



# MATUSON

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## ASSOCIATES

**GENERAL MEETING OF AFFECTED PERSONS:  
EVRAZ HIGHVELD STEEL AND VANADIUM  
LIMITED**

Date: 24 February 2017

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**WELCOME**



# WIND-DOWN PLAN



# OVERVIEW

During the wind down process, the assets have been divided into the following asset classes:

	Asset Class	Description
Asset Class 1	Scrap Sales	Assets which can be converted to cash in a short space of time. Examples: Copper, Scrap Steel, Refractories, Used Oil, etc.
Asset Class 2	Non Strategic Assets	Assets which can be sold as movable and operational assets. Examples: Pumps, Valves, Motors, Mud Guns, Cables, Vehicles, etc. Items are catalogued and sold through the “Highveld Stores”. This ensures a constant flow of cash from non complex sales.
Asset Class 3	Strategic Assets	Sold as going concern. Timing based on level of interest received. Target values have been assigned to each strategic asset.

# ASSET CLASS 1 - SCRAP SALES

## Scrap Steel and related commodities/items

### Identification of available scrap:

- Unused buildings, or other scrap metal is identified on site and centralised.
- Redundant or old equipment is passed through the workshop and tested to determine if salvageable, if it is not it is scrapped.

### The tender process for scrap:

- Items for sale are marketed to interested parties. This includes a data sheet and photographs of the items.
- All tender offers are adjudicated based on value, time frame for payment and removal.
- Once the tender is awarded, a pro forma invoice is generated for an upfront payment.
- Once payment is received the material may be collected.

Creditors who wish to participate in any future tenders should register their interest with [evrazhighveld@matusonassociates.co.za](mailto:evrazhighveld@matusonassociates.co.za)



# ASSET CLASS 2 – NON-STRATEGIC ASSETS

## Progress:

## Stores:

- Total sales of R R27 729 721 has been generated from stores sales.

## Auction:

- The online auction on 24 November 2016 and an onsite auction on 1 December 2016 generated revenue of R1 674 404.
- The online auction on 15 February 2017 generated revenue of R 3 062 250.90.
- Creditors who wish to participate in any future tenders should register their interest with [evrazhiveld@matusonassociates.co.za](mailto:evrazhiveld@matusonassociates.co.za)

# ASSET CLASS 3 - STRATEGIC ASSETS

## Deals concluded:

**Fe/Ti/V, Titanium & Lime Resource - Total consideration R683.5 million**

## **Payments received**

1. R43 million payment received
2. Balance payable over various periods of 2 to 10 years.

## Opportunities currently being negotiated:

1. Balance of Titanium Rich Resource
2. Iron Plant 2
3. Plate Mill

## Interested Parties

Highveld and the BRPs have engaged with 250 interested parties regarding various assets.

Creditors who wish to participate in any future tenders should register their interest with [evrazhighveld@matusonassociates.co.za](mailto:evrazhighveld@matusonassociates.co.za)

## ASSET CLASS 3 - STRATEGIC ASSETS - STRUCTURAL MILL

1. A contract manufacturing agreement “CMA” was signed in December 2016 between Highveld, Highveld Structural Mill (Pty) Ltd (“HSM”) (wholly owned subsidiary of EHSV) and ArcelorMittal South Africa Limited (“AMSA”).
2. The CMA shall endure for an initial period of 24 months, with the option to extend for a further 12 months.
3. HSM shall provide manufacturing services to AMSA in terms of this agreement.
4. AMSA has the option to purchase the shares in or business of HSM at an option price, during the term of the CMA.
5. It is envisaged that the refurbishment of the Structural Mill will be completed by the end of March 2017 and production to commence in April 2017.

## PROGRESS TO DATE



# CASH FLOW

Receipts March 2016 to Jan 2017	YTD Budget	Actual YTD	Variance
<b>Receipts</b>			
Wind down sales	260 112	109 572	<b>-150 540</b>
Stores and Consumables	6 000	27 862	<b>21 862</b>
Utilities	24 457	19 234	<b>-5 223</b>
Receivables - Steel Local	5 527	8 317	<b>2 791</b>
VAT - receivable / (payable)	2 412	719	<b>-1 693</b>
Other (Other Deposits, Sundry Debtors, Interest)	1 463	11 678	<b>10 214</b>
<b>Total cash inflow</b>	<b>299 971</b>	<b>177 382</b>	<b>-122 588</b>

## Comments

1. Wind down sales are below budget due the sale of the Structural Mill originally budgeted for in November 2016.
2. Stores ahead of budget
3. Utilities off budget due to delay in signing 3<sup>rd</sup> party agreements
4. Other - MERSETA training grants, interest, rental income, SETA payments, ill health benefit refunds which we previously paid and also utilities.

