



**SUPERIOR VALUE FOR ALL  
STAKEHOLDERS THROUGH GLOBAL  
LEADERSHIP IN VANADIUM**

**| INTERIM REPORT FOR THE SIX MONTHS TO 30 JUNE 2006 |**

**□ HEADLINE EARNINGS R401 MILLION □ INTERIM DIVIDEND 250 CENTS  
□ CASH GENERATED FROM OPERATIONS R703 MILLION**

**Financial Results**

Headline earnings decreased to R401 million compared with R1 038 million for the corresponding period last year, mainly due to a decrease in the exceptionally high vanadium prices of 2005. Reduced vanadium output due to a lengthy kiln outage also impacted negatively on earnings. Operating profit decreased to R573 million from R1 574 million at 30 June 2005. Cost reduction initiatives generated savings of R113 million for the period compared with R117 million in 2005. The depreciation charge was R103 million, compared with R132 million in 2005 which included an amount of R44 million related to the loss on disposal and scrapping of property, plant and equipment.

Profit attributable to shareholders for the six months was R401 million compared with R1 237 million in the corresponding period of 2005, after a tax charge of R145 million (2005: R600 million).

Headline earnings per share were 404.9 cents, compared with 1 049.5 cents in the first six months of 2005. Notwithstanding the decrease in profits, the results are the second best for the first six months in the history of Highveld.

The net cash outflow for the period of R395 million increased the net borrowed position to R493 million compared with R98 million at 31 December 2005. The cash inflow from operations was R703 million, however, this was more than offset by the cash outflow from taxation payments of R508 million, dividend payments of R396 million and capital expenditure of R194 million.

In view of the results and expected future cash flow, the Board has decided to declare an interim dividend based on the first half results of 250 cents per share (2005: 1 050 cents).

**Operations**

**Vanadium**

After the all-time record vanadium prices achieved during the first half of last year, the price of ferrovanadium has settled down at more sustainable levels. Towards the end of the second quarter of this year the market experienced the usual slowdown as a result of the European summer holidays. However, on the back of the improved demand for steel, the demand for vanadium is expected to remain at acceptable levels for the rest of the year.

A number of projects which will increase the Corporation's vanadium production are well underway. The first furnace modified to an open slag bath operation at the ironmaking division is performing well and a further furnace is currently off-line for conversion. The modified furnaces will increase iron production and vanadium recovery.

At Vanchem the upgrade and de-bottlenecking in the oxides area are well under way with new process equipment being commissioned. Following an unexpected breakdown, one of the three kilns was off-line for six weeks during the period under review for a refractory relines and a bag filter upgrade. The other two kilns are scheduled for refractory relines during the second half of the year and a major mechanical rebuild is planned for kiln no. 2 during this time. These shutdowns will result in lower vanadium production during the next six months.

The integrated water and waste management plan at Vanchem is on target and a number of the planned projects have been successfully completed.

**Steel**

World crude steel output has continued to grow this year. Compared with the first six months of 2005, world crude steel production is up by 7.9 per cent. China continues to lead the surge in output, having produced 199.5 million tons during this period, which is 18.3 per cent higher than the same period last year. China now accounts for 33.5 per cent of global steel production.

Steel sales volumes for the first six months have increased by 12 per cent and domestic despatches increased by 29 per cent compared with the same period last year. This was mainly due to excellent domestic demand on the back of strong economic growth and spending on capital expansion projects. Prospects remain good for the domestic steel market in the second half of 2006 due to the low inflation and interest rate environment, a wealth of projects relating to government's infrastructure programme, the 2010 Soccer World Cup, new projects in the mining and chemical sector and Eskom's reinvestment programme.

International prices for all Group steel products have increased significantly in the latter part of the past six months from the low levels reached towards the end of last year. This is mainly due to improved international demand driven by a very strong commodity cycle and increased consumption in China. Prices and demand are expected to remain at current levels over the next few months.

**Ferro-alloys**

The Transalloys division incurred losses during the period mainly due to the depressed manganese alloy prices. These prices, however, improved towards the end of the second quarter to levels which warranted running furnaces during the high electricity cost winter months. The bulk of the current silicomanganese and medium carbon ferromanganese production is committed to the export market, mainly for North and South America. Prices are expected to remain at similar levels during the second half of the year.

Ferrosilicon production was satisfactory and most of the product was sold on the local market. Production will continue during the high electricity cost winter months at slightly reduced levels due to major furnace maintenance being carried out.

