peak experienced during July 2011. The South African crude steel production for 2011 decreased by 12.7% compared to the production of 2010.

EVRAZ Highveld sales

Domestic steel sales volumes for the period increased by 15%, compared to 2010. Export steel sales volumes decreased by 35%, with overall steel sales volumes

decreasing by 1%. This was mainly due to higher demand in the local market and the volatility of the Rand that affected the viability of exports. Total semi product sales for the period increased by 26%, compared to 2010, as a result of changing market demand.

Domestic steel sales volumes of the fourth quarter 2011 increased by 18%, compared to the third quarter of 2011. Export steel sales volumes decreased by 71.5% for the fourth quarter of 2011 compared to the third quarter, with an increase of 4% for overall sales, which was mainly due to reduced production as a result of the maintenance shutdown of the mills and the SEIFSA contractor strike during the third quarter.

Export vanadium slag sales decreased by 11% to 5 764 tons V for the period compared to the same period in 2010. Domestic vanadium slag sales decreased by 68%, to 372 tons V as a result of the tolling of slag into MVO and Nitrovan at EVRAZ Vametco Alloys Proprietary Limited. A total of 1 503 tons V MVO and Nitrovan were sold during the period.

5. Change in directorate

We are pleased to announce that Mr Vusimuzi Moses Nkosi will join the Board as from today as Non-executive Director. Vusi is the Chief Executive Officer of Umnotho weSizwe, the strategic BEE partner at Mapochs Mine Proprietary Limited, a subsidiary within the EVRAZ Highveld Group. Vusi has extensive knowledge of the mining and mineral industry and sits on the boards of various other mining related companies. Vusi holds a M.Phil in International Management with the University of Pretoria.

Mr Alexander Vladimirovich Frolov has tendered his resignation as Non-executive Director with effect from today. Mr Frolov was appointed to the Board on 27 July 2006 and is Director and Chief Executive Officer of EVRAZ Group S.A. and further holds various other board positions within the EVRAZ Group. We are grateful for the invaluable contribution that Mr Frolov made towards the management and leadership of the Company since the date when the Company became part of the EVRAZ Group and we would like to convey our most sincere appreciation to him.

The process to identify and appoint a suitable candidate as an independent non-executive member of the Audit and Risk committee and director of the Board is continuing and an announcement in this regard will be made in due course.

6. Outlook

Operational and quality performance is steadily improving following the completion of the extensive capital maintenance and improvement projects. A further key focus remains the reduction of costs across all functional areas of the organisation.

However, global economic activity remains affected by mainly the ongoing European sovereign debt crises and the unstable Middle East and North Africa political situations. The resultant general contraction of global GDP growth is, therefore, expected to negatively affect demand and international prices. It has become evident that the weak global economic situation is beginning to impact on the South African economy as well, resulting in a persistent soft local steel market demand.

B J T Shongwe
(Chairman)

M D Garcia
(Chief Executive Officer)

14 March 2012

Basis of preparation

The Group's financial results for the quarter and 12 months ended 31 December 2011 set out below have been prepared in accordance with the principal accounting policies of the Group, which comply with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa and are consistent with those applied in the Group's most recent annual financial statements, including the Standards and Interpretations as listed below.

These results are presented in terms of International Accounting Standards (IAS) 34 applicable to Interim Financial Reporting.

Significant accounting policies

i) The Group has adopted the following new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2011. These Standards had no impact on the results or disclosures of the Group:

- IAS 24, Amended – Related party disclosures (effective from 1 January 2011);
- IAS 32, Amended – Classification of rights issues denominated in a foreign currency (effective from 1 February 2010);
- IFRIC 14, Amended – Prepayments of a minimum funding requirement (effective from 1 January 2011);
- IFRIC 19, Extinguishing financial liabilities with equity instruments (effective from 1 July 2010); and
- Improvements to IFRS (issued in May 2010 – effective from 1 July 2010).

ii) The following Standards, amendment to the Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:

- IAS 1, Amended – Financial statements presentation: Presentation of items of other comprehensive income (effective from 1 July 2012);
- IAS 12, Amended – Deferred tax: Recovery of underlying assets (effective from 1 January 2012);
- IAS 19, Amended – Employee benefits (effective from 1 January 2013);
- IAS 27, Separate financial statements (as revised in 2011) (effective from 1 January 2013);
- IAS 28, Investments in associates and joint ventures (as revised in 2011) (effective from 1 January 2013);
- IFRS 7, Amended – Financial instruments: Disclosures – transfers of financial assets (effective from 1 July 2011);
- IFRS 9, Financial instruments: Classification and measurement (effective from 1 January 2013);
- IFRS 10, Consolidated financial statements (effective from 1 January 2013);
- IFRS 11, Joint arrangements (effective from 1 January 2013);
- IFRS 12, Disclosure of involvement with other entities (effective from 1 January 2013);
- IFRS 13, Fair value measurement (effective from 1 January 2013); and
- IFRS 1, Amended – Severe hyperinflation and removal of fixed dates for first-time adopters (effective from 1 July 2011).

