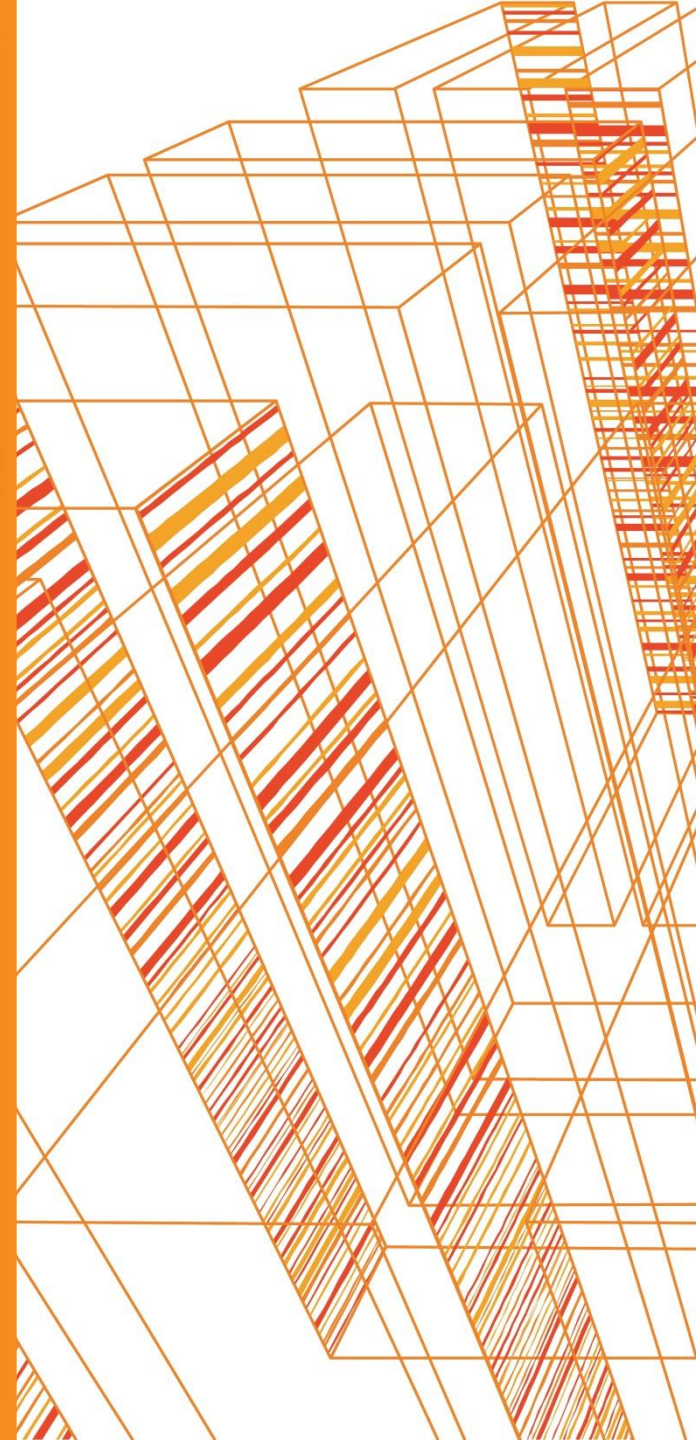


The image shows a white building facade with the EVRAZ logo and text. To the left of the main text is a graphic consisting of three horizontal bars in yellow, orange, and red. The background features a clear sky and green trees. The overall color scheme is dominated by orange and white.

**EVRAZ** EVRAZ HIGH VELD  
STEEL AND VANADIUM  
*making the world stronger*

## 2012 Annual Results Presentation

18 and 19 March 2013



# Disclaimer

## **Forward looking statements**

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## **Financial information**

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

# Contents

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# Highlights

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Michael D. Garcia  
Chief Executive Officer

# Overview

## KEY FEATURES

### Safety

- 14% improvement in LTIFR from 2011 to 2012
- 1 contractor fatality occurred during 2012

### Mapochs BEE empowerment deal

- Transaction became effective on 29 February 2012

### Finance

- Headline loss of R1 022 million
- Revenue down 22% to R4 354 million
- EBITDA loss of R697 million in 2012 vs. R153 million profit in 2011

### Steel Products

- Overall steel sales volumes decreased by 25%
  - Domestic steel sales volumes decreased by 24%
  - Export steel sales volumes decreased by 27%

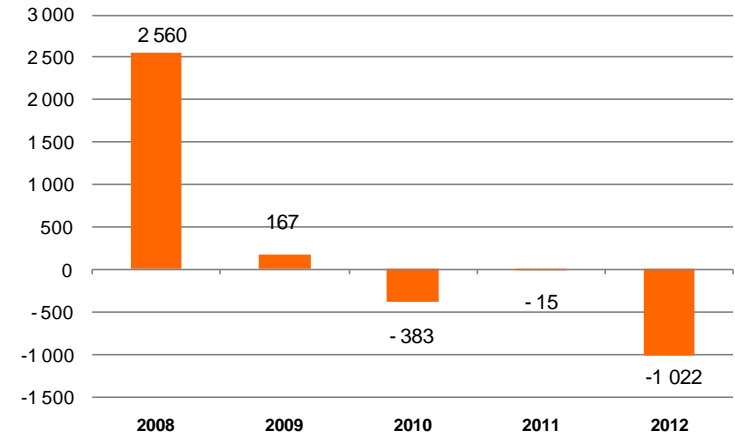
### Costs

- Cost of sales down by 8%
- Energy costs up by 35% per ton cast steel
- Service costs down 7% per ton cast steel

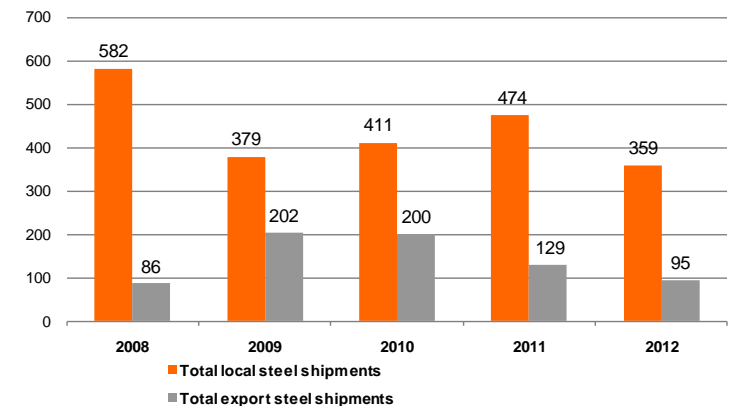
### Vanadium Products

- Slag production decreased by 29%
- FeV sales volumes decreased by 21%

Headline Earnings (R million)



Local and Export Steel Sales ('000 tons)



# Safety - Road Towards Zero Harm

- One fatality was recorded at the Mapochs Mine during the year, which we deeply regret

- Improvements on Safety (2011 v 2012):

- The target of 1.35 LTIFR (Lost Time Injury Frequency Rate) was achieved for the year 2012 (2011: 1.57)
- 28% decrease in total injuries (2012:152 v 2011:211)
- The comprehensive contractor safety management program initiated in October 2011 was successful, resulting in LTIFR (YTD) target of 1.35 for 2012, 6 000 000 Lost Time Injury free hours and 12 months without a Lost Time Injury achieved by contractors .



