

EVRAZ

EVRAZ HIGHVELD STEEL AND VANADIUM

EVRAZ Highveld Steel and Vanadium Limited

(Incorporated in the Republic of South Africa)
(Registration number 1960/001900/06)
Share code: EHS ISIN: ZAE000146171
("the Company" or "the Group")



GROUP PRELIMINARY RESULTS

for the year ended 31 December 2012

- **Headline loss R1 022 million** (2011: loss R15 million)
- **Net loss R943 million** (2011: profit R45 million)
- **Change in directorate**
- **Industrial action**

Chairman and CEO's review

1. Safety

The Company has improved its safety performance over the last year. The lost time injury frequency rate (LTIFR), the key indicator of safety at work, improved from 1.57 lost time incidents per million hours worked in 2011 to 1.35 for the year ended 31 December 2012.

2. Key financials

The operating loss for the period was R854 million, compared to a loss of R49 million in 2011. The industrial action in Q3 and subsequent ramp-up problems mainly contributed to the poor results. The EBITDA for the period was R697 million loss, compared to a R153 million profit for the previous year. Revenue decreased to R4 346 million compared to R5 587 million in 2011.

3. Operations

Steel

Liquid iron production for 2012 decreased by 6% compared to 2011 at 620 035 tons and cast steel output by 15% at 571 787 tons. The most significant negative impact on output resulted from a four-week strike by the majority trade union, stemming from an introduction of cost saving measures which included a reduction in overtime hours. After this extended outage, production levels ramped up gradually over a 10-week period due to complications at the ironmaking furnaces.

Production of long products decreased by 9% to 204 701 tons due to insufficient steel availability. The production of flat products decreased by 16% to 242 836 tons due to the reduced availability of casted steel, and a reheat furnace breakdown at the end of the year.

During the year the remaining 6 kiln raw gas stack caps were installed and all 13 kilns are now equipped accordingly. A project to improve kiln pre-reduction performance has commenced, for completion in Q3 2013. This project will result in a reduction of electrical energy consumption in the ironmaking furnaces.

Challenges at the shaking ladle operation resulted in lower cast steel production, until improved process control techniques were implemented in Q4 2012.

Yield improvements have been achieved at the Structural Mill following completion of upgrades to the main electrical drives in the plant in January 2012 and on heavy plate.

Vanadium

A total of 43 132 tons of vanadium slag was produced with 6 205 Mt V for the period, compared to 61 083 tons slag and 8 088 Mt V during 2011.

4. Markets

Global and local markets

Global crude steel production reached a record 1.55 billion tons in 2012, up 1.2% compared to 2011 on the back of growth in Asia and North America; while crude steel production in the European Union (EU) and South America decreased. The South African crude steel production for 2012 decreased by approximately 5.6% compared to the production of 2011.

EVRAZ Highveld sales

Domestic steel sales volumes for the period decreased by 24% at 359 162 tons, compared to 2011 at 473 951 tons. Export steel sales volumes decreased by 27%, at 94 674 tons in 2012 against 129 143 tons in 2011 with overall steel sales volumes decreasing by 25% at 453 836 tons in 2012 against 603 094 tons in 2011. This was mainly due to the effect of reduction in market requirements due to imports as well as the NUMSA strike action in July 2012.

Domestic steel sales volumes of Q4 2012 increased by 95% to 108 647 tons compared to 55 587 tons in Q3 2012. Export steel sales volumes decreased by 82% to 2 940 tons in Q4 2012 compared to 16 285 tons in Q3, with an increase of 55% for overall sales, which was mainly due to the low base in the third quarter resulting from the NUMSA strike action.

Export vanadium slag sales decreased by 15% from 5 664 tons V in 2011 to 4 817 tons V in 2012. Domestic vanadium slag sales decreased by 51% from 372 tons V in 2011 to 181 tons V in 2012 as a result of a lack of orders received in Q1 2012, the strike in Q3 2012 and the consequent *force majeure* declaration in Q3 2012.

