

EVRAZ Highveld Steel and Vanadium Limited
(Incorporated in the Republic of South Africa)
(Registration No: 1960/001900/06)
Share code: EHS
ISIN: ZAE000146171
("the Company" or "the Group")

GROUP UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2013

Chairman and CEO's Review

- Headline profit R30 million (Q4 2012: loss R222 million)
- Net profit R30 million (Q4 2012: loss R222 million)

1. Safety

EVRAZ Highveld improved its employee's safety performance by 50% for Q1 2013 compared to Q4 2012. For all hours worked at the Company, the progressive Lost Time Injury Frequency Rate (LTIFR), the key indicator of safety at work, decreased by 48% from 2.58 in Q4 2012 to 1.34 in Q1 2013, which ended on 31 March 2013.

2. Key Financials

The operating profit for Q1 2013 was R50 million, compared to a loss of R283 million in Q4 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 R124 million, compared to a R212 million loss for Q4 2012. Revenue increased to R1 414 million in Q1 2013 compared to R1 029 million Q4 2012.

3. Operations

Steel

Steel output increased by 6% from 165 715 to 175 397 tons as a result of improved shaking ladle process control and melting of stockpiled iron units.

Production of rolled products was flat relative to Q4 2012 at 123 774 tons.

Longer processing times and availability issues in both mills have resulted in increased inventories of cast steel, which are expected to be worked down during the winter months 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 result in a reduction of electrical energy consumption in the Ironmaking furnaces.

Mining

Production of ROM, lumpy and fines ore showed an increase in volumes for Q1 2013 compared to all quarters of 2012. Fine ore was dispatched for Q1 2013 at favourable pricing. In March 2013 pit mining trial commenced and will be running until June 2013. The trial will provide data needed to extend current ore reserves at Mapochs Mine.

The SLP housing programme has reached its final planning stages with all tenders and proposals finalised. Municipal infrastructure has been completed and construction of the houses will commence in Q3 2013.

Vanadium

Improved operating performance of vanadium in Q1 2013 resulted in a total of 12 057 tons of vanadium slag produced containing 1 627tons V compared to 10 209 tons slag containing 1 487tons V during the previous quarter.

4. Markets

Global and local markets

Global crude steel production for January and February 2013 was 253 million tons versus 246 million tons during the same period in 2012. This 2.8% increase was on the back of increased production in Asia while crude steel production in most other major global regions declined when comparing the first two months of 2013 to the same period in 2012.

South African crude steel production for January and February 2013 was 1.085 million tons versus 1.214 million tons produced during the first two months of 2012, a decline of 10.6%. Consumption information is published by SAISI on an annual basis thus domestic consumption information is not available for Q1 2013.

EVRAZ Highveld Sales

Steel sales volumes increased by 21% to 135 512 tons in Q1 2013 against 111 587 tons in Q4 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 from 108 647 in Q4 2012 to 134 231 in Q1 2013. Export steel sales volumes decreased by 56% to 1 281 tons in Q1 2013 against 2 940 tons in Q4 2012.

Ferrovanadium sales for Q1 2013 increased to 1 084 tons V compared to 870 tons V in Q4 2012. Nitrovan sales increased from 193 tons V in Q4 2012 to 224 tons V in Q1 2013. Domestic vanadium slag sales were at 104 tons V in Q1 2013 compared to 101 tons V in Q4 2012.

5. Outlook

In the absence of major government infrastructure spending growth, domestic steel demand is expected to remain correlated with GDP growth. As the Chinese economy has not recovered to an extent that it can absorb more of its own output and while the European economic contraction has not stabilised, the international steel market suffers from oversupply which is unlikely to subside. Most 2013 forecasts predict global steel growth between 2% and 5% largely driven by China and non-residential US construction.

Following a strong performance in the closing months of 2012 and during Q1 2013, vanadium prices started to retreat in April 2013. Although demand growth is expected, ramp-ups in Chinese vanadium production could mitigate future price increases.

The Company participated in the NERSA public hearings in Q1 2013 regarding the Eskom MYPD3 and was notified by Eskom that final adjudication by NERSA resulted in a 9.6% tariff increase for 2013/14, compared to the original 21% applied for. Although this development offers welcome relief, energy and labour costs are expected to remain major challenges in the medium term.

