Evraz Highveld Steel and Vanadium Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1960/001900/06)
Share code: EHS ISIN: ZAE000146171
("the Corporation" or "Evraz Highveld" or "the Group")

INTERIM REPORT FOR QUARTER THREE AND THE NINE MONTHS TO 30 SEPTEMBER 2010

CHAIRMAN AND CEO'S REPORT

- Sales revenue increased from R3 019 million (30 September 2009 YTD) to R3 911 million
- Operating loss of R313 million (September 2009 YTD: R113 million profit)
- Headline earnings negative R168 million (30 September 2009 YTD positive R103 million)
- Ongoing weak domestic demand and continued uncertain market conditions coupled with remaining strong Rand
- New non-executive director appointed on 11 November 2010
- Stabilised oxygen supply
- Non-commissioning of new furnace

1. Operations

Repair work by the oxygen supplier to their process plant has stabilised the overall supply situation, resulting in the steel output recovering in the third quarter.

Steel

Cast steel production for the first nine months of 2010 increased by 18% in comparison to the same period 2009, but was still 10% lower than the equivalent period in 2008. Production for the third quarter 2010 was 21% higher than in the second quarter.

Production of semi-finished products, including billets, commenced during the third quarter. This material will be sold during the fourth quarter.

Vanadium

A total of 44 668 tons of vanadium slag was produced with 6 023 tons of V in V_2O_5 for the first nine months of 2010, compared to 30 998 tons, with 4 082 tons of V in V_2O_5 produced for the same period last year.

Production of iron ore fines for the first nine months of 2010 increased by 41% in comparison to the same period last year, while sales volumes for the same periods increased by 27%. Production volume achieved in the third quarter was similar to that of the second quarter 2010.

2. Key financials

An operating loss of R58 million was incurred for the third quarter, with a cumulative loss of R313 million for the first nine months 2010. The operating loss for the third quarter was partially mitigated by a write up of 48 kt of internally generated scrap, amounting to a value of R98 million. This has come about due to a reassessment of our scrap stock requirements.

The reduction in operating loss from the second quarter 2010 to the third quarter was principally due to an increase in revenue of 4%, a decrease in cost of sales of 8%.

Average FeV prices increased by 18% from US$25.52 kg V in the first nine months of 2009 to US$30.13 kg V in 2010.

3. Markets

Global crude steel production increased by 19% for the first nine months of 2010 as compared to the same period last year, while the increase in South Africa for the same comparative period was 5.7%.

Total steel sales increased by 7% for the first nine months of 2010 as compared to the same period last year, and by 7% from the second quarter to the third quarter of 2010. Export sales decreased by 36% for the first nine months of 2010 in comparison to the same period last year. However, we are now seeing export sales increasing again due to the ongoing weak domestic market.

4. Safety, health and environment

It is disappointing that the Lost Time Injury Frequency Rate (LTIFR) has increased to 1.86 at the end of September 2010 in comparison to a LTIFR of 1.80 for the year 2009. We have implemented a renewed focus in this key area.

Following a renewed focus on Voluntary Counselling and Testing, the total number of employees tested at the end of the third quarter had more than doubled from the end of the first half 2010.

We have now embarked on a number of environmental projects which is part of our long term environmental strategy, of which the development of the integrated ambient air monitoring network is of significance.

5. Change in Directorate

We are pleased to announce the appointment of Dmitrij Scuka as non-executive director as from today. Dmitrij is Director of Operations, European and African Assets of Evraz Group SA, and has extensive experience in specifically business transformation, ERP implementation and project management which will be of great value to Evraz Highveld.

6. Prospects

The commissioning of the channel induction furnace has been fraught with difficulties, which will lead to us reaching a final decision on the equipment being fit for purpose during the last quarter of 2010. The capital cost of this project is in the region of R230 million.

The financial position of the Corporation is not likely to improve during the remainder of 2010, due to weakening local markets and the strong Rand. We anticipate that the local economy will not substantially improve until the second half 2011.

B J T Shongwe
(Chairman)
11 November 2010

A S MacDonald
(Chief Executive Officer)

Directors: B J T Shongwe *(Chairman)*, A S MacDonald *(Chief Executive Officer) (British)*, G C Baizini *(Italian)*, M Bhabha, C B Brayshaw, Mrs B E de Beer, A V Frolov *(Russian)*, Mrs B Ngonyama, D Scuka *(Czech)*, P M Surgey, P S Tatyanin *(Russian)* 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

GROUP UNAUDITED FINANCIAL RESULTS

Basis of preparation

The Group's condensed consolidated financial statements for the nine months ended 30 September 2010 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.

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 2010. These Standards had no impact on the results or disclosures of the Group.

