

# Highveld Steel and Vanadium Corporation Limited

Annual Results

31 December 2009

# Disclaimer

## Forward looking statements

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## Financial information

Highveld's results are reported under International Financial Reporting Standards (IFRS)

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# Introduction and overview

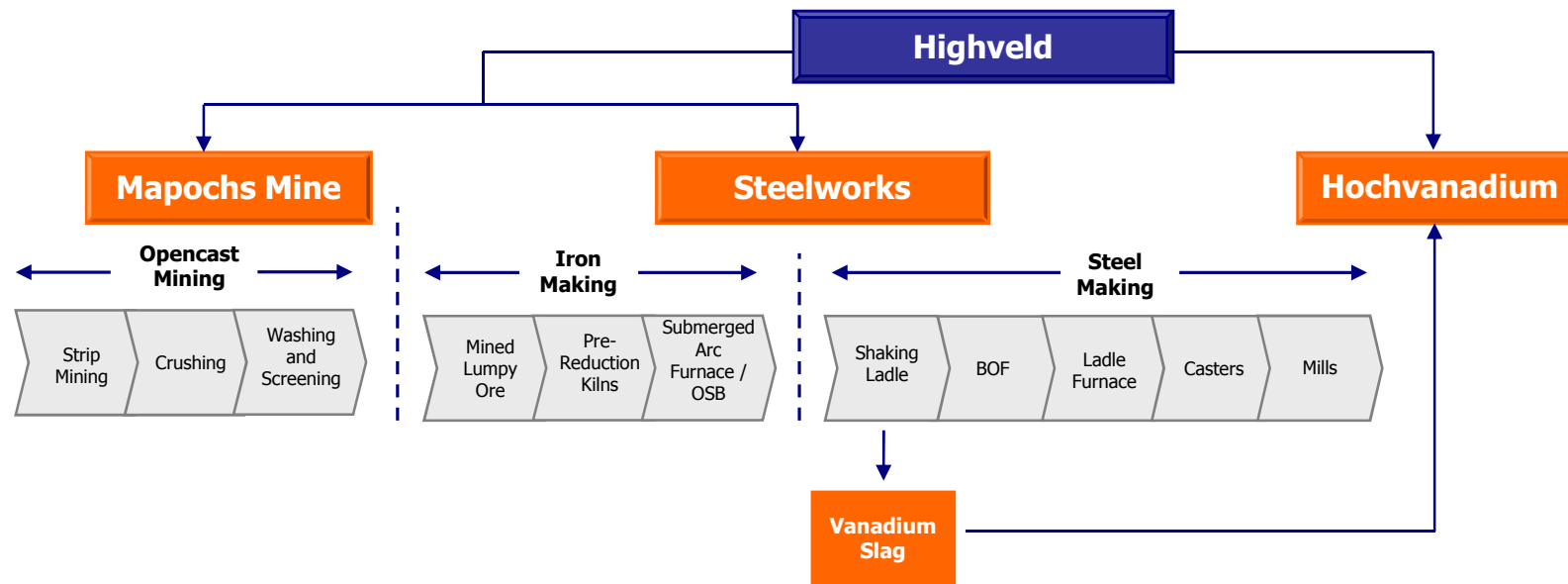


**Scott MacDonald**  
**Chief Executive Officer**

# Introduction

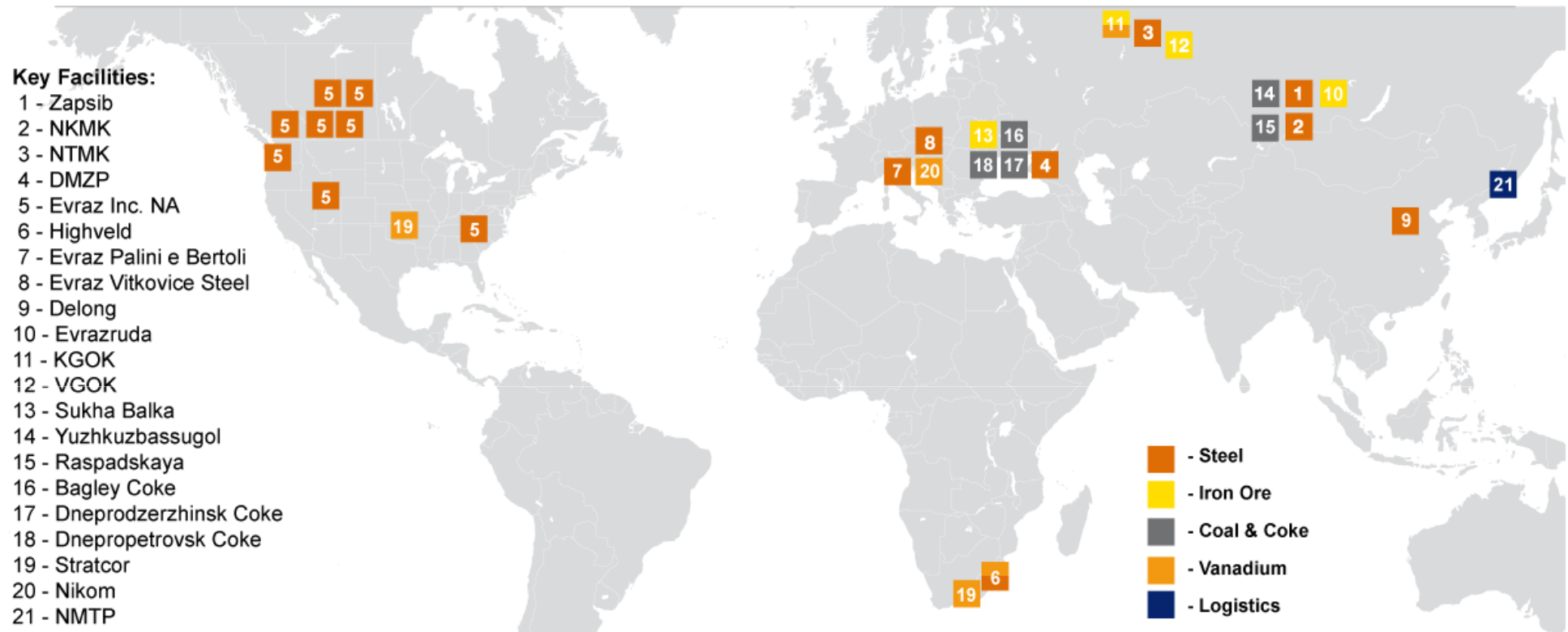
- Second largest steel producer in South Africa
- One of the leading producers in the global vanadium market
- 85% owned by Evraz
- Primary listing on the JSE - share code 'HVL'
- Sponsored Level 1 ADR Programme traded under the symbol 'HGPLY'
- EBITDA of R438 m in 2009
- Net asset value (NAV) per share improved by 8%

# Highveld operation



- Vertically integrated operation
- Globally one of the richest vanadium-bearing titaniferous ore reserves
- Proven reserves = 30,3 mt – LOM = 30 years
- New order mining rights application submitted
- BEE transaction – 26% shareholding to BEE partner and community trust
- Unique manufacturing process for vanadium extraction

# Evraz's global business



- In 2008, Evraz produced 17.7 million tons of crude steel, 13.3 million tons of pig iron and 16.1 million tons of rolled products.
- 2008 consolidated revenue amounted to \$20.4 billion.
- Consolidated net profit after tax amounted to \$1.7 billion.
- By the end of 2008 the number of employees totalled approximately 134,000 people.