This abridged report was prepared under supervision of the Financial Director, Mr Jan Valenta (Chartered Accountant).

The financial information has been audited by Ernst & Young Inc. whose unmodified audit report is available for inspection at the Company's registered office.

To obtain a copy of the financial statements that this abridged report summarises, the Company can be contacted at +27 13 690 8888, or visit the Company's website at www.evrazhighveld.co.za.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Audited as at 31 Dec 2011 Rm	Audited as at 31 Dec 2010 Rm
ASSETS		
Non-current assets	1 927	1 661
Property, plant and equipment	1 760	1 607
Deferred tax asset	167	54
Current assets	2 531	2 402
Inventories	831	1 084
Trade and other receivables and pre-payments	516	826
Cash and short-term deposits	1 184	492
TOTAL ASSETS	4 458	4 063
EQUITY AND LIABILITIES		
Total equity	2 620	2 510
Non-current liabilities	624	536
Provisions	624	536
Current liabilities	1 214	1 017
Trade and other payables	1 016	745
Income tax payable	45	54
Provisions	153	218
TOTAL EQUITY AND LIABILITIES	4 458	4 063
Net asset value – cents per share	2 642.5	2 531.5

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Sale of goods	1 353	1 214	5 587	5 125
Revenue	1 353	1 214	5 587	5 125
Cost of sales	(967)	(1 334)	(4 750)	(5 031)
Gross profit/(loss)	386	(120)	837	94
Other operating income	87	–	87	–
Selling and distribution costs	(64)	(84)	(301)	(301)
Administrative expenses	(75)	(85)	(306)	(353)
Other operating expenses	(243)	(221)	(366)	(263)
Operating profit/(loss)	91	(510)	(49)	(823)
Finance costs	(22)	(12)	(50)	(49)
Finance income	6	7	26	36
Profit/(loss) before tax	75	(515)	(73)	(836)
Income tax credit	1	138	118	287
Profit/(loss) for the period/year	76	(377)	45	(549)
	Cents	Cents	Cents	Cents
Profit/(loss) per share – basic and diluted	76.7	(380.2)	45.4	(553.7)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Profit/(loss) for the period/year	76	(377)	45	(549)
Other comprehensive (loss)/income:				
Exchange differences on translation of foreign operations	(22)	(17)	55	(15)
Total comprehensive income/(loss) for the period/year	54	(394)	100	(564)

HEADLINE EARNINGS PER SHARE

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Reconciliation of headline earnings/(loss)				
Profit/(loss) for the period/year	76	(377)	45	(549)
(Deduct)/add after tax effect of:				
Insurance claim proceeds on items of property, plant and equipment scrapped	(63)	–	(63)	–
Loss on disposal and scrapping of property, plant and equipment	–	162	3	166
Headline earnings/(loss)	13	(215)	(15)	(383)
	Cents	Cents	Cents	Cents
Earnings/(loss) per share – headline and diluted	13.1	(216.8)	(15.1)	(386.3)
	Million	Million	Million	Million
Number of shares				
Ordinary shares in issue as at end date *†	99.2	99.2	99.2	99.2

* Rounded to nearest hundred thousand.

† Agree to weighted average and diluted number of ordinary shares.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Issued capital and share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
2010				
Balance at 1 January 2010 – Audited	585	153	2 336	3 074
Loss for the period			(17)	(17)
Other comprehensive income for the quarter		2		2
Balance at 31 March 2010 – Reviewed	585	155	2 319	3 059
Loss for the period			(127)	(127)
Other comprehensive loss for the quarter		(2)		(2)
Balance at 30 June 2010 – Reviewed	585	153	2 192	2 930
Loss for the period			(28)	(28)
Other comprehensive income for the quarter		2		2
Balance at 30 September 2010 – Unaudited	585	155	2 164	2 904
Loss for the period			(377)	(377)
Other comprehensive loss for the quarter		(17)		(17)
Balance at 31 December 2010 – Audited	585	138	1 787	2 510
2011				
Balance at 1 January 2011 – Audited	585	138	1 787	2 510
Profit for the period			21	21
Other comprehensive income for the quarter		20		20
Balance at 31 March 2011 – Unaudited	585	158	1 808	2 551
Profit for the period			65	65
Other comprehensive income for the quarter		7		7
Balance at 30 June 2011 – Reviewed	585	165	1 873	2 623
Loss for the period			(117)	(117)
Other comprehensive income for the quarter		50		50
Balance at 30 September 2011 – Unaudited	585	215	1 756	2 556
Profit for the period			76	76
Other comprehensive loss for the quarter		(22)		(22)
Share-based payment reserve	7	10		10
Balance at 31 December 2011 – Audited	585	203	1 832	2 620
	Unaudited for the three months ended 31 Dec 2011 Cents	Unaudited for the three months ended 31 Dec 2010 Cents	Audited for the year ended 31 Dec 2011 Cents	Audited for the year ended 31 Dec 2010 Cents
Dividends per share				
Dividends declared and paid	-	-	-	-