- IFRS 2, Amended – Share-based Payments: Group cash-settled share-based payment transactions (effective from 1 January 2010)
- IFRS 3, Business Combinations (effective from 1 July 2009)
- IAS 27, Consolidated and Separate Financial Statements (effective from 1 July 2009)
- IAS 39, Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective from 1 July 2009)
- IFRIC 17, Distribution of Non-cash Assets to Owners (effective from 1 July 2009)
- IFRIC 18, Transfers to Assets from Customers (effective from 1 July 2009)
- Improvements to IFRS (issued April 2009 - effective mostly from 1 January 2010)

ii) From January 2010, the Group changed its accounting policy for the valuation of scrap inventory from a cost formula where equal costs per ton were allocated to scrap and to prime steel, to a formula where scrap inventory is valued at the prevailing market price. It is not possible to apply this change in allocation retrospectively, therefore it has been done on all scrap produced from 1 January 2010.

iii) The following Standard, effective in future accounting periods, have not been adopted in these financial statements:

- Improvements to IFRS (issued May 2010 - effective mostly from 1 July 2010)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**Unaudited as at 30 Sep 2010 Rm**	Reviewed as at 30 Sep 2009 Rm	Audited as at 31 Dec 2009 Rm
ASSETS				
Non-current assets		**1 825**	1 915	1 884
Property, plant and equipment		**1 825**	1 915	1 884
Current assets		**2 732**	2 870	3 013
Inventories		**1 181**	1 171	1 228
Trade and other receivables and pre-payments		**976**	641	711
Cash and short-term deposits	5	**575**	1 058	1 074
TOTAL ASSETS		**4 557**	4 785	4 897
EQUITY AND LIABILITIES				
Total equity		**2 904**	2 900	3 074
Non-current liabilities		**603**	769	712
Provisions		**519**	452	469
Deferred tax liability		**84**	317	243
Current liabilities		**1 050**	1 116	1 111
Trade and other payables		**773**	864	771
Interest-bearing loans and borrowings	5	**-**	-	2
Income tax payable		**79**	236	156
Provisions		**198**	16	182
TOTAL EQUITY AND LIABILITIES		**4 557**	4 785	4 897
Net cash		**575**	1 058	1 072
Net asset value - cents per share		**2 928**	2 925	3 101

CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Unaudited for the three months ended 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	Unaudited for the nine months ended 30 Sep 2010 Rm	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Sale of goods		**1 372**	1 114	**3 911**	3 019	4 252
Revenue		**1 372**	1 114	**3 911**	3 019	4 252
Cost of sales		**(1 256)**	(922)	**(3 697)**	(2 573)	(3 578)
Gross profit		**116**	192	**214**	446	674
Selling and distribution costs		**(85)**	(64)	**(217)**	(173)	(243)
Administrative expenses		**(73)**	(76)	**(268)**	(148)	(201)
Other operating expenses		**(16)**	(4)	**(42)**	(12)	(38)
Operating (loss)/profit		**(58)**	48	**(313)**	113	192
Finance costs		**(12)**	(17)	**(37)**	(50)	(61)
Finance income		**10**	13	**29**	62	73
(Loss)/Profit before tax		**(60)**	44	**(321)**	125	204
Income tax credit/(expense)	6	**32**	(85)	**149**	(20)	(41)
(Loss)/Profit for the period/year		**(28)**	(41)	**(172)**	105	163

	Cents	Cents	Cents	Cents	Cents
(Loss)/Earnings per share - basic and diluted	**(28.2)**	(41.5)	**(173.5)**	105.4	164.4

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited for the three months ended 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	Unaudited for the nine months ended 30 Sep 2010 Rm	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
(Loss)/Profit for the period/year	**(28)**	(41)	**(172)**	105	163
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations	**2**	(2)	**2**	(47)	(37)
Total comprehensive (loss)/income for the period/year	**(26)**	(43)	**(170)**	58	126

HEADLINE EARNINGS PER SHARE

	Unaudited for the three months ended 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	**Unaudited for the nine months ended 30 Sep 2010 Rm**	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Reconciliation of headline (loss)/earnings					
(Loss)/Profit for the period/year	**(28)**	(41)	**(172)**	105	163
Add after tax effect of:					
Net (gain)/loss on disposal and scrapping of property, plant and equipment	**(2)**	(1)	**4**	(2)	4
Headline (loss)/earnings	**(30)**	(42)	**(168)**	103	167
	Cents	Cents	**Cents**	Cents	Cents
(Loss)/Earnings per share - headline and diluted	**(30.3)**	(42.8)	**(169.4)**	103.5	168.1
	Million	Million	**Million**	Million	Million
Number of shares					
Ordinary shares in issue as at end date *†	**99.2**	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
FOR THE PERIOD/YEAR ENDED

	Issued capital and share premium Rm	Other capital reserves Rm	Retained earnings Rm	Total Rm
2009				
Balance at 1 January 2009	585	191	2 173	2 949
Profit for the period			130	130
Other comprehensive loss for the quarter		(10)		(10)
Balance at 31 March 2009 - Reviewed	585	181	2 303	3 069
Profit for the period			16	16
Other comprehensive loss for the quarter		(35)		(35)
Balance at 30 June 2009 - Reviewed	585	146	2 319	3 050
Loss for the period			(41)	(41)
Other comprehensive loss for the quarter		(2)		(2)
Balance at 30 September 2009 - Reviewed	585	144	2 278	3 007
Profit for the period			58	58
Other comprehensive income for the quarter		9		9
Balance at 31 December 2009 - Audited	585	153	2 336	3 074
2010				
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**