# Financial results



**Bernie de Beer**  
**Financial Director**

# 2009 Group financial summary

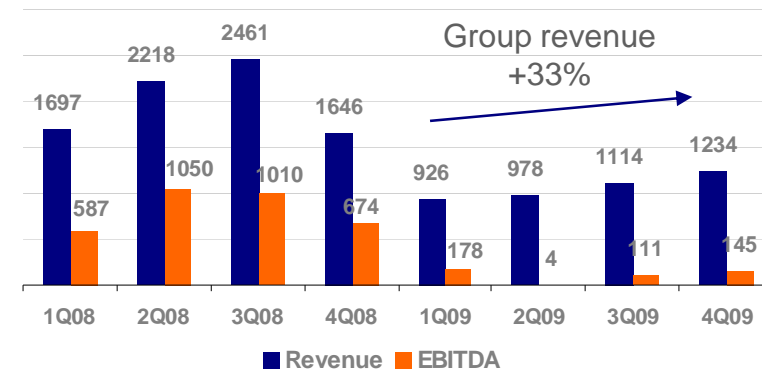
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Rm	2009	2008	Change
Revenue *	4 252	8 022	(47%)
EBITDA	438	3 321	(87%)
EBITDA margin	10%	41%	
Headline earnings	167	2 572	(94%)
NAV per share (cents)	3 101	2 866	8%
Cash and Cash equivalents **	1 074	1 601	(33%)
Steel sales ('000 tons)	581	668	(13%)
Vanadium slag sales (tons V)	454	1 313	(65%)
Ferrovandium sales (tons V)	4 884	5 195	(6%)

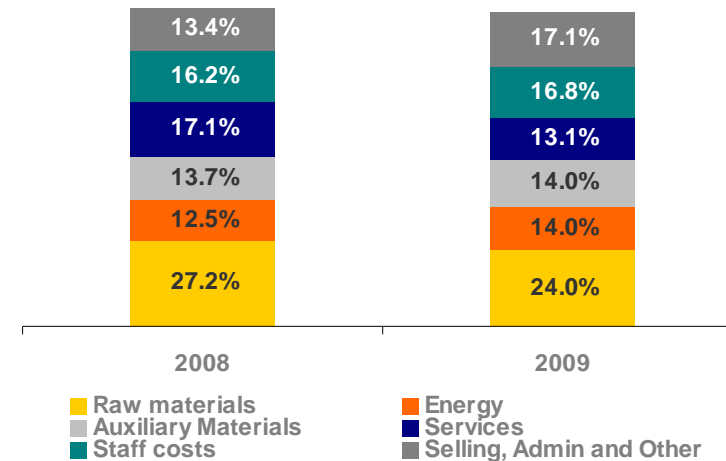
# Financial highlights 2009

- Group revenue decreased by 47% vs. 2008 and EBITDA decreased by 87% vs. 2008
  - Reduced global demand
  - Decrease in average prices
  - Change in product mix
- Group revenue increased by 33% 1Q09 vs. 4Q09
- Energy costs a focus area
- Rationalisation in 2009 should yield sustainable future benefits
- No dividend payments

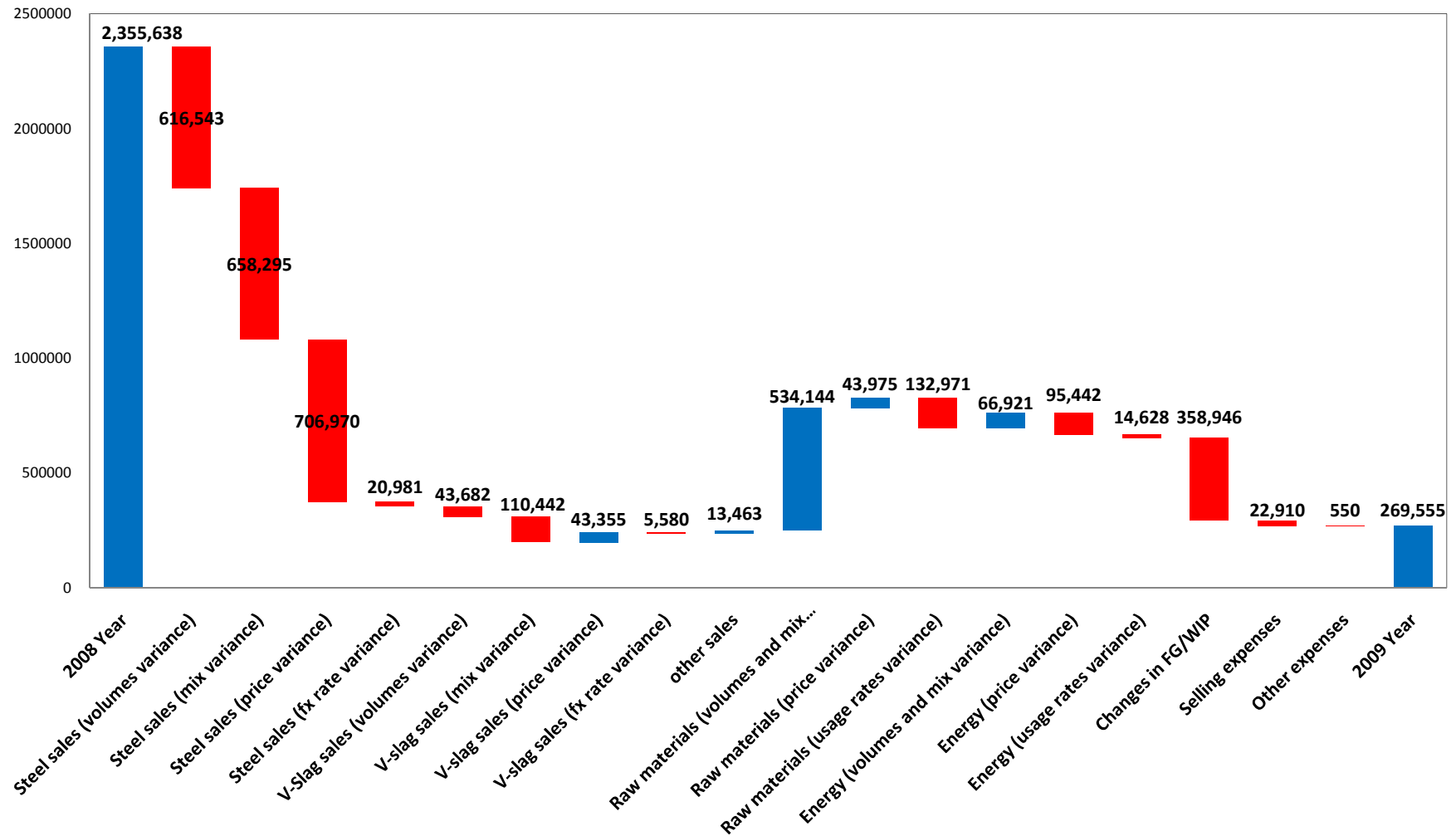
Group Revenue and EBITDA (Rm)



Steel Operations Cost Distribution



## Highveld Steelworks EBITDA : 2009 vs. 2008 (R'000s)



# Group operating costs

Rm	2009	2008	Change
Raw materials	790	1 083	(27%)
Energy	530	487	9%
Auxiliary materials	496	533	(7)%
Services	1 127	1 991	(43%)
Staff costs	790	890	(11%)
Selling, administration and other	467	295	58%
Depreciation	232	240	(3%)