5. Change in directorate

We are pleased to announce that Mr Thabo Mosololi joined the Board as from 21 May 2012 as non-executive director. Thabo is an executive director of MFT Investment Holdings. He was previously the operations director and the financial director of Tsogo Sun Gaming. Thabo has extensive knowledge and experience in financial management, strategy, project management, internal and external assurance services, risk management and South African taxation. In addition hereto he also serves on other boards and audit committees in various sectors. Thabo holds a BComm (Hons) with the University of Western Cape, and other diplomas and certificates in business and project management. Thabo is a registered chartered accountant.

6. Outlook

Although the business experienced operational challenges from August to October 2012 while recovering from the mentioned strike, month-on-month improvements in volume have been made through to December 2012 and will remain a key objective in 2013.

Growth of domestic steel supply is expected to correlate with gross domestic product growth in the absence of major government infrastructure spending. The international steel market suffers from oversupply which is unlikely to subside until the Chinese economy can absorb more of its own output and Europe can stabilise its economic contraction. Most 2013 forecasts predict global steel growth between 2% and 5% largely driven by China and non-residential US construction.

The global expectation is that vanadium prices will rise more forcefully in 2013 when the supply and demand balance tightens, but are not expected to return to the historic highs experienced before the recession.

The Company remains focused on the reduction of cost in all functional areas and to this end lodged an appeal to NERSA during the January 2013 public hearings regarding Eskom's MYPD3 application, objecting to the exorbitant increase of 21% proposed by the utility company in respect of a 2013/2014 rate adjustment for industrial consumers. The Regulator was requested to limit the increase to below the rate of inflation. At the time of issuing this statement NERSA has announced that the average rate increase granted to Eskom was 8%, however, no details pertaining to the specific tariff structure applicable to industrial users have been made public.

B J T Shongwe
(Chairman)

M D Garcia
(Chief Executive Officer)

13 March 2013

Basis of preparation

The Group's financial results for the quarter and year ended 31 December 2012 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 (the 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 2012. These Standards had no impact on the results or disclosures of the Group.

- IFRS 1, Amended – Severe hyperinflation and removal of fixed dates for first-time adopters (effective from 1 July 2011);
- IFRS 7, Amended – Transfers of financial assets (effective from 1 July 2011); and
- IAS 12, Amended – Deferred taxes: Recovery of underlying assets (effective from 1 January 2012).

(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 – Presentation of items of other comprehensive income (effective from 1 July 2012);
- IAS 19, Revised – Employee benefits (effective from 1 January 2013);
- IAS 27, Separate financial statements (consequential revision due to the issue of IFRS 10) (effective from 1 January 2013);
- IAS 28, Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11) (effective from 1 January 2013);
- IAS 32, Amended – Offsetting financial assets and financial liabilities (effective from 1 January 2014);
- IFRS 7, Amended – Disclosures: Offsetting financial assets and financial liabilities (effective from 1 January 2013);
- IFRS 9, Financial instruments – Classification and measurement (effective from 1 January 2015);
- IFRS 9 and IFRS 7, Amended – Mandatory effective date and transition disclosures (IFRS 9 effective from 1 January 2015, IFRS 7 depends on when IFRS 9 is adopted);
- IFRS 10, Consolidated financial statements (effective from 1 January 2013);
- IFRS 11, Joint arrangements (effective from 1 January 2013);
- IFRS 12, Disclosure of interest in other entities (effective from 1 January 2013);
- IFRS 13, Fair value measurement (effective from 1 January 2013);
- IFRIC 20, Stripping costs in the production phase of a surface mine (effective from 1 January 2013); and
- Improvements to IFRS – Issued May 2012 (effective from 1 January 2013).

