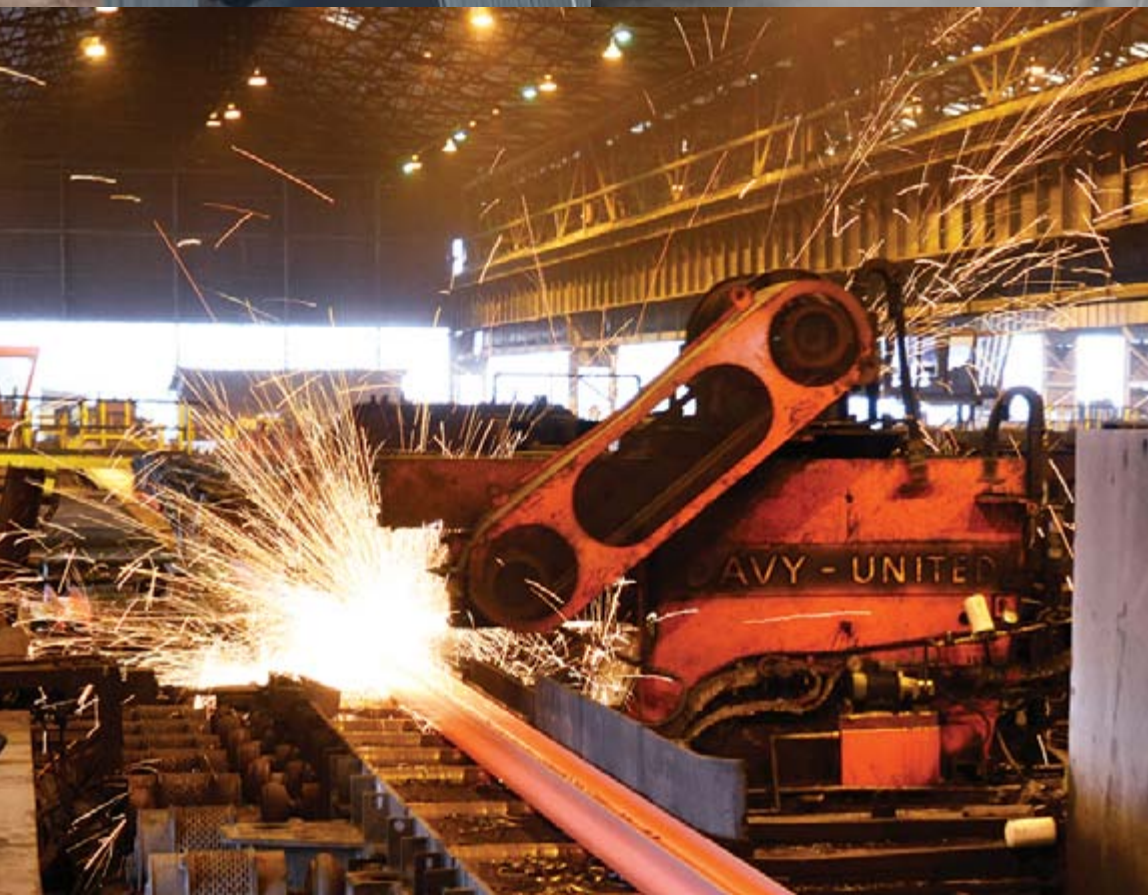


INTEGRATED ANNUAL REPORT

2012

making the world stronger ●





MAKING
THE
WORLD
STRONGER

Contents

EVRAZ Highveld

6

▶ Our vision	7
▶ Our values	7
▶ Reporting framework	8
▶ Business profile	9
▶ Business strategy	13
▶ Performance overview 2012	14
▶ Five-year review	17
▶ Operational review	21



Business Review 2012

28

▶ Chairman's review	29
▶ Report of the chief executive officer	32
▶ Report of the chief financial officer	36
▶ Social and Ethics Committee report	42
▶ Stakeholder engagement	46
▶ Remuneration and Nominations Committee report	50
▶ Mineral Resource and Mineral Reserve statement	55

Governance Review

56

▶ Directorate	57
▶ Executive committee	63
▶ Corporate governance	64
▶ Risk management	74
▶ Information technology governance	80

Sustainability Review

82

- ▶ Value added statement 83
- ▶ Economic performance 84
- ▶ Supply chain management 86
- ▶ Safety, health, environment and quality (SHEQ) 87
- ▶ Human capital 99
- ▶ Transformation and social responsibility 104

Annual Financial Statements

106

- ▶ Audit and Risk Committee report 108
- ▶ Independent auditors' report 112
- ▶ Directors' report 113
- ▶ Income statement 117
- ▶ Statement of comprehensive income 118
- ▶ Statement of financial position 119
- ▶ Statement of changes in equity 120
- ▶ Statement of cash flows 121
- ▶ Notes to the financial statements 123
- ▶ Interest in subsidiaries 181
- ▶ Definitions 182
- ▶ Abbreviations 184

Shareholder information

186

- ▶ Shareholders' diary 187
- ▶ Shareholders' analysis 188
- ▶ Notice of Annual General Meeting 189
- ▶ Form of proxy 192
- ▶ Notes to the form of proxy 194
- ▶ Voting instruction form 195
- ▶ Key contacts 197
- ▶ Company information 198



Click on an arrow to go:

- ▶ To a selected page
- ◀ Back to main contents
- ◀ Back to chapter contents

Scroll over orange text to see its explanation

Click on red text to go to a selected page

EVRAZ Highveld



EVRAZ

EVRAZ HIGHVELD
STEEL AND VANADIUM

making the world stronger



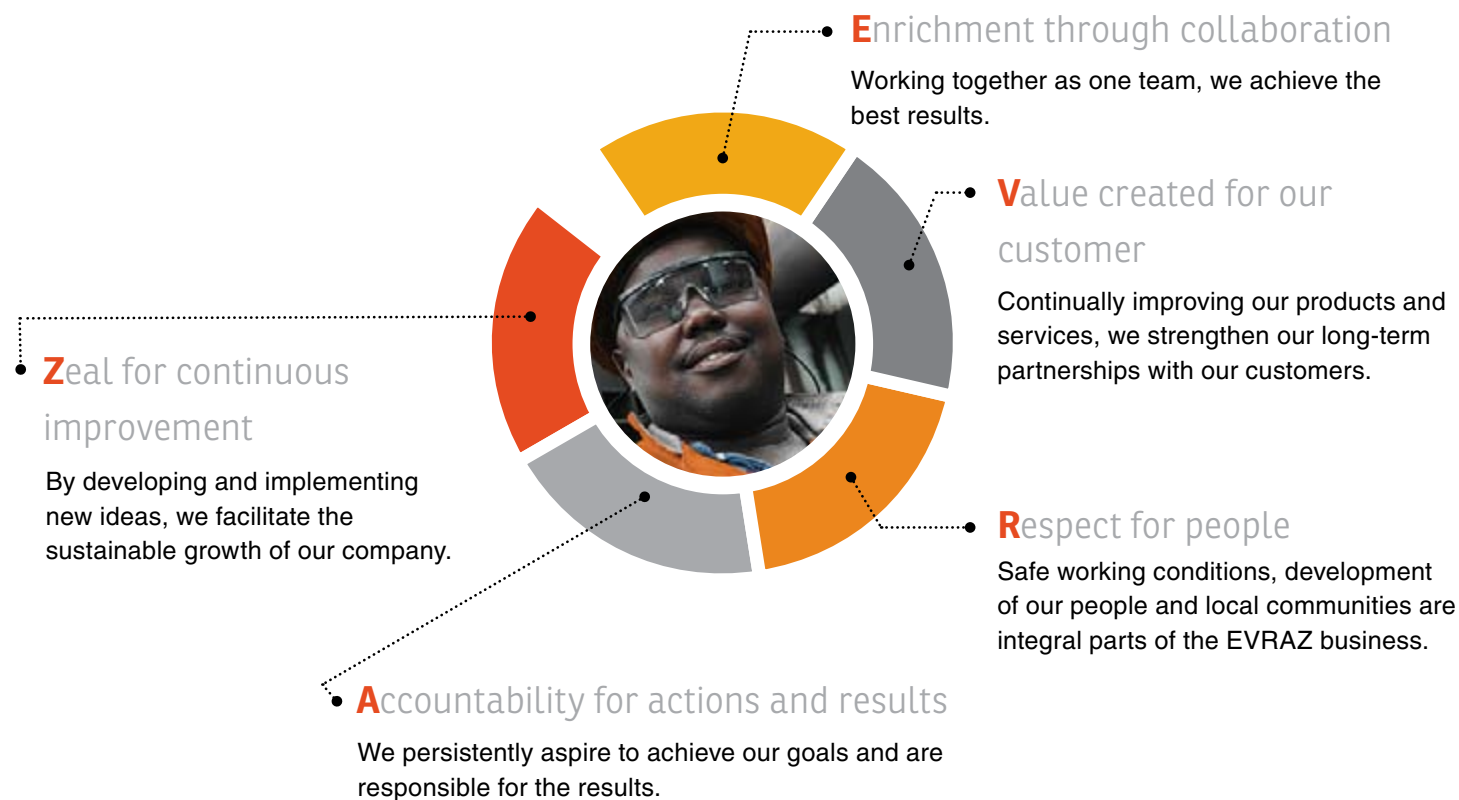
Our vision

- To be a leading producer of vanadium.
- To be a profitable producer of steel products.
- To produce steel and vanadium in a safe, clean and efficient way.

Our values

EVRAZ Highveld is a subsidiary of a leading global resources company with distinctive values. We believe that our responsibilities encompass all our stakeholders, including shareholders, customers, employees and communities in the areas where we operate.

We endeavour to deliver ongoing growth and value while pursuing environmentally responsible policies within a framework of sustainability.



EVRAZ Highveld

- ▶ Our vision
- ▶ Our values

- ▶ Reporting framework
- ▶ Business profile

- ▶ Business strategy
- ▶ Performance overview 2012

- ▶ Five-year review
- ▶ Operational review



2011

Given our commitment to meaningful and transparent reporting, we are proud of the recognition prior reports received, having been ranked as excellent in the Ernst & Young Excellence in Corporate Reporting 2011 survey, and rated as the best annual report in the fledgling category in the Chartered Secretaries Southern Africa Annual Report Awards 2012 for the annual reports of 2011.



Reporting framework

This fourth Integrated Annual Report presented to stakeholders sets out the strategy of EVRAZ Highveld Steel and Vanadium Limited (EVRAZ Highveld) within the context of assessed risks and identified opportunities. The report includes a review of the financial performance of the Company and the sustainability activities of its operations in South Africa, notably Mapochs Mine and the Steelworks, for the period 1 January 2012 to 31 December 2012. The previous report covered the corresponding period for the 2011 financial year. Both the Board and management are confident that the information contained in the integrated report is accurate.

This report is compiled in line with the Johannesburg Securities Exchange Limited (JSE) Listings Requirements, International Financial Reporting Standards (IFRS), the South African Companies Act 2008 as amended, the principles contained in the King Report on Corporate Governance for South Africa 2009 (King III), and the South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves (SAMREC).

The internationally accepted Global Reporting Initiative's G3 (GRI version 3.1) guidelines have been adopted as a basis for sustainability reporting, and the guidelines contained in the discussion paper of the Integrated Reporting Committee of South Africa have been considered.

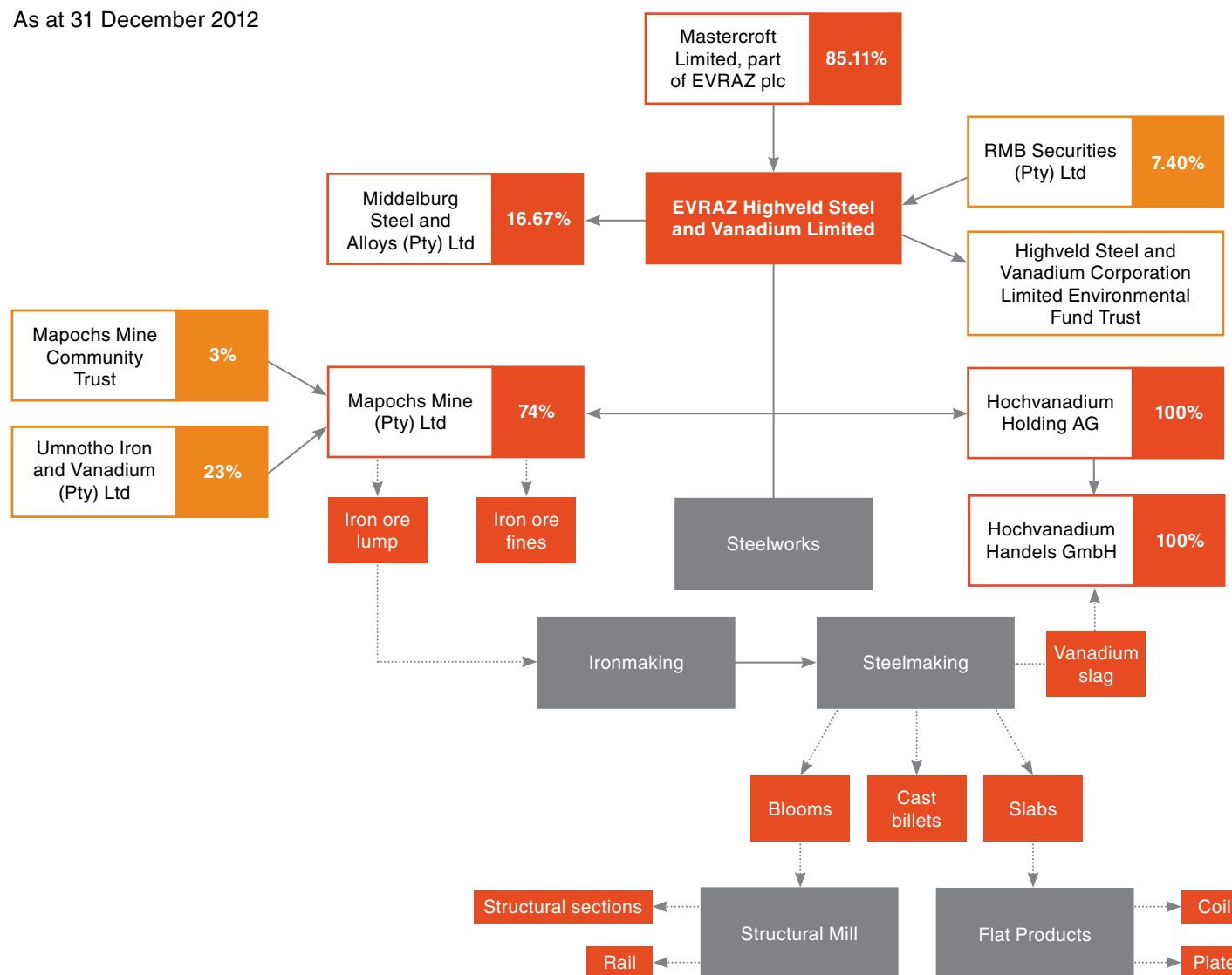
There have been no significant changes to the measurement methods for key economic, environmental and social data between this report and the one covering the previous year.

The sustainability review included in this report has been self-assessed and not externally assured, achieving a C-level rating.

EVRAZ Highveld supports the principle of integrated reporting and aims, through transparent reporting, to provide stakeholders with a basis for assessing the Company's ability to create and sustain value and ensure the short-, medium- and long-term viability of the Company, whilst also providing an understanding of the Company's impacts on economic, social and environmental systems.

Business profile

As at 31 December 2012



EVRAZ Highveld is a South African based vertically integrated iron ore, steel and vanadium slag producer, listed on the **JSE**, trading under the symbol EHS. The majority of EVRAZ Highveld's issued shares are held by Mastercraft Limited, a subsidiary of the FTSE100-listed EVRAZ plc, one of the world's largest vertically integrated steel and mining businesses with operations in Russia, Ukraine, USA, Canada, Italy, Czech Republic and South Africa. EVRAZ Highveld also runs a Sponsored Level 1 American Depositary Receipt (ADR) facility, with the Bank of New York Mellon acting as depository bank in terms of an exclusive deposit agreement.



EVRAZ Highveld's operations based in Roossenekal in Limpopo and eMalahleni in Mpumalanga employ some 2 243 people, and contribute materially to the local communities in which they are based.

EVRAZ Highveld is a major contributor to global vanadium feedstock production, and is, in addition to being the second largest steel producer in South Africa with a capacity of 900 000 tons per annum, also the primary producer of medium and heavy structural sections and ultra-thick plate in the country. Marketing of vanadium products into the European market is supported through Hochvanadium Holding AG, a wholly-owned Austrian-based subsidiary.

Mapochs Mine

In 2012 Mapochs Mine ceased to be an operating division of the Company, following the successful granting, notarial execution and registration of EVRAZ Highveld's new-order mining rights in terms of the Minerals and Petroleum Resources Development Act (MPRDA) in 2011. The cession, with effective date of complete transaction being 29 February 2012, transferred these rights to Mapochs Mine Proprietary Limited in February 2012, as well as 23 per cent of the shareholding to Umnotho Iron and Vanadium Proprietary Limited (Umnotho) and a further three per cent to the Mapochs Mine Community Trust (MMCT). Shareholding of and returns to the community trust are managed on behalf of the Roossenekal community.

Mapochs Mine, located 140 kilometres north-east of eMalahleni, is a titaniferous magnetite ore open-cast mining operation that produces both lump and iron ore fines. Ore fines are marketed to third parties whilst the lump ore is transported to the Steelworks at eMalahleni.

Steelworks

The Steelworks, the eMalahleni-based operating division of the Company, comprises the Iron Plant, the Steel

Plant, the Vanadium Slag Plant, the Flat Products Mill and the Structural Products Mill. In addition, 21 support functions provide various support services to the operations.

The **Iron Plant** treats the magnetite ore in a pre-reduction process in 13 rotary kilns. Once reduced, hot metal is produced in four open slag bath furnaces and two submerged arc furnaces, with a combined capacity of 85 000 tons of hot metal per month.

Vanadium slag is extracted in four shaking ladle emplacements in the **Steel Plant**, whereafter the hot metal is processed in three basic oxygen furnaces and two ladle furnaces prior to casting blooms and slabs for hot rolling and billets for sale as semi-finished product.

Vanadium slag is crushed, milled and packaged for sale to Hochvanadium Handels GmbH at the **Vanadium Slag Plant**. Toll conversion of vanadium slag to products such as Modified Vanadium Oxide (MVO) and Nitrovan® (a unique vanadium product registered by EVRAZ Stratcor Inc.) is also undertaken by EVRAZ Vametco Alloys Proprietary Limited (EVRAZ Vametco), situated in Brits in North West, which is used as an alloying material with the

advantage of increasing strength of steel through the formation of various vanadium precipitates.

The **Structural Mill** rolls universal columns and beams, joists, parallel flange channels, equal angles, rolled squares, taper flange channels, bearing piles, sleeper bars and rod mill rods. Mine and siding rails up to a footweight of 57 kilograms per metre and a length of 36.5 metres are also produced. The **Flat Products Mill** rolls plate and coil.

Products

EVRAZ Highveld is a major contributor to global vanadium feedstock markets and produced 43 132 tons of vanadium slag in 2012 (61 083 tons in 2011). The Company is the primary producer of medium and heavy structural sections and thick plate in South Africa, and also produces rail, coiled plate, coiled strip, light and medium plate and cast billets. In 2012, EVRAZ Highveld produced 144 151 tons of plate, 98 685 tons of coil and 204 701 tons of sections (170 364 tons of plate, 117 109 tons of coil and 225 282 tons of sections in 2011).

Cast billets, which are sold as semi-finished product, are used for the



production of rebar and merchant bar. Structural products are used in the construction, transportation and mining industries. Flat products include plate and coil, used in the construction, fabrication, engineering and ship-building industries.

Vanadium slag produced by the Company is used primarily for conversion into ferrovanadium (FeV). Approximately 93 per cent of global FeV production is used as a steel additive in high-strength steels, with the remaining seven per cent being used in catalysts and chemicals and

in the medical, glass-manufacturing and pigmentation industries.

Markets

EVRAZ Highveld's steel sales are focused on the local market with some 79.1 per cent of steel product volumes having been distributed locally during 2012 (78.6 per cent in 2011), primarily through major steel merchants.

Structural and flat steel products are produced to a variety of international standards to cater for customer and market requirements and sold into niche markets and industry segments.

Semi-finished products, including billets, slabs and blooms are produced according to demand from national and international customers for further processing into final products.

Export steel sales to the American, European, Middle Eastern and Asian markets are channelled mainly through East Metals AG, the EVRAZ plc European-based marketing arm.

Vanadium is provided in the form of:

- ore fines, produced by Mapochs Mine, to Vanchem Vanadium Products Proprietary Limited (VVP),

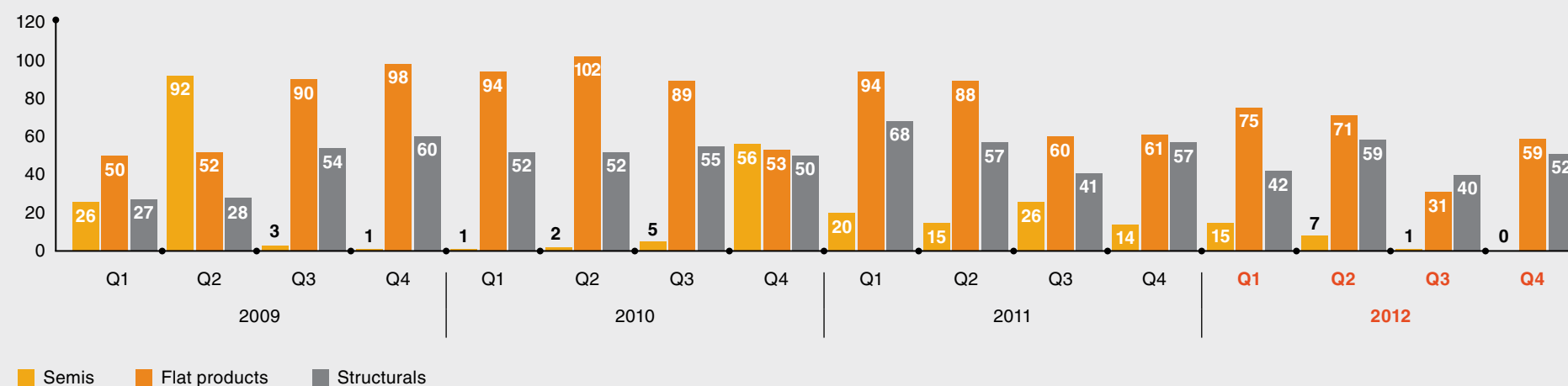
part of the Duferco Group; and

- vanadium slag produced at the Steelworks to:

- Hochvanadium, a 100 per cent EVRAZ Highveld subsidiary in Europe, which in turn, supplies it to Treibacher Industrie AG for further processing into vanadium products, primarily FeV, for steelmaking in the European market, and
- EVRAZ Vametco for conversion into Nitrovan® and MVO on a tolling basis. These products are sold into global markets through East Metals AG.

QUARTERLY STEEL SALES

(Kt)



A breakdown of vanadium slag and steel product sales volumes is:

Sales volumes	2012	2011
Vanadium slag – '000 tons V	5.9	7.6
Total steel – '000 tons	454	603
Domestic steel sales – %	79.1	78.6
Export steel sales – %	20.9	21.4

In 2012 the Company laid the foundation to increase its penetration into the continent by consolidating its Africa marketing activities through multiple, well-established agents.

A warehouse facility with a capacity of 5 000 tons of product has been established in Johannesburg to give steel merchants and end-users on the Reef direct access to its steel products.

On the local market, the labour unrest at the Company during the third quarter and the subsequent difficulties in restoring production capacity as well as the nationwide transport strike impacted negatively on the objective to supply customers' orders on time and in full.

In 2013 the focus will be on improving delivery performance now that the operations have been fully ramped up.

Customer focus

EVRAZ Highveld is committed to providing high levels of customer service in support of its objective of being a leading local steel supplier and recognised in international markets. Customer satisfaction is monitored through continuous customer consultation to ensure that products are developed and manufactured to customer specifications.

Customer consultation includes personal contact, written evaluations, focus group meetings, a customer newsletter and web-based surveys. On-line feedback is structured according to customers' activities, be it marketing, ordering or financial interaction. The results from these feedback channels are tabulated and analysed to form the basis for process improvements.

The 2012 customer survey was conducted with 55 customers, and highlighted areas for improvement when compared with the survey

undertaken in 2011. The response rate was lower at 56.4 per cent compared to the 2011 response rate of 70.3 per cent.

In all communication with customers, privacy is guaranteed. No customer information is shared with a third party. Customers have secure access to their order details on the EVRAZ Highveld website. No complaints regarding breaches to customer privacy were received in 2012.

Marketing ethics

The EVRAZ Highveld marketing activities support the principles of a free market approach. The Company does not participate in any organised or co-ordinated activities to influence government policy and it does not support a specific political party, neither in policy nor in kind.

EVRAZ Highveld's marketing activities comply with the code of ethics of the Southern African Institute of Steel Construction. Marketing communication adheres to the code of the Direct Marketing Association of South Africa.

None of the Company's products are banned in world markets, or are subject to stakeholder questions, or public debate.

Market outlook

The over-capacity in the steel market continues to have a negative effect on steel prices globally, resulting in many local steel users sourcing imported steel at discounted prices. This trend is expected to continue in the near future.

EVRAZ Highveld continually analyses its product range against local market requirements and product availability to evaluate the feasibility of expanding its product range to increase local market penetration.

Business strategy

EVRAZ Highveld creates value by converting iron ore into vanadium slag and steel products. The efficiency of operations and focused efforts on developing the workforce and ensuring a working environment that promotes employee safety and well-being is at the forefront of decision-making.

The business strategy, approved by the Board in 2011, is focused on reducing costs and increasing yields in the shorter term and on doubling capacity in the longer term. It is aligned to the global EVRAZ plc strategy, which is focused on five key areas:

- Health, safety and environment (HSE);
- Human capital;
- Customer focus;
- Growth of the business; and
- The EVRAZ Business System.

Longer-term strategic objectives continue to be assessed in line with market conditions. Current market conditions, influenced by global macro-economic factors, continue to depress pricing within the markets in which the Company operates. As

a result, strategic drives are focused on consolidating the business to achieve improved, sustainable returns. Initiatives in 2012 with respect to cost reduction and improved operational efficiencies, outlined in the operational review on [pages 21 to 27](#), were adversely influenced by industrial action, but did establish the foundation for future business improvement and the achievement of broader strategic objectives.

The Company understands that it operates in a high-impact industry associated with potential [HSE](#) risks, and is focused on increasing the level of industrial safety, labour protection and care of the environment in operations. The environmental strategy is targeted at implementing optimal solutions for industrial waste management, the reduction of pollutant emissions and the rational use of natural resources, based on an awareness of the possible environmental consequences of the production processes.

Employees are considered the Company's principal asset, and

it supports a range of social programmes to ensure the development of employees to drive business success. Educational programmes are designed to create an evolutionary environment that provides employees with opportunities to appreciate and share best practices and to advance personally and professionally.

Customers are considered long-term business partners and client relationships are fostered by driving product quality and on-time delivery.

Sustained value creation is further underpinned by the Group's growth philosophy, focused on extending operations from a level of self-sufficiency to one that enables taking full advantage of the potential of the markets within core areas of operation.

In line with the group's global strategy, EVRAZ Highveld is committed to achieving its strategy to, in particular:

- build on its strength as a well-established, vertically integrated vanadium slag and steel producer;

- manage its product range to achieve optimum balance between quality, customer demand and operational efficiency;
- enhance cost-effectiveness across all operations; and
- expand its regional markets.

The EVRAZ Highveld strategy promotes improved financial performance through targeting continuous yield improvement and cost reduction. Over the medium to long term, increased production, sales efficiency and capacity optimisation, alignment and expansion are targeted, as well as electricity co-generation.



The Lean Manufacturing Process and associated Value Stream Analysis, together with risk management processes, support EVRAZ Highveld's strategy formulation and implementation.

Achievement of objectives within the five key strategic focus areas, measured against established key performance indicators (KPIs), is supported through key strategic projects that are identified on a continuous basis.

Targets have been set for both the short term and the five-year period up to and including 2016, focused on improved health and safety, a progressive reduction in the operation's environmental impacts, human capital management initiatives, increased customer service, sales growth, product expansion, transformation and business management processes.

This report details a wide range of strategic initiatives aimed at positioning the Company as a competitive vanadium slag and steel producer with a view to creating sustainable value and benefits for all its stakeholders.

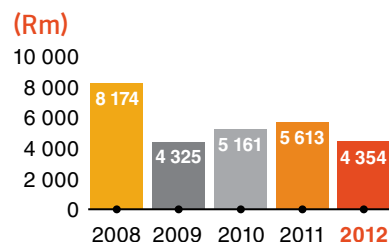
Performance overview 2012

Group revenue

2012: R4 354 million

2011: R5 613 million

(22.43%)

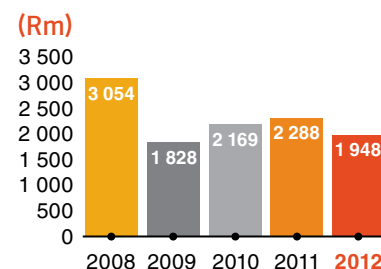


Revenue per man-year

2012: R1 948 thousand

2011: R2 288 thousand

(14.86%)

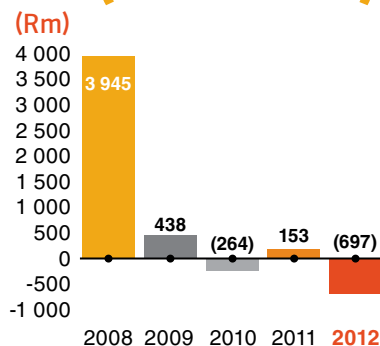


EBITDA

2012: (R697 million)

2011: R153 million

(555.56%)

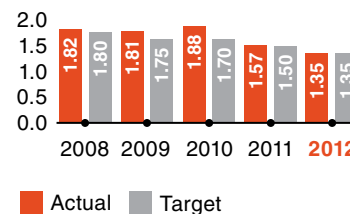


LTIFR

2012: 1.35

2011: 1.57

14.01% improvement

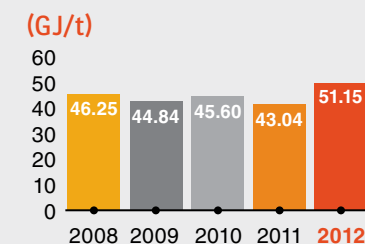


Energy consumption

2012: 51.15 GJ/t

2011: 43.04 GJ/t

18.86%



Strategic focus area	Focus item	2012 targets	2012 performance	2013 targets
Safety, health and environment				
Employee safety is EVRAZ Highveld's prime focus, taking precedence to any operational focus, including production and profit.	- Fatalities - Lost-time injury frequency rate	- Nil 1.35	- One 1.35	- Nil 1.08
Occupational and personal health are pro-actively managed through wellness management programmes to support employee well-being.	Employees reporting for voluntary HIV/Aids counselling and testing	75 per cent	45 per cent	45 per cent
The Integrated Environmental Management Programme is based on international and national statutory and environmental best-practice standards and guidelines, to minimise the direct, indirect and cumulative impact of operations on the immediate and surrounding environment, to the benefit of all stakeholders.	- ISO 14001 accreditation - OHSAS 18001 accreditation - CO₂ reduction - Water consumption per ton of product - Energy consumption per ton of product	- Retain for Steelworks - Retain for Mapochs Mine and Steelworks 1 per cent reduction 7.221 m³/t 45.00 GJ/t	- Retained for Steelworks - Retained for Mapochs Mine and Steelworks - Not achieved 9.954 m³/t 51.15 GJ/t	- Retain for Steelworks - Retain for Mapochs Mine and Steelworks 1 per cent reduction 7.221 m³/t 45.00 GJ/t
Human capital				
Training and developing employees and potential employees in line with the Company policy of attracting, retaining and developing high-quality staff to support long-term business success, and to provide trainees and employees with opportunity to develop to their full potential.	- Training spend - Training: average man-days per employee - Average training spend per employee	- R 45 million 6 days - R15 000 per employee	- R 42.5 million 12 days - R20 000 per employee	- R 20 million 6 days - R15 000 per employee
The human capital strategy includes a corporate transformation programme to develop the corporate structure to be reflective of the country's demographics.	- B-BBEE contributor status – points - HDSA representation in management - HDSA representation in the Company	59.48 points 50 per cent 70 per cent	58.07 points 45 per cent 81.4 per cent	63.30 points 50 per cent 70 per cent
Transformation activities extend to communities through a corporate social investment programme to economically empower communities, on both social and business levels, through housing, health, education and supply chain initiatives.	Total spend on social responsibility projects	R1.5 million on socio-economic development	R975 200 spent on socio-economic development projects and other non-monetary contributions made by company employees	R798 000 on socio-economic development

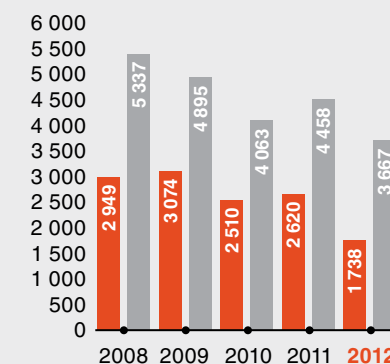
Strategic focus area	Focus item	2012 targets	2012 performance	2013 targets
Customer focus				
An integrated quality management system and continuous customer liaison provide the foundation for customer satisfaction, which is regarded as a key business driver.	• Orders delivered on time	• 90 per cent	• 78 per cent	• 95 per cent
	• Claims based on 20 per cent reduction of amount of claims year on year	• 436	• 374	• 349
	ISO 9001 accreditation	• Retain for Steelworks	• Retained for Steelworks	• Retain for Steelworks
Growth of the business				
Business growth is targeted through programmes to build on the Company's strength as a vertically integrated vanadium slag and steel producer, expand market penetration and optimise synergies with EVRAZ plc global expertise and best practice.	• Crude carbon steel production	• 918 196 tons	• 571 787 tons	• 762 028 tons
	• Total rolled steel production	• 735 300 tons	• 447 537 tons	• 618 647 tons
	• Vanadium slag production	• 72 068 tons	• 43 132 tons	• 66 115 tons
	FeV production	• 5 112 tons	• 4 742 tons	• 5 113 tons
	• Steel sales volumes	• 754 930 tons	• 453 836 tons	• 617 469 tons
	• Vanadium slag sales volumes	• 4 997 t V	• 5 912 t V	• 6 500 t V
	• Steel sales revenue	• R5 359 million	• R2 848 million	• R3 943 million
	• Vanadium slag sales revenue	• R164 million	• R175 million	• R274 million
	• EBITDA	• R900 million	• (R697) million	• R287 million
	• ROCE	• 24.87 per cent	• (34.19) per cent	• 0.33 per cent
EVRAZ business systems				
Alignment with and participation in the vast EVRAZ plc resources, expertise and infrastructure benefit operational performance, including product quality and cost-efficiency, marketing and environmental activities.	• Inventory turnover – Structurals (local)	• 20.00 days	• 19.53 days	• 17.00 days
	• Inventory turnover – Structurals (export)	• 45.00 days	• 11.56 days	• 17.00 days
	• Inventory turnover – Flat products	• 20.00 days	• 25.87 days	• 17.00 days
	• Inventory turnover – Semis (export)	• 45.00 days	• 30.14 days	• 17.00 days
	• Vanadium – V ₂ O ₅ content in slag	• 23.00 per cent	• 24.83 per cent	• 23.50 per cent

Five-year review

	Rm	2012	2011	2010	2009	2008
Income statement						
Revenue		4 354	5 613	5 161	4 325	8 174
Sale of goods		4 346	5 587	5 125	4 252	8 022
Cost of sales		(4 746)	(5 092)	(5 031)	(3 578)	(4 414)
Gross (loss)/profit		(400)	495	94	674	3 608
Other operating income		138	95	–	–	–
Expenses		(592)	(639)	(917)	(482)	(530)
Operating (loss)/profit		(854)	(49)	(823)	192	3 078
Finance income		8	26	36	73	152
Finance costs		(52)	(50)	(49)	(61)	(39)
(Loss)/profit before tax – continuing operations		(898)	(73)	(836)	204	3 191
Tax		(45)	118	287	(41)	(1 015)
(Loss)/profit for the year – continuing operations		(943)	45	(549)	163	2 176
Profit for the year – discontinued operations		–	–	–	–	408
(Loss)/profit for the year		(943)	45	(549)	163	2 584
Headline (loss)/earnings		(1 022)	(15)	(383)	167	2 572
Statement of financial position						
Non-current assets		1 801	1 927	1 661	1 884	1 956
Current assets		1 866	2 531	2 402	3 011	3 381
Total assets		3 667	4 458	4 063	4 895	5 337
Shareholders' equity		1 738	2 620	2 510	3 074	2 949
Non-current liabilities		760	624	536	712	632
Current liabilities		1 169	1 214	1 017	1 109	1 756
Total equity and liabilities		3 667	4 458	4 063	4 895	5 337

SHAREHOLDERS' EQUITY VS TOTAL EQUITY AND LIABILITIES

(Rm)



■ Shareholders' equity
■ Total equity and liabilities

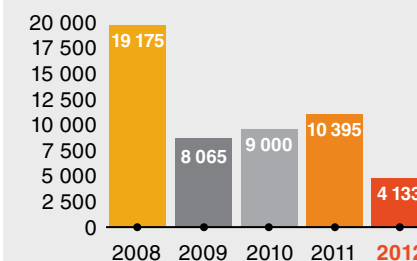




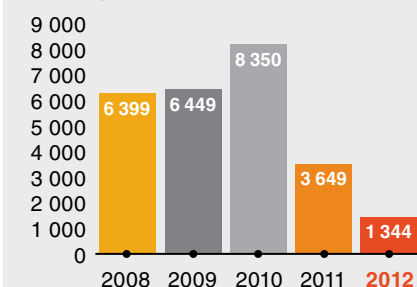
	2012	2011	2010	2009	2008
Cash flows					
Cash flows from operating activities – Rm	(610)	1 064	(288)	(461)	3 464
Cash flows from investing activities – Rm	(199)	(395)	(250)	(32)	512
Cash flows from financing activities – Rm	117	–	–	–	(3 156)
Net cash flow – Rm	(657)	692	(580)	(529)	833
Key ratios					
Return on capital employed (ROCE) – %	(34.2)	(1.5)	(27.0)	5.1	103.1
Net asset value per share – cents	1 752.8	2 642.5	2 531.5	3 100.4	2 974.3
Net cash to shareholders' equity – %	23.53	45.19	19.60	34.90	54.30
Total liabilities to shareholders' equity – %	111.00	70.17	61.87	59.24	81.00
Current ratio – %	1.60	2.08	2.36	2.72	1.93
Quick ratio – %	0.86	1.40	1.30	1.61	1.45
Share performance					
Ordinary shares in issue – '000	99 150	99 150	99 150	99 150	99 150
Earnings per share, basic – cents	(951.1)	45.4	(553.7)	164.4	2 606.1
Headline earnings per share – cents	(1 030.4)	(15.1)	(386.3)	168.1	2 594.1
Share price, highest – cents	4 133	10 395	9 000	8 065	19 175
Share price, lowest – cents	1 001	3 000	5 965	4 550	5 012
Share price, closing – cents	1 344	3 649	8 350	6 449	6 399
Market capitalisation at 31 December – Rm	1 333	3 618	8 279	6 394	6 345
Ordinary dividends declared – cents	–	–	–	–	3 200.0
Dividend yield – %	–	–	–	–	50.01
Earnings yield – %	(77)	–	(5)	3	41
Price: earnings ratio	(1.3)	(241.2)	(21.6)	38.4	2.5

HIGHEST SHARE PRICE

(cents/share)

**CLOSING SHARE PRICE**

(cents/share)





	2012	2011	2010	2009	2008
Production and sales					
Total ore produced – tons	1 781 495	1 896 492	2 324 444	1 847 288	2 121 125
Lump ore – tons	1 174 022	1 256 639	1 716 558	1 357 154	1 557 600
Ore fines – tons	607 473	639 853	607 886	490 134	563 525
Hot metal produced – tons	620 035	659 603	777 190	660 796	737 681
Vanadium slag produced – tons	43 132	61 083	64 202	46 614	65 725
Nitrovan production – kg V	701 587	1 475 651	–	–	–
FeV production – kg V	4 742 066	6 059 495	5 392 197	4 930 319	6 781 659
Continuously cast blocks – tons	571 787	670 880	773 646	687 990	780 819
Blooms – tons	258 129	297 706	280 840	230 690	358 917
Slabs – tons	298 671	321 697	457 278	457 276	421 902
Billets – tons	14 987	51 477	35 528	24	–
Rolled products – tons	447 537	512 755	554 403	476 756	659 931
Sections – tons	204 701	225 282	210 051	174 451	299 522
Plate – tons	144 151	170 364	212 129	162 070	207 172
Coils – tons	98 685	117 109	132 223	140 235	153 237
Total steel sales volume – tons	453 836	603 094	610 602	580 943	668 116
Total steel revenue – Rm	2 848	3 613	3 196	3 095	5 093
Gross value of steel exports – Rm	525	580	784	744	675
Export steel percentage of revenue – %	12.1	10.4	15.3	17.5	7.3
Nitrovan sales volumes – kg V	669 497	1 104 574	–	–	–
FeV sales volumes – kg V	4 766 151	6 030 765	5 488 459	4 883 654	6 542 404
Vanadium slag sales volumes – kg V	5 911 621	7 638 135	8 103 207	6 267 378	7 607 534
Gross revenue per man-year – R'000	1 948.1	2 288.2	2 169.4	1 828.0	3 053.8
Weighted average selling prices					
Total steel – US\$/ton	764	825	716	632	953
FeV – US\$/kg V	23	27	27	23	59
Average ZAR/USD exchange rate	8.21	7.26	7.32	8.43	8.00

R525m

EVRAZ Highveld reported a gross value of R525 million in steel exports for 2012.



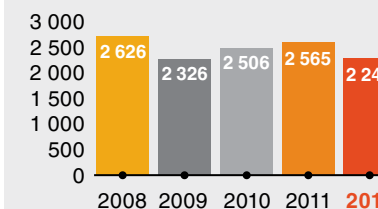
	2012	2011	2010	2009	2008
Human capital					
Number of employees at year-end *	2 243	2 565	2 506	2 326	2 626
Training spend – Rm	42.50	48.17	54.93	41.27	48.79
Training average man-days	12.36	6.52	15.04	6.53	11.70
Average training spend per employee – R'000	19.78	18.78	23.14	17.78	18.61
Bursary costs – R'000	1 774	1 568	3 230	2 271	3 068
Safety and health					
Fatalities	1	2	1	1	3
Lost-time injuries (LTIs)	14	20	24	18	25
Lost-time injury frequency rate (LTIFR)	1.35	1.57	1.88	1.81	1.82
Noise-induced hearing loss (NIHL) – new cases	4	6	3	5	4
Chronic obstructive airway disease – new cases	2	2	2	–	–
HIV/Aids VCT test rate – %	36	34	46	61	66
Employees registered on HIV/Aids Wellness Programme	33	34	43	43	61
Employees on HIV/Aids ARV Programme	24	22	24	23	30
Environment					
1% CO ₂ reduction target achieved	No	Yes	No	Yes	No
Water consumption per ton of product – m ³ /t	9.95	8.64	7.79	7.86	7.01
Energy consumption per ton of product – GJ/t	51.15	43.04	45.60	44.84	46.25
Social responsibility					
Projects – Rm	1.8	1.5	1.6	1.3	3.4
Transformation					
B-BBEE score – points	58.07	57.41 ***	55.48 ***	**	**
Employment equity – HDSA %	81.4	80.0	80.0	78.0	78.0

* Including temporary employees.

** Company status not verified.

*** Restated.

NUMBER OF EMPLOYEES AT YEAR-END (INCLUDING TEMPORARY EMPLOYEES)



1.35

The lost-time injury frequency rate (LTIFR) reported for 2012 reduced to 1.35 (compared to 1.57 in 2011).