# Environment

## Steelworks

- Ongoing discussions relating to the 2007 environmental audit with the EMI's (Green Scorpions) ensure that they are appraised of all progress in the emission reduction programs
- Integrated water use license: the Steelworks water use license was issued on 18 May 2012

## Mapochs Mine

- The Integrated water use license was issued on 25 May 2012
- The Mapochs Dam is desilted under Department of Water Affairs Directive 27 March 2012

## Vanchem calcine waste disposal facility

- The EIAR for the reworking of the facility by Earth Metallurgical Solutions is being compiled after the final Scoping report was approved by the Authorities. Interim mitigation of seepage has commenced



# Economic Overview

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- The outlook of the global economy remains highly uncertain, with the biggest risk factor remaining the European debt crisis and recession, and economic slowdown in China.
- US economy looks more sound than other developed countries and short term prospects are more solid.
- Expect production slowdown in major steel consuming industries worldwide due to global economy slowdown and increase in steel-substitute materials (plastics, aluminum).
- Overcapacity in many countries
- In the long term global steel demand will probably not grow by more than 4% per annum.

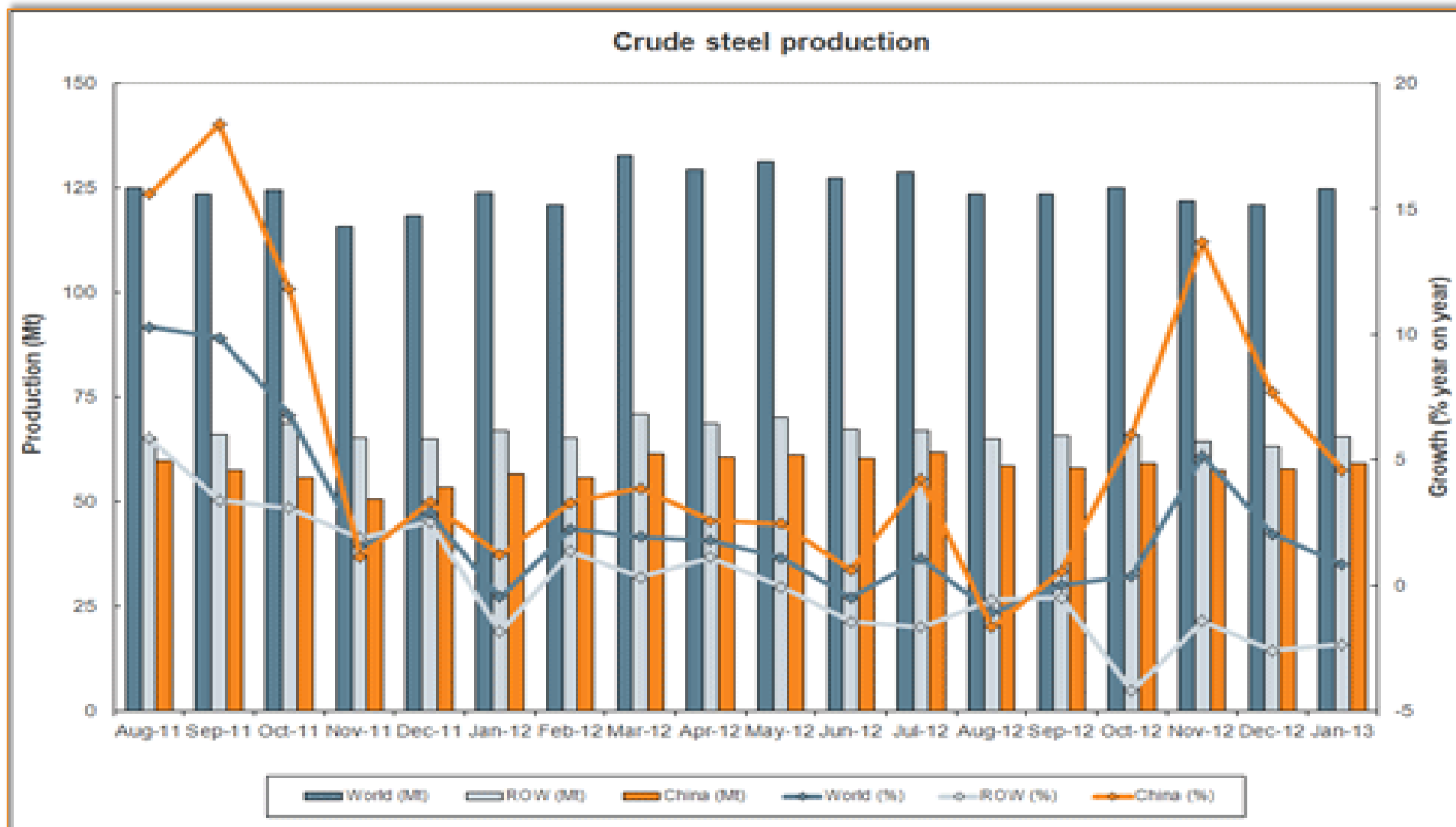
Sources: Worldsteel, Bloomberg, EVRAZ

# Global Steel Markets

- Global crude steel output increased by 1.2% to 1,548 Mt for 2012 compared to 2011.
- South-Africa's output decreased by 5.7% to 7.1 Mt in 2012 from 2011.
- Global steel output continues to migrate from the developed to the developing countries (mainly SE Asia).
- Main movements in the steel market:
  - US continued steel production expansion with a 2.5% increase to 88.5 MT for 2012.
  - Europe crude steel production declined 4.7% in 2012 as the EU continues to struggle to recover from the financial crisis.
  - South America crude steel production was 46.9 Mt in 2012, a decrease of 3%.
  - China's growth is slowing and steel production increased 3.1% to 716.5 MT in 2012.