BJT Shongwe
(Chairman)
20 May 2013

MD Garcia
(Chief Executive Officer)

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

Acting Company Secretary: Ms A Weststrate

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

Transfer secretaries:
Computershare Investor Services
Proprietary Limited
70 Marshall Street
Johannesburg

PO Box 111
Witbank 1035

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

PO Box 61051
Marshalltown 2107

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

Sponsor:
J.P. Morgan Equities South Africa (Pty) Ltd

GROUP UNAUDITED FINANCIAL RESULTS

Basis of preparation

The Group's financial results for the quarter ended 31 March 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.

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 12, Amended - Deferred taxes: Recovery of underlying assets (effective from 1 January 2012);
- IAS 1, Amended - Presentation of items of other comprehensive income (effective from 1 July 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 31 March 2013:

- No increase in employee benefit liability - will be calculated during 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); and
- 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).

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 31 Mar 2013 Rm	Restated as at 31 Dec 2012 Rm	Restated as at 1 Jan 2012 Rm
ASSETS				
Non-current assets		1 767	1 801	1 927
Property, plant and equipment		1 688	1 722	1 760
Deferred tax asset		79	79	167
Current assets		2 167	1 866	2 531
Inventories		876	858	831
Trade and other receivables and pre-payments	5	708	480	516
Taxation		-	1	-
Cash and short-term deposits		583	527	1 184
TOTAL ASSETS		3 934	3 667	4 458
EQUITY AND LIABILITIES				
Total equity		1 789	1 709	2 594
Non-current liabilities		801	789	650
Interest-bearing loans and borrowings	6	16	16	-
Provisions		785	773	650

Current liabilities		1 344	1 169	1 214
Trade and other payables		808	924	1 016
Interest-bearing loans and borrowings	6	402	102	-
Income tax payable		1	-	45
Provisions		133	143	153
TOTAL EQUITY AND LIABILITIES		3 934	3 667	4 458
Net Cash		165	409	1 184
Net asset value - cents per share		1 804	1 724	2 616

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Unaudited for the three months ended 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
Revenue		1 414	1 334	4 354
Sale of goods		1 413	1 331	4 346
Cost of sales		(1 244)	(1 327)	(4 746)
Gross profit / (loss)	7	169	4	(400)
Other operating income	8	11	-	138
Selling and distribution costs		(64)	(73)	(248)
Administrative expenses		(61)	(82)	(289)
Other operating expenses		(5)	(3)	(55)
Operating profit / (loss)		50	(154)	(854)
Finance costs		(19)	(11)	(52)
Finance income		1	3	8
Profit / (loss) before tax		32	(162)	(898)
Income tax (expense) / credit	9	(2)	68	(45)
Profit / (loss) for the period/year		30	(94)	(943)
		Cents	Cents	Cents
Profit / (loss) per share - basic and diluted		30.3	(94.8)	(951.1)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited for the three months ended 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Restated for the year ended 31 Dec 2012 Rm
Profit / (loss) for the period/year	30	(94)	(943)
Other comprehensive income/ (loss):			
Exchange differences on translation of foreign	47	(13)	49

operations			
Actuarial loss on defined benefit plan	-		(3)
Total comprehensive income / (loss) for the period/year	77	(107)	(897)

HEADLINE EARNINGS PER SHARE

	Unaudited for the three months ended 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
Reconciliation of headline profit / (loss)			
Profit / (loss) for the period/year	30	(94)	(943)
(Deduct)/add after tax effect of:			
Proceeds on successful litigation against the Channel Induction Furnace supplier	-	-	(79)
(Profit) / loss on disposal and scrapping of property, plant and equipment	*	*	(*)
Headline profit / (loss)	30	(94)	(1 022)
* Less than R1 million.			
Profit / (loss) per share - headline and diluted	Cents 30.3	Cents (94.8)	Cents (1 030.4)

	Million	Million	Million
Number of shares			
Ordinary shares in issue as at end date **	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
<u>2012</u>					
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
<u>2013</u>				
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	10	3		3
Balance at 31 March 2013 - Unaudited	585	314	890	1 789