Operational review

EVRAZ Highveld produced 175 700 tons of cast steel during the first quarter of 2012. However, due to high fixed cost and continued depressed market conditions, no profit resulted from the effort. During the second quarter, the Company embarked on Project Repair, designed to reduce cost quickly and aggressively.



Project Repair

Project Repair had four cost-saving goals, the most important of which was to reduce labour cost. This challenge was addressed by restructuring the Planned Maintenance Division and several services divisions, and converting the main operating functions from an overtime-intensive three-shift system to a modern four-shift labour structure.

In addition to cost-saving, the change would improve team/management consistency and continuity. Although the plan entailed minimal retrenchments and created additional jobs, employees stood to lose a substantial overtime income and they resisted the change.

In June, the Company implemented the four-shift system, while still in consultation with organised labour. By then the Company had recorded a loss of R376 million, substantially higher than the R94 million recorded in the first quarter.

Industrial action

NUMSA, the union which represents the majority of Company

employees, declared a protected strike on 16 July 2012. The aggression of the striking workforce forced management to close down the Steelworks without observing the usual shut-down procedures at the Iron Plant.

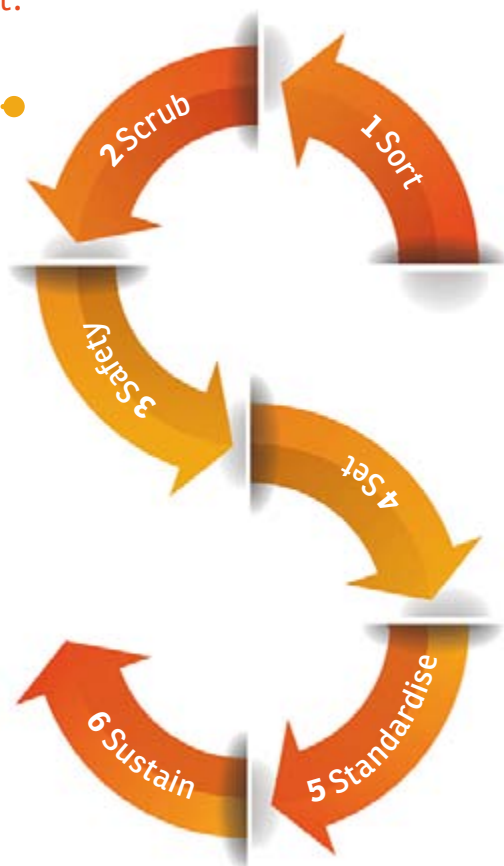
These events had a disastrous effect on the production ramp-up period after the strike ended on 12 August 2012. Ramp-up affected output for three months, with detrimental impact on production and delivery of customer orders. Following negotiation, employees were compensated for the loss in overtime income, with each affected employee receiving a R15 000 net cash payment and a 7.5 per cent wage increase.

Waste elimination

In 2012 work on the globally proven Lean Management value optimisation process, which was implemented in 2011, focused on the mindset of employees. Lean Management is based on value-stream analyses to identify and eliminate all types of waste and add value to the production and supporting activities.

6S process

By year-end 66 per cent of all business areas had adhered to the 6S process. The goal for 2013 is 100 per cent.



Lean Management focuses on eight waste types:

- Injury or unused human talent,
- Transportation,
- Inventory,
- Human motion,
- Waiting,
- Over-production,
- Over-processing, and
- Defects.

Identification and elimination of waste is achieved through the 6S process, performed in demarcated working areas: **Sort** out items that are not required, **Scrub** the area by cleaning it, after which **Safety** hazards are identified and the area is **Set** in order logically, with **Standardised** processes and systems. The changes are then **Sustained** by appointing someone to audit and maintain the changes implemented.

In 2012, the 6S process was enforced as a mindset change through a simple training game which proved highly successful in accentuating teamwork and the 6S principles, from sorting to sustaining.

Reliable supply of oxygen

During the year, EVRAZ Highveld entered into a long-term contract with Air Liquide Proprietary Limited

(Air Liquide). Air Liquide is currently constructing an air separation unit from which EVRAZ Highveld will source oxygen and other gases critical to its production processes. The unit, which will produce 770 tons of oxygen per day, will be commissioned towards the end of 2013. It will also produce nitrogen and argon for the local industrial merchant market.

Increased income from secondary products

EVRAZ Highveld is investigating ways to enhance income from the sale of secondary products. It is estimated that income from this source could increase from the current R80 million to R200 million a year by creating an integrated process which will consolidate the processing and selling of secondary products.

Plant maintenance

Effective plant maintenance is crucial to optimum production. At EVRAZ Highveld, the age of the equipment necessitates a relatively high maintenance budget which is exacerbated by skills shortages.

In 2012, Planned Maintenance increased its focus on proactive maintenance and improved adherence to its maintenance plan from five per

cent to 68 per cent. This improvement was also as a result of establishing a thorough root-cause analysis and investigation of breakdowns, which resulted in more effective repairs. By year-end, the maintenance cost, measured in rand per ton of steel produced, had reduced by 20 per cent.

The approach to capital expenditure, including capital maintenance, was formalised during the year with the establishment of an investment committee to assist Planned Maintenance with prioritising capital spend based on the criticality of equipment and the risk of equipment failure. This system has been so successful that it has been adopted throughout EVRAZ plc. The capital maintenance budget for 2012 was R231 million (R250 million in 2011).

Mapochs Mine

Safety, limited surface ore reserves, the high level of silt in the Mapochs Dam and difficulty attracting suitable engineering and maintenance skills to the remote village of Roossenekal are the four main risks at Mapochs Mine.

It is deeply regretted that a contractor was fatally injured in a dump truck accident at the mine on 1 October

2012. Steps taken to address contractor adherence to safety rules included severing ties with contractors who transgress rules and reinforcing the principles of contractor safety management.

Life of mine, at the current strip mining method up to 30 metres below surface, is calculated at eight years. The Company continues to investigate the viability of obtaining alternative reserves and implementing deeper level open pit mining methods.

The level of silt in the Mapochs Dam is a concern to environmental authorities because of the threat of contaminating the downstream De Hoop Dam, which is being constructed. De-silting has started and authorities are kept informed of progress.

To address the challenge of attracting adequately skilled engineering and maintenance skills, management continues to concentrate on training local people and encouraging locals to apply for EVRAZ Highveld bursaries and internships.

The objective to crush lump ore to smaller sizes to reduce energy consumption at the Iron Plant was not



as successful as planned, mainly due to lower plant availability.

Main target areas for 2013 are to achieve safety objectives, rigorously drive down cost, improve the volume and quality of ore supplied to the Steelworks and to develop sustainable community projects.

Steelworks

The cost of energy, the impact of operations on the environment, productivity and skills issues and the implications of the proposed carbon tax are the four major risks currently managed at the Steelworks. Also, the risk of a

recurrence of the labour unrest experienced during 2012 remains a reality because of the high socio-economic expectations of labour.

Several projects address reducing the cost of operations and mitigating the impact of operations on the environment, but these two risks can only be aggressively addressed in future projects which require a significant capital outlay. However, continual reduction in emissions is showed.



Iron Plant

By year-end the Iron Plant volumes had been restored to 80 per cent of name plate capacity. The plant continued with raw material optimisation initiatives to improve efficiency and reduce air emissions. Energy savings are sought by reducing the size of iron ore.

EVRAZ Highveld continues exploring ways to achieve consistency in coal supply to optimise combustion and the metallisation of iron ore, which will enhance the efficiency of the iron-making process. Experiments with coal-peas to replace the previously used coal-nuts added to the savings.

Following the successful conversion of Furnace 7 (the fourth of seven furnaces) to open slag bath technology (completed in November 2011), the return to normal iron production levels highlighted process constraints at the shaking ladles at the Steel Plant in the first quarter of 2012. These process constraints were analysed and corrective action was taken to restore operational efficiency.



Steel Plant

At the Steel Plant, the main challenges in 2012 related to process control, competency of staff and a limited budget.

Initially, after the ramp-up, differences in the composition and variances in temperature of iron caused a bottle-neck, mainly at the shaking ladles. This problem has been addressed by higher responsiveness to hot metal chemistry changes.

Downstream, process control in the basic oxygen furnaces is also being improved to achieve consistency in the chemical specification of cast steel.

The production bottle-neck at the shaking ladles resulted in the casting capacity being under-utilised.



Structural Mill

The Structural Mill experienced yield problems during the post-strike production ramp-up, mainly because of low equipment availability, operator skills and quality and volume of input steel. These problems are being addressed by focusing on scheduling production batches efficiently, improving plant maintenance, increasing on-the-job training and working with the Steel Plant to resolve steel specification issues.

Production optimisation has already benefitted from the establishment of a production planning function to optimise casting machine utilisation.

2013 will see a continued focus on safety, following two **LTIs** in the Structural Mill in 2012, while efforts to reduce waste and achieve the required output volume will continue.



Flat Products Mill

Optimum yield remains the single largest challenge at the Flat Products Mill, although the yield has improved since ramp-up after the strike. Volume lagged because of insufficient steel being supplied by the Steel Plant.



Vanadium

The single biggest risk in vanadium production is achieving the contracted output of ore fines from Mapochs Mine to **VVP**, a member of the Duferco Group, and vanadium slag to:

- Hochvanadium Handels GmbH, which supplies it to Treibacher Industrie AG for further processing into mainly **FeV**, which is used in steelmaking; and
- EVRAZ Vametco for toll conversion into Nitrovan®, which increases steel strength by forming vanadium nitrides, and **MVO**, which is used to manufacture **FeV** and Nitrovan®.

Expert consultants have been contracted to assist the Company in identifying areas where plant efficiency can be improved to ensure contracted output of ore fines is delivered.

These products are sold globally to mainly steelmakers through East Metals AG., the EVRAZ plc European marketing channel.

Future projects

Energy co-generation

The technical specifications for the first of two phases of the planned energy co-generation project were finalised during 2012. Co-generation makes use of off-gases and excess or 'waste' heat to generate steam and energy.

The first phase entails converting CO-rich off-gas to generate 30 megawatt of electricity. The business model allows for a third party to run the project and sell electricity to the Company in terms of a purchase agreement.

The business model will be finalised during 2013, after which finance options will be explored.

The Environmental Impact Assessment (EIA) for the project, which was started in 2011, continued during 2012 and should be completed in the first half of 2013.

The second phase of the co-generation project, which will deliver between 70 and 100 megawatt, will be determined by planned changes in the kiln reduction technology. Current demand for Eskom electricity is approximately 230 megawatt.



Kiln reduction technology

A major reduction in energy consumption is envisaged by modifying the pre-reduction kilns in the Iron Plant to be more energy-efficient. Available technologies were investigated and short-listed during 2012 and financial feasibility studies will be finalised during 2013.

The objective of improving the reduction technology is to achieve up to a 30 per cent saving in furnace energy consumption, increase the metallisation of ore in the kilns, reduce the environmental impact of the reduction process and utilise the off-gas in the second phase of the co-generation project.

Other reduction-related optimisation initiatives include optimising the material balance during reduction and immediately returning newly created waste to the process, which can recover up to 400 tons of metal-content kiln spillage per day.

Calcine waste disposal facility

Preparations to rework the waste disposal facility of some 17 million tons calcined iron ore has commenced to phase one with the outsourcing of the project to Earth Metallurgical Solutions (EMS), a



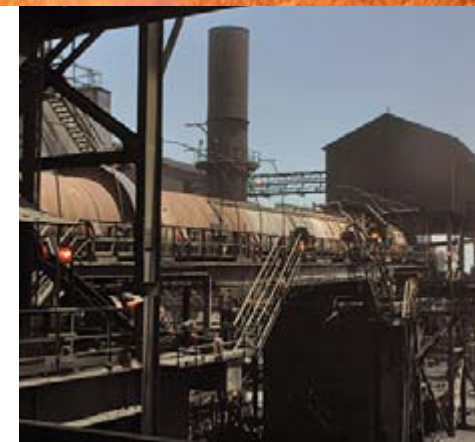
service company with the requisite technology to rework the dump.

The project will:

- reduce and ultimately remove the Company's liability in terms of the negative environmental impact of the facility; and
- produce an income from the recovered metals and minerals, notably vanadium.

Phase one entails establishing a demonstration plant and finalising the specifications for a full plant in phase two of the project. All authorisations for phase one, including completion of the EIA and the Integrated Waste Management Licence (IWML), should be in place in mid-2013.

The calcine waste disposal facility should be fully reworked by 2030.



Business Review 2012





Chairman's review

Managing high costs to remain competitive in the depressed steel market was exacerbated by the labour disruptions that affected many industries across the country in mid-2012. The disruption in EVRAZ Highveld production and delivery schedules as a result of the complete shutdown of the Steelworks was more severe than anticipated, due to plant and process difficulties that saw ramp-up to targeted production being achieved only by December.

EVRAZ Highveld regards the cost of energy, the negative environmental impacts of the steelmaking process and the cost of labour as the major short-term risks to the sustainability

of the business. Medium-term risks include the cost and supply of titaniferous iron ore from Mapochs Mine, the cost of the proposed carbon tax and socio-political imbalances in the country.

Safety, however, remains the Company's single most important focus area in ensuring the well-being of stakeholders. The death of a contractor at Mapochs Mine in a dump-truck accident despite the increased focus on contractor safety training during the year deeply saddened the Board. The fact that the loss of life was probably as a result of the contractor not adhering to a safety rule makes the Board more

determined to ensure the application of the rigid deterrent of severing ties with contractors who transgress safety rules.

The Company's lost-time injury rate, the key indicator of safety at work, improved from 1.57 per million hours worked in 2011 to 1.35 in 2012.

Risk management continued to feature prominently in the Company's drive to ensure the sustainability of the business. In 2012 a strategic risk manager was appointed to manage and improve risk management.

The weakness in economic fundamentals continued to depress



Business Review 2012

- ▶ Chairman's review
- ▶ Report of the chief executive officer
- ▶ Report of the chief financial officer
- ▶ Social and Ethics Committee report
- ▶ Stakeholder Engagement
- ▶ Remuneration and Nominations Committee report
- ▶ Mineral Resource and Mineral Reserve statement





The cost of energy can only be significantly reduced through capital-intensive projects, such as the energy co-generation and improved kiln reduction projects the Company is currently investigating.

markets globally. Economic growth in developed countries was sluggish at best and in emerging economies growth contracted. The problems experienced by European governments and banks and rumours that the European Community may collapse added to the gloom. Subsequent central bank interventions in Europe and the United States of America countered some of the pessimism, resulting in a firming of certain financial instruments in the third quarter of the year.

In the steel industry, low demand resulted in an under-utilisation of steelmaking facilities. The resultant drop in prices caused under-priced imports to impact on the competitiveness of local producers.

Management increased its focus on cost management, in line with the Company strategy approved by the Board in 2011, launching Project Repair in the first quarter to accelerate cost reduction. The objective of the three-month project was to restore profitability through four optimisation initiatives, namely to reduce cast steel output to 45 000 tons a month to achieve an optimum cost per ton, to right-size services divisions, to

reorganise the Planned Maintenance Division and to change the Steelworks shift roster from three shifts a day to four. This proposed change, which would reduce overtime and improve alignment between teams and managers, proved to be the spark that caused the four-week strike in July/August 2012.

The labour unrest, unfortunately, is symptomatic of the continuing socio-economic disparity in the country. Labour unrest remains a major risk to the Company and, indeed, the country, especially as it seems that the organised labour movement itself is in turmoil. Internationally, this risk is impacting negatively on South Africa as an investment target. In South Africa, disproportionate increases in labour cost continue to place pressure on operating costs, increasing the risk of reduced employment opportunities.

The cost of energy, notably electricity, poses a severe risk to profitability, especially in the energy-intensive steelmaking industry. Eskom again announced a series of tariff increases that will see the price of electricity increase by 47 per cent by 2018. This is a severe increase, especially if the cost of the proposed carbon

tax is factored in. The tax will affect the Company directly because of the emissions resulting from steel-making and indirectly through the tax Eskom will pass on to consumers.

The cost of energy can only be significantly reduced through capital-intensive projects, such as the energy co-generation and improved kiln reduction projects the Company is currently investigating. However, even the implementation of these projects pose a risk, because of the cost and time constraints and the accelerated rate of electricity cost increases.

Environmental issues, especially emissions from the Steelworks, remain a business risk. In January 2013, the emission limits set out in the current Atmospheric Pollution Prevention Act (APPA) certificate will set even stricter parameters. The Company is actively pursuing improvement initiatives to comply with the new specifications. Management is confident that the Steelworks will operate substantially within the new limits.

The Company has increased the frequency of communication with authorities, to ensure

transparency in its efforts to achieve compliance despite the challenges of the depressed steel market. Communication with other stakeholders is also being intensified, to ensure that all parties understand the full extent of challenges the Company faces – be it cost management, emission control or broad-based black economic empowerment (B-BBEE) targets.

Transformation initiatives continue to be hampered by the challenges of attracting sufficiently skilled candidates for management positions. In some areas, such as preferential procurement, socio-economic development, employment equity, skills development and the development of local entrepreneurs, progress is more satisfactory. The Board is pleased that the Company retained its Level 5 B-BBEE scorecard with a score of 58.07 (against a target of 59.48 and a 2011 score of 57.41).

Social responsibility initiatives are aimed at empowering communities through education, health, housing, community and supply chain initiatives. In 2012 the budget was

severely reduced due to cash-flow restrictions as a result of the loss the Company made.

The Steelworks socio-economic investments, managed through the EVRAZ Highveld eMalahleni Community Forum, totalled R975 200 (R1.5 million in 2011). The Company partnered with the National Empowerment Fund (NEF) to ensure optimum impact of its allocated funds on economic development in terms of the Steelworks generic B-BBEE scorecard.

At Mapochs Mine, the focus was on local economic development (LED) projects in terms of its Social and Labour Plan (SLP) obligations in surrounding and labour-providing areas. In 2013, the MMCT will focus on launching sustainable projects, in consultation with the mine and the local authority in terms of its Integrated Development Plan (IDP). The Board was delighted with the favourable response of the Department of Mineral Resources (DMR) on the hydroponics project implemented in Roossenekal.

In 2013 the Company will continue to focus on achieving safety targets,

optimising the quality and volume of steel produced, reducing costs wherever possible and improving the skills and competency of employees.

It is not expected that the global economy will strengthen and the steel industry will remain under pressure.

EVRAZ Highveld is led by a competent management team, which has the ability to address the challenges the Company faces – backed by the expertise of its major shareholder, a leading international resources group. I wish them, and each and every employee, the best for 2013.

Thank you to my fellow directors, all of whom made valuable contributions in providing insights and solutions to the crises the Company faced during 2012. Welcome to Thabo Mosololi who adds valuable financial expertise to the Board.



Bheki Shongwe
Chairman

13 March 2013

58.07

EVRAZ Highveld
retained its Level 5
B-BBEE scorecard
with a score of 58.07.

Report of the chief executive officer

The 2012 financial year was a particularly challenging one, in which EVRAZ Highveld focused on cost-reduction measures to ensure the sustainability of a business in which high fixed costs had become disproportionate to the reduced output caused by weak market conditions.



Business risks

The cost and supply of ore from Mapochs Mine is a major medium-term risk, given the current eight-year estimated life of surface ore reserves. Various options to extend the life of mine are being investigated.

The rapidly escalating cost of energy poses a major short-term risk to operations, as energy constitutes 15.9 per cent of the production cost. Fifty per cent of energy consumed in the steelmaking process is electric energy. The proposed electricity tariff increases of 47 per cent over the next five years could render EVRAZ Highveld unsustainable should this risk not be adequately addressed.

The effect of the electricity cost escalation will be compounded by the proposed carbon tax, which will affect the Company negatively as a result of the emissions created during the steelmaking process. Furthermore, electricity supplier Eskom will face severe carbon tax penalties, which will be passed on to consumers.

In order to address both these risks the Company has embarked on a pre-feasibility study for a co-generation project. The EIA for the project is expected to be completed early in 2013.

Negative environmental effects, mainly the silting of the Mapochs Dam and emissions and waste management at the Steelworks, pose further business risks to the Company. The de-silting project commenced towards the end of 2012, while the final EIA report to substantiate the application for the IWML will be submitted shortly.

The imbalance between labour cost and productivity remains a serious risk to the sustainability of the business. Additional training and re-training are provided to employees in an effort to improve productivity.

The Company continued its focus on risk management, following a risk quantification process in 2011, with the appointment of a strategic risk manager.

Business strategy

The EVRAZ Highveld business strategy, aligned with the EVRAZ plc strategy, aims to achieve reduction in fixed costs and yield improvement in the shorter term and increased production in the longer term. This strategy is supported by a five-year tactical plan.

In 2012 fixed cost was reduced by 15 per cent for the period 2010 to 2012. However, the objective to improve process yield by five per cent was not achieved due to operational challenges in the Iron and Steel Plants.

The longer-term target of increased production is dependent on sustained improvement in local demand for locally produced steel products and will only be viable if productivity, raw materials and energy efficiency are optimised to regain competitiveness against imports.

During 2012, strategic initiatives focused on addressing key risks, ore reserves, air emissions, energy

The objective to reduce the size of lump ore to benefit energy consumption in the iron-making furnaces was partially achieved after installing a mobile crushing unit at the Steelworks.

efficiency improvements, yield loss mitigation, ore and coal efficiency and extracting value from secondary products contained in slag dumps.

Various options to enhance this revenue stream are under investigation.

In 2012 the Company laid the foundation to increase its penetration into the continent by consolidating its Africa marketing activities through well-established agents. To give steel merchants and end-users on the Reef direct access to its steel products, a 5 000-tons warehouse was established in Johannesburg.

Cost reduction initiatives

The technical specifications for the first phase of the envisaged energy co-generation project, which will be pivotal to reducing cost and emissions, were completed in 2012. The business model and finance options for the project will be finalised in 2013. The first phase entails converting CO-rich off-gas to generate 30 megawatt of electricity. The second phase of the project will be determined by the technology which may replace the pre-reduction kilns.

The objectives of improving the reduction technology are to achieve a 30 per cent saving in furnace energy consumption, increase the metallisation of ore in the kilns, reduce the environmental impact of the reduction process and utilise the off-gas in the second phase of the co-generation project. Financial feasibility studies will be finalised during 2013, following an evaluation of available technology.

The objective to reduce the size of lump ore to benefit energy consumption in the iron-making furnaces was partially achieved after installing a mobile crushing unit at the Steelworks. Experiments with coal-peas to replace the previously used coal-nuts added to the savings.

The implementation of the Lean Management system continued during 2012, with 66 per cent of business areas benefitting from the optimisation process. Lean Management is based on value-stream analyses to identify and eliminate waste and add value to the production and supporting activities.

Project Repair, a three-month initiative to aggressively reduce costs to ensure the short-term sustainability of the business, was successful, but events

such as the labour unrest in July and the problems associated with achieving adequate production after the forced plant shut-down skewed the outcome.

Business performance

Decreased production reflects the challenges the Company dealt with during 2012, including reduced growth of the global market. Global crude steel production increased by only 1.2 per cent (6.8 percent in 2011), although China reported a 3.1 per cent increase (8.9 per cent in 2011). Local crude steel production decreased by 5.7 per cent.

EVRAZ Highveld hot metal production decreased from 659 603 tons in 2011 to 620 035 tons in 2012, and cast steel production from 670 880 tons to 571 787 tons. Rolled steel output decreased to 447 537 tons (512 755 tons in 2011), with a local: export ratio of 79:21 (79:21 in 2011).

Vanadium slag production decreased to 6 205 tons V (8 088 tons V in 2011) and Mapochs Mine produced 1.174 million tons of magnetite titaniferous ore lump (1.257 million tons in 2011) and 607 473 tons of ore fines (639 853 tons in 2011).



Customer satisfaction is monitored on a continuous basis to ensure that the Company honours its commitment of providing high levels of customer service.

SHEQ assurance

The Steelworks and Mapochs Mine are OHSAS 18001:2007 certified for safety and health. The Steelworks is ISO 14001:2004 certified for environmental matters and ISO 9001:2008 certified for quality assurance.

I am deeply saddened by the death of a contractor at Mapochs Mine in an articulated dump truck incident. Management continues to enforce stringent contractor safety management, including declaring a contractor who persists with unsafe practices persona non grata, thereby permanently denying such contractor access to Company property.

The Company protects the well-being of its employees by providing facilities and trained staff to manage medical emergencies at work, provide primary and acute healthcare services and assist with lifestyle and chronic disease planning.

Environmental management focused on the implementation of the environmental strategy that was developed and finalised in 2011. The

strategy is formalised in an Integrated Environmental Management Plan (IEMP) for the Steelworks which focuses on sustainable environmental management which include comprehensive air quality management.

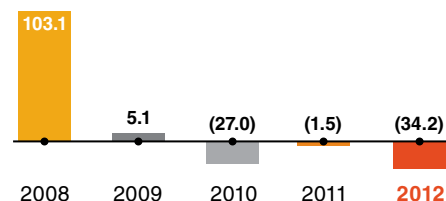
Preparations to rework the waste disposal facility of some 17 million tons calcine progressed to phase one when the Company partnered with a service company with the requisite

technology to rework the facility. The project will generate an income from recovered metals and minerals and ultimately remove the Company's liability in terms of the negative environmental impact of the facility.

Customer satisfaction is monitored on a continuous basis to ensure that the Company honours its commitment of providing high levels of customer service.



ROCE%



R203m

Capital expenditure was reduced to R203 million (R485 million in 2011).

Financial performance

Weak demand, high costs and interrupted production due to the labour unrest resulted in a headline loss of R1 022 million (R15 million in 2011).

Operations utilised cash flows of R610 million (generated R1 064 million in 2011) and net cash decreased to R409 million at year-end (R1 184 million in 2011).

Capital expenditure was reduced to R203 million (R485 million in 2011) due to stringent cash preservation measures.

Human capital

Human capital is the Company's most valuable asset and management is pleased that the right-sizing of the employee count that was required to reduce fixed cost could be achieved with minimal forced retrenchments.

The change from a three-shift to a four-shift production roster created additional job opportunities and the Steelworks is focusing on improving people's skill levels, to benefit

productivity and employees' careers and future prospects.

Transformation

Transformation in terms of improving the employee mix to reflect the country's demographics remains challenging, but efforts across the spectrum of B-BBEE activities resulted in the Company retaining its Level 5 scorecard with a score of 58.07, a slight improvement over 2011.

The cession of the new-order mining rights to Mapochs Mine Proprietary Limited early in 2012 was a milestone in the transformation drive and concludes a long process of ensuring appropriate representation in the Company's mining activities.

Outlook for 2013

In December 2012 the output of cast steel stabilised at almost 60 000 tons, an important achievement in concluding probably the most difficult ramp-up process in the Company's history after the complete shut-down of the entire Steelworks as a result of the industrial action in the third quarter. The focus is on maintaining

production levels and restoring the continuity of order delivery.

2013 will see a relentless focus on further cost reduction and improved productivity in order to balance cost increases in labour, input materials and electricity against the stagnant steel price in a difficult market. Aggressive cost reduction is the only way in which the sustainability of the Company can be guaranteed over the short term – until sustainable longer-term initiatives such as the co-generation project can be undertaken to support long-term sustainability.

I thank our stakeholders for their valuable contributions during a most challenging year. May our efforts reap apt rewards as we continue to position the Company towards improved sustainability.

Michael Garcia
Chief Executive Officer

13 March 2013

Report of the chief financial officer

Financial performance

The headline loss of R1 022 million EVRAZ Highveld recorded for the year ended 31 December 2012 is primarily attributable to the negative effects associated with the industrial action which plagued the Steelworks over a four-week period. The reduced production volumes from subdued production



activity preceding and in anticipation of the industrial action and the impact on production volumes following this action resulted in an inability to produce business-sustainable volumes over an extended period, from June 2012 to end November 2012.

The reduced production volumes in the period before and after the strike, coupled with lost production as a direct result of the strike action, adversely influenced the cost per ton of final product. This was further exacerbated by variable cost inefficiencies related to the production inefficiencies in the ramp-up period following the strike action.

Revenue

Total revenue decreased by 22.4 per cent, from R5 613 million in 2011 to R4 354 million. This decrease is attributable to a 24.7 per cent decrease in steel product volume sales and a 22.6 per cent decrease in vanadium slag volume sales.

The Company continued to focus on the sale of its steel products within the local market. 79 per cent of steel

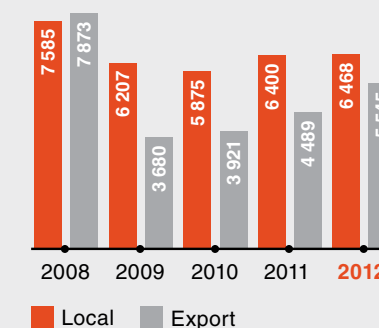
Key financial performance indicators	2012	2011	2010	2009
Net sales revenue – Rm	4 346	5 587	5 125	4 252
Cost of sales – Rm	4 746	5 092	5 031	3 578
Gross (loss)/profit – Rm	(400)	495	94	674
Net (loss)/profit after tax (NPAT) – Rm	(943)	45	(549)	163
Headline (loss)/earnings – Rm	(1 022)	(15)	(383)	167
Headline (loss)/earnings per ordinary share – cents	(1 030.4)	(15.1)	(386.3)	168.1
Gross (loss)/profit margin – %	(9.2)	8.9	1.8	15.9
Return on capital employed (ROCE) – %	(34.2)	(1.5)	(27.0)	5.1

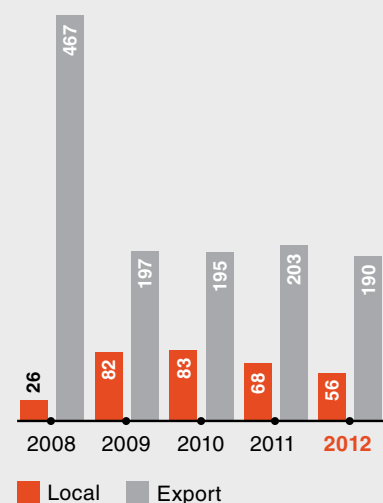
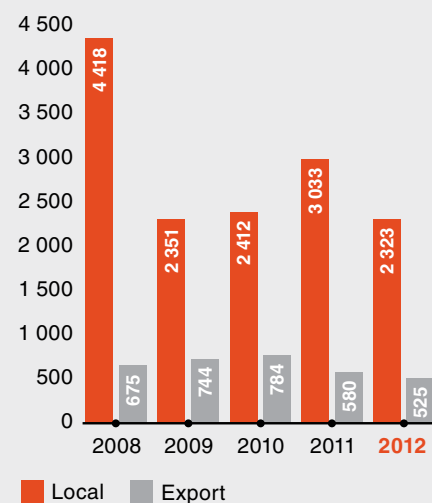
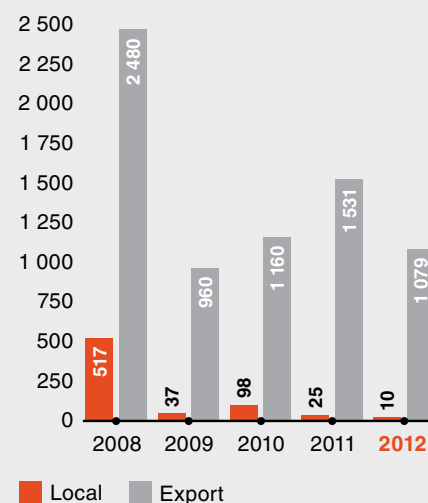
product sales in 2012 were to the local market, in line with that of the previous year. Whilst the reduced production volumes experienced during the latter part of 2012 impacted negatively on the ability to meet local customer demand, stability in supply has since been established with the Company, showing substantial improvement in its ability to deliver on-time-in-full (OTIF) in comparison to that reflected in 2012.

The continued weakness of the local currency continued to depress the importation of steel products, to the advantage of EVRAZ Highveld.

Revenue earned was also influenced by depressed global commodity prices that prevailed for the greater part of the year.

STEEL PRICE TRENDS (R/ton)



VANADIUM PRICE TRENDS
(R/kg V)

STEEL REVENUE
(Rm)

VANADIUM SLAG REVENUE
(Rm)


79 per cent of steel product sales in 2012 were to the local market, in line with that of the previous year.

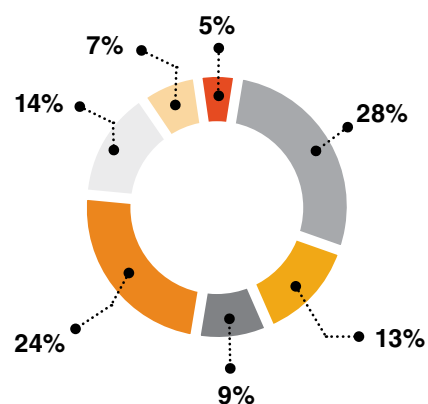
Product sales volumes	2012	2011	% change
Structural steel products – local (kt)	139	172	(19.2)
Structural steel products – export (kt)	61	51	19.6
Flat steel products – local (kt)	218	272	(19.8)
Flat steel products – export (kt)	17	32	(46.9)
Semi-finished steel products – local (kt)	3	30	(90.0)
Semi-finished steel products – export (kt)	16	46	(65.2)
Vanadium slag – local (t V)	181	372	(51.3)
Vanadium slag – export (t V)	5 680	7 534	(24.6)

Product sales volumes	First quarter	Second quarter	Third quarter	Fourth quarter	2012
Steel					
Local – kt	109	86	56	109	360
Export – kt	24	51	16	3	94
Total – kt	133	137	72	112	454
Vanadium					
Local – t V	–	40	40	101	181
Export – t V	1 688	1 708	1 221	1 063	5 680
Total – t V	1 688	1 748	1 261	1 164	5 861

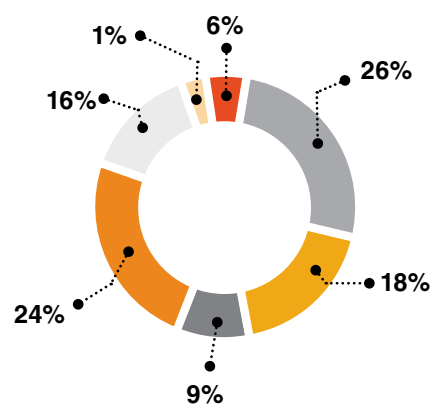
Expenditure

Cost item	First quarter	Second quarter	Third quarter	Fourth quarter	2012	First quarter	Second quarter	Third quarter	Fourth quarter	2011	% change
Raw materials	414	331	203	415	1 363	480	336	244	324	1 384	1.5
Energy	200	225	174	229	828	165	190	169	196	720	(15.0)
Auxiliary materials	140	115	86	119	460	115	120	133	161	529	13.0
Services	349	305	283	281	1 218	365	371	391	411	1 538	20.8
Staff costs	210	208	196	190	804	187	191	201	199	778	(3.3)
Selling, administration and other	104	16	125	7	252	104	155	232	(104)	387	34.9
Depreciation	68	78	58	71	275	78	76	72	74	300	8.3
Total	1 485	1 278	1 125	1 312	5 200	1 494	1 439	1 441	1 262	5 636	7.7

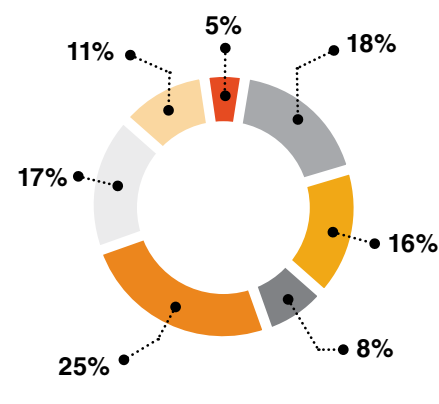
COST BREAKDOWN
FIRST QUARTER 2012



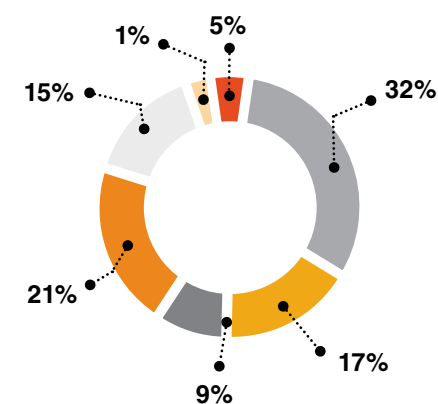
COST BREAKDOWN
SECOND QUARTER 2012



COST BREAKDOWN
THIRD QUARTER 2012



COST BREAKDOWN
FOURTH QUARTER 2012



● Depreciation
 ● Raw materials
 ● Energy
 ● Auxiliary materials
 ● Services
 ● Staff costs
 ● Selling, administration and other

7.7%

The overall decrease of 7.7 per cent in total expenditure was, to a large extent, influenced by the material decrease in production volumes and associated sales revenue.

Total expenditure, as depicted in the analysis above, reflected an overall decrease of 7.7 per cent from R5 636 million in 2011 to R5 200 million in 2012.

Fixed and variable cost reduction remained a focus in 2012, with material improvement in the cost consciousness within the Company.

Aggressive cost reduction was achieved through Project Repair. These cost efficiencies will positively influence future expenditure, although these cost benefits were not immediately felt, with the 2012 financial results including additional once-off costs associated with payments to employees in terms of retrenchment packages and once-off payments following business restructuring.

The overall decrease of 7.7 per cent in total expenditure was, to a large extent, influenced by the material decrease in production volumes and associated sales revenue. On a unit-cost basis, items that reflect material increases on a year-on-year basis include:

- electricity costs, driven by the 15.9 per cent tariff increase in April 2012,
- raw material costs, including a 20.9



per cent increase in the unit cost of metallurgical coal, an 11.8 per cent increase in the unit cost of silico manganese fines and a 13.1 per cent increase in the unit cost of dolomite.

EVRAZ Highveld continues to evaluate and progress short- and longer term opportunities for cost reductions to promote business sustainability.

Statement of financial position

A reduced investment in capital to promote cost containment and

cash flow management resulted in an investment in asset additions of R203 million in 2012. The formal establishment of an investment committee in 2012 to assist with prioritising capital spend based on the criticality of equipment and the risk of equipment failure promotes a higher level of control over capital investment decision-making.

Whilst continued investment was maintained for strategic projects, environmental capital investment was restricted due to the adverse business conditions.



The Company continues to monitor the commodity price risks associated with foreign contracts, but does not hedge these transactions.

The progressive continued cash outflows experienced during 2012 resulted in the Company utilising loan facilities with financial institutions. At year-end, the extent of this leverage totalled R102 million.

In line with the requirements of International Financial Reporting Standards, EVRAZ Highveld impaired the deferred tax asset for the Company in the 2012 year. Long-term business forecasts indicate that the business will regain its sustainability with improved forecast earnings providing for the utilisation of the long-term taxation benefits associated with this impaired asset.

Cash flows

In 2012 R610 million of cash flow was utilised in operations and a net cash outflow of R692 million was recorded for the year. Cash outflows to fund increased investment in fixed assets was limited to R203 million, a 58.1 per cent decrease compared with 2011. The material reduction in free cash flow has placed increased pressure on working capital management within the Company.

Risk management

2012 witnessed significant improvement in the risk management process within EVRAZ Highveld, with progress being made in the development of a risk management model.

The model appropriately accounts for the strategic, financial and operational business risks and uncertainties prevalent in the Company's business environment and is focused on further entrenching a risk management culture within the operations. The risks associated with cost-saving initiatives are monitored on a continual basis by members of the Executive Committee to support a balanced approach that promotes continuous production.

In addition to the detail relevant to risks that can influence the economic performance of the Company, the model takes cognisance of risks that have a financial bias, such as foreign currency, interest rate, commodity price and credit risks.

Foreign currency risks are mitigated through forward exchange contracts

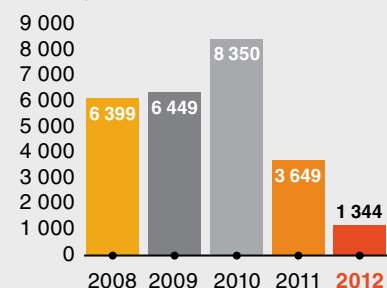
on significant projects. Interest rate risk is managed so as to maximise interest earnings on surplus cash and minimise interest charges on borrowings, in line with the regular assessment of cash flow requirements. The Company continues to monitor the commodity price risks associated with foreign contracts, but does not hedge these transactions. Credit risk associated with the client base is mitigated through cover taken through Credit Guarantee Insurance Corporation of Africa Limited.

The risk of financial loss due to actions initiated by the Competition Commission is also actively managed with cognisance being taken of the potential impacts of any fines or penalties that may be imposed on the Company.

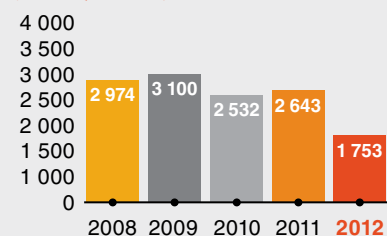
EVRAZ Highveld is confident that there is no evidence to support the Referral of Complaint to the Competition Tribunal as issued by the Competition Commission against EVRAZ Highveld and two other companies in March 2012.

CLOSING SHARE PRICE

(cents/share)

**NET ASSET VALUE**

(cents/share)

**Accounting standards**

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Details on the 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 and adopted by EVRAZ Highveld in 2012 are disclosed on pages 124 to 139 in the annual financial statements. These standards had no impact on the results or disclosures for the Group.

Shareholding and returns

Shareholder returns are achieved through dividend payments and share price appreciation. The Company's financial results and the generally adverse market conditions placed downward pressure on EVRAZ Highveld's share price in 2012.

The Board considers dividend declarations against current and future operational funding requirements

and available cash resources, with payments being funded by cash generated from operations. Business conditions prevailing in the year under review and the associated absence of cash generated from operations resulted in no dividends being declared in 2012.

EVRAZ Highveld remains confident that its current strategy will, within the framework of the management of risk specific to its business environment, promote higher levels of efficiency and effectiveness which, in turn, will support improvements in economic, environmental and social performance to support sustainable value creation and returns for its shareholders.

Outlook

With no disruptions in production, a continued focus on immediate and longer term cost reduction initiatives will positively influence EVRAZ Highveld's ability to promote the economic sustainability of its operations. Improvement in production volumes, yields and fixed and variable cost reduction is expected, following the successful commissioning of

Furnace 7 in the Iron Plant at the end of 2011. These positive impacts did not materialise in the 2012 financial year due to the production disruptions.

Following improvement in global commodity markets towards the end of 2012, it is anticipated that improved levels of price stability in global commodity markets, together with reduced expenditures resulting from cost saving initiatives, will positively influence the Company's financial performance.

Jan Valenta
Chief Financial Officer

13 March 2013

Social and Ethics Committee report

The Social and Ethics Committee is a formal statutory committee of the Board, appointed by the shareholders to assist the Board in adhering to the new Companies Act and Regulations as well as guidelines set out in **King III**, where applicable to the Company.



Role of the committee

The role of the Social and Ethics Committee is to create an organisational culture, with the necessary structures and processes, which encourages transformation to ensure compliance with relevant legislation and charters in order to develop a corporate structure that reflects the demographics of South Africa through the full spectrum of EVRAZ Highveld's activities and programmes. This includes compliance with the Broad-Based Socio-Economic Charter for the Mining Industry and the **B-BBEE**

The committee is also responsible to ensure that the principles of transformation are conveyed within and outside EVRAZ Highveld, in areas such as its supply chain and community projects. The committee is authorised by the Board to investigate any activity within the scope of its charter, interact with employees and obtain external professional advice in conducting its business.