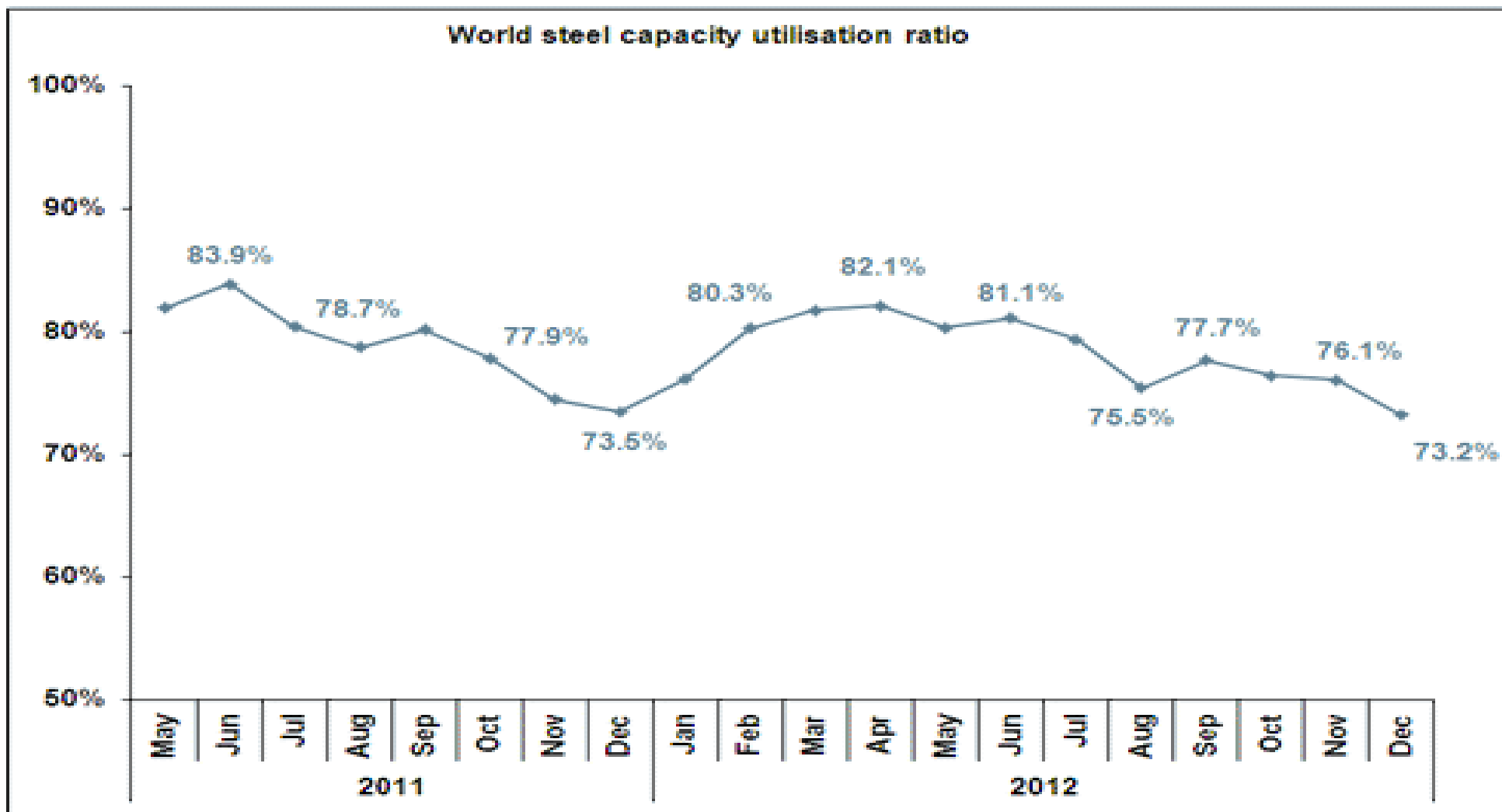
Source: World Steel Association and Goldman Sachs

# Global Steel Markets (cont)



Source: World Steel Association

# Global Steel Markets (cont)

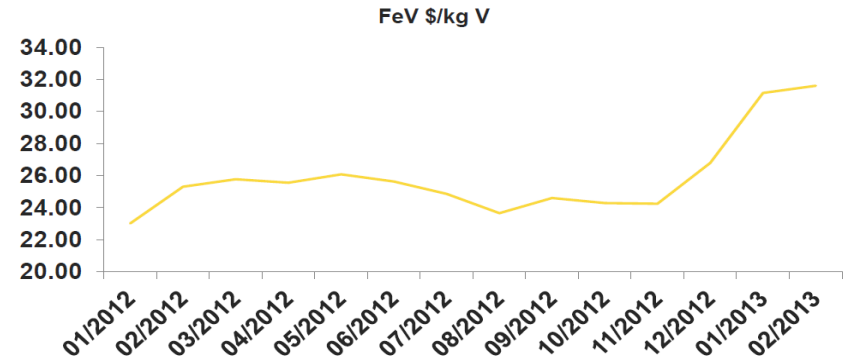


Source: World Steel Association

# Global Vanadium Markets

- The MB ferrovanadium price was in the region of \$24-27 for most of 2012
- The January 2012 average price was \$23.01, while December saw an average price of \$26.78
- The closing days of December saw prices increase and by January 2013, the average price hit \$31.15
- After a short dip, February saw further improvements, bringing the average price to \$31.60
- The future direction of prices is uncertain

