

Highveld Steel and Vanadium Corporation Limited
(Incorporated in the Republic of South Africa)
(Registration No. 1960/001900/06)
Share code: HVL ISIN: ZAE000003422
("the Corporation")

Group Reviewed Financial Results for the period ended 31 March 2009

Acting Chairman and CEO's Review

Financial Results

As a result of the weakened market and lower steel prices, the Corporation's headline earnings for the quarter ended 31 March 2009 were R130 million, compared to the headline earnings for the three months ended 31 December 2008 of R562 million and for the quarter ended 31 March 2008 of R463 million. Profit for the period under review amounted to R129 million, which was 70 per cent lower than the profit for the three months ended 31 December 2008 of R432 million and 80 per cent lower than the profit for the quarter ended 31 March 2008.

The operating profit before depreciation from continuing operations for the period amounted to R178 million, representing a 74 per cent reduction from the three months ended 31 December 2008 and a 74 per cent reduction from the quarter ended 31 March 2008. The net cash position as at 31 March 2009 was R1 098 million, compared to the net cash position as at 31 December 2008 of R1 601 million.

Business Risks

The main business risks remain, the depressed markets with very low orders for steel products as well as the declining steel prices. The reliability of rail transport remains a grave concern.

Operations

Steel

The Corporation's rolled steel output decreased substantially in the period under review compared to the three months ended 31 December 2008 with an 18.3 per cent decrease in continuously cast blocks, a 75.2 per cent decrease in sections, 31.9 per cent decrease in plates and a 60.6 per cent decrease in coils.

Vanadium

The vanadium prices continued its fall from 2008 with the average price of ferrovanadium for January 2009 of US\$26.26 per kg V in ferrovanadium declining to US\$22.82 per kg V in ferrovanadium in March 2009.

The vanadium slag sales volumes continued to decrease as a result of the continually weakening demand for vanadium.

Safety, Health, Environment and Quality

The lost time injury frequency rate at the end of January 2009 was 0.73, which substantially decreased to 0.38 and to 0.35 at the end of February and March 2009, respectively.

Black Economic Empowerment of the Mapochs Mine and Mining Rights Conversion Applications

Following the Joint Announcement regarding a 26 per cent black economic empowerment (BEE) transaction in respect of the Mapochs Mine with Umnotho weSizwe, the BEE partner of Mapochs Mine (Proprietary) Limited dated 9 April 2009, the Corporation subsequently submitted its application for the conversion of its old order mining right of Mapochs Mine to a new order mining right in terms of the Mineral and Petroleum Resources Development Act prior to the cut-off date of 30 April 2009. Together with the said application an application for ministerial consent for the transfer of the newly converted right to Mapochs Mine (Proprietary) Limited, a special purpose vehicle (company) created as a subsidiary of the Corporation, had been submitted.

Outlook

The outlook for the steel market remains uncertain with no indication as yet as to whether demand will improve or whether prices will stabilise. The Corporation will continue to maintain its reduced production in line with the weak demand of the market. In order to ensure the sustainability of its operations, the Corporation has intensified the current strategy of implementing further cost cuttings and reduction of its working capital and decreasing its inventory and work-in-progress levels.

Subsequent to the reduced market demand, the Corporation implemented a labour restructuring programme, effective October 2008. It has initiated retrenchment negotiations with the unions. It is expected that this retrenchment process would be completed within a period of three months.

The Corporation evaluates the viability of the business as a going concern on a continuous basis taking into consideration all the relevant financial, operational and other assumptions. With due and proper management of the cost cutting strategy referred to above as well as remaining focused on cash preservation, the Board concludes that the Corporation will remain a going concern in the foreseeable future.

J W Campbell
(Acting Chairman)
28 May 2009

W G Ballandino
(Chief Executive Officer)

GROUP REVIEWED FINANCIAL RESULTS

Basis of preparation

The Group's interim condensed consolidated financial statements for the quarter ended 31 March 2009 set out below have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new Standards and Interpretations as of 1 January 2009, noted below:

- **IFRS 2 Share-based Payment - Vesting Conditions and Cancellations**

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial position or performance of the Group.