The key functions of the committee, defined in the Social and Ethics Committee Charter, are to:

- monitor ethical behaviour of the Company and its directors, employees and service providers,
- monitor and review stakeholder management,
- ensure that the Company conducts itself as a due and proper corporate citizen,
- report at the Annual General Meeting on matters within its mandate,
- ensure the transformation of EVRAZ Highveld in a fundamental and substantive manner,
- monitor the activities of EVRAZ Highveld, pertaining to relevant legislation, legal requirements or prevailing codes of best practice with regard to matters relating to social and economic development, good corporate citizenship, the environment, health, public safety, the impact of EVRAZ Highveld's operations, products or services, consumer relationships, advertising, public relations and compliance with consumer protection laws and labour and employment requirements,
- monitor compliance with the requirements of mining and labour legislation and empowerment charters,
- position EVRAZ Highveld for the long term by creating an organisational culture, structures and processes to support the development of people, ensure **B-BBEE** and the development of black empowered businesses,
- ensure the further transformation of the Company following the conversion of old-order mining rights to new-order mining rights,
- develop and review progress on the generic **B-BBEE** Scorecard for the Steelworks, in compliance with the requirements of the Department of Trade and Industry (DTI), and
- develop and review a scorecard for Mapochs Mine in line with the new Mining Charter.

Development and progress are enforced, monitored and audited by the committee with respect to:

- compliance with policies, procedures and practices which protect stakeholders against discrimination,
- the correct balance between transformation activities, adequate skills provision and maintaining stability within EVRAZ Highveld,
- compliance with legislative and regulatory requirements and governmental policies,
- the maintenance of scorecards and regular, consistent, benchmarked and comprehensive reporting on scorecard progress,
- corporate social investments,
- strategic dialogue and relationships with government, and
- sustainability reporting to stakeholders.

Composition of the committee

The committee consists of four non-executive directors, three of which are independent. During the year under review, the following directors served on the committee:

- Mohammed Bhabha
- Babalwa Ngonyama

- Bheki Shongwe – Chairman
- Pavel Tatyatin

More details of these directors are given on [pages 57 to 62](#).

Fees paid to the committee members are reflected on [page 54](#) in the remuneration report, and the proposed fees for 2013 are detailed on [page 190](#).

Committee meetings

Attendance of committee members at the scheduled meetings of the committee during the year was as follows:

	Meetings attended in 2012
Mohammed Bhabha	4/4
Babalwa Ngonyama	4/4
Bheki Shongwe	4/4
Pavel Tatyatin	3/4

Transformation statements

Transformation within the Company is guided by relevant legislation, regulations and governmental policies

– including the Employment Equity Act, the [B-BBEE](#) Act, the Mining Charter and relevant codes of good practice.

The Company is committed to transformation and its performance is measured against scorecards, which shows progress made with respect to targets and programmes focused on human resource and skills development, employment equity, mine community and rural development, housing and living conditions, ownership and joint-venture beneficiation, preferential procurement, enterprise development and socio-economic development.

Employee advancement and promotion are determined by an individual's achievement, performance, ability and potential. EVRAZ Highveld recognises that a simple policy of equal employment will not adequately address past and present imbalances and continues to recruit, train, develop and promote individuals with potential.

The Company:

- believes in the principle of equal, basic remuneration and conditions of

- employment for work of equal value,
- commits to creating a workplace environment in which individuals of ability can develop rewarding careers at all levels, regardless of background, culture, race or gender,
- recognises that all people are entitled to equal and equitable employment opportunities and that every employment opportunity is open to all suitably qualified applicants, based on their experience, qualifications, ability and potential, and
- focuses social and community investment on educational and wellness institutions and on assistance to communities in its areas of operation.

Organisational transformation

Organisational transformation to establish a business culture that supports all facets of the environment within which the Company operates, including the development of EVRAZ Highveld's corporate structure to be reflective of the country's demographics, is fundamental to the sustainability of its operations.



EVRAZ Highveld is committed to benefit a broad spectrum of the South African society, as encompassed in the B-BBEE Act and Codes of Good Practice.



The committee, supported by the Remuneration and Nominations Committee, the chief executive officer (CEO) and executive management, facilitates organisational transformation through the proactive development of the Company's human capital base.

Social responsibility

The committee also guides the Company in its social responsibility programme, to ensure that the Company gives effect to its responsibility towards the communities based in areas in which it operates.

External projects, which are aligned with legislative and prescriptive

measures and within guidelines of the EVRAZ Highveld eMalahleni Community Forum and under guidance of the Social and Ethics Committee, target the economic empowerment of communities, on both social and business levels, through health, education and supply chain initiatives.

Mining charter

Compliance with the revised Broad-Based Socio-Economic Empowerment Charter for the South African mining industry, launched in September 2010, is facilitated by the committee on behalf of the Board. The sustainable transformation and development of the Mapochs Mine operation, a strategic asset to the Company, is integrally linked to the revised charter.

Fulfilment with the 26 per cent B-BBEE compliance requirement by 2014 emphasised within the charter was proactively governed by the Company, with the successful transfer on 29 February 2012 of the Mapochs business from EVRAZ Highveld to Mapochs Mine Proprietary Limited, in which the strategic BEE partner, Umnotho, holds 23 per cent and the MMCT holds three per cent of the equity.

The committee monitors and manages the Company's progress toward meeting the social development expectations tabled in the charter within the overall framework of its transformation strategy.

In 2013 the Company plans to comply with the new Mining Charter focus on housing and living conditions, procurement and enterprise development, human resource development, mine community development, sustainable development and growth and beneficiation.

B-BBEE

EVRAZ Highveld is committed to benefit a broad spectrum of the South African society, as encompassed in the B-BBEE Act and Codes of Good Practice.

The continued emphasis placed on B-BBEE scorecard compliance in 2012 ensured the Company's retention of its B-BBEE-contributor status at Level 5. The committee monitors the Company's progress toward elevating its B-BBEE-compliance level and, to this end, promotes the formulation and implementation of strategies and policies within all spheres of

operation, including measures to improve demographic representation within management, community investment, skills development, preferential procurement and socio-economic development.

Scorecard

The EVRAZ Highveld transformation performance, as measured in its **B-BBEE** scorecard developed in compliance with the requirements of the **DTI**, reflected the success of the Company in maintaining its transformation drive.

Except for business ownership criteria (a zero score), progress was maintained in terms of enterprise development (15/15 against 15/15 in 2011), socio-economic development (5/5 against 5/5), preferential procurement (18/20 against 17.51/20), skills development (11.07/15 against 11.08/15), employment equity (5.50/15 against 5.35/15) and the representation of women and historically disadvantaged South Africans (HDSAs) on management level (3.50/10 against 3.47/10 in 2011).

	Weight	2011 verified score *	2012 score #	2013 targeted score
Ownership	20	—	—	—
Management control	10	3.47	3.50	4
Employment equity	15	5.35	5.50	7
Skills development	15	11.08	11.07	13.80
Preferential procurement	20	17.51	18.00	18.50
Enterprise development	15	15	15	15
Socio-economic development	5	5	5	5

* The 2011 score has been restated from that published in the 2011 Integrated Annual Report following external verification.

The 2012 score is subject to external verification.

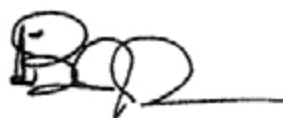
Stakeholder engagement

A stakeholder engagement strategy was approved by the Board in 2010.

Continued weak global market conditions and strained employee relations following the industrial action during the third quarter of 2012 necessitated a deeper understanding of the importance of engaging with stakeholders.

EVRAZ Highveld is currently reviewing its engagement framework with a view to obtaining a better understanding of stakeholder needs and concerns so as to promote constructive and interactive stakeholder engagement to support achieving strategic business objectives.

On behalf of the Social and Ethics Committee



Bheki Shongwe
Chairman

13 March 2013

15/15

Progress was maintained in terms of enterprise development for 2012 (15/15 in 2011).



Stakeholder engagement

EVRAZ Highveld understands that engaging with its stakeholders openly and proactively with respect to economic, social and environmental performance is fundamental to achieving organisational objectives. Effective engagement on all spheres of the Company's operations promotes optimisation of positive and negative impacts and facilitates reliable, accurate and transparent internal and external reporting and understanding.

Engagement objectives have been established in an approved strategy, aimed at identifying material issues that affect the well-being of and value-creation for stakeholders. The EVRAZ Highveld values underpin stakeholder engagement, promoting collaboration, value-creation and human capital development within an environment focused on mutual respect, accountability and continuous improvement. Identified stakeholders include individuals and groups, both internal and external, who are directly or indirectly influenced by or can influence EVRAZ Highveld's current and future operations.

Engagement within EVRAZ plc supports operational sustainability and product sales and distribution. Within the Company engagement is based on an internal communications strategy that aids the development of a cohesive culture and keeps employees informed of corporate developments and operational changes, all of which impact on the Company's ability to achieve its strategic objectives.

The Company strives to maintain a constructive and positive relationship with the trade unions that represent a large portion of employees through collective bargaining schemes. Continued interaction to retain communication channels between management and the workforce represented by the unions ensures the protection of employee rights and addresses career development and training, employment equity and transformation.

To ensure the continued ability to create value for its customers, the Company interacts on a continuous basis with its client base. Direct and indirect communication is supported

further by systems to monitor customer complaints, product quality and service delivery levels.

EVRAZ Highveld is a major consumer of energy and is considered a high-impact operation due to the resultant emissions. Various stakeholders, including national government departments and local authorities and communities, maintain an interest in the Company's level of compliance with environmental and water use legislation. Continued, transparent interaction is maintained with these stakeholders to reflect the Company's ongoing efforts to manage the impacts of its operations in a sustainable manner.

The Company also interacts constructively with national government departments responsible for establishing and implementing key policies that influence the macro-economic environment. In 2012 the adverse impact of past and proposed increases in electricity costs and the anticipated imposition of carbon taxes in 2013 on the sustainability of business operations received focus.

Engagement with key strategic suppliers within the Company's supply chain promotes the continued supply of strategic raw materials and services. In addition to direct communication, suppliers are able to access relevant information through a secure, web-based functionality. Participation in forums that promote infrastructural development, such as port facilities, is also supported to facilitate the Company's ability to access these facilities in an efficient and effective manner.

Whilst EVRAZ Highveld's environmental and operational impacts on the communities within its areas of operation warrant engagement with community members, the Company's focus on regional socio-economic development, enterprise development, community wellness and community initiatives is supported through interactive engagement with these communities. Socio-economic impacts are maximised through proven channels of specialist organisations such as the NEF and community forums.

Stakeholder group	Material issues	Results
Shareholders, investor community and the media EVRAZ Highveld's primary shareholder is EVRAZ plc with an 85.11 per cent shareholding. The balance of shares, traded on the JSE, is held by institutional and individual investors.	• Shareholder returns and economic sustainability. • Performance and future anticipated performance. • Corporate governance and risk management. • Appointment of the Board of Directors and the members of the Audit and Risk Committee and Social and Ethics Committee.	Shareholders, the investor community and the media are provided with the opportunity to obtain information and raise issues and concerns. The Company creates opportunities to increase awareness and understanding of the nature of the business and the issues pertinent to operational performance through investor presentations and other interactions.
Customers Primary customers include the large steel merchants in South Africa and the EVRAZ plc's international sales organisation.	• Reliable, timely sustainable supply of quality products. • Price competitiveness. • After-sales service. • Efficiency of administrative support system.	The EVRAZ Highveld marketing team interacts with customers on a continuous basis to promote customer relationships through better understanding and awareness of customer needs (such as the warehouse facility providing end-users instant access to structural steel products). An understanding of Company products and services and a meaningful environment for the resolution of customer queries and problems are also promoted. An annual customer survey provides a basis for business process improvements to enhance customer satisfaction levels.
Government – national, provincial and local Legislative compliance and social development necessitates close interaction with various departments, in all three spheres of government.	• Development of national strategies, policies and standards in areas applicable to our operations. • Legislative and regulatory compliance. • Environmental performance issues. • Access to mineral resources, energy supply and water. • Social development initiatives linked to the IDPs of the municipalities.	Inputs into the formulation of and increased awareness of applicable national strategy, policy and standards. Facilitation of applications for licences and permits critical to raw material supply and continued operations. Regional socio-economic development through organisationally driven initiatives.



Stakeholder group	Material issues	Results
Employees At 31 December 2012, 2 243 people (including 13 temporary employees) were employed by EVRAZ Highveld. 148 of these are based at the mining operations in Roossenekal, 2 088 (including 13 temporary employees) at the Steelworks in eMalahleni and seven at the sales office in Bedfordview.	• Remuneration and benefits. • Career development and training. • Performance management. • Operational sustainability. • Business ethics. • Safety and health and employee wellness, including HIV/Aids. • Employment equity and transformation.	Employee awareness of corporate business practices and procedures, individual performance and career development opportunities. Proactive management of fraud and other crimes and environmental complaints. Increased awareness and continuous review of the safety, health and security environment to facilitate continuous improvement. Proactive information sharing between management and employees to support business efficiencies and effectiveness. Improved employee well-being.
Trade unions 1 718 of EVRAZ Highveld's permanent workforce of 2 230 employees are represented by two trade unions, NUMSA and Solidarity.	• Remuneration and benefits. • Career development and training. • Human rights. • Employee wellness. • Employment equity and transformation. • Operational practices. • Collective bargaining.	Mutually beneficial collective agreements. Structured approach toward dealing with employment issues and practices that are pertinent to the members of the represented unions. Increased understanding amongst bargaining unit members of economic, social and environmental business performance. Proactive management of employee disputes. Revised employee performance bonus scheme.
Suppliers and contractors Procurement for EVRAZ Highveld is managed through a centralised Procurement Department with the Vendor Management Committee ensuring that the supplier base is managed to actively support effective business operations.	• Key strategic raw material supply. • HDSA procurement/B-BBEE scorecard. • Product quality. • Price competitiveness. • Reliable, timeous sustainable supply. • Contract terms.	Sustainable supply of value-added products and services that support maximised customer satisfaction. Contractor open days focussing on risk assessments, safety leadership, the use of PPE and managing contractors' health and safety files. Proactive resolution of supply chain issues.

Stakeholder group	Material issues	Results
Communities EVRAZ Highveld's operations have an environmental impact, and the Company provides material socio-economic support in the eMalahleni and Roossenekal regions.	• Environmental impacts. • Operational impacts. • Regional socio-economic development initiatives. • Enterprise development. • Skills development. • Community wellness, including HIV/Aids. • Community initiatives.	Community involvement in projects awarded. Increased awareness of operational impacts where applicable on the community. Sharing information to support business efficiencies and proactive management of community complaints. Improved wellness within communities. Regional socio-economic development, community initiative support and improved skills levels.
Business partners EVRAZ Highveld engages with: • marketing structures within EVRAZ plc to promote steel product sales and distribution, • its strategic European-based subsidiary (Hochvanadium Holding AG) and alliance partner (Treibacher Industrie AG) to promote the beneficiation, marketing and distribution of its vanadium products, and Umnotho, its strategic BEE partner of Mapochs Mine Proprietary Limited to sustain and improve business relationships in its mining operations.	• Operational sustainability. • Product sales and distribution. • Global supply/demand. • Financial returns.	Proactive management of strategic business relationships. Improved access to global markets to promote increased product sales. Management of operational performance, sustainable development and socio-economic issues. Management of business risks. Partnering to achieve strategic targets.

Remuneration and Nominations Committee report

Remuneration policy

EVRAZ Highveld's remuneration policies are aimed at achieving organisational sustainability and efficiency that enhances motivational levels and supports staff engagement and dedication.

Reward principles applied in all remuneration policies include competence, experience,



performance, internal equality, market competitiveness and recognition and retention of scarce and specialised skills.

The Remuneration and Nominations Committee is a formal committee of the Board that assists in determining and recommending executive and management remuneration policy and reviewing nominations for new appointments to the Board.

Role of the committee

The role of the Remuneration and Nominations Committee, defined in the Remuneration and Nominations Committee Charter, is to oversee the setting and administering of remuneration at all levels except for staff who form part of the bargaining unit in the Company and the establishment and review of a remuneration policy that promotes the achievement of strategic objectives and encourages individual performance.

The committee assists the Board in ensuring appropriate evaluation

of board members, and is also responsible for presenting suitable candidates to the shareholders for election for appointment as Audit and Risk Committee and Social and Ethics Committee members and for evaluating nominations by the majority shareholder for the appointment of directors to the Board.

The key responsibilities of the committee are to make recommendations to the Board on:

- the policy for remunerating members of executive and senior management,
- salary adjustments for employees outside the bargaining unit, the incentive bonus and the staff retention strategy policy,
- fees for members and chairmen of the Board and sub-committees of the Board for subsequent approval by shareholders, and
- succession planning for senior management.

Composition of the committee

The committee comprises four non-executive directors, three of which are

independent. During the year under review, the following directors served on the committee:

- Mohammed Bhabha (appointed 1 March 2010 – acted as Chairman from 2 November 2011 to 14 March 2012).
- Bheki Shongwe (appointed 17 August 2011).
- Peter Surgey – Chairman (appointed as a member on 1 March 2010 and Chairman on 14 March 2012).
- Pavel Tatyatin (appointed 15 October 2009).

More details of these directors are given on [pages 57 to 62](#).

Fees paid to committee members are reflected on [page 54](#) and the proposed fees for 2013 are detailed on [page 190](#).

When appropriate the **CEO**, chief financial officer (CFO) and senior executives attend committee meetings by invitation. The **CEO** is excluded from discussions related to his remuneration.

Committee meetings

Committee members meet at scheduled meetings four times a year. Unscheduled meetings are called when the committee is required to address urgent matters in its scope of responsibility.

Attendance of committee members at the meetings of the committee during the year was as follows:

	Meetings attended in 2012
Bheki Shongwe	4/4
Mohammed Bhabha	4/4
Pavel Tatyatin	1/4
Peter Surgey	4/4

Remuneration structure

The guaranteed remuneration for staff that does not form part of the bargaining unit is determined by the following factors:

- Job-grade levels, based on the Patterson-grading system;
- Market salary surveys to determine the organisation's competitiveness;
- Individual performance and contribution measured against scorecard **KPIs** agreed at the beginning of each year,

differentiating between exceptional, high, good, satisfactory and below standard performance, to support relative equity within pay bands; and

- Appropriate premiums for job categories with identified scarce or specialist skills.

Executive remuneration

A key aim of EVRAZ Highveld's remuneration policy is to attract, motivate and retain high-calibre executives who focus on the development and implementation of business strategy to optimise long-term stakeholder value and support economic, social and environmental sustainability.

This aim is achieved by incorporating best-practice standards in the policy, based on the following key principles:

- Total basic reward levels are competitive within the markets in which EVRAZ Highveld operates;
- Incentive rewards are based on the achievement of demanding performance objectives, aligned with shareholder interests over the short, medium and long terms; and
- Incentive plans, targets and performance measures are structured to function soundly throughout the business cycle.



Executive directors

The executive directors' remuneration comprises base salary and employee benefits, such as bonuses, retirement provision, medical aid and life cover.

External directorships or offices held by executive directors require the approval of the Board. If approved, they may retain the fees related to the appointment. No applications for external appointment of executive directors were lodged during 2012.

Non-executive directors

Non-executive directors receive fees for their services as directors and for serving on Board committees. These fees are determined to fairly reward directors for their time, service and expertise.

The fees are reviewed by the Board on an annual basis on the recommendation of the Remuneration and Nominations Committee, with cognisance being taken of fees paid by comparable companies. The fee structure is determined in accordance



2 152

A total of 2 152 EVRAZ Highveld employees qualified for guaranteed bonus payments in the year under review.

with EVRAZ Highveld's objective of attracting and retaining high-calibre individuals and is approved by the shareholders at the Annual General Meeting.

Management

The remuneration package of senior management comprises base salary and employee benefits, such as bonuses, retirement provision, medical aid and life cover.

Subject to an annual review, salary increases to management become effective on 1 April each year. In 2012, no increases were awarded to the Executive Committee members. The average increase for 2012 for other members of management was seven per cent.

Staff

Staff remuneration packages comprise base salary and employee benefits, such as retirement provision, medical aid and life cover. Collective remuneration adjustments are negotiated with the trade unions every three years. The unions represent approximately 77 per cent of EVRAZ Highveld's employees. The current remuneration agreement for the period 2011 to 2013 was successfully concluded during 2010.

Salary increases are paid to staff that form part of the bargaining unit on 1 July each year and on 1 April for those not represented. The average increases in 2012 were seven per cent.

Guaranteed annual bonuses, equivalent to a month's salary for staff that forms part of the bargaining unit, are paid in the month in which qualifying employees take their annual leave.

With effect from 1 January 2013 a new leave policy will be implemented where employees will no longer receive a bonus when taking their annual leave. Staff will be receiving a 13th cheque equivalent to one month's salary in the month prior to their date of engagement or anniversary date.

A total of 2 152 EVRAZ Highveld employees qualified for guaranteed bonus payments in the year under review.

Employee benefits

Retirement benefits

Retirement benefits are provided to all EVRAZ Highveld (including Mapochs Mine) employees through three retirement funds. Staff that forms part of the bargaining unit can choose between the Metal Industries Provident Fund and the Engineering

Industries Pension Fund, respectively a defined-contribution and a defined-benefit scheme. All other staff are offered membership of the EVRAZ Highveld Retirement Fund, a defined-contribution scheme. All the schemes are governed by the South African Pension Funds Act of 1956 and provide death and disability cover.

At year-end, membership of the funds totalled 2 283 (2011: 2 461):

- Metal Industries Provident Fund – 1 336 employees (2011: 1 412).
- Engineering Industries Pension Fund – 345 employees (2011: 368).
- EVRAZ Highveld Retirement Fund – 602 employees (2011: 681).

Medical aid benefits

Since 1 January 2004, membership of a medical scheme is compulsory for all EVRAZ Highveld staff. The Company promotes membership of either the Discovery Health Medical Scheme or the Sizwe Medical Scheme and employees can change their selection annually.

At year-end, 1 029 employees retained membership of the Discovery Health Medical Scheme and 820 employees retained membership of the Sizwe Medical Scheme.

Company contributions to these schemes totalled R33 million (2011: R30 million).

Employees who do not belong to a medical scheme are provided with subsidised primary healthcare services at EVRAZ Highveld's on-site facilities.

EVRAZ Highveld employees who were appointed before 1 January 2002 and who remain in service until retirement age are entitled to post-retirement medical-aid benefits. The Group carries a liability of R129 million (2011: R121 million) for this benefit. Full details are given in note 24 to the annual financial statements on [pages 170 to 172](#).

Incentive and performance bonus scheme

All employees participate in the EVRAZ Highveld incentive bonus scheme, which provides for the payment of bonuses based on the achievement of key economic and operational performance targets. The bonus is calculated as a percentage of basic salary for senior payroll employees (D-Upper and higher). Qualification for the bonus is determined by achievement of the set criteria of each employee's

performance contract and, if appropriate, paid.

Employees (up to D-Lower level) bonus is paid monthly if set targets are achieved. Contributing factors determining payment of this bonus are production, safety and attendance.

No payments were made during the year in terms of the scheme (2011: R0.5 million).

EVRAZ long-term incentive plan

Certain senior management employees participate in the EVRAZ plc long-term incentive plan in terms whereof the participants are granted shares in EVRAZ plc public company listed on the London Stock Exchange and rated a FTSE 100 company.

Group life benefits

Contributions to EVRAZ Highveld's group life scheme are compulsory for all permanent employees. The contributions, fully funded as an employer contribution, amounted to R10.1 million (2011: R10.8 million).

Benefits of the scheme are equivalent to the employee's annual salary, multiplied by a factor based on employment and age categories.

Staff retention strategy

EVRAZ Highveld's recognition of the need to recruit and retain key skills is embedded in its staff retention strategy policy. A Retention Committee considers formally motivated nominations in addition to policy review.

The policy, which can be applied to up to five per cent of the workforce, provides for the payment of attraction, retention and achievement bonuses based on key roles, the scarcity of skills and individual performance.

Other information

A restriction has been placed on one executive manager to not, after termination, for a period of six months, entice or try to entice from the Company or the group of companies any person who is a senior employee or officer of such a company at any time during his last twelve months of service with the Company and with whom he had worked closely at any time during that period.

Also refer to note 2.8 in the notes to the financial statements for information regarding executive management contracts.

2013

The committee plans to continue with efforts initiated in the 2012 year to review benefit plans in support of sustainable improved employment benefits for EVRAZ Highveld staff.

On behalf of the Remuneration and Nominations Committee

Peter Surgey
Chairman

13 March 2013



Emoluments paid to executive and non-executive directors

The table below provides an analysis of the emoluments paid to executive and non-executive directors:

	Basic Salary	Directors' fees	Bonus	Expenses allowance	Share Options	Company pension fund contribution	Total emoluments 2012	Total emoluments 2011
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Executive directors								
MD Garcia (CEO) ¹	5 694	177	3 748	718	1 317	692	12 346	4 231
AS MacDonald (CEO) ²	—	—	—	—	—	—	—	10 526
J Valenta (CFO) ³	1 982	177	133	416	—	231	2 939	450
BE de Beer (FD) ⁴	—	—	—	—	—	—	—	2 457
	7 676	354	3 880	1 134	1 317	923	15 285	17 664
Non-executive directors								
GC Baizini **	—	177	—	—	—	—	177	165
M Bhabha *	—	298	—	—	—	—	298	249
CB Brayshaw * ⁵	—	—	—	—	—	—	—	270
AV Frolov ** ⁶	—	36	—	—	—	—	36	165
T Mosololi * ⁷	—	154	—	—	—	—	154	—
B Ngonyama *	—	337	—	—	—	—	337	273
VM Nkosi ⁸	—	141	—	—	—	—	141	—
D Ščuka **	—	177	—	—	—	—	177	282
BJT Shongwe *	—	706	—	—	—	—	706	629
PM Surgey *	—	323	—	—	—	—	323	285
PS Tatyannin **	—	262	—	—	—	—	262	245
TI Yanbukhtin **	—	177	—	—	—	—	177	165
	—	2 788	—	—	—	—	2 788	2 728
	7 676	3 142	3 880	1 134	1 317	923	18 073	20 392

* Independent.

** Fees ceded to EVRAZ plc.

¹ Appointed as executive director and CEO on 13 May 2011.

² Resigned as executive director and CEO on 11 April 2011, due to personal reasons.

³ Appointed as executive director and CEO on 15 November 2011.

⁴ Resigned as executive director and FD on 21 October 2011, due to personal reasons.

⁵ Resigned as non-executive director on 31 October 2011.

⁶ Resigned as non-executive director on 14 March 2012.

⁷ Appointed as non-executive director on 21 May 2012.

⁸ Appointed as non-executive director on 14 March 2012.

Mineral Resource and Mineral Reserve statement

An independent review of the resources for Mapochs Mine Proprietary Limited was conducted by Eugene Pretorius and Associates Proprietary Limited in compliance with the recommendations and guidelines set out in the **SAMREC Code** (2011) and in accordance with the 2008 SAMVAL Committee Code published under the joint auspices of the Southern African Institute of Mining and Metallurgy and the Geological Society of South Africa.

Following this review, a Competent Person's Report with an effective date of 31 December 2012 was issued to Mapochs Mine Proprietary Limited. The consolidated resources and reserves in terms of this report are included in the table below, which should be read in conjunction with the full report available on the **Company's website**.

The consolidated resources and reserves are classified based on the three fundamental magnetite reef environments. From the surface downward, these are eluvial ore (rubble), weathered exposed in-situ reef (pavement) and fresh in-situ reef (seam). Classification in terms of the

SAMREC Code is as follows:

- An 'inferred mineral resource' is that part of a mineral resource for which volume or tonnage, grade and mineral content can be estimated with only a low level of confidence. It is inferred from geological evidence and sampling and assumed but not verified geologically or through analysis of grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that may be limited in scope or of uncertain quality and reliability.
- An 'indicated mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on information from exploration, sampling and testing of material gathered from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological or grade continuity but are spaced closely enough for continuity to be assumed.
- A 'measured mineral resource' is that part of a mineral resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable information from exploration, sampling and testing of material from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

Consolidated resources and reserves

Ore	Gross in-situ (tons)	Resource classification	Geological loss (%)	Mining loss (%)	Mineable in-situ (tons)	Reserve classification	Grade in-situ		Contained	
							V ₂ O ₅ (%)	Fe (%)	V ₂ O ₅ (tons)	Fe (tons)
Pavement	3 939 480	Inferred	10	10	3 151 584	Probable	1.61	54.24	50 741	1 709 419
		Indicated								
		Measured								
Rubble	833 738	Inferred	10	10	666 990	Probable	1.64	54.67	10 939	364 644
		Indicated								
		Measured								
Open-cast	21 751 723	Inferred	10	10	17 401 378	Probable	1.74	54.95	302 784	9 562 057
		Indicated								
		Measured								
	26 524 941				21 219 952				364 464	11 636 120

Governance Review





Directorate

Bhekisisa James Themba Shongwe

Independent non-executive director and chairman

Age: 57

BA (Econ) (University of Botswana and Swaziland), MBA (South Australian Institute of Technology (now University of South Australia)), ACIS, FCIBM and LDP (Wharton Business School)

Appointed: 1 September 1994



Bheki is chairman of Matsamo Global Investment Holdings Proprietary Limited, Compass Management Consultants Proprietary Limited, Flow Communications and a non-executive director of Sabvest Limited, where he serves on the Audit Committee. Bheki was appointed as chairman of the Board of EVRAZ Highveld in October 2009, after being a non-executive

director for 15 years. He chairs the Social and Ethics Committee (formerly the Transformation Committee) of which he has been a member since its inception and is a member of the Remunerations and Nominations Committee.

Bheki has gained wide experience serving as non-executive director of companies such as African Bank Limited, African

Bank Investments Limited, Super Group Limited, Primedia Limited, Alexkor Limited and Air Traffic and Navigation Services Company of South Africa.

His business experience was gained in finance, marketing and sales and general management over the last 31 years.

Governance Review

- ▶ Directorate
- ▶ Executive committee
- ▶ Corporate governance
- ▶ Risk management
- ▶ Information technology governance





Giacomo Carlo Baizini



Giacomo Carlo Baizini

Non-executive director

Age: 42 (Italian)

MA Hons in Physics (Oriel College, Oxford University), Summer MBA (Kellogg Graduate School of Management), Diploma of Industrial Engineering (Japan Management Association)

Appointed: 26 October 2007

Giacomo started his career working as a management consultant, most recently at McKinsey and Company in Japan until 2005, where he was associate principal.

He joined EVRAZ in Moscow in 2005 as a director, and was subsequently promoted to vice-president of Product and Resource Management. Since July 2009 he has taken the role of **CFO** of EVRAZ.

Michael Dennis Garcia

Executive director and CEO

Age: 48 (American)

BSc in Computer Science, United States Military Academy, West Point and MBA (Harvard Business School, US)

Appointed: 13 May 2011

Michael was appointed as **CEO** on 13 May 2011. He chairs the Board of Mapochs Mine Proprietary Limited. Prior to joining EVRAZ Highveld, he was senior vice president, Manufacturing and Supply Chain of EVRAZ Inc. North America. Michael also worked as vice president of Merchant Operations at Gerdau Ameristeel, a US subsidiary of major multinational steel producer Gerdau. Prior to joining Gerdau, Michael was with Alcoa Inc. where he held a variety of roles including senior commercial leader for the Alcoa flat-rolled products business in China and director of sales and marketing for Alcoa's North American automotive sheet business.

Michael served 5 years as an armour officer in the United States Army, including service in Operation Desert Storm in 1991.



Michael Dennis Garcia



Mohammed
Bhabha

Mohammed Bhabha

Independent non-executive director

Age: 52

B. Proc. Attorney at Law (University of South Africa)

Appointed: 1 March 2010

Mohammed started his career as an attorney practising in Evander in 1984. In 1991 Mohammed was part of the ANC negotiating team at Codesa and participated in the negotiations for the final South African Constitution.

In 1994 he was appointed as a Senator in Parliament. He chaired the Select Committee on Constitutional Affairs and Public Administration.

In 2001 he was appointed as a member of the Executive Council in the Mpumalanga Cabinet.

Mohammed is presently an advisor to the Development Bank of South Africa. He is also an advisor to the Ministry of Co-operative Government and Traditional Affairs. Mohammed sits on the Premier's Economic Advisory Board of the North West Government and is a director of Alexkor Limited, having also served on the Board of the South African Forestry Company.

He is assisting in the constitution-making process of Kenya, and is in negotiations with Yemen, Sri Lanka and Bahrain.

Thabo Mosololi

Independent non-executive director

Age: 44

BComm Hons (University of the Western Cape), CA (SA), International Business Certificate (London Guildhall University), Diploma in Project Management (Damelin), MAP and EDP (Wits Business School)

Appointed: 21 May 2012

Thabo is operations director of Tsogo Sun Gaming, non-executive director and member of the Audit Committee of First Uranium Corporation and chairman of the Audit Committee of the Market Foundation. Previously, he also served as chairman of the board of trustees of the Education Foundation and non-executive director and member of the audit committees of Telkom SA Limited and Matodzi Resources (now Goliath Gold Limited). Thabo is also a member of the South African Institute of Chartered Accountants and a member and previous treasurer of the Association for the Advancement of Black Chartered Accountants.



Thabo Mosololi



Vusimuzi Moses
Nkosi

Vusimuzi Moses Nkosi

Non-executive director

Age: 43

M.Phil (University of Pretoria)

Appointed: 14 March 2012

Vusi Nkosi is **CEO** of **Umnotho**. He has been involved in developing the portfolio of **Umnotho** to include diamonds, platinum, chrome and coal assets, thereby gaining substantial experience in the African resources sector.

He serves as a board member of a number of **Umnotho**-related companies, including Mapochs Mine Proprietary Limited.



Babalwa
Ngonyama

Babalwa Ngonyama
**Independent non-executive
director**

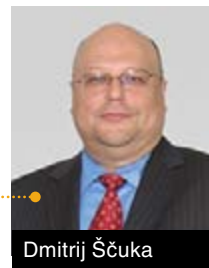
Age: 38

CA (SA), MBA (Bond University),
Higher Diploma in Banking Law
(RAU (now UJ))

Appointed: 1 March 2010

Babalwa is the **CEO** of Sinayowetu Trading Enterprise, a non-executive director and member of the Audit Committee of Impala Platinum Holdings Limited and a non-executive director of Barloworld Limited. Previous appointments include that of the **CFO** of Safika Holdings Proprietary Limited, group chief internal auditor of Nedbank Limited and a former audit partner in Deloitte's Financial Institutions Services Team (FIST) division.

Babalwa was the founding chairman of African Women Chartered Accountants (AWCA), and is a former member of the Education and Academic Review Committees of the South African Institute of Chartered Accountants (SAICA) and the former chairman of the Technical Committee of Transnet Auditors (APF).



Dmitrij Ščuka

Dmitrij Ščuka
Non-executive director

Age: 47 (Czech)

Diploma in Thermophysics/Nuclear Power Generation (Moscow Power Engineering University)

Appointed: 11 November 2010

Dmitrij started his career in 1989 as a software developer. By 1996, he was client manager for a company selling ERP software and providing implementation services. Towards the end of 1997 he became majority shareholder and managing director of a consulting company focused on ERP applications in Austria, Germany and Switzerland. The business merged with Deloitte in 2001, at which time Dmitrij was appointed as partner in charge of the Enterprise Applications business

unit for Deloitte Central Europe. He joined the EVRAZ Group as director of operations for European and African assets in December 2009, responsible for the operations and transformation of three plants.

Dmitrij served as acting **CEO** of EVRAZ Highveld during the transitional period in April – May 2011. In January 2012 Dmitrij was appointed to the position of **CEO** of the EVRAZ European operations.



Jan Valenta

Executive director and CFO

Age: 34 (Czech)

Chartered Accountant, Master's Degree in Economics (Charles University, Prague)

Appointed: 15 November 2011

Jan was appointed as **CFO** of EVRAZ Highveld on 15 November 2011. He also serves on the boards of Mapochs Mine Proprietary Limited and Hochvanadium Holding AG.

Jan joined the EVRAZ Group in 2010 and held the position of deputy **CFO** in EVRAZ Vitkovice Steel.

Before joining EVRAZ, Jan was a manager at Deloitte providing audit and management consulting services to clients in the Czech Republic and Canada, predominantly focusing on manufacturing clients.

Jan is a chartered accountant and participated in a wide range of audit engagements, due diligence and projects associated with **IFRS** implementation.



Jan Valenta



Peter Montagu Surgey

Peter Montagu Surgey

Independent non-executive director

Age: 58

BA LLB (University of Cape Town)

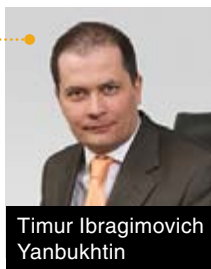
Appointed: 1 March 2010

Peter joined Barloworld in 1983 and was appointed to that board in 1995. He was the **CEO** of Plascon Limited which became Barloworld Coatings from 1992 to 2003 and a director of Barloworld Limited from 1995 to 2008.

He is currently a trustee of the President's Trust and the Duke of Edinburgh Award.

He is a director of Nampak Limited Control Instruments Limited and is chairman of First Uranium Corporation.





Timur Ibragimovich
Yanbukhtin

Timur Ibragimovich Yanbukhtin

Non-executive director

Age: 48 (Russian)

Master's Degree in International and Development Economics (Yale University, USA), Master's Degree in Economics (Moscow State University, Russia)

Appointed: 1 March 2010

Timur joined EVRAZ Group in 2002 and holds the position of vice-president, Business Development, International Business.

He previously held various positions with Yandex, Alfa Bank, Salomon Brothers and Pioneer Investments.

Pavel Sergeevich Tatyatin

Non-executive director

Age: 38 (Russian)

Degree in Economics (Moscow State University), Economics (Ruhr-Universität Bochum, Germany), Master in International Business (Moscow State University)

Appointed: 26 October 2007

Pavel joined EVRAZ Group in 2001 as director for corporate finance and was appointed senior vice president and **CFO** of EVRAZ Group in 2004.

Pavel oversaw all financial issues and related operations of the company, implementation of policies in treasury, financial controlling and reporting, banking relationships, borrowings and capital market transactions; legal issues and compliance; corporate

and investor relations; and selected risk management issues, such as insurance and environmental compliance.

In 2009 he was appointed as senior vice president and head of international business, overseeing EVRAZ Group operations in Africa, Europe, North America and Ukraine, as well as EVRAZ's global vanadium business.



Pavel Sergeevich
Tatyatin



Executive committee

As at 31 December 2012



Michael Garcia
Chief Executive
Officer



Jan Valenta
Chief Financial
Officer



Malcolm Curror
Director: Vanadium
Operations



Jaco de Klerk
Chief Operating
Officer



Douw de Leeuw
General Manager:
Corporate Security



Franz Holy
Chief Operating
Officer



Cathie Lewis
Company
Secretary and
Investor Relations



Johannes Maepa
General Manager:
Mapochs Mine



Jerry Molefe
General
Manager: Human
Resources and
Transformation



Kefilwe Mothupi
General Manager:
Procurement



Mandla Ndlozi
General Manager:
Health, Safety,
Environment and
Quality



Eileen Pretorius
General Manager:
Sales and
Marketing



Johan Nel
Technical Advisor



Jerry Reed
Chief Commercial
and Business
Development
Officer



Malcolm Simpson
General Manager:
Projects

King III

King III sets out guidelines for good corporate governance, in line with corporate practices in 56 Commonwealth and 27 European Union countries. Many of these guidelines are also contained in the new Companies Act, No. 71 of 2008 and the JSE Listings Requirements, which provide for a nexus between good governance and legal compliance.



Corporate governance

Corporate governance in essence embodies the principles of effective leadership, based on ethical values of responsibility, accountability, fairness and transparency. The Board of Directors is responsible for effective leadership to maintain the sustainability of the business.

The EVRAZ Highveld Board Charter stipulates the scope of authority for the Board and its sub-committees, the chairman, the CEO and the CFO. The sub-committees also consider the operations and performance of the subsidiary Mapochs Mine Proprietary Limited in terms of its own charter. Duties of the Board and its sub-committees are performed according to annual work plans.

The Board is of the opinion that EVRAZ Highveld conducts its affairs with integrity and that, in addition to compliance with the Code of Governance Principles in King III, except areas otherwise identified in this report, it complies with all significant requirements incorporated in relevant South African and international legislation and JSE Listings Requirements.

Memorandum of incorporation

EVRAZ Highveld shareholders approved the Company's new memorandum of incorporation (MOI) at the EVRAZ Highveld Annual General Meeting held on 18 May 2012. The MOI replaces the previous memorandum and articles of association, as prescribed by the Companies Act. Shareholders are referred to the new MOI adopted by shareholders at the Annual General Meeting of the Company held on 18 May 2012. In this regard, clause 5.1.1 on page 24 of the MOI erroneously provides that there are 99 990 000 authorised ordinary shares in the Company, when in fact the correct number of authorised ordinary shares in the Company is 139 990 000. This incorrect reference has been corrected by altering the MOI to reflect the correct number of authorised ordinary shares in the Company in accordance with section 17 of the Companies Act.

Furthermore, this disclosure constitutes the publication of the notice of the alteration made by the Board to the MOI to shareholders, in accordance with section 17(1)(a)



of the Companies Act. By the time shareholders receive this Annual Report, a notice of the alteration (Form CoR 15.3) effecting the aforementioned correction will have been filed on behalf of the Company with the Companies and Intellectual Property Commission of South Africa (CIPC) in order to implement the alteration.

A board charter for the newly formed Mapochs Mine Proprietary Limited has been approved by its Board of Directors. Its **MOI** was approved by the **JSE** (to be lodged at **CIPC** soon).

Board practice

The fiduciary duties and statutory obligations of the Board are set out in the **MOI** and the Board Charter. These duties include monitoring and reviewing the implementation of the Company strategy, including its strategic projects within the approved budget and with due cognisance of the associated

business risks. Work plans for both the Board and its sub-committees are reviewed on an annual basis to ensure compliance. Outstanding items are included in a summary of action and monitored quarterly.

The Board is responsible for appointing the **CEO**, an executive director whose role is separate from that of the chairman, who is an independent director. The Board also appoints the **CFO** in terms of the newly amended **JSE** Listings Requirements.

The authority and responsibilities of the Board, as set out in the Board Charter, are to:

- provide effective leadership based on an ethical foundation;
- ensure the sustainability of the Company considering its impact on society and the environment;
- ensure compliance with relevant legislation, other requirements and codes of best governance practices;
- facilitate constructive stakeholder engagement;
- evaluate and adopt and/or approve the strategy, including strategic initiatives, based on the values and objectives of the Company and stakeholder interests, concerns and expectations;
- monitor operational performance and

management;

- determine levels of risk tolerance and ensure the adoption of an effective system of internal control and risk management, processes and policies to ensure robust risk mitigation or elimination;
- ensure strategically aligned **IT** governance;
- promote good governance by subsidiaries of the Company;
- select and approve accounting policies and practice and apply them consistently, keep proper accounting records, take steps to safeguard the Company's assets and prepare and arrange the independent review of the annual financial statements;
- ensure the integrity of EVRAZ Highveld's communications and disclosure policy;
- approve the remuneration policy for submission to the shareholders for a non-binding vote and monitor its implementation;
- approve the transformation strategy, including employment equity and black economic empowerment strategies and industrial relations policy;
- adopt formal dispute resolution processes to resolve internal and external disputes effectively, expeditiously and efficiently;

- select, orientate and evaluate directors; and
- safeguard and oversee the implementation of EVRAZ Highveld's Code of Ethics.

