



MATUSON

ASSOCIATES



MAZARS

MEETING IN TERMS OF SECTION 151 OF THE COMPANIES ACT:
**EVRAZ HIGHVELD STEEL AND VANADIUM
LIMITED**

Date: 28 September 2015

- Background to Business Rescue Proceedings
- Timing of Business Rescue Proceedings
- Proposed Business Rescue Plan (“Plan”)
- Comparison of Business Rescue to Liquidation
- BRPs’ Opinion in terms of the Act
- Presentations by Employees’ Representatives and EDD representative
- Discussions and conducting of a vote on requests for an adjournment
- Amendments
- Voting
- Results of Vote
- Report on Vote

BACKGROUND TO BUSINESS RESCUE PROCEEDINGS

- On 13 April 2015, the directors of Evraz Highveld Steel and Vanadium Limited (“the Company”) passed a resolution to begin Business Rescue Proceedings.
- On 13 April 2015, the resolution was filed at the Companies and Intellectual Property Commission.
- Piers Marsden and Daniel Terblanche were appointed as the joint Business Rescue Practitioners (“BRPs”) on 15 April 2015.

BACKGROUND CONTINUED

Sales Process	Date
Distribution of an information memorandum	6 June 2015
Indicative, non-binding offer submission deadline	15 July 2015
Selection of shortlisted Preferred Bidders by the BRPs	17 July 2015
Proof of USD10 million guarantee/deposit, satisfactory to the BRPs, from Preferred Bidders and opening of virtual data room	27 July 2015
Due diligence finalisation and close of virtual data room	21 August 2015
Binding offer submission deadline	28 August 2015
Evaluation of binding offers received	28 August 2015 – 3 September 2015
Notification of Successful Bidder	3 September 2015

BACKGROUND CONTINUED

- COURT PROCEEDINGS
 - Urgent court proceedings were instituted by one of the unsuccessful preferred bidders, namely, Global Renewable Energy Limited (“GRE”) against Evraz and the BRPs to urgently *inter alia* interdict this meeting.
 - The urgent application was emailed to the BRPs after 18h00 on Wednesday, 23 September 2015 and set down for hearing at 10h00 on Friday, 25 September 2015.
 - The BRPs opposed the urgent application and filed an answering affidavit before the hearing of the application.
 - The presiding judge held that the urgent application was an abuse of the court process and struck the urgent application from the roll due to a lack of urgency and awarded costs to Evraz and the BRPs including the costs of two counsel.

TIMING OF BUSINESS RESCUE PROCEEDINGS

- The following summary sets out the salient dates on which certain events (excluding the Sales Process) have taken and will take place during Business Rescue:

Event	Date
Board Resolution to Commence Business Rescue	13 April 2015
BRPs Appointed	15 April 2015
First Employees' Meeting	29 April 2015
First Creditors' Meeting	30 April 2015
First Creditors' Committee Meeting	22 May 2015
First Employees' Committee Meeting	29 May 2015
Second Creditors' Committee Meeting	16 July 2015
Third Creditors' Committee Meeting	1 September 2015
Second Employees' Committee Meeting	14 September 2015
Plan Published	15 September 2015
Meeting in terms of Section 151	28 September 2015

PROPOSED PLAN

The purpose of Business Rescue is to provide for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.

- The objective of Business Rescue is to develop and implement a plan that rescues the Company by restructuring its affairs, business, property, debt, other liabilities and equity in a manner that:
 - a) **Maximises the likelihood of the Company continuing in existence on a solvent basis, OR, if not possible**
 - b) **Results in a better return for the Company’s creditors or shareholders than would result from the immediate liquidation of the Company.**
- The Plan seeks to rescue the company by implementing one of the three proposals set out therein, which, in the opinion of the BRPs, provides for the efficient rescue and recovery of financially distressed companies, in a manner that balances the rights and interests of all relevant stakeholders.
- The Plan further details certain events, actions and steps taken by the BRPs in respect of the Company from 13 April 2015 to 15 September 2015, being the date of the publication of the Plan.

1ST PROPOSAL: THE SCHEME

- Pursuant to the Sales Process, the Successful Bidder has offered:
 - **R20 000 000.00** to acquire all of the issued shares in the Company through a scheme of arrangement in terms of section 114, as read with section 115, of the Companies Act;
 - **R350 000 000.00** to Creditors in order to acquire all of the Claims which Creditors have against the Company, paid in two tranches as follows:
 - R 234 000 000.00 on the Implementation Date of the Proposed Transaction; and
 - R 116 000 000.00 by the first anniversary of the Implementation Date.
 - **R150 000 000.00** to enable the Company to repay the PCF made available by the IDC to the Company by no later than the 3rd anniversary of the Implementation Date.