This preliminary report was prepared under supervision of the Chief Financial Officer, Mr Jan Valenta (Chartered Accountant).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | Reviewed as at 31 Dec 2012 Rm | Audited as at 31 Dec 2011 Rm |
|--|-------|-------------------------------------|------------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 1 801 | 1 927 |
| Deferred tax asset | 5 | 1 722 | 1 760 |
| | | 79 | 167 |
| Current assets | | | |
| Inventories | | 1 866 | 2 531 |
| Trade and other receivables and pre-payments | | 858 | 831 |
| Taxation | | 480 | 516 |
| Cash and short-term deposits | | 1 | – |
| | | 527 | 1 184 |
| TOTAL ASSETS | | 3 667 | 4 458 |
| EQUITY AND LIABILITIES | | | |
| Total equity | | | |
| | | 1 738 | 2 620 |
| Non-current liabilities | | | |
| Interest-bearing loans and borrowings | 6 | 760 | 624 |
| Provisions | | 16 | – |
| | | 744 | 624 |
| Current liabilities | | | |
| Trade and other payables | | 1 169 | 1 214 |
| Interest-bearing loans and borrowings | | 924 | 1 016 |
| Income tax payable | | 102 | – |
| Provisions | | – | 45 |
| | | 143 | 153 |
| TOTAL EQUITY AND LIABILITIES | | 3 667 | 4 458 |
| Net cash | | 409 | 1 184 |
| Net asset value – cents per share | | 1 753 | 2 642 |

CONSOLIDATED INCOME STATEMENT

| | Notes | Unaudited for the three months ended 31 Dec 2012 Rm | Unaudited for the three months ended 31 Dec 2011 Rm | Reviewed for the year ended 31 Dec 2012 Rm | Audited for the year ended 31 Dec 2011 Rm |
|--|-------|---|---|---|--|
| Revenue | | 1 029 | 1 359 | 4 354 | 5 613 |
| Sale of goods | | 1 026 | 1 353 | 4 346 | 5 587 |
| Cost of sales | | (1 176) | (1 309) | (4 746) | (5 092) |
| Gross (loss)/profit | | (150) | 44 | (400) | 495 |
| Other operating income | 7 | 20 | 95 | 138 | 95 |
| Selling and distribution costs | | (30) | (64) | (248) | (301) |
| Administrative expenses | | (68) | (75) | (289) | (306) |
| Other operating expenses | | (55) | 91 | (55) | (32) |
| Operating (loss)/profit | | (283) | 91 | (854) | (49) |
| Finance costs | | (20) | (22) | (52) | (50) |
| Finance income | | 3 | 6 | 8 | 26 |
| (Loss)/Profit before tax | | (300) | 75 | (898) | (73) |
| Income tax credit/(expense) | 8 | 78 | 1 | (45) | 118 |
| (Loss)/Profit for the period/year | | (222) | 76 | (943) | 45 |
| | | Cents | Cents | Cents | Cents |
| (Loss)/Profit per share – basic and diluted | | (224.0) | 76.7 | (951.1) | 45.4 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited for the three months ended 31 Dec 2012 Rm | Unaudited for the three months ended 31 Dec 2011 Rm | Reviewed for the year ended 31 Dec 2012 Rm | Audited for the year ended 31 Dec 2011 Rm |
|--|---|---|---|--|
| (Loss)/Profit for the period/year | (222) | 76 | (943) | 45 |
| Other comprehensive income/(loss): | | | | |
| Exchange differences on translation of foreign operations | 13 | (22) | 49 | 55 |
| Total comprehensive (loss)/income for the period/year | (209) | 54 | (894) | 100 |

HEADLINE EARNINGS PER SHARE

| | Unaudited for the three months ended 31 Dec 2012 Rm | Unaudited for the three months ended 31 Dec 2011 Rm | Reviewed for the year ended 31 Dec 2012 Rm | Audited for the year ended 31 Dec 2011 Rm |
|--|---|---|---|--|
| Reconciliation of headline (loss)/profit | | | | |
| (Loss)/Profit for the period/year | (222) | 76 | (943) | 45 |
| (Deduct)/Add after tax effect of: | | | | |
| Insurance claim proceeds on items of property, plant and equipment | – | (63) | – | (63) |
| Proceeds on successful litigation against the Channel Induction Furnace supplier | – | – | (79) | – |
| (Profit)/Loss on disposal and scrapping of property, plant and equipment | (*) | – | (*) | 3 |
| Headline (loss)/profit | (222) | 13 | (1 022) | (15) |

*Less than R1 million.

