EVRAZ HIGHVELD STEEL AND VANADIUM

EVRAZ Highveld Steel and Vanadium Limited
(Incorporated in the Republic of South Africa)
(Registration number 1960/001900/06)
Share code: EHS ISIN: ZAE000146171
(the Company)

GROUP UNAUDITED RESULTS

for the six months ended 30 June 2013

- **Headline loss R10 million (H1 2012: loss R455 million)**
- **Net loss R10 million (H1 2012: loss R376 million)**

Chairman and CEO's Review

1. Safety

The Company's lost time injuries (LTI) increased from three in Q1 2013 to six in Q2 2013. The progressive lost time injury frequency rate (LTIFR) increased to 2.49 in Q2 2013 as at 30 June 2013. The total number of injuries decreased by 13% from 45 in Q1 2013 to 39 in Q2 2013.

The Company is continually reviewing current safety measures in order to improve the safety of its operations.

2. Key financials

The operating profit for H1 2013 was R49 million, compared to a loss of R200 million in H1 2012. The improved performance can be attributed to increased sales, higher vanadium prices and reduction in costs. The EBITDA for the period was a profit of R199 million, compared to a R170 million loss for H1 2012. Revenue from sale of goods increased to R2 864 million in H1 2013 compared to R2 563 million in H1 2012.

The Board believes that the Company is a going concern. However, there are matters that may cast significant doubt about the ability of the Company to continue as a going concern.

Labour stability, health of the market and production stability continue to pose a threat to the operations of the Company. The Company continues to utilise credit lines that are not committed and payable on demand.

Management has taken significant steps to address the cost structure of the Company and the abovementioned risks.

3. Operations

Steel

Steel output increased by 2% from 328 566 tons for H1 2012 to 334 560 tons for H1 2013 as a result of improved shaking ladle process control and melting of stockpiled iron units.

Production of long products decreased by 20% from 121 114 to 96 880 tons for the period. Production of flat products increased by 18% from 136 851 to 161 518 tons for the period. These changes are mainly as a result of a change in market demand.

Inventories of cast steel ahead of the rolling mills are being worked down during the period June to August 2013 when high peak period electricity tariffs impact on iron production.

The project to improve kiln pre-reduction performance remains on track for completion in Q3 2013. This project will assist stable kiln operation resulting in a reduction of electrical energy consumption in the ironmaking furnaces.

Mining

Production of ore lump increased by 33% from 568 524 tons in H1 2012 to 754 566 tons in H1 2013, and ore fines increased by 22% from 288 721 to 352 683 tons for the same period.

Ore fines pricing deteriorated in Q2 due to a decrease in the London Metal Bulletin price of vanadium. The pit mining trial that commenced in March 2013 will be running until September 2013. The trial will provide data required to determine the future operational model for the Mapochs Mine Proprietary Limited (Mapochs Mine) at increased ore reserves up to a depth of 50 metres.

All tenders and proposals of the Social and Labour Plan housing programme have been finalised. Construction of the houses will commence in Q3 2013.

Vanadium

Vanadium production remained flat with 26 283 tons of vanadium slag produced containing 3 539 tons V in H1 2013 compared to 26 399 tons vanadium slag containing 3 807 tons V during H1 2012.

4. Markets

Global and local markets

Global crude steel production for H1 2013 was 789.8 million tons which represents a 2% increase for the period. The increase in production resulted from a 5.5% increase in Asia while all other major global regions indicated decreased production when comparing H1 2013 with the same period in 2012.

South African crude steel production for H1 2013 was 3.325 million tons versus 3.722 million tons produced during H1 2012, with the main contributing factor to the decrease being the fire incident at the ArcelorMittal South Africa Vanderbijlpark steelworks in February 2013. Consumption information is published by the South African Iron and Steel Institute (SAISI) on an annual basis, thus domestic consumption information is not available for H1 2013.

EVRAZ Highveld sales

Steel sales volumes remained flat at 266 896 tons in H1 2013 against 270 377 tons in H1 2012. This includes approximately 11 000 tons of Q4 2012 production despatched in Q1 2013 as customers were closed the last two weeks of December 2012.