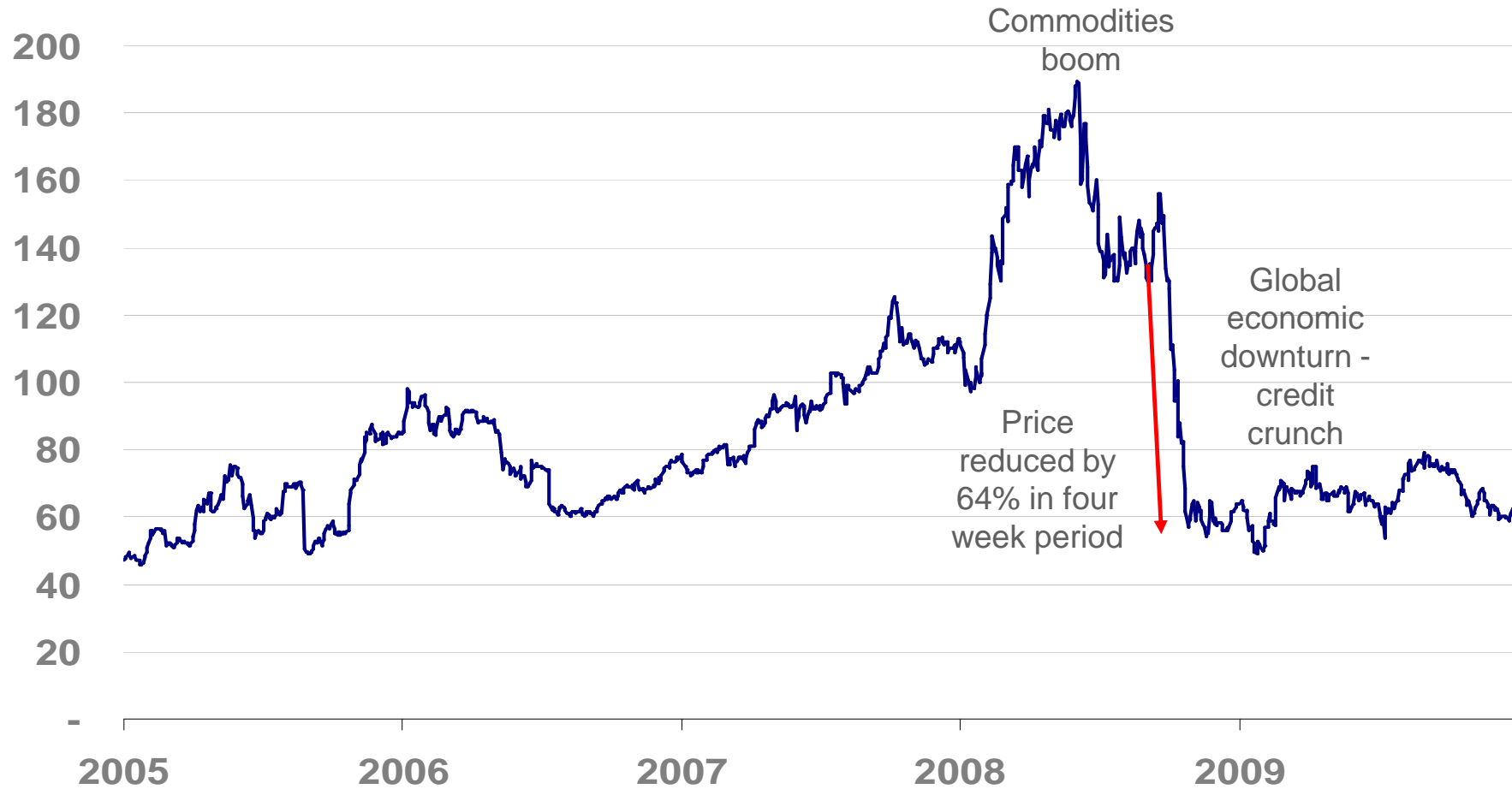
# Cash flow

Rm	2009	2008	Change
Cash generated from operations	35	3 849	(99%)
Net interest and investment income	69	145	(52%)
Taxation paid	(565)	(530)	7%
CAPEX	(196)	(543)	(64%)
Proceeds from sale of discontinued operations	164	1 055	(84%)
Dividends and short-term loans	2	(3 156)	(100%)
Sub-total	(491)	820	
Effect of foreign exchange rate changes on cash	(36)	13	
Net cash flow	(527)	833	(163%)
Cash and Cash equivalents	1 074	1 601	(33%)

# Financial ratios

Rm	2009	2008	Change
Return on Capital Employed (ROCE%)	5.1%	103.1%	(95%)
Current ratio	2.71	1.93	40%
Quick ratio	1.61	1.45	11%
Net cash to shareholders equity	34.9%	54.3%	(36%)
Total liabilities to shareholders equity	59.3%	81.0%	27%

# Share price performance



# Operational results

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# Global trends

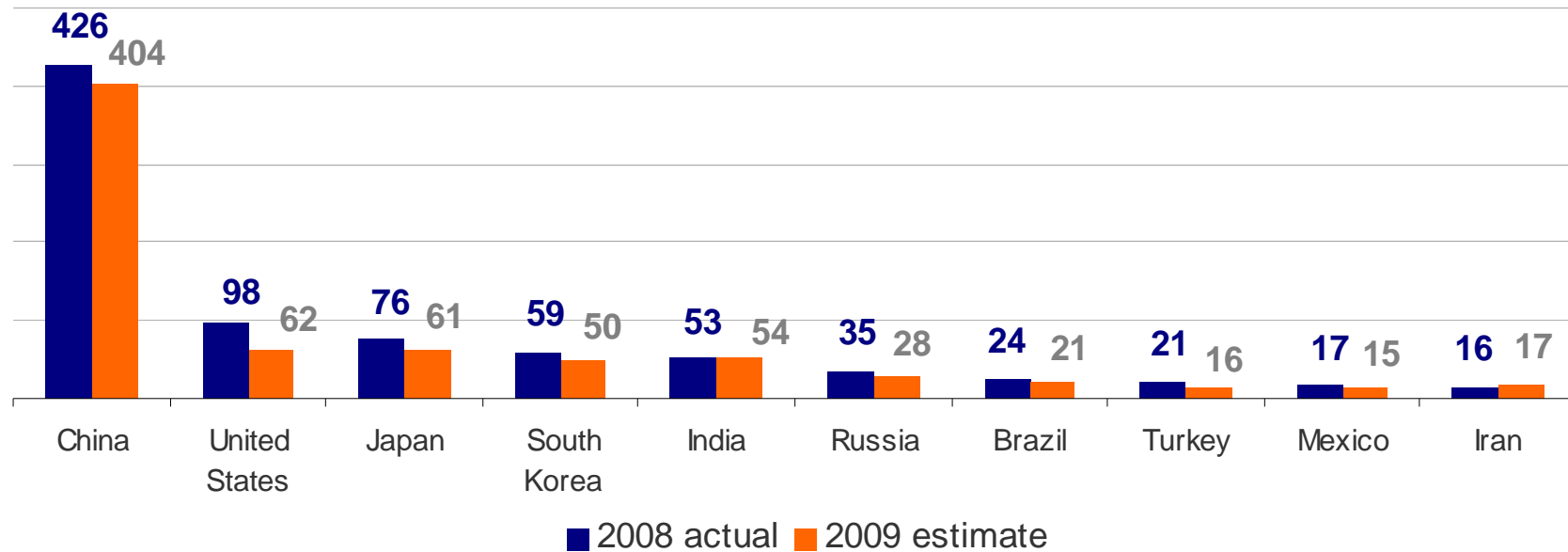
- Key drivers of steel are GDP growth and construction, fabrication, engineering shipbuilding, transport, automotive and engineering industries steel consumption growth
- Key drivers of vanadium are GDP growth and steel consumption growth
- 2010 global GDP growth forecast - 2.7% (Source: World Bank)
- 2010 emerging economies GDP growth forecast – 5.2% (Source: World Bank)
- 2010 BRIC GDP growth (Source: Goldman Sachs)
  - Brazil – 5.8%
  - Russia – 5.8%
  - India – 8.2%
  - China – 11.4%
- Global apparent steel consumption estimated 9,2% - 1.206 m tons (Source: Worldsteel Association)
- Global steel output predicted to rise 4 – 10% (Source: Steel Times International)

## GDP growth for top 10 crude steel consuming countries (Source: CIA Factbook)

Country	2009 estimate
China	9.0%
United States	-2.4%
Japan	-5.7%
South Korea	-9.8%
India	6,1%
Russia	-7.9%
Brazil	0.1%
Turkey	-5.8%
Mexico	-1.1%
Iran	2.6%
<b>South Africa</b>	<b>1,9%</b>