# CASH FLOW

Payments March 2016 to Jan 2017	YTD Budget	Actual YTD	Variance
<b>Payments</b>	<b>147 931</b>	<b>115 382</b>	<b>-32 549</b>
Admin (IT, security, cell phone and other)	14 349	15 442	1 093
Environmental	2 548	931	-1 616
Interest	21 306	12 000	-9 306
Insurance & Other	6 712	6 094	-618
Professional fees	11 457	8 350	-3 107
Staff cost	46 630	45 400	-1 230
Energy	19 367	9 839	-9 528
Operational costs	25 562	17 325	-8 237
<b>Dividend Payments</b>	<b>34 127</b>	<b>48 595</b>	<b>14 468</b>
Post Commencement Creditors	5 807	8 761	2 954
Employees	28 320	39 834	11 514
<b>Total Payments</b>	<b>182 058</b>	<b>163 977</b>	<b>-18 081</b>

## Comments

1. Interest payments on the IDC loan commenced in August 2016.
2. People have been appointed on fixed duration contracts
3. Significant cost savings achieved through active management of energy costs
4. Employees have received R40m of their retrenchment packages.

# POTENTIAL DIVIDEND

	Wind down plan	Revised Value	Difference
Item	Total	Total	Total
<b>Total Receipts</b>	<b>1 134 403 539</b>	<b>1 243 850 075</b>	<b>109 446 536</b>
<b>Total Receipts incl VAT</b>	<b>1 293 220 035</b>	<b>1 417 989 086</b>	<b>124 769 051</b>
Income tax/VAT (paid)/VAT received	-123 068 565	-123 068 565	0
Payments to employees	-333 746 063	-333 746 063	0
Highveld (Holding Cost)	-412 415 178	-396 624 283	15 790 895
Repayment of short term borrowings	-157 000 000	-157 000 000	0
Payments to suppliers	-43 396 882	-43 396 882	0
	<b>223 593 345</b>	<b>364 153 292</b>	<b>140 559 947</b>
<b>Potential Dividend</b>	<b>0.10</b>	<b>0.15</b>	<b>0.05</b>

**Disclaimer:** Please note this dividend forecast is an estimate and is subject to the realisation of the assets, the quantum and timing thereof as well as the risks detailed in the business rescue plan.