	Unaudited for the three months ended 31 Mar 2013 Cents	Unaudited for the three months ended 31 Mar 2012 Cents	Audited 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 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
Cash flows from operating activities			
Cash used in operations before tax paid	(233)	(286)	(608)
Income tax paid	(1)	(*)	(2)
Net cash used in operating activities	(234)	(286)	(610)
Cash flows from investing activities			
Proceeds from sale and scrapping of property, plant and equipment	*	1	4
Net additions to property, plant and equipment	(38)	(61)	(203)
Net cash used in investing activities	(38)	(60)	(199)
Cash flows from financing activities			
Increase in long-term interest-bearing loans and borrowings	-	15	15
Increase in short-term interest-bearing loans and borrowings	300	-	102
Net cash generated by financing activities	300	15	117
Net increase/(decrease) in cash and cash equivalents	28	(331)	(692)

Cash and cash equivalents at the beginning of the period/year	527	1 184	1 184
Effects of exchange rate changes on cash held in foreign currencies	28	(13)	35
Cash and cash equivalents at the end of the period/year	583	840	527

* Less than R1 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- 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.
- Related party transactions
Sales to East Metals A.G. (a fellow subsidiary) amounted to R60 million (March 2012 YTD: R74 million) for the 3 months ended 31 March 2013. This constitutes 4% of total revenue for the period, compared to 6% for the period ended 31 March 2012. Technical services (slag tolling agreement) and other services with EVRAZ Vametco Alloys Proprietary Limited (a fellow subsidiary) amounted to R20 million for the year 3 months ended March 2013 (March 2012 YTD: R17 million).
- 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 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
Revenue			
Steelworks	1 117	1 005	3 181
Vanadium	372	335	1 199
Elimination in intersegmental revenue	(75)	(9)	(26)
Total	1 414	1 331	4 354

	Unaudited for the three months ended 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
Operating profit/(loss)			
Steelworks	(37)	(234)	(1 153)
Vanadium	87	80	299
Total	50	(154)	(854)

	Unaudited as at 31 Mar 2013 Rm	Audited as at 31 Dec 2012 Rm
Total assets		
Steelworks	3 310	2 935
Vanadium	624	732
Total	3 934	3 667

4 Supplementary revenue information - Unaudited

		For the three months ended 31 Mar 2013	For the three months ended 31 Mar 2012	For the year ended 31 Dec 2012
Sales volumes of major products				
Total steel	Tons	135 512	133 241	453 836
Ferrovanadium	Tons V	1 084	1 554	4 766
Modified Vanadium Oxide	Tons V	0	16	244
Nitrovan	Tons V	224	119	669
Vanadium slag	Tons V	104	0	181
Fines ore	Tons	183 970	165 765	687 380

Weighted average selling prices achieved for major products

Total steel	US\$/t	762	849	764
Ferrovanadium	US\$/kg V	29	23	23
Modified Vanadium Oxide	US\$/kg V	-	17	18
Nitrovan	US\$/kg V	30	24	23
Vanadium slag	US\$/kg V	10	-	7
Fines ore	US\$/t	44	19	20

Average R/\$ exchange rate

	8.95	7.76	8.21
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5 Trade and other receivables and pre-payments

The increase of R192 million 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.

6 Interest-bearing loans and borrowings

The long-term borrowings of R16 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.

- 7 Gross profit / (loss)
The improvement in gross profit is as a result of improved steel selling prices, increased vanadium- and fines ore selling prices and reduction in costs.
- 8 Other operating income and expenses
The R11 million (2012: Rnil million) other operating income includes sundry income and inventory adjustments. The other operating expense of R5 million (2012: R3 million) includes foreign exchange differences of R4 million.
- 9 Income tax

	Unaudited for the three months ended 31 Mar 2013 Rm	Unaudited for the three months ended 31 Mar 2012 Rm	Audited for the year ended 31 Dec 2012 Rm
South African			
Normal			
Prior year	-	-	(44)
Deferred			
Current	-	(68)	86
Non-South African			
Normal			
Current	2	*	3
Income tax expense/(credit)	2	(68)	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.

- 10 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 Q1 2013 is R3 million (2012 year: R12 million).
- 11 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 (DMR) for the unscheduled closure of Mapochs Mine. This guarantee is issued by EVRAZ Highveld 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.
- 12 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 Highveld for an alleged contravention of section 4(1)(b)(i) of the Competition Act, No. 89 of 1998 ("the Competition Act"). The allegations against Highveld 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 Highveld. 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 Highveld contained in the Commission's complaint referral are that Highveld 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 Highveld 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 South African Iron and Steel Institute or its committees. Should the Competition Commission be successful, it could raise a maximum penalty of R554 million against EVRAZ Highveld.

13 Subsequent events

There are no events to be reported on since 31 March 2013.