Roles and responsibilities

The Board is assisted in its responsibility to identify, oversee and manage economic, environmental and social risk and opportunities by sub-committees and at an operational level, by the **CEO**. The key roles of the sub-committees are detailed in the respective sub-committee reports and those of the executive directors are:

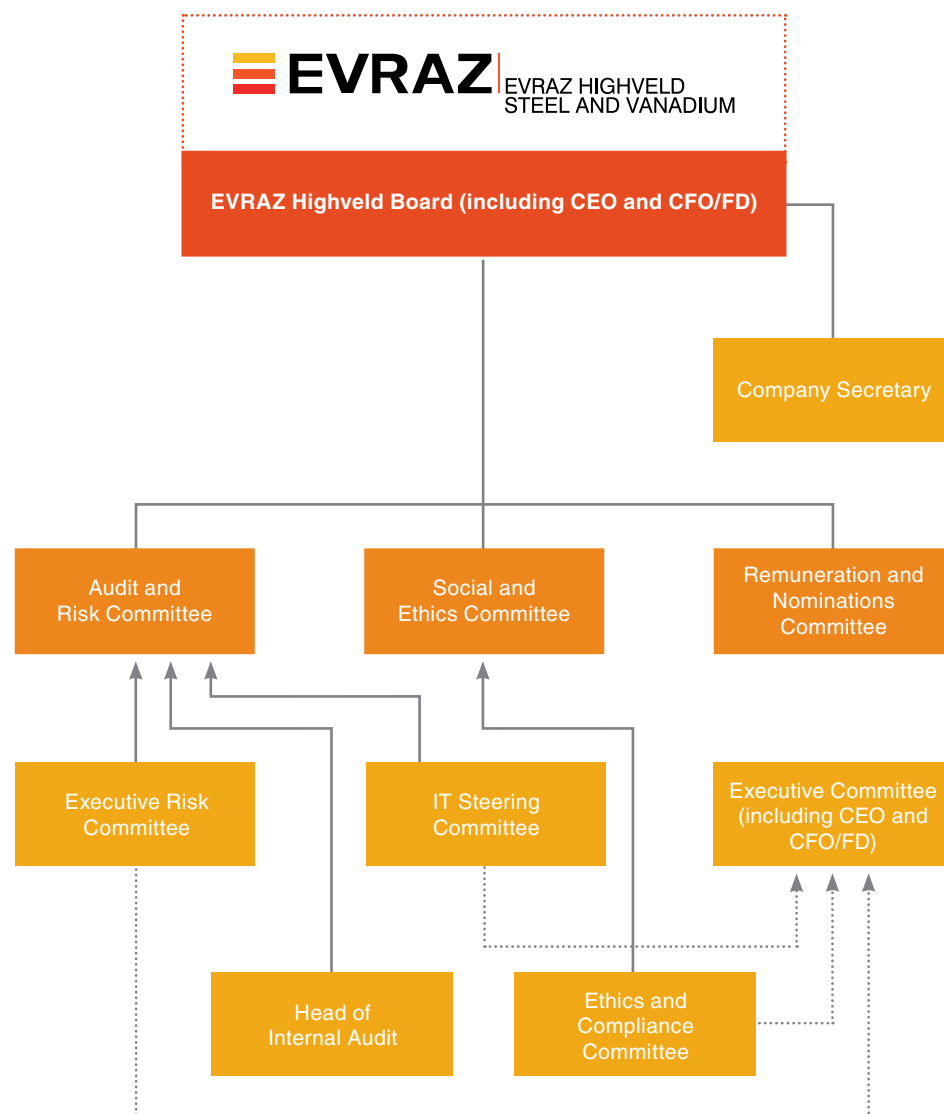
Chief executive officer

- Implement strategies and policies,
- Day-to-day operational management,
- Establish best management practices, functional standards and internal control systems, and
- Appoint and evaluate senior management.

Chief financial officer

- Financial management of the Company and Group,
- Due and proper preparation of financial statements as per **IFRS** requirements, and
- Due and proper financial reporting.

EVRAZ HIGHVELD GOVERNANCE STRUCTURES



Board meetings

The Board and its sub-committees convene at least four times a year and schedule special meetings if required. Attendance of directors at the 2012 meetings is as follows:

	Board		Executive Committee		Audit and Risk Committee		Remuneration and Nominations Committee		Social and Ethics Committee	
	A	B	A	B	A	B	A	B	A	B
GC Baizini	4	–								
M Bhabha	4	4					4	4	4	4
MD Garcia	4	4	10	8						
AV Frolov ¹	–	–								
T Mosololi ²	2	2			2	2				
B Ngonyama	4	4			4	4			4	4
VM Nkosi ³	4	4								
D Ščuka	4	2								
BJT Shongwe	4	4					4	4	4	4
PM Surgey	4	4			4	4	4	4		
PS Tatyannin	4	3					4	1	4	3
J Valenta	4	4	10	8						
TI Yanbukhtin	4	3								

A indicates the number of meetings which the director could have attended.

B indicates the number of meetings actually attended.

¹ Resigned as non-executive director on 14 March 2012.

² Appointed as independent non-executive director on 21 May 2012.

³ Appointed as non-executive director on 14 March 2012.

Board profile as at 31 December 2012

	Non-executive directors	Non-executive independent directors	Executive directors
	%	%	%
African female	–	8.33	–
African male	8.33	16.67	–
Coloured female	–	–	–
Coloured male	–	–	–
Indian female	–	–	–
Indian male	–	8.33	–
White female	–	–	–
White male	33.34	8.33	16.67
30 – 50 years old	41.66	16.67	16.67
>50 years old	–	25.00	–

empowers

The Board empowers the company secretary to ensure that the Company conducts its operations as a good corporate citizen.

Company secretary

The statutory duties of the company secretary are set out in the Companies Act, while Principle 2.21 of King III provides guidelines relating to the position of company secretary. The company secretary is described as the “gatekeeper of good governance”, ensuring corporate and legal compliance, including adherence to the JSE Listings Requirements.

The company secretary is responsible for the proper functioning of the Board by preparing the agendas and supporting documentation of all committee meetings in advance and in consultation with both the chairman of the Board or the committee, as the case may be and the CEO. She provides accurate, concise and relevant information to the Board in a timely manner to enable the Board to take informed decisions and to monitor the progress and performance of management against the approved strategy.

The company secretary guides the chairman with the annual Board evaluation, conducts the induction for all newly appointed directors, ensures the continual training and development of directors and details new legislation applicable to the Company and information pertinent to the industry.

In terms of the amended JSE Listings Requirements, the Audit and Risk Committee conducted a performance review of the company secretary, the details of which are contained in the report of the Audit and Risk Committee on pages 110 to 111.

Executive committee

The Executive Committee assists the CEO in managing the business at an operational level. The scope of authority and responsibilities of the Executive Committee are defined in the Executive Committee Charter, namely to:

- implement the strategies and policies of the Company;
- manage the day-to-day business and affairs of the Company;
- prioritise and allocate the Company's capital, technical and human resources;
- establish best management practices and functional standards;
- appoint and monitor the performance of management; and
- maintain a group-wide system of internal controls to manage all group risks and assist the Board in discharging its responsibility for ensuring that the risks associated with the operations are effectively managed in support of the creation and preservation of shareholder wealth.



The Executive Committee Charter makes provision for the annual evaluation of its members, by the **CEO**, against **KPIs** contained in their respective scorecards.

Legal compliance

Compliance with legislation in terms of safety, health, environment and quality (SHEQ) issues are monitored and managed against the Company's legal register, which forms part of EVRAZ Highveld Primary Procedures based on **ISO 9001** (quality), **ISO 14001** (environment) and **OHSAS 18001** (health and safety) to which the business processes are certified.

Compliance with other legislation is measured against issue-specific guidelines, such as the generic **B-BBEE** scorecard for EVRAZ Highveld and the Mining Charter scorecard and **SLP** for Mapochs Mine.

In 2012, the Company received no fines or notifications of major non-compliance, other than expressly stated in this report.

New-order mining rights

The Mapochs Mine business was successfully transferred from EVRAZ Highveld to Mapochs Mine Proprietary

Limited following the conclusion of the empowerment transaction in February 2012 and the new-order mining right was ceded to Mapochs Mine Proprietary Limited in terms of section 11 of the Mineral and Petroleum Resources Development Act. EVRAZ Highveld holds 74 per cent of the Mapochs Mine equity, strategic **BEE** partner **Umnotho** 23 per cent and the **MMCT** three per cent.

Competition Commission

The Competition Commission issued a Referral of Complaint to the Competition Tribunal against EVRAZ Highveld and two other companies in March 2012, alleging that the companies may have divided certain markets, directly or indirectly fixed the price of flat products and committed a concerted practice which substantially prevented or lessened competition. The Company is confident that there are no grounds for the complaint.

Structures and processes

The Board relies on structures and processes to achieve effective management and legal compliance. These structures and processes are based on **King III** guidelines and regulatory and **JSE** requirements. However, since the Company is 85.11 per cent owned by Mastercroft

Limited, a subsidiary of EVRAZ plc, a company listed on the London Stock Exchange and rated a FTSE 100 company, not all these guidelines and requirements necessarily promote proper corporate governance in the best way possible.

A summary of compliance with the provisions of **King III** is as follows:



Areas

Comment

Chapter 1 – Ethical leadership and corporate citizenship

EVRAZ Highveld is fully compliant in terms of having put in place the necessary structures, policies and procedures to monitor and ensure ethical business practices.

Chapter 2 – Boards and directors

Principle 2.6 – an effective and independent audit committee

This principle has been complied with following the appointment of Thabo Mosololi as non-executive, independent director and a member of the Audit and Risk Committee in May 2012 after a rigorous process of selecting a suitable candidate with the necessary financial qualifications, skills and experience.

Principle 2.7 – a centralised risk management system

The appointment of a risk manager who is responsible for the entire enterprise risk management of the Company ensures compliance to this principle. A centralised risk management framework has been developed and risk management has been incorporated into all projects and continuous improvement initiatives. The risk manager reports to the CEO and to the Audit and Risk Committee on a quarterly basis.

Principle 2.8 – information technology governance

Based on an audit report following an information technology (IT) governance review undertaken during 2011, an IT Charter was developed and approved and an IT Steering Committee established. All IT-related matters are managed and governed through an IT framework based on control objectives for information and related technology (COBIT) 5. The chief information officer (CIO) reports to the CFO and, on a quarterly basis, to the Audit and Risk Committee, which monitors IT governance.

Principle 2.12 – integrity of the integrated annual report

The sustainability reporting in the integrated annual report is not independently assured.

Principle 2.15 – consider business rescue proceedings or other turnaround mechanisms

The Board, through the Audit and Risk Committee, conducts going-concern exercises, including sensitivity analyses, to evaluate whether or not the Company can be considered to be a going concern for the following 12 months. It was concluded that the Company can be considered a going concern for the next 12 months.

Principle 2.16 – independent non-executive chairman

King III sets various guidelines for determining the independence of a director. An internal assessment confirmed the independence of the chairman despite his tenure of more than nine years.

Principle 2.18 – balanced Board, with a majority of independent non-executive directors

The Board comprises two executive directors, five independent non-executive directors and five non-executive directors, which is considered optimal against the majority stake held by EVRAZ plc. The directors have the required combination of various business skills, including financial, legal, economic and strategic planning and minority shareholders' interests are adequately protected.

Principle 2.19 – directors should be appointed through a formal process

The process includes the Remuneration and Nominations Committee actively assisting the Board in the evaluation and recommendation for appointment of directors, as was the case with the appointment of Thabo Mosololi as independent non-executive director and a member of the Audit and Risk Committee.

Areas	Comment
Principle 2.20 – formal induction and ongoing training and development of directors	This principle was adhered to on 14 March 2012, when the Board approved an induction and training and development policy. Implementation of the policy is monitored by the Remuneration and Nominations Committee.
Principle 2.21 – a competent, suitably qualified and experienced company secretary	The Audit and Risk Committee assessed the competency and performance of the company secretary in 2012, as is also stipulated in the JSE Listings Requirements. She was found to be competent and to have provided the required performance.
Principle 2.22 – annual evaluation of the Board and sub-board committees	The Board policy is to evaluate its performance on an annual basis – an external evaluation every third year and internal evaluations in between. During 2012 opportunities which were noted for improvement in the 2011 external evaluation were closely monitored by the Remuneration and Nominations Committee. The Board was satisfied in general with the outcome of the 2012 internal evaluation and have noted and monitored implementation of opportunities for improvement.
Principle 2.24 – governance framework between the group and its subsidiary	Following the finalisation of the incorporation of the Mapochs Mine business into a subsidiary company, it was resolved that all EVRAZ Highveld governance policies and procedures would apply to Mapochs Mine and that the Board sub- committees would monitor implementation and compliance.
Principle 2.27 – shareholders should approve the company's remuneration policy	From 2013 onwards shareholders will vote on the Company's remuneration policy at the Annual General Meeting.
Chapter 3 – Audit Committee	
Principles 3.1 and 3.2 – composition of the audit committee	The requirement that the audit committee should be constituted according to the requirements of the Companies Act and the JSE Listings Requirements and should comprise suitably skilled and experienced independent non-executive directors has been adhered to, as noted under Principles 2.6, 2.18 and 2.19.
Chapter 4 – Governance of risk	
Principle 4.1 – the board should be responsible for the governance of risk	Compliance has been achieved following the appointment of a risk manager.
Principle 4.3 – the audit and risk committee should assist the board in carrying out its risk responsibilities	Addressed under Principle 2.7.

Areas	Comment
Chapter 5 – Governance of information technology Principles 5.1 and 5.7 – responsibility for IT governance	The principles of the Board being responsible for IT governance and the Audit and Risk Committee assist the Board in carrying out its IT responsibilities have been addressed, as noted under Principles 2.7 and 2.8.
Chapter 6 – Compliance with laws, rules, codes and standards	The Company achieved general legal and other compliance, other than specifically mentioned in this integrated annual report.
Chapter 7 – Internal audit	Fully compliant.
Chapter 8 – Governing stakeholder relations Principle 8.5 – transparent and effective communication with stakeholders to ensure proper stakeholder engagement and management	Communication with various stakeholders took place, and was intensified during the industrial action in July and August. A holistic stakeholder engagement plan is being developed for approval by the Board in early 2013.
Principle 8.6 – effective, efficient and expeditious dispute resolution	EVRAZ Highveld focuses on fostering stakeholder relationships to proactively prevent disputes. If required, a dispute is referred to mediation and only then to arbitration, if required.
Chapter 9 – Integrated reporting and disclosure Principle 9.3 – independent assurance	Cost constraints prevented the Company from obtaining independent, external assurance of the sustainability portion of the integrated annual report as planned.

Business ethics

The principles of ethical leadership, management and behaviour to which the Company subscribes are set out in the EVRAZ Highveld Code of Ethics. The code was evaluated by the Ethics and Compliance Committee under the guidance of the company secretary and approved by the Executive Committee in February 2012 and the Social and Ethics Committee in March 2012.

The code, as well as the Disciplinary Code and the Grievance Procedure, which were aligned with the new code, are included in the conditions of service of employees and are briefed to all new employees during their initial induction.



The Code of Ethics is underpinned by four key principles: fairness, accountability, transparency and responsibility, which form the basis of all stakeholder engagement, including interaction with employees, managers and directors. It provides guidance to directors, employees and other stakeholders such as suppliers or consultants on various compliance issues, including ways in which conflicts of interest should be dealt with and what the proper relationship between clients and suppliers should be.

Following a revision to the Code of Ethics and the committee charter during 2012, the Internal Ethics and Compliance Committee is also mandated to monitor stakeholder compliance to the Code of Ethics, employee compliance with the Disciplinary Code and Grievance Procedure and compliance by relevant stakeholders with the policy of severing ties with contractors who do not adhere to mainly safety rules. The committee also monitors crime control and investigates alleged irregularities and declarations of potential conflicts of interest.

All incidents reported to the committee and investigated are listed in a

register, although confidentiality is guaranteed if required. If deemed appropriate, specific matters are brought before the committee for investigation and deliberation to ensure subsequent due and proper process, based on the key principles contained in the Code of Conduct.

Compliance with the Code of Ethics is also monitored through internal audits to assess the adequacy and effectiveness of the internal control environment, which includes risks related to fraud and corruption. Twenty-eight such internal audits were undertaken in 2012. The Executive Committee, Ethics and Compliance Committee and Social and Ethics Committee are provided with statistics of non-compliance to the code.

An independent and absolutely confidential toll-free fraud hotline, accessible through a 0800 telephone number, a speed-dial number, an e-mail address, free fax and free postage address is maintained and controlled by Deloitte.

The Ethics and Compliance Committee convenes on a quarterly basis and reports to Executive Committee, where required and the Social and Ethics Committee on a

quarterly basis. Where alleged criminal actions have been uncovered, the committee reports such actions to the SA Police Service.

The Ethics and Compliance Committee comprises the **CEO**, the **CFO**, the company secretary, the general manager: human resources and transformation, the head of internal audit and the general manager: corporate security (chairman).

Corporate security

Adherence to corporate governance, business ethics, asset management and Company value requirements is supported by the Corporate Security Division, which has been upgraded during 2012 in line with EVRAZ plc security requirements. The division:

- implements and maintains proactive measures to ensure that procedures involving, amongst others, tenders, contracts and scope of work specifications, are adhered to;
- analyses available information to determine and counter events or trends that indicate shortcomings in crime prevention measures;
- participates in any Company initiative to secure and safeguard the interests of shareholders; and
- ensures the security and safety of employees.



The division also manages the contracts with specialist security services companies tasked with safeguarding the Company's tangible assets and premises. These companies register and train their personnel in accordance with the specifications of the statutory Private Security Industry Regulatory Authority.

Compliance

EVRAZ Highveld abides by all laws and regulations related to accounting fraud, workplace discrimination and corruption. In 2012 there were no instances of non-compliance, nor were sentences or fines imposed.

Risk management

The Board, through the Audit and Risk Committee, is responsible for governing risk management

processes in accordance with corporate governance requirements.

Appropriate risk management measures, which include accountability for risk management as a key performance area of line managers, exist throughout the organisation to counter significant business risks which could undermine the achievement of business objectives. Policies and guidelines on risk and control management support employees at management level in discharging their risk responsibilities.

The Board, through the Audit and Risk Committee, reviews the effectiveness of risk management, covering control systems and including reporting, against material changes and trends in the risk profile.

More details on key strategic and operational risks are contained on [pages 76 to 79](#). Details of the role of the Audit and Risk Committee with respect to risk management are included on [pages 108 to 111](#).

Information technology

The Board, supported by the Audit and Risk Committee, is responsible for information technology (IT) governance and the strategic

alignment of IT with the performance and sustainability objectives of the Company.

A strategic implementation roadmap was developed to support improvement in IT governance following an independent IT governance review in terms of the guidelines contained in [King III](#) conducted in 2011. In 2012 an IT Charter was developed and approved, in terms of which the established IT Steering Committee operates. An IT framework based on [COBIT 5](#) was established to promote IT governance and ensure the alignment of the IT strategy with that of the Company, whilst IT service delivery is managed in terms of the IT Infrastructure Library (ITIL) best-practice service management and delivery framework.

Further details on risk management and IT governance appear on [pages 74 to 79](#) and [pages 80 to 81](#) respectively.

Stakeholder engagement

The Board is responsible for the formulation of a stakeholder engagement and communication strategy that supports transparent, understandable and reciprocal communication.

The strategy has been formalised in a communication programme and communication to government and communities has been delegated to members of the executive management team by the [CEO](#), who is responsible for public and stakeholder communication. The chairman is authorised to communicate on behalf of the Board.

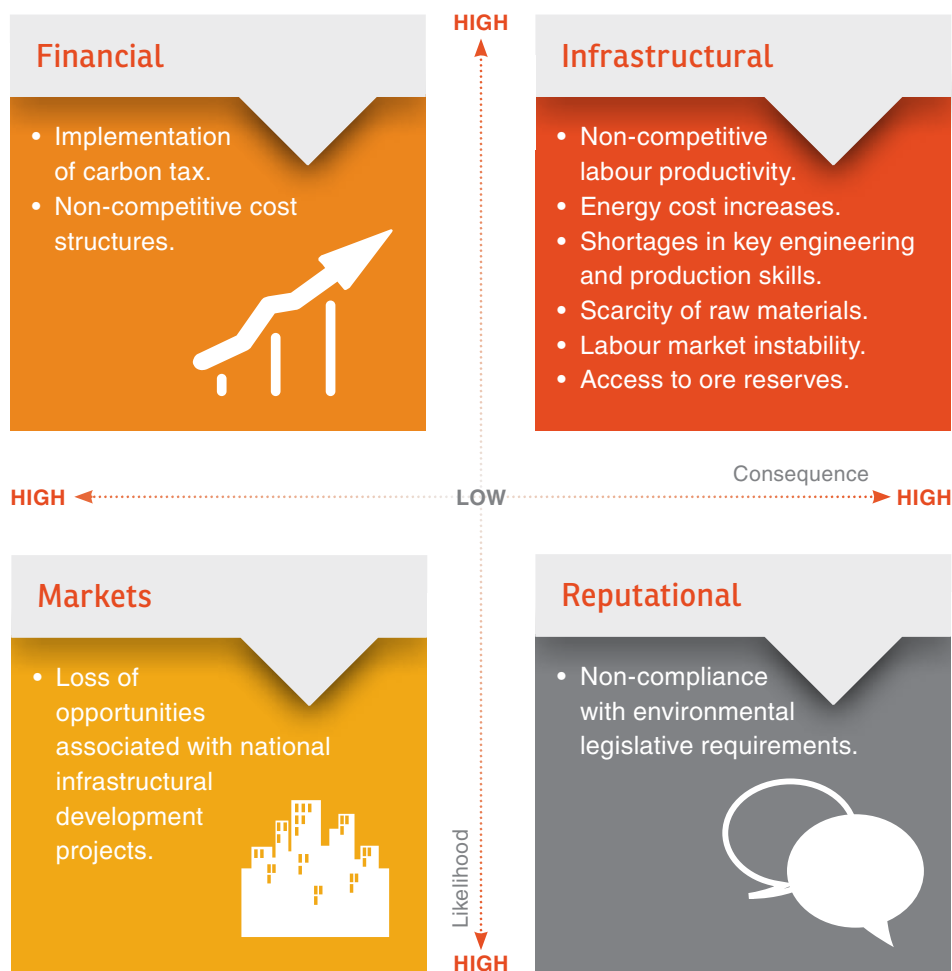
Reliability of financial statements

The preparation of annual financial statements that fairly represent the results of the Company in accordance with the Companies Act and [IFRS](#) is ultimately the responsibility of the Board. The Board also ensures an independent review of the financial statements by the external auditors.

The Board is of the opinion that the internal accounting control systems assure the adequate verification and maintenance of accountability for EVRAZ Highveld's assets, and assure the integrity of the financial statements. No major breakdown in controls that could influence the reliability of the financial statements was experienced during 2012.

Risk management

Key business risks



Mitigation measures must be identified upfront (see pages 76 to 79).

The Board, through the Audit and Risk Committee, is responsible for risk management. The Board is committed to applying risk management principles in order to protect the Company and Group against risks and uncertainties that could threaten the achievement of strategic and operational business objectives.

EVRAZ Highveld's Executive Risk Management Committee, accountable to the CEO, drives the risk management process. The effectiveness of the committee's efforts is evaluated by the internal audit function, which reports to the Audit and Risk Committee. The committee, in turn, provides assurance to the Board.

EVRAZ Highveld understands that its sustainability and competitive position within key markets and its ability to adapt to changes in the internal and external business environment are dependent on effective risk management. The Company's ability to achieve its economic, social and environmental objectives is influenced by various strategic, financial and operational business risks and

uncertainties that are inherent to the EVRAZ Highveld business activities and external environment to which the Company is exposed.

The risk management function was removed from the SHREQ Division in April 2012 following business restructuring and established as a stand-alone function to promote an increased focus on the management of operational and strategic risks within the Company. The risk management framework was enhanced and an increased focus was placed on entrenching a risk management culture at operational level. Risks are identified and evaluated on a continuous basis at a divisional level and a corporate risk register is maintained and managed by the strategic risk manager.

Changes in the factors that influence business sustainability and the achievement of business objectives are also assessed and appropriate systems and processes established to facilitate risk mitigation. In 2012, following industrial strike action, the Crisis Management Plan and Strike Mitigation Plan were updated

to ensure that similar situations can be managed in an efficient and effective manner in future, with minimal damage to overall business performance and optimum safeguarding of Company assets and employees.

Risk management framework

Given the level of ownership by EVRAZ plc, risk management processes are defined and monitored within the group's global enterprise risk management process.

This process is designed to identify, quantify, prioritise, respond to and monitor the consequences of an agreed risk schedule that encompasses both internal and external risks. The process also promotes the ownership of risk areas and risk management accountability within the group.

The Executive Risk Management Committee assesses high-level strategic and external risks, whilst senior management is responsible, through divisional risk committees, for the continuous identification, assessment, mitigation and management of risks within relevant areas of operation. Risk identification is undertaken through inspections,

audits, interviews and processes established in terms of systems established within the Company.

The group's executive management encourages a risk-conscious business culture by embedding agreed internal controls and mitigating actions through all levels of management and supervisory staff.

Risk management process

The EVRAZ Highveld risk framework, which reviews identified risks and accounts for new and emerging risks, is supported by a continuously updated business risk register. The effectiveness of this framework is reviewed by the internal audit function.

Identified risks are evaluated in terms of the potential impact (from insignificant to catastrophic) and probability (from rare to almost certain) in terms of the likelihood of occurrence. Areas include the risk of harm to people and environment, business interruption, financial loss, legislative and regulatory compliance and reputational risks. The impact and probability evaluations establish the basis for determining the inherent risks and their significance to the business.

Residual risk is determined based on the risk mitigation plans developed and implemented by management.

The risk management process provides the basis for the alignment of the annually approved internal audit plan with the risk framework. The Audit and Risk Committee reviews the effectiveness of both the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks, and the roles of the Risk Management Committee and internal audit with respect to risk management.

Internal control

EVRAZ Highveld's systems of internal control and governance structures are integral to the effective management of risk. These systems and structures, which make provision for appropriate delegation of authority to support the control environment, are subject to independent review by the internal audit and external assurance providers. Internal control is promoted through the manager internal audit being an appointed member of the Risk Management Committee.

Details of the roles of the internal and external auditors appear in the Audit and Risk Committee report on [page 111](#).

Insurance

EVRAZ Highveld undertakes regular risk-control reviews of the Company's operations in procuring cover for property damage, business interruption, major asset breakdown and liability insurance in line with the risk control programme of the majority shareholder, EVRAZ plc.

Strategic risks

Key risk area	Description of risk	Mitigation of risk
Global economy • Industry cyclicality • Commodity prices • Exchange rates	• Revenue is influenced by fluctuations in global steel and vanadium prices, which are determined by market supply and demand and are closely linked to global economic growth in key growth markets, including China, India and Africa. Economic downturns adversely impact on product sales volumes and global product pricing. • Strength in the local currency adversely influences export revenues and key raw material costs that are procured on an import-price basis.	• Ongoing focus on process efficiencies and capacity utilisation to maximise margins on product sales and minimise input costs. • Active accessibility to global markets through EVRAZ plc marketing channels. • Expansion of beneficiated production to support increased, sustainable export revenue streams.
Socio-political environment • Political stability • Corporate governance • B-BBEE compliance • Fiscal environment	• Risk of government initiatives adversely influencing market stability. • Legislative or regulatory non-compliance could result in fines and penalties with subsequent reputational damage. • Non-compliance with B-BBEE targets established by national government may adversely impact the Company's mining operations which form the basis for the supply of the unique ore required for the vanadium and steel-making operations.	• Risk-based compliance framework subject to regular review. • Maintaining appropriate internal legal capacity. • Legislative and regulatory compliance monitoring framework. • Government liaison structure. • B-BBEE strategy and implementation framework. • Transformation initiatives.
Raw material supply • Strategic raw material supply	• Sustainable operations dependent on long-term stability in the provision of key quality raw materials and services, including iron ore, electrical energy (Eskom), coal and technical gas. Amended raw material requirements from process changes and changes due to technological innovation need also be accounted.	• Annual external evaluation of mineral reserves and resources. • Robust management of key raw material suppliers to ensure business continuity, including long-term contracts and service-level agreements. • Active supplier relationship management and building strategic partnerships.
Competitive environment • Competitor action • Competition authorities	• Market initiatives by competitors can adversely influence the Company's ability to market its products and/or retain its clients. • The imposition of material fines/penalties due to deemed anti-competitive business practices.	• Continuous, structured evaluation of competitive environment to mitigate impact of competitive initiatives and minimise the potential for fines/penalties.

Key risk area	Description of risk	Mitigation of risk
Liquidity - Cash flow - Access to funding	- The sustainability of operations is dependent on the availability of free cash flow to finance ongoing operations and organic growth opportunities. - Inability to secure financing to ensure continued liquidity.	- Focus on cost containment and elimination of waste. - Cash preservation strategy and proactive working capital management. - Proactive management of relationships with financial institutions. - Prioritised capital expenditure to maintain effective capital investment with appropriate returns.
Social Socio-economic development	Fulfilment of B-BBEE commitments in support of sustainable socio-economic development and enrichment of communities and the successful implementation of Social Labour Plans support mining licence requirements.	- Coordinated Social Responsibility Programme. - Proactive management of relationships with local authorities and non-governmental organisations. - Community liaison framework.
Counterparty Counterparty risk	The inability of customers, suppliers, financial institutions and business partners to meet their counterparty obligations could result in financial losses.	- Counterparty risk management framework. - Credit risk management structure. - Vendor Evaluation Committee management of supply chain risks. - Financial institution risks managed by the Company's Treasury Department. - Corporate Guarantee and Insurance Company (CGIC) financial risk insurance for clients.
Supply chain dependencies - Key raw material supply - Single-source suppliers - Product quality	Sustainable operational efficiency is dependent on continued stability in the provision of quality key raw materials and services, including electrical energy (Eskom), transportation services (Transnet), equipment maintenance services, water supply (eMalahleni and Roossenekal local municipalities), coal and technical gas.	- Ongoing structured evaluation of supplier performance, including adherence to SHEQ standards, through the Vendor Evaluation Committee. - Promotion of improved supplier relationships, including interaction and technical support assistance. - Management of key raw material inventories to support continued operations. - Cooperative logistics management to ensure continued supply within supplier infrastructure constraints.

Operational risks

Key risk area	Description of risk	Mitigation of risk
Human capital - Leadership in key functional roles - Industrial action - Staff recruitment and retention - Skills base - Transformation	- Industrial action by the Company's employees, contractors or suppliers' employees; or unrelated industrial action within the Company's areas of operation, could result in production losses or business closure. - The recruitment and retention of suitably skilled and experienced people are pivotal to the Company's ability to deliver on its strategies and maintain levels of operational excellence within a technically complex environment. - Business sustainability is dependent on creating a workforce that is demographically representative of the environment in which it operates.	- Promotion of improved relationships through employee consultative forums. - Remuneration policies that are structured based on prevailing market conditions and focused on attracting, motivating and retaining high-calibre people. - Employee incentive bonus scheme and staff retention strategy. - Structured investment in skills development programmes. - Integrated transformation action plan and focus on employment equity targets. - Career management, succession planning and talent management programmes.
Safety and health - Employee safety - Employee wellness - HIV/Aids	- The efficient and effective, active management of safety and health and absolute adherence to safety standards underpin the prevention of unnecessary injury and adverse outcomes within a hazardous environment. - Operational effectiveness and sustainability is influenced by physical and mental threats to employees and the proactive effective management of HIV/Aids within the operations and surrounding communities.	- OHSAS 18001 safety management system. - Cast Iron Rules. - Safety training. - Contractor safety management. - Continual engagement with the Department of Labour and the DMR. - Independently monitored occupational health programme. - HIV/Aids wellness programme supporting employees, employee dependants and local communities.
Cost competitiveness Excessive cost structures	- Poor cost management and the inability to manage excessive cost structures and maintain cost-efficient operations may result in the Company not being able to compete in the global market. - External, uncontrollable and exaggerated price increases by suppliers and infrastructural charges (e.g. tolling) can impact on competitiveness.	- Ongoing review of economic performance by Executive Committee, based on individual KPIs of senior management. - Strategic initiatives to reduce long-term energy cost-increase implications.

Key risk area	Description of risk	Mitigation of risk
Environmental		
- Emissions - Water, waste and disposal facilities - Climate change - Rehabilitation and biodiversity restoration - Legislative compliance - Environmental impact	- The operations have a high impact on the environment, mainly through emissions from the use of reductants, fuel and electricity generated from the burning of fossil fuels, the use of natural water resources, the generation of waste material and potential damage to natural habitats from mining operations. - Non-compliance with legislative and regulatory environmental management requirements may result in governmental action that forces the cessation of operations. - The complexity to manage the expectations of the surrounding communities as a result of the environmental impacts of the Company's operations could damage the Company's reputation.	- Integrated environmental management system (ISO 14001) and a corporate IEMP. - Reduction of greenhouse gas (GHG) emissions through a process efficiency improvement strategy. - Reduction in consumption of primary energy through assessing the feasibility of energy co-generation. Emissions reduction strategy in place. - Integrated Water and Waste Management Plan (IWWMP). - Biodiversity plan and independently assessed rehabilitation strategy. - Government liaison structure. - Proactive engagement with the community and community involvement in projects that affect the environment.
Product supply and quality		
Supply of sub-standard products	The supply of sub-standard quality products or failure to deliver on time may impact on the end-user with potential subsequent reputational damage.	- ISO 9001 quality management system. - Dedicated quality control division. - Full analytical metallurgical service support structure.
Plant maintenance		
Maintenance risk	Inappropriate maintenance of capital plant can result in production stoppages and other disruptions.	- Scheduled planned maintenance. - Maintenance optimisation project. - Centralised maintenance department.
Information technology		
- IT governance - Business continuity - IT infrastructure	The absence of strategic alignment of IT with the performance and objectives of the Company, sound security practices and effective planning for business and disaster recovery can result in inappropriate investment in IT and an inability to service the client base at an electronic platform level.	- Adoption of ITIL best-practice service management and service delivery framework. - IT Steering Committee to align IT projects to business priorities. - Regular review of control environment by internal and external auditors.

Information technology governance



IT is considered fundamental to the support and sustainability of the EVRAZ Highveld business operations – both as a fundamental operational enabler and a strategic asset that can be leveraged to create opportunities.

The Board, supported by the Audit and Risk Committee, is responsible for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the Company.

EVRAZ Highveld subscribes to the principles of good corporate governance, as prescribed in King III. Subsequent to an external King III IT governance alignment assessment undertaken in 2011, utilising the Capability Maturity Model Integrated IT governance rating standard, the Company successfully embedded the King III IT governance principles in 2012.

IT Governance Charter

An IT Governance Charter that provides for the delineation of roles and responsibilities, outlines the objectives of the IT function, identifies the main stakeholders and defines

the authority of the chief information officer (CIO) was adopted by the Audit and Risk Committee during 2012. The charter, which serves as a reference of authority for the future and as a practical tool against which compliance can be monitored and enforced, provides the framework for IT governance within the Company. It aims to:

- communicate the delegation of authority and responsibility from Board level to responsible stakeholders within EVRAZ Highveld for IT governance, management and control;
- define the accountability, responsibility and decision-making rights granted by the Board and recognition of those rights to be exercised by relevant parties;
- ensure clear accountability and responsibility for IT governance within the Company; and
- implement an IT governance structure that allows IT to operate cohesively throughout the Company and facilitate and enable strategic business decisions and direction.

In addition to setting and maintaining an IT governance framework, the

charter is also focused on ensuring that the IT function is focused on value, risk awareness, resource optimisation, stakeholder transparency and procedural effectiveness.

IT Steering Committee

EVRAZ Highveld has adopted the COBIT framework to promote IT governance, ensuring the alignment of the IT strategy with that of the Company.

Implementation of the IT strategy is the responsibility of the IT Steering Committee. This committee, which has defined roles and responsibilities, comprises the CFO, chief operations officer (COO), general manager human resources and transformation, chief commercial and business development officer, strategic risk officer and the CIO.

This cross-functional representation supports diversity and higher



levels of business ownership with respect to IT projects and facilitates the achievement of IT strategic objectives associated with efficiency, optimisation and risk mitigation. Key risks within the IT environment include the retention of adequately skilled resources and the support of ageing business-critical hardware and applications software.

2012

During the current year key initiatives undertaken by EVRAZ Highveld's IT function, structured with regards to IT service delivery levels, prioritisation of strategically aligned projects and business user access to information, included:

- improved disaster recovery with all critical systems being documented and procedures tested,
- portal and business-critical application software upgrades,
- improving user education through an IT security awareness campaign, and
- the conversion of manual systems utilised by on-site suppliers to drive cost savings and support improved levels of internal control.

In addition to ensuring continuity of service delivery, the focus in 2013 will be on strategic IT projects.

ITIL

Service delivery, managed in terms of the ITIL best-practice service management and delivery framework, was assessed through surveys undertaken with general users and management.



Sustainability Review





Value added statement

	2012		2011	
	Rm	% of revenue	Rm	% of revenue
Revenue	4 346	100	5 587	100
Materials and services purchased	2 965	68	4 335	78
Value added	1 381	32	1 252	22
Interest and investment income received	8	—	26	—
Total wealth created	1 389	32	1 278	22

Sustainability Review

- ▶ Value added statement
- ▶ Economic performance
- ▶ Supply chain management
- ▶ Safety, health, environment and quality (SHEQ)
- ▶ Human capital
- ▶ Transformation and social responsibility



Applied as follows:

To remunerate employees

Salaries, wages, benefits, etc.

To reward providers of capital

Distributions to shareholders

Interest paid

To expand/(reduce) the Group

Depreciation

Retained profit/(loss) for the year after distribution to shareholders

To pay government

Income tax charge/(credit)

Total wealth distributed

Payments made or owing to government

Value-added taxes levied on purchases of goods and services

Rates and taxes paid to local authorities

Normal companies taxation expense/(credit)

Secondary taxation on companies

Total payments made or owing to government

Value-added tax and other duties charged on turnover

Employees' tax deducted from remuneration paid

Additional amounts collected by the Group on behalf of government

	2012		2011	
	Rm	% of total wealth distributed	Rm	% of total wealth distributed
Salaries, wages, benefits, etc.	1 004	72	989	77
Distributions to shareholders	52	4	50	4
Interest paid	—	—	—	—
Depreciation	52	4	50	4
Retained profit/(loss) for the year after distribution to shareholders	288	21	357	28
Income tax charge/(credit)	288	21	312	24
Total wealth distributed	—	—	45	4
Income tax charge/(credit)	45	3	(118)	(9)
Total wealth distributed	1 389	100	1 278	100
Payments made or owing to government				
Value-added taxes levied on purchases of goods and services	542		536	
Rates and taxes paid to local authorities	*		*	
Normal companies taxation expense/(credit)	3		(5)	
Secondary taxation on companies	—		—	
Total payments made or owing to government	545		531	
Value-added tax and other duties charged on turnover	461		540	
Employees' tax deducted from remuneration paid	192		192	
Additional amounts collected by the Group on behalf of government	653		732	

* Less than R1 million.



Economic performance

	2012	2011
	Rm	Rm
Total wealth created	1 389	1 278
Remuneration paid to employees	1 004	989
Rewards to capital providers	52	50
Payments to government	45	(118)

Wealth created constitutes revenue earned from the sale of products and investment income less the amounts paid to suppliers for material and services purchased. In 2012, EVRAZ Highveld created wealth of R1 389 million for its stakeholders, with key beneficiaries being its employees and suppliers. This represents an increase of 8.7 per cent over the R1 278 million created in the preceding financial year.

In addition to being a key revenue generator through its material mining and manufacturing activities, and ultimately the sale of steel products and vanadium-bearing slag, EVRAZ Highveld contributes materially to the sustainability of the two local communities in which its operations are based.

Value is added directly for stakeholders and indirectly through the Company's supply chain procurement process and social responsibility programmes. The Company is a primary employer and assists in skills development through

its nationally recognised training infrastructure.

The creation of value for stakeholders is dependent on the Company's ability to proactively manage its cost structures within a market environment that is subject to changing commodity prices. Current conditions dictate lower steel product prices, whilst input costs, specifically electricity costs, continue to reflect increases.

Historic increases in electricity prices show a 253 per cent increase over the past five years, and proposals for further annual increases of eight per cent in 2013 and further subsequent increases of eight per cent per annum for the manufacturing sector over the next four years will materially impact on the sustainability of local steel producers.

The Company's historic cost advantage of competitive labour costs has also been eroded in the past years, with current labour costs exceeding those of more productive European steel producers.

Cost management includes business restructuring with longer-term projects focused primarily on energy efficiency, within the context of the risks that influence the economic performance of the Company.

The key risks on which the Company focuses with respect to economic performance include:

- a relatively high-cost structure due to lower production volumes as a result of reduced market demand,
- anticipated continued labour cost pressures, and
- potential increases in the cost of iron ore due to anticipated changes in mining methods and reducing ore quality.

Other risks influencing the longer term economic performance of the Company include environmental compliance, the imposition of the proposed carbon tax, the ability to deliver quality products on time, input costs and instability in the exchange rate.

1.3%

Payments made to employees increased from R989 million in 2011 to R1 004 million, an increase of 1.3 per cent.

2012 Performance

The EVRAZ Highveld Integrated Annual Report provides a comprehensive review of the Company's operational and financial performance, and the broader material sustainability issues that underpin business performance.

In 2012:

- revenue generated through the sale of steel products and vanadium-bearing slag decreased by 22.2 per cent from R5 587 million in 2011 to R4 346 million;
- the weighted average selling price received for steel products decreased from US\$825/ton to US\$764/ton; and that for FeV from US\$27/kg V to US\$23/kg V;
- payments made to employees increased from R989 million in 2011 to R1 004 million, an increase of 1.3 per cent;
- headline earnings per share reduced in 2012, from a headline loss of 15.1 cents per share in 2011 to a loss of 1 030.4 cents per share in the current year;
- R203 million (2011: R485 million) was spent on capital expenditure;
- production was negatively affected over a four-month period as a result

of Project Repair, a four-week strike action and the ramp-up of production facilities following the strike action;

- unit costs of steel continue to be driven by above-inflationary increases in manufacturing input costs, primarily energy. This resulted in a 23 per cent increase in the production cost per ton of product; and
- 68 per cent of revenue (2011: 78 per cent) was used to acquire materials and services. Purchases decreased by 31.6 per cent from R4 335 million in 2011 to R2 965 million.





Supply chain management

The EVRAZ Highveld supply chain management strategy focuses on managing the risks associated with the uninterrupted supply of raw materials and on suppliers who provide value added products and services to support the maximisation of customer satisfaction.

Supply chain management performance is measured against, *inter-alia*, financial criteria, process improvements, **B-BBEE** scorecard compliance and skills development.

Risks associated with the supply chain include continued access to scarce strategic raw materials, including coal, price stability associated with economic market conditions, the retention of specialised skills necessary to ensure the procurement of materials and services that support efficient production of quality products and the management of relationships with rail and road transport service providers to facilitate the continuity of services to support effective business operations. These risks are managed and mitigated through a structured approach to supplier evaluation and selection.

Effective and sustainable supply is managed through monthly meetings of the Vendor Evaluation Committee. This committee includes cross-functional representation and focuses on new applications and the evaluation of the performance of the current supplier base, including adherence to safety, health and quality standards.

Supplier relationship management is integral to operational continuity. Engagement with suppliers includes regular meetings and web-based interaction. Relationships with strategic raw material suppliers are managed in conjunction with stock levels to promote production continuity. In addition to logistical advantages, **LED** is supported by favouring vendors who are based within the Company's areas of operation. During 2012, 59.95 per cent of supply chain management spend was allocated to suppliers based within these areas.

Following an external analysis of the internal supply chain management business processes and systems in 2011, the Company focused on

identifying areas for improvements in effectiveness and efficiencies, opportunities for sustainable procurement spend savings and business process improvements in 2012. Other initiatives included driving procurement efficiencies through improved tender processes, favourable pricing and proactive interaction with suppliers and plant personnel to promote the use of substitute products.

Economic empowerment

Preferential procurement

Principles of preferential procurement aimed at assisting **B-BBEE** and **HDSA** vendors are incorporated in the procurement strategy.

Preferential procurement is managed within the framework of the **B-BBEE** scorecard. Suppliers are classified in terms of scorecard-related information that is gathered and managed to maintain appropriate levels of accuracy and administration.