Domestic steel sales increased by 36% from 194 928 tons in H1 2012 to 264 295 tons in H1 2013, while export steel sales volumes decreased to 2 601 tons in H1 2013 against 75 449 tons in H1 2012.

Ferrovanadium sales for H1 2013 decreased to 2 375 tons V compared to 2 855 tons V in H1 2012. Nitrovan and modified vanadium oxide sales decreased from 541 tons V in H1 2012 to 436 tons V in H1 2013. Domestic vanadium slag sales were at 192 tons V in H1 2013 compared to 40 tons V in H1 2012.

5. Wage negotiations

The Company is currently locked into wage negotiations. Whilst Solidarity has accepted the initial offer, NUMSA has not accepted the offer and has declared a dispute. A conciliation session was held at the Metal and Engineering Industry Bargaining Council on 19 August 2013 and the parties continue to negotiate.

6. Outlook

Global growth is projected to remain subdued at slightly above 3% in 2013.

The outlook for all regions in the world in Q4 2013 is improving and global growth is expected to start gathering momentum and to accelerate through 2014.

The Chinese economy continues to struggle to increase growth with its Gross Domestic Product (GDP) growth expected to slow down in Q3 2013. The European economy finds it difficult to stabilise their contraction and the international steel market will continue to suffer from oversupply. Most 2013 global steel growth forecasts have been revised downwards to between 2% and 3.5%.

Iron ore prices are expected to decline significantly in Q3 2013 with the main driver of iron ore demand being global steel production which is dominated by China.

In the sustained absence of major government infrastructure spending growth, domestic steel demand is expected to remain slightly below GDP growth since manufacturing and non-residential construction growth rates for H1 2013 lagged the GDP growth rate.

It is foreseen that improved operational stability will yield higher steel and vanadium slag production volume in H2 2013 despite the impediment associated with the winter operating mode during July and August 2013 compared to the similar single month situation in June of H1 2013.

BJT Shongwe
(Chairman)

MD Garcia
(Chief Executive Officer)

21 August 2013

Basis of preparation

The Group's (the Group includes all consolidated entities) financial results for the half year ended 30 June 2013 set out below have been prepared in accordance with the principal accounting policies of the Group which comply with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act in South Africa and are consistent with those applied in the Group's most recent annual financial statements, 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*.

The unaudited financial statements were prepared under the going concern basis.

There are matters that may cast significant doubt about the ability of the Company to continue as a going concern.

Labour stability, health of the market and production stability continue to pose a threat to the operations of the Company. The Company continues to utilise credit lines that are not committed and payable on demand.

Management has taken significant steps to address the cost structure of the Company and the abovementioned risks.

Significant accounting policies

(i) The Group has adopted the following new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretation Committee (IFRIC) of the IASB, that are relevant to its operations and effective for accounting periods beginning on 1 January 2013. These Standards had no impact on the results or disclosures of the Group.

- IAS 1, Amended – *Presentation of items of other comprehensive income* (effective from 1 July 2012);
- IAS 12, Amended – *Deferred taxes: Recovery of underlying assets* (effective from 1 January 2012);
- IAS 27, *Separate financial statements* (consequential revision due to the issue of IFRS 10) (effective from 1 January 2013);
- IAS 28, *Investments in associates and joint ventures* (consequential revision due to the issue of IFRS 10 and 11) (effective from 1 January 2013);
- IFRS 7, Amended – *Disclosures: Offsetting financial assets and financial liabilities* (effective from 1 January 2013);
- IFRS 10, *Consolidated financial statements* (effective from 1 January 2013);
- IFRS 11, *Joint arrangements* (effective from 1 January 2013);
- IFRS 12, *Disclosure of interest in other entities* (effective from 1 January 2013);
- IFRS 13, *Fair value measurement* (effective from 1 January 2013);
- IFRIC 20, *Stripping costs in the production phase of a surface mine* (effective from 1 January 2013); and
- Improvements to IFRS – Issued May 2012 (effective from 1 January 2013).

(ii) The Group implemented IAS 19 *Employee Benefits* from 1 January 2013. The Group previously only recognised the net cumulative unrecognised actuarial gains and losses, which exceeded 10% of the greater of the defined benefit obligation and the fair value of the plan assets. As a consequence, the Group's statement of financial position did not reflect a significant part of the unrecognised net actuarial gains and losses. In 2013 the Group changed its accounting policy to recognise actuarial gains and losses in the period in which they occur in total in other comprehensive income. Changes have been applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, resulting in the adjustment of prior year financial information.