# Global steel consumption trends

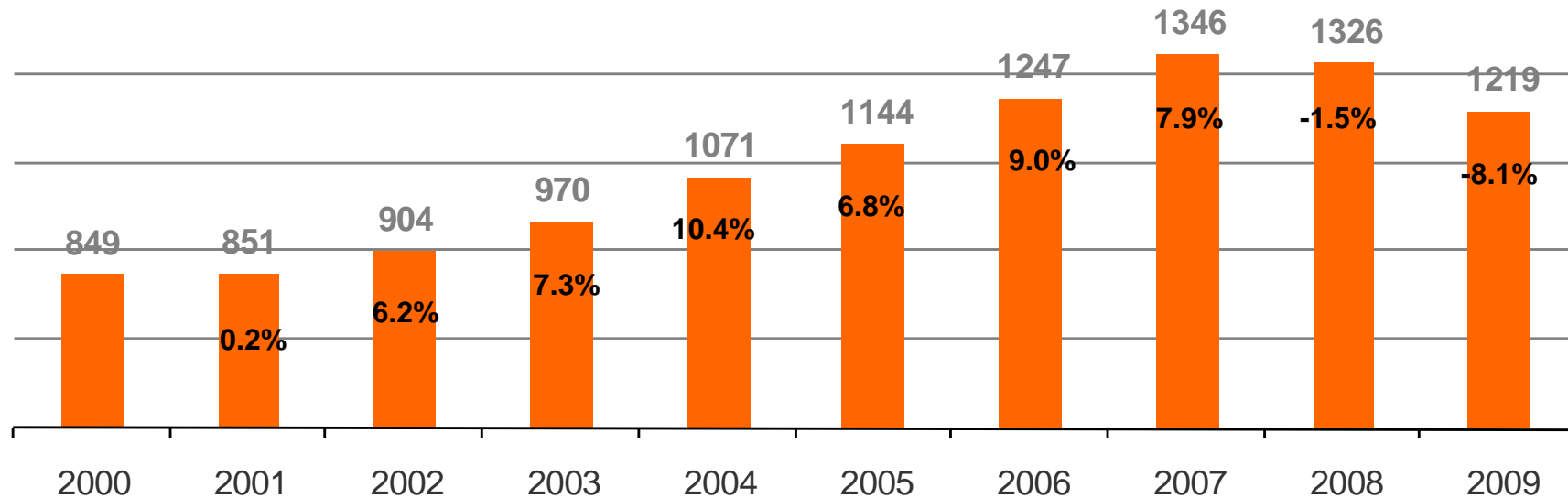
Top 10 apparent steel use countries (million tons)  
(Source: Worldsteel Association)



- Global apparent steel use decreased by 14.9% 2009 vs. 2008
- China – nearing 50% of global consumption
- Top 5 consuming countries – 62% of estimated global consumption in 2009
- Top 10 consuming countries - 71% of estimated global consumption in 2009

# Global crude steel production trends <sup>19</sup>

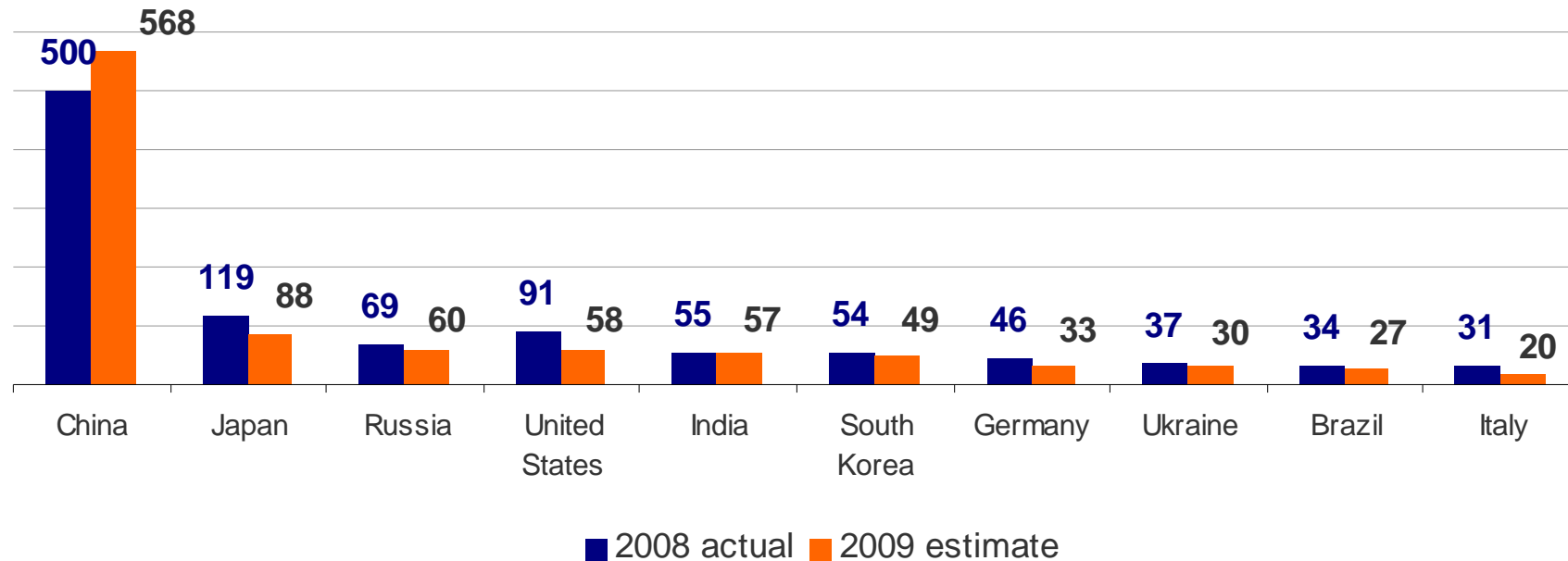
Global crude steel production (million tons)  
(Source: Worldsteel Association)



- 2000 – 2007: 7 years progressive growth in crude steel production
- 2008 – 2009: reduced production following global economic downturn
- 2010: predicted 4 – 10% increase in steel production due to increased price of scrap, improved trading conditions in the US and inventory restocking

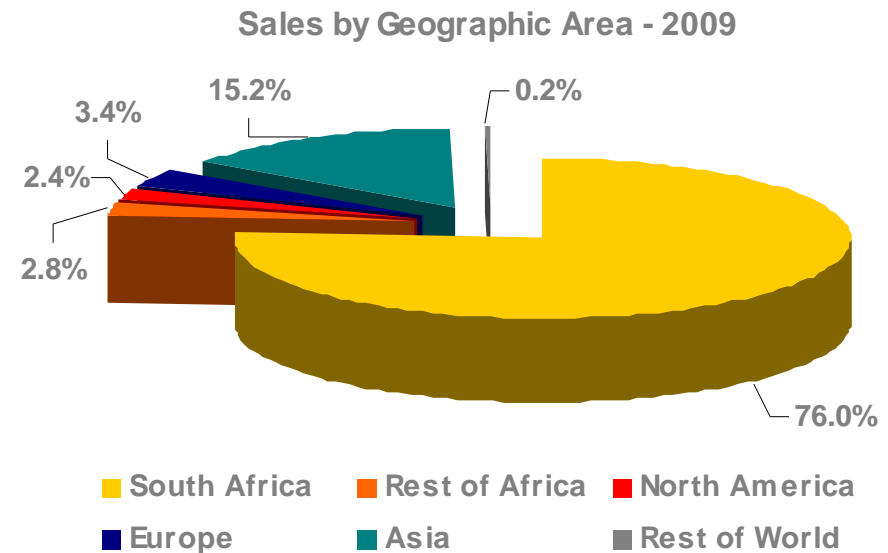
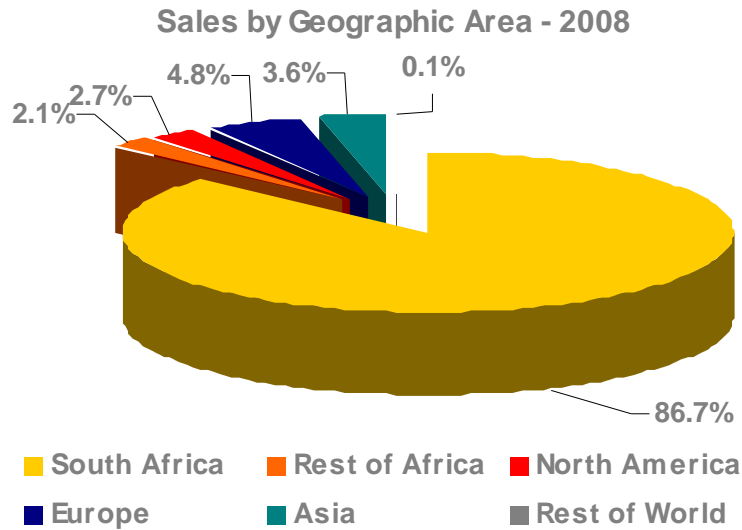
# Global crude steel production trends