Performance

EVRAZ Highveld anticipates to achieve 18.5 points on its **B-BBEE** scorecard for discretionary spend

through black-owned and black-empowered business entities. **B-BBEE** spend within the key commodity groups for 2012 and 2011 was as follows:

Commodity group	BEE spend %	
	2012	2011
Engineering	71.53	70.24
Production commodities	83.12	85.95
Raw materials	42.79	56.56
Services	75.13	81.63
Logistics	82.00	88.55

Plans for 2013

EVRAZ Highveld's aim is to maximise the points on its scorecard to achieve the possible 20 points for preferential procurement. A continued focus on promoting **B-BBEE** spend and enterprise development with businesses owned by black women will support achieving this target, together with capacity creation to promote the sustainability of the **B-BBEE** supplier base. Aggressive cost reduction to reduce the cost of production and support continued business competitiveness within a constrained market will also receive focus.

Safety, health, environment and quality (SHEQ)

During 2012 the Health and Safety Division was renamed the **SHEQ** Department. The new name accurately reflects the **SHEQ** system management activities, which are unchanged from 2011 and are legally the responsibility of the **CEO**.

The department provides assurance that systems and processes for the Company's integrated **SHEQ** management system are developed, implemented, maintained and continuously improved in accordance with the requirements of **ISO 9001**, **ISO 14001**, **OHSAS 18001** and standard requirements that the Company subscribes to. Despite a 47 per cent reduction in its personnel as a result of restructuring, the **SHEQ** team achieved sound results in 2012.

Key risks managed by the **SHEQ** Department are:

- Loss of life at work. Fatalities are unacceptable, going against the Group's values and its objective to achieve zero harm. Loss of life disrupts families and teams at work and impacts negatively on production.

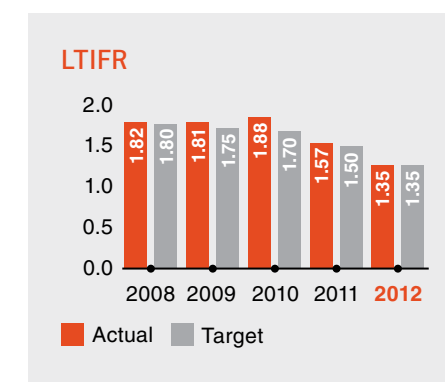
- Lost-time injuries (LTIs). LTIs impact negatively on the Company's ability to ensure the safety of its employees and on productivity.
- Non-compliance to environmental legislation, which could cause the Company to lose its authorisations to its mining and industrial operations.
- Non-compliance to policies and procedures. Neglect in this area could result in the loss of the Company's **ISO 9001** quality assurance, **ISO 14001**

environmental and **OHSAS 18001** safety and health accreditations, which would adversely affect Company sustainability.

- Fitness of employees to fulfil their duties. The Company goal is to promote employee health and wellness and ensure that they are fit for their duties.
- External stakeholder assurance. The department has to ensure that services and materials are provided to facilitate continuous, safe production and timely product delivery to customers.

LTIFR FOR THE PAST FIVE YEARS

	2012	2011	2010	2009	2008
Actual	1.35	1.57	1.88	1.81	1.82
Target	1.35	1.50	1.70	1.75	1.80



SAFETY

		Fatalities	LTIs	LTIFR	NLTIs	NLITFR	FACs
EVRAZ Highveld	2012	0	13	2.40	27	4.99	72
	2011	0	13	1.90	39	5.71	72
	2010	0	14	2.09	33	4.92	94
Contractors	2012	1	1	0.16	7	1.10	32
	2011	2	7	1.18	21	3.55	59
	2010	1	10	1.64	24	3.94	65
Total	2012	1	14	1.35	34	3.29	104
	2011	2	20	1.57	60	4.71	131
	2010	1	24	1.88	57	4.46	159

Major focus areas in managing these risks to the safety of employees, contractors and visitors are:

- Fostering an understanding of the safety policies and procedures incorporated into the **SHEQ** management system; and
- Integrating safety as an integral aspect of production and business processes, referred to as the safe production concept.



90%

Contractor compliance increased to 90 per cent from 62 per cent in 2011.

Any employee has the right to stop unsafe work and any work has to be preceded by the questions "Has anything in the workplace changed?" and "Am I trained and authorised to do this work?"

Successes in integrating safety into production meetings prompted the **SHEQ** team to embark on an initiative to address both its focus areas in a simple, effective and comprehensive way.

It is deeply regretted that a fatality occurred on 1 October 2012 when the articulated dump truck, operated by a Lonfin Hauling contractor, left the road and overturned. Indications are that the deceased did not wear a safety belt during the incident.

After the incident, all operators were re-trained in safety precautions, with particular emphasis on wearing safety belts, awareness of fatigue management was increased and the standard of the safety berms at the sides of the road, was improved. The safety team is investigating the implementation and installation of visual and audible warning systems when safety belts are not being used.

Other key safety indicators improved, albeit against a 19 per cent drop in employee hours worked (from 6.72 million in 2011 to 5.42 million) and a 17 per cent reduction in contractor hours (from 5.94 in 2011 to 4.94 million).

The following divisions achieved Zero **LTI** Millionaire status in 2012:

- Contractors (six million **LTI**-free hours in September 2012);
- EVRAZ Highveld employees (two million **LTI**-free hours in September 2012);
- Administration comprising of the **SHEQ**, security, corporate and legal, PSO, procurement, finance and **IT** divisions (one million **LTI**-free hours in April 2012); and
- Steel Plant (one million **LTI**-free hours in June 2012).

Although the improvement in safe behaviour was as a result of a wide range of initiatives in 2012, the baseline for managing safety risks at EVRAZ Highveld is captured in a set of eight Cast Iron Rules which advocate a zero tolerance approach to safety.

Any employee has the right to stop unsafe work and any work has to be preceded by the questions "Has anything in the workplace changed?" and "Am I trained and authorised to do this work?" The safety drive is benchmarked against those of other EVRAZ plc companies to optimise learning and best-practice trends globally.

The initiatives which contributed to an improvement in safety statistics in 2012 include:

- The continued integration of safety matters into production meetings.
- Strong guidance from management in safety matters, including greater involvement in investigating incidents.
- The drive to align contractor safety management with employee safety management, including the Company's zero-tolerance lock-out policy. Contractor compliance increased to 90 per cent from 62 per cent in 2011.
- Making safety matters more understandable, by for instance increasing the visual impact of safety signs and messages and simplifying hazard identification and risk assessment.
- Focusing on safety hazards which are red-flagged, such as working at heights and securing safe pathways for people between mobile equipment.
- Entrenching the importance of behavioural-based safety at the Company's annual safety engagement day in November.

These initiatives were bolstered by the positive impact of the divisions taking over the risk assessment process from the **SHEQ** Division. The divisions accepted ownership of the process and adapted it to their specific needs. On the floor, this shift in emphasis changed the perception of **SHEQ** officers from being external policemen to being internal value-adders.

Two-way communication regarding safety matters continues to improve as employees see that their concerns are addressed immediately and within the structures of their division or department.

This open-door approach includes trade unions, which now give the Company a 'safety moment' slot at their meetings. Unions are also involved in incident investigations.

The **SHEQ** team also worked towards improved relationships with the Department of Labour (at the Steelworks) and the **DMR** (at Mapochs Mine). Mapochs Mine joined the Tri-Partite Mining Alliance, on which provincial and national departments and Limpopo mines are represented.

Mapochs Mine complies with the requirements of the Mine Health and Safety Act of 1996, in terms of which the following statistics are reported:

	2012	2011	2010
LTIIs	1	1	0
LTIFR	0.93	0.89	0
Number of employees at year-end	518	185	183

Health

Health activities aim to protect the well-being of employees in a proactive way to ensure that they are fit to work.

At the base of the health strategy is the requirements for the mandatory occupational health certificate of fitness, but the Company also protects the well-being of its employees by providing facilities and trained staff to manage medical emergencies at work, primary and acute healthcare services and lifestyle and chronic disease assistance. Awareness drives, education and training form an important aspect of the Company's health activities.

Occupational and personal healthcare services at Mapochs Mine and at the

Steelworks are outsourced to **JSE**-listed Life Healthcare to ensure a professional and interlinked approach. Employees access healthcare services through the clinics at Mapochs Mine (rendered by one occupational healthcare practitioner visiting the clinic once a week and a full-time nursing sister) and the Steelworks (a practitioner and four nursing staff members).



	Steelworks	Mapochs Mine
Initial examinations	213	210
Annual examinations	2 183	495
Transfer examinations	16	13
Exit examinations	420	137

In 2012, no Mapochs Mine employee was diagnosed with any of the diseases listed in Schedule 3 of the Compensation for Occupational Injuries and Diseases Act of 1993, nor with diseases listed in the Occupational Diseases in Mines and Works Act of 1973.

At the Steelworks, four cases of **NIHL** were identified (six in 2011), one case of chronic obstructive airways disease (two in 2011) and one case of occupational lung disease (nil in 2011). Results were sent to the Medical Bureau of Diseases for confirmation.

The results of occupational health examinations are captured on occupational hygiene surveillance forms and are used to determine



health trends and implement proactive measures.

The occupational health team also manages occupational illness and disease claims on behalf of employees and reports injuries on duty (IODs) to the authorities. In 2012 the team treated 145 IODs (250 in 2011). The top four IODs at the Steelworks and Mapochs Mine are burn wounds, lacerations, abrasions or contusions and soft-tissue injuries. At the Steelworks, the top four IODs are finger injuries, gas inhalation, NIHL and burns.

Healthcare services outside the mandatory occupational healthcare requirements comprise primary and acute healthcare services, chronic disease monitoring and assistance, employee wellness programmes and emergency facilities at the Steelworks Clinic.

Primary healthcare services are rendered to employees appointed before 2004, when membership of a medical scheme became compulsory. When required, employees can access the clinics for the treatment of acute medical conditions, such as infections, flu and pneumonia.

Chronic-disease monitoring and assistance comprise mainly tuberculosis and HIV/Aids. The Company manages a comprehensive HIV/Aids programme because of the threat this illness poses to the business, the community and the country as a whole.

The programme includes awareness and education, voluntary counselling and testing and free treatment and medication.

The Company provides two levels of treatment, through an HIV/Aids Wellness Programme and an ART Programme. Both programmes are managed internally and treat the illness as a chronic, but manageable, disease. The wellness programme focuses on life-style education, while the ART Programme includes medication and more frequent medical tests. In 2012, 33 employees were registered on the first-level programme (34 in 2011) and 24 on the ART Programme (22 in 2011).

Emergency healthcare services are rendered from the Steelworks Clinic, equipped with a burn and wound

dressings room, two consultation rooms and a stabilisation room. If required, patients are transferred to a private hospital and after hours patients are taken directly to the hospital to ensure they receive professional treatment in the shortest possible time.

The frontline to this service is a round-the-clock fire and rescue team comprising trained firefighters and paramedics, with support infrastructure of two ambulances and an extensively equipped fire engine.

Health awareness and health hazard prevention initiatives comprise a wide range of interventions involving employees and the workplace.

Training, through the induction and first-aid training courses, constitutes the first line of defence in creating health and hazard awareness. In 2012 6 378 people attended these two courses.

6 378

In 2012 6 378 people attended the induction and first-aid training courses.

	Steelworks		Mapochs Mine	
	Employees	Contractors	Employees	Contractors
Induction	1 649	3 555	170	850
First aid	123	—	31	—

Site-specific prevention measures include biological monitoring for gas inhalation and special testing for employees exposed to vanadium, dust and coal tar pitch volatiles.

Every second year a contracted specialist provider researches and compiles an occupational hygiene report, which surveys possible physical and biological stresses employees may be subjected to. The report is used to maintain and improve the wellness of employees.

The drive to fight the HIV/Aids pandemic focuses on education, awareness and voluntary counselling and testing. Education and awareness throughout the year culminates in an annual awareness day in November, where voluntary counselling is also available. Throughout the year, employees are offered counselling and testing when they visit the clinics for certificate of fitness examinations or medical consultations.

The counselling and testing drive had a 75 per cent target for 2012, but several factors, including industrial action, disrupted the programme. An ongoing perception of stigma to being positive and the assumption

that people who tested negative in the past will not ask for a test again also impedes progress. At Mapochs Mine a test rate of 83 per cent (86 per cent in 2011) was achieved and at the Steelworks 35 per cent (32 per cent in 2011) of staff volunteered. The target for 2013 has been lowered to 40 per cent based on business conditions.

Possible emotional stress is countered by offering employees free access to a third-party employee assistance programme (EAP), which addresses a wide range of emotional trauma, including family conflict, substance abuse, financial hardship, work-related stress and mood disorders.

500

The Company's annual health awareness day was also used to raise awareness of health issues amongst the approximately 500 attending employees, by offering hypertension and body mass index screening and voluntary HIV/Aids counselling and testing.



Environment: Legislative and other requirements framework

	Legislative body	Guiding legislation	Guidelines
Environment	• DMR (Applicable to all aspects if activities are on a mine or in a mining area) • Department of Environmental Affairs (DEA) • Department of Water Affairs (DWA)	• National framework legislation • National Environmental Management Act No. 107 of 1998 (NEMA) • National Environmental Management: Air Quality Act No. 39 of 2004 (NEM:AQA) • National Environmental Management: Waste Act No. 59 of 2008 (NEM:WA) • National Environmental Management: Biodiversity Act No. 10 of 2004 (NEM:BA) • National Water Act No. 36 of 1998	
Air quality management Licences required – Atmospheric Emissions Licence (AEL), which replaces APPA Certificates	• DEA	• NEM:AQA	• International protocols • DEA guidelines • Global GHG Protocol • Carbon Disclosure Project (CDP) • Global Environmental Best Practice guidelines • Environmental Protection Agency guidelines • World Health Organisation guidelines
Water use Licence required – Integrated Water Use Licence (IWUL)	• DWA	• National Water Act No. 36 of 1998	• DWA Best Practice guidelines • DWA minimum standards • Water Research Commission reports and guidelines • South African National Standard (SANS) code of practices • Applicable ISO standards • Global Environmental Best Practice guidelines • Environmental Protection Agency guidelines

	Legislative body	Guiding legislation	Guidelines
Waste management Licence required – IWML	DEA	NEM:WA	- DEA guidelines - SANS code of practices - Applicable ISO standards - Global Environmental Best Practice guidelines - Environmental Protection Agency guidelines
Biodiversity management	DEA	NEM:BA	- Mpumalanga Biodiversity Conservation Plan and bylaws - Chamber of Mines guidelines
Mine rehabilitation management	- DMR - DEA - DWA	- NEMA - National Water Act No. 36 of 1998 - NEM:BA - Minerals and Petroleum Resources Development Act No. 28 of 2002 (MPRDA)	- Environmental Protection Agency guidelines - Global Environmental Best Practice guidelines - Developed Integrated Rehabilitation Plan

The EVRAZ Highveld Steelworks operations and the Mapochs Mine mining operations are subject to obtaining environmental and mining authorisations and complying with them. Managing this risk at the Steelworks is complicated by the nature of the business, which has a potentially high emissions impact on the environment and significant energy requirements, being situated in the Highveld Priority Area.

Main environmental risks at the Company are:

- air-polluting emissions at the Steelworks;

- water management at Mapochs Mine and the Steelworks;
- the effects carbon tax will have on the sustainability of the business;
- waste management at the Steelworks;
- non-compliance with undertakings regarding the calcine waste disposal facility;
- the surface rehabilitation backlog at Mapochs Mine; and
- the high level of silt in the Mapochs Dam.

Many of these risks directly impact on three licences which are crucial to the Company's sustainability – the AEL, the IWUL and the IWML.

In order to manage the licence application procedures and changes in environmental plans due to the difficult economic conditions experienced, the Company established a proactive liaison strategy with relevant authorities. This resulted in improved communication with authorities.

Environmental strategy

EVRAZ Highveld manages activities that impact on the environment through its IEMP, which aims to adhere to national and international statutory requirements and environmental best practices to

minimise the direct, indirect and cumulative impact of operations on the environment. The IEMP is currently in the second of three phases, namely operational implementation and efficiency, which started in 2012 and will continue until 2014. The third phase, ending in 2016, targets maintenance and improvement.

The IEMP is aligned to the strategy of the Company and EVRAZ plc and follows six guidelines:

- international and national best practice and compliance requirements;



- stakeholder engagement;
- environmental economics;
- ecological engineering;
- industrial ecology; and
- the science of sustainability.

The Company has also adopted the True North Metrics, which was developed to standardise strategic business approaches, as a guide to managing the four key environmental areas of compliance, ecology, stakeholders and systems and processes.

A comprehensive risk assessment process has been used to establish a high-level environmental risk profile, supported by in-depth risk assessments of the environmental impacts of internal and external activities. All environmental incidents are investigated and classified in one of five categories, ranging from insignificant to catastrophic.

EVRAZ Highveld environmental memberships include the National and Mpumalanga Associations for Clean Air, the Olifants River Forum and the Highveld Priority Area Air Quality Stakeholders Forum.

Air quality management

The Steelworks air quality management initiatives are based on

NEMA, NEM:AQA, DEA guidelines, the Global GHG Protocol, the CDP, Global Environmental Best Practice guidelines, Environmental Protection Agency guidelines and World Health Organisation guidelines.

The Steelworks lodged its AEL application early in 2012. During 2012, the draft emissions operational plan and the five-year plant emissions plan were completed for purposes of presentation to government during 2013.

Some emissions exceed limits set by legislation, but liaison with government forms an important part of managing the air quality issues in relation to the age of the Steelworks equipment, which is costly to upgrade, especially during the current trying economic times.

While awaiting the AEL, the Steelworks is operating on the authority of an integrated APPA certificate.

The five-year emission reduction strategy has been updated to include an envisaged co-generation project. Air-quality initiatives include point-source, ambient air and reduction projects, optimised combustion through kiln process stability

optimisation and maintenance and optimisation of pollution abatement equipment.

Capital expenditure on emissions abatement equipment was R7.8 million in 2012 (R16.9 million in 2011).

The emissions (in tons) for the last two years were:

Types of emission	2012	2011
NOx	1 698	3 776
SOx	6 337	5 760
Particulate matter	2 272	3 753

Data from the iron- and steelmaking units are reported as direct emissions.

The EVRAZ Highveld climate change response strategy, which includes a climate change governance framework and a carbon footprint assessment for Scope 1 (direct) and Scope 2 (indirect) emissions, aims to reduce CO₂ emissions by eight per cent by 2020, using 2011 as baseline.

The Company participates in the CDP, which provides reporting guidelines and conducts annual surveys to help participants and investors benchmark company performance.

On 27 January 2013, the legal particulate matter emissions level changes to 50mg/Nm³ from between 100mg/Nm³ and 125mg/Nm³. To consistently achieve this target will require additional capital expenditure.

Potential carbon tax implications for EVRAZ Highveld can be approximately R245 million a year. It is expected that the tax will be phased in over a five-year period.

Air quality management at Mapochs Mine focuses on dust suppression initiatives. The mining and crushing activities cause no significant point-source emissions.

Integrated Water and Waste Management Plan (IWWMP)

The EVRAZ Highveld IWWMP provides the Company with a framework for the seamless management of water and waste, two elements which are also interlinked in licensing procedures.

Main risks for the Company are complying with undertakings given to government regarding seepage from its Steelworks facilities and the calcine waste disposal facility. At Mapochs Mine the predominant risks are a backlog in surface rehabilitation and the resultant silting of the Mapochs Dam.



In 2012 the Company's capital expenditure on water and waste management was R6.9 million (R16.6 million in 2011).

Water management

A decrease in water consumption efficiency in 2012 was primarily as a result of extensive labour disruption.

IWULs for both the Steelworks and Mapochs Mine were issued in May 2012 and are valid for 20 years.

Water use is governed by the National Water Act No. 36 of 1998. Mapochs Mine is self-sufficient in water supply, from three open-cast voids, a return-water dam and, if required, boreholes which also supply water to the adjacent town of Roossenekal.

The Steelworks requires large quantities of water, sourced from

the Witbank Dam. The dam has a capacity of 104 million cubic metres.

The Steelworks used 5.691 million m³ raw water from the dam in 2012 (6.028 million m³ in 2011), with a recirculation target of 75 per cent. The limited capacity of the water recirculation infrastructure causes occasional water overflows into the Brugspruit area that are exacerbated in the rain season.

Waste management

In support of its application for the **IWML** licence, the Company submitted the final scoping report at the end of 2012. The draft integrated **EIA** report, required in support of the **IWML** licence application, will be submitted during the second quarter of 2013.

The application includes several operational improvements, which will

become licence conditions and which include the activities focused on the waste hierarchy of waste-related legislation, namely avoiding waste generation or, alternatively, re-using, reducing or recycling waste.

However, the largest waste-related hazard is the calcine waste disposal facility. The objective is to rework the approximately 17 million tons of calcine to extract vanadium, iron, salts and, possibly, titanium. It is a significant project which could take until 2030 to complete.

R6.9m

In 2012 the Company's capital expenditure on water and waste management was R6.9 million.



During 2012, the project entered phase one when it was outsourced to a service company with the requisite technology to rework the dump to establish a demonstration plant and finalise the specifications for a fully operational plant to be built during the second phase.

Phase one is operated on a general authorisation, whilst all required authorisations for the second phase, including completion of the EIA and the IWML, should be in place in mid-2013.

All waste streams at the Steelworks have been classified and quantified in terms of legislation.

At Mapochs Mine, the de-silting process started towards year-end and the mined-ground rehabilitation method has been adapted to avoid further silting.

Biodiversity management

EVRAZ Highveld manages biodiversity to conserve biodiversity in the area of its operations. Its IEMP includes a land and soil management system for Mapochs Mine, the Steelworks and the calcine waste disposal facility. Company biodiversity initiatives include eradication of alien species. At the Steelworks, biological remediation is performed through the introduction of

NON-RECYCLED OR NON-RECOVERED WASTE GENERATED BY STEELWORKS

Type of waste	2012 total tons disposed	% of waste stream	Disposal method	Party who disposed waste
Industrial solid waste (hazardous)	299	0.03	Landfill	External waste transportation company to an appropriate hazardous landfill site (GLB+/H:H)
Industrial solid waste (non-hazardous)	288	0.03	Landfill	External waste transportation company to an appropriate general waste landfill site
Industrial process waste (hazardous)	1 014 195	99.94	Dedicated disposal site – on site	EVRAZ Highveld (on site)
Total	1 014 782	100.00		

RECYCLED OR RECOVERED WASTE GENERATED BY STEELWORKS

Type of waste	2012 recycling or re-use amount (t)	% of total waste stream	Disposal method	Party who disposed waste
Industrial solid waste recycling (non-hazardous)	576	0.06	Recycled	External recycling company
Industrial process waste recycling (hazardous)	369 471	36	Re-used and recycled	Internal and external projects concerning re-use and recycling
Total	370 047	36.06		

biological micro-organisms and, at Mapochs Mine, a community nursery project reserves, grows and replaces indigenous plants.

Energy

A decrease in energy consumption efficiency in 2012 was primarily as a result of extensive labour disruption.

Energy, notably in the form of coal and electricity, is the highest single input cost in iron and steel manufacturing. Following significant increases in the cost of electricity over the past few years, this cost is set to increase further due to the envisaged doubling in the cost of electricity by 2018 and the proposed carbon tax, which is

expected to be phased in within the next few years. The carbon tax will affect the Company not only in terms of its direct emissions, but also in terms of the carbon tax cost Eskom will pass on to consumers.

Optimum return on energy cost requires a balance between energy

consumption and production output, which was complicated by disruptions in production due to Project Repair and labour unrest.

The breakdown of energy consumption (measured as GJ per ton) in the Steelworks is:

	2012	2011
Electricity	9.105	7.875
Gas (externally sourced)	3.092	3.084
Oxygen	0.768	0.765
Diesel fuel	0.085	0.064
Coal	27.979	24.306
Duff coal	10.124	6.942
Total energy	51.153	43.036

Initiatives to reduce energy consumption includes reducing the size of ore before smelting, taking advantage of Eskom rebates on energy-saving projects and various internal initiatives. These initiatives included installing scheduled and daylight switches to automate lighting in the plants and offices, reducing electricity consumption by R240 000 and replacing approximately 200 showerheads in change houses to save R379 000 per year in water and electricity.

On a larger scale, the planned co-generation project progressed to final feasibility phase. A business model will be finalised in 2013. Co-generation makes use of off-gases and excess or 'waste' heat to generate steam and energy. The initial phase of the project will convert CO-rich off-gas to generate 30 megawatt of electricity (current consumption is 260 megawatt). A second phase of the project will deliver between 70 and 100 megawatt.

Quality

Product quality, from product quality planning to in-line and final product inspection, is monitored by the Metallurgical Services and Quality Control Division. Its objective is to assist the operating divisions in achieving their yield, quality and customer satisfaction targets.

As such, the major risks managed by the division are:

- the loss of ISO 9001 accreditation,
- non-compliance to other accreditations,
- non-adherence to technical specifications and standards agreed on for customer orders, and
- customer dissatisfaction with delivered products.



The main thrusts within the division to achieve its objectives are to:

- ensure that customer and technical requirements are accurately established and translated into quality plans and procedures;
- conduct analytical tests on raw materials, intermediate products and final products to ensure that the chemical composition complies to specifications;
- perform destructive mechanical tests and non-destructive testing on final products to ensure adherence to specifications;
- foster an understanding of the value each division ultimately adds to

- customer satisfaction; and
- inform customers, in liaison with Marketing, of the importance of accurate communication of product specifications and additional requirements in terms of the envisaged product application.

Infrastructure to aid the division in reaching its objective includes fully equipped analytical, micro-biological and mechanical testing laboratories. These laboratories are fully independent of the operating divisions and are qualified to issue mill test certificates in accordance with EN10204.

The analytical laboratories are benchmarked against international round-robin programmes managed by the American Society for Testing Materials and the *Institut für Eignungsprüfung* (IfEP). To ensure that the required high levels of analytical accuracy are adhered to, equipment accuracy is maintained by calibration by accredited external companies and comprehensive verification practices performed by testing personnel.

The Company annually coordinates and manages a national round robin for tensile testing involving local laboratories and steel mills and participates in a similar international exercise organised by IfEP (for tensile and impact testing).

Product quality accreditations, in addition to the ISO 9001 system accreditation, which are central to customer assurance and thus the sustainability of the business, are:

- Lloyds Register and Det Norske Veritas (DNV) accreditation for manufacturing steel for ship-building applications;
- Accreditation to affix the CE-mark under the European CPD 89/106/EEC directive, through TÜV, to steel used in construction applications; and
- Accreditation under the European PED 23/97/EC directive, also through TÜV, to certify material produced for use in pressure vessels.

Product identification forms an integral part of quality assurance.

The Company system ensures that each product is identified according to its specific cast or heat and, in the case of plate or coil, the unique slab it was produced from. The labelling also provides product dimensions, footweight (for structural products), length, customer, destination, number of individual pieces per pile and the CE mark, where applicable.

Customer complaints regarding identification of products were negligible. The Company records and fully investigates all complaints, whether justified or not, to ensure customer satisfaction. A continuous improvement approach of implementation and review of corrective and preventative measures is applied in the case of justified complaints.

Customer satisfaction forms an important part of the Company's sustainability objectives. In addition to assisting the operating divisions to develop products to customer specifications, the Metallurgical Services and Quality Control Division also educates customers in terms of product specifications and technical material requirements, in liaison with the Marketing Division. The objective is to achieve complete and accurate identification and communication of

requirements and specification of products when placing orders with the Company. Under-specification poses structural failure risks, while over-specification impacts on affordability and availability.

Internally, the division continues its drive to ensure that its function is seen by the manufacturing divisions as a value-add to maintain sustainability and not as a watchdog function. In this regard, the division achieved success in 2012, when quality control functions were moved into the operating divisions and in-line quality inspectors were moved to the Quality Control Division. The independence of quality monitoring from operations remains ensured.

Continuous quality awareness is achieved through daily quality performance newsflashes and the integration of quality performance reporting with operational production performance reporting in the Continuous Operational Improvement/ EBS format.

In 2013, Metallurgical Services and Quality Control aims to improve the understanding of and contribution to quality issues right down to the individual production lines and production employees.



Human capital

The Human Capital Division played a strong role in assisting management to meet the challenges the business faced as a result of the weak steel market and disruptions caused by labour unrest. In this regard, the Organisational Development and Employee Relations units were pivotal in addressing the major risks that threaten the sustainability of the business.

Human Capital aims to be the best strategic partner in the EVRAZ plc, by focusing on strategic objectives of:

- regularly reviewing the organisational structures in line with changes brought about by operational strategies, market demands and technological advancements;
- developing and continuously improving a comprehensive talent acquisition, talent pipeline and succession plans, taking transformation initiatives into consideration;
- creating a high-performance culture through an integrated career and performance management system;
- implementing programmes to improve technical, supervisory, management and leadership competencies, with supervisory

- training as a priority;
- implementing initiatives aimed at improving and harmonising employee relationships at all levels of the organisation, including the improvement of people-related, non-production facilities and organisational communication;
- implementing human resources (HR) systems in order for the organisation and the division to function effectively, efficiently and with less risk to the business – and reviewing work schedules and conditions of employment to ensure compliance with relevant labour legislation; and
- assessing HR competence levels and gaps and implementing measures to develop the competence levels to ensure the successful achievement of HR strategic objectives and HR delivery.

These strategic objectives are supported by basic human rights which the Company guarantees employees. These rights include membership of a trade union, shop-steward representation for employees who do not belong to a union, freedom of association, collective bargaining, a well-structured and uniformly applied

grievance and disciplinary procedure to prevent discrimination and a ban on employing people under the age of 18. Fair employment is guaranteed through contractually agreed remuneration and fixed, flexible and overtime working arrangements during the engagement process.

Human Capital comprises five units:

Organisational Development and Change Management

This unit aligns organisational structures with the corporate and operational strategy and drives a high-performance culture.

During Project Repair the already envisaged change from a three- to a four-shift system was implemented. This system ensures an improved quality of life for employees by reducing excessive overtime work, an increase in the number of job opportunities at the Company and improved efficiency because of the alignment between team and management cycles.

The optimisation of the four-shift system, including the challenges it

brings in terms of additional staffing requirements, will remain a unit focus during 2013.

The integrated career and performance management system, which was tested amongst members of senior management in 2011, has been implemented for executives down to CEO level minus two. The system, based on a simple-to-use, standardised scorecard, is being rolled out throughout the organisation. The scorecard is linked to employee's personal development plans and their remuneration.

Drives to motivate Company performance included benchmarking the Company as a Top Ten Best Employer in the Corporate Research Foundation Survey.

Remuneration and Benefits

Remuneration and Benefits aims to ensure appropriate rewards for employees who meet their performance objectives and to achieve excellence by aligning the Company's remuneration strategies with those of the steel and mining industries. The department primarily



focuses on **HR** information systems, payroll, retention strategies and performance incentives.

Following the effects of Project Repair, which resulted in a reduction in income for production personnel following the change-over from a three- to a four-shift working schedule, the unit will finalise benchmarking all positions to ensure that remuneration stays within the Company's parameters as an employer of choice. This process will continue in 2013.

The unit is also preparing for the negotiations to calculate remuneration structures for the extension of the current three-year wage agreement that expires in June 2013 by another twelve months.

In 2012, the minimum wage for bargaining unit employees was R5 692.00 per month, some 14 per cent above the comparable Metal and Engineering Industries Main Agreement minimum wage. Only 0.4 per cent of the Company's employees are on this entry level minimum wage.

Employee Relations and Operational HR

This unit focuses on improving employee liaison and wellness and

managing productivity, people-related facilities and **HR** operations.

In 2012, the unit focused on addressing challenges resulting from Project Repair and the labour unrest, which include changes in the union leadership. The EVRAZ Highveld Employee Relations Forum, on which management and unions are represented, was established. Some 62 per cent of employees are represented by **NUMSA** and 15 per cent by Solidarity.

Talent Management and Recruitment

Talent Management is responsible for talent acquisition, leadership and management development, succession planning and career management. The unit manages the High Potential Pipeline Pool, both in terms of identifying employees with leadership potential and assisting with their on-the-job coaching, and is instrumental in assisting the Company to achieve its employment equity objectives. Other focus areas are graduate recruitment and assisting with supervisory, operator and technical and engineering skills training.

Transformation targets remain elusive, because of strong competition to attract or retain skills from an extremely under-

supplied pool of professionals. The drive to further improve the employment equity scorecard includes identifying employment opportunities for disabled people. This initiative has resulted in 17 people being employed at EVRAZ Highveld over the past three years.

Talent acquisition, based on a comprehensive three-year plan, includes the Company's bursary scheme and graduate programme, which will sponsor six students in 2013 (six in 2012) to study bachelor degrees in metallurgy and electrical and mechanical engineering. Sponsored studies in business administration, business leadership and management development are also available.

During 2012, talent reviews were performed for the top management structure (**CEO** level minus one), and personal development plans developed. At **CEO** level minus two talent reviews were performed to manage succession planning to the next level. During 2013 personal development plans will be developed for people who have been identified to ensure that they are adequately upskilled.

The EVRAZ new leaders programme which is run in conjunction with

Moscow School of Management SKOLKOVO, was launched in Russia in 2010 and internationally in 2011.

The programme develops high performing managers as business leaders for the future. Six participants from EVRAZ Highveld graduated from the 2011 programme. One graduate is currently working in Moscow and three international participants are currently working at EVRAZ Highveld. A further six managers are currently involved in the 2012/2013 programme.

Training and Development

Training and development programmes support the long-term sustainability of the Company by investing in training and development programmes on an ongoing basis.

During 2012, the effects of the economic impact on the Company saw a reduction in training personnel from 16 to 11, and a budget cut to R33 million from R45 million in 2011. Training focused on statutory courses and knowledge retention and transfer. In 2013, the focus will be on statutory training and on-the-job and supervisory training in the production divisions to improve efficiency.

Analysis of employee profiles and net employment creation

At year-end, EVRAZ Highveld employed 2 243 people, of which 134 were apprentices and 13 temporary contract employees. The regional breakdown is as follows:

Workforce breakdown and status

	Region			
	eMalahleni	Mapochs Mine	Marketing and sales	Total
Workforce breakdown				
Permanent employees (full-time, permanent contract employees)	1 941	148	7	2 069
Apprentices (full-time, fixed term contract)	134	–	–	134
Temporary contract employees (full-time and part-time employees on temporary contract, under supervision)	13	–	–	13
Total employees *	2 088	148	7	2 243
There are no permanent contract employees or self-employed workers at the Company.				
Independent contractors				
EVRAZ Highveld's independent contractor employees decreased from around 1 970 at the beginning of the year to 1 500 by year-end. These include security and canteen personnel, on a continuous basis, and construction and maintenance personnel as required.				
Collective bargaining agreements (CBA)				
Number of employees covered by CBA	1 538	125	1	1 664
% of total employees covered by CBA	74	84	14	75
Performance Appraisal				
% of total employees who received a formal appraisal and review during the year	26	16	86	25

* Excluding Hochvanadium employees.

Employee movement (expressed as a percentage turnover) by region, gender and age grouping for 2012 is as follows:

Movement of employee turnover %

	Region			Gender		Age		
	eMalahleni	Mapochs Mine	Marketing and sales	Male	Female	<30	30 – 50	>50
Resignation	138	5	–	116	27	94	46	3
Death	14	–	–	12	2	1	7	6
Dismissal	68	3	–	65	6	33	27	11
Retirement/early retirement/ill health retirement	33	8	–	38	3	1	2	38
Redundancy	90	–	–	66	24	22	46	22
Early retirement redundancy	47	–	–	46	1	–	–	47
Contract expired	14	–	–	14	–	12	2	–
Retrenched	19	12	–	23	8	6	23	2
Turnover of employees – %	19.46	17.87	0	19.08	20.57	26.22	13.74	22.28

Employee profile analysis

	Top management *	Senior management **	Professionally qualified and middle management	Junior management, supervisors, foremen, superintendents	Skilled technical and academically qualified workers	Semi-skilled and discretionary decision-making	Unskilled and defined decision- making
African female	0	2	8	23	75	74	36
African male	0	4	42	161	487	597	154
Asian female	0	0	1	0	3	1	0
Asian male	0	0	8	2	1	0	2
Coloured female	0	1	1	1	3	2	2
Coloured male	0	0	1	3	10	0	11
White female	0	4	28	28	24	2	7
White male	5	15	104	110	118	22	38
Disabled female	0	0	0	0	0	2	4
Disabled male	0	0	0	3	0	0	1
Total female	0	7	38	52	105	81	49
Total male	5	19	155	279	616	619	206
Employees by age group							
<30 years	0	1	32	78	196	109	196
30 – 50 years	4	21	126	180	406	276	59
>50 years	1	4	35	73	119	315	0
The ratio of basic salary for women and for men is 1:1 as EVRAZ Highveld's policy does not differentiate between genders.							
Training							
Total hours training	8	440	7 248	—	25 592	29 600	72 704
Average number of training hours per employee	3	60	39	—	36	47	268
Training by age group							
<30 years	—	—	27	67	195	75	233
30 – 50 years	1	17	144	207	427	165	77
>50 years	—	4	36	67	129	179	6

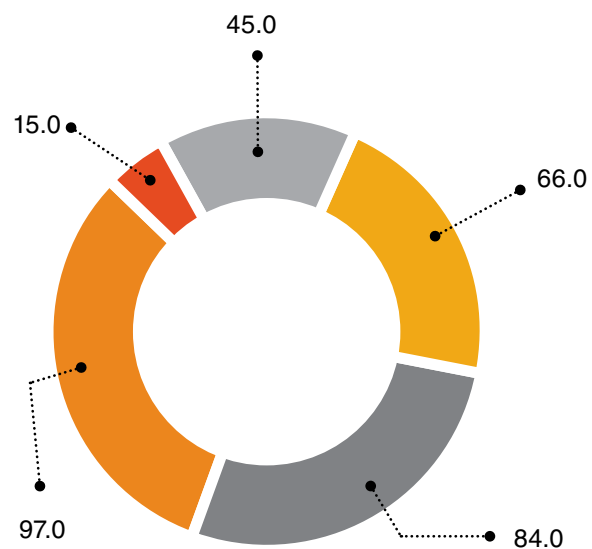
* Top management includes the **CEO**, **COO** (Strategy), **COO** (Operations), **CFO** and director vanadium operations.

** Senior management includes executives and other managers.

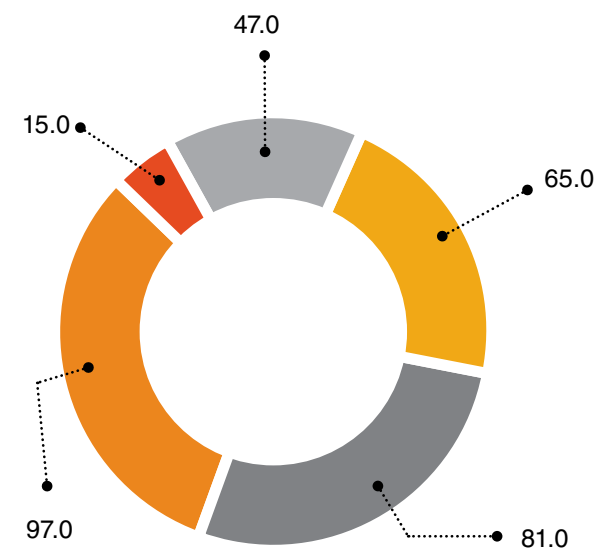
Transformation targets

	Target %	Actual HDSA %	Blacks %
Management			
2012	50	45	30
2011	45	47	33
2010	45	46	30
Supervisory			
2012	70	66	58
2011	70	65	55
2010	70	65	53
Skilled			
2012	70	84	80
2011	70	81	78
2010	70	80	77
Semi-skilled			
2012	67	97	96
2011	67	97	96
2010	67	98	97
Women			
2012	20	15	11
2011	16	15	11
2010	16	12	12

HDSA 2012 (%)



HDSA 2011 (%)



● Management ● Supervisory ● Skilled ● Semi-skilled ● Women

Transformation and social responsibility

	2012	2011
Social responsibility projects spend – R'm	2	1.5

EVRAZ Highveld's transformation and social responsibility activities support **B-BBEE** to create a better South Africa for all. These activities resort under Human Capital and are managed by the transformation manager who was appointed effective 1 February 2013.

At the Steelworks, achieving the targeted employee transformation levels remains a challenge in management levels due to a continuing skills shortage. At Mapochs Mine a major risk is community expectations in terms of the Company's social responsibility commitments in its **SLP**.

Transformation

The Company's transformation policy (including the **B-BBEE** Act and the Broad-Based Socio-Economic Charter for the South African Mining Industry) is aligned with legislative and prescriptive measures aimed at achieving accurate demographic reflection within the organisation.

The policy formalises the Company's respect for diversity and its contribution to advance transformation in areas such as preferential procurement and socio-economic development, employment equity, skills development and the development of local entrepreneurs.

The Company retained its Level 5 **B-BBEE** scorecard with a score of 58.07 (against a target of 59.48 and a score of 57.41 in 2011).

The main instrument in attracting skills to achieve the targeted demographic mix remains the Company's benefits and remuneration packages, which are regularly benchmarked against those of the mining and industrial sectors.

Social responsibility

The Company's social investment projects aim to empower communities through education, health, housing, community, infrastructure and supply chain initiatives.

In 2012 the social responsibility policy was adjusted to achieve a greater return on its limited budget by

channelling R1 million to enterprise development initiatives through the **NEF**. The fund has significant experience and expertise in enterprise development and is currently targeting transportation and services companies in the Company's areas of operations. Its services include short-listing and evaluating potential or existing small businesses, followed by mentoring the entrepreneurs in business management, which include the transfer of financial management skills.

Mapochs Mine focuses on **LED** projects in surrounding labour-providing areas. The mine is assisted by Umsizi Sustainable Solutions Proprietary Limited to achieve maximum impact. **LED** projects included in the **SLP** are:

- A hydroponics and agricultural project involving 60 households in the 350-household Makwana village. The mine supplied infrastructure, such as hothouse tunnels and water tanks, and trained the households to produce vegetables and fruit on their



properties. The project is successful, providing the households with fruit and vegetables. Surplus produce is bought by the Mapochs Mine canteen. The next phase of the project is the establishment of a central hub where surplus products can be sold to the community and travellers.

- An indigenous nursery which was developed to support the Mapochs Mine ground rehabilitation programme. The 8 400 m² nursery, which created employment to 13 people, is used to grow seedlings and rescued plants from the mining areas. The nursery started selling plants to outside customers during 2012.
- A project aimed at employee well-being is the construction of 17 houses in 2013 and another 17 in 2014. Employees will be able to buy or rent the houses.
- Helping fourteen local residents to form a cleaning and gardening company called A Reyeng (Let's Go), which has been awarded a Mapochs Mine contract for gardening and cleaning services in 2013. Assistance included mentoring in business processes and the mine's community liaison officer will continue to guide the company towards self-sufficiency.

There has been no progress on a clinic upgrade programme, in conjunction with the Department of Health. Mapochs Mine donated land for the clinic, which will provide more comprehensive services than the existing clinic, including an ambulance service.

The ambitious Mapochs Mine HIV/Aids awareness programme, which targets grade 6 and 7 learners at 30 primary schools in the area and included parental training, will be terminated in May 2013 due to budget restrictions.

Community liaison has identified dissatisfaction with the level of the sustainability of community projects, especially after life of mine. During 2013, the MMCT, which was established following the conversion of the mine's old-order to new-order mining rights, will begin to play a more active role in negotiating, initiating and overseeing sustainable community projects. The Steelworks socio-economic projects are managed through the EVRAZ Highveld eMalahleni Community Forum.

Normally allocating one per cent of profit after tax to projects, the budget was substantially cut to R975 200 in

2012 (from R1.5 million in 2011). The major contributions were to the White Rose Hospice, a 17-bed palliative care provider for HIV/Aids and cancer patients, R266 400 to the Duvhapark Primary School teacher assistance programme and R106 800 towards replacing the roof of the Ethembeni Children's Haven. The 2013 budget has been reduced to R400 000.