**Investments**

The process of selling Rand Carbide was terminated when the final bidder withdrew its offer. Negotiations with an international paste producer for the sale of the investment in Ferrovelde are at an advanced stage.

**Capital Expenditure**

Capital expenditure incurred by the Group during the period amounted to R194 million (2005: R255 million) and the total commitment in respect of further capital expenditure as at 30 June 2006 is R733 million compared to R582 million at 31 December 2005. This expenditure will be funded from internally generated cash flows and available borrowing facilities.

**Safety, Health, Environment and Quality**

The Group regrettably experienced one fatality during the first half of the year. The lost time injury frequency rate as at 30 June 2006 was 0.26 compared with 0.26 recorded for the first six months of 2005 and 0.22 for the twelve months of 2005.

The Corporation continues to promote HIV/AIDS awareness, an initiative which commenced in 2003. As at 30 June 2006, 56 per cent of the total work force of 3 894 had undergone voluntary counselling and testing (VCT). VCT is re-done every calendar year. A total of 18 employees are receiving free anti-retroviral treatment.

The five-year programme, which was approved and commenced in 2005, to achieve international best practice in emission control, waste management and water conservation continued in the first half of 2006. During the first six months R25 million was spent on capital projects in terms of this programme bringing the total spent to date to R59 million. The programme may be delayed due to the lengthy process in acquiring regulatory approval for the major projects.

**Black Economic Empowerment**

During the period under review, goods and services worth R209 million (2005: R177 million) were purchased from a total of 146 (2005: 116) black empowerment enterprises.

**Anglo American plc Announcement**

Following Anglo American plc's (Anglo) announcement on 26 October 2005 that it had decided to rationalise its portfolio and increase the focus on its controlled mining businesses, it is now confirmed that it has reduced its 79 per cent interest in Highveld. Evraz Group S.A. (Evraz) and Credit Suisse (Credit Suisse) have each acquired 24.9 per cent of Highveld's share capital from Anglo. Anglo retains a 29.2 per cent interest in Highveld. Evraz has an option to increase its stake in Highveld once regulatory approvals are received, including from competition authorities in South Africa and elsewhere. Subject to Evraz receiving such regulatory approvals, Evraz will be entitled to purchase Anglo's remaining 29.2 per cent shareholding as well as the 24.9 per cent holding of Credit Suisse through separate option agreements. Evraz intends to file for such regulatory approvals as soon as possible.

Anglo and Credit Suisse have agreed that Anglo will retain the voting rights in respect of the shares acquired by Credit Suisse. Anglo will retain representatives on the Highveld Board until such time as Anglo disposes of all its shares in Highveld. The Board has appointed Messrs A V Frolov, A Sorokin and J W Campbell as directors, representing Evraz, with immediate effect.

**Outlook**

Domestic demand for all of the Corporation's steel products is expected to remain at record levels, driven by strong economic growth in general and higher capital expenditure as various projects associated with the 2010 Soccer World Cup and government initiatives get underway. Improving international demand, coupled with significantly increased input costs for producers, has resulted in improved international prices which will allow the Corporation to, after satisfying domestic demand, sell all of its remaining production, at a profit.

Vanadium demand should improve marginally but prices are expected to remain at current levels. The planned refurbishment of two kilns at the Corporation's Vanchem facility will, however, negatively impact on production and sales. This will in part be made up in increased vanadium slag production emanating from the converted open slag bath furnaces.

Cost savings initiatives and productivity improvement projects are on target and should yield the planned savings which will assist in keeping costs in check.

Provided there is no sudden decrease in the vanadium price and the Rand remains at current levels an improved performance for the second half of the year can be expected compared with the results of the first half of 2006.

For and on behalf of the Board

G G Gomwe – *Chairman*  
A J de Nysschen – *Chief Executive Officer*

Witbank  
27 July 2006

**HIGHVELD STEEL AND VANADIUM CORPORATION LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration no. 1960/001900/06)  
Share code: HVL ISIN: ZAE000003422  
(Highveld the Corporation)

**| REVIEWED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006 |**

The Group financial results for the six months to 30 June 2006 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 which are consistent with those applied in the previous year. These results are presented in terms of IFRS applicable to interim financial reporting (IAS 34).

The financial information has been reviewed, but not audited, by Deloitte & Touche, whose unmodified review report is available for inspection at the Corporation's registered office.