As a result of the accounting policy change, the following changes were made to the financial statements:

As of 1 January 2012:

- Increase in employee benefit liability: R26 million.
- Decrease in opening retained earnings: R26 million.

As of 31 December 2012:

- Increase in employee benefit liability: R29 million.
- Net expense recognised on other comprehensive income: R3 million.
- Decrease in retained earnings: R26 million.

For the period ended 30 June 2013:

- No increase in employee benefit liability – will be calculated end 2013.

No deferred tax impact as the Company is in an assessed loss position and the deferred tax asset has been impaired.

(iii) The following Standards, amendment to the Standards and Interpretations, effective in future accounting periods have not been adopted in these financial statements:

- IAS 32, Amended – *Offsetting financial assets and financial liabilities* (effective from 1 January 2014);
- IFRS 9, *Financial instruments – classification and measurement* (effective from 1 January 2015);
- IFRS 9 and IFRS 7, Amended – *Mandatory effective date and transition disclosures* (IFRS 9 effective from 1 January 2015, IFRS 7 depends on when IFRS 9 is adopted);
- IFRS 10, IFRS 12 and IAS 27, *Investment entities* (effective from 1 January 2014); and
- IFRIC 21, *Levies* (effective from 1 January 2014).

This abridged report was prepared under supervision of the Chief Financial Officer, Mr Jan Valenta (Chartered Accountant).

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**Unaudited as at 30 Jun 2013 Rm**	Restated as at 31 Dec 2012 Rm	Restated as at 1 Jan 2012 Rm
ASSETS				
Non-current assets		**1 710**	1 801	1 927
Property, plant and equipment		**1 645**	1 722	1 760
Deferred tax asset	5	**65**	79	167
Current assets		**2 354**	1 866	2 531
Inventories		**937**	858	831
Trade and other receivables and prepayments	6	**787**	480	516
Taxation		**–**	1	–
Cash and short-term deposits		**630**	527	1 184
TOTAL ASSETS		**4 064**	3 667	4 458
EQUITY AND LIABILITIES				
Total equity		**1 793**	1 709	2 594
Non-current liabilities		**803**	789	650
Interest-bearing loans and borrowings	7	**17**	16	–
Provisions		**786**	773	650
Current liabilities		**1 468**	1 169	1 214
Trade and other payables		**949**	924	1 016
Interest-bearing loans and borrowings	7	**385**	102	–
Income tax payable		**8**	–	45
Provisions		**126**	143	153
TOTAL EQUITY AND LIABILITIES		**4 064**	3 667	4 458
Net cash		**228**	409	1 184
Net asset value – cents per share		**1 808**	1 724	2 616

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	**Unaudited for the three months ended 30 Jun 2013 Rm**	Restated for the three months ended 30 Jun 2012 Rm	**Unaudited for the six months ended 30 Jun 2013 Rm**	Restated for the six months ended 30 Jun 2012 Rm	**Restated for the year ended 31 Dec 2012 Rm**
Revenue		**1 452**	1 233	**2 866**	2 567	**4 354**
Sale of goods		**1 451**	1 232	**2 864**	2 563	**4 346**
Cost of sales		**(1 337)**	(1 255)	**(2 581)**	(2 582)	**(4 746)**
Gross profit/(loss)	8	**114**	(23)	**283**	(19)	**(400)**
Other operating income	9	**15**	115	**26**	112	**138**
Selling and distribution costs		**(63)**	(80)	**(127)**	(153)	**(248)**
Administrative expenses		**(61)**	(58)	**(122)**	(140)	**(289)**
Other operating expenses		**(6)**	–	**(11)**	–	**(55)**
Operating (loss)/profit		**(1)**	(46)	**49**	(200)	**(854)**
Finance costs		**(18)**	(9)	**(37)**	(20)	**(52)**
Finance income		**1**	1	**2**	4	**8**
(Loss)/profit before tax		**(18)**	(54)	**14**	(216)	**(898)**
Income tax expense	10	**(22)**	(228)	**(24)**	(160)	**(45)**
Loss for the period/year		**(40)**	(282)	**(10)**	(376)	**(943)**
		Cents	Cents	**Cents**	Cents	**Cents**
Loss per share – basic and diluted		**(40.2)**	(284.3)	**(10.0)**	(379.0)	**(951.1)**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the three months ended 30 Jun 2013 Rm	Restated for the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Loss for the period/year	(40)	(282)	(10)	(376)	(943)
Other comprehensive income/(loss):					
Exchange differences on translation of foreign operations	41	11	88	(2)	49
Actuarial loss on defined benefit plan, net of tax					(3)
Total comprehensive income/(loss) for the period/year	1	(271)	78	(378)	(897)
	Cents	Cents	Cents	Cents	Cents
Comprehensive income/(loss) per share – basic and diluted	1.1	(273.3)	78.8	(381.2)	(904.7)