- **IFRS 7 Financial Instruments: Disclosures**

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. These amendments did not have any significant impact on the Group's results.

- **IAS 1 Revised Presentation of Financial Statements**

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

- **IAS 39 and IFRS 7 Amendment – Reclassification of Financial Assets**

The Standards have been amended to permit an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

- **IAS 32 Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation**

The Standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specific criteria. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

- **IFRIC 13 - Customer Loyalty Programmes**

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. As the Group has no customer loyalty programmes this interpretation had no impact on the Group.

- **IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement**

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made on circumstances that existed on the later of the date the entity first became party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss. As the Group has no embedded derivatives, these amendments had no impact on the Group's results.

- **IFRIC 15 – Agreement for the Construction of Real Estate**

This interpretation clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. As the Group has no real estate under construction, this interpretation has had no impact in the financial position or results.

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

IFRIC 16 provides guidance on the accounting for a hedge of a net investment in terms of identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. As the Group does not hedge any net investment in a foreign operation, this interpretation had no impact on the financial position or results.

The IASB has issued *Improvements to IFRS - a collection of amendments to International Financial Reporting Standards* in line with their annual improvement project. It deals with amendments to certain accounting standards contained in this document which are effective to annual periods beginning on or after 1 January 2009 except for IFRS 5 amendment which is effective 1 July 2009. The Group adopted the amendments which are effective 1 January 2009 with no material impact on the results of the Group.

The financial information has been reviewed by Ernst & Young Inc. in accordance with ISRE 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", whose unmodified review report is available for inspection at the Corporation's registered office.

CONDENSED CONSOLIDATED INCOME STATEMENTS

		Reviewed for the three months ended 31 Mar 2009	Unaudited for the three months ended 31 Mar 2008	Audited for the year ended 31 Dec 2008
	Notes	Rm	Rm	Rm
CONTINUING OPERATIONS				
Revenue from the sale of goods		927	1 697	8 022
Operating profit before depreciation (EBITDA)		178	586	3 321
Depreciation, scrapping and changes in estimated useful lives of property, plant and equipment		(60)	(64)	(252)
Operating profit		118	522	3 069
Interest and investment income received		33	37	161
Finance charges		(17)	(8)	(39)
Profit before taxation		134	551	3 191
Taxation		(4)	(165)	(1 015)
Profit after taxation from continuing operations		130	386	2 176
DISCONTINUED OPERATIONS				
Revenue from the sale of goods		-	354	1 288
Operating profit before depreciation (EBITDA)		-	105	610
Depreciation, scrapping and changes in estimated useful lives of property, plant and equipment		-	-	-
Operating profit		-	105	610
Profit on disposal of discontinued operations	4	-	221	13
Interest and investment income received		-	1	8
Finance charges		-	(5)	(16)
Profit before taxation		-	322	615
Taxation		-	(64)	(252)
Profit after taxation from discontinued operations		-	258	363
TOTAL OPERATIONS				
Revenue from the sale of goods	5	927	2 051	9 310
Operating profit before depreciation (EBITDA)		178	691	3 931
Depreciation, scrapping and changes in estimated useful lives of property, plant and equipment		(60)	(64)	(252)
Operating profit		118	627	3 679
Profit on disposal of discontinued operations	4	-	221	13
Interest and investment income received		33	38	169
Finance charges		(17)	(13)	(55)
Profit before taxation		134	873	3 806
Taxation	6	(4)	(229)	(1 267)
Profit for the period / year		130	644	2 539
Earnings per share - basic and diluted				
		Cents		Cents
From continuing operations		131.0	389.3	2 194.6
From discontinued operations		-	260.2	366.1
From total operations		131.0	649.5	2 560.7