2ND PROPOSAL: SALE OF THE BUSINESS AS A GOING CONCERN

- Alternatively, the Successful Bidder has offered:
 - **R350 000 000.00** to acquire the Company's business
 - the sale proceeds will be used to discharge all of the Claims of Creditors against the Company and will be paid in two tranches as follows:
 - R 234 000 000.00 on the Implementation Date of the Proposed Transaction; and
 - R 116 000 000.00 by the first anniversary of the Implementation Date.
 - **R150 000 000.00** to enable the Company to repay the PCF made available by the IDC to the Company by no later than the 3rd anniversary of the Implementation Date of the Proposed Transaction.

3RD PROPOSAL: WIND-DOWN OF THE COMPANY

- In the event of the Proposed Transaction failing for any reason, or no alternative proposal on similar acceptable terms being made, the 3rd proposal entails the sale of all of the Company's assets, by way of private treaty or public auction, as opposed to a sale of the Company as a going concern.
- The BRPs have received expressions of interest from various parties for the purchase of certain of the Company's assets.

COMPARISON OF BUSINESS RESCUE TO LIQUIDATION SUMMARY

Class of Creditor	Liquidation				Business Rescue						
	Commencement Date *		Publication Date		1 st Proposal: Scheme		2 nd Proposal: Acquisition		3 rd Proposal: Sale		
	Low	High	Low	High	Low	High	Low	High	Low	High	
Secured	100c	100c	100c	100c	100c	100c	100c	100c	100c	100c	100c
Business Rescue / PCF Creditors	N/A	N/A	N/A	N/A	100c	100c	100c	100c	100c	100c	100c
Employees	R28,000	R28,000	R28,000	R28,000	100c	100c	100c	100c	100c	100c	100c
Concurrent	0c	33c	0c	20c	16c	29c	16c	29c	10c	14c	

- *Liquidation calculation based on information provided in KPMG's liquidation calculation.*
- *Publication date calculation based on KPMG methodology recalculated as at 31 August*

BUSINESS RESCUE COMPARED TO LIQUIDATION BENEFITS

	Business Rescue	Liquidation
Quantum	As per summary comparison on slide 9.	<ol style="list-style-type: none"> Should SARS raise an assessment, the dividend that would be received by creditors on a liquidation would be lower than the dividend that is anticipated as a result of Business Rescue.
Timing	<ol style="list-style-type: none"> In terms of the 1st and 2nd Proposal, creditors will receive their first distribution upon implementation of the proposed transaction and their second distribution within 12 months of the first distribution. In terms of the 3rd Proposal, the Plan will be implemented, and distributions will be paid in a shorter time frame than in liquidation. 	<ol style="list-style-type: none"> Average time it takes to conclude a liquidation process can be between 18 and 24 months, or longer depending on the complexity of the estate. Given the complexity of the Company, it is likely that a liquidation would last longer than 24 months, with no ability to pay an interim dividend to concurrent creditors.

BUSINESS RESCUE COMPARED TO A LIQUIDATION

	Business Rescue	Liquidation
SARS	SARS ranks as a concurrent creditor.	SARS ranks as a preferent creditor.
Employees	<p>If the Business Rescue proceeds in terms of the 1st or 2nd Proposal:</p> <ol style="list-style-type: none">1. A large number of employees' jobs will be saved.2. All existing benefits will be retained or be transferred on terms on the whole no less favourable than their existing terms of employment.	<ol style="list-style-type: none">1. All jobs will immediately be lost.2. Depending on the funds available, employees would be entitled to receive a maximum preference amount of R28,000.3. Employees will only receive payment once the final liquidation and distribution account has been approved.

BRPS' OPINION IN TERMS OF THE ACT

The BRPs remain of the view that there is a reasonable prospect of the Company being rescued

PRESENTATIONS

- Employees' representatives
- EDD representative

DISCUSSIONS AND CONDUCTING OF A VOTE ON A REQUEST FOR AN ADJOURNMENT

- Mastercrof S.a.r.l. , the major shareholder of the Company and East Metals SA the single largest creditor, both subsidiaries of Evraz PLC, have requested an adjournment of the meeting.
- Representatives of the aforesaid companies are hereby invited to address the meeting.

DISCUSSIONS AND CONDUCTING OF A VOTE ON A REQUEST FOR AN ADJOURNMENT

- Proposed adjournment requires approval of 50% of independent creditors.



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