# SUSTAINABLE INCOME STREAMS





# SUSTAINABLE INCOME STREAMS

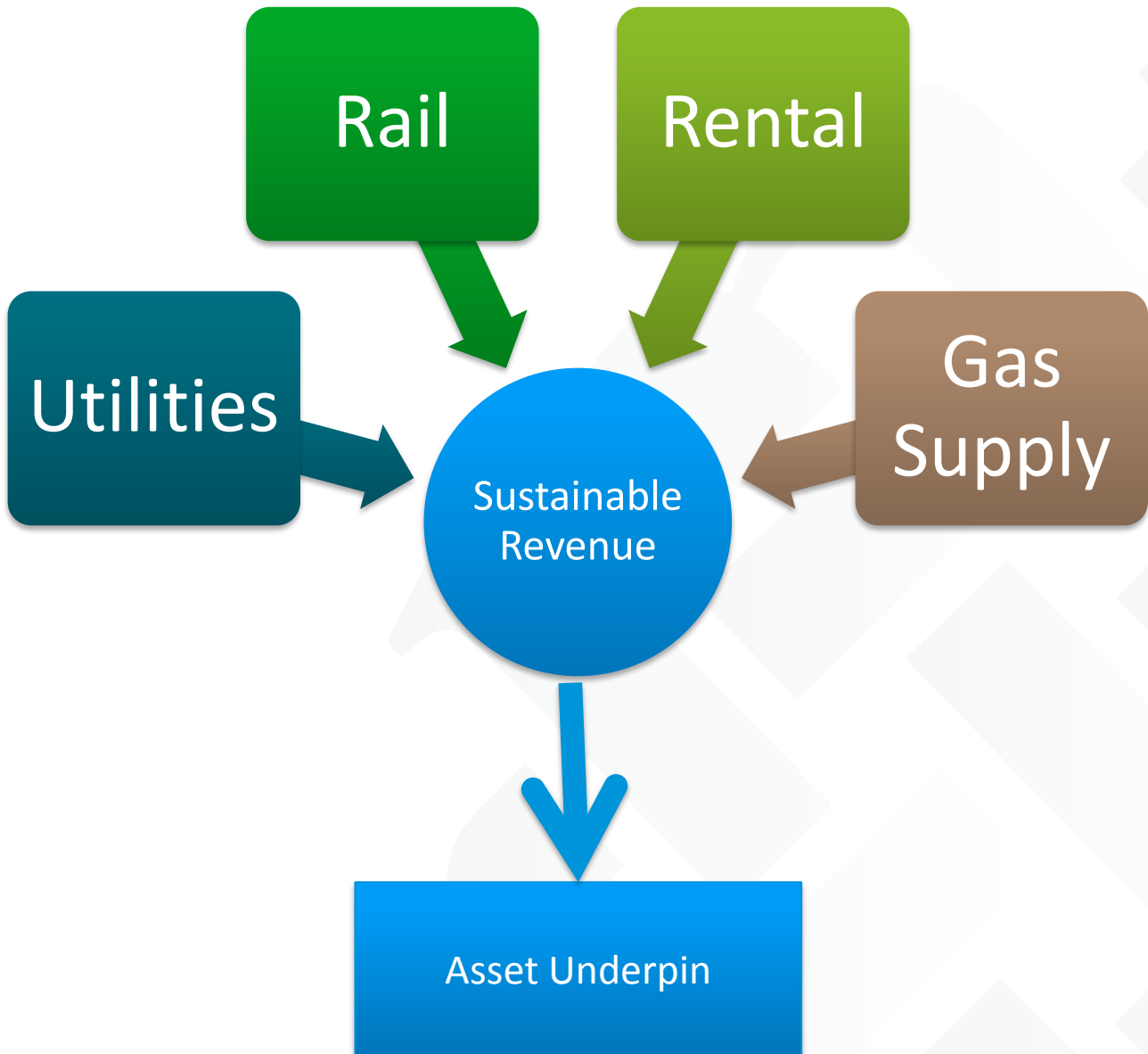
Highveld offers a range of workshops and warehouses for rent, to be utilised for various and diverse purposes such as steel fabrication, chrome and lime beneficiation, storage, maintenance and repairs or heavy machinery operations.

Ancillary services offered include potable water, electricity, internet, a canteen, refuse disposal, ample parking, change rooms, a clinic as well as A-grade security.

The site has large scale logistical infrastructure with rail sidings, weighbridges, and internal roads and storage facilitating efficient logistics in support of the warehouse function. The Highveld Industrial Park complex is conveniently situated within the South African railway network, providing tenants with rail network access.

There are furnished head offices and flexi-office space available for rent, which can also be utilised for administrative functions or training.

# MULTIPLE REVENUE SOURCES



# RAIL SIDING

1. Currently Highveld has two rail operators on site, leasing two separate areas of rail within the Industrial Park.
  2. A monthly facility fee is charged as well as a rate per ton of product moved within the rail network.
  3. Discussions are ongoing with interested parties on the remaining sidings.
- Creditors who wish to participate in any future tenders should register their interest with [evrazhighveld@matusonassociates.co.za](mailto:evrazhighveld@matusonassociates.co.za)

## THIRD PARTY GAS SUPPLY

1. Highveld has a trading license from NERSA, which allows for the sale of gas to third parties.
2. Highveld has an allocation of Methane Rich gas from Sasol.
3. Highveld will have the rights to trade in gas by either site installation or wheeling of product to various offtake points.
4. Highveld has received numerous enquiries regarding the purchase of gas. Negotiations are continuing to release this potential profit stream.