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Reviewed for the three months ended 31 Mar 2009	Unaudited for the three months ended 31 Mar 2008	Audited for the year ended 31 Dec 2008
	Rm	Rm	Rm
Profit for the period/year	130	644	2 539
Other comprehensive income:			
Currency translation differences	(10)	62	97
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	120	706	2 636

HEADLINE EARNINGS PER SHARE

	Reviewed for the three months ended	Unaudited for the three months ended	Audited for the year ended
	31 Mar 2009	31 Mar 2008	31 Dec 2008
Reconciliation of headline earnings	Rm	Rm	Rm
Profit for the period / year	130	644	2 539
Add/(deduct) after tax effect of:			
Loss / (profit) on disposal of discontinued operations	-	(181)	73
Impairment losses recognised	-	-	5
Net loss on disposal and scrapping of property, plant and equipment	1	-	11
Headline earnings	131	463	2 628
Headline earnings - from continuing operations	131	322	2 192
Headline earnings - from discontinued operations	-	141	436
Headline earnings	131	463	2 628
Earnings per share - headline and diluted	Cents		Cents
From continuing operations	132.8	324.9	2 210.6
From discontinued operations	-	143.3	439.5
From total operations	132.8	468.2	2 650.1
Number of shares	Million	Million	Million
Ordinary shares in issue as at end date *	99.2	99.2	99.2
Weighted average number of ordinary shares *	99.2	99.2	99.2
Diluted number of ordinary shares *	99.2	99.2	99.2
* Rounded to nearest hundred thousand			

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Reviewed as at 31 Mar 2009	Unaudited as at 31 Mar 2008	Audited as at 31 Dec 2008
	Notes	Rm	Rm	Rm
ASSETS				
Non-current assets		1 979	1 738	1 956
Property, plant and equipment		1 957	1 737	1 956
Deferred taxation		22	-	-
Available-for-sale investments		-	1	-
Current assets		2 794	3 493	3 381
Inventories		895	466	831
Trade and other receivables		585	1 309	769
Prepaid expenditure		199	-	180
Cash and cash equivalents	3	1 115	1 718	1 601
Assets of disposal group classified as held-for-sale	7	-	677	-
TOTAL ASSETS		4 773	5 908	5 337
EQUITY AND LIABILITIES				
Shareholders' equity		2 962	4 085	2 842
Non-current liabilities		749	727	739
Long-term provisions		432	361	422
Deferred taxation		317	366	317
Current liabilities		1 062	1 012	1 756
Taxation	6	306	149	722
Other current liabilities		756	863	1 034
Liabilities directly associated with the assets classified as held-for-sale	7	-	84	-
TOTAL LIABILITIES		1 811	1 823	2 495
TOTAL EQUITY AND LIABILITIES		4 773	5 908	5 337
Net cash	3	1 098	1 718	1 601
Net asset value - cents per share		2 987	4 120	2 866

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Reviewed for the three months ended 31 Mar 2009	Unaudited for the three months ended 31 Mar 2008	Audited for the year ended 31 Dec 2008
	Rm	Rm	Rm
Cash flows from operating activities			
Cash generated by operations before taxation paid	9	729	3 994
Taxation paid	(442)	(19)	(530)
Net cash (used in)/generated from operating activities	(433)	710	3 464
Cash flows from investing activities			
Proceeds from disposal of discontinued operations	-	301	1 055
Additions to property, plant and equipment	(62)	(88)	(543)
Net cash (used in)/generated by investing activities	(62)	213	512
Cash flows from financing activities			
Decrease in loan to joint venture	-	17	17
Dividends paid	-	-	(3 173)
Net cash used in financing activities	-	17	(3 156)
Effects of exchange rate changes on cash held in foreign currencies	(8)	10	13
Net (decrease)/increase in cash and cash equivalents	(503)	950	833
Cash and cash equivalents at the beginning of the period/year	1 601	768	768
Cash and cash equivalents at the end of the period/year - note 3	1 098	1 718	1 601

