



RESULTS PRESENTATION

For the six months ended 30 June 2016

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KEY AGENDA

1. Key features

2. Operational review

3. Market review

4. Financial review

5. Outlook

Annexures

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Key features

Key features

OPERATIONAL

- TRIFR of **4.00**
- Ferrochrome production of **196kt**
- Production costs **contained**

MARKET

- **2.5%** increase in global stainless steel production
- **8.0%** decrease in global ferrochrome demand
- **3.9%** decrease in global ferrochrome production
- **6%** reduction in chrome ore imports into China

FINANCIAL

- Revenue up by **9%**
- HEPS of **2.3 cents**
- Cash from operating activities of **R372m**
- Interim cash dividend declared of **R20m**

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Operational review

Operational review

- Marginal increase in ferrochrome production
 - optimisation of stock levels
- Production costs contained
- Reduction in TRIFR to 4.00
- Electricity
 - Supply (no significant impact)
 - Pricing (increase of 9.4% effective 1 April 2016)
- Labour
 - Implementation of 3 year agreements
- Communities
 - Continuing engagement

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Market review

Global market review (H1 2016/H1 2015)

GLOBAL STAINLESS STEEL PRODUCTION

2.5% increase to 21.8mt

↓ **0.5%** NAFTA

↓ **3.9%** Japan

↑ **5.5%** China

↑ **4.5%** India

↓ **2.4%** EU

GLOBAL FERROCHROME DEMAND

8.0% decrease to 5.1mt

↓ **1.8%** NAFTA

↓ **7.5%** EU

↓ **12.7%** China

↓ **4.1%** India

↓ **1.4%** Japan

GLOBAL FERROCHROME PRODUCTION

3.9% decrease to 5.2mt

↓ **1.6%** South Africa

↑ **17.9%** EU

↓ **16.7%** China

↑ **8.0%** Kazakhstan

↑ **5.9%** India

Source: Heinz H. Pariser, Alloy Metals & Steel Market Research – July 2016

Ferrochrome market review

European benchmark ferrochrome prices

	2015 Usc/lb	2016 Usc/lb	Change
Q1	108	92	(15%)
Q2	108	82	(24%)
Q3	108	98	(9%)
Average	108.0	90.7	(16%)

Average Rand/Dollar exchange rate

2015 H1	2016 H1	Change
11.9	15.4	+29%

Chrome ore imports into China

	2014 FY	2015 FY	H1 2015	H1 2016	Change (H1 2016 vs H1 2015)
	'000 t	'000 t	'000 t	'000 t	%
South Africa	5748	7579	3540	3559	1%
Turkey	1280	1037	432	282	-35%
Oman	489	337	231	55	-76%
Iran	494	392	238	193	-19%
Albania	555	486	203	194	-4%
Pakistan	339	302	163	104	-36%
Madagascar	113	170	85	71	-16%
Philippines	67	31	23	4	-83%
Sudan	40	29	25	1	-96%
India	63	23	0	122	100%
Australia	44	0	0	0	0%
Brazil	12	0	0	0	0%
Kazakhstan	77	8	0	3	100%
Others	63	10	3	56	1767%
TOTAL	9 384	10 404	4 943	4 644	-6%