Note:
For the period from 1 January 2009 to date no dividend has been declared by the Corporation.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	**Unaudited for the nine months ended 30 Sep 2010 Rm**	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Cash flows from operating activities				
Cash (used in)/generated by operations before tax paid		**(215)**	132	104
Income tax paid		**(83)**	(498)	(565)
Net cash used in operating activities		**(298)**	(366)	(461)
Cash flows from investing activities				
Proceeds from disposal of discontinued operations		**-**	-	164
Net additions to property, plant and equipment		**(172)**	(146)	(196)
Net cash used in investing activities		**(172)**	(146)	(32)
Cash flows from financing activities				
(Decrease)/Increase in short-term loans		**(2)**	-	2
Net cash (used in)/generated by financing activities		**(2)**	-	2
Effects of exchange rate changes on cash held in foreign currencies		**(27)**	(31)	(36)
Net decrease in cash and cash equivalents		**(499)**	(543)	(527)
Cash and cash equivalents at the beginning of the period/year		**1 074**	1 601	1 601
Cash and cash equivalents at the end of the period/year	5	**575**	1 058	1 074

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Steel sales to East Metals S.A., a fellow subsidiary, amounted to R331 million (September 2009 YTD: R403 million) for the nine months ended 30 September 2010. This constitutes 14% of total steel revenue for the period, compared to 14% for the year ended 31 December 2009.

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 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	**Unaudited for the nine months ended 30 Sep 2010 Rm**	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Revenue from the sale of goods					
Steelworks	**1 014**	853	**2 813**	2 265	3 208
Vanadium	**358**	261	**1 098**	754	1 044
Total	**1 372**	1 114	**3 911**	3 019	4 252

Intersegment revenue is eliminated on consolidation.

	Unaudited for the three months ended 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	**Unaudited for the nine months ended 30 Sep 2010 Rm**	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
Operating (loss)/profit					
Steelworks	**(150)**	62	**(661)**	88	1
Vanadium	**92**	(14)	**348**	25	191
Total	**(58)**	48	**(313)**	113	192

	Unaudited as at 30 Sep 2010 Rm	Reviewed as at 30 Sep 2009 Rm	Audited as at 31 Dec 2009 Rm
Total assets			
Steelworks	**4 280**	4 374	4 413
Vanadium	**277**	411	484
Total	**4 557**	4 785	4 897

4 Supplementary revenue information - Unaudited

		For the three months ended 30 Sep 2010	For the three months ended 30 Sep 2009	**For the nine months ended 30 Sep 2010**	For the nine months ended 30 Sep 2009	For the year ended 31 Dec 2009
Sales volumes of major products						
Total steel	Tons	**148 790**	147 231	**452 288**	422 407	580 943
Ferrovanadium	Tons V	**1 219**	1 147	**4 336**	3 524	4 884
Vanadium slag	Tons V_2O_5	**226**	-	**2 102**	-	810
Fines ore	Tons	**170 353**	167 026	**456 318**	360 672	519 578
Weighted average selling prices achieved for major products						
Total steel	US$/t	**786**	695	**726**	591	621
Ferrovanadium	US$/kg V	**27**	26	**27**	23	23
Vanadium slag	US$/kg V_2O_5	**6**	-	**6**	-	5
Fines ore	US$/t	**34**	40	**38**	26	24
Average R/$ exchange rate		**7.33**	7.82	**7.53**	8.74	8.43

5 Net cash

Net cash is calculated as follows:

	Unaudited as at 30 Sep 2010 Rm	Reviewed as at 30 Sep 2009 Rm	Audited as at 31 Dec 2009 Rm
Cash and cash equivalents	**575**	1 058	1 074
Bank overdraft included in other current liabilities	**-**	-	(2)
Net cash	**575**	1 058	1 072

6 Income tax

	Unaudited for the three months ended 30 Sep 2010 Rm	Reviewed for the three months ended 30 Sep 2009 Rm	**Unaudited for the nine months ended 30 Sep 2010 Rm**	Reviewed for the nine months ended 30 Sep 2009 Rm	Audited for the year ended 31 Dec 2009 Rm
South African					
Normal					
Current	**-**	32	**-**	18	35
Deferred	**(35)**	-	**(159)**	-	-
Non-South African					
Normal					
Current	**3**	(13)	**10**	2	6
Reversal of deferred tax asset	**-**	66	**-**	-	-
Income tax expense	**(32)**	85	**(149)**	20	41

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

7 Financial ratios - Unaudited

Current ratio	**2.60**	2.57	**2.60**	2.57	2.71
Market capitalisation - Rm	**8 428**	7 387	**8 428**	7 387	6 394

8 Contingent liabilities and guarantees

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million before tax and R190 million after tax (2009: R235 million before tax and R169 million after tax) was issued in favour of the Department of Mineral Resources 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 R39 million before tax and R28 million after tax (2009: R39 million before tax and R28 million after tax).

As required by certain suppliers of the Corporation, guarantees were issued in favour of these suppliers to the value of R8 million (2009: R8 million) in the event that the Corporation will not be able to meet its obligations to the suppliers.

9 Subsequent events

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