**ABRIDGED CONSOLIDATED BALANCE SHEETS**

Note	Reviewed		Audited 31 Dec 2005 Rm
	30 Jun 2006 Rm	30 Jun 2005 Rm	
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>1 766</b>	1 263	1 678
Property, plant and equipment	1 660	1 259	1 571
Environmental Trust investments	3	–	3

**NOTES TO THE FINANCIAL STATEMENTS**

- Companies Act and Listings Requirements**  
Compliance, as detailed in the 2005 Annual Report, with the Companies Act no. 61 of 1973 as well as the Listings Requirements of the JSE Limited has been maintained throughout the reporting periods.
- Related party transactions**  
Transactions entered into between the Group and its related parties during the reporting periods were at arm's length between willing parties at fair value. The Group had borrowed R250 million on call at period end from Anglo American Corporation of South Africa Limited.
- Discontinuing operation**  
The Group is in advanced negotiations with a buyer for the sale of the Ferrovelde joint venture. The sale is expected to be completed during the second half of 2006. As a result, the Ferrovelde joint venture is treated as a disposal group and the results of the joint venture

The financial information has been reviewed, but not audited, by Deloitte & Touche, whose unmodified review report is available for inspection at the Corporation's registered office.

**ABRIDGED CONSOLIDATED INCOME STATEMENTS**

Note	Reviewed for the six months ended		Audited for the year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
	Rm	Rm	Rm
<b>CONTINUING OPERATIONS</b>			
Revenue	3 253	4 006	7 155
Operating profit before depreciation	673	1 706	3 005
Depreciation and scrapping of property, plant and equipment	(103)	(132)	(232)
Operating profit	570	1 574	2 773
Profit on disposal of investments	-	243	243
Interest and investment income received	13	36	74
Interest paid	(40)	(16)	(38)
Profit before taxation	543	1 837	3 052
Taxation charge	(145)	(600)	(1 136)
Profit after taxation	398	1 237	1 916
<b>DISCONTINUING OPERATION</b>			
Revenue	26	-	-
Operating profit before depreciation	3	-	-
Depreciation and scrapping of property, plant and equipment*	-	-	-
Operating profit	3	-	-
Interest and investment income received*	-	-	-
Profit before taxation	3	-	-
Taxation charge*	-	-	-
Profit after taxation	3	-	-
* Nil due to rounding			
<b>TOTAL OPERATIONS</b>			
Revenue	3 279	4 006	7 155
Operating profit before depreciation	676	1 706	3 005
Depreciation and scrapping of property, plant and equipment	(103)	(132)	(232)
Operating profit	573	1 574	2 773
Profit on disposal of investments	-	243	243
Interest and investment income received	13	36	74
Interest paid	(40)	(16)	(38)
Profit before taxation	546	1 837	3 052
Taxation charge	(145)	(600)	(1 136)
Attributable profit	401	1 237	1 916
<b>Basic earnings per share</b>			
Basic	Cents 404.9	Cents 1 250.8	Cents 1 936.2
Basic - Diluted	Cents 404.9	Cents 1 247.0	Cents 1 932.6
<b>Reconciliation of headline earnings</b>			
Attributable profit	Rm 401	Rm 1 237	Rm 1 916
Add/(deduct) after tax effect of:			
Profit on disposal of investments	-	(230)	(230)
Loss on disposal and scrapping of property, plant and equipment	-	31	36
Headline earnings	401	1 038	1 722
<b>Headline earnings per share</b>			
Headline	Cents 404.9	Cents 1 049.5	Cents 1 739.8
Headline - Diluted	Cents 404.9	Cents 1 046.4	Cents 1 736.5
<b>Number of shares</b>			
Ordinary shares in issue as at period-end date *	Million 99.1	Million 99.0	Million 99.1
Weighted average number of ordinary shares *	Million 99.1	Million 98.9	Million 99.0
Diluted number of ordinary shares *	Million 99.2	Million 99.2	Million 99.2
* Rounded to nearest hundred thousand			
<b>Dividends per share - based on calendar profits</b>			
Interim dividends proposed	Cents 250	Cents 1 050	Cents 1 480
Interim dividends paid	-	-	1 480
Final dividend proposed in respect of 2005	-	-	400
Final dividend paid in respect of 2004	-	320	320
Special dividends paid	-	300	950
Final dividend paid in respect of 2005	400	-	-

**Non-current assets**

Property, plant and equipment	1 766	1 263	1 678
Environmental Trust investments	1 660	1 259	1 571
Available-for-sale investments	3	-	3
	103	4	104

**Current assets**

<b>TOTAL ASSETS</b>	<b>4 109</b>	<b>5 010</b>	<b>3 899</b>
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**EQUITY AND LIABILITIES**