Source: Chinese customs

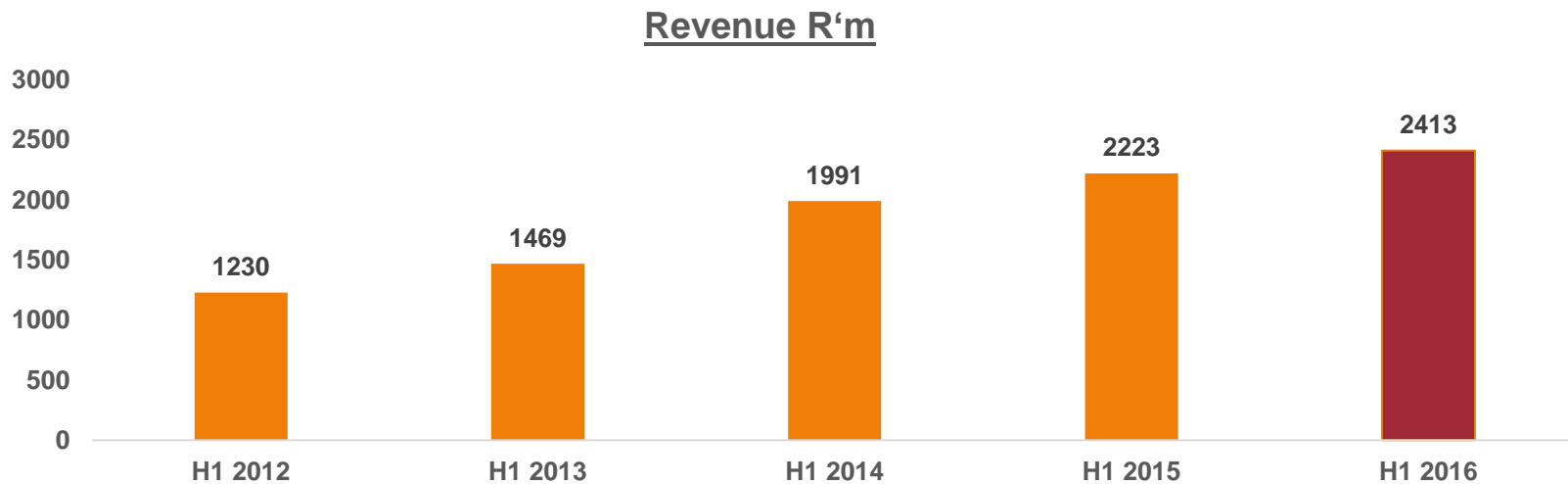
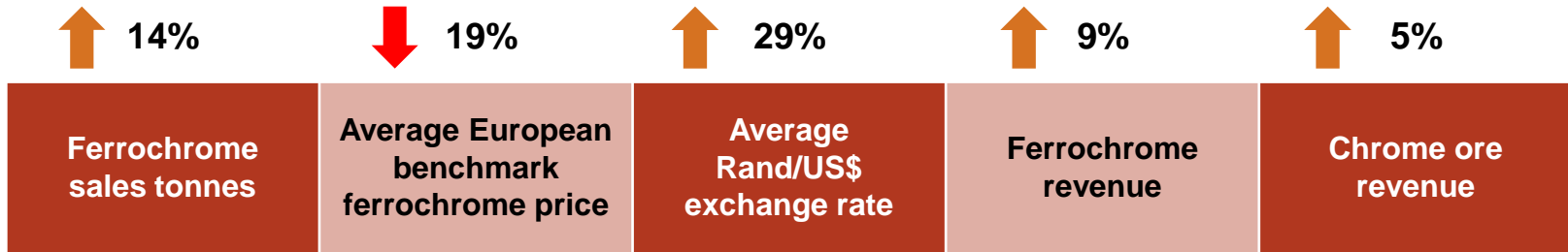
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Financial review

Key financial features

- Revenue up by 9%
- EBITDA down by 24%
- HEPS down by 54%
- Healthy cash flows from operating activities of R372m
 - ❑ effective working capital management
- Reduced ABSA and Standard Bank debt
 - ❑ R410m balance post reporting period

Revenue



Production costs* contained

Key contributors

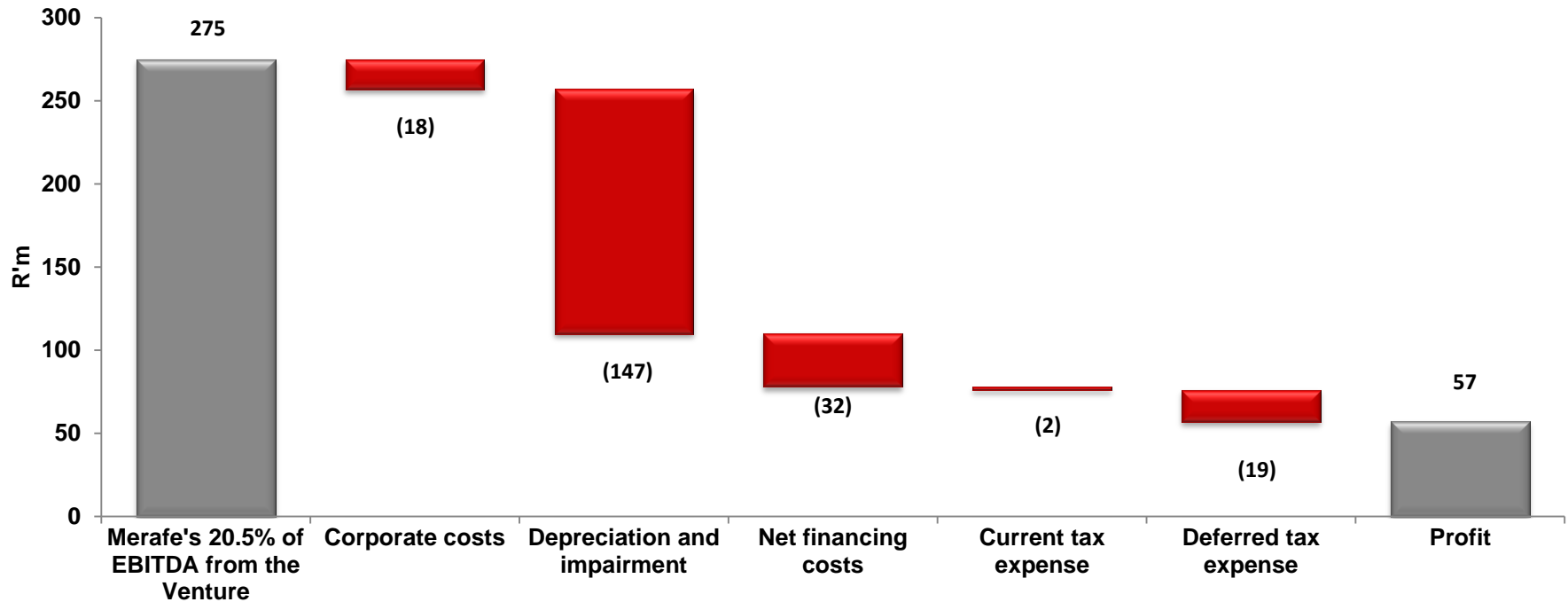
- Cost saving initiatives
- Lion II
- Electricity increases
- Labour increases