| | Cents | Cents | Cents | Cents |
|---|----------------|----------------|------------------|----------------|
| (Loss)/Profit per share – headline and diluted | (224.0) | 13.1 | (1 030.4) | (15.1) |
| | 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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Notes | Issued capital and share premium Rm | Other reserves Rm | Retained earnings Rm | Total Rm |
|---|-------|--|----------------------|-------------------------|--------------|
| 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 | 9 | | 10 | | 10 |
| Balance at 31 December 2011 – Audited | | 585 | 203 | 1 832 | 2 620 |
| 2012 | | | | | |
| Balance at 1 January 2012 – Audited | | 585 | 203 | 1 832 | 2 620 |
| Loss for the period | | | | (94) | (94) |
| Other comprehensive loss for the quarter | | | (13) | | (13) |
| Balance at 31 March 2012 – Unaudited | | 585 | 190 | 1 738 | 2 513 |
| Loss for the period | | | | (282) | (282) |
| Other comprehensive income for the quarter | | | 11 | | 11 |
| Share-based payment reserve | 9 | | 8 | | 8 |
| Balance at 30 June 2012 – Reviewed | | 585 | 209 | 1 456 | 2 250 |
| Loss for the period | | | | (345) | (345) |
| Other comprehensive income for the quarter | | | 13 | | 13 |
| Share-based payment reserve | 9 | | 2 | | 2 |
| Balance at 30 September 2012 – Unaudited | | 585 | 224 | 1 111 | 1 920 |
| Loss for the period | | | | (222) | (222) |
| Other comprehensive income for the quarter | | | 38 | | 38 |
| Share-based payment reserve | 9 | | 2 | | 2 |
| Balance at 31 December 2012 – Reviewed | | 585 | 264 | 889 | 1 738 |

| | Unaudited for the three months ended 31 Dec 2012 Cents | Unaudited for the three months ended 31 Dec 2011 Cents | Reviewed for the year ended 31 Dec 2012 Cents | Audited for the year ended 31 Dec 2011 Cents |
|-----------------------------|--|--|--|---|
| Dividends per share | | | | |
| Dividends declared and paid | – | – | – | – |

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

Acting Company Secretary: Ms A Weststrate

| | |
|---------------------------|---------------------------------|
| Registered office: | Transfer secretaries: |
| Portion 93 of the farm | Computershare Investor Services |
| Schoongezicht No. 308 JS | Proprietary Limited |
| District eMalahleni | 70 Marshall Street |
| Mpumalanga | Johannesburg |
| PO Box 111 | PO Box 61051 |
| Witbank 1035 | Marshalltown 2107 |
| Tel: (013) 690 9911 | Tel: (011) 370 5000 |
| Fax: (013) 690 9293 | Fax: (011) 688 5200 |

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CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited for the three months ended 31 Dec 2012 | Unaudited for the three months ended 31 Dec 2011 | Reviewed for the year ended 31 Dec 2012 | Audited for the year ended 31 Dec 2011 |
|---|--|--|--|---|
| | Rm | Rm | Rm | Rm |
| Cash flows from operating activities | | | | |
| Cash (used in)/generated by operations before tax paid | (29) | 502 | (608) | 1 070 |
| Income tax paid | (2) | (1) | (2) | (6) |
| Net cash (used in)/generated by operating activities | (31) | 501 | (610) | 1 064 |
| Cash flows from investing activities | | | | |
| Proceeds from sale and scrapping of property, plant and equipment | 3 | 88 | 4 | 90 |
| Net additions to property, plant and equipment | (61) | (152) | (203) | (485) |
| Net cash used in investing activities | (58) | (64) | (199) | (395) |
| Cash flows from financing activities | | | | |
| Increase in long-term interest-bearing loans and borrowings | - | - | 15 | - |
| (Decrease)/Increase in short-term interest-bearing loans and borrowings | (107) | - | 102 | - |
| Net cash (used in)/from financing activities | (107) | - | 117 | - |
| Net (decrease)/increase in cash and cash equivalents | (196) | 437 | (692) | 669 |
| Cash and cash equivalents at the beginning of the period/year | 694 | 752 | 1 184 | 492 |
| Effects of exchange rate changes on cash held in foreign currencies | 29 | (5) | 35 | 23 |
| Cash and cash equivalents at the end of the period/year | 527 | 1 184 | 527 | 1 184 |

NOTES TO THE PRELIMINARY 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 has been maintained throughout the reporting periods.

