



**MATUSON**  
ASSOCIATES

# Evraz Highveld Steel and Vanadium Limited

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GENERAL MEETING OF AFFECTED PERSONS

15 August 2019

Private & Confidential

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# Business Rescue

# Business Rescue

## UPDATE ON BUSINESS RESCUE

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Since the commencement of business rescue, the following steps were taken:

- Successfully decommissioned the entire steel making and vanadium operations in a controlled environment to preserve assets for future start-up.
- Reconfigured to function as an Industrial Business Park, accommodating **51 tenants**, employing more than **1200 employees** and conducting business with approximately **300 suppliers** since its re-launch.
- Ring fenced the strategic assets, which can be operated or sold as free-standing operational units.
- Structural mill was restarted through a Contract Manufacturing Agreement with ArcelorMittal, to toll manufacture steel sections and rail products.
- Number of additional income generating opportunities identified and executed allowing the business rescue team to pay creditors in terms of the payment waterfall.

# Overview

# Highveld Industrial Park

SNAPSHOT



### Asset Rental

- Highveld Industrial Park currently accommodates **51 industrial tenants** creating new employment positions for **1,207 people**.
- Over **8,000 sqm** of prime industrial office / workshop space available for rental.
- Various strategic assets identified for restart under lease or toll arrangement.
- Structural Mill restarted under Contract Manufacturing Agreement with ArcelorMittal.
- The Highveld site has large portions of agricultural and industrial land. Plan being developed for optimal utilisation of available land.

### Commodity Handling

- Highveld's rail infrastructure includes more than **45km of rail lines** which include rail wagon off loading and loading equipment. Strategically linked to Richards Bay as well as Maputo ports.
- Rail off loading facilities equivalent to **8000tpd** of capacity.
- Highveld's private rail siding has been developed as an export terminal for coal, with a road to rail strategy. At present, approximately **450 road trucks** enter the Highveld premises daily.
- Since the re-opening of the Highveld private siding in December 2016, more than **3.2m tonnes** of coal have been moved onto the Highveld site for export purposes.
- Highveld's site is well situated as **storage and distribution** centre of amongst others Waterberg coal used in surrounding power stations.



### Utility Supply

- The park boasts electrical infrastructure to support a **350MVA** power supply, directly from ESKOM of which approximately **60MVA** has been assigned to current users.
- Water supply of up to **20ML** per day is available from the largest municipal dam in South Africa – the Witbank dam. On site water purification facilities supply potable water.
- Piped oxygen from 2 Oxygen Plants (940tpd – Afrox, 500tpd - Air Liquid) is available on site. Both plants currently idling and off take of ca. **800tpd** is available.
- The Industrial park furthermore supplies the tenants with the following services:
- Security, Information Technology systems, Training facilities.
- Metallurgical and Analytical Laboratory services.
- Health Clinics and canteens.

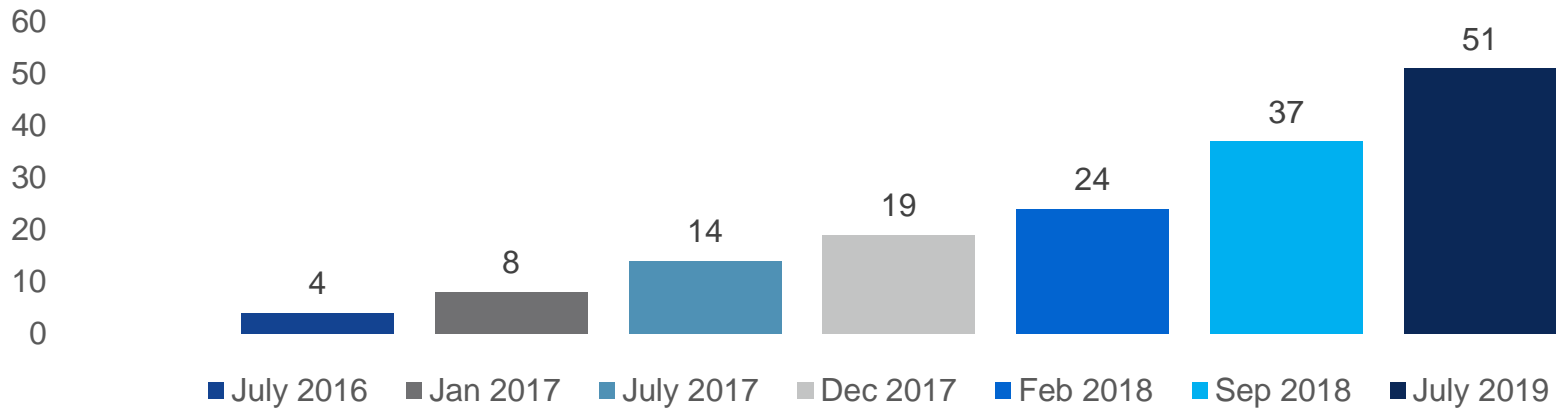
### Natural Gas Supply

- The industrial park has a significant annual allocation of natural gas from SASOL.
- NOVO Energy in 2019 opened a **R130m** large-scale natural gas compression facility at the Industrial park which will ultimately bottle and transport compressed gas to end users.
- On site distribution network also in place to distribute gas to various users on site (rotary kilns – Ironmaking, reheat furnaces – Structural Mill, Plate Mill).