Top 10 crude steel producing countries (million tons)  
(Source: Worldsteel Association)



- China – 47% of global crude steel production in 2009
- Top 5 producing countries – 68% of estimated global production in 2009
- Top 10 producing countries – 81% of estimated global production in 2009

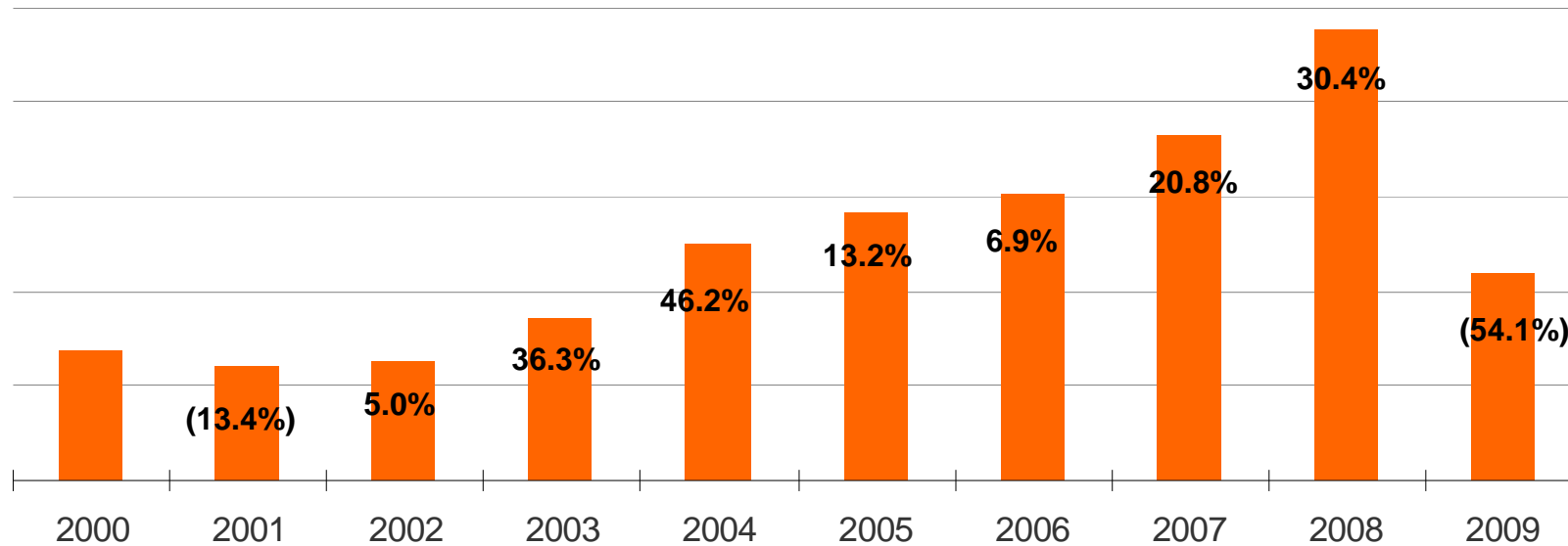
# Highveld steel sales by geographic region <sup>21</sup>



- SA focus market
- Leading local supplier of heavy structural sections and plate
- Established niche markets in Europe and North America
- Focus on African and South American growth markets

# Highveld steel price trends

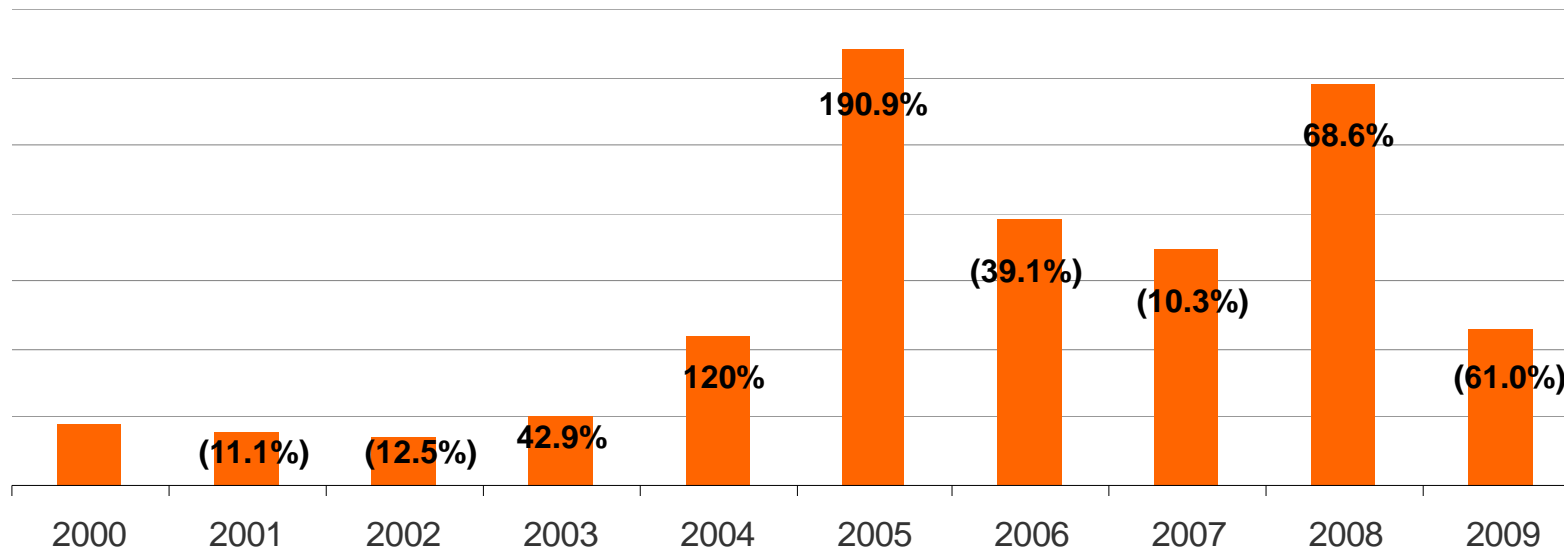
Highveld steel price trends  
(\$/ton)



- Global pricing driven by supply demand balance
- Improved prices in 2010 following improved global demand
- Increased global commodity prices influencing input costs – will drive increased steel product prices