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Cash flows from operating activities				
Cash generated by/(used in) operations before tax paid	502	36	1 070	(179)
Income tax paid	(1)	(26)	(6)	(109)
Net cash generated by/(used in) operating activities	501	10	1 064	(288)
Cash flows from investing activities				
Proceeds from sale and scrapping of property, plant and equipment	88	-	90	13
Net additions to property, plant and equipment	(152)	(78)	(485)	(263)
Net cash used in investing activities	(64)	(78)	(395)	(250)
Net increase/(decrease) in cash and cash equivalents	437	(68)	669	(538)
Cash and cash equivalents at the beginning of the period/year	752	575	492	1 072
Effects of exchange rate changes on cash held in foreign currencies	(5)	(15)	23	(42)
Cash and cash equivalents at the end of the period/year	1 184	492	1 184	492

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Companies Act and JSE Limited Listings Requirements

Compliance with the Companies Act, No. 71 of 2008, as well as the Listings Requirements of the JSE Limited have been maintained throughout the reporting periods.

2. Related party transactions

Sales to East Metals A.G. (a fellow subsidiary) amounted to R652 million (2010: R895 million) for the year ended 31 December 2011. This constitutes 12% of total revenue for the year, compared to 17% for the year ended 31 December 2010. Technical services (slag tolling agreement) with EVRAZ Vametco Alloys Proprietary Limited (a fellow subsidiary) amounted to R110 million (2010: R34 million).

3. Segment information

The Group is organised into business units based on their products and has two reportable segments as follows:

Steelworks

The major products of the steel segment are magnetite iron ore, structural steel, plate and coil.

Vanadium

The major products of the vanadium segment are vanadium slag and ferrovanadium. Vanadium slag is a waste product from the steelmaking process, and this slag is transferred from the Steelworks to the Vanadium plant, which then forms the input into the business of the vanadium business.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

The following tables present the revenue, operating profit and total assets information regarding the Group's operating segments:

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Revenue from the sale of goods				
Steelworks	952	799	3 957	3 612
Vanadium	401	415	1 630	1 513
Total	1 353	1 214	5 587	5 125

Intersegment revenue is eliminated on consolidation.

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
Operating (loss)/profit				
Steelworks	(42)	(559)	(542)	(1 220)
Vanadium	133	49	493	397
Total	91	(510)	(49)	(823)

	Audited as at 31 Dec 2011 Rm	Audited as at 31 Dec 2010 Rm
Total assets		
Steelworks	3 664	3 340
Vanadium	794	723
Total	4 458	4 063

4. Supplementary revenue information – Unaudited

	For the three months ended 31 Dec 2011	For the three months ended 31 Dec 2010	For the year ended 31 Dec 2011	For the year ended 31 Dec 2010
Sales volumes of major products				
Total steel	132 481	158 315	603 094	610 602
Ferrovanadium	1 491	1 153	6 031	5 488
Modified Vanadium Oxide	94	421	398	468
Nitrovan	310	-	1 105	-
Vanadium slag	127	-	664	2 102
Fines ore	167 601	167 610	662 395	623 928

Vanadium slag sales reduced from 2 102 tons V₂O₅ for the year ended 31 December 2010 to 664 tons V₂O₅ for the year ended 31 December 2011. No sales occurred in 2011 to a fellow subsidiary due to a slag tolling agreement with this company.

Weighted average selling prices achieved for major products

	2011	2010	2011	2010
Total steel	822	663	825	715
Ferrovanadium	25	28	27	27
Modified Vanadium Oxide	17	21	21	20
Nitrovan	25	-	27	-
Vanadium slag	5	-	5	6
Fines ore	23	37	33	38
Average R/\$ exchange rate	8.10	6.91	7.26	7.32

5. Other operating expenses

The R366 million other operating expenses for the year ended 31 December 2011 relates mainly to net stock write down of R10 million (expense), profit related bonus adjustment of R25 million (income), gain on foreign exchange differences of R27 million (income) and idle plant costs of R342 million (expense). For the year ended 31 December 2010, the expense of R263 million consisted mainly of property, plant and equipment impairment loss.