2. Related party transactions

Sales to East Metals A.G. (a fellow subsidiary) amounted to R454 million (December 2011 YTD: R652 million) for the year ended 31 December 2012. This constitutes 10% of total revenue for the period, compared to 12% for the period ended 31 December 2011. Technical services (slag tolling agreement) and other services with EVRAZ Vametco Alloys Proprietary Limited (a fellow subsidiary) amounted to R71 million for the year ended 31 December 2012 (December 2011 YTD: R110 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 by-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 2012 | Unaudited for the three months ended 31 Dec 2011 | Reviewed for the year ended 31 Dec 2012 | Audited for the year ended 31 Dec 2011 |
|---------------------------------------|--|--|--|---|
| | Rm | Rm | Rm | Rm |
| Revenue | | | | |
| Steelworks | 825 | 994 | 3 181 | 3 990 |
| Vanadium | 210 | 374 | 1 199 | 1 656 |
| Elimination of intersegmental revenue | (6) | (9) | (26) | (33) |
| Total | 1 029 | 1 359 | 4 354 | 5 613 |
| Operating (loss)/profit | | | | |
| Steelworks | (320) | (42) | (1 153) | (542) |
| Vanadium | 37 | 133 | 299 | 493 |
| Total | (283) | 91 | (854) | (49) |
| | Reviewed as at 31 Dec 2012 | Audited as at 31 Dec 2011 | | |
| | Rm | Rm | | |
| Total assets | | | | |
| Steelworks | 2 935 | 3 664 | | |
| Vanadium | 732 | 794 | | |
| Total | 3 667 | 4 458 | | |

4. Supplementary revenue information - Unaudited

| | For the three months ended 31 Dec 2012 | For the three months ended 31 Dec 2011 | For the year ended 31 Dec 2012 | For the year ended 31 Dec 2011 |
|--|---|---|--|--|
| Sales volumes of major products | | | | |
| Total steel | Tons 111 587 | 132 481 | 453 836 | 603 094 |
| Ferrovanadium | Tons V 869 | 1 491 | 4 766 | 6 031 |
| Modified Vanadium Oxide | Tons V - | 94 | 244 | 398 |
| Nitrovan | Tons V 192 | 310 | 669 | 1 105 |
| Vanadium slag | Tons V ₂ O ₅ 181 | 127 | 323 | 664 |
| Fines ore | Tons 136 981 | 167 601 | 687 380 | 662 395 |

Vanadium slag sales reduced from 664 tons V₂O₅ for the 12 months ended 31 December 2011 to 323 tons V₂O₅ for the year ended 31 December 2012 due to lack of orders received and unavailability of slag.

Weighted average selling prices achieved for major products

| | For the three months ended 31 Dec 2012 | For the three months ended 31 Dec 2011 | For the year ended 31 Dec 2012 | For the year ended 31 Dec 2011 |
|----------------------------|---|---|--|--|
| Total steel | US\$/t 727 | 822 | 764 | 825 |
| Ferrovanadium | US\$/kg V 23 | 25 | 23 | 27 |
| Modified Vanadium Oxide | US\$/kg V - | 17 | 18 | 21 |
| Nitrovan | US\$/kg V 24 | 25 | 23 | 27 |
| Vanadium slag | US\$/kg V ₂ O ₅ 4 | 5 | 4 | 5 |
| Fines ore | US\$/t 22 | 23 | 20 | 33 |
| Average R/\$ exchange rate | 8.69 | 8.10 | 8.21 | 7.26 |

5. Impairment of deferred tax assets

In light of the Company's current financial performance and the uncertainty of future taxable profits to account against the Company's deferred tax asset, management concluded, following due assessment, that it was prudent to impair the Company's deferred taxation asset to the extent that it exceeded the deferred taxation liability. Whilst the taxable income forecast for the Company is based on its most favourable outlook scenario, the current assessed tax loss implies that it will take many years before the Company is in a position to utilise the tax assets as at 31 December 2012. Following this impairment, a zero balance for deferred taxation is disclosed for the Company. The deferred taxation asset for the Group comprises the deferred taxation asset attributable to Mapochs Mine Proprietary Limited. A management assessment of this asset concluded that no impairment is necessary. The amount derecognised during the year amounted to R100 million.