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital and share premium	Translation and other reserves	Fair value reserves	Retained earnings	Total
	Rm	Rm	Rm	Rm	Rm
2008					
Balance at 1 January 2008 - Audited	585	94	-	2 700	3 379
Total comprehensive income for the quarter		62		644	706
Balance at 31 March 2008 - Unaudited	585	156	-	3 344	4 085
Total comprehensive income for the quarter		2		821	823
Dividends				(1 785)	(1 785)
Balance at 30 June 2008 - Reviewed	585	158	-	2 380	3 123
Total comprehensive income for the quarter		(12)	(1)	642	629
Dividends				(1 388)	(1 388)
Balance at 30 September 2008 - Unaudited	585	146	(1)	1 634	2 364
Total comprehensive income for the quarter		45	1	432	478
Balance at 31 December 2008 - Audited	585	191	-	2 066	2 842
Total comprehensive income for the quarter		(10)		130	120
Balance at 31 March 2009 - Reviewed	585	181	-	2 196	2 962

	Reviewed for the three months ended	Unaudited for the three months ended	Audited for the year ended
	31 Mar 2009	31 Mar 2008	31 Dec 2008
	Cents	Cents	Cents
Dividends per share			
Dividends declared and paid	-	-	3 200

CONDENSED CONSOLIDATED SEGMENTAL REPORTS

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

Steelworks

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

Vanadium

The major product of the continuing vanadium segment is ferrovanadium. Vanadium pentoxide, ferrovanadium and various vanadium chemicals are included in the discontinued vanadium segment.

Ferro-alloys

The major products of the ferro-alloys segment are ferrosilicon, char, ferromanganese and silicomanganese and this segment is included under discontinued operations.

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.

Reviewed for the three months ended 31 Mar 2009

	Continuing operations		
	Steelworks Rm	Vanadium Rm	Total Rm
Revenue from the sale of goods			
Revenue from external customers	641	286	927
Intersegmental revenue	66	-	66
Total segment revenue	707	286	993

Unaudited for the three months ended 31 Mar 2008

	Continuing operations			Discontinued operations		
	Steelworks Rm	Vanadium Rm	Total Rm	Vanadium Rm	Ferro-alloys Rm	Total Rm
Revenue from the sale of goods						
Revenue from external customers	1 136	561	1 697	334	20	354
Intersegmental revenue	170	-	170	1	6	7
Total segment revenue	1 306	561	1 867	335	26	361

Audited for the year ended 31 Dec 2008

	Continuing operations			Discontinued operations		
	Steelworks Rm	Vanadium Rm	Total Rm	Vanadium Rm	Ferro-alloys Rm	Total Rm
Revenue from the sale of goods						
Revenue from external customers	5 542	2 480	8 022	1 268	20	1 288
Intersegmental revenue	529	-	529	4	6	10
Total segment revenue	6 071	2 480	8 551	1 272	26	1 298

Intersegmental revenues are eliminated on consolidation.

	Reviewed for the three months ended 31 Mar 2009			Unaudited for the three months ended 31 Mar 2008			Audited for the year ended 31 Dec 2008		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Operating profit									
Steelworks	71	-	71	339	-	339	2 105	-	2 105
Vanadium	47	-	47	183	87	270	964	577	1 541
Ferro-alloys	-	-	-	-	18	18	-	33	33
Total	118	-	118	522	105	627	3 069	610	3 679

	Reviewed as at 31 Mar 2009			Unaudited as at 31 Mar 2008			Audited as at 31 Dec 2008		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Total assets									
Steelworks	4 253	-	4 253	4 676	-	4 676	4 891	-	4 891
Vanadium	520	-	520	555	677	1 232	446	-	446
Total	4 773	-	4 773	5 231	677	5 908	5 337	-	5 337

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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1 Companies Act and JSE Limited Listings Requirements

Compliance with the Companies Act No. 61 of 1973 as well as the Listings Requirements of the JSE Limited has been maintained throughout the reporting periods.