## Ferrovanadium price developments

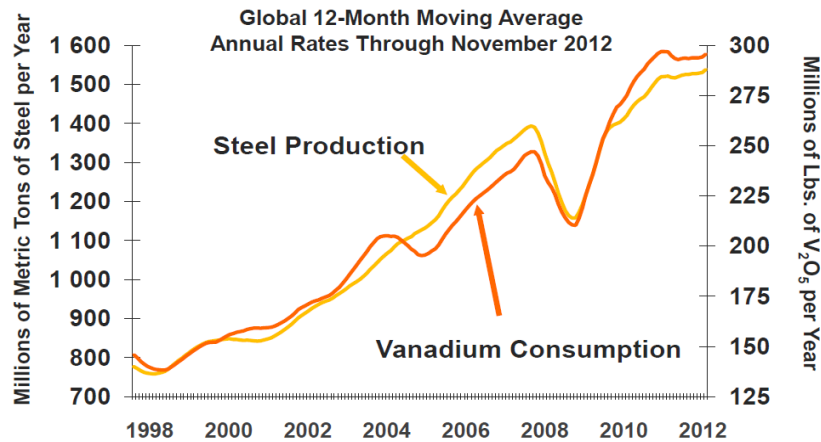


Source: London Metal Bulletin

4



## Worldwide Steel Production vs. Worldwide Vanadium Consumption

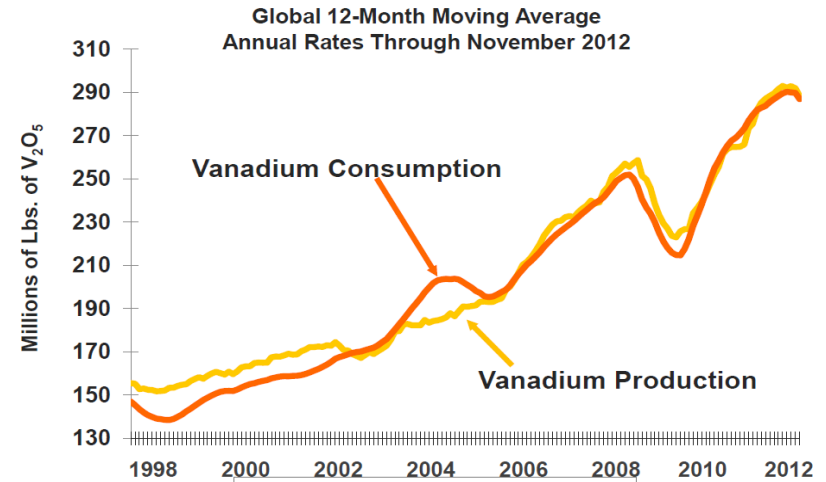


Source: Evraz Stratcor, Inc.

2



## Vanadium Production vs. Consumption



Source: Evraz Stratcor, Inc.

3



# Operational results

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Michael D. Garcia  
Chief Executive Officer

# Key Result Drivers

	2012	2011	2012 vs 2011
Hot metal production (kt)	620	660	( 6.0%)
Cast steel production (kt)	572	671	( 14.8%)
Rolled production (kt)	448	513	( 12.7%)
Total steel sales volumes (kt)	454	603	( 24.7%)
Domestic steel sales volumes (kt)	359	474	( 24.2%)
Export steel sales volumes (kt)	95	129	( 26.7%)
Steel products average selling prices (R/t)	6 275	5 990	4.8%
Production cost (R/t)	(7 165)	(5 845)	22.6%
Productivity – tons per manyear	276	257	7.5%
Vanadium slag production (kt)	43	61	( 29.4%)
Ferrovandium sales volumes (t V)	4 766	6 031	( 21.0%)
Ferrovandium average selling prices (USD/kg V)	23	27	( 14.2%)
Average exchange rate (USD/ZAR)	8.21	7.26	( 13.1%)

# Production

	2012	2011	2012 vs 2011
Blooms (kt)	273	349	( 21.7%)
Slabs (kt)	299	322	( 7.2%)
Sections (kt)	205	225	( 9.0%)
Plate (kt)	144	170	( 15.2%)
Coils (kt)	99	117	( 15.7%)
Vanadium slag (tons V)	6 205	8 091	( 23.3%)
Ferrovandium (tons V)	4 742	6 059	( 21.7%)
Modified Vanadium Oxide (tons V)	960	1 476	( 35.0%)
Nitrovan (tons V)	702	1 123	( 37.5%)
Ore fines (kt)	607	640	( 5.1%)

# Financial Results

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**Jan Valenta**  
**Chief Financial Officer**



# Group Financial Summary

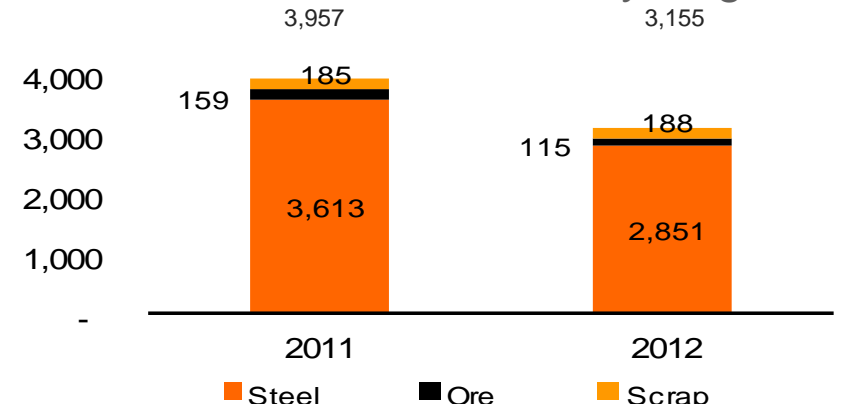
	2012	2011	2012 vs 2011
Revenue (R'm)	4 354	5 613	( 22.4%)
Adjusted EBITDA (R'm)*	( 697)	153	( 555.6%)
Adjusted EBITDA margin (%)	(16.0%)	2.7%	( 687.3%)
Net (loss)/profit (R'm)	( 943)	45	(2 195.6%)
Net cash (R'm)	409	1 184	( 65.4%)
Total liabilities to shareholders equity (%)	111.0%	70.1%	58.3%
Return on Capital Employed (ROCE) (%)	(34.2%)	(1.5%)	2 149.8%
Net Asset Value (NAV) (cents per share)	1 753	2 642	( 33.7%)

\*Adjusted EBITDA: Earnings before interest, tax, depreciation and amortisation, net foreign exchange differences, profit/loss on disposal of property, plant and equipment, insurance proceeds/settlement receipts on property, plant and equipment scrapped.