HEADLINE EARNINGS PER SHARE

	Unaudited for the three months ended 30 Jun 2013 Rm	Restated for the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Reconciliation of headline loss					
Loss for the period/year	(40)	(282)	(10)	(376)	(943)
(Deduct)/add after tax effect of:					
Proceeds on successful litigation against the channel induction furnace supplier	–	(79)	–	(79)	(79)
Loss/(profit) on disposal and scrapping of property, plant and equipment	*	(*)	*	(*)	(*)
Headline loss	(40)	(361)	(10)	(455)	(1 022)

Less than R1 million.

	Cents	Cents	Cents	Cents	Cents
Loss per share – headline and diluted	(40.2)	(363.7)	(10.0)	(458.5)	(1 030.4)
	Million	Million	Million	Million	Million
Number of shares					
Ordinary shares in issue as at end date *†	99.2	99.2	99.2	99.2	99.2

Rounded to nearest hundred thousand.

†Agree to weighted average and diluted number of ordinary shares.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital and share premium Rm	Other reserves Rm	Retained earnings Rm	Total Rm
2012					
Balance at 1 January 2012 – Restated		585	203	1 806	2 594
Loss for the period				(94)	(94)
Other comprehensive loss for the quarter			(13)		(13)
Balance at 31 March 2012 – Restated		585	190	1 712	2 487
Loss for the period				(282)	(282)
Other comprehensive income for the quarter			11		11
Share-based payment reserve			8		8
Balance at 30 June 2012 – Restated		585	209	1 430	2 224
Loss for the period				(345)	(345)
Other comprehensive income for the quarter			13		13
Share-based payment reserve			2		2
Balance at 30 September 2012 – Restated		585	224	1 085	1 894
Loss for the period				(222)	(222)
Other comprehensive income for the quarter			38		38
Actuarial loss on defined benefit plan				(3)	(3)
Share-based payment reserve			2		2
Balance at 31 December 2012 – Restated		585	264	860	1 709
2013					
Balance at 1 January 2013 – Restated		585	264	860	1 709
Profit for the period				30	30
Other comprehensive income for the quarter			47		47
Share-based payment reserve	11		3		3
Balance at 31 March 2013 – Unaudited		585	314	890	1 789
Loss for the period				(40)	(40)
Other comprehensive income for the quarter			41		41
Share-based payment reserve	11		3		3
Balance at 30 June 2013 – Unaudited		585	358	850	1 793

	Unaudited for the three months ended 30 Jun 2013 Cents	Restated for the three months ended 30 Jun 2012 Cents	Unaudited for the six months ended 30 Jun 2013 Cents	Restated for the six months ended 30 Jun 2012 Cents	Restated for the year ended 31 Dec 2012 Cents
Dividends per share					
Dividends declared and paid	–	–	–	–	–