Other expense items

- Standing charges – R49.2m
- Foreign exchange losses – R28.8m

**per tonne of ferrochrome*

EBITDA Reconciliation to profit



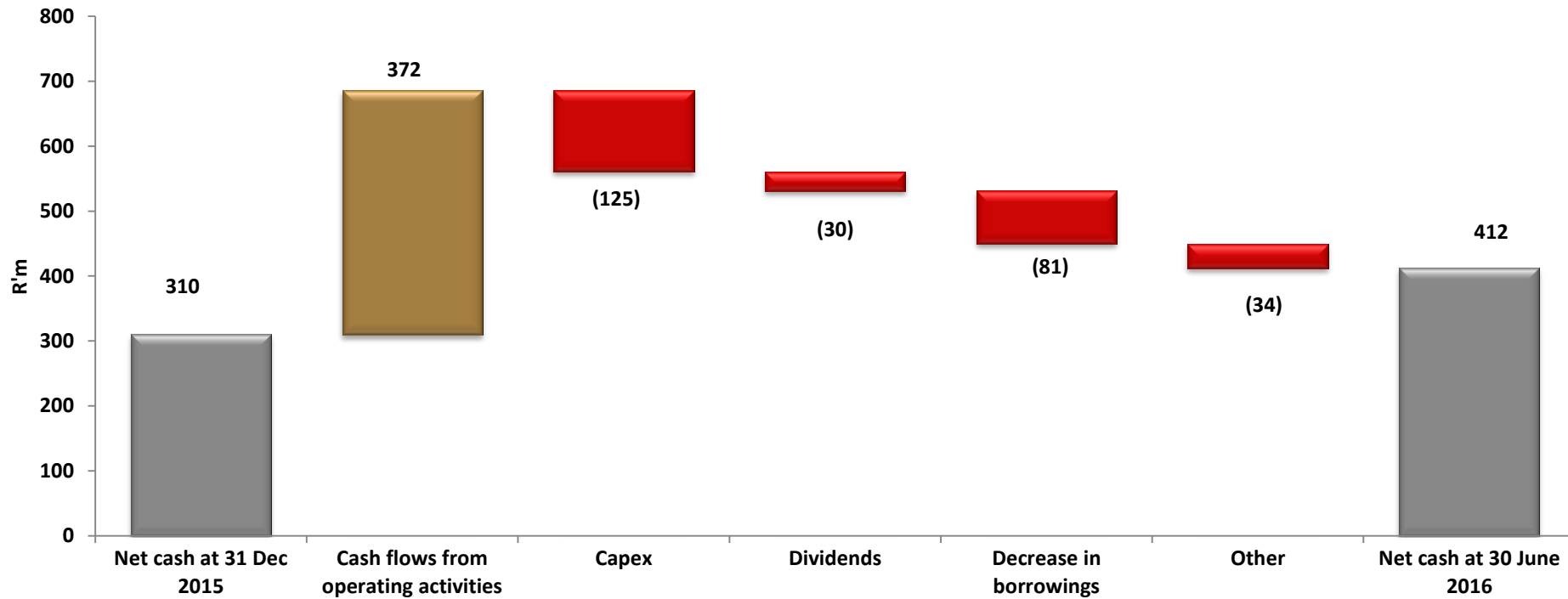
Balance sheet

	As at 30 June 2016	As at 31 December 2015
	Reviewed R'000	Audited R'000
Total non-current assets	3 239 668	3 258 365
Property, plant and equipment	3 220 116	3 240 370
Deferred tax assets	19 552	17 995
Total current assets	2 188 496	2 099 240
Inventories	1 222 397	1 445 887
Trade and other receivables	530 996	317 454
Current tax asset	22 857	10 773
Cash and cash equivalents	412 246	325 126
Total assets	5 428 164	5 357 605

Balance sheet (continued)

	As at 30 June 2016	As at 31 December 2015
	Reviewed R'000	Audited R'000
Total non-current liabilities	1 327 066	1 378 977
Loans and borrowings	392 246	472 755
Provision for close down and restoration costs	146 757	139 351