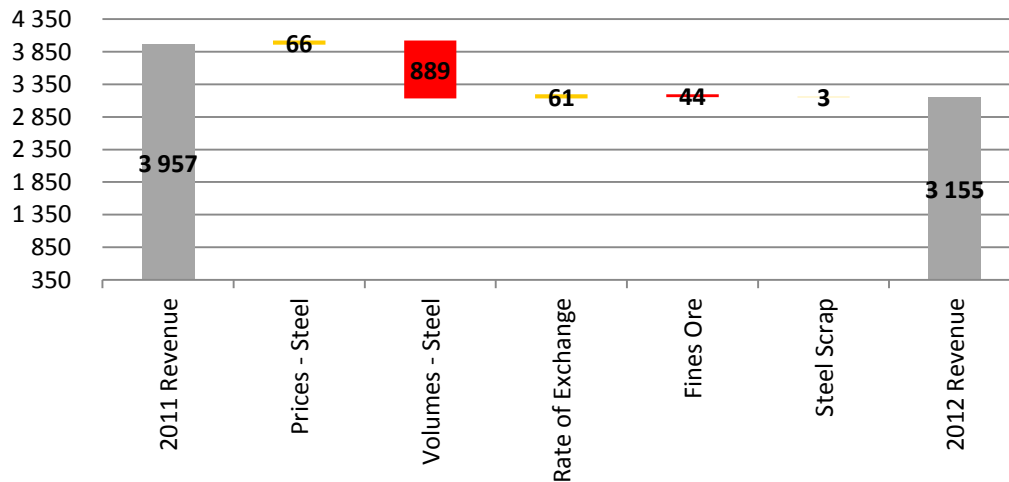
# Steelworks and Mining

- Steel sales volumes reduced significantly in 2012 as compared to 2011 by 149kt, resulting in a loss of R889m in revenue.
- Steel capacity was idled in Q3 2012 as part of an operational improvement project to improve both production levels and fixed cost (focus on labor cost). This idling and ensuing industrial strike in response to the correction of labor cost was the largest contributor to the reduction in saleable steel.
- Ore revenue reduced by R44m in 2012, mainly as a result of a lower LMB price (13% reduction compared to 2011 average). Coupled with increasing contracted mining services and maintenance costs at the mine, the EBITDA attributable to ore worsened by R89m in 2012 compared to 2011.
- Despite favorable reduction in both production and SG&A fixed cost as a result of the operational improvement project undertaken in Q3, the Steelworks EBITDA worsened by R661m.

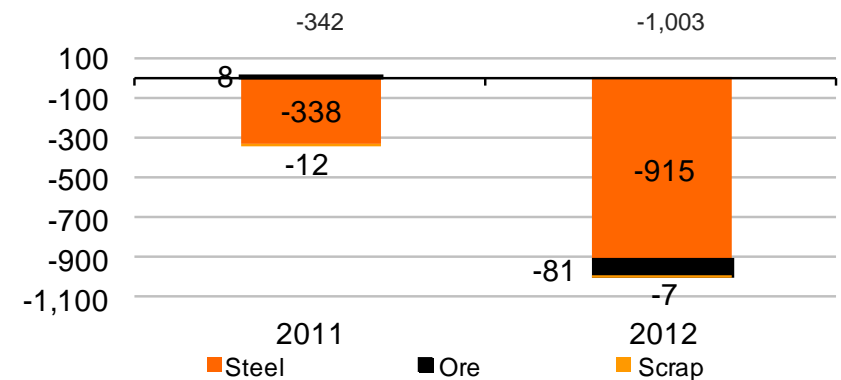
R Millions **Steelworks Revenue by Segment**



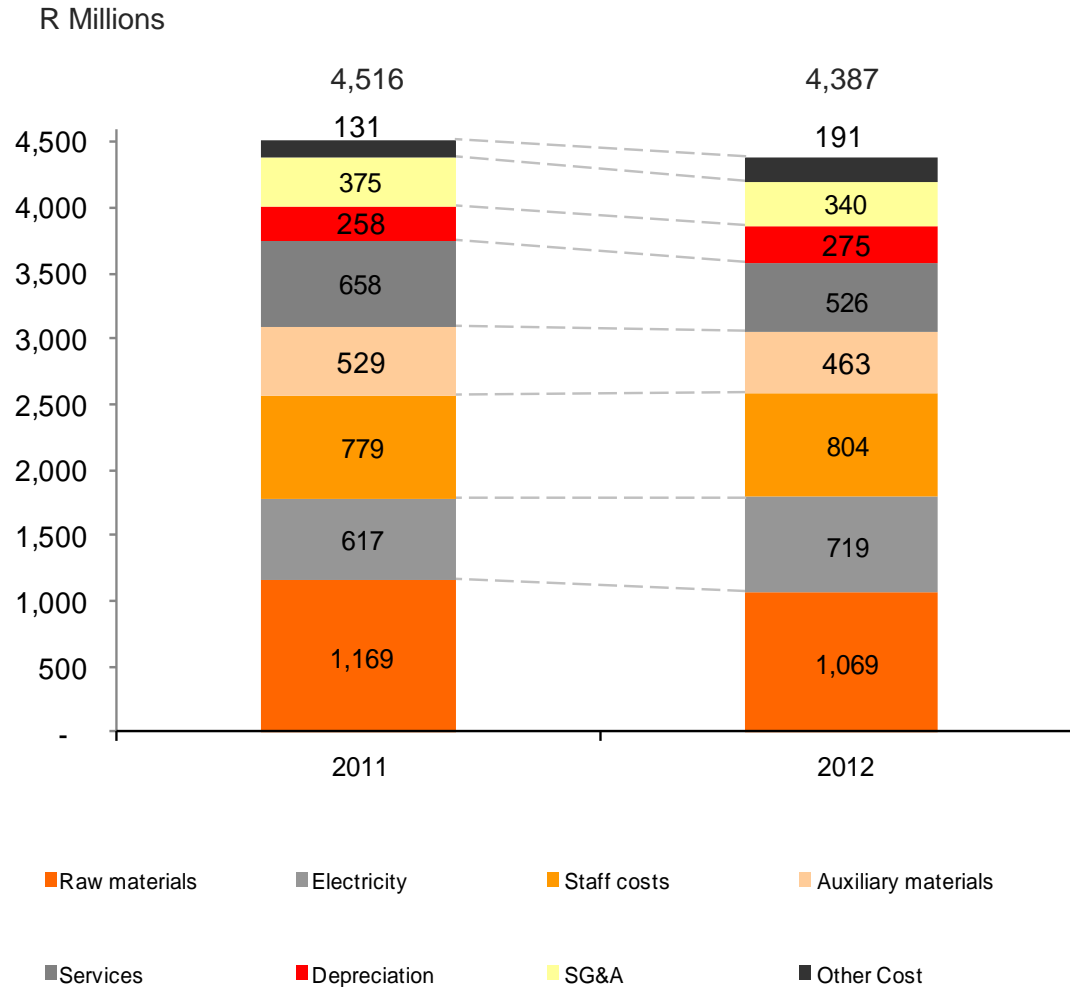
R Millions **Steelworks Revenue Drivers**



R Millions **Steelworks EBITDA**



# Steelworks and Mining Cost Structure



□ Despite lower production volumes, electricity cost increased by 16,5% due to (a) a 7% reduction in usage efficiency and (b) the 15,9% ESCOM tariff increase made effective on 1 April 2012.