Annual Financial Statements





Approval of the annual financial statements

Following the Board meeting held on 13 March 2013 during which the Board of Directors approved the annual financial statements and further authorised Mr BJT Shongwe and Mr MD Garcia in their respective capacities as chairman and chief executive officer to sign off the annual financial statements, the annual financial statements which appear on [pages 108 to 181](#), are therefore signed on its behalf by:

BJT Shongwe
Chairman

eMalahleni
13 March 2013

MD Garcia
Chief Executive Officer

eMalahleni
13 March 2013

Compliance statement by the acting company secretary

The acting company secretary of EVRAZ Highveld Steel and Vanadium Limited certifies that in terms of section 88(2) of the Companies Act No. 71 of 2008, as amended, that the Company has lodged with the Companies and Intellectual Property Commission of South Africa all such returns and notices as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial year ended 31 December 2012.

Ms A Weststrate
Acting Company Secretary

eMalahleni
13 March 2013

Preparation of annual financial statements

The preparation of the annual financial statements for the year ended 31 December 2012, which appear on [pages 108 to 181](#), has been supervised by the chief financial officer of EVRAZ Highveld Steel and Vanadium Limited, Mr J Valenta (Chartered Accountant).

Mr J Valenta
Chief Financial Officer

eMalahleni
13 March 2013

Annual Financial Statements

- | | | | |
|-----------------------------------|-------------------------------------|-------------------------------------|----------------------------|
| ▶ Audit and Risk Committee report | ▶ Income statement | ▶ Statement of changes in equity | ▶ Interest in subsidiaries |
| ▶ Independent auditors' report | ▶ Statement of comprehensive income | ▶ Statement of cash flows | ▶ Definitions |
| ▶ Directors' report | ▶ Statement of financial position | ▶ Notes to the financial statements | ▶ Abbreviations |



Audit and Risk Committee report

The Audit and Risk Committee is a formal, statutory Board sub-committee, appointed by the shareholders to assist the Board in its corporate governance supervision responsibilities.



Role of the committee

The Audit and Risk Committee ensures that accurate financial reporting and adequate systems, controls and risk management processes are in place. The committee is responsible to ensure appropriate corporate governance and compliance with a specific focus on the potential risks to the Company, and for IT governance and the strategic alignment of IT with the performance and sustainability objectives of the Company. The committee is also responsible to investigate any activity within the scope of its charter and has the authority to interact with management and employees and to obtain external professional advice to ensure effective governance.

The Audit and Risk Committee Charter authorises the committee to:

- assist the Board in discharging its duties relating to the safeguarding of assets;
- review the Company's strategic plan and strategic management process;
- approve the annual budget of the Company;
- evaluate the appropriateness and adequacy of the systems of internal, financial, operational and all business control;
- review the effectiveness of the process for identifying, assessing and reporting all significant business risks and to monitor the group-wide system of internal control to manage those risks, including the annual review, approval, monitoring and assessment of the risk management policy and plan;
- confirm the nomination and appointment, in terms of the Companies Act, of the external auditor and approve the terms of engagement and fees;
- review the independence of and pre-approve all non-audit services provided by the external auditor;
- approve the terms of reference of the internal audit function, which may complement those of the external audit function;
- assess the appropriateness of the mandate, organisation, resourcing and standing of the internal audit function, including the approval and monitoring of implementation of the annual internal audit plan;
- review the conclusions of internal audit with regard to risk management and internal control, financial reporting, corporate governance and significant investigations;
- review the external auditor's management letter and management's response, together with action taken to address key issues;
- review and approve the appropriateness of accounting policies, financial and related non-financial information released to stakeholders;
- review the consolidated and separate annual financial statements and review the consistency of sustainability information disclosed in the integrated report with the annual financial statements; and
- report on the activities of the committee to the Board after each meeting.

Composition of the committee

The committee composition adheres to the requirements of the Companies Act and King III. The chairman of

the Board may not serve on the committee. The committee comprises three independent non-executive directors, all of whom are financially literate:

- Babalwa Ngonyama, chairperson, appointed 1 March 2010,
- Peter Surgey, appointed 1 March 2010, and
- Thabo Mosololi, appointed 18 May 2012.

More information on the members is on [pages 57 to 62](#). The fee structure for committee members are given on [page 54](#) and the proposed fees for 2013 on [page 190](#).

The committee invites the chairman of the Board, the **CEO**, the **CFO**, the **CIO**, the strategic risk manager, internal audit manager and representatives of the external

auditors to attend its meetings, as well as senior executives as required.

Committee meetings

Attendance of committee members at the scheduled meetings of the committee during 2012 was as follows:

	Meetings attended in 2012
Thabo Mosololi	2/2
Babalwa Ngonyama	4/4
Peter Surgey	4/4

Risk management

The Board's responsibility for risk management is delegated to the Audit and Risk Committee. Risk management encompasses all significant business risks which could undermine the achievement of business objectives. The committee, supported by the **CEO** and executive management, facilitates risk management and monitoring on behalf of the Board.

The risk management function was removed from the **SHREQ** Division in April 2012 following business restructuring and established as a stand-alone function to promote an increased focus on the management

Risk management encompasses all significant business risks which could undermine the achievement of business objectives.





Internal audit is an independent, objective consultation and assurance function which is central to EVRAZ Highveld's governance processes, internal control framework and risk management.

of operational and strategic risks within the Company. The risk management framework was enhanced and priority was given to entrench a risk management culture throughout the business.

Risks are identified and evaluated on a continuous basis at a divisional level and a corporate risk register is maintained and managed by the strategic risk manager.

A continuously updated risk framework – which includes key strategic, environmental, financial, reputational, compliance (including regulatory), people, economic, process and competition risk categories – sets out various risks that are considered in the risk identification process.

Identified risks are evaluated in terms of impact and probability to determine their inherent risk and their significance to EVRAZ Highveld. The residual risk is determined taking the detailed risk mitigation plans developed for each risk into consideration. Details of the key risks and risk mitigation plans appear on [pages 76 to 79](#).

Work undertaken by the internal audit function is aligned with the risk framework. The committee:

- monitors and assesses the role and effectiveness of the internal audit function in this regard; and
- reviews the effectiveness of the processes and procedures adopted by management for identifying, assessing and reporting on significant business risks.

Information technology

The Board's responsibility for IT governance is delegated to the Audit and Risk Committee. An IT Governance Charter which outlines the objectives of the IT function and delineates roles and responsibilities was adopted by the committee during 2012. In addition, the ITIL best practice service management and delivery framework is used, a reporting framework is in place and appropriate IT structures have been defined – including disaster recovery and business continuity planning to ensure continuity of business processes to promote the sustainability of operations.

Audit assessments of IT-related controls are performed by the internal and external auditors, and significant findings and actions taken to address such key issues identified are reported to the Audit and Risk Committee for evaluation. The maintenance

of appropriate IT governance structures and the risks associated with IT are managed by the EVRAZ Highveld IT Steering Committee and Executive Risk Management Committee.

Further details on risk management appear on [pages 74 to 79](#) with further details on IT governance on [pages 80 to 81](#).

Group chief financial officer

The committee confirms that, based on his qualifications, levels of experience, continuing professional education and the assessment of his knowledge, the CFO, Jan Valenta, has the necessary expertise and experience to carry out his duties.

The committee also confirms that the finance function has appropriate levels of expertise, resources and experience to support the Company.

Company secretary

Based on the delegated authority to this committee given by the Board in terms of section 3.84(i) of the Companies Act, the committee confirms that, based on her qualifications, levels of experience, continuing professional education and the assessment of her

knowledge, the appointed company secretary, in service at the end of the year covered by this integrated report, Cathie Lewis, had the necessary expertise and experience to carry out her duties.

Internal audit

Internal audit is an independent, objective consultation and assurance function which is central to EVRAZ Highveld's governance processes, internal control framework and risk management. The internal audit manager's appointment is reviewed by the committee. He reports functionally to the committee, administratively to the CEO and to the EVRAZ Group internal audit function at a technical level and has unrestricted access to the chairman of the committee.

The role of internal audit is contained in the Internal Audit Charter. The internal audit function reviews significant business, strategic and control risks to provide the Audit and Risk Committee with an assessment on the level of assurance that can be placed on governance, control and risk management across EVRAZ Highveld. A risk-based approach that aligns the audit methodology to internal and external risks facing the

Company is applied, with all functions across the operations subject to internal audit review.

Material findings and matters of significance are formally reported to the Audit and Risk Committee, on a quarterly basis, with reports indicating the appropriate management and control of actual or potential risks.

External audit

Ernst & Young Inc. served as the Group's registered external auditor for the 2012 financial year. The independence, expertise and objectivity of Ernst & Young Inc. as the external auditor were appraised by the Audit and Risk Committee, as were the terms of engagement and fees paid. The external auditors have unrestricted access to the chairman of the committee.

Annual report

Annual financial statements

Following the committee's review of the annual financial statements for the year ended 31 December 2012, it is of the opinion that, in all material respects, they comply with the relevant provisions of the Companies Act and International Financial Reporting Standards (IFRS) as issued by the International

Accounting Standards Board (IASB) and fairly present the consolidated and separate results of operations, cash flows and the financial position of EVRAZ Highveld. On this basis, the committee recommended the consolidated and separate annual financial statements of EVRAZ Highveld for approval to the Board of Directors.

Annual integrated report

Having regard to material factors and risks that may impact on the integrity of integrated reporting and following the committee's review of the integrated report, it recommended the Annual Integrated Report of EVRAZ Highveld for the year ended 31 December 2012 for approval to the Board of Directors.

On behalf of the Audit and Risk Committee



Babalwa Ngonyama
Chairman

13 March 2013





Independent auditors' report

To the members of EVRAZ Highveld Steel and Vanadium Limited

Report on the consolidated financial statements

We have audited the consolidated and separate financial statements of EVRAZ Highveld Steel and Vanadium Limited set out on [pages 108 to 181](#), which comprise the statements of financial position as at 31 December 2012, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of EVRAZ Highveld Steel and Vanadium Limited as at 31 December 2012, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for

the year ended 31 December 2012, we have read the Directors' report, the Audit Committee's report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Ernst & Young Inc.

Ernst & Young Inc.
Director – Mike Herbst
Registered Auditor
Chartered Accountant (SA)

52 Corlett Drive
 Illovo
 Johannesburg
 13 March 2013

Directors' report

for the year ended 31 December 2012

The directors have pleasure in submitting their report and the annual financial statements of the Company and the Group for the year ended 31 December 2012.

Information on the activities and performance of the Company and the Group are contained in the chairman's review (pages 29 to 31), in the report of the chief executive officer (pages 32 to 35), in the report of the chief financial officer (pages 36 to 41), in the governance review (pages 57 to 81) and in the sustainability review (pages 83 to 105). Information on revenue contribution at a segmental level is outlined in note 25 to the annual financial statements (see pages 173 to 175).

Appropriate accounting policies have been used to prepare the financial statements and all applicable accounting standards have been complied with. Changes in accounting policies in the current year are outlined in note 1 to the annual financial statements.

The directors are of the opinion that the financial statements fairly represent the financial position of the Group at 31 December 2012.

Nature of business

EVRAZ Highveld, incorporated in South Africa under the provisions of the Companies Act, is a vertically integrated iron ore, steel and vanadium slag producer. Steel and vanadium slag are produced at the integrated Steelworks situated in eMalahleni, Mpumalanga, with ore for the Steelworks obtained from the Mapochs Mine situated in the Roossenekal area, Limpopo.

EVRAZ Highveld is an ultimate subsidiary of EVRAZ plc, whose interest amounts to 85.11 per cent of the total issued share capital of the Company. A further 7.71 per cent of the total issued share capital of the Company is held by RMB Securities Proprietary Limited. No major equity movements occurred during the year. EVRAZ Highveld is also the holding company of wholly-owned

subsidiary, Hochvanadium Holding AG (Austria), who's wholly owned subsidiary, Hochvanadium Handels GmbH, processes and sells vanadium products; and holds a 74 per cent interest in Mapochs Mine Proprietary Limited since 29 February 2012.

Operational review

A review of the activities and performance of the operations of the Company are contained in the operational review on pages 21 to 27.

Registration details

EVRAZ Highveld is a company listed on the **JSE**, with its head-office situated at Old Pretoria Main Road, eMalahleni, Mpumalanga. The Company registration number is 1960/001900/06.

The Company's shares are traded on the **JSE** under the symbol EHS. The Company also runs a Sponsored Level 1 **ADR** facility, with the Bank of New York Mellon acting as depository bank in terms of an exclusive deposit agreement.

85.11

EVRAZ Highveld is a subsidiary of EVRAZ plc, whose interest amounts to 85.11 per cent of the total issued share capital of the Company. A further 7.71 per cent of the total issued share capital of the Company is held by RMB Securities Proprietary Limited.



Corporate governance

The EVRAZ Highveld Board endorses the principles contained in **King III** where applicable to the Company and confirms its commitment to achieving high standards of corporate governance based on this and international best corporate practice. Full details on the application of **King III** and other governance principles appear on **pages 64 to 73**.

The Board is assisted in its duties by three committees, namely the Audit and Risk, Remuneration and

Nominations and the Social and Ethics Committees. The Board and board committees Charter outlines the terms of reference of these committees.

More information on the responsibilities and activities of these sub-committees is included in the Audit and Risk Committee report on **pages 108 to 111**, the Remuneration and Nominations Committee report on **pages 50 to 54** and the Social and Ethics Committee report on **pages 42 to 45**.

Financial results

The annual financial statements for the Company and Group and accounting policies appear on **pages 108 to 181**. The results for the year ended 31 December 2012 have been prepared in accordance with **IFRS**, as issued by the **IASB**, in the manner required by the Companies Act, as amended, and the **JSE** Listings Requirements.

The annual financial statements of the Company and the Group fairly present the state of affairs of the Company and the Group, supported by the maintenance of adequate accounting records.

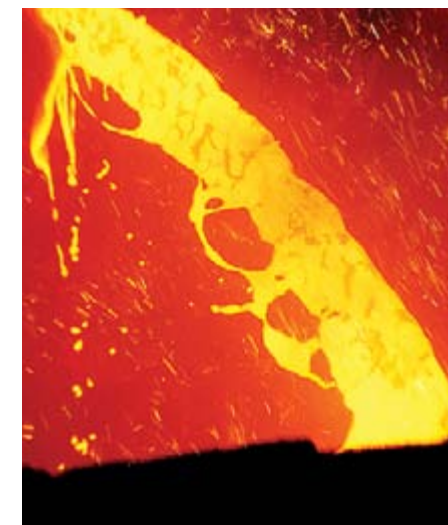
Borrowings and cash

Total interest-bearing borrowings of the Group at 31 December 2012 amounted to R118 million (2011: Rnil). Cash and cash equivalents decreased by R692 million to R527 million at 31 December 2012. The Board is, in terms of its constitutional documents, authorised to approve borrowings on behalf of the Company, after satisfying itself that, immediately after the uptake of the borrowings, the Company would satisfy the solvency and liquidity test as provided for in the new Companies Act.

Share capital

Full details of the authorised, issued and unissued share capital of the Company at 31 December 2012 are set out in note 13 to the annual financial statements.

Control over the unissued shares of the Company is vested in the directors, in general terms. This general authority expires on the date of the forthcoming Annual General Meeting. At this meeting, an ordinary resolution by shareholders to place under the control of the directors the then remaining unissued ordinary shares and the unissued redeemable cumulative preference shares will be considered.



Shareholders

An analysis of shareholders and shareholdings appears on [page 188](#).

Distribution to shareholders

No dividends were declared during 2012, and no final dividend for the year is proposed.

Business factors taken into consideration were the tight global economic conditions, the weakening cash position, working capital requirements and capital projects.

Interest in subsidiaries

Information on the Company's interest in subsidiaries appears on [page 181](#).

Interest in associates

Information on the Company's interest in associates appears on [page 181](#).

Subsequent events

The directors are not aware of any matter or circumstance arising after the statement of financial position date up to the date of this report not dealt with in this report or in the Group financial statements that would significantly affect the operations or the results of the Group.

Directorate

The names of the directors in office at the date of this report are set out on [pages 57 to 62](#).

The following changes occurred to the Board in 2012:

- Mr V Nkosi was appointed as non-executive director on 14 March 2012.
- Mr AV Frolov resigned as a non-executive director on 21 May 2012.
- Mr T Mosololi was appointed as independent non-executive director on 21 May 2012.

In accordance with the [MOI](#), Messrs D Ščuka, BJT Shongwe and TI Yanbukhtin are required to retire by rotation and Mr T Mosololi is required to retire following his appointment on 21 May 2012. Being eligible, they offer themselves for re-election at the forthcoming Annual General Meeting.

In terms of its charter, the Board is required to meet at least four times a year. Four board meetings were held during 2012, details of which are included on [page 66](#).

In terms of a decision taken by the Board, an external board evaluation is conducted every three years.

The last external board evaluation was conducted by the Institute of Directors in South Africa (IoDSA) during 2011. Satisfactory levels of board governance were reported based on an internal board evaluation of the Board's effectiveness in 2012.

Directors' responsibilities

The directors are responsible for the preparation and integrity of the information included in this integrated report, including the annual financial statements of the Company and Group, which have been prepared in accordance with [IFRS](#).

The directors are also responsible for the process of risk management and for the systems of internal control used by the Company. These systems and controls are designed to provide reasonable assurance regarding the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain the accountability of the assets.

The directors are required to comply with the Company's Code of Ethics.

Nothing has come to the attention of the directors to indicate that any

material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

Directors' remuneration

Details of directors' remuneration are set out in the Remuneration and Nominations Committee report on [page 54](#).

Directors' shareholding

At 31 December 2012, none of the directors beneficially held ordinary shares or unexercised options to acquire ordinary shares in the Company.

Company secretary

Details of the company secretary are outlined below the Notice of the Annual General Meeting on [page 191](#).

Audit and Risk Committee

The Audit and Risk Committee assists the Board in assuring accurate financial reporting and adequate systems, controls and risk management processes, by evaluating the appropriateness and adequacy of systems of internal financial and operational control. The committee also reviews accounting



policies and financial information issued to stakeholders.

The committee has reviewed the scope as well as the independence and objectivity of the external auditor and satisfied itself that the external auditor is independent as defined in the Companies Act.

The committee has approved the audit fees for the year ended 31 December 2012. Non-audit services by the independent auditors are reported in terms of an agreed policy.

The Company's Internal Audit Department functions independently, appraising, examining and evaluating the Company's systems and internal controls. The scope of the internal audit function is to review the reliability and integrity of financial information, the governance and internal control systems, compliance with laws and regulations and the means of safeguarding assets.

Internal audit findings are reported to the Audit and Risk Committee by the internal audit manager.

The directors regularly assess the adequacy of internal accounting controls to ensure the reliability of the financial records for preparing the financial statements and maintaining accountability for assets and liabilities. Information provided by management and the internal audit function and the report of the external auditors on the results of their audit form the basis of these assessments.

Resolutions

Details of the two special resolutions and 15 ordinary resolutions for shareholder approval at the forthcoming Annual General Meeting are outlined in the Notice of the Annual General Meeting on [pages 189 to 191](#).

Going concern

Based on the directors being satisfied that EVRAZ Highveld has adequate resources to continue operating for

the next twelve months and into the foreseeable future, the financial statements presented on [pages 108 to 181](#) have accordingly been prepared on a going-concern basis.

The Board is not aware of any new material changes that may adversely impact the Group, or of any material non-compliance with statutory or regulatory requirements.

The Group incurred substantial losses before tax the past three years. Following the global economic crisis of 2009, low operational stability, depressed market conditions and significant cost pressures compounded these losses. Management has taken significant steps to address the cost structure of the Company in order to improve profitability, and the results of some of these steps are already visible.

The Company needs higher steel and vanadium prices, healthy demand for steel in the domestic market and significant cost reductions in

its operations to become profitable. Based on the current situation and expected improved market conditions in 2013, the directors expect an improved financial position for the Group in the near future.

Annual General Meeting

Details of the ordinary and special business for consideration at the forthcoming Annual General Meeting are outlined in the Notice of the Annual General Meeting on [pages 189 to 191](#).

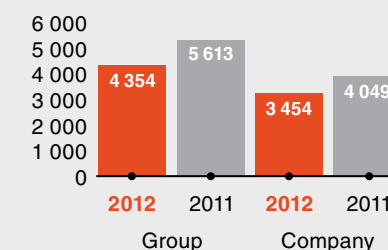
Income statement

for the year ended 31 December

	Notes	Group		Company	
		2012	2011	2012	2011
		Rm	Rm	Rm	Rm
Continuing operations					
Total revenue	2.1	4 354	5 613	3 454	4 049
Sale of goods		4 346	5 587	3 329	4 025
Cost of sales		(4 746)	(5 092)	(4 051)	(3 908)
Gross (loss)/profit		(400)	495	(722)	117
Other operating income	2.2	138	95	1 807	95
Selling and distribution costs		(248)	(301)	(167)	(210)
Administrative expenses		(289)	(306)	(279)	(295)
Other operating expenses	2.3	(55)	(32)	(266)	(34)
Operating (loss)/profit		(854)	(49)	373	(327)
Finance costs	2.4	(52)	(50)	(39)	(41)
Finance income	2.5	8	26	125	24
(Loss)/profit before tax from continuing operations		(898)	(73)	459	(344)
Income tax (charge)/credit	3	(45)	118	(57)	88
(Loss)/profit for the year from continuing operations		(943)	45	402	(256)
Discontinued operations					
Profit/(loss) after tax for the year from discontinued operations	4			43	(67)
(Loss)/profit for the year		(943)	45	445	(323)
(Loss)/earnings per share (cents) from total operations	5.1				
Basic and diluted		(951.1)	45.4		
(Loss)/earnings per share (cents) from continuing operations	5.1				
Basic and diluted		(951.1)	45.4		

TOTAL REVENUE

(Rm)



SALE OF GOODS

(Rm)



Statement of comprehensive income

for the year ended 31 December

		Group		Company	
		2012	2011	2012	2011
	Note	Rm	Rm	Rm	Rm
(Loss)/profit for the year		(943)	45	445	(323)
Other comprehensive income:					
Exchange differences on translation of foreign operations *	14	49	55		
Total comprehensive (loss)/income for the year		(894)	100	445	(323)

* No tax effect.

Statement of financial position

as at 31 December

		Group		Company	
		2012	2011	2012	2011
	Notes	Rm	Rm	Rm	Rm
Assets					
Non-current assets					
Property, plant and equipment	6	1 722	1 760	1 589	1 676
Deferred tax asset	16	79	167	—	105
Investments	7	—	—	1	1
Loans receivable	8	—	—	1 249	—
		1 801	1 927	2 839	1 782
Current assets					
Inventories	9	858	831	752	686
Trade and other receivables	10	465	501	365	410
Prepayments	11	15	15	14	15
Income tax receivable	19	1	—	—	—
Loans receivable	8	—	—	193	—
Cash and short-term deposits	12	527	1 184	4	647
		1 866	2 531	1 328	1 758
Assets classified as held-for-sale	4	—	—	—	215
		1 866	2 531	1 328	1 973
Total assets		3 667	4 458	4 167	3 755

		Group		Company	
		2012	2011	2012	2011
	Notes	Rm	Rm	Rm	Rm
Equity and liabilities					
Capital and reserves					
Issued capital	13	99	99	99	99
Share premium	13	486	486	486	486
Other capital reserves	14	264	203	22	10
Retained earnings		889	1 832	1 835	1 390
Total equity		1 738	2 620	2 442	1 985
Non-current liabilities					
Provisions	15	744	624	475	395
Interest-bearing loans and borrowings	18	16	—	—	—
		760	624	475	395
Current liabilities					
Trade and other payables	17	924	1 016	800	881
Interest-bearing loans and borrowings	18	102	—	349	—
Income tax payable	19	—	45	—	44
Provisions	15	143	153	101	135
		1 169	1 214	1 250	1 060
Liabilities directly associated with the assets classified as held-for-sale	4	—	—	—	315
Total liabilities		1 929	1 838	1 725	1 770
Total equity and liabilities		3 667	4 458	4 167	3 755

Statement of changes in equity

for the year ended 31 December

	Group			
	Issued capital and share premium	Other capital reserves	Retained earnings	Total equity
	Rm (Note 13)	Rm (Note 14)	Rm	Rm
2012				
As at 1 January 2012	585	203	1 832	2 620
Loss for the year			(943)	(943)
Other comprehensive income:				
Exchange differences on translation of foreign operations		49		49
Total comprehensive income/(loss) for the year	—	49	(943)	(894)
Share-based payment reserve		12		12
As at 31 December 2012	585	264	889	1 738
2011				
As at 1 January 2011	585	138	1 787	2 510
Profit for the year			45	45
Other comprehensive income:				
Exchange differences on translation of foreign operations		55		55
Total comprehensive income for the year		55	45	100
Share-based payment reserve		10		10
As at 31 December 2011	585	203	1 832	2 620
Company				
2012				
As at 1 January 2012	585	10	1 390	1 985
Total comprehensive income for the year			445	445
Share-based payment reserve		12		12
As at 31 December 2012	585	22	1 835	2 442
2011				
As at 1 January 2011	585	—	1 713	2 298
Total comprehensive loss for the year			(323)	(323)
Share-based payment reserve		10		10
As at 31 December 2011	585	10	1 390	1 985

Statement of cash flows

for the year ended 31 December

	Notes	Group		Company	
		2012	2011	2012	2011
		Rm	Rm	Rm	Rm
Operating activities					
(Loss)/profit before tax from continuing operations		(898)	(73)	459	(344)
Loss before tax from discontinued operations	4	—	—	(16)	(34)
(Loss)/profit before tax		(898)	(73)	443	(378)
<i>Non-cash adjustment to reconcile (loss)/profit before tax to net cash flows</i>					
Depreciation and impairment of property, plant and equipment	6	288	312	279	312
(Profit)/loss on disposal and scrapping of property, plant and equipment	2.2 and 2.3	(1)	(83)	(2)	(83)
Finance income	2.1	(8)	(26)	(125)	(24)
Finance costs	2.4	52	50	41	50
Increase in environmental rehabilitation provision	15	67	56	67	56
Current service cost on post-retirement medical aid	24	4	5	4	4
Actuarial losses on post-retirement medical aid recognised	24	1	1	2	2
Annuity purchased for pensioners	24	(11)	(7)	(11)	(7)
Share-based payment expense	14	12	10	12	10
Movements in provisions		73	(46)	(33)	(46)
Profit on sale of discontinued operations	2.2			(1 661)	
Impairment of loans receivable	8			212	
Donation to Mapochs Mine Community Trust	20			49	—
Currency translation difference		11	13		
		(410)	212	(723)	(104)



Statement of cash flows (continued from page 121)

for the year ended 31 December

		Group		Company	
		2012	2011	2012	2011
	Notes	Rm	Rm	Rm	Rm
(Increase)/decrease in inventories		(13)	374	(33)	353
Decrease in trade and other receivables and prepayments		61	386	59	286
(Decrease)/increase in payables and provisions		(242)	76	(140)	122
		(604)	1 048	(837)	657
Finance and investment income received	23.1	8	26	8	24
Finance charges paid	23.2	(12)	(4)	(13)	(4)
Income tax paid	23.3	(2)	(6)	—	(1)
Cash flows (used in)/generated by operating activities		(610)	1 064	(842)	676
Investing activities					
Purchase of property, plant and equipment to maintain operating activities	6	(181)	(311)	(169)	(311)
Purchase of property, plant and equipment to increase operating activities	6	(22)	(174)	(23)	(174)
Proceeds from sale and scrapping of property, plant and equipment	23.4	4	90	4	90
Repayment of loans from sale of discontinued operations				38	—
Cash flows (used in)/generated by investing activities		(199)	(395)	(150)	(395)
Financing activities					
Short-term interest-bearing loans and borrowings		102	—	349	(4)
Long-term interest-bearing loans and borrowings		15			
Cash flows generated by/(used) in financing activities		117	—	349	(4)
Net (decrease)/increase in cash and cash equivalents		(692)	669	(643)	277
Cash and cash equivalents at the beginning of the financial year		1 184	492	647	370
Effects of exchange rate changes on cash held in foreign currencies		35	23		
Cash and cash equivalents at the end of the financial year		527	1 184	4	647

Notes to the financial statements

for the year ended 31 December

1. Corporate information

The consolidated and separate financial statements of EVRAZ Highveld Steel and Vanadium Limited (the Company) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 13 March 2013. The Company is a limited company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded.

The principal activities of the Group and Company are described in the directors' report on [pages 113 to 116](#).

1.1 Basis of preparation

The consolidated and separate financial statements of the Group have been prepared in accordance with [IFRS](#), International Financial Reporting Interpretation Committee (IFRIC) interpretations and with those requirements of the South African Companies Act of 2008 applicable to companies reporting under [IFRS](#).

The consolidated and separate financial statements have been prepared on a historical cost basis except certain financial instruments which are measured at fair value. The consolidated and separate financial statements are presented in South African Rand and all values are rounded to the nearest million (Rm) except when otherwise indicated.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company.

Intra-group balances, transactions, and any unrealised gains and losses arising from intra-group transactions are eliminated in full in the case of subsidiaries in preparing the consolidated financial statements.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership

interest of a subsidiary, without a loss of control, is accounted for in equity as a transaction between shareholders. The financial results of subsidiaries and special purposes entities are consolidated for the same period on the following basis:

Investment in subsidiaries

Subsidiaries are those entities in which the Group has more than half of the voting rights and/or power to exercise control.

Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. Subsidiaries are fully consolidated from date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those of the Group.

The Company carries its investments in its subsidiaries at cost.

When an investment in an entity has all the characteristics of a common control business combination as defined in [IFRS 3](#), the most appropriate policy available is the pooling of interest method or acquisition method. The Company elected to use the pooling of interest method for the sale of Mapochs Mine division to Mapochs Mine Proprietary Limited.

The pooling of interest method requires that the assets and liabilities are reflected at their previous book values, no goodwill is recorded and any difference arising between the carrying amount of assets and liabilities and the purchase price were accounted for in equity.

Accounting for black-economic empowerment (BEE) transactions

Where equity instruments are issued to a [BEE](#) party at less than fair value, these are accounted for



as share-based payments. Any difference between the fair value of the equity instrument issued and the consideration received is accounted for as an expense in the income statement.

A restriction on the **BEE** party to transfer the equity instrument subsequent to its vesting is not treated as a vesting condition, but is factored into the fair value determination of the instrument.

The Company did not issue or transfer equity instruments at less than fair value.

Investment in Environmental Trust Fund

The Company controls the Environmental Trust Fund. The Company's interest in the assets, liabilities, results and cash flows of the trust are included in those of the Company and its subsidiaries from the date of control over the funds until the date control ceases.

1.2 Changes in accounting policies and disclosures

The accounting policies adopted are consistent with those of the previous year except as follows:

The Group has adopted the following new and revised Standards and Interpretations issued by the **IASB** and the **IFRIC** of the **IASB**, that are relevant to its operations and effective for accounting periods beginning on 1 January 2012. Only where the impact of these is material or has been disclosed separately is reference made to the relevant **IFRS** in the notes to the financial statements.

i.) The adoption of these new and revised Standards and Interpretations has resulted in changes in the Group's accounting policies and disclosures as follows:

- **IFRS 1, Severe hyperinflation and removal of fixed dates for first-time adopters (Amended)**

The amendment provides guidance on how an entity should resume presenting **IFRS** financial statements when its functional currency ceases to be subject to severe hyperinflation. The amendments are effective from 1 July 2011, with earlier application permitted. The Group adopted the amendments for annual periods beginning on 1 January 2012. The adoption of the amendment did not have any

impact on the financial position or performance of the Group.

- **IFRS 7, Transfers of financial assets (Amended)**

The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets under certain scenarios. The amendment became effective for annual periods beginning on or after 1 July 2011. The Group adopted the amendments on 1 January 2012. The amendment affects disclosure only and had no impact on the Group's financial position or performance.

- **IAS 12, Deferred taxes: Recovery of underlying assets (Amended)**

The amendment introduces a rebuttable presumption that deferred tax on investment properties measured at fair value be recognised on a sale basis. The presumption can be rebutted if the entity applies a business model that would indicate that substantially all of the investment property will be consumed in the business, in which case an own-use

basis must be adopted. The amendment became effective for annual periods beginning on or after 1 January 2012 and had no impact on the Group's financial position or performance.

ii.) New and revised **IFRS** and Interpretations issued but not yet effective. The following Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:

- **IAS 1, Presentation of items of other comprehensive income (Amended)**

The amendment to International Accounting Standards (IAS) 1 requires that items presented within Other Comprehensive Income (OCI) be grouped separately into those items that will be recycled into profit or loss at a future point in time, and those items that will never be recycled. The amendment becomes effective for annual periods beginning on or after 1 July 2012. The Group will adopt the amendments for annual periods beginning on 1 January 2013.

- **IAS 19, Employee benefits (Revised)**

The 'corridor approach' currently allowed as an alternative basis in **IAS 19** for the recognition of actuarial gains and losses on defined benefit plans has been removed. Actuarial gains and losses in respect of defined benefit plans are now recognised in **OCI** when they occur. For defined benefit plans, the amounts recorded in profit or loss are limited to current and past service costs, gains and losses on settlements and interest income/expense. The distinction between short-term and other long-term benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits. In many instances this is expected to have a significant impact on the manner in which leave pay and similar liabilities are currently classified. The Group is currently assessing the full impact of the remaining amendments. The amendment becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the

amendments. The expected loss to be recognised in 2013 in Other Comprehensive Loss is R29 million.

- **IAS 27, Separate financial statements (consequential revision due to the issue of IFRS 10)**

IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures and associates in the separate financial statements of the investor. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the amendments.

- **IAS 28, Investments in associates and joint ventures (consequential revision due to the issue of IFRS 10 and 11)**

The revised standard caters for joint ventures (now accounted for by applying the equity accounting method) in addition to prescribing the accounting for investments in associates. The amendment becomes effective

for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the amendments.

- **IAS 32, Offsetting financial assets and financial liabilities (amendments to IAS 32)**

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the **IAS 32** offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- **IFRS 7, Disclosures – offsetting financial assets and financial liabilities (amendments to IFRS 7)**

IFRS 7 provides additional disclosures (similar to current US Generally Accepted Accounting Principles (GAAP) requirements). The amendment becomes effective for annual periods

beginning on or after 1 January 2013, at which date the Group will adopt the amendments.

IFRS 9, Financial instruments – classification and measurement

This, the first phase of the **IASB's** project to replace **IAS 39** in its entirety, addresses the classification and measurement of financial instruments. Amendments published in October 2010 incorporate the existing de-recognition principles of **IAS 39** directly into **IFRS 9**.

Financial assets

All financial assets are initially measured at fair value. Subsequent measurement of debt instruments is only at amortised cost if the instrument meets the requirements of the 'business model test' and the 'characteristics of financial asset test'. All other debt instruments are subsequently measured at fair value. All equity investments are subsequently measured at fair value either through **OCI** or profit and loss. Embedded derivatives contained in non-derivative host contracts are not



separately recognised. Unless the hybrid contract qualifies for amortised cost accounting, the entire instrument is subsequently recognised at fair value through profit and loss.

Financial liabilities

For liabilities measured at fair value through profit and loss, the change in the fair value of the liability attributable to changes in credit risk is presented in OCI. The remainder of the change in fair value is presented in profit and loss. All other classification and measurement requirements in IAS 39 have been carried forward into IFRS 9. The effective date is 1 January 2015.

- **IFRS 9, IFRS 7, Mandatory effective date and transition disclosures (amendments to IFRS 9 and IFRS 7)**

Mandatory effective date for IFRS 9 is 1 January 2015. Amendments to IFRS 7 depend on when IFRS 9 is adopted and affect the extent of comparative information required to be disclosed.

- **IFRS 10, Consolidated financial statements**
IFRS 10 creates a new, broader

definition of control than under current IAS 27 and has resulted in the Standards Interpretation Committee (SIC) 12 being withdrawn. IFRS 10 does not change the consolidation process; rather it changes whether an entity is consolidated by revising the definition of control. The revised definition of control will require consideration of aspects such as de-facto control, substantive versus protective rights, agency relationships, silo accounting and structured entities when evaluating whether or not an entity is controlled by the investor. Transition guidance amendments: The Board has confirmed that relief from retrospective application of IFRS 10 would apply to an investor's interests in investees that were disposed of during a comparative period. This standard becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the standard.

- **IFRS 11, Joint arrangements**
IFRS 11 replaces IAS 31 and SIC 13 and refers to IFRS 10's revised definition of

'control' when referring to 'joint control'. Under IFRS 11 a joint arrangement (previously a 'joint venture' under IAS 31) is accounted for as either a:

- Joint operation – by showing the investor's interest/relative interest in the assets, liabilities, revenues and expenses of the joint arrangement; or
- Joint venture – by applying the equity accounting method. Proportionate consolidation is no longer permitted.

Under IFRS 11 the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or joint venture. Transition guidance amendments: to limit the requirement to provide adjusted comparative information to the immediately preceding period only. This standard becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the standard.

- **IFRS 12, Disclosure of interests in other entities**
The new standard applies to

entities that have interests in subsidiaries, joint arrangements, associates and/or structured entities. Many of the disclosures are those previously included in IAS 27, IAS 28 and IAS 31. Many new disclosures have however also been added. Transition guidance amendments: to limit the requirement to provide adjusted comparative information to the immediately preceding period only. For the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed. This standard becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the standard.

- **IFRS 13, Fair value measurement**

IFRS 13 describes how to measure fair value where fair value is required or permitted to be used as a measurement basis under IFRS (with certain standards being excluded from the scope of IFRS 13). Under IFRS 13 fair value is presumed

to be an 'exit price'. New disclosures related to fair value measurements are also included. This standard becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the standard.

- **IFRIC 20, Stripping costs in the production phase of a surface mine**

The interpretation applies to stripping costs incurred during the production phase of a surface mine and requires such costs to be capitalised as part of an asset (the 'stripping activity asset') if certain criteria are met. The stripping activity asset must be depreciated on a unit of production basis unless another method is more appropriate. This standard becomes effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the standard.

- **Improvements to IFRS – issued May 2012**

- Application of IFRS 1 where an entity has previously applied IFRS and treatment of borrowing costs capitalised

under previous GAAP.

- IAS 1 – Clarification of the requirements for comparative information.
- IAS 16 – Classification of servicing equipment.
- IAS 32 – Tax effect of distribution to holders of equity instruments aligned with IAS 12.
- IAS 34 – Clarification of interim financial reporting and segment information for total assets and liabilities.

These improvements become effective for annual periods beginning on or after 1 January 2013, at which date the Group will adopt the improvements.

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial results or disclosures of the Group, except for the impact of IAS 19 as per above.

1.3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's

consolidated and separate financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated and separate financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described below.

i.) Decommissioning and rehabilitation obligations

Estimating the future costs of environmental and rehabilitation obligations is complex and requires management to make estimates and judgments as most of the obligations will be fulfilled in the future and laws are often not clear regarding what is

required. The resulting provisions are further influenced by changing technologies, political, environmental, safety, business and statutory considerations. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. The carrying amount of the provision for the Group at the reporting date is R694 million (2011: R555 million).

ii.) Asset lives and residual values

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. Annually, depreciation methods applied and the actual lives and residual values of the assets are assessed and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the



remaining life of the asset and projected disposal values. The carrying amount of property, plant and equipment for the Group at the reporting date is R1 722 million (2011: R1 760 million).

iii.) Post-retirement employee benefits

Post-retirement medical aid liabilities are provided for certain existing employees. Actuarial valuations are based on assumptions which include employee turnover, mortality rates, the discount rate, healthcare inflation cost and rates of increase in costs.

iv.) Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation

of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets and depreciation and amortisation charges.

v.) Consolidation of Special Purpose Entities

EVRAZ Highveld holds a 74 per cent equity interest in Mapochs Mine Proprietary Limited, with a further 23 per cent being held by a special purpose entity Umnotho Iron and Vanadium Proprietary Limited (Umnotho) and three per cent being held by the Mapochs Mine Community Trust (MMCT). Umnotho and MMCT were established for EVRAZ Highveld, with the benefit from these two entities being primarily for EVRAZ Highveld and not their respective

shareholders. Given that EVRAZ Highveld, in substance, controls both Umnotho and MMCT, and notwithstanding the absence of shareholding in these entities, both Umnotho and MMCT are fully consolidated.

1.4 Summary of significant accounting policies

Accounting policies that refer to 'consolidated or Group', apply equally to the Company's financial statements where relevant.

a. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, sales-related taxes and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable. Significant risks and rewards of ownership have passed when title and insurance risk has passed to

the customer and the goods have been delivered to a contractually agreed location.

b. Interest and dividend income

Interest income and preference dividends are recognised on a time proportionate basis, taking into account the principal amount invested and the effective rates over the period to maturity, when it is determined that such income will accrue to the Group.

Other dividend income is recognised at the time when the amount of the dividend can be measured reliably and the right to receive payment is established.

c. Exploration costs

Exploration costs that are incurred before the technical and economic assessment is approved by the Investment Committee, is expensed as incurred.

d. Inventories

Inventories and work-in-progress are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs

of completion and the estimated costs necessary to make a sale. Stock write-downs to net realisable value and stock losses are expensed during the period in which the write-down or loss occurs. Cost is determined on the following bases:

- i.) Finished goods and work-in-progress are valued on a weighted average basis. Raw materials are valued at delivered cost determined on a weighted average basis, consumable stores are valued at delivered cost determined on a weighted average basis, with appropriate reductions for obsolescence and slow-moving items.
- ii.) Vanadium slag is a by-product and is valued on a market related basis. The final realisable value is used as a basis to calculate the cost of the slag by taking into account profit margins, processing cost and other costs.
- iii.) Slag deposits and dumps are carried at zero value. On sale of these deposits and dumps, the revenue generated is

accounted for as profit and is included in revenue.

- iv.) Scrap steel purchased is carried at cost on a weighted average basis, and scrap produced as a by-product of the steelmaking process is valued at fair value, which is the current market price for scrap steel.

e. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

- i.) Property, plant and equipment, excluding rolls and linings for forming steel, is depreciated on a straight-line basis at rates that will reflect the outflow of economic benefits, from the Group, over the estimated life of the specific asset as a result of utilisation within the operation after taking into account the estimated residual value of the asset.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate

items of property, plant and equipment.

- ii.) The estimated useful lives of property, plant and equipment are as follows:

	Number of years
Improvements to property	20 – 50
Plant	2 – 50
Equipment	2 – 15

Rolls and linings for forming steel are depreciated on the basis of tons rolled and produced. Land and work under construction are not depreciated. Work under construction becomes depreciable when the assets are substantially ready for their intended use and depreciated over their useful life.

Mineral rights are valued at historical cost and amortised on the basis of tonnage mined.

The Group annually reviews all of its depreciation rates, residual values and depreciation methods to take

account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

- iii.) Expenditure incurred to replace a component at intervals greater than once a year of an item of property, plant and equipment, including major inspection and overhaul expenditure, is capitalised and depreciated over the period during which enduring benefits will be enjoyed, and the component replaced is derecognised.

Major maintenance expenditure, with intervals in excess of once a year is capitalised and depreciated over the period during which enduring benefits will be enjoyed. Day-to-day maintenance and repairs expenditure, incurred in intervals shorter than once



a year are charged against income when incurred.

iv.) An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount of the asset and are included in profit before interest and tax, but adjusted in calculating headline earnings.

v.) The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to significant accounting judgements, estimates and assumptions (note 1.3) and provisions (note 15) for further

information about the recorded decommissioning provision.

f. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys the right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership and the rights to control the asset to the lessee. All other lease payments are classified as operating leases and are recognised as an expense in the income statement on a straight-line basis over the lease term.

Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at the inception of the lease and a corresponding liability is raised. Capitalised leased assets are depreciated using the straight-line method over the expected useful lives of the assets. Finance

lease obligations, net of finance charges, are included in liabilities. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. The Group did not have any leases for the year.

g. Impairment of non-financial assets

The Group assesses all assets at each reporting date to determine whether there is any indication that assets are impaired or if the reversal of a previously recognised impairment is required. If any such indications exist, or when annual impairment testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment or reversal (if any).

