



# GROUP REVIEWED RESULTS

## for the six months ended 30 June 2011

↑ **Headline earnings of R90 million** (H1 2010: loss of R138 million)    ↑ **Net profit of R86 million** (H1 2010: loss of R144 million)    ↓ **Challenging Quarter 3 anticipated**    ↑ **Balance sheet remains ungeared**    ↑ **Level 5 BEE Contributor status**

### Chairman and CEO's review

#### 1. Safety

It is with deep regret that we state that Mr Aphane, a contractor in the scrap processing department, suffered an injury on 25 June and ultimately passed away on 31 July 2011. We extend our sincere condolences to his family.

The Lost Time Injury Frequency Rate (LTIFR) as at 30 June 2011 was 1.75, which is an improvement from the 1.91 LTIFR recorded on 31 March 2011. The target rate is 1.50.

#### 2. Key financials

The operating profit for the period was R53 million, compared to a loss of R255 million for the same period 2010. The main reasons for the improvement are higher sales volumes and prices, as well as a decrease in cost of tons produced. The EBITDA for the period was R169 million profit, compared to a R81 million loss during the same period last year. Sales revenue increased to R2 985 million from R2 539 million for the same period during 2010 as a result of higher sales volumes and prices.

Improvements of the following key indicators for the second quarter of 2011 compared to the first quarter are as set out below:

	Q2 2011	Q1 2011
EBITDA	R116 million	R53 million
Net Profit	R65 million	R21 million
Cash: positive inflow	R523 million	R75 million
Earnings per share	65.6 cents	21.2 cents

#### 3. Operations

##### Steel

The cast steel output for the period increased by 3% to 367 180 tons compared to the same period 2010, despite a 1% reduction of hot liquid metal output for the period as compared to the same period in 2010 mainly due to the conversion of Furnace 7.

Production of long products increased by 11% mainly as a result of more stable mill operations. The production of flat products decreased by 11%, due to the planned maintenance mill shut down, which commenced in June. The shutdown was extended by one week due to the SEIFSA strike of the Company's contractors.

The Structural Mill was shut down during the second week of July and subsequent to the reporting period was brought back on line during the second week of August. Substantial maintenance was done, with the most important aspects being the replacement of two of the four main mill motor DC drives and the revamping of the pusher furnace and the roll straightening machine.

The maintenance projects of the idle primary equipment in the Iron and Steel plants were also negatively affected by the SEIFSA strike by approximately two weeks and are now mostly completed. The maintenance of the Basic Oxygen Furnaces 1 and 3 of the Steel plant and of Furnace 3 of the Ironmaking division should be finalised by the end of August 2011.

The conversion project of Furnace 7 of the Ironmaking division to open slag bath technology is progressing well and should be completed within budget. However, as a result of the SEIFSA wage negotiation strikes, the project was extended by 3 weeks with a planned completion date during the third week in October 2011. Improvements in output, vanadium recovery and reduced dependency on metallurgical coal are expected, once the furnace is brought back on line.

##### Vanadium

A total of 33 827 tons of vanadium slag was produced with 4 485 tons of V in V<sub>2</sub>O<sub>5</sub> for the period, compared to 28 633 tons, with 3 945 tons of V in V<sub>2</sub>O<sub>5</sub> produced for the same period last year. The maintenance projects of the Steelworks did not negatively affect the contractual obligations for the sale of vanadium slag due to available stock on hand.

#### 4. Markets

##### Global markets

New annualised global steel output records were achieved in June 2011 with month-on-month growth of 8% of 1.55 billion tonnes. The year-on-year growth of the world, excluding China, was 5.8%, and the total world growth was 7.7%. This growth was mainly driven by Chinese output and the Chinese social housing programme.

##### Evraz Highveld sales

Domestic steel sales volumes for the period, increased by 2%, compared to 2010. Export steel sales volumes increased by 51%, with overall steel sales volumes increasing by 13%. A key driver for the increase in steel sales volumes was that during the first half of 2010 no billets were exported, whereas during the period a total of 30 590 tons of billets were sold in the export market.