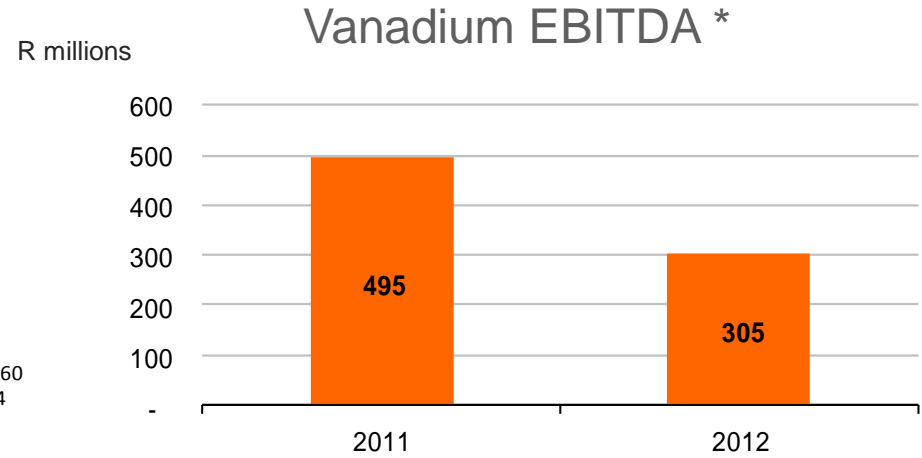
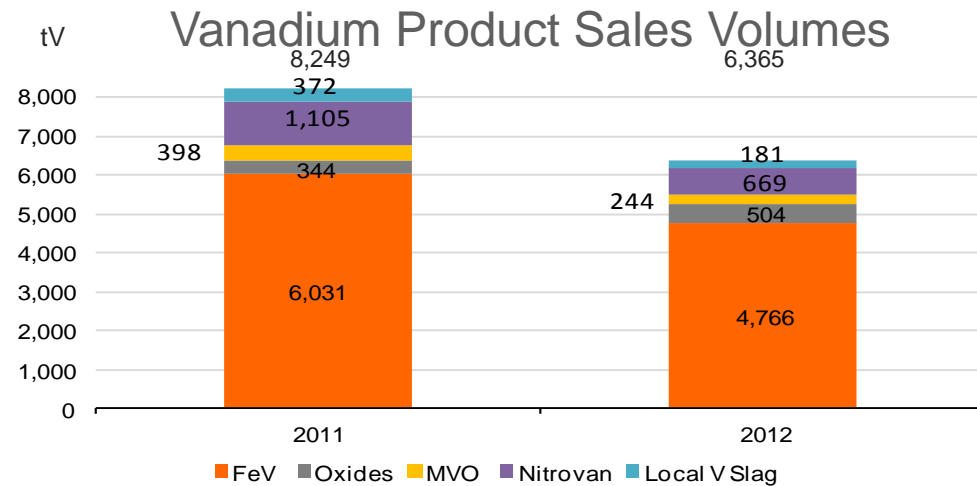
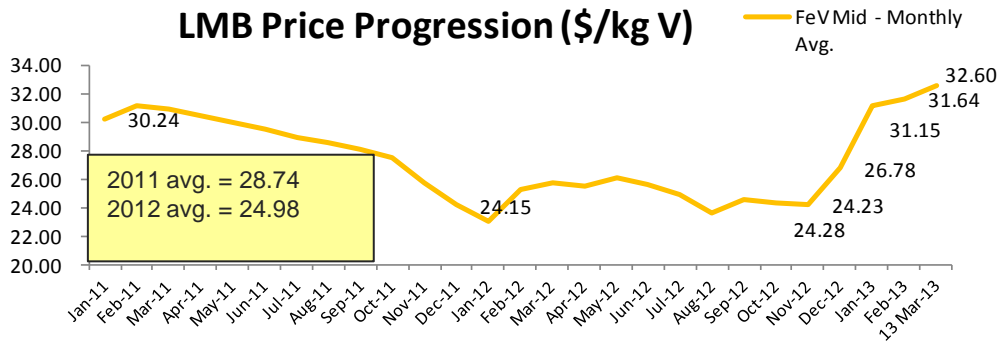
□ Staff costs increased mainly as a result of compensation paid to retrenched/striking employees. This offset savings realized in Q4 due to the operational improvement project.

□ Production fixed cost reduced by R130m (excluding depreciation, including staff cost compensation payments) from 2011.

□ Raw materials did not reduce in line with production output due to price increases and reduction in usage efficiencies, especially coal.

# Vanadium

- Vanadium EBITDA worsened by 38% (R190m) compared to 2011. This was mainly attributable to the foreign operation which was driven by significantly reduced sales volumes of Ferrovanadium (1,265 Mtv or 21%) and falling Ferrovanadium selling prices (3% on the back of lower FeV LMB prices).
- Sales revenue of both Nitrovan and MVO decreased due to reduced slag supply and falling vanadium prices.