The recoverable amount is the higher of fair value less cost to

sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment is recognised immediately as an expense. Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired asset.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the

revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset in previous periods. A reversal of an impairment is recognised as income. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. No impairment was necessary for the year.

h. Taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised therein.

i) Current income tax

The charge for current income tax is based on the results for the year as adjusted for items of permanent difference, non-taxable income or disallowed expenses. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date. Prior year over- and under-provisions are also adjusted during the current year. Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities.

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the dividends are declared.

ii) Deferred income tax

Deferred tax is accounted for using the liability method on temporary differences at the reporting date between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax assets and liabilities are recognised for all taxable and deductible temporary differences, except:

- where the deferred income tax asset or liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable and deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. Unrecognised

deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if a legally enforceable right exist, when they relate to income taxes levied by the same taxation authority and the same taxable entity.

iii) Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax, except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the



value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

i. Foreign exchange

i.) Foreign exchange translation

The South African Rand is the functional currency of the Company which reflects the economic substance of the underlying events and circumstances.

The exchange rates of Euro to SA Rand used in preparing the consolidation of the Company's subsidiaries incorporated in Austria into the Group's financial statements was as follows:

	Weighted average rate	Closing rate
Year ended 31 December 2012	10.56	11.19
Year ended 31 December 2011	10.08	10.50

The weighted average exchange rates have been calculated based on the average of the exchange rates during the relevant year.

ii.) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the income statement with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in OCI until the net investment

is disposed, at which time, the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss is also recognised in OCI or profit or loss, respectively).

iii.) Overseas subsidiaries

In preparing the financial statements of the individual

entities in the Group, transactions in currencies other than the entity's functional currency are recorded at rates of exchange prevailing on the date of the transactions. The functional currency for the Company's most significant subsidiary is the Euro.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign subsidiaries are expressed in the presentation currency of the Group using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at date of the transactions.

Exchange differences arising on the translation are recognised in OCI. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of. Exchange differences arising on the loan to a subsidiary

that forms part of the net investment in the subsidiary are recognised in the consolidated financial statements as part of OCI and included in the Group's currency translation reserve.

j. Employee benefits

i.) Pension and post-retirement medical benefits

The Group operates a defined contribution scheme for its employees as well as a post-retirement medical benefit scheme.

Pension

Contributions made by the Group in respect of defined contribution funds are charged as an expense as service is rendered.

Post-retirement medical benefit scheme

The obligation to provide post-retirement medical aid benefits is recognised with reference to actuarial valuations performed annually. The cost of providing benefits under this defined benefit plan is determined separately using the projected unit credit method.

Actuarial gains or losses are recognised as income or expense when the net cumulative unrecognised actuarial gains or losses for the plan at the end of the previous period exceeded 10% of the defined benefit obligation at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested, past service costs are immediately recognised.

ii.) Medical

Contributions by the Group in respect of employees are expensed in the period in which the related service is rendered by the employee. Medical aid plans are controlled by non-related administrators.

iii.) Short- and long-term benefits

The cost of all short-term employee benefits, such as

salaries, bonuses, housing allowances and other contributions are recognised during the period in which the employee renders the related service.

The vesting portion of long-term benefits for leave and retention bonus is recognised and provided for at reporting date, based on current salary rates and company contributions.

The Group recognises a liability and an expense for performance based bonus incentives where contractually obliged or where there is a past practice that has created a constructive obligation.

iv.) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to terminating the employment of current employees according to a

detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

k. Financial assets and financial liabilities

Financial assets

Initial recognition

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a timeframe established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. The Group's financial assets include cash and cash equivalents, short-



term deposits, trade and other receivables and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

i.) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that do not meet the hedge accounting criteria as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with gains or losses recognised in profit or loss.

ii.) Loans and receivables

Loans and receivables are non

derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

iii.) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in profit or

loss. The losses arising from impairment are recognised in profit or loss in finance costs. The Group did not have any held-to-maturity investments during the years ended 31 December 2012 and 2011.

iv.) Available-for-sale financial investments

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in OCI until the investment is derecognised, at which time the cumulative gain or loss recorded in OCI is recognised in profit or loss, or determined to be impaired, at which time the cumulative loss recorded in OCI is recognised in profit or loss. The Group did not have any available-for-sale investments during the years ended 31 December 2012 and 2011.

Financial liabilities

Initial recognition

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdraft, loans and borrowings and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

i.) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as at fair value

through profit or loss. Gains or losses on liabilities held-for-trading are recognised in the profit or loss.

ii.) *Loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

iii.) *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher

of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation. At the reporting date no financial guarantee liabilities existed, but guarantees issued by the Group are disclosed as contingent liabilities.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short

positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions.
- Reference to the current fair value of another instrument that is substantially the same.
- A discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

Amortised cost of financial instruments

Amortised cost is computed using the effective interest method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The Group assesses at each

reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in making interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For amounts due from financial assets carried at amortised cost,



the Group first assesses for each whether objective evidence of impairment exists individually that are significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individual financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses these for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit losses that have not yet been incurred.

The carrying amount of the asset is reduced through the use of an allowance account and the amount

of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Financial assets carried at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a financial asset carried at amortised cost has a variable interest rate, the

discount rate for measuring any impairment loss is the current effective interest rate.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from OCI and recognised in profit or loss.

Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in OCI.

De-recognition of financial instruments

Financial assets

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset, is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such

derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year are taken directly to profit or loss.

The fair value of forward currency contracts is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles. The Group did not enter into any derivative financial instruments for the year.

I. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of future economic benefits will occur, and a reliable estimate can

be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date and is discounted to present value where the effect is material. Policies relating to specific provisions are detailed below:

i.) Provision for environmental expenditure

Provision is made for environmental rehabilitation cost where either a legal or constructive obligation is recognised as a result of past events. Measurement of environmental liabilities is based on the current legal requirements and existing technology. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provision. The unwinding of the discount is expensed as it is incurred and is recognised in the income statement as a finance cost. The carrying amount of liabilities is regularly reviewed and adjusted for appropriate

new facts or changes in law or technology.

Cost of ongoing current programmes to prevent and control emissions and to rehabilitate the environment is expensed as incurred.

ii.) Provision for leave liabilities

Provision for leave liability is recognised monthly based on the period of time worked per employee and is measured in accordance with applicable salary per employee.

iii.) Provision for bonus liabilities

A provision is raised for bonus entitlements applicable to the current year paid in the subsequent year. The provision is recognised when the employee becomes entitled to payment and is calculated as per the bonus rules applicable to every level of employee.

iv.) Provision for litigation

Provisions are raised for legal claims where management and expert third parties have agreed that it is probable that an outflow of future economic benefits will occur. Where



applicable, provision is raised for interest and legal fees.

v.) Post-retirement medical benefits

A provision is raised for active members who have a right to post-retirement medical benefits. This relates to engagements before 31 December 2001. The obligation to provide post-retirement medical aid benefits is recognised with reference to actuarial valuations performed annually. Refer to j. Employee Benefits for more information on this.

m. Dividends

Dividends payable to holders of equity instruments are recognised in the period in which they are authorised and approved by the Board of Directors. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity. Dividends proposed or declared subsequent to the year-end are not recognised at the reporting date, but are disclosed in the notes to the financial statements.

n. Discontinued operations

Discontinued operations are material, distinguishable components of an enterprise that have been sold, or are the subject of formal plans for disposal or discontinuance. The profit or loss on the sale of a discontinued operation is determined up to the discontinuance date.

Non-current assets and disposal groups classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held-for-sale if their carrying amounts will be recovered through a sale transaction, rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

In the consolidated income statement of the reporting period, and of the comparable period of the previous year, income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported separately in the income statement.

Property, plant and equipment and intangible assets once classified as held-for-sale are not depreciated/amortised.

o. Earnings per share

Basic earnings per share comprise the profit on all activities after tax attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share represent the profit on ordinary activities after tax attributable to the equity shareholders, divided

by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

p. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on short-term deposits with an original maturity of three months or less. Cash and short-term deposits are measured at fair value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

q. Share-based payment transactions

Certain employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

r. Equity-settled transactions

The cost of equity-settled transactions is recognised, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest.

The income statement expense for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (note 2.7).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or

non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met.

However, if a new award is substituted for the cancelled

award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. Other income and expenses

for the year ended 31 December

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
2.1 Total revenue *				
Sale of goods	4 346	5 587	3 397	4 443
Finance income	8	26	125	24
Total revenue	4 354	5 613	3 522	4 467
* The Company includes continuing and discontinued (note 4) operations.				
2.2 Other operating income				
Reversal of litigation provision	18	8	18	8
Net profit on disposal and impairment of property, plant and equipment (note 23.4)	1		2	
Disposal of Mapochs Mine to Mapochs Mine Proprietary Limited			1 661	
Insurance claim proceeds on items of property, plant and equipment scrapped	—	87	—	87
Management fees			7	—
Settlement of claim against channel induction furnace supplier	109		109	
Sundry	10	—	10	
Total other operating income	138	95	1 807	95

The reversal of litigation provision in 2012 relates to a claim that was instituted against the Company, and which was dismissed with cost.

In the fourth quarter of 2010 the Board resolved to impair, in its present condition, the channel induction

furnace resulting in a write off of the book value of R230 million in terms of accounting principles. This furnace was originally intended for superheating blown metal after the shaking ladle and to melt extra scrap in the Steel Plant. After two major breakdowns it was concluded that

the furnace was most probably not fit for purpose. The matter was settled in 2012 whereby damages were paid to the Company in the amount of US\$13 million on certain conditions, amongst which that the vessel was removed at the costs of the supplier. The removal operations commenced on 1 November 2012.

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
2.3 Other operating expenses				
Net loss on disposal and impairment of property, plant and equipment (note 23.4)	—	(4)	—	(4)
Impairment of loans			(212)	—
Insurance	(19)	(28)	(18)	(30)
Sundry	(36)	—	(36)	—
Total other operating expenses	(55)	(32)	(266)	(34)
From 2012 the idle plant cost is disclosed as part of Cost of Sales. The 2011 disclosure is also adjusted.				
2.4 Finance costs *				
Interest on overdrafts and other	(10)	(8)	(11)	(8)
Interest on taxation payable	—	(3)	—	(3)
Interest on environmental rehabilitation provision	(31)	(30)	(20)	(30)
Interest on post-retirement medical benefits provision	(11)	(9)	(10)	(9)
Total finance costs	(52)	(50)	(41)	(50)
* The Company includes continuing and discontinued (note 4) operations.				
2.5 Finance income				
Interest on cash investments	8	20	8	18
Interest on loans			117	
Other finance income	—	6	—	6
Total finance income	8	26	125	24

As at 31 December 2012, all executive managers have an indefinite employment contract, with a one-month notice period, except for one executive manager where the contract expires 28 February 2013.



	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
2.6 Other disclosable items included in the income statement				
Continuing operations				
<i>Included in cost of sales:</i>				
Depreciation	275	300	267	289
Write-down/(reversal of write-down) of inventories to net realisable value	18	(141)	18	(166)
Costs of inventories recognised as an expense	4 453	4 933	3 842	3 443
<i>Included in administrative expenses:</i>				
Depreciation	13	12	12	12
Net foreign exchange differences	(22)	(27)	(21)	(27)
Auditors' remuneration				
Audit fees	3	4	3	4
2.7 Employee benefits expense				
Salaries and wages	877	860	830	860
Staff benefits expenses	63	68	59	68
Pension costs	59	55	57	55
Post-retirement benefits expenses	5	6	6	6
Total employee benefits expense	1 004	989	952	989

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm

2.8 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (executive and non-executive) of the Group. Compensation for key management was as follows:

Salaries and short-term employee benefits	43	38	43	38
Share-based payments	12	10	12	10
Termination benefits	–	7	–	7
	55	55	55	55

	2012	2011
	Rm	Rm

Information regarding performance parameters, incentive schemes to encourage retention and long-term incentive plans for executive directors are determined by EVRAZ plc, in conjunction with the Remuneration and Nominations Committee.

The three most highly-paid employees, who are not directors in the Group and Company received the following cumulative remuneration in 2012:

– Base pay	9	6
– Bonuses	2	*
– Share-based payments	1	1
– Other benefits	2	3
	14	10

* Less than R1 million.

As at 31 December 2012, all executive managers had indefinite employment contracts with a one-month notice period, except for one executive manager whose contract expires on 28 February 2013.

3. Taxation

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
3.1 Income tax				
South African				
<i>Normal</i>				
Current	—	—	—	—
Prior year	(44)	—	(44)	—
<i>Deferred</i>				
Current	88	(112)	42	(54)
Prior year	—	(1)	—	(1)
Non-South African				
<i>Normal</i>				
Current	1	3		
Prior year	—	(8)		
Income tax debit/(credit)	45	(118)	(2)	(55)
Attributable to:				
Continuing operations	45	(118)	57	(88)
Discontinued operations (note 4)			(59)	33
	45	(118)	(2)	(55)

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
	%	%	%	%
3.2 Income tax rate reconciliation				
Standard rate	28.0	28.0	28.0	28.0
Non-taxable income	7.7	16.1	(105.6)	3.1
Prior year over provision	4.9	13.7	(9.9)	0.1
Permanent difference arising from discontinued operations	—	—	(13.3)	(15.3)
Impairment of deferred tax asset	(33.0)	—	67.0	—
Difference in statutory taxation rates	3.9	(0.2)	—	—
(Deductible)/non-deductible expenditure	(16.5)	104.0	33.3	(1.4)
Income tax for the year expressed as a percentage of loss before tax	(5.0)	161.6	(0.5)	14.5



4. Discontinued operations

Mapochs Mine mines iron ore and despatches lump ore to the Steelworks for the production of hot metal, steel and vanadium slag. The ore fines are sold to Vanchem Vanadium Products Proprietary Limited, a third party, pursuant to their vested rights in the ore fines. Mapochs Mine was disposed of on 29

February 2012 as all the legislative obligations related to the conversion of the old-order mining rights to new-order mining rights by the DMR had been fulfilled. As the new company that owns Mapochs Mine is still 74% owned and controlled by the Company, it is not considered to be a discontinued operation from a Group

perspective. Based on case law, the deferred tax asset is derecognised in 2011 as the income tax deductions cannot be claimed by the seller. The results for discontinued operation for the two months in 2012 are presented below. The Mapochs Mine belongs to the steel segment. The result of this disposal group is presented below:

	Company	
	2012	2011
	Rm	Rm
Total revenue	68	418
Revenue	68	418
Cost of sales	(76)	(391)
Gross (loss)/profit	(8)	27
Selling and distribution costs	(4)	(48)
Administrative expenses	(2)	(4)
Operating loss	(14)	(25)
Finance costs	(2)	(9)
Loss before tax from discontinued operations	(16)	(34)
Income tax credit/(expense)	59	(33)
Profit/(loss) for the year from discontinued operations	43	(67)

	Company	
	2012	2011
	Rm	Rm
4. Discontinued operations (continued)		
The assets and related liabilities of this disposal group are:		
Assets		
Property, plant and equipment	—	84
Deferred tax asset	—	—
Inventories	—	121
Trade and other receivables	—	10
Assets classified as held-for-sale	—	215
Liabilities		
Trade and other payables	—	87
Long-term liabilities	—	228
Liabilities directly associated with assets classified as held-for-sale	—	315
Net liabilities directly associated with disposal groups	—	(100)
The net cash flows of the disposal group are as follows:		
Cash flows from operating activities	(15)	80
Cash flows from investing activities	—	(16)
Cash flows from financing activities	—	—
Net cash (outflow)/inflow	(15)	64

5. Earnings per share

Basic earnings per share amounts are calculated by dividing Group profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Group			
	2012		2011	
	Basic	Basic diluted	Basic	Basic diluted
5.1 Basic and diluted (loss)/earnings per share				
Net (loss)/profit from continuing operations – Rm	(943)	(943)	45	45
Net (loss)/profit from total operations – Rm	(943)	(943)	45	45
Weighted average number of ordinary shares in issue	99 150 098	99 150 098	99 150 098	99 150 098
Basic and diluted (loss)/earnings per share from continuing operations – cents	(951.1)	(951.1)	45.4	45.4
Total basic and diluted (loss)/earnings per share – cents	(951.1)	(951.1)	45.4	45.4

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

	Group			
	2012		2011	
	Headline	Headline diluted	Headline	Headline diluted
5.2 Headline loss per share				
Net loss from continuing operations – Rm	(1 022)	(1 022)	(15)	(15)
Loss from total operations – Rm	(1 022)	(1 022)	(15)	(15)
Weighted average number of ordinary shares in issue	99 150 098	99 150 098	99 150 098	99 150 098
Loss per share from continuing operations – cents	(1 030.4)	(1 030.4)	(15.1)	(15.1)
Total headline loss per share – cents	(1 030.4)	(1 030.4)	(15.1)	(15.1)

Headline loss per share is calculated in terms of Circular 8/2007 Headline Earnings issued by the South African Institute of Chartered Accountants.

	2012	2011
	Rm	Rm
5.2 Headline loss per share (continued)		
The reconciliation of headline loss is as follows:		
(Loss)/profit for the year	(943)	45
(Deduct)/add after tax effect of:		
Insurance claim proceeds on items of property, plant and equipment scrapped	—	(63)
Proceeds on settlement of channel induction furnace matter	(79)	—
(Gain)/loss on disposal and impairment of property, plant and equipment	(*)	3
Headline loss	(1 022)	(15)
* Less than R1 million.		
Weighted average number of shares for calculating diluted earnings per share		
Weighted average number of ordinary shares in issue	99 150 098	99 150 098

6. Property, plant and equipment

	Group				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	Total
	Rm	Rm	Rm	Rm	Rm
Cost					
As at 1 January 2011	15	73	3 165	69	3 322
Additions	–	–	39	446	485
Transfers from work under construction	–	15	361	(376)	–
Disposals, scrappings and impairments	–	–	(67)	(13)	(80)
As at 31 December 2011	15	88	3 498	126	3 727
Additions	–	–	21	182	203
Transfers from work under construction	–	34	195	(229)	–
Mapochs Mine Dam de-silting cost	–	–	–	50	50
Disposals and scrappings	–	–	(109)	–	(109)
Sale of assets to Mapochs Mine Proprietary Limited at carrying value	–	(13)	(98)	–	(111)
Disposals	(14)	(39)	(134)	–	(187)
Additions to Mapochs Mine Proprietary Limited at carrying value	14	26	36	–	76
As at 31 December 2012	15	109	3 507	129	3 760
Depreciation and impairment					
As at 1 January 2011	2	37	1 676	–	1 715
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	4	308	–	312
Depreciation charge for the year	–	4	305	–	309
Change in estimated useful lives	–	–	3	–	3
Disposals, scrappings and residual value adjustments	–	–	(60)	–	(60)
As at 31 December 2011	2	41	1 924	–	1 967
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	6	282	–	288

	Group				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	Total
	Rm	Rm	Rm	Rm	Rm
6. Property, plant and equipment (continued)					
Depreciation charge for the year	—	6	288	—	294
Change in estimated useful lives	—	—	(6)	—	(6)
Sale of assets to Mapochs Mine Proprietary Limited at carrying value	—	(13)	(98)	—	(111)
Disposals	—	(13)	(98)	—	(111)
Additions to Mapochs Mine Proprietary Limited at carrying value	—	—	—	—	—
Disposals and scrapings	—	—	(106)	—	(106)
As at 31 December 2012	2	34	2 002	—	2 038

Net book value

As at 31 December 2012	13	75	1 505	129	1 722
As at 31 December 2011	13	47	1 574	126	1 760

A register giving details of all property, plant and equipment including freehold property is available for inspection at the registered office of the Group on request. The headline earnings has been adjusted by R1 million profit before taxation (2011: R4 million loss) on disposal and impairment of property, plant and equipment and in 2011 by R87 million compensation

received from third parties for items of property, plant and equipment impaired, lost or given up. The after taxation adjustment to headline earnings amounts to less than R1 million profit (2011: R3 million loss) and R63 million respectively (note 5).

No plant and equipment was decommissioned during the year (2011: Rnil).

During the year, the Group carried out a review of the estimated remaining useful lives of its property, plant and equipment. The review led to the re-estimation of the useful lives of property, plant and equipment with a cost of R289 million (2011: R2 160 million) and a net carrying amount of R64 million (2011: R1 258 million). The effect of this was a reduction of the depreciation charge of R6 million (2011: R3 million) during

the current year, with the balance of R14 million (2011: R11 million) subject to depreciation in future years. During a review in 2012, property, plant and equipment with an original cost of Rnil million (2011: R22 million) and a carrying amount of Rnil million (2011: Rnil) on the fixed asset register were identified as no longer in use. These assets were scrapped during the year.



	Company				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	Total
	Rm	Rm	Rm	Rm	Rm
6. Property, plant and equipment (continued)					
Cost					
As at 1 January 2011	9	46	3 027	67	3 149
Additions	–	–	39	446	485
Transfers from work under construction	–	15	361	(376)	–
Disposals, scrapplings and impairments	–	–	(67)	(13)	(80)
Transfer to non-current assets classified as held-for-sale *	–	(7)	19	(23)	(11)
As at 31 December 2011	9	54	3 379	101	3 543
Additions	–	–	21	171	192
Transfers from work under construction	–	26	168	(194)	–
Disposals, scrapplings and impairments	–	–	(108)	–	(108)
Disposal of assets to Mapochs Mine Proprietary Limited **	(8)	(5)	10	(8)	(11)
As at 31 December 2012	1	75	3 470	70	3 616
Depreciation and impairment					
As at 1 January 2011	2	27	1 566	–	1 595
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	4	308	–	312
Depreciation charge for the year	–	4	305	–	309
Change in estimated useful lives	–	–	3	–	3
Disposals and scrapplings	–	–	(60)	–	(60)
Transfer to non-current assets classified as held-for-sale *	(2)	(3)	25	–	20
As at 31 December 2011	–	28	1 839	–	1 867
Depreciation, impairment and change in estimated useful lives of property, plant and equipment (note 2.6)	–	3	276	–	279
Depreciation charge for the year	–	3	282	–	285
Change in estimated useful lives	–	–	(6)	–	(6)

	Company				
	Land and mineral rights	Improvements to property	Plant and equipment	Work under construction	Total
	Rm	Rm	Rm	Rm	Rm
6. Property, plant and equipment (continued)					
Disposals and scrapplings	—	—	(106)	—	(106)
Disposal of assets to Mapochs Mine Proprietary Limited **	—	—	(13)	—	(13)
As at 31 December 2012	—	31	1 996	—	2 027

Net book value

As at 31 December 2012	1	44	1 474	70	1 589
As at 31 December 2011	9	26	1 540	101	1 676

* Includes additions, disposals and scrapplings related to non-current assets classified as held-for-sale.

** Summary of sale of assets to Mapochs Mine Proprietary Limited

Total cost of assets					
2010 assets classified as held-for-sale	(6)	(27)	(138)	(2)	(173)
2011 assets classified as held-for-sale	—	(7)	19	(23)	(11)
2012 assets classified as held-for-sale	(8)	(5)	10	(8)	(11)
Transfer from work under construction	—	—	(25)	25	—
Cost of assets sold to Mapochs Mine Proprietary Limited	(14)	(39)	(134)	(8)	(195)
Total accumulated depreciation of assets	—	—	—	—	—
2010 assets classified as held-for-sale	—	(10)	(110)	—	(120)
2011 assets classified as held-for-sale	(2)	(3)	25	—	20
2012 assets classified as held-for-sale	—	—	(13)	—	(13)
Accumulated depreciation of assets sold to Mapochs Mine Proprietary Limited	(2)	(13)	(98)	—	(113)
Carrying value of assets sold	(12)	(26)	(36)	(8)	(82)



6. Property, plant and equipment (continued)

A register giving details of all property, plant and equipment including freehold property is available for inspection at the registered office of the Company on request.

No plant and equipment was decommissioned during the year (2011: Rnil). During the year, the

Company carried out a review of the estimated remaining useful lives of its property, plant and equipment. The review led to the re-estimation of the useful lives of property, plant and equipment with a cost of R289 million (2011: R2 160 million) and a net carrying amount of R2 million (2011: R1 258 million). The effect of this was

a reduced depreciation charge of R6 million (2011: R3 million) during the current year, with the balance of R14 million (2011: R11 million) subject to depreciation in future years.

During a review in 2012, property, plant and equipment with an original cost of Rnil million (2011: R22 million)

and a carrying amount of Rnil million (2011: Rnil) on the fixed asset register were identified as no longer in use. These assets were scrapped during the year.

7. Investments

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Unsecured loan to subsidiary (note 8)			1 607	*
Cost of unlisted shares			1	1
Investment in Middelburg Steel and Alloys Proprietary Limited	—	—	—	—
	—	—	1	1

* Less than R1 million.

The Company subordinated its claim against Mapochs Mine Proprietary Limited in favour of Mapochs' third parties. This agreement is unconditional and shall endure indefinitely unless otherwise determined. The loan is payable to the Company by Mapochs Mine Proprietary Limited as and when free cash is available. Interest is charged at prime rate.

Details of holdings in individual investments are set out on [page 181](#).

8. Loans receivable

	Company	
	2012	2011
	Rm	Rm
8.1 Mapochs Mine Proprietary Limited		
Total loan receivable	1 607	—
Less: impairment	(165)	—
	1 442	—
Less: transfer to current assets	(193)	—
	1 249	—
8.2 Umnotho Iron and Vanadium Proprietary Limited		
Total loan receivable	47	—
Less: impairment	(47)	—
	—	—
8.3 Total		
Total loan receivable	1 654	—
Less: impairment	(212)	—
Non-current asset	1 442	—
Less: transfer to current assets	(193)	—
	1 249	—



The loans receivable were assessed for impairment and management concluded to impair the loans. The impairment of the loan receivable from Mapochs Mine Proprietary Limited was based on the present

value of future loan repayments to the Company. The loan repayments were calculated on the free cash available by Mapochs Mine Proprietary Limited as a result of future available ore reserves, iron ore selling prices,

costs and capital expenditure. The loan receivable from Umnotho Iron and Vanadium Proprietary Limited (Umnotho) is fully impaired. Management concluded that, based on the projected free cash flow, there

will be no dividends declared by Mapochs Mine Proprietary Limited – which are to be utilised by **Umnotho** for the repayment of the loan to the Company. The loan carries interest at prime rate.

9. Inventories

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Finished goods	210	106	142	106
Work-in-progress	289	389	279	281
Raw materials	148	119	136	95
Consumable stores	211	217	195	204
Inventories	858	831	752	686

The amount of write-down of inventories due to net realisable value provision requirement for the Group is R55 million (2011: R37 million) (work-in-progress R33 million (2011: R36 million) and finished goods R22 million (2011: R1 million) (note 2.6).

10. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Trade receivables	452	483	352	392
Other receivables	13	18	13	18
Trade and other receivables	465	501	365	410
Age analysis of trade receivables past due but not impaired is:				
31 to 60 days	72	116	71	116
61 to 90 days	14	22	13	22
In excess of 91 days	5	34	6	34
	91	172	90	172
Trade receivable neither past due nor impaired	361	311	262	220
	452	483	352	392
Age analysis of other receivables past due but not impaired is:				
In excess of 121 days	*	*	*	*
	*	*	*	*
Age analysis of other receivables past due but impaired is:				
In excess of 121 days	*	*	*	*
	*	—	*	—
Movements in the provision for impairment of receivables:				
As at 1 January	3	9	3	9
Bad debts written off against provision	—	(20)	—	(20)
Charge for the year	—	14	—	14
As at 31 December	3	3	3	3

* Less than R1 million.

Provision for impairment is derived by individually assessing the recoverability of all receivables.

11. Prepayments

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Prepayments	15	15	14	15

Prepayments for 2012 and 2011 consist mainly of prepaid insurance and deferred selling expenses.

12. Cash and short-term deposits

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
12.1 Cash and cash equivalents	527	1 184	4	647
12.2 Less: short-term interest-bearing loans and borrowings (note 18)	(102)	—	(349)	—
long-term interest-bearing loans and borrowings (note 18)	(16)			
12.3 Net cash and short-term deposits/(borrowings) (note 23.5)	409	1 184	(345)	647

During the year cash and cash equivalents were placed overnight and earned interest ranging between 4.80% and 5.30% (2011: 5.00% and 5.30%). Included in the cash and cash equivalents at year end is cash that is denominated in foreign currency of R1 million (2011: R48 million), earning interest at 0.10% (2011: 0.10%). Cash and cash equivalents held in the

foreign subsidiaries earned interest ranging between 0.06% and 0.12% (2011: 0.12%).

At 31 December 2012, the Group had available R300 million of undrawn uncommitted borrowing facilities in respect of which all conditions precedent had been met.

13. Issued capital and premium

	Group and Company	
	2012	2011
	Rm	Rm
Authorised		
139 990 000 ordinary shares of R1 each	140	140
1 000 000 variable rate redeemable cumulative preference shares of 1 cent each	*	*
Issued		
99 150 098 (2011: 99 150 098) ordinary shares of R1 each	99	99
Share premium	486	486
As at 31 December	585	585

* Less than R1 million.

During the year no shares were issued (2011: nil).

The directors are authorised to allot all or any of the remaining unissued shares on such terms and conditions as they may determine. This authority will remain in place until the next Annual General Meeting.

14. Other capital reserves

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
As at 1 January	203	138	10	–
Currency translation differences	49	55		
Share-based payment reserve	12	10	12	10
As at 31 December	264	203	22	10

14. Other capital reserves (continued)

On 14 December 2010, 13 October 2011 and 6 September 2012, the ultimate parent adopted Incentive Plans under which certain senior executives and employees (“participants”) could be gifted shares of the ultimate parent upon vesting.

The vesting date for each tranche occurs within the 90 days period after announcement of the annual results of EVRAZ plc. The expected vesting dates of the awards outstanding at 31 December 2012 are presented below:

	Number of shares of EVRAZ plc		
	2012	2011	2010
29 March 2013	185 236	67 803	32 805
29 March 2014	185 236	95 376	–
29 March 2015	246 996	–	–
	617 468	163 179	32 805



The plans are administrated by the board of directors of EVRAZ plc. The board of directors has the right to accelerate vesting of the grant. In the event of a participant’s employment termination, unless otherwise determined by the board or by a decision of the authorised person, a participant loses the entitlement for the shares that were not gifted up to the date of termination.

There have been no modifications or cancellations to the plans during 2011 – 2012. In 2011, after the Group’s reorganisation the shares of EVRAZ Group S.A., which were granted to the participants, have been substituted by the shares of EVRAZ plc.

EVRAZ Highveld accounted for share-based compensations at fair value pursuant to the requirements of IFRS 2 Share-based Payment. The weighted average fair value of share-based awards granted in 2012 was US\$3.41 per share of EVRAZ plc (in 2011 and 2010 US\$48.26 and US\$102.07 per share of EVRAZ Group S.A., respectively). The fair value of these awards was estimated at the date of grant and measured at the market price of the shares of a parent company reduced by the present value of dividends expected to be paid during the vesting period.

The following inputs, including assumptions, were used in the valuation:

	Incentive Plan		
	2012	2011	2010
Dividend yield – %	1.9 – 5.4	3.6 – 4.8	1.2 – 1.5
Expected life – years	0.6 – 2.6	0.5 – 2.5	0.5 – 2.5
Market prices of the shares of EVRAZ plc (2011 and 2010: EVRAZ Group S.A.) at the grant dates	US\$3.61	US\$51.57	US\$103.83

14. Other capital reserves (continued)

The historical volatility has been used for valuation of the share-based awards. The volatility reflects the assumption that it is indicative of future trends which may not

necessarily be the actual outcome. The following table illustrates the number of, and movements in, share-based awards during the years:

	2012	2011
Outstanding at 1 January	300 498	16 404
Granted during the year	638 145	27 360
Forfeited during the year	(27 774)	(10 553)
Exercised during the year	(97 417)	(3 213)
Transfer from another subsidiary within EVRAZ Group	—	3 391
Exchange into shares of EVRAZ plc	—	267 109
Outstanding at 31 December	813 452	300 498

The weighted average share price at the dates of exercise was US\$4.31 (EVRAZ plc shares) and US\$97.46 (EVRAZ Group S.A. shares) in 2012 and 2011, respectively.

The weighted average remaining contractual life of the share-based awards outstanding as of 31 December 2012 and 2011 was 1.2 and 1.2 years, respectively.

For the years ended 31 December 2012 and 2011, expense arising from the equity-settled share-based compensations was R12 million and R10 million, respectively.



15. Provisions

Included under provisions are the following major categories which have arisen as a result of past obligating events which could be reasonably quantified and are expected to be incurred:

Leave pay

In terms of the Group's policy, employees are entitled to accumulate leave benefits not taken within a leave cycle. It is expected that leave will be taken within the foreseeable future. The provision is reviewed annually.

Bonus

A provision is raised for bonus entitlements applicable to the current year paid in the subsequent year.

Litigation

Provisions are raised against legal claims. It is uncertain when judgement will be reached or when the final amount will be settled, as it is dependant on the judicial process.

Environmental rehabilitation

In accordance with prevailing

legislation, provision is made for environmental rehabilitation costs where a legal or constructive obligation is recognised as a result of past events and where cost of future expenditure can be reliably quantified. The Company has environmental rehabilitation obligations for the following areas: Mapochs Mine, Vanchem calcine dump, Steelworks, Spitskop Quarry and the Columbus Joint Venture dump. Estimates are based on costs and are regularly reviewed and adjusted as appropriate

for new circumstances. It is expected that environmental rehabilitation costs will be incurred from 2012 up to final closure date. Reputable third parties were used in the cost estimations, except for the Columbus Joint Venture rehabilitation calculation where the expected net cost and period over which waste will be recovered and removed were used.

Post-retirement medical benefits
(Refer note 24 – Medical benefits).

15. Provisions (continued)

	Group						
	Leave pay	Bonus	Litigation and legal fees	Other	Environmental rehabilitation	Post-retirement medical benefits	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
As at 1 January 2011	57	56	81	1	472	87	754
Amounts charged/(credited) to income	57	58	(22)	–	56	6	155
Interest	–	–	7	–	30	9	46
Payments and debits charged against provision	(58)	(69)	(40)	(1)	(3)	(7)	(178)
As at 31 December 2011	56	45	26	–	555	95	777
Amounts charged/(credited) to income	56	73	(17)	–	67	5	184
Mapochs Mine Dam de-silting (note 6)	–	–	–	–	50	–	50
Interest	–	–	(3)	–	31	11	39
Payments and debits charged against provision	(62)	(81)	–	–	(9)	(11)	(163)
As at 31 December 2012	50	37	6	–	694	100	887
Total non-current provisions							
2012	–	–	–	–	644	100	744
2011	–	–	–	–	529	95	624
Total current provisions							
2012	50	37	6	–	50	–	143
2011	56	45	26	–	26	–	153

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of between 5.5% and 5.9% (2011: between 5.6% and 5.9%) and by discounting the escalated amount with a risk adjusted rate of between 5.33% and 6.37% (2011: between 6.72% and 8.49%).

15. Provisions (continued)

	Company						
	Leave pay	Bonus	Litigation and legal fees	Other	Environmental rehabilitation	Post-retirement medical benefits	Total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
As at 1 January 2011	54	55	81	1	322	77	590
Amounts charged/(credited) to income	57	58	(22)	—	56	6	155
Payments and debits charged against provision	(58)	(69)	(40)	(1)	(3)	(7)	(178)
Interest	—	—	7	—	30	9	46
Transfer to liabilities directly associated with assets classified as held-for-sale **	—	—	—	—	(82)	(1)	(83)
As at 31 December 2011	53	44	26	—	323	84	530
Amounts charged/(credited) to income	52	71	(19)	—	67	6	177
Payments and debits charged against provision	(58)	(79)	—	—	(8)	(11)	(156)
Interest	—	—	(3)	—	18	10	25
As at 31 December 2012	47	36	4	—	400	89	576
Total non-current provisions							
2012	—	—	—	—	386	89	475
2011	—	—	—	—	311	84	395
Total current provisions							
2012	47	36	4	—	14	—	101
2011	53	44	26	—	12	—	135
** Summary of liabilities transferred to Mapochs Mine Proprietary Limited							
Total liabilities associated with assets held-for-sale							
2010 liabilities on assets held-for-sale	(3)	(1)	—	—	(150)	(10)	(164)
2011 liabilities on assets held-for-sale	—	—	—	—	(82)	(1)	(83)
2012 liabilities on assets held-for-sale	—	(1)	—	—	(2)	—	(3)
Liabilities sold to Mapochs Mine Proprietary Limited	(3)	(2)	—	—	(234)	(11)	(250)

The environmental rehabilitation provision has been determined by escalating the current value with an expected future inflation rate of between 5.5% and 5.9% (2011: between 5.6% and 5.9%) and by discounting the escalated amount with a risk adjusted rate of between 5.33% and 6.37% (2011: between 6.72% and 8.49%).

16. Deferred tax

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Movement in deferred tax:				
Balance at beginning of year	(167)	(54)	(105)	(17)
Charged to income (note 3.1)	88	(113)	42	(55)
Provision prior years	(1)	(1)	(1)	(1)
Capital allowance	4	(5)	(14)	(12)
Provisions	33	(13)	52	50
Tax loss	(247)	(93)	(235)	(93)
Post-retirement provision	(2)	(2)	2	1
Other	4	1	—	—
Recognition of deferred tax asset associated with discontinued operation			(59)	
Impairment of deferred tax asset	100	—	100	—
Deferred tax asset not recognised	197		197	
Transfer to assets classified as held-for-sale				(33)
Deferred tax asset sold to Mapochs Mine Proprietary Limited			63	
Balance at end of year	(79)	(167)	—	(105)
Deferred taxation is provided on temporary differences applicable to:				
Capital allowance	339	336	255	329
Provisions	(142)	(179)	(65)	(117)
Tax losses	(544)	(297)	(528)	(293)
Post-retirement medical benefits	(29)	(27)	(22)	(24)
Deferred tax asset impaired and not recognised	297		297	
Deferred tax asset sold to Mapochs Mine Proprietary Limited			63	
	(79)	(167)	—	(105)

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.

17. Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Trade payables	701	756	577	621
Other payables	223	260	223	260
Trade and other payables	924	1 016	800	881

18. Interest-bearing loans and borrowings

Long-term loans

Umnotho Group Proprietary Limited	16	—	—	—
Total long-term loans (note 12)	16	—	—	—

Short-term loans

Call borrowing	102	—	102	—
Loan from subsidiary	—	—	247	—
Total short-term loans (note 12)	102	—	349	—

During the year the Company utilised overnight call borrowing facilities incurring interest ranging between 5.00% and 5.95% (no facilities utilised in 2011). Funds borrowed from the foreign subsidiary (Austria), which is Euro-denominated, incurred interest ranging between 2.50% and 3.50% (no loans from subsidiaries in 2011). These foreign

loans are repayable within one year after the signature of the loan agreement.

As at 31 December 2012, the Group had available R300 million (2011: R400 million) of undrawn uncommitted borrowing facilities in respect of which all conditions precedent has been met.

In terms of the agreement for the sale of Mapochs Mine as an operating division of the Company to Mapochs Mine Proprietary Limited, Umnotho Iron and Vanadium Proprietary Limited (Umnotho) paid a portion of the loan due by Umnotho to EVRAZ Highveld. The funds for this were provided to Umnotho by the Umnotho Group Proprietary Limited. Umnotho is, as a special purpose entity,

consolidated within the Group. The loan payable by Umnotho to Umnotho Group Proprietary Limited is therefore disclosed as a long-term loan on Group level.

The directors may, in terms of the MOI, borrow from time to time such sums and for such purposes of the Group as they may deem fit.

19. Income tax payable

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Balance at beginning of year	45	54	44	45
Income statement credit (excluding deferred taxation) (note 3.1)	(44)	(5)	(44)	—
Currency translation on taxation	—	2	—	—
Taxation paid (note 23.3)	(2)	(6)	—	(1)
Balance at end of year	(1)	45	—	44

20. Related party transactions

The ultimate parent

EVRAZ Highveld Steel and Vanadium Limited is the parent based and listed in South Africa. The ultimate parent of the Group is EVRAZ plc, incorporated in London. There were no sale or purchase transactions between

the Group and EVRAZ plc during the financial year (2011: Rnil), only directors fees were paid to EVRAZ for foreign directors of R1 million (2011: R1 million).

During the year a loan was received from East Metals AG of US\$4 million

which was repaid with interest calculated at 3.25%.

Details of material related party transactions entered into during the year are summarised below:

	Group				
	Loans	Donation	Technical services	Sales	Purchases
	Rm	Rm	Rm	Rm	Rm
East Metals AG (fellow subsidiary) – sales				454	(2)
EVRAZ Vametco (fellow subsidiary)			71	—	7
Umntho Group Proprietary Limited	16				16

	Company					
	Loans	Donation	Technical services	Sales	Purchases	Net amounts owed to/(owed by) as at 31 December 2012
	Rm	Rm	Rm	Rm	Rm	Rm
EVRAZ Mapochs Mine Proprietary Limited	1 607		58		386	(1 588)
Mapochs Mine Community Trust	49	(49)				—
Umntho Iron and Vanadium Proprietary Limited	47		—			(47)
Hochvanadium Handels GmbH (subsidiary)				165		(25)
Hochvanadium Holding AG (subsidiary)	247					247

	Group				
	Technical services	Sales	Purchases		Net amounts owed to/(owed by) as at 31 December 2011
	Rm	Rm	Rm		Rm
East Metals AG (fellow subsidiary) – inventory purchased	*				*
East Metals AG (fellow subsidiary) – sales	—	652			(44)
EVRAZ Vametco (fellow subsidiary)	110	1	2		18

	Company		
Hochvanadium Handels GmbH (subsidiary)	—	124	(12)

* Less than R1 million.

Terms and conditions of transactions with related parties:

Outstanding trading balances at the year-end are unsecured, interest free and settlement occurs in cash. Outstanding loans bear interest as per notes 8 and 18. There have been

no guarantees provided or received for any related party receivables or payables, except for a guarantee issued in favour of Citibank of R300 million by EVRAZ KGOK. This guarantee relates to the borrowing facilities (note 12). For the year ended

31 December 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: Rnil). The Company impaired the loans receivable from Mapochs Mine Proprietary Limited and Umntho Iron

and Vanadium Proprietary Limited. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Commitments

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Capital expenditure				
Contracted	52	72	48	72

The Group is continuing to invest in assets to ensure future compliance with environmental legislation. The timing and amounts are yet to be finally determined. It is expected that all capital commitments will be expended in the coming year and be financed out of internally generated cash flow or available cash from borrowings.

22. Contingent liabilities and 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 **DMR** for the unscheduled closure of Mapochs Mine. This guarantee is issued by EVRAZ Highveld on behalf 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 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).

The potential liability for the Company should they become medical scheme members in the future is R31 million before tax and R22 million after tax (2011: R30 million before tax and R22 million after tax).

As required by certain suppliers of the Company, guarantees were issued in favour of these suppliers to the value of R8 million (2011: R9 million) in the event the Company will not be able to meet its obligations to the supplier. The Group issued guarantees to the value of R9 million (2011: R9 million). 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.

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.