2 Related party transactions

Transactions entered into between the Group and its related parties during the reporting periods were arms length transactions between knowledgeable, willing parties at fair value.

3 Net cash

Net cash is calculated as follows:

	Reviewed as at 31 Mar 2009	Unaudited as at 31 Mar 2008	Audited as at 31 Dec 2008
	Rm	Rm	Rm
Cash and cash equivalents	1 115	1 718	1 601
Overdraft included in other current liabilities	(17)	-	-
Net cash	1 098	1 718	1 601

4 (Loss) / profit on disposal of discontinued operations

	Reviewed for the three months ended 31 Mar 2009	Unaudited for the three months ended 31 Mar 2008	Audited for the year ended 31 Dec 2008
	Rm	Rm	Rm
Total proceeds	-	305	1 244
Net asset value disposed of	-	(84)	(1 231)
Profit on disposal before taxation	-	221	13
Taxation charge	-	(40)	(86)
(Loss) / profit on disposal after taxation	-	181	(73)

5 Supplementary revenue information - Unaudited

	For the three months ended 31 Mar 2009	For the three months ended 31 Mar 2008	For the year ended 31 Dec 2008	
Sales volumes of major products				
Continuing operations				
Total steel	Tons	77 735	183 033	668 116
Ferrovandium	kg V	1 075 513	1 601 362	5 194 834
Vanadium slag	Tons V ₂ O ₅	-	794 783	13 580
Fines ore	Tons	108 352	-	130 225
Weighted average selling prices achieved for major products				
Continuing operations				
Total steel	\$/t	695	747	953
Ferrovandium	\$/kg V	27	47	60
Fines ore	\$/t	19	-	42
Average R/\$ exchange rate		9.95	7.53	8.00

6 Income tax

The Group has assessable tax losses which arose in its foreign operations. These tax losses arose as a result of tax deductions exceeding taxable profit. A deferred tax asset has been recognised in respect of these losses as management believes that these losses will be recoverable in the foreseeable future. These losses have been reflected in the computation of the Group estimated average annual effective income tax rate and caused the income tax expense (which is based on the best estimate of the weighted average annual income tax rate for the full financial year) to be very low.

7 Financial ratios - Unaudited

Current ratio	2.63	3.80	1.93
Market capitalisation - Rm	7 040	6 821	6 345

8 Disposal groups

In terms of a European Union competition ruling Highveld is required to dispose of the Vanchem division and its interest in South Africa Japan Vanadium (Proprietary) Limited ("SAJV"). The Vanchem division and the interest in SAJV had been treated as disposal groups for the period to 30 June 2008 and were reported as discontinued operations. The sale agreements for the Vanchem division and SAJV have been concluded and the effective date of sale for the Vanchem division was 29 August 2008. The assets and related liabilities and cash flows of these disposal groups were as follows:

	Reviewed 31 Mar 2009	Unaudited 31 Mar 2008	Audited 31 Dec 2008
	Rm	Rm	Rm
ASSETS			
Non-current assets classified as held-for-sale	-	552	-
Current assets classified as held-for-sale	-	125	-
	-	677	-

EQUITY AND LIABILITIES

Liabilities directly associated with assets classified as held-for-sale	-	84	-
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	Reviewed for the three months ended 31 Mar 2009	Unaudited for the three months ended 31 Mar 2008	Audited for the year ended 31 Dec 2008
	Rm	Rm	Rm
The cash flows were as follows:			
Cash inflow from operating activities	-	71	323
Cash (outflow)/ inflow from investing activities excluding disposal proceeds	-	(11)	(58)
Cash outflow from financing activities	-	-	-
Total cash inflow	-	60	265

9 Contingent liabilities

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R191 million (2008: R191 million) was issued in favour of the Department of Minerals and Energy for the unscheduled closure of Mapochs Mine.

In terms of the Corporation'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 R55 million (2008: R55 million).

10 Subsequent events

There have been no reportable events after the reporting period up to the date of this announcement.