

EVRAZ to sell its SA steel mill

EVRAZ has announced the signing of a non-binding term sheet in respect of the proposed sale of its 85% stake EVRAZ Highveld Steel and Vanadium Limited to Nemascore, black economic empowerment consortium, for an indicative cash consideration of approximately US\$320 million.

EVRAZ will utilise the sale proceeds for general corporate purposes.

EVRAZ Highveld is a vertically integrated iron ore steel and vanadium slag producer. Steel and vanadium slag are produced at the integrated steelworks situated in eMalahleni, Mpumalanga with ore for the steelworks obtained from the Mapochs Mine in the Roossenekal area, Limpopo. As at 31 December 2012, EVRAZ Highveld had gross assets of R3,667 million (approximately US\$396 million). For the financial year ended 31 December 2012, EVRAZ Highveld produced a loss before tax of R898 million (approximately US\$97 million).

The transaction will be the largest black economic empowerment transaction in the South African steel sector to date, and subject to standard due diligence procedures and the conclusion of a formal agreement, the implementation of which will be subject to requisite regulatory approvals. The parties expect the transaction to be executed and completed in the course of Q2 2013. The parties have agreed upon a transition period during which EVRAZ will support the management of EVRAZ Highveld to ensure stable operations and a smooth transfer of the business.

"EVRAZ Highveld has always been an important investment of the company," Alexander Frolov, CEO of EVRAZ. "Our decision to divest the asset will allow us to enhance the company's focus on our key steel markets in Russia and North America. The transaction will allow EVRAZ to further develop our strategies of continuous operational improvement and building a growing vertically integrated business. We do not expect the transaction to affect EVRAZ's leading position in the global vanadium markets. Our future growth in vanadium is based on an integrated business model that involves our assets in Russia, the United States, Europe and our remaining operations in South Africa. We plan to continue close collaboration with the future owners of the mill with respect to the vanadium business in South Africa."

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