23. Notes to the cash flow statement

	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
23.1 Finance and investment income received				
Finance and investment income received (note 2.1 and note 2.5)	8	26	125	24
Interest on loans (note 2.5)	—	—	(117)	—
	8	26	8	24
23.2 Finance charges paid				
Finance costs (note 2.4)	(52)	(50)	(41)	(50)
<i>Non-cash adjustments:</i>				
Interest on environmental rehabilitation provision	31	30	20	30
Interest on post-retirement medical benefits provision (note 24)	11	9	10	9
Interest on litigation and other	(2)	7	(2)	7
	(12)	(4)	(13)	(4)
23.3 Income tax paid				
Amounts unpaid at beginning of year	(45)	(54)	(44)	(45)
Income statement charge (excluding deferred taxation) (note 3)	44	5	44	—
Interest charge	—	3	—	3
Interest paid	—	(3)	—	(3)
Currency translation reserve on taxation	—	(2)	—	—
Amounts (prepaid)/unpaid at end of year (note 19)	(1)	45	—	44
	(2)	(6)	—	(1)
23.4 Proceeds from sale of property, plant and equipment				
Book value of property, plant and equipment disposed of	3	7	2	7
Profit/(loss) on disposal and scrapping of property, plant and equipment (note 2.3)	1	(4)	2	(4)
Insurance claim proceeds on items of property, plant and equipment scrapped (note 2.2)	—	87	—	87
	4	90	4	90



	Group		Company	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
23. Notes to the cash flow statement (continued)				
23.5 Reconciliation of movement in cash				
Cash (used in)/generated by operating activities	(610)	1 064	(842)	676
Cash used in investing activities	(199)	(395)	(150)	(395)
Cash generated by/(used in) financing activities	117	–	349	(4)
Net cash (outflow)/inflow	(692)	669	(643)	277
Cash at beginning of year	1 184	492	647	370
Effects of exchange rate changes on cash held in foreign currencies	35	23		
Cash and cash equivalents at end of year (note 12.3)	527	1 184	4	647

24. Employee benefit obligations

Retirement benefits

The Group provides retirement benefits for its employees. The schemes available are defined benefit funds and defined contribution funds. All retirement and pension funds are governed by the South African Pension Funds Act of 1956.

Highveld Retirement Fund

The Highveld Retirement Fund is a defined contribution fund. Members pay a contribution of 6.5% or 7.5% (2011: 6.5% or 7.5%) of pensionable salary, with the employer's contribution of 14% (2011: 14%) of pensionable salary being expensed as incurred.

Defined Benefit Pension Fund

During 2007 the remaining employees belonging to the Highveld Staff Pension Fund exercised an option to transfer to Highveld Retirement Fund and Provident Fund. Applications were lodged in terms of section 14 to transfer their benefits and during 2010 these transfers were completed. The fund is in the process of being wound up.

Multi-employer defined contribution and benefit funds

In the Group, 1 681 employees (2011: 1 780) are members of various multi-employer defined contribution funds as well as defined benefit funds which are

controlled by different administrators. The Group contributed R18 million (2011: R17 million) to these funds. Members of EVRAZ Highveld consist of 1 557 employees and for Mapochs Mine 124 employees. Contributions for EVRAZ Highveld were R17 million and for Mapochs Mine R1 million. The defined benefit fund is a national fund with various participating employers where the Company's liability will be limited to its employees who are members of the fund. The trustees decided to convert the active member section of the defined benefit fund to a defined contribution fund with effect 1 April 2012, in order to ensure the

long term financial sustainability of the fund. The conversion will have no impact on the current pensioners of the fund. Pensioners will continue to receive their pensions and future pension increases from the fund. Various employers are members of the fund and the trustees could not allocate the actuarial surplus to the respective employers. It was, however, unanimously approved by the trustees that the remaining surplus, after enhancements to active and former members, be reserved to subsidise increased future member and employer contributions. The payment of surplus enhancements commenced

24. Employee benefit obligations (continued)

in 2012. The surplus was determined by an actuarial valuation performed on 1 April 2008. The surplus is sufficient to fund increased future member contributions over the next eight years from 6.6% to 7.5%, and employer contributions over the next 22 years from 6.6% to 10.5%.

Post-retirement medical benefits

The provision relates to active members who have the right to post-retirement medical benefits. The benefits differ depending on the employee's employment date and entitlement to these benefits is dependent upon the employee remaining in service until retirement age and is subject to periodic review. New engagements after 31 December 2001 do not enjoy any post-retirement medical aid benefits. The Group recognises the estimated aggregate liabilities on an actuarial basis over the working lives of eligible employees. The accumulated post-retirement medical aid obligation and the annual cost of those benefits are determined annually by independent actuaries. When qualifying employees retire annuities are purchased in their names releasing the Group of all future liabilities. Annuities of R11 million were acquired in 2012 (2011: R7 million) for qualifying employees

proceeding on retirement. This amount represents the annuities purchased for EVRAZ Highveld employees and no employees of Mapochs Mine

proceeded on retirement. The increase from 2011 was due to an increase in number of employees who proceeded on retirement.

	Group		Company #	
	2012	2011	2012	2011
	Rm	Rm	Rm	Rm
Net benefit expense				
Interest cost	11	9	10	9
Current service cost	4	5	4	4
Net actuarial loss recognised in the year	1	1	2	2
Net benefit expense	16	15	16	15
Benefit liability				
Defined benefit obligation	129	121	117	110
Unrecognised actuarial losses	(29)	(26)	(29)	(26)
Benefit liability	100	95	88	84
Medical benefit obligation				
Obligation at beginning of the year	121	117	110	107
Interest cost	11	9	10	9
Current service cost	4	5	4	4
Utilised to buy annuities for pensioners	(11)	(7)	(11)	(7)
Experience adjustments and removal of annuity loadings	4	(3)	4	(3)
Obligation at end of the year	129	121	117	110
The principal assumptions used in determining the post-employment medical benefit obligation are shown below:	%	%	%	%
Discount rate	8.25	8.75	8.25	8.75
Healthcare cost inflation	7.25	7.25	7.25	7.25

The Company numbers for 2011 exclude the Mapochs Mine division.

24. Employee benefit obligations (continued)

Assumed healthcare cost trend rates have a significant effect on the amounts recognised in profit and loss. A 1% change in the assumed healthcare trend rates, without a corresponding change in the discount rate applied would have the following effects:

	Group		Company	
	1% increase	1% decrease	1% increase	1% decrease
2012				
Effect on the aggregate current service cost and interest cost	4	(3)	3	(3)
Effect on the defined benefit obligation	29	(23)	27	(21)
2011				
Effect on the aggregate current service cost and interest cost	3	(3)	3	(2)
Effect on the defined benefit obligation	26	(21)	24	(19)

The history of experience adjustments is as follows:

Group	2012	2011	2010	2009	2008
Present value of defined benefit obligation	129	121	117	110	146
Experience (loss)/gain adjustment on plan liabilities	(8)	3	2	17	(7)

The Group expects to contribute approximately R5 million to its post-retirement medical plan in 2013.

Company *	2012	2011
Present value of defined benefit obligation	117	110
Experience (loss)/gain adjustment on plan liabilities	(8)	3

The Company expects to contribute approximately R4 million to its post-retirement medical plan in 2013.

* Company information where Mapochs Mine is excluded did not form part of the 2008 to 2010 valuations reports by the actuaries.

25. Business segments

For management purposes, the Group is organised into business units based on their products and has two reportable operating segments, as follows:

Steel

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

Vanadium

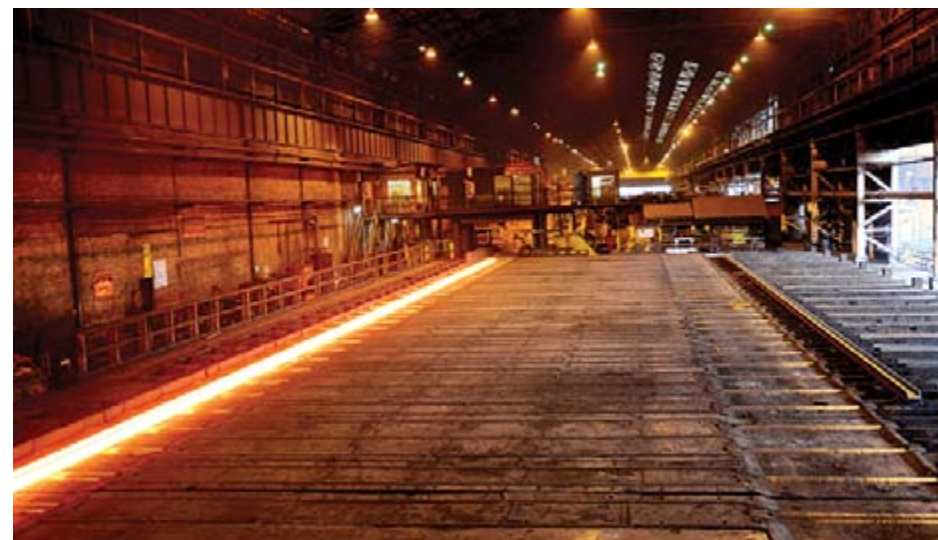
The major products of the vanadium segment are vanadium slag and FeV. Vanadium slag is a by-product from the steelmaking process and this slag is transferred from the Steelworks to the Vanadium Plant, which then forms the input into the business of the vanadium business.



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.

Financial information pertaining to business segments is as follows:

Segmental income statements for the year ended 31 December



	Steel *		Vanadium **		Eliminations		Group total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Continuing operations								
Revenue from external customers	3 155	3 957	1 191	1 630	—	—	4 346	5 587
Results								
Depreciation	279	302	9	10	—	—	288	312
Cost of inventories recognised as an expense	3 607	3 514	823	1 063	23	14	4 453	4 591
Operating (loss)/profit	(1 153)	(542)	299	493	—	—	(854)	(49)

* Mapochs Mine Proprietary Limited's results are included in the steel segment.

** Hochvanadium and the EVRAZ Highveld vanadium results are included in the vanadium segment.

Trade and other payables cannot be accurately split for segmental purposes.

25. Business segments (continued)

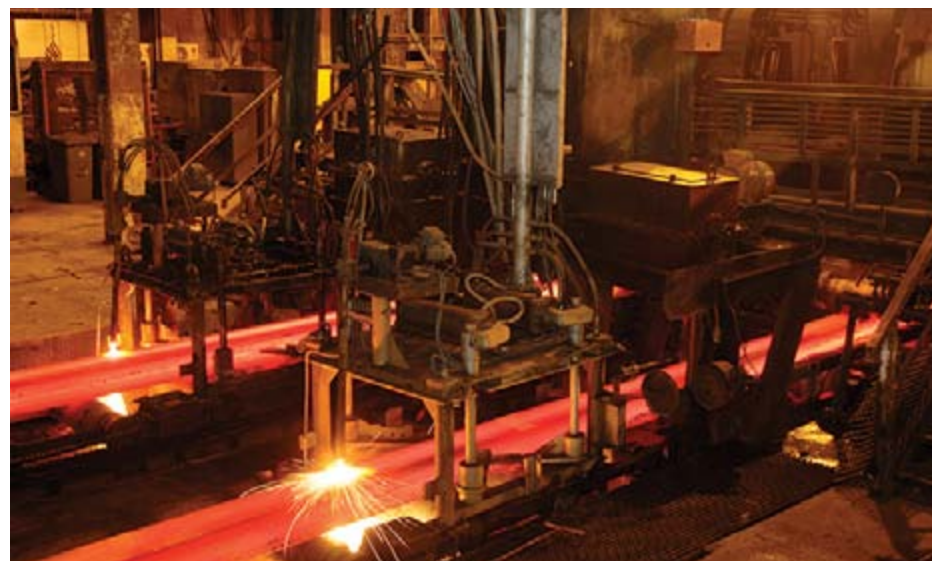
Eliminations

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to individual segments as the underlying instruments are managed on a group basis.

Segmental income statements

for the year ended 31 December

Reconciliation of assets	2012	2011
	Rm	Rm
Segment operating assets	3 933	4 481
Inventories	(29)	(13)
Accounts receivable	(236)	(12)
Investment in subsidiary	(1)	(1)
Deferred taxation	—	3
Group operating assets	3 667	4 458
Reconciliation of liabilities		
Segment operating liabilities	2 220	1 850
Accounts payable	(44)	(12)
Interest-bearing loans and borrowings	(247)	—
Group operating liabilities	1 929	1 838



	Steel *		Vanadium **		Eliminations		Group total	
	2012	2011	2012	2011	2012	2011	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Operating assets	3 201	3 677	732	804	(266)	(23)	3 667	4 458
Operating liabilities	2 106	1 769	113	81	(290)	(12)	1 929	1 838

* Mapochs Mine Proprietary Limited's results are included in the steel segment.

** Hochvanadium and the EVRAZ Highveld vanadium results are included in the vanadium segment.

25. Business segments (continued)

Financial information pertaining to geographical segments is as follows:

	South Africa		Africa		Americas		Europe		Australasia		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Continuing operations												
Revenue by location of customer	2 640	3 402	235	264	177	194	1 201	1 643	93	84	4 346	5 587

In 2012, sales to two customers (2011: three customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 40% (2011: 46%).

Profit before interest and taxation equals segment revenue less segment expenses. Segment expenses represent direct or reasonably allocatable expenses on a segmental basis.

Assets and liabilities include directly and reasonably allocable assets and liabilities. Given the concentration of assets and liabilities in South Africa, it is not meaningful to allocate such elements on a geographical basis.

26. Financial instruments

The Group financial instruments consist of trade and other receivables, investments, cash and short-term deposits, trade and other payables, and derivative financial instruments. Derivative instruments are forward exchange contracts used by the Group for hedging purposes. The Group did not undertake any forward exchange contracts during the period under review.

The Group is exposed to market risk, liquidity risk and credit risk.

The Group's senior management oversees the management of these risks.

26.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate

because of changes in market prices. Market prices comprise three types of risk: foreign currency risk, interest rate risk and commodity price risk. Refer to notes below for further details and sensitivity analysis.

26.1.1 Foreign currency risk management

Foreign currency risk is the risk that the fair value or future cash

flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.



26. Financial instruments (continued)

The Group manages its foreign currency risk by entering into forward exchange contracts. No foreign exchange contracts were undertaken during the period under review.

As a result of operations in Europe, the Group's statement of financial position can be affected by movements in the Rand/Euro exchange rate on translation into the functional currency of the Group.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in exchange rates with other variables held constant, of the Group's profit before tax and the Group's equity:

	Group			Company		
	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity at year-end	Increase/ (decrease) in exchange rate	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity at year-end
	%	Rm	Rm	%	Rm	Rm
2012						
ZAR/USD	+10	*	*	+10	—	—
ZAR/Euro	+10	1	1	+10	2	1
ZAR/Euro	-5	(1)	—	-5	(1)	(1)
2011						
ZAR/USD	+10	6	4	+10	6	4
ZAR/Euro	+10	4	3	+10	1	1
ZAR/USD	-5	(2)	(1)	-5	(2)	(1)
ZAR/Euro	-5	(2)	(2)	-5	(1)	(1)

* Less than R1 million.

The volatility in the exchange rates has been high for the year under review. The sensitivity analysis took cognisance of this volatility and a 10% increase and 5% decrease was assumed.

26. Financial instruments (continued)

26.1.2 Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk as it borrows and invests funds at floating interest rates. The Group's objective for managing this risk is to minimise the cost of

borrowing funds and to maximise the return on deposits. These objectives are achieved by regularly assessing the Group's future cash flows to determine the required maturity profile of borrowings or deposits. There has been no change in the management process of this risk from the prior year. Once the maturity profile is established, suitable instruments are employed to optimise returns. Details

of the interest rate profile for cash and short-term deposits are disclosed in note 12 and interest bearing loan borrowings in note 18.

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in interest rates with other variables held constant, of the Group's profit before tax and the Group's equity:

	Group			Company		
	Increase/ (decrease) in interest rate based on year-end cash position before taxation	Increase/ (decrease) in profit before taxation	Increase/ (decrease) in equity at year-end	Increase/ (decrease) in interest rate based on year-end cash position before taxation	Increase/ (decrease) in profit before taxation	Increase/ (decrease) in equity at year-end
	%	Rm	Rm	%	Rm	Rm
2012						
ZAR	+0.50	(1)	(1)	+0.50	(2)	(2)
	-0.50	1	1	-0.50	2	2
2011						
ZAR	+0.50	1	1	+0.50	1	1
	-0.50	(1)	(1)	-0.50	(1)	(1)

The sensitivity is based on a 0.50% increase due to global economic uncertainties and an increase in South African inflation rates.

26. Financial instruments (continued)

26.1.3 Commodity price risk

The Group is not materially affected by the volatility of commodity prices embedded in financial instruments.

26.2 Liquidity risk management

The Group assesses its liquidity needs through continuous monitoring and forecasting of actual cash flows

in order to meet all its obligations when they become due.

The liquidity risk is managed by matching the maturity profile of working capital items. Adequate banking and reserve borrowing facilities are maintained to cover potential mismatches in the maturity profile.



	Group				Total
	0-12 months	1-2 years	3-5 years	>5 years	
	Rm	Rm	Rm	Rm	Rm
2012					
Assets					
Trade and other receivables	462	3	—	—	465
Cash and short-term deposits	527				527
Liabilities					
Trade and other payables	923	1	—	—	924
Interest-bearing loans and borrowings	102				102
2011					
Assets					
Trade and other receivables	487	14	—	—	501
Cash and short-term deposits	1 184				1 184
Liabilities					
Trade and other payables	1 014	2	—	—	1 016

	Company				
	0-12 months	1-2 years	3-5 years	>5 years	Total
	Rm	Rm	Rm	Rm	Rm
26. Financial instruments (continued)					
2012					
Assets					
Trade and other receivables	362	3	—	—	365
Loans receivable	193				193
Cash and short-term deposits	4				4
Liabilities					
Trade and other payables	799	1	—	—	800
Interest-bearing loans and borrowings	349				349
2011					
Assets					
Trade and other receivables	396	14	—	—	410
Cash and short-term deposits	647				647
Liabilities					
Trade and other payables	879	2	—	—	881

26.3 Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Credit risk relates to potential exposure on cash and short-term deposits, investments and

trade receivables. The Group limits its exposure arising from money market and derivative instruments by only dealing with well established financial institutions of high credit standing.

The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions are spread amongst approved counterparties. The credit risk on liquid funds is limited because the counterparties are banks with

high credit ratings awarded by international credit rating agencies. In 2012, sales to two customers (2011: three customers) were made where the total value per customer exceeded 10% of the total revenue for the Group. The revenue attributable to these customers for the year was 40% (2011: 46%). Customers are spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial position of customers and letters of credit or

credit guarantee cover is purchased in most cases. The maximum credit exposure for the financial instruments is as follows:

	2012	2011
	Rm	Rm
Trade and other receivables	465	501
Cash and short-term deposits	527	1 184
Total credit exposure	992	1 685

26. Financial instruments (continued)

26.4 Fair value of financial assets and liabilities

The carrying amounts for investments, cash and short-term deposits, as well as the current portion of receivables, payables and interest-bearing borrowings, approximate fair value due to the short-term nature of these instruments.

26.5 Capital management

The primary objective of the Group's capital management programme is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

Changes in economic and operating conditions may necessitate the Group to make adjustments to its capital structure. These adjustments may include changes in policy relating to dividend payments to shareholders, the issue of new equity shares or the return of capital to shareholders. The Group monitors capital using a gearing ratio which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 40%.

The Group includes within net debt interest-bearing loans and borrowings less cash and short-term deposits.

	Group	
	2012	2011
	Rm	Rm
Cash and short-term deposits	527	1 184
Share capital	585	585
Reserves	1 153	2 035
Total capital	1 738	2 620
Gearing ratio	Ungeared	Ungeared

26.6 Fair value hierarchy

The Group did not enter into forward exchange contracts for the period under review.

27. Subsequent events

On 27 February 2013 Hochvanadium Holding AG declared a dividend of Euro 40.3 million to the Company.

Interest in subsidiaries

for the year ended 31 December

		Issued share capital	Percentage holding	Cost of investment	Loans and current accounts
			%	R	R
Unlisted subsidiary companies					
Hochvanadium Holding AG *	2012	10 000	100	505 825	(35 012)
	2012				(247 232 906)
	2011	10 000	100	505 825	(35 012)
Mapochs Mine Proprietary Limited – A-class shares **	2012	350	—	—	—
	2011	350	—	—	—
Mapochs Mine Proprietary Limited – Ordinary shares **	2012	481	74	481	1 441 916 175
	2011	650	100	650	—

* The loan from Hochvanadium Holding AG of R35 012 is unsecured, interest free and has no fixed repayment terms. The loan of R246 million is unsecured and carries interest at rates between 2.5% and 3.5% with no fixed repayment terms. Hochvanadium Holding AG is incorporated in Austria.

** Mapochs Mine Proprietary Limited was incorporated on 11 April 2008.

		Percentage holding	Cost of investment	Loans and current accounts
		%	R	R
Other investments				
Middelburg Steel and Alloys Proprietary Limited		16.66	1 576 000	(1 576 000)

Definitions

Company	The Company includes the EVRAZ Highveld Steelworks.
Current assets	Current assets include inventories, trade and other receivables, pre-payments and cash and short-term deposits.
Current liabilities	Current liabilities include trade and other payables, short-term provisions, income tax payable and interest-bearing loans and borrowings.
Current ratio	Current assets divided by current liabilities.
Dividend cover (times)	
i. Based on declared ordinary dividends	Basic earnings per share (cents) divided by declared ordinary dividends attributable to financial year profits (cents).
ii. Based on paid ordinary dividends	Basic earnings per share (cents) divided by paid ordinary dividends during current financial year (cents).
Dividend yield percentage	Declared ordinary dividends per share attributable to financial year profits divided by the market share price at year-end expressed as a percentage.
Earnings yield percentage	Group headline earnings per share divided by the market share price at year-end expressed as a percentage.
EBITDA	Earnings before interest, taxation, depreciation, amortisation, net foreign exchange differences, net profit or loss on disposal of property, plant and equipment and insurance and settlement proceeds on items of property, plant and equipment scrapped from total operations.
Exports as percentage of revenue	Gross value of exports divided by gross revenue expressed as a percentage.
Environmental Trust Fund	Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust.
GAAP	Generally Accepted Accounting Principles.
Gross revenue per man-year	Gross revenue divided by number of employees at year-end.
Group	The Group consists of the Company, Mapochs Mine Proprietary Limited (Mapochs), Umnotho Iron and Vanadium Proprietary Limited (Umnotho), Mapochs Mine Community Trust (MMCT), Hochvanadium Holding AG and the Highveld Steel and Vanadium Corporation Limited Environmental Fund Trust. EVRAZ Highveld holds a 74 per cent equity interest in Mapochs, with a further 23 per cent being held by a special purpose entity Umnotho and three per cent being held by the MMCT . Umnotho and MMCT were established for EVRAZ Highveld, with the benefit from these two entities being primarily for EVRAZ Highveld and not their respective shareholders. Given that EVRAZ Highveld in substance controls both Umnotho and MMCT and notwithstanding the absence of shareholding in these entities, both Umnotho and MMCT are fully consolidated.

IAS	International Accounting Standards.
IASB	International Accounting Standards Board.
IFRIC	International Finance Reporting Interpretation Committee.
IFRS	International Financial Reporting Standards issued by the International Accounting Standards Board.
Interest cover	Profit before interest and taxation divided by interest paid.
Interest-bearing loans and borrowings as a percentage of shareholders' equity	Interest-bearing loans and borrowings divided by shareholders' equity expressed as a percentage.
Net cash and cash equivalents	Cash and short-term deposits less interest-bearing loans and borrowings and loans from subsidiaries.
Net cash and cash equivalents as percentage of shareholders' equity	Net cash and cash equivalents divided by shareholders' equity expressed as a percentage.
Net cash inflow/(outflow)	Net cash inflow/(outflow) represent the sum of cash flows from operating and investing activities.
Net worth (cents/share)	Shareholders' equity divided by the ordinary shares in issue.
Non-current liabilities	Non-current liabilities include long-term provisions and long-term loans.
Price: earnings ratio	Market share price at year-end divided by Group headline earnings per share.
Quick ratio	Current assets less inventories, divided by current liabilities.
Return on capital employed (ROCE)	Profit before interest and taxation divided by the sum of shareholders' equity and non-current liabilities expressed as a percentage.
SAICA	South African Institute of Chartered Accountants.
Shareholders' equity	Shareholders' equity includes issued share capital, share premiums, other capital reserves and retained earnings.
Total liabilities as percentage of shareholders' equity	Current liabilities and non-current liabilities divided by shareholders' equity expressed as a percentage.



Abbreviations

ADR	American Depositary Receipt
AEL	Atmospheric Emissions Licence
AGM	Annual General Meeting
APPA	Atmospheric Pollution Prevention Act No. 45 of 1965
ART	Antiretroviral therapy
BEE	Black economic empowerment
B-BBEE	Broad-based black economic empowerment
CBA	Collective bargaining agreements
CDP	Carbon Disclosure Project
CEO	Chief executive officer
CFO	Chief financial officer
CIO	Chief information officer
CIPC	Companies and Intellectual Property Commission of South Africa
COBIT	Control Objectives for Information and Related Technology
Company	EVRAZ Highveld Steel and Vanadium Limited
COO	Chief operating officer
CSDP	Central Securities Depository Participant
DEA	Department of Environmental Affairs
DMR	Department of Mineral Resources
DTI	Department of Trade and Industry

DWA	Department of Water Affairs
EBITDA	Earnings before interest, taxation, depreciation, amortisation, net foreign exchange differences, net profit or loss on disposal of property, plant and equipment and insurance and settlement proceeds on items of property, plant and equipment scrapped from total operations
EAP	Employee assistance programme
EIA	Environmental Impact Assessment
EVRAZ Highveld	EVRAZ Highveld Steel and Vanadium Limited
FAC	First-aid case
FD	Financial director
FeV	Ferrovandium
GAAP	Generally Accepted Accounting Principles
GHG	Greenhouse gas
GJ/t	Gigajoule per ton
GRI	Global Reporting Initiative
HDSA	Historically disadvantaged South African
HIV	Human immunodeficiency virus
HR	Human Resources
HSE	Health, safety and environment

IAS	International Accounting Standards
IASB	International Accounting Standards Board
IDP	Integrated Development Plan
IEMP	Integrated Environmental Management Plan
IEP	Institut für Eignungsprüfung
IFRIC	International Financial Reporting Interpretation Committee
IFRS	International Financial Reporting Standards
IT	Information technology
IOD	Injury on duty
IoDSA	Institute of Directors in Southern Africa
ISO	International Organisation for Standardisation
ITIL	Information Technology Infrastructure Library
IWML	Integrated Waste Management Licence
IWUL	Integrated Water Use Licence
IWWMP	Integrated Water and Waste Management Plan
JSE	Johannesburg Securities Exchange Limited
KPI	Key performance indicator
King III	King Report on Corporate Governance for South Africa 2009
LED	Local Economic Development
LTI	Lost-time injury
LTIFR	Lost-time injury frequency rate
MPRDA	Minerals and Petroleum Resources Development Act No. 28 of 2002

MVO	Modified vanadium oxide
NEF	National Empowerment Fund
NEMA	National Environmental Management Act No. 107 of 1998
NEM:AQA	National Environmental Management: Air Quality Act No. 39 of 2004
NEM:BA	National Environmental Management: Biodiversity Act No. 10 of 2004
NEM:WA	National Environmental Management: Waste Act No. 59 of 2008
NIHL	Noise-induced hearing loss
NLTI	Non-lost-time injury
NLTIFR	Non-lost-time injury frequency rate
NUMSA	National Union of Mineworkers of South Africa
OHSAS	Occupational Health and Safety Advisory Services
OSB	Open slag bath
PPE	Personal protective equipment
ROCE	Return on capital employed
SANS	South African National Standards
SAMREC	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
SHEQ	Safety, health, environment and quality
SHREQ	Safety, health, risk, environment and quality
SLP	Social and Labour Plan
VCT	Voluntary counselling and testing
VVP	Vanchem Vanadium Products Proprietary Limited

Shareholder Information





Shareholders' diary

Financial year-end

31 December 2012

Financial statements – publication dates

13 March 2013

Annual financial statements

April 2013

Annual General Meeting

20 May 2013

Interim report

August 2013



Shareholder information

- | | | | |
|--------------------------|------------------------------------|------------------------------|-----------------------|
| ▶ Shareholders' diary | ▶ Notice of Annual General Meeting | ▶ Notes to the form of proxy | ▶ Key contacts |
| ▶ Shareholders' analysis | ▶ Form of proxy | ▶ Voting instruction form | ▶ Company information |



Shareholders' analysis

Shareholder spread

Shareholder type	Number of shareholders	
	Number	%
<i>Public:</i>		
Certificated	604	34.63
Electronic	1 139	65.31
<i>Non-public:</i>		
Certificated	1	0.00
Electronic		0.06
Total	1 744	100.00

List of major shareholders having a direct or indirect beneficial interest in 5 per cent or more of the Group's issued shares

	Shares	%
Mastercraft Limited *	84 386 344	85.11
RMB Securities Proprietary Limited	7 337 988	7.40

* Mastercraft Limited is part of the EVRAZ Group.

Ordinary share performance on the JSE for the years ended 31 December

Market price per share (cents)	2012	2011	2010	2009	2008
– year-end	1 344	3 649	8 350	6 449	6 399
– highest	4 133	10 395	9 000	8 065	19 175
– lowest	1 001	3 000	5 965	4 550	5 012
Number of ordinary shares in issue – '000	99 150	99 150	99 150	99 150	99 150
Number of deals recorded	2 151	11 793	19 277	15 090	29 661
Volume of shares traded – '000	2 010	13 590	21 865	19 414	33 805
Volume of shares traded as a percentage of total issued shares – %	2.03	13.71	22.05	19.58	34.09
Earnings yield – % *	(76.67)	(0.41)	(4.63)	2.61	40.54
Dividend yield – % *	–	–	–	–	50.01
Price: earnings ratio *	(1.30)	(241.20)	(21.62)	38.36	2.47

* Based on year-end price per share, headline earnings per share and dividends per share attributable to financial year profits declared.

Notice of Annual General Meeting

Notice is hereby given that the fifty-second Annual General Meeting of members of EVRAZ Highveld Steel and Vanadium Limited will be held at EVRAZ Highveld Steel and Vanadium Limited, Old Pretoria Main Road, eMalahleni, Mpumalanga, on Monday, 20 May 2013 at 10h00 for the purpose of considering and if deemed fit, passing with or without modification the ordinary and special resolutions as set out below.

The record date for purposes of determining which shareholders

are entitled to receive this notice is Friday, 22 March 2013.

The record date for shareholders to be recorded in the securities register of the Company in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 10 May 2013. Accordingly, the last date to trade in order to be eligible to attend and vote at the Annual General Meeting is Friday, 3 May 2013. Forms of proxy for the Annual General Meeting are to be lodged by 10h00 on Thursday, 16 May 2013.

Shareholders are advised of the communication dated 7 December 2012 sent by the transfer secretaries that the Notice of Annual General Meeting, together with proxy form pack will be sent out separately to all such shareholders who have elected to receive the annual report electronically.



Ordinary resolution number 1: adoption of annual financial statements

To receive and consider the annual financial statements for the financial year ended 31 December 2012. The auditors' opinion is available for inspection at the Company's registered address.

Ordinary resolution number 2: appointment of external auditors

To appoint Ernst & Young Inc. as external auditors of the Company to hold office until the conclusion of the next Annual General Meeting.

Ordinary resolution number 3: re-election of retiring director

To re-elect D Ščuka, who is required to retire by rotation as a director of the Company in terms of the Company's MOI and who is eligible and available for re-election, as non-executive director of the Company.

Ordinary resolution number 4: re-election of retiring director

To re-elect BJT Shongwe, who is required to retire by rotation as a director of the Company in terms

of the Company's MOI and who is eligible and available for re-election, as chairman and independent non-executive director of the Company.

Ordinary resolution number 5: re-election of retiring director

To re-elect TI Yanbukhtin, who is required to retire by rotation as a director of the Company in terms of the Company's MOI and who is eligible and available for re-election, as non-executive director of the Company.

Ordinary resolution number 6: re-election of newly appointed director

To re-elect T Mosololi, who is required to retire as a director of the Company in terms of the Company's MOI and who is eligible and available for re-election, as independent non-executive director.

Ordinary resolution number 7: placing unissued shares in the hands of the directors

That the directors be and they are hereby authorised, subject to the provisions of the JSE Listings

Requirements: to allot and issue, all or any portion of the remaining unissued ordinary shares of R1 each and the 1 000 000 unissued variable rate redeemable cumulative preference shares of 1 cent each in the capital of the Company at such time or times to such person or persons, company or companies, for such consideration and upon such terms and conditions as the directors may from time to time determine.

Special resolution number 8: financial assistance

That the directors be and they are hereby authorised, subject to provision of section 45 of the Companies Act, No. 71 of 2008 and of the JSE Listings Requirements, to provide financial assistance to a subsidiary of the Company upon such terms and conditions as the directors may from time to time determine, provided that the directors are satisfied that immediately after the granting of such financial assistance, the Company would satisfy the solvency and liquidity tests.

Ordinary resolution number 9: confirmation of the Company's remuneration policy

That, as a non-binding vote, the Company's remuneration policy as set out in the remuneration report on pages 50 to 53 of the integrated annual report be and is hereby confirmed.

Special resolution number 10: non-executive directors' fees

"That no increase" based on 2012 fees payable to the non-executive directors of the Company, members and chairmen of board committees is proposed for 2013:

Committee	Member/ Directors/ Chairman	For the year 2013	For the year 2012
Board of directors	Director	R165 000	R165 000
	*Chairman	R565 000	R565 000
Audit and Risk	Member	R70 000	R70 000
	*Chairman	R120 000	R120 000
Remuneration and Nominations	Member	R50 000	R50 000
	*Chairman	R75 000	R75 000
Social and Ethics	Member	R30 000	R30 000
	*Chairman	R45 000	R45 000

* Amount includes member fees.



Ordinary resolution number 11: appointment of chairman of the Audit and Risk Committee

That B Ngonyama, an independent, non-executive director of the Company, be appointed as member and chairman of the Audit and Risk Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 12: appointment of member of the Audit and Risk Committee

That T Mosololi, an independent non-executive director of the Company, be appointed as member to the Audit and Risk Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 13: appointment of member of the Audit and Risk Committee

That PM Surgey, an independent non-executive director of the Company, be appointed as member to the Audit and Risk Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 14: appointment of chairman of the Social and Ethics Committee

That BJT Shongwe, an independent, non-executive director of the Company, be appointed as member and chairman of the Social and Ethics Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 15: appointment of member of the Social and Ethics Committee

That M Bhabha, an independent, non-executive director of the Company, be appointed as member of the Social and Ethics Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 16: appointment of member of the Social and Ethics Committee

That B Ngonyama, an independent, non-executive director of the Company, be appointed as member of the Social and Ethics Committee until the next Annual General Meeting of the Company.

Ordinary resolution number 17: appointment of member of the Social and Ethics Committee

That PS Tatyatin, a non-executive director of the Company, be appointed as member of the Social and Ethics Committee until the next Annual General Meeting of the Company.

A member entitled to attend and vote at the meeting may appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company. A form of proxy must be lodged with the share transfer secretaries of the Company not less than 48 (forty-eight) hours before the time set for the meeting. Completion of a form of proxy will not preclude a member from attending the meeting.

A form of proxy is included in this report.

Shareholders who have already dematerialised their shares must use the attached **voting instruction form** for the purpose of advising their Central Securities Depository Participant (CSDP) or broker of their voting instructions.

If, however, such shareholders wish to attend the Annual General Meeting in person, they will need to provide them with the necessary authority in terms of the custody agreement entered into with the **CSDP** or broker.

By order of the Board
**EVRAZ Highveld Steel and
Vanadium Limited**
Ms A Weststrate
Acting Company Secretary
eMalahleni

13 March 2013

Business address

Old Pretoria Main Road, eMalahleni,
Mpumalanga

Registered office

Portion 93 of the farm Schoongezicht,
No. 308 JS, eMalahleni, Mpumalanga

Postal address

P O Box 111, Witbank, 1035

Share transfer secretaries

Computershare Investor Services
Proprietary Limited, 70 Marshall
Street, Johannesburg, 2001

Form of proxy



Registration number 1960/001900/06

(Incorporated in the Republic of South Africa)

Share code: EHS

ISIN: ZAE 000146171

(the Company)

I / We

(Name in block letters)

of

(Address in block letters)

being (a) member(s) of EVRAZ Highveld Steel and Vanadium Limited, do hereby appoint

of

or failing him/her

of

or, failing him/her, the chairman of the meeting as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of members to be held on Monday, 20 May 2013 at 10h00 and at any adjournment thereof, and to vote or abstain from voting as follows on the resolutions to be proposed at such meeting.



Please indicate how you wish your proxy to vote by placing a cross in the box which applies:

	For	Against	Abstain
1. Ordinary resolution no. 1: adoption of annual financial statements			
2. Ordinary resolution no. 2: appointment of external auditors			
3. Ordinary resolution no. 3: re-election of retiring director – D Ščuka			
4. Ordinary resolution no. 4: re-election of retiring director – BJT Shongwe			
5. Ordinary resolution no. 5: re-election of retiring director – TI Yanbukhtin			
6. Ordinary resolution no. 6: re-election of newly appointed director – T Mosololi			
7. Ordinary resolution no. 7: placing of unissued shares under the control of the directors			
8. Special resolution no. 8: directors be authorised to provide financial assistance to a subsidiary of the Company			
9. Ordinary resolution no. 9: confirmation of the Company's remuneration policy			
10. Special resolution no. 10: non-executive directors' fees			
11. Ordinary resolution no. 11: appointment of chairman of the Audit and Risk Committee – B Ngonyama			
12. Ordinary resolution no. 12: appointment of member of the Audit and Risk Committee – T Mosololi			
13. Ordinary resolution no. 13: appointment of member of the Audit and Risk Committee – PM Surgey			
14. Ordinary resolution no. 14: appointment of chairman of the Social and Ethics Committee – BJT Shongwe			
15. Ordinary resolution no. 15: appointment of member of the Social and Ethics Committee – M Bhabha			
16. Ordinary resolution no. 16: appointment of member of the Social and Ethics Committee – B Ngonyama			
17. Ordinary resolution no. 17: appointment of member of the Social and Ethics Committee – PS Tatyatin			

Date: _____

Signature: _____

Please read the notes and instructions overleaf.



Notes to the form of proxy

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend, speak and vote in his/her stead. A proxy need not be a member of the Company.

2. Every person present and entitled to vote at the Annual General Meeting as a member or as a proxy or as a representative of a body corporate shall on a show of hands have one vote only, irrespective of the number of shares such person holds or represents, but in the event of a poll, every ordinary share shall have one vote.

3. Please indicate with an "X" in the appropriate spaces overleaf how you wish your votes to be cast. If you return this form duly signed without any specific directions, the proxy will vote or abstain at his/her discretion.

Instructions on signing and lodging the form of proxy

1. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.

2. The chairman of the meeting shall be entitled to decline to accept the authority of a person signing the proxy form:
(a) under a power of attorney; or
(b) on behalf of a company;

unless that person's power of attorney or authority is deposited at the offices of the Company's share transfer secretaries not less than 48 (forty-eight) hours before the meeting together with the form of proxy.

3. You may insert the name of any person(s) whom you wish

to appoint as your proxy in the blank space(s) provided for that purpose.

4. When there are joint holders of shares, any one holder may sign the form of proxy.

5. The completion and lodging of this form of proxy will not preclude the member who grants this proxy from attending the meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.

6. Completed forms of proxy should be returned to the Company's share transfer secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), South Africa, so as to reach them not later than 48 (forty-eight) hours before the time set for the holding of the meeting.



Voting instruction form



Registration number 1960/001900/06

(Incorporated in the Republic of South Africa)

Share code: EHS

ISIN: ZAE 000146171

(the Company)

Only for use by shareholders who have dematerialised their shares in the Company

For use in respect of the Annual General Meeting to be held on Monday, 20 May 2013 at 10h00, at EVRAZ Highveld Steel and Vanadium Limited in the Board Room at the Steelworks, Old Pretoria Main Road, eMalahleni, Mpumalanga.

Shareholders who have already dematerialised their shares may use this form to advise their **CSDP** or broker of their voting instructions on the proposed resolution in the space provided below. However, should such shareholders wish to attend the Annual General Meeting in person, they will need to request their **CSDP** or broker to provide them with the necessary authority in terms of the custody agreement entered into with the **CSDP** or broker.

I / We

(Name in block letters)

being (a) shareholder(s) of the Company who has/have dematerialised my/our shares in the Company do hereby indicate in the spaces provided below to my/our **CSDP**/broker my/our voting instructions on the resolutions to be proposed at the Annual General Meeting of EVRAZ Highveld Steel and Vanadium Limited to be held on Monday, 20 May 2013 at 10h00.

**Voting instruction**

	For	Against	Abstain
Ordinary resolution no. 1			
Ordinary resolution no. 2			
Ordinary resolution no. 3: D Šćuka			
Ordinary resolution no. 4: BJT Shongwe			
Ordinary resolution no. 5: TI Yanbukhtin			
Ordinary resolution no. 6: T Mosololi			
Ordinary resolution no. 7			
Special resolution no. 8			
Ordinary resolution no. 9			
Special resolution no. 10			
Ordinary resolution no. 11: B Ngonyama			
Ordinary resolution no. 12: T Mosololi			
Ordinary resolution no. 13: PM Surgey			
Ordinary resolution no. 14: BJT Shongwe			
Ordinary resolution no. 15: M Bhabha			
Ordinary resolution no. 16: B Ngonyama			
Ordinary resolution no. 17: PS Tatyannin			

Signed at _____ on _____ 2013.

Signature: _____

This voting instruction form is not for use by registered shareholders.

1. Please indicate in the appropriate spaces above the number of votes to be cast. Each share carries the right to one vote.
2. All the votes need not be exercised nor need all votes be cast in the same way, but the total of the votes cast and in respect of which abstention is directed may not exceed the total of the votes exercisable.
3. Any alteration or correction made to this voting instruction form must be initialled by the signatory.
4. When there are joint holders of shares, any one holder may sign the voting instruction form.
5. Completed voting instruction forms should be forwarded to the **CSDP** or broker through which the EVRAZ Highveld shares have been dematerialised to reach their offices by not later 10h00 on Thursday, 16 May 2013.



Key contacts

Chief Executive Officer

Michael Garcia
+27 13 690-8721

Chief Financial Officer

Jan Valenta
+27 13 690-9108

Manager: Environmental

Yolandi Schoeman
+27 13 690-8880

Director: Vanadium Operations SA

Malcolm Curror
+27 12 318-3213

General Manager: Corporate Security

Douw de Leeuw
+27 13 690-9558

Chief Operating Officer

Jaco de Klerk
+27 13 690-8436

Manager: Government Relations and Internal Communications

Thea-Lynn MacLeod
+27 13 690-8885

Acting Company Secretary

Anrè Weststrate
+27 13 690-8888

General Mine Manager: Mapochs Mine

Johannes Maepa
+27 13 273-5002

General Manager: Human Resources and Transformation

Jerry Molefe
+27 13 690-9529

General Manager: Marketing and New Business Development

Kefilwe Mothupi
+27 13 690-9003

General Manager: Safety, Health, Environmental and Quality

Mandla Ndlozi
+27 13 690-9555

Chief Commercial and Business Development Officer

Jerry Reed
+27 13 690-8774

General Manager: Procurement

Colin Short
+27 13 690-8891

General Manager: Projects

Malcolm Simpson
+27 13 690-9422



Company information

Registered address

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

Business address

Old Pretoria Main Road
eMalahleni
Mpumalanga

Postal address

PO Box 111
Witbank
1035

Website details

www.evrashighveld.co.za

Acting Company Secretary

Anrè Weststrate
+27 13 690-8888

Principal bankers

Nedbank Limited
Corporate Services
135 Rivonia Road
Sandown, 2196
+27 11 295-5301

Principal attorneys and legal advisors

Webber Wentzel Attorneys
10 and 18 Fricker Road
Illovo Boulevard, 2196
+27 11 530-5000 (switchboard); and

Brink Cohen Le Roux
BCLR Place
85 Central Street
Houghton, 2198
+27 11 242-8000

Registered auditors

Ernst & Young Inc.
52 Corlett Drive
Wanderers Office Park
Illovo, 2196
+27 11 772-3000 (switchboard)

Sponsor

JP Morgan
1 Fricker Road
Illovo, 2196
+27 11 507-0430

Share transfer secretaries

Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg, 2001
0861 100 950 (shareholder queries)
+27 11 370-5000 (switchboard)

Integrated Annual Report

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sustainability@evrazhighveld.co.za
www.evrashighveld.co.za



Registered Office

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