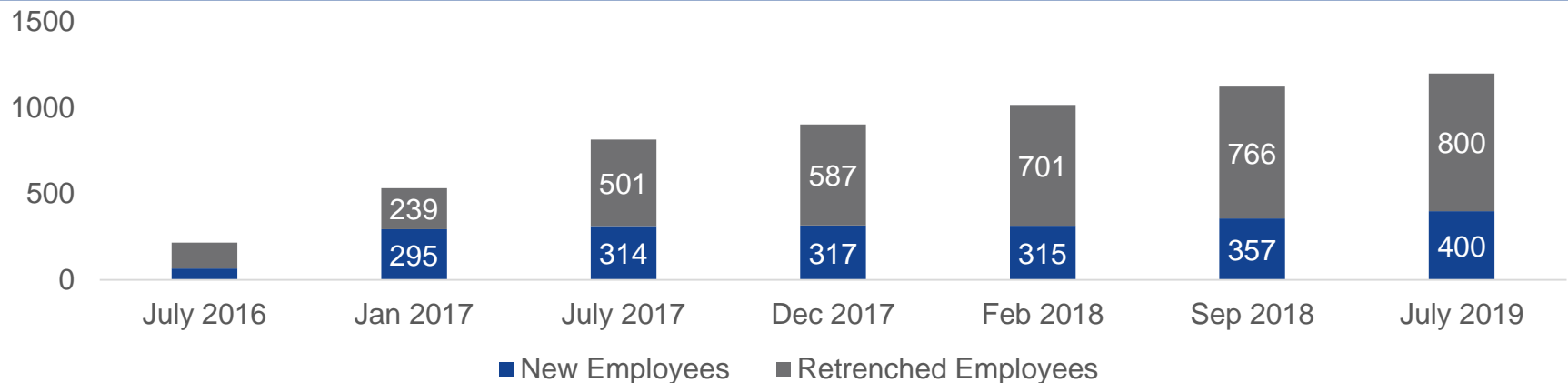
# Industrial Park

## RENEWED ECONOMIC ACTIVITY

### Tenants on site at Highveld Industrial Park



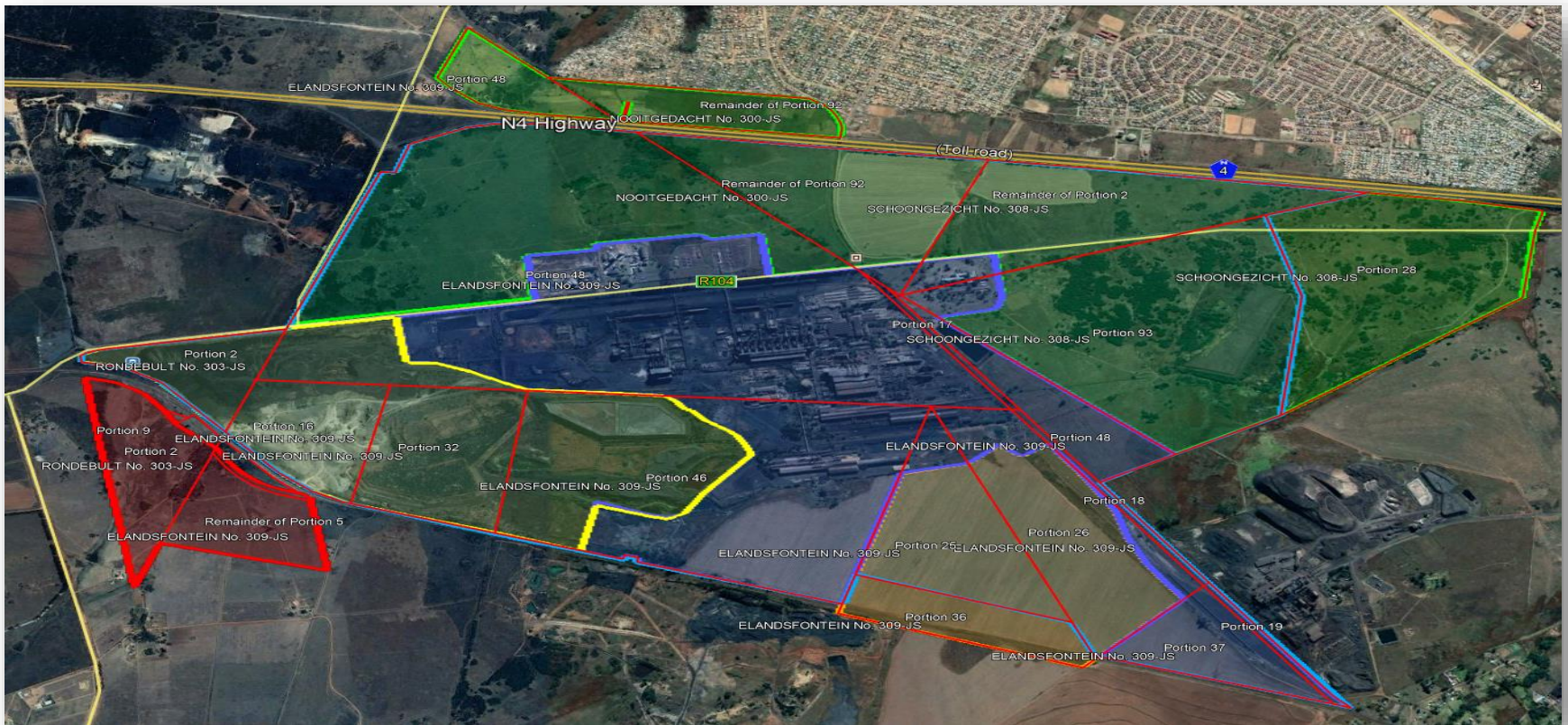
### Employment at Highveld Industrial Park