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited for the three months ended 30 Jun 2013 Rm	Restated for the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Cash flows from operating activities					
Cash generated by/(used in) operations before tax paid	43	76	(190)	(210)	(608)
Income tax paid	(1)	(*)	(2)	(*)	(2)
Net cash generated by/(used in) operating activities	42	76	(192)	(210)	(610)
Cash flows from investing activities					
Proceeds from sale and scrapping of property, plant and equipment	1	–	1	1	4
Additions to property, plant and equipment	(30)	(36)	(68)	(97)	(203)
Net cash used in investing activities	(29)	(36)	(67)	(96)	(199)
Cash flows from financing activities					
Increase in long-term interest-bearing loans and borrowings	–	–	–	15	15
(Decrease)/increase in short-term interest-bearing loans and borrowings	(17)	–	283	–	102
Net cash (repaid)/generated by financing activities	(17)	–	283	15	117
Net (decrease)/increase in cash and cash equivalents	(4)	40	24	(291)	(692)
Cash and cash equivalents at the beginning of the period/year	583	840	527	1 184	1 184
Effects of exchange rate changes on cash held in foreign currencies	51	10	79	(3)	35
Cash and cash equivalents at the end of the period/year	630	890	630	890	527

*Less than R1 million.

Directors: B J T Shongwe *(Chairman)*, M D Garcia *(Chief Executive Officer) (American)*, G C Baizini *(Italian)*, M Bhabha, Mrs B Ngonyama, T Mosololi, V M Nkosi, D Ščuka *(Czech)*, P S Tatyanin *(Russian)*, J Valenta *(Czech)* and T I Yanbukhtin *(Russian)*

Company Secretary: Ms A Weststrate

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J.P.Morgan

NOTES TO THE 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 A.G. (a fellow subsidiary) amounted to R111 million (June 2012 YTD: R347 million) for the six months ended 30 June 2013. This constitutes 4% of total revenue for the period, compared to 14% for the period ended 30 June 2012. Technical services (slag tolling agreement) and other services with EVRAZ Vametco Alloys Proprietary Limited (a fellow subsidiary) amounted to R48 million for the six months ended June 2013 (June 2012 YTD: R42 million).

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 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.

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 2013 Rm	Restated for the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Revenue from customers					
Steelworks	1 104	889	2 220	1 894	3 173
Vanadium	431	350	803	685	1 199
Elimination in intersegmental revenue	(84)	(7)	(159)	(16)	(26)
Total	1 451	1 232	2 864	2 563	4 346

	Unaudited for the three months ended 30 Jun 2013 Rm	Restated for the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Operating (loss)/profit					
Steelworks	(54)	(153)	(91)	(387)	(1 153)
Vanadium	54	107	140	187	299
Total	(1)	(46)	49	(200)	(854)

	Unaudited as at 30 Jun 2013 Rm	Audited as at 31 Dec 2012 Rm
Total assets		
Steelworks	3 329	2 935
Vanadium	735	732
Total	4 064	3 667

4. **Supplementary revenue information – Unaudited**

		For the three month ended 30 Jun 2013	For the three months ended 30 Jun 2012	For the six months ended 30 Jun 2013	For the six months ended 30 Jun 2012	For the year ended 31 Dec 2012
Sales volumes of major products						
Total steel	Tons	131 384	137 136	266 896	270 377	453 836
Ferrovanadium	Tons V	1 291	1 301	2 375	2 855	4 766
Modified vanadium oxide	Tons V	85	213	85	228	244
Nitrovan	Tons V	127	194	351	313	669
Vanadium slag	Tons V	88	40	192	40	181
Ore fines	Tons	168 352	212 017	352 322	377 782	687 380
Weighted average selling prices achieved for major products						
Total steel	US$/t	752	734	757	789	764
Ferrovanadium	US$/kg V	27	24	28	24	23
Modified vanadium oxide	US$/kg V	20	18	21	18	18
Nitrovan	US$/kg V	29	24	29	24	23
Vanadium slag	US$/kg V	10	7	10	7	7
Ore fines	US$/t	32	22	38	21	20
Average R/$ exchange rate		9.49	8.13	9.22	7.95	8.21

5. **Deferred tax asset**
In light of the Company's own financial performance and the uncertainty of future taxable profits to account against its deferred tax asset, management concluded, following due assessment, that it was prudent to impair its deferred tax asset as at 31 December 2012 (R297 million) to the extent that it exceeded the deferred taxation liability. No reversal of the impairment was considered necessary as at 30 June 2013. The deferred taxation asset of the Group comprises the deferred taxation asset attributable to Mapochs Mine. A management assessment concluded that no impaiment is necessary.