An increase of 26% of domestic steel sales volumes was achieved for the second quarter of 2011 compared to the first quarter of 2011. Export steel sales volumes decreased by 64% for the second quarter of 2011 compared to the first quarter, with a decrease of 11% for overall sales, which was mainly due to reduced production as a result of the shutdown of the Flat Products Mill.

Export vanadium slag sales increased by 31% for the period compared to the same period 2010. Domestic vanadium slag sales decreased by 81%, as a result of the tolling of slag into MVO and Nitrovan at Vametco Alloys. A total of 874 tons V MVO and Nitrovan were sold in the period.

#### 5. Transformation

We are pleased to announce that the Company achieved a Level 5 BEE Contributor status and that we intend to improve the status going forward.

#### 6. Outlook

We anticipate reduced production during the third quarter as a result of the labour unrest and strikes experienced during July, as well as the extensive maintenance programmes of both mills. The continuation of the maintenance programmes and other capital projects during the third quarter will be funded from existing cash resources.

As we enter the middle of quarter three, we expect to see improved operations for both of our Flat Products and Structural Mills as a result of the significant work performed during the maintenance shutdowns.

The local market remains overstocked and it is uncertain how fast the demand will return once the inventory levels have stabilised. International steel prices are expected to weaken. We therefore expect a challenging third quarter with prospects for moderate improvements towards the end of the year.

B J T Shongwe  
(Chairman)

M D Garcia  
(Chief Executive Officer)

17 August 2011

### Group reviewed financial results

#### Basis of preparation

The Group's interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with the principal accounting policies of the Group, which comply with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies Act in South Africa and are consistent with those applied in the Group's most recent annual financial statements, including the Standards and Interpretations as listed below.

These results are presented in terms of International Accounting Standards ("IAS") 34 applicable to Interim Financial Reporting.

#### Significant accounting policies

The accounting policies adopted and methods of computation are consistent with those of the previous financial year ended 31 December 2010, except for the adoption of the following new and amended IFRS standards and IFRIC interpretations during the current period as of 1 January 2011:

- (i) IAS 32, Classification of Rights Issues (Amended)
  - (ii) IAS 24, Related Party Disclosures (Amended)
  - (iii) IFRIC 14, Pre-payments of a minimum funding requirement (Amended)
  - (iv) IFRIC 19, Extinguishing financial liabilities with equity instruments
  - (v) May 2010 Improvements to IFRS (improvements effective for the current financial year).
- The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Where necessary, disclosures have been updated in accordance with these standards, amendments or interpretations. The adoption thereof did not have an impact on the results, cash flows or financial position of the Group in the current period.

The financial information has been reviewed by Ernst & Young Inc. whose unmodified review report is available for inspection at the Company's registered office.

### INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Reviewed as at 30 Jun 2011 Rm	Reviewed as at 30 Jun 2010 Rm	Audited as at 31 Dec 2010 Rm
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 691</b>	1 839	1 661
Property, plant and equipment	1 606	1 839	1 607
Deferred tax asset	85	-	54
<b>Current assets</b>	<b>2 767</b>	2 794	2 402
Inventories	824	1 146	1 084
Trade and other receivables and pre-payments	853	1 010	826
Cash and short-term deposits	1 090	638	492
<b>TOTAL ASSETS</b>	<b>4 458</b>	4 633	4 063
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>2 623</b>	2 930	2 510
<b>Non-current liabilities</b>	<b>566</b>	616	536
Provisions	566	498	536
Deferred tax liability	-	118	-
<b>Current liabilities</b>	<b>1 269</b>	1 087	1 017
Trade and other payables	1 010	836	745
Income tax payable	48	72	54
Provisions	211	179	218
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 458</b>	4 633	4 063
<b>Net asset value - cents per share</b>	<b>2 646</b>	2 955	2 532