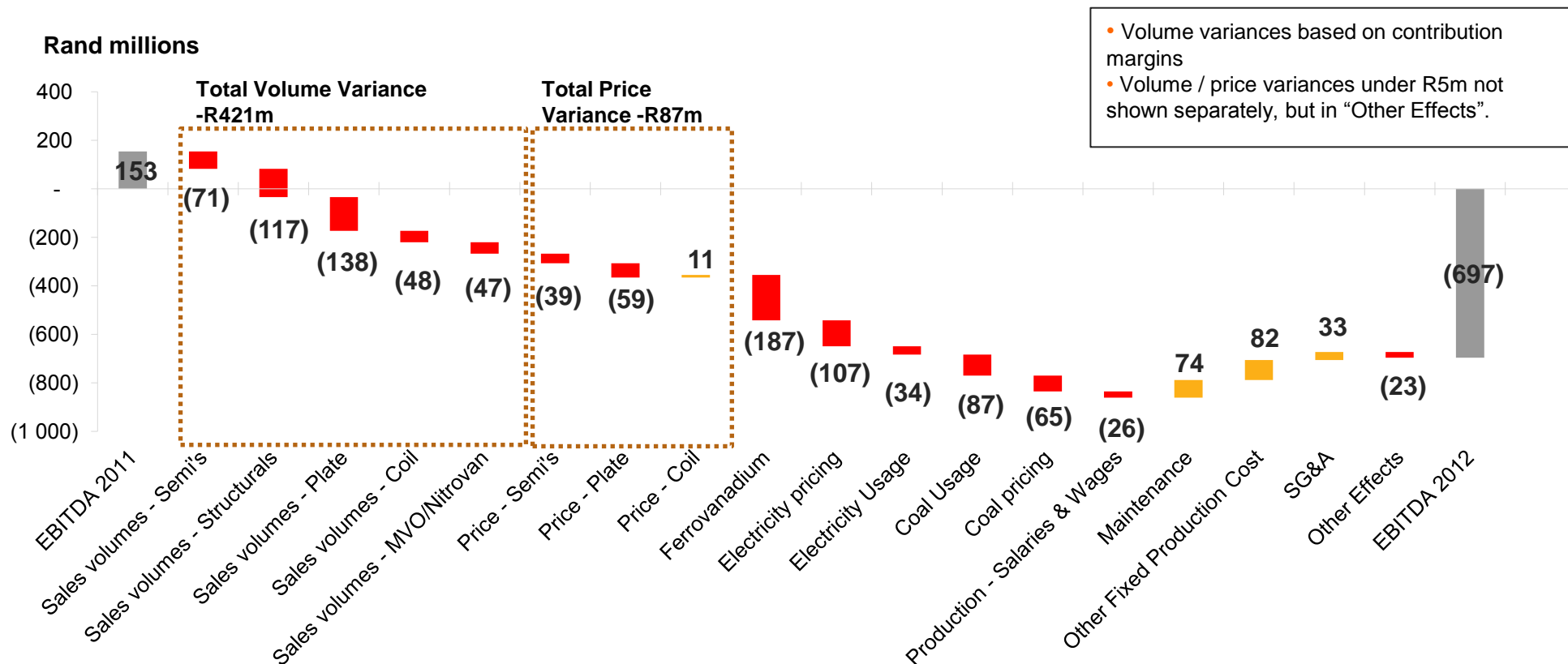


\* Including consolidation adjustments / eliminations

## Vanadium Product Revenues

Products	Revenue, Rm		Revenue per tV, Rand	
	2011	2012	2011	2012
FeV	1,195	918	198,077	192,203
Oxides	73	103	213,549	199,778
MVO	59	36	149,409	144,607
Nitrovan	213	130	192,827	192,089
V Slag - Local	25	12	68,150	56,107
<b>Total</b>	<b>1,566</b>	<b>1,199</b>	<b>189,817</b>	<b>188,353</b>
RoE, ZAR/EUR	10.08	10.47		

# Consolidated EBITDA Bridge -2011 vs 2022

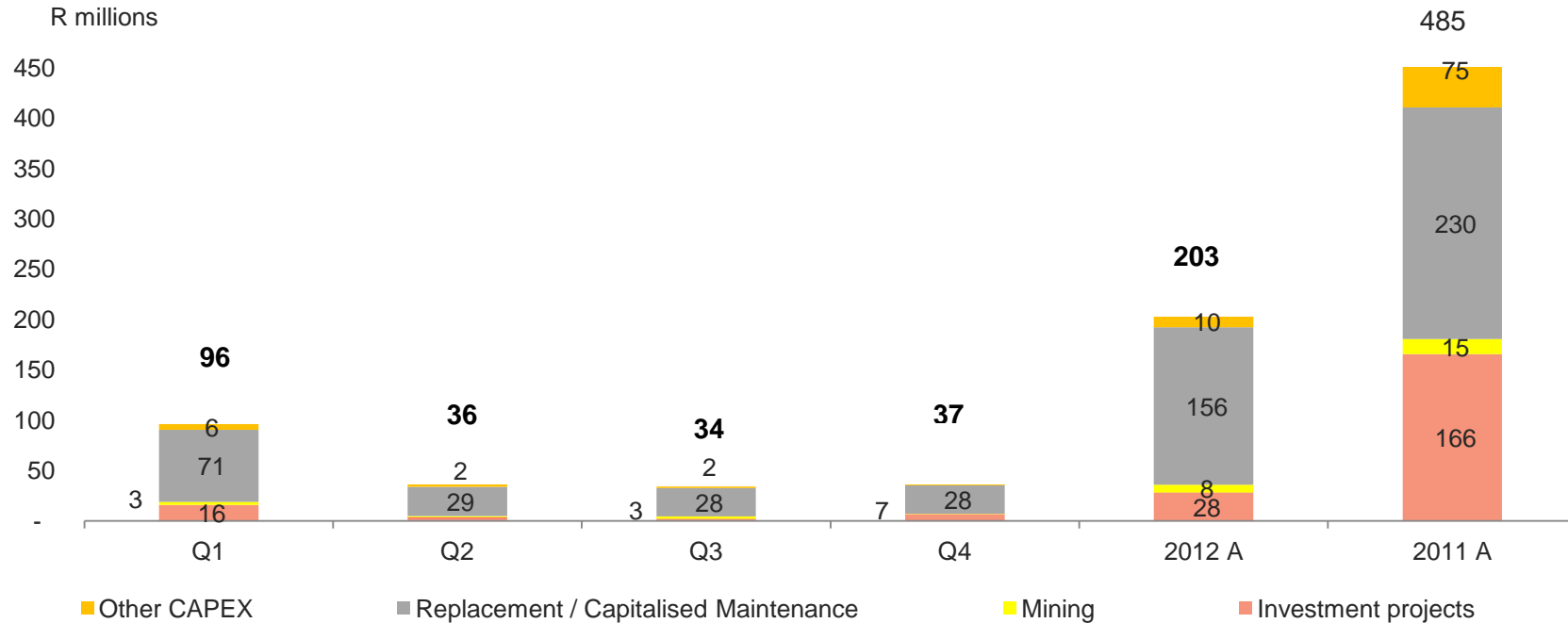


## Major Events in 2012

- Production capacity idling in 2012 Q3 resulted in lower steel sales (149kt).
- Steel prices saw an overall 5% improvement based on the sales product mix and the markets supplied. Price remained under pressure due to lower priced imports coming into the country and reduced local demand. The R/\$ exchange weakened from an average of 7.26 in 2011 to 8.21 in 2012, adding to the price improvement. Overall price variances were negative due to slower rate of steel market improvement than seen in 2011, resulting in higher Net Realizable Value (NRV) provisioning required in 2012.
- An electricity price increase of 15,9% was effective from 1 April 2012.
- An overall fixed cost reduction (including SG&A) of R163m was realized in 2012, due to operational improvements.
- Ferrovanadium EBITDA reduced by R187m due to reduced Ferrovanadium sales and falling sales prices. LMB vanadium pricing reduced by 13% on average 2011 vs. 2012.