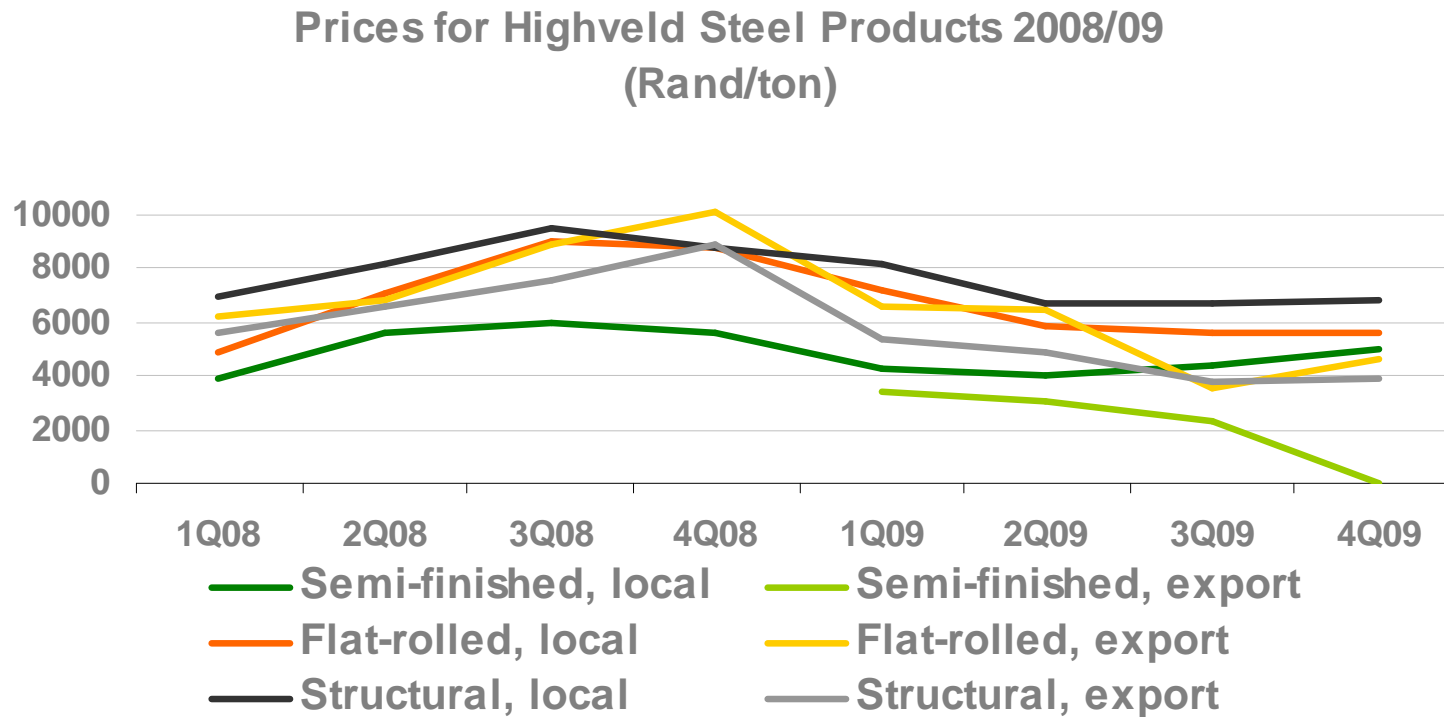
# Highveld ferrovanadium price trends <sup>23</sup>

Highveld ferrovanadium price trends  
(\$/kgV)

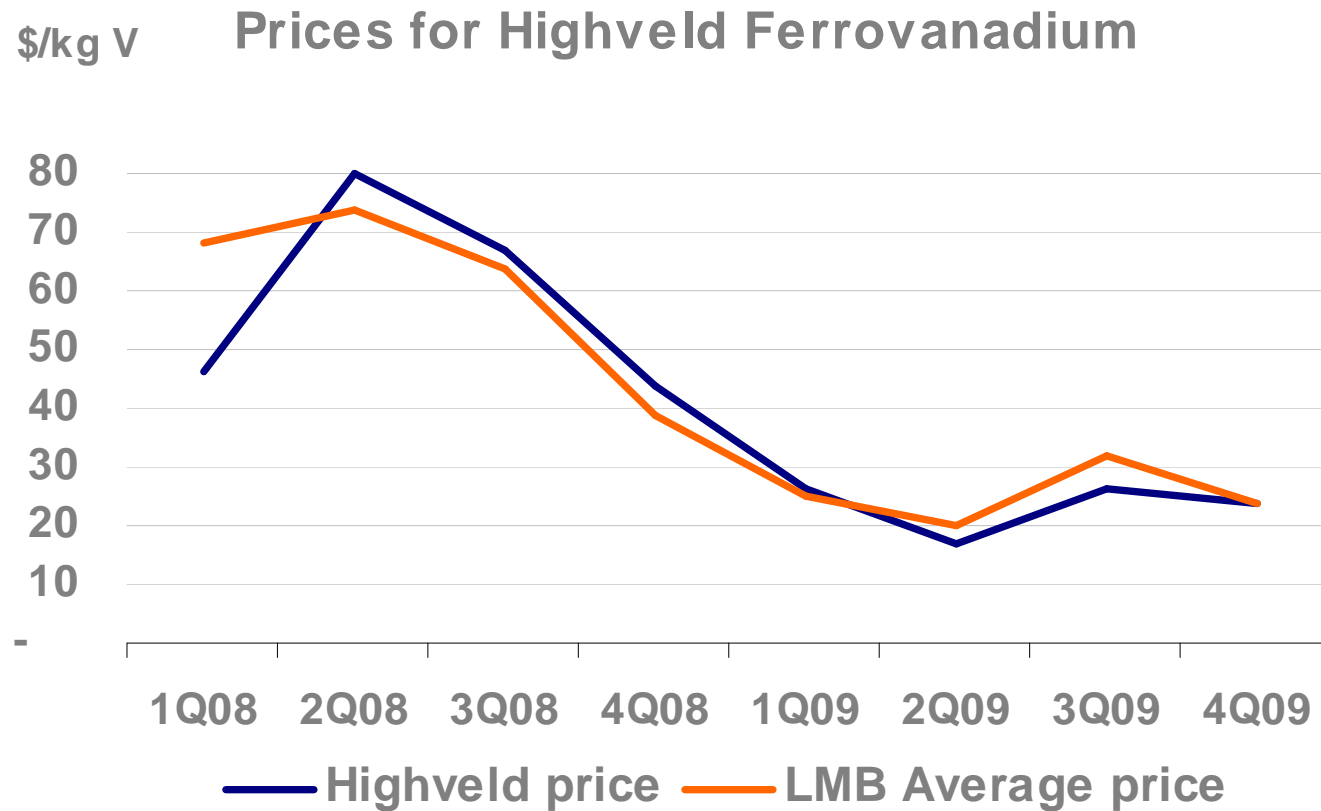


- Ferrovanadium pricing adversely influenced by global economic downturn
- 2010: improved price stability
- Anticipated future demand to exceed increases in steel consumption due to increased vanadium content in steel used in developing economies