# Vacant Site Locations

## FUTURE EXPANSION

- 300 hectares of prime areas identified for future development as part of the Highveld Industrial Park Precinct plant.
- We appointed property development consultants to assist in developing plans for human settlements, schools, clinics and hospitals and shopping centres for the benefit of the surrounding community.
- Design phase of project is expected to conclude in June 2020.



# Structural Mill

# Acquisition of the Structural Mill

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## AMSA Transaction Rationale

- Unique asset capable of producing heavy section structural steel for infrastructural development, and, with further investment, mainline rails
- The localisation of mainline rails will support jobs, strengthen industrial capability and
- Enable export opportunities, while allowing for the transfer of specialised intellectual property and skills associated with rail production

## Key Commercial Terms

- Payment of **R150m** on the effective date.
- Second payment of **R150m** conditional on:
  - Concluding a commercial arrangement for the long-term supply of sizable mainline rail volumes, and
  - Funding for this payment secured from the IDC, with a long stop date of 31 December 2023; or
  - The business achieves profitability targets.
- The key conditions precedent are mainly customary and regulatory in nature.
- Tolling Agreement has been extended to the earliest of the effective date or 12 months from 1 July 2019.

# Creditors

# Claims

## Post-Commencement Claims

	Commencement Date	Paid to Date	Balance Outstanding
	R' millions		
Employees (Retrenchment Costs)	329	217	112
PCF Provider	150	25	125
<b>Total Post-Commencement Creditors</b>	<b>479</b>	<b>242</b>	<b>237</b>

## Pre-Commencement Claims

	# of Claims	Value of Claims	Accepted Claim Value
	R' millions		
Claims Accepted	528	1558	1469
Claims Rejected	16	342	0
Claims in Dispute	1	689	0
<b>Total Claims</b>	<b>545</b>	<b>2589</b>	<b>1469</b>

# Payment Waterfall

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- As per section 135 of the Companies Act and paragraph 28 of the Plan, creditors are to be paid in the following order of priority:
  - Business Rescue Costs, including but not limited to:
    - Legal costs, the costs of the Advisors and other costs associated with the business rescue and other professional fees;
    - Holding costs; and
    - Post-commencement creditors.
  - Employees.
  - Secured PCF Creditors.
  - Unsecured PCF Creditors.
  - Concurrent Creditors.



# Conclusion

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## General

- Wind-down is proceeding according to plan.
- Functional specifications / Prospectuses are available on the Highveld Website ([www.evrazhighveld.co.za](http://www.evrazhighveld.co.za)). Please send details of any interested parties in any of the assets to BRP's at [evrazhighveld@matusonassociates.co.za](mailto:evrazhighveld@matusonassociates.co.za).
- Schedule of non-strategic assets updated daily.

## Offers currently under DD or exclusivity:

- Iron Plant 2
- Plate Mill

## Offers currently being evaluated for:

- Sale of balance of Titanium containing slag.
- Sale or lease of Iron Plant 1 and Kilns.
- Various leases in Industrial Park.