### INTERIM CONSOLIDATED INCOME STATEMENT

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
Sale of goods	1 484	1 316	2 985	2 539	5 125
<b>Revenue</b>	<b>1 484</b>	1 316	2 985	2 539	5 125
Cost of sales	(1 235)	(1 368)	(2 684)	(2 441)	(5 031)
<b>Gross profit/(loss)</b>	<b>249</b>	(52)	301	98	94
Selling and distribution costs	(76)	(72)	(173)	(132)	(301)
Administrative expenses	(80)	(80)	(155)	(195)	(353)
Other operating (expenses)/income	(48)	(27)	80	(26)	(263)
<b>Operating profit/(loss)</b>	<b>45</b>	(231)	53	(255)	(823)
Finance costs	(9)	(13)	(20)	(25)	(49)
Finance income	10	8	14	19	36
<b>Profit/(Loss) before tax</b>	<b>46</b>	(236)	47	(261)	(836)
Income tax credit	19	109	39	117	287
<b>Profit/(Loss) for the period/year</b>	<b>65</b>	(127)	86	(144)	(549)
	Cents	Cents	Cents	Cents	Cents
<b>Earnings/(Loss) per share - basic and diluted</b>	<b>65.6</b>	(128.1)	86.7	(145.2)	(553.7)

### INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>Profit/(Loss) for the period/year</b>	<b>65</b>	(127)	86	(144)	(549)
<b>Other comprehensive income/(loss):</b>					
Exchange differences on translation of foreign operations	7	(2)	27	-	(15)
<b>Total comprehensive income/(loss) for the period/year</b>	<b>72</b>	(129)	113	(144)	(564)

### HEADLINE EARNINGS PER SHARE

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>Reconciliation of headline earnings/(loss)</b>					
Profit/(Loss) for the period/year	65	(127)	86	(144)	(549)
Add after tax effect of:					
Net loss on disposal and scrapping of property, plant and equipment	4	6	4	6	166
<b>Headline earnings/(loss)</b>	<b>69</b>	(121)	90	(138)	(383)
	Cents	Cents	Cents	Cents	Cents
<b>Earnings/(Loss) per share - headline and diluted</b>	<b>69.6</b>	(122.0)	90.8	(139.2)	(386.3)
	Million	Million	Million	Million	Million
<b>Number of shares</b>					
Ordinary shares in issue as at end date **	99.2	99.2	99.2	99.2	99.2

\* Rounded to nearest hundred thousand.

\*\* Agree to weighted average and diluted number of ordinary shares.

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period/year ended

	Issued capital and share premium Rm	Other capital reserves Rm	Retained earnings Rm	Total Rm
<b>2010</b>				
Balance at 1 January 2010	585	153	2 336	3 074
Loss for the period			(17)	(17)
Other comprehensive income for the quarter		2		2
<b>Balance at 31 March 2010 - Reviewed</b>	585	155	2 319	3 059
Loss for the period			(127)	(127)
Other comprehensive loss for the quarter		(2)		(2)
<b>Balance at 30 June 2010 - Reviewed</b>	585	153	2 192	2 930
Loss for the period			(28)	(28)
Other comprehensive income for the quarter		2		2
<b>Balance at 30 September 2010 - Unaudited</b>	585	155	2 164	2 904
Loss for the period			(377)	(377)
Other comprehensive loss for the quarter		(17)		(17)
<b>Balance at 31 December 2010 - Audited</b>	585	138	1 787	2 510
<b>2011</b>				
Profit for the period			21	21
Other comprehensive income for the quarter		20		20
<b>Balance at 31 March 2011 - Unaudited</b>	585	158	1 808	2 551
Profit for the period			65	65
Other comprehensive income for the quarter		7		7
<b>Balance at 30 June 2011 - Reviewed</b>	585	165	1 873	2 623

	Unaudited for the three months ended 30 Jun 2011 Cents	Reviewed for the three months ended 30 Jun 2010 Cents	Reviewed for the six months ended 30 Jun 2011 Cents	Reviewed for the six months ended 30 Jun 2010 Cents	Audited for the year ended 31 Dec 2010 Cents
<b>Dividends per share</b>					
Dividends declared and paid	-	-	-	-	-

### INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>Cash flows from operating activities</b>					
Cash generated by/(used in) operations before tax paid	758	(211)	758	(211)	(179)
Income tax paid	(4)	(83)	(4)	(83)	(109)
<b>Net cash generated by/(used in) operating activities</b>	<b>754</b>	(294)	754	(294)	(288)
<b>Cash flows from investing activities</b>					
Net additions to property, plant and equipment	(170)	(110)	(170)	(110)	(250)
<b>Net cash used in investing activities</b>	<b>(170)</b>	(110)	(170)	(110)	(250)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>584</b>	(404)	584	(404)	(538)
<b>Cash and cash equivalents at the beginning of the period/year</b>	<b>492</b>	1 072	492	1 072	1 072
Effects of exchange rate changes on cash held in foreign currencies	14	(30)	14	(30)	(42)
<b>Cash and cash equivalents at the end of the period/year</b>	<b>1 090</b>	638	1 090	638	492

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

**Company Secretary:** Mrs C I Lewis

**Registered office:**

Portion 93 of the farm  
Schoongezicht No. 308 JS  
District eMalahleni  
Mpumalanga

PO Box 111  
Witbank 1035

Tel: (013) 690 9911  
Fax: (013) 690 9293

**Transfer secretaries:**

Computershare Investor Services  
Proprietary Limited  
70 Marshall Street  
Johannesburg

PO Box 61051  
Marshalltown 2107

Tel: (011) 370 5000  
Fax: (011) 688 5200

## Continued . . .

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**1. Companies Act and JSE Limited Listings Requirements**

Compliance with the Companies Act, No. 71 of 2008, as well as the Listings Requirements of the JSE Limited has been maintained throughout the reporting periods.

**2. Related party transactions**

Sales to East Metals S.A. (a fellow subsidiary) amounted to R505 million (June 2010 YTD: R237 million) for the six months ended 30 June 2011. This constitutes 17% of total revenue for the period, compared to 9% for the six months ended 30 June 2010.

**3. Segment information**

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

**Steelworks**

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

**Vanadium**

The major products of the vanadium segment are vanadium slag and ferrovanadium. Vanadium slag is a waste product from the steelmaking process, and this slag is transferred from the Steelworks to the Vanadium plant, which then forms the input into the business of the Vanadium business.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purposes of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit.

The following tables present the revenue, operating profit and total assets information regarding the Group's operating segments:

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>Revenue from the sale of goods</b>					
Steelworks	1 083	960	2 131	1 799	3 612
Vanadium	401	356	854	740	1 513
<b>Total</b>	<b>1 484</b>	<b>1 316</b>	<b>2 985</b>	<b>2 539</b>	<b>5 125</b>

Intersegment revenue is eliminated on consolidation.

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>Operating profit/(loss)</b>					
Steelworks	(75)	(370)	(193)	(511)	(1 220)
Vanadium	120	139	246	256	397
<b>Total</b>	<b>45</b>	<b>(231)</b>	<b>53</b>	<b>(255)</b>	<b>(823)</b>
			Reviewed as at 30 Jun 2011 Rm	Reviewed as at 30 Jun 2010 Rm	Audited as at 31 Dec 2010 Rm
<b>Total assets</b>					
Steelworks			3 781	4 239	3 340
Vanadium			677	394	723
<b>Total</b>			<b>4 458</b>	<b>4 633</b>	<b>4 063</b>

**4. Supplementary revenue information – Unaudited**

	For the three months ended 30 Jun 2011	For the three months ended 30 Jun 2010	For the six months ended 30 Jun 2011	For the six months ended 30 Jun 2010	For the year ended 31 Dec 2010
<b>Sales volumes of major products</b>					
Total steel	161 374	156 379	343 493	303 498	610 602
Ferrovanadium	1 439	1 366	2 940	3 116	5 488
Modified Vanadium Oxide	56	–	304	–	468
Nitrovan	452	–	570	–	–
Vanadium slag	160	493	355	1 875	2 102
Fines ore	166 189	147 664	342 431	285 965	623 928

Vanadium slag sales reduced from 1 875 tons V<sub>2</sub>O<sub>5</sub> for the six months ended 30 June 2010 to 355 tons V<sub>2</sub>O<sub>5</sub> for the six months ended 30 June 2011. No sales occurred in 2011 to a fellow subsidiary due to a slag tolling agreement with this Company.