# CAPEX Dynamics

2012 CAPEX spend at 42% of 2011 level.



\* Only major values shown in graph. Values under R1m are not shown.

- 2011 CAPEX included R166m for conversion from SAF to OSB of Iron Furnace 7.
- Major investment projects undertaken in 2012 are :
  - New Air Liquide ASU plant – R5m
  - Additional spend on Furnace 7 conversion to OSB – R18m

# Cash Flow

R'm	2012	2011
<b>Loss before tax</b>	<b>( 898)</b>	<b>( 73)</b>
Depreciation	288	312
Other non-cash adjustments	200	( 27)
<b>Working Capital movement</b>	<b>( 194)</b>	<b>836</b>
(Increase)/decrease in inventories	( 13)	374
Finished goods	( 90)	122
Work-in-progress	100	172
Raw materials	( 29)	123
Consumable stores	6	( 43)
Decrease in trade and other receivables and prepayments	61	386
(Decrease)/increase in payables	( 242)	76
Net interest	( 4)	22
Taxation Paid	( 2)	( 6)
<b>Net cash (used in) / generated by operating activities</b>	<b>( 610)</b>	<b>1 064</b>
<b>Net cash used in investing activities</b>	<b>( 199)</b>	<b>( 395)</b>
<b>Net cash generated by financing activities</b>	<b>117</b>	<b>-</b>
Net Cashflow	( 692)	669
Effects of exchange rate changes on cash held in foreign currencies	35	23
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1 184</b>	<b>492</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>527</b>	<b>1 184</b>

# Investment Programs and Projects



Michael D. Garcia  
Chief Executive Officer

# Capital Expenditure 2012 Projects

- Oxygen
  - New Air Liquide Oxygen Plant. Expected completion date 1 December 2013.
- Raw Materials
  - Mapochs Mine ore reserves aerial survey completed.
- Environmental
  - Emissions: Stack caps at Iron Making kilns were completed.
  - Emissions: Secondary emissions analytical report completed for Steel Plant.
  - Water: Design of Mapochs Dam De-silting Scheme.
  - Water: Design of East Storm Water Dam at Steel Works.
- Social and Labour Plan
  - Design and township development of Social and Labour Plan
  - Housing for Mapochs Mine
- Mapochs Mine Plant
  - Mapochs Mine Operational Improvement

# Capital Expenditure: 2012

	R'm
<b>Investment projects</b>	<b>28</b>
Air Separation Unit - Air Liquid	5
Furnace 7	18
Environmental	5
<b>Equipment and capitalized maintenance</b>	<b>156</b>
Iron Making	34
Steel Plant	19
Structural Mill	52
Engineering Services	16
Flat Products	22
Production Services	6
IT	2
Environmental	5
<b>Mapochs</b>	<b>8</b>
<b>Other</b>	<b>10</b>
<b>TOTAL</b>	<b>203</b>

# Energy cost mitigation projects

- Reduction of electrical energy requirement for iron making
  - Iron ore sizing
    - Aim is a reduction of 160kWh/t
    - Smaller and consistent ore particle size enhances pre-reduction rate achieved in kilns, and
    - results in lower energy consumption in furnaces.
    - Trials commenced Q4 2012 and are progressed.
  - Kiln efficiency improvements
    - Aim is a reduction of 50kWh/t
    - Project brings kilns back to standard and improves pre-reduction, and
    - results in lower energy consumption in furnaces.
    - Other benefits:
      - reduced kiln atmospheric emissions
      - Improved engineering availability and process stability
      - reduction in maintenance costs, esp. refractory costs.
    - Installation of raw gas stack caps (done)

# Energy cost mitigation projects (cont)

- Several smaller projects have been undertaken and are in different stages of completion:
  - Variable speed drives
  - Solid state lighting
  - Low-flow shower heads
- Co-generation
  - Converting CO-rich off-gasses from furnaces and kilns into electrical power
  - Pre-feasibility phase completed and EIA has already commenced
  - Phase 1 Co-Generation plant will generate in average 24 MW (max. 30 MW), equal to 2,1 mil MWh/year.
  - The cost of this power generated will be significant below ESKOM's anticipated tariffs, progressively from 5 to 50% cheaper over the life cycle of the plant.

# Energy cost mitigation projects (cont)

- Variable speed drive implementation at a total cost approximately R37m, energy savings of 1.945MW. Completion by March 2014.
- Energy efficient lighting technology at a total cost approximately R25m, energy savings of approximately 2MW. Completion by June 2014.
- Energy efficient showerhead rollout program – Free issue by Eskom. Savings of approximately R550k in 2012 due to reduction in electricity & water consumption. Completed mid 2012.
- Advanced Reduction Technology combined with Phase 2 Co-Generation Plant
  - The investigations on the project are progressing well and the principle technical concept has been finalized
  - The new technology will further reduce the specific electrical energy consumption for Iron Making by 300 kWh/t and so reduce the demand on grid by 30 MW
  - In combination with this technology the Phase 2 Co-Generation Plant with a total capacity of about 70 MW will be launched.

# Transformation

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Michael D. Garcia  
Chief Executive Officer

# Corporate Social Investment and Transformation

- Highveld is currently at BEE level 5. The current certificate expires on 13<sup>th</sup> March 2013
- BEE assessment and verification is currently being conducted and will be completed for Steelworks by mid May and for Mapochs Mine by end of July 2013
- Evraz Highveld is in its 6<sup>th</sup> year of the scorecard evaluation system and will be assessed for effectiveness at higher targets
- It will be the first year of BEE verification for Mapochs Mine
- The Mapochs Mine 2011 SLP report was presented to the Department of Mineral Resources (DMR) on 09 November 2012 and the report was received positively by the DMR
- The Mapochs Mine 2012 Mining Charter report is being compiled and is due for submission to the DMR on 31 March 2013
- A total of R975,200.00 was spent on Social and Economic Development Projects and R1m on Enterprise Development Initiatives through the NEF

# Prospects



Michael D. Garcia  
Chief Executive Officer

# Future Prospects

- A steady ramp up of steel production is expected as operational challenges in iron and steelmaking are overcome
- Focus on vanadium slag production to maximize revenue based on positive LMB development
- Electricity price increase – awaiting announcement by NERSA for energy intensive users
- Tighter environmental controls
- Limited cash available slows capital projects
- Turnaround from loss making to EBITDA breakeven position in 1Q/2013
- Weakening of rand?

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**THANK YOU!**