6. Income tax

	Unaudited for the three months ended 31 Dec 2011 Rm	Unaudited for the three months ended 31 Dec 2010 Rm	Audited for the year ended 31 Dec 2011 Rm	Audited for the year ended 31 Dec 2010 Rm
South African				
<i>Normal</i>				
Current	–	–	–	–
Prior year under provision	–	1	–	1
<i>Deferred</i>				
Current	(7)	(159)	(112)	(318)
Prior year (over)/under provision	(1)	21	(1)	21
Non-South African				
<i>Normal</i>				
Current	3	(1)	3	13
Prior year under/(over) provision	4	–	(8)	(4)
Income tax credit	(1)	(138)	(118)	(287)

7. Share-based payment reserve

Certain key management personnel participate in a Long Term Incentive Plan (LTIP) over Global Depository Receipts (GDR's) in EVRAZ plc. The GDR's are traded on the London Stock Exchange. The vesting of the GDR's occur on the 90th day following the announcement of EVRAZ plc financial results. The cost of the LTIP award will be settled in equity or cash by EVRAZ plc. The amount recognised according to IFRS 2 in 2011 is R10 million (2010: Rnil).

8. Financial ratios – Unaudited

Current ratio	2.08	2.36	2.08	2.36
Market capitalisation – Rm	3 618	8 279	3 618	8 279

9. Steel margins – Unaudited

Total steel margins improved from negative 14% for the year ended 31 December 2010, to negative 2% for the year ended 31 December 2011. The total steel margins increased from negative 0.1% in the third quarter of 2011 to positive 4.7% in the fourth quarter of 2011.

10. Contingent liabilities and guarantees

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million (2010: R264 million) was issued in favour of the Department of Mineral Resources (DMR) for the unscheduled closure of Mapochs Mine.

In terms of the Company's employment policies, certain employees could become eligible for post-retirement medical aid benefits at any time in the future prior to their retirement, subject to certain conditions. The potential liability, should they become medical scheme members in the future, is R31 million before tax and R22 million after tax (2010: R32 million before tax and R23 million after tax).

As required by certain suppliers to the Company, guarantees were issued in favour of these suppliers to the value of R9 million (2010: R9 million) in the event that the Company will not be able to meet its obligations to the suppliers.

A supplier company has claimed against the Company in respect of structural damage to assets sold in the past. The claim is in the amount of R42 million. Arbitration has and will continue in 2012. The Company has been advised by its legal counsel that there is not a reasonable probability that the claim will succeed. Accordingly, no provision for any liability has been made in these financial statements.

A supplier company has claimed against the Company in respect of allegedly money owed for services rendered to the former subdivision Transalloys (R277 000) and for consequential damages due to the cancellation of the service contract (R1 million). The Company has been advised by its legal counsel that there is not a reasonable probability that the claim will succeed. Accordingly, no provision for any liability has been made in these financial statements.

11. Subsequent events

The final conditions precedent to the 26% BEE transaction were fulfilled by the DMR approving the transfer of the converted new order right to Mapochs Mine Proprietary Limited. The BEE transaction has accordingly become unconditional in accordance with its terms, and the effective date was 29 February 2012.

EVRAZ Highveld is fully co-operating with the Competition Commission in respect of the Competition Commission's investigation relating to the allegation that EVRAZ Highveld had an exclusive stock replacement arrangement for a certain period of time. It is not clear to EVRAZ Highveld whether the Competition Commission will, at the conclusion of its investigation, refer a complaint against EVRAZ Highveld to the Competition Tribunal. EVRAZ Highveld did not raise a provision or a contingent liability as, amongst other things, the above allegation is still being investigated by the Competition Commission and a contravention of the relevant provision of the Act, No. 89 of 1998 will not result in the imposing of an administrative penalty unless the conduct in question is substantially a repeat by the same firm of conduct previously found by the Competition Tribunal to be a practise prohibited in terms of Chapter 2 of the Competition Act, No. 89 of 1998.

Directors: B J T Shongwe (*Chairman*), G C Baizini (*Italian*), M Bhabha, M D Garcia (*Chief Executive Officer*) (*American*), Mrs B Ngonyama, V M Nkosi, D Scuka (*Czech*), P M Surgey, P S Tatyani (*Russian*), J Valenta (*Czech*) and T I Yanbukhtin (*Russian*)

Company Secretary: Mrs C I Lewis

Registered office
Portion 93 of the farm
Schoongezicht No. 308 JS
District eMalahleni
Mpumalanga

PO Box 111
Witbank 1035

Tel: (013) 690 9911
Fax: (013) 690 9293

Transfer secretaries
Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg

PO Box 61051
Marshalltown 2107

Tel: (011) 370 5000
Fax: (011) 688 5200