Shareholders' equity	1 411	2 814	1 325
Non-current liabilities	391	312	386
Financial leases	37	115	36
Long-term provisions	190	99	186
Deferred taxation	164	98	164
<b>Current liabilities</b>	<b>2 307</b>	<b>1 884</b>	<b>2 188</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>4 109</b>	<b>5 010</b>	<b>3 899</b>
<b>(Net borrowings)/net cash and cash equivalents</b>	<b>(493)</b>	<b>1 519</b>	<b>(98)</b>
Net worth - cents/share	1 423	2 843	1 336

**ABRIDGED CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE**

	Reviewed for the six months ended		Audited for the year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
	Rm	Rm	Rm
Actuarial loss on defined benefits	-	-	(31)
Tax on above item taken directly to equity	-	-	9
Exchange differences on translation of foreign operations	80	8	(34)
Fair value reclassified to income	-	(166)	(166)
Fair value revaluation	(1)	(1)	-
<b>Net income/(expense) recognised directly in equity</b>	<b>79</b>	<b>(159)</b>	<b>(222)</b>
Attributable profit for the period	401	1 237	1 916
<b>Total recognised income and expense for the period</b>	<b>480</b>	<b>1 078</b>	<b>1 694</b>

**ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS**

	Reviewed for the six months ended		Audited for the year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
	Rm	Rm	Rm
<b>Cash available from operations before dividends and taxation paid</b>	<b>703</b>	<b>1 455</b>	<b>2 708</b>
Dividends paid	(396)	(613)	(2 724)
Taxation paid	(508)	(241)	(655)
<b>Cash (outflow)/inflow from operating activities</b>	<b>(201)</b>	<b>601</b>	<b>(671)</b>
<b>Cash (outflow)/inflow from investing activities</b>	<b>(194)</b>	<b>772</b>	<b>412</b>
Proceeds from disposal of investments	-	1 077	1 076
Other investing activities	(194)	(305)	(664)
<b>Net cash (outflow)/inflow</b>	<b>(395)</b>	<b>1 373</b>	<b>(259)</b>
Cash inflow from financing activities	363	266	503
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(32)</b>	<b>1 639</b>	<b>244</b>

**SEGMENTAL REPORTS FOR TOTAL OPERATIONS**

	Reviewed for the six months ended		Audited for the year ended
	30 Jun 2006	30 Jun 2005	31 Dec 2005
	Rm	Rm	Rm
<b>Revenue</b>	<b>1 596</b>	<b>1 483</b>	<b>2 846</b>
Steelworks	1 280	2 141	3 624
Vanadium	403	382	685
Ferro-alloys	3 279	4 006	7 155
Total revenue	130	211	552
<b>Operating profit/(loss)</b>	<b>503</b>	<b>1 311</b>	<b>2 194</b>
Steelworks	(60)	52	27
Vanadium	573	1 574	2 773
Ferro-alloys			
Total operating profit			

parties at fair value. The Group had borrowed R250 million on call at period end from Anglo American Corporation of South Africa Limited.

**3. Discontinuing operation**

The Group is in advanced negotiations with a buyer for the sale of the Ferroveld Joint Venture. The sale is expected to be completed during the second half of 2006. As a result, the Ferroveld Joint Venture is treated as a disposal group and the results of the joint venture for the period ended 30 June 2006 are included on the face of the income statement under discontinuing operations. The balance sheet of Ferroveld Joint Venture as at 30 June 2006 is as follows:

	Rm
<b>ASSETS</b>	
Non-current assets	
Property, plant and equipment	17
<b>Current assets</b>	<b>16</b>
<b>TOTAL ASSETS</b>	<b>33</b>
<b>EQUITY AND LIABILITIES</b>	
Shareholders' equity	27
Non-current liabilities	
Long-term provision	1
<b>Current liabilities</b>	<b>5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33</b>