## POTENTIAL RENTAL INCOME

1. Highveld has approximately 48 000 square meters of covered rental space.
  2. This rental space includes, but is not limited to, the Heavy Duty Workshop, Segment Workshop, Engineering Workshop(s), GMPD Workshop, Light Workshop, office space and a training centre.
  3. 44 workshops and offices have been identified for rental.
  4. Prospectuses have been prepared for each of the workshops and offices.
- Creditors who wish to participate in any future tenders should register their interest with [evrazhighveld@matusonassociates.co.za](mailto:evrazhighveld@matusonassociates.co.za)



**GENERAL**



# GENERAL – SAFEGUARDING OF ASSETS

## Security

1. Priority of security has and will continue during the wind down process.
  1. Physical security
  2. Access controls
  3. Asset protection
  4. Maintenance of security technology
2. Security costs incurred since wind down amounts to R17,5m to date
3. There have been several incidents of community unrest which have required significant engagement with the appropriate forums.

## Care and Maintenance

1. A schedule of critical maintenance has been prepared on key strategic assets.
2. Adherence to this plan is monitored to ensure compliance.

## Environmental

1. An environmental trust fund has been established.
2. Significant progress has been made with the regulatory authorities regarding the environmental rehabilitation plan.

## SARS

No update on the progress.

## Legal

Application against Air Liquide:

- The BRPs have received the answering affidavit and counter-application of Air Liquide (Pty) Limited, which will be made available on the Company's website. Air Liquide has issued a joinder application and application for substituted service. The application for substituted service will be heard on 27 February 2017.
- The BRPs have instituted action proceedings against Air Liquide in respect of the late start-up of Air Liquide's plant in terms of the supply agreement concluded between Air Liquide and the Company. Air Liquide has filed its notice of intention to defend. These papers will be available on the companies website.
- Affected Persons will be advised of further updates.



# CREDITORS' CLAIMS



# WATERFALL OF PAYMENT

As per section 135 of the Companies Act and paragraph 28 of the Plan, creditors are paid in the following order of priority:

1. Business Rescue Costs, including but not limited to:
  - I. Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
  - II. Holding costs; and
  - III. Post-commencement creditors.
2. Employees.
3. Secured PCF Creditors.
4. Unsecured PCF Creditors.
5. Concurrent Creditors.

A buffer to cater for expenses will be retained, but all surplus cash will be distributed as and when received in terms of the waterfall.

# CREDITORS' CLAIMS

Total Claims Received:	# of Claims	Value of Claims	Accepted Claim Value
Total Claims Received	539	2 364 533 470	1 120 774 358
Total Claims Accepted	444	1 154 016 545	1 120 774 358
Total Claims Rejected / Disputed	12	748 262 712	0
Claims to be Adjudicated	83	462 254 213	

## SARS

- SARS' claim remains at R689m, but claim has been disputed.
- The BRPs are currently engaging with SARS in order to resolve their claim. As this has a material impact on all concurrent creditors, the BRPs will endeavour to keep affected persons informed.

Post Commencement Claims	PCS Amount	Payment	Balance due
Creditors	38 065 847	8 241 758	29 824 089
Employee	333 746 063	39 833 623	293 912 440

**Disclaimer: Please note that this excludes any potential damages claim by Air Liquide.**

# CREDITORS' CLAIMS

## Liens

- The BRPs and Management continue to have site visits with various creditors who hold assets owned by Highveld to discuss the way forward in regard to these assets.
- Letters have been prepared and sent to the respective creditors informing them of the process as well as whether or not these assets will be “scrapped” (scrap value or market value), returned to Highveld on payment or be held at the creditors’ premises until further notice.
- The BRPs continue to follow up with these creditors in order to finalise this process.

Total Claims Received:	# of Claims	Value of Claims	Accepted Claim Value
Total Liens Claims	34	119 012 615	31 043 295
Total Claims Accepted	10	41 789 219	31 043 295
Claims to be Adjudicated	24	77 223 396	

# QUESTIONS



# CONCLUSION



## CONCLUSION

1. Wind-down is proceeding according to plan.
2. Functional specifications / Prospectuses are available on the Highveld Website ([www.evrazhighveld.co.za](http://www.evrazhighveld.co.za)).
3. Offers currently being evaluated for:
  - Sale of balance of Titanium containing slag;
  - Sale of Iron Plant 2; and
  - Lease of Rail infrastructure.
  - Sale of Plate Mill
  - Sale or lease of Iron Plant 1 and Kilns.
  - Overall sale of assets
4. Schedule of non-strategic assets updated daily.
5. Next meeting is likely to be held in June 2017.



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