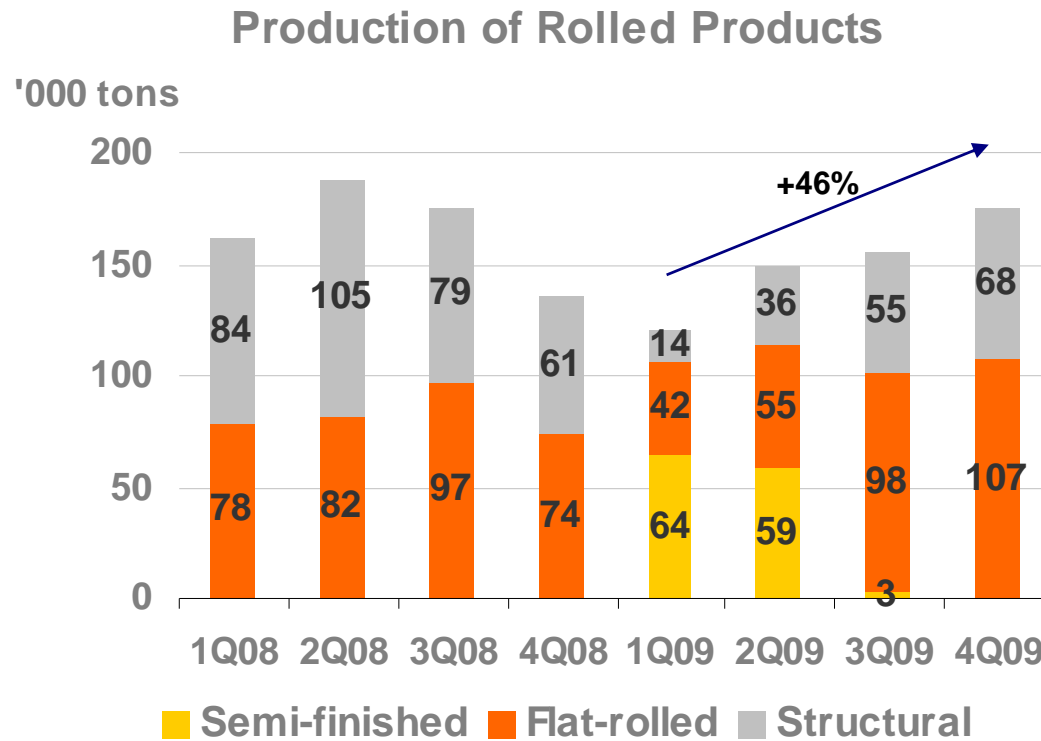
# Highveld steel price trends



# Highveld ferrovanadium price trends <sup>25</sup>

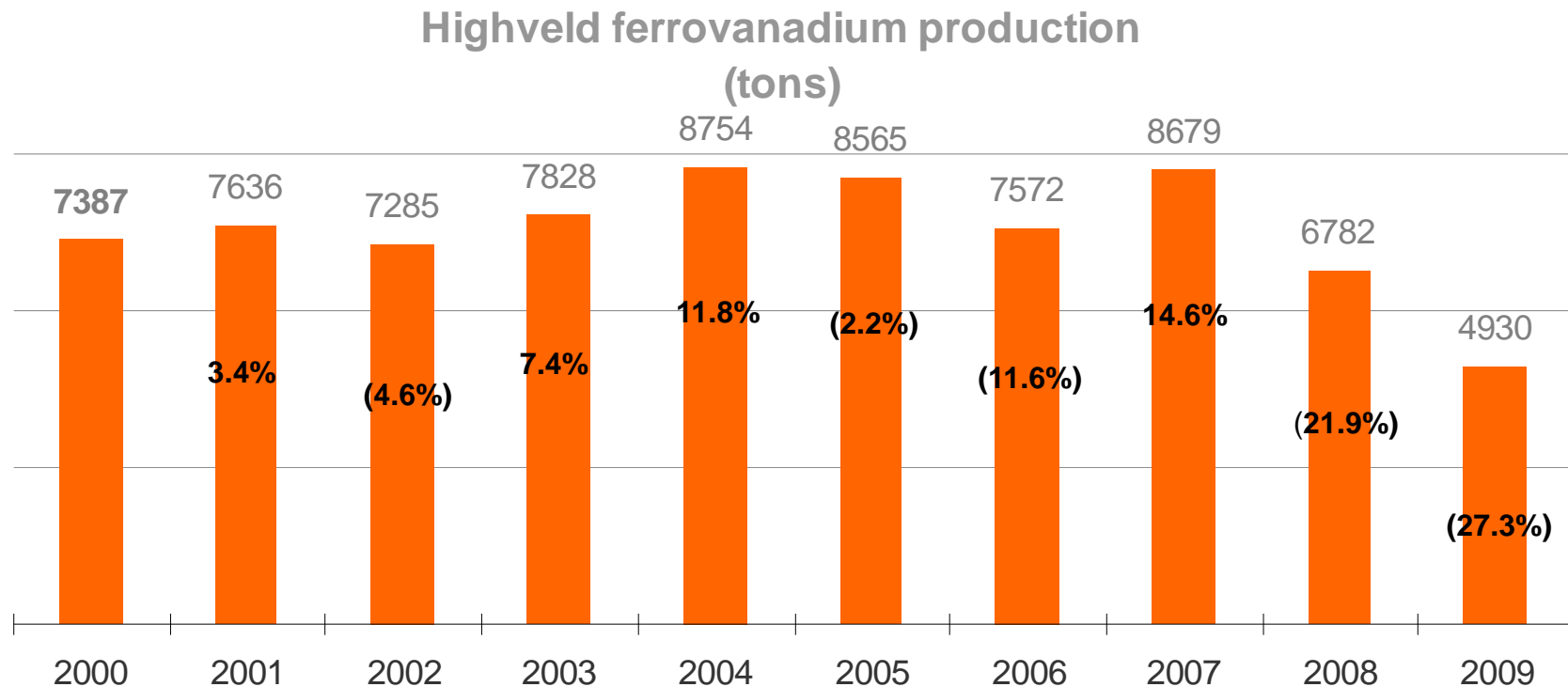


# Highveld steel production



- High volume of semi-finished product to Asian markets in 1Q09 and 2Q09 to support capacity utilisation
- Improved market conditions 3Q09 and 4Q09
- Current capacity utilisation 95%

# Highveld ferrovanadium production



# Key strategic focus areas

- Environment
  - Energy saving projects
  - Atmospheric emissions
    - Equipment focus
    - AQA/APPAs working towards compliance
    - Green Scorpions
  - Mapochs mine integrated water use licence
- BEE
- Corporate Governance
- Competition Commission Enquiry
- SHQ

# Summary

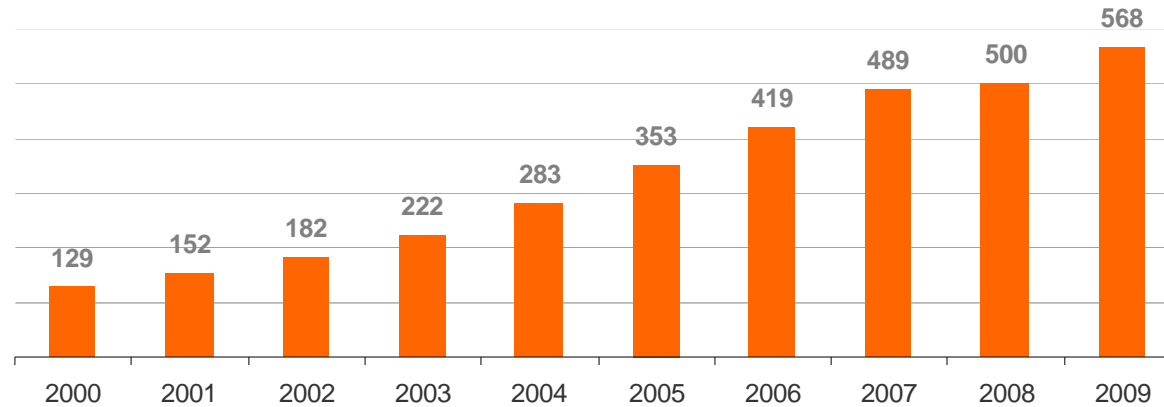
- 50 profitable years of operation
- Financial focus on cost and working capital management; and CAPEX planning
- Market focus is on growing markets South Africa, Africa and South America
- Competitive advantages:
  - Vertically integrated operation
  - Significant global vanadium feedstock producer
  - Reduced reliance on high quality metallurgical coal
  - Access to Evraz:
    - strategic global infrastructure
    - global marketing network
- Highveld is in an excellent position to benefit from the renewing strengths in world commodity markets