**4. Consolidated statement of changes in shareholders' equity**

	Share capital and share premium Rm	Non-distributable reserves		Retained profit Rm	Total Rm
		Translation and share based payment reserves Rm	Fair value reserve Rm		
Exchange differences on translation of foreign operations		8			8
Fair value revaluation			(167)		(167)
Net income recognised directly in equity	-	8	(167)	-	(159)
Attributable profit for the period				1 237	1 237
Total recognised income and expense for the period	-	8	(167)	1 237	1 078
Balance at 31 December 2004	570	-	170	1 597	2 337
Dividends paid				(613)	(613)
Proceeds from shares issued	12				12
<b>Balance at 30 June 2005 - reviewed</b>	<b>582</b>	<b>8</b>	<b>3</b>	<b>2 221</b>	<b>2 814</b>
Actuarial loss on defined benefits (impact of IAS 19)				(31)	(31)
Tax on above item (impact of IAS 19)				9	9
Exchange differences on translation of foreign operations		(42)			(42)
Fair value revaluation			1		1
Net income recognised directly in equity	-	(42)	1	(22)	(63)
Attributable profit for the period				679	679
Total recognised income and expense for the period	-	(42)	1	657	616
Subtotal	582	(34)	4	2 878	3 430
Recognition of share based payments (impact of IFRS 2)		3			3
Dividends paid				(2 111)	(2 111)
Proceeds from shares issued	3				3
<b>Balance at 31 December 2005 - audited</b>	<b>585</b>	<b>(31)</b>	<b>4</b>	<b>767</b>	<b>1 325</b>
<b>Interim 2006 - reviewed</b>					
Exchange differences on translation of foreign operations		80			80
Fair value revaluation			(1)		(1)
Net income recognised directly in equity	-	80	(1)	-	79
Attributable profit for the period				401	401
Total recognised income and expense for the period	-	80	(1)	401	480
Balance at 31 December 2005	585	(31)	4	767	1 325
Recognition of share based payments (impact of IFRS 2)		2			2
Dividends paid				(396)	(396)
<b>Balance at 30 June 2006</b>	<b>585</b>	<b>51</b>	<b>3</b>	<b>772</b>	<b>1 411</b>
<b>(Net borrowings)/net cash and cash equivalents</b>					
(Net borrowings)/net cash and cash equivalents are calculated by subtracting the financial leases (long-term debt) and the short-term loans (including loans from subsidiaries and joint ventures) from cash and cash equivalents.					
<b>6. Financial ratios (unaudited)</b>					
Current ratio		1.02	1.99	1.02	
Market capitalisation - Rm		7 435	5 484	8 404	
<b>7. Supplementary revenue information</b>					
		Unaudited 30 Jun 2006	Unaudited 30 Jun 2005	Unaudited 31 Dec 2005	
<b>Sales volumes of major products</b>					
Total steel	Tons	420 723	376 711	735 307	
Vanadium pentoxide (Vanchem)	kg V <sub>2</sub> O <sub>5</sub>	1 788 310	2 173 906	4 406 811	
Ferrovanadium (Vanchem and Hochvanadium)	kg V	3 293 624	3 403 735	6 349 348	
Vanadium slag	Tons	31 830	32 612	66 750	
<b>Weighted average selling prices achieved for major products</b>					
Total steel	\$/t	566	582	566	
Vanadium pentoxide (Vanchem)	\$/kg V <sub>2</sub> O <sub>5</sub>	19	37	35	
Ferrovanadium (Vanchem and Hochvanadium)	\$/kg V	39	70	64	
Average R/\$ exchange rate		6.26	6.21	6.31	

**Notice of Interim Ordinary Dividend**

On Thursday, 27 July 2006, the directors of the Corporation declared an interim dividend no. 65 of 250 cents per share (South African currency) on the ordinary shares for the six months to 30 June 2006, as follows:

Amount (South African currency)	250 cents per share
Last day to trade to qualify for dividend (and for changes of address or dividend instructions)	Friday, 25 August 2006
Ex-dividend on the JSE Limited	Monday, 28 August 2006
Record date	Friday, 1 September 2006
Payment date of dividend	Monday, 4 September 2006
Share certificates may not be dematerialised or rematerialised between Monday, 28 August 2006 and Friday, 1 September 2006, both days inclusive.	
By order of the Board	
<b>Ms A Diener</b>	Witbank
Company Secretary	27 July 2006
The interim report will be posted to all registered shareholders on Wednesday, 2 August 2006. Enquiries may be directed to email address: general@hiveld.co.za	

DIRECTORS: G G Gomwe (Chairman) (Zimbabwean)  
A J de Nysschen (Chief Executive Officer)

D D Barber, E Barnardo, I Botha, L Boyd, C B Brayshaw, J W Campbell,  
C J Colebank, A V Frolov (Russian), A Harris, L Matteucci, N B Mbazima (Zambian),  
Ms D R Motsepe, Dr A J Pienaar, B J T Shongwe and A Sorokin (Russian)

ALTERNATE DIRECTOR: G F Young

COMPANY SECRETARY: Ms A Diener

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