6. Interest-bearing loans and borrowings

The long-term borrowings of R16 million (2011: Rnil million) consist of the loan due by Umtho Iron and Vanadium Proprietary Limited payable to Umtho weSizwe Group Proprietary Limited. This loan has no fixed repayment terms and interest is charged at prime rate.

7. Other operating income and expenses

The R138 million other operating income for the year ended 31 December 2012 relates mainly to a R109 million settlement received, relating to the claim against the Channel Induction Furnace supplier, and reversal of a R18 million litigation provision relating to a claim instituted by a supplier company. Arbitration was completed in 2012 and dismissed with costs. For 2011, the amount relates mainly to a R87 million insurance proceeds received for the Furnace 7 damage.

8. Income tax

| | Unaudited for the three months ended 31 Dec 2012 | Unaudited for the three months ended 31 Dec 2011 | Reviewed for the year ended 31 Dec 2012 | Audited for the year ended 31 Dec 2011 |
|------------------------------------|--|--|--|---|
| | Rm | Rm | Rm | Rm |
| South African | | | | |
| <i>Normal</i> | | | | |
| Prior year | - | - | (44) | - |
| <i>Deferred</i> | | | | |
| Current | (81) | (7) | 86 | (112) |
| Prior year | - | (1) | - | (1) |
| Non-South African | | | | |
| <i>Normal</i> | | | | |
| Current | 3 | 3 | 3 | 3 |
| Prior year | - | 4 | - | (8) |
| Income tax (credit)/expense | (78) | (1) | 45 | (118) |

The period income tax expense is accrued using the estimated average annual effective income tax rate applied to the pre-tax income of the interim report.

9. Share-based payment reserve

Certain key management personnel participate in a Long Term Incentive Plan (LTIP) over shares in EVRAZ plc. The shares are traded on the London Stock Exchange. The vesting of the shares occur on the 90th day following the announcement of EVRAZ plc's financial results. The cost of the LTIP award will be settled in equity by EVRAZ plc. The amount recognised according to IFRS 2 in 2012 is R12 million (2011: R10 million).

10. Guarantees

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million (2011: R264 million) was issued on 1 February 2007 in favour of the Department of Mineral Resources (DMR) for the unscheduled closure of Mapochs Mine. This guarantee is issued by the Company on behalf of Mapochs Mine.

As required by certain suppliers of the Group, guarantees were issued in favour of these suppliers to the value of R9 million (2011: R9 million) in the event the Group will not be able to meet its obligations to the supplier.

11. Contingent liabilities

In terms of the Group'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 for the Group should they become medical scheme members in the future is R32 million before tax and R23 million after tax (2011: R31 million before tax and R22 million after tax).

On 5 June 2008, the Commission initiated a complaint against the Company for an alleged contravention of section 4(1)(b)(i) of the Competition Act, No. 89 of 1998 ("the Competition Act"). The allegations against the Company are that it fixed prices and trading conditions for flat and long steel products. In a letter from the Commission dated 18 September 2009, the Commission confirmed that it would not be pursuing a case of collusion in the long steel market against the Company. On 30 March 2012 the Commission referred the complaints relating to the flat steel market to the Competition Tribunal for prosecution. The allegations against the Company contained in the Commission's complaint referral are that the Company fixed prices and trading conditions for flat steel products, and divided markets in respect of flat steel products, which are contraventions of sections 4(1)(b)(i) and 4(1)(b)(ii) of the Competition Act respectively. It is further alleged in the Commission's Complaint Referral that the Company has contravened sections 4(1)(b)(i) and 4(1)(b)(ii), alternatively section 4(1)(a), of the Competition Act by engaging in the exchange of information with a competitor through information exchanges and meetings of the South African Iron and Steel Institute or its committees. Should the Competition Commission be successful, which is not expected, it could raise a maximum penalty of R554 million against the Company.

A supplier company has claimed against the Company in respect of structural damage to assets sold in the past. The claim was in the amount of R42 million. Arbitration was completed in 2012 and the claim has been dismissed with costs.

12. Subsequent events

There are no events to be reported on since 31 December 2012.