Thank you

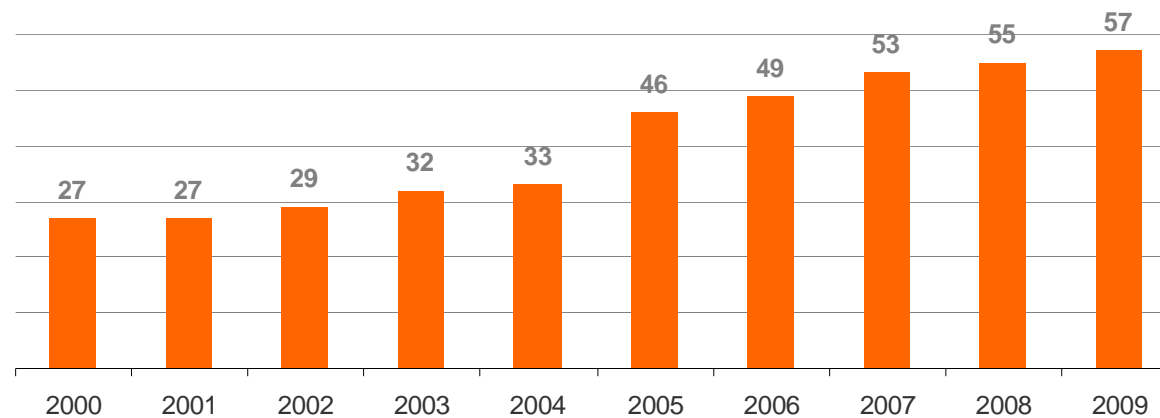
Questions

# Crude steel production trends

China crude steel production (million tons)  
2000 - 2009

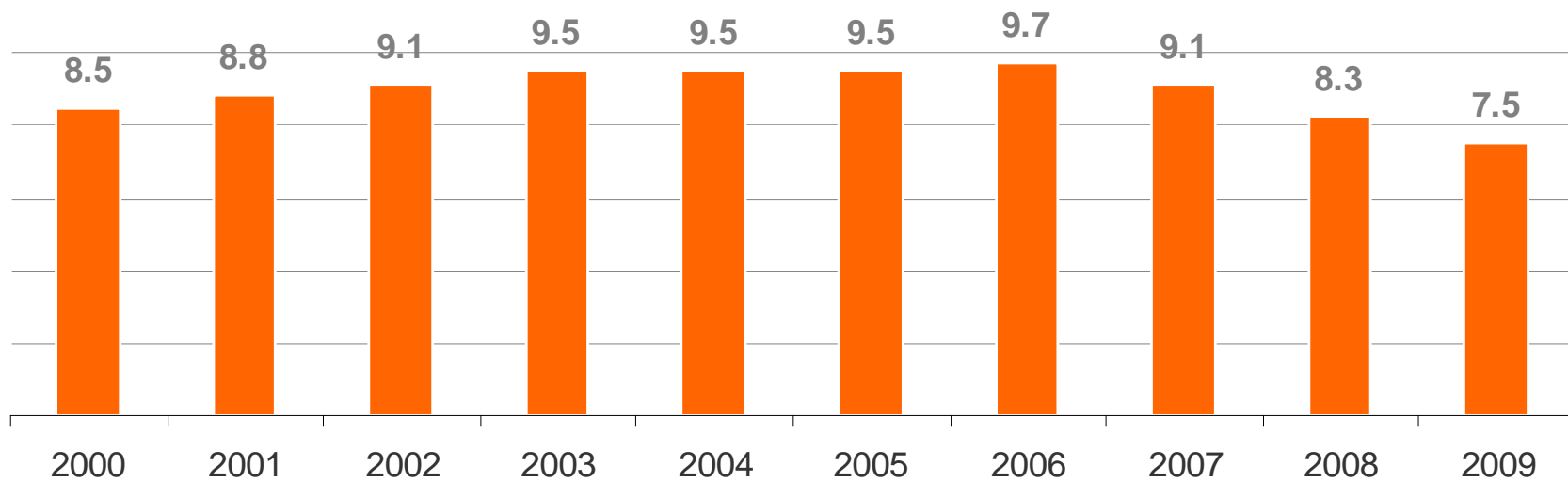


India crude steel production (million tons)  
2000 - 2009

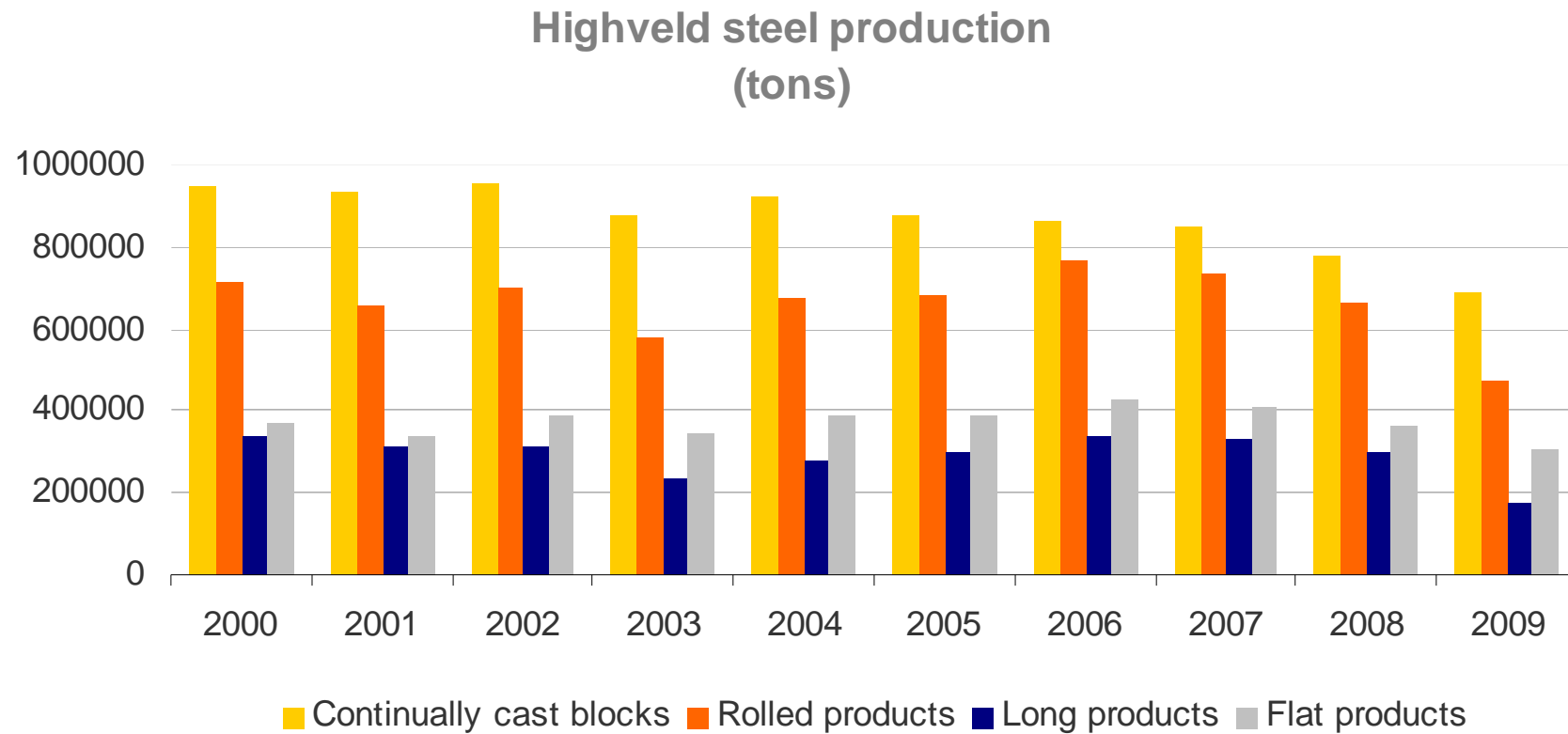


# Crude steel production trends

South Africa crude steel production (million tons)  
2000 - 2009



# Highveld production



# Highveld production

Highveld vanadium slag production  
('000 tons)