**Weighted average selling prices achieved for major products**

	US\$/t		US\$/kg V		US\$/kg V <sub>2</sub> O <sub>5</sub>		US\$/t
Total steel	907	713	819	706	715		
Ferrovanadium	29	30	29	27	27		
Modified Vanadium Oxide	21	–	22	–	20		
Nitrovan	28	–	28	–	–		
Vanadium slag	5	7	6	6	6		
Fines ore	37	47	39	41	38		
Average R/\$ exchange rate	6.80	7.54	6.90	7.53	7.32		

**5. Other operating income**

The R80 million other operating income for the six months ended 30 June 2011 relates mainly to the adjustment of the Net Realisable Value provision of R141 million (income), net stock write down of R26 million (expense), profit related bonus adjustment of R33 million (income) and idle plant cost of R86 million (expense). For the same period 2010, the expense of R26 million consisted mainly of loss on sale of property, plant and equipment and insurance.

**6. Income tax**

	Unaudited for the three months ended 30 Jun 2011 Rm	Reviewed for the three months ended 30 Jun 2010 Rm	Reviewed for the six months ended 30 Jun 2011 Rm	Reviewed for the six months ended 30 Jun 2010 Rm	Audited for the year ended 31 Dec 2010 Rm
<b>South African</b>					
<i>Normal</i>					
Current	–	–	–	–	–
Prior year under provision	–	–	–	–	1
<i>Deferred</i>					
Current	(7)	(97)	(30)	(124)	(318)
Prior year under provision	–	–	–	–	21
<b>Non-South African</b>					
<i>Normal</i>					
Current	(3)	(8)	–	11	13
Prior year over provision	(9)	(4)	(9)	(4)	(4)
<b>Income tax credit</b>	<b>(19)</b>	<b>(109)</b>	<b>(39)</b>	<b>(117)</b>	<b>(287)</b>

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

The effective tax rate of the foreign subsidiary is substantially lower than the South African effective tax rate, resulting in an Income Statement tax credit in 2011 even though profits on Group level are generated.

**7. Financial ratios – Unaudited**

Current ratio	2.18	2.57	2.18	2.57	2.36
Market capitalisation – Rm	5 354	7 783	5 354	7 783	8 279

**8. Steel margins**

Total steel margins improved from negative 11% for the six months ended 30 June 2010, to negative 6% for the six months ended 30 June 2011. The total steel margins improved from negative 17% in Quarter 1, 2011 to positive 5% in Quarter 2, 2011.

**9. Contingent liabilities and guarantees**

As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million before tax and R190 million after tax (2010: R264 million before tax and R190 million after tax) was issued in favour of the DMR for the unscheduled closure 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, should they become medical scheme members in the future, is R32 million before tax and R23 million after tax (2010: R32 million before tax and R23 million after tax).

As required by certain suppliers to the Company, guarantees were issued in favour of these suppliers to the value of R9 million (2010: R9 million) in the event that the Company will not be able to meet its obligations to the suppliers.

**10. Status of previously reported possible litigation**

A summons was received on 13 May 2010 from the Competition Commission relating to a complaint referring to price fixing allegations of flat products. A comprehensive response with requested documentation was compiled and submitted to the Commission on 5 July 2010. No further response has been received from the Commission.

A summons was received on 3 March 2010 from Xai-Xai Slag Distributors Proprietary Limited and Rothinvest 30 Proprietary Limited t/a Xai-Xai Slag Management (in liquidation) ("Xai-Xai"). The Company brought an application for exception, which was heard on 14 February 2011. An adverse judgement in the exception hearing was received and the Company's plea was filed and served. Further action is awaited from Xai-Xai.

**11. Subsequent events**

There are no events to be reported on since 30 June 2011.