Share based payment liability	4 121	3 147
Deferred tax	783 942	763 724
Total current liabilities	658 968	563 939
Loans and borrowings	101 462	101 176
Trade and other payables	554 899	444 314
Share based payment liability	2 578	2 893
Bank overdraft	29	15 556
Total liabilities	1 986 034	1 942 916

Cash and cash equivalents



Facilities

	30 June 2016		31 December 2015	
	Utilised facility R'm	Headroom R'm	Utilised facility R'm	Headroom R'm
ABSA / Standard Bank Loan	480	220	559	191
Overdraft facilities	-	467	16	562
Debtors facility	543	1	411	97
Total	1 023	688	986	850

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Outlook

Conclusion

- Well positioned to take advantage of growth in global stainless steel production
- On track to achieving strategy

Short term

- Reducing Merafe debt
- Paying stable to increasing dividends

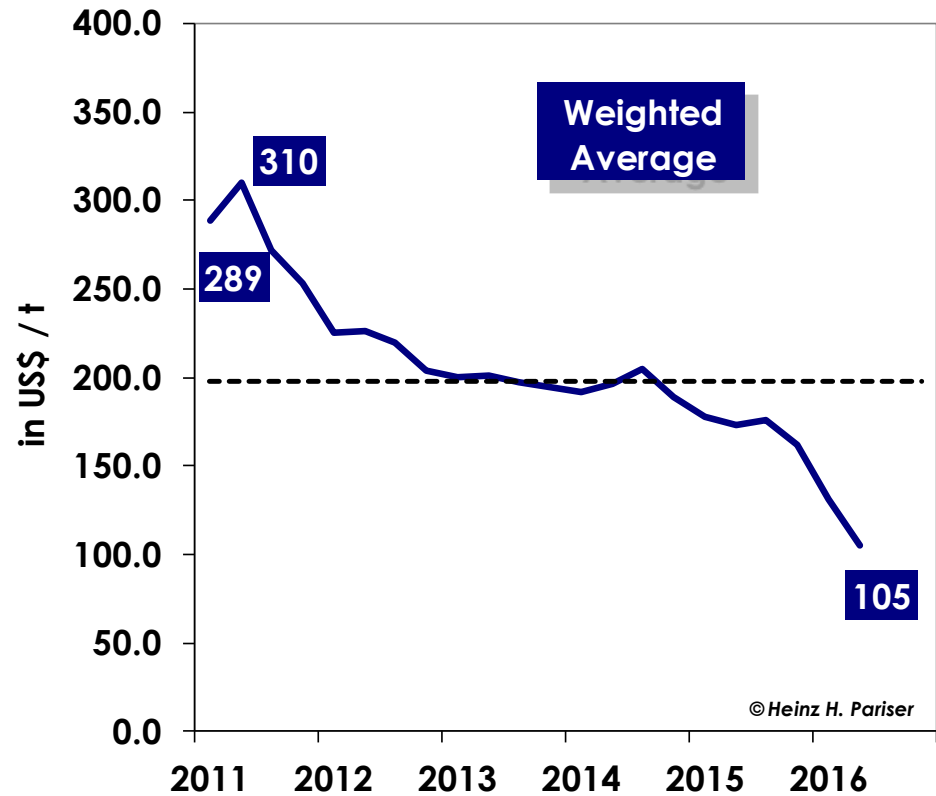