6. **Trade and other receivables and prepayments**
The increase in comparison to 31 December 2012 can mainly be attributed to increased sales volumes and prices in 2013. December months are also historically low sales months due to the holiday periods.

7. **Interest-bearing loans and borrowings**
The long-term borrowings of R17 million (2012: R16 million) consist of the loan due by Umnotho Iron and Vanadium Proprietary Limited payable to Umnotho weSizwe Group Proprietary Limited. This loan has no fixed repayment terms and interest is charged at prime rate. The short-term borrowings are with Citibank and Investec Bank. The loans are uncommitted and carry interest at market-related interest rates.

8. **Gross profit/(loss)**
The improvement in gross profit is as a result of improved steel selling prices, increased vanadium- and ore fines selling prices and reduction in costs.

9. **Other operating income and expenses**
The 2012 amount consist mainly of the R109 million received relating to the claim against the channel induction furnace supplier. The R15 million in Q2 2013 includes sundry sales of R3 million and inventory stock count and inventory net realisable value adjustments of R12 million.

10. **Income tax**

	For the three months ended 30 Jun 2013 Rm	For the three months ended 30 Jun 2012 Rm	Unaudited for the six months ended 30 Jun 2013 Rm	Restated for the six months ended 30 Jun 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
South African					
Normal					
Prior year	–	–	–	–	(44)
Deferred					
Current	14	228	14	160	86
Non-South African					
Normal					
Current	8	*	10	*	3
Income tax expense	22	228	24	160	45

Less than R1 million.

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.

11. **Share-based payment reserve**
Certain key management personnel participate in a Long Term Incentive Plan (LTIP) over shares in EVRAZ plc. The shares are traded on the London Stock Exchange. The vesting of the shares occur on the 90th day following the announcement of EVRAZ plc financial results. The cost of the LTIP award will be settled in equity by EVRAZ plc. The amount recognised according to IFRS 2 in H1 2013 is R6 million (2012 year: R12 million).

12. **Guarantees**
As required by the Mineral and Petroleum Resources Development Act, a guarantee amounting to R264 million (2012: R264 million) was issued on 1 February 2007 in favour of the Department of Mineral Resources for the unscheduled closure of Mapochs Mine. This guarantee is issued by the Company on behalf of Mapochs Mine.
As required by certain suppliers of the Group, guarantees were issued in favour of these suppliers to the value of R9 million (2012: R9 million) in the event the Group will not be able to meet its obligations to the supplier.

13. **Contingent liabilities**
In terms of the Group'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 (2012: R32 million before tax and R23 million after tax).
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 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 SAISI or its committees. Should the Competition Commission be successful, it could impose a maximum penalty of R554 million against the Company.

14. **Subsequent events**
There are no events to be reported on since 30 June 2013.

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What is dematerialisation?
Dematerialisation refers to the process whereby paper share certificates are replaced with electronic records of ownership. Once investors have handed in their certificates, they are sent to the relevant transfer secretary for validation. Once the authenticity of the certificate has been verified, the actual dematerialisation process begins. For all intents and purposes, once you have submitted your share certificate for dematerialisation, it ceases to exist.

Why dematerialise your shares?
We encourage investors to dematerialise their shares immediately. Dematerialised shares are safe from fraud, theft and loss. In addition shares cannot be sold unless they have been dematerialised which may cause a delay in selling your shares.

To whom do I take my share certificates for dematerialisation?
Investors may submit their share certificates to either a Central Securities Depository (CSD) Participant or stockbroker for dematerialisation.

Is there a cost involved?
You will not be charged to dematerialise your shares however your selected agent may charge a custody fee for keeping record of these shares on an ongoing basis. It is recommended that investors select an agent which is most suited to their requirements in terms of being an 'own name client', 'controlled client' or 'non-controlled client'. Further details are below.

What is a CSD Participant?
Strate is South Africa's CSD for equities,bonds and money markets and the CSD Participants are the only market players who can liaise directly with Strate. In order to qualify for this status, they had to fulfil the entry criteria set out by Strate and approved by the Financial Services Board. The current CSD Participants are: ABSA, First National Bank, Computershare, Nedbank, Société Générale, Standard Bank, Link Investor Services, Citi Bank and Standard Chartered Bank.

Is there any way I can submit the certificates of all my different holdings at once?
Yes, you may submit all your certificates at once to your CSD Participant or stockbroker.

What evidence will I receive of having submitted my certificates?
When you submit your certificates to your CSD Participant or stockbroker, you will receive a receipt as proof of ownership. Once the certificates have been dematerialised, you will start to receive regular statements on your share account.

How long will the dematerialisation process take?
The dematerialisation process generally takes a few days. However, depending on the volume of certificates due to be processed by the transfer secretary, it may take up to ten days.

Can I trade during those few days it takes for my share certificate to be dematerialised?
While your shares are undergoing dematerialisation, you will be unable to sell them. This is why it is advisable to submit your shares to your CSD Participant / stockbroker as soon as possible.

What are the options open to me regarding the selection of an agent – CSD Participant / stockbroker - to settle on my behalf in the Strate environment?
Well, under the Strate system, there are essentially two types of clients: **controlled** and **non-controlled**.

A **controlled broker client** is one who elects to keep his shares and funds in the custody of his stockbroker and therefore indirectly the stockbroker's chosen CSD Participant. Owing to the fact that CSD Participants are the only market players who liaise directly with Strate, all brokers must have accounts with CSD Participants and communicate electronically with them.

A controlled client deals directly and exclusively with his broker and his regular share statement comes from his broker. For those who already have a relationship with a broker, it is recommended that you verify whether your broker mandate has been updated in order to render it valid for settlement in the Strate environment.

A **non-controlled broker** client is one who appoints his own CSD Participant to act on his behalf. The investor surrenders his certificates and opens an account with his selected CSD Participant while dealing with his broker only when he wants to trade. He would have to provide the broker with the details of his share account at his CSD Participant. A non-controlled client receives his share statements directly from his CSD Participant.

Must I complete an application form / contract with my selected agent?
Once you have decided which category you would like to be in, you should approach your selected CSD Participant or stockbroker. You will be required to complete a client mandate which will allow you to define more closely the kind of relationship you elect to conduct with your agent. When opening your account, the CSD Participant or broker will capture all share information as well as any pertinent personal details into digital format within Strate, the CSD.

How do I ensure that my agent does not take full control over my portfolio?
It is advisable to define - by means of your mandate - the level of control your CSD Participant / broker has over your portfolio. Certain shareholders may wish to empower their agents to trade, make corporate action decisions etc on their behalf. This is known as discretionary control. Other shareholders may elect to remain in complete control of their portfolio. They would be classified as non-discretionary clients. Issues such as these should be discussed with your stockbroker and recorded in your mandate.

Will I still be able to register my shares in my own name or will my selected agent insist on registering my shares in his nominee name?
Stockbrokers are obliged to register clients' shares in their nominee name. Of the nine CSD Participants, a select few offer 'own-name registration'. All other CSD Participants will automatically register your shares in their nominee name and investors are encouraged to enquire accordingly.

If my agent registers my holdings in a nominee name, will I cease to receive information from the companies in which I hold shares?
The revised JSE listing requirements dictate that Issuers are obliged to distribute company information to all beneficial shareholders who wish to receive it, irrespective of how their shares are registered. As such, there will be a designated field on the mandate you sign with your selected stockbroker or CSD Participant which gives you the option of electing to receive such information from the company. So, if you would like to receive annual reports etc, it is imperative that you indicate this preference on your mandate.

If my shares are going to be registered in the nominee name of my stockbroker, I want assurance that my stockbroker has financial integrity and that my portfolio is secure in the name of his nominee company. How do I establish this?
For this very reason, the JSE has established a set of criteria with which member firms will have to comply in order to be eligible to hold nominee registers in the Strate environment. These entry criteria include issues such as internal controls and capital adequacy requirements. This should give investors the peace of mind that the member firms holding their assets are indeed viable financial institutions.

How will I receive my dividends under the new system?
Dividends will be transferred electronically into your CSD Participant / broker account on the due date.

Should you have any further queries regarding Strate, you may contact:
Phone: (011) 759 5300 • Fax: (011) 759 5500
or visit Strate's website at www.strate.co.za

strate
South Africa's Central Securities Depository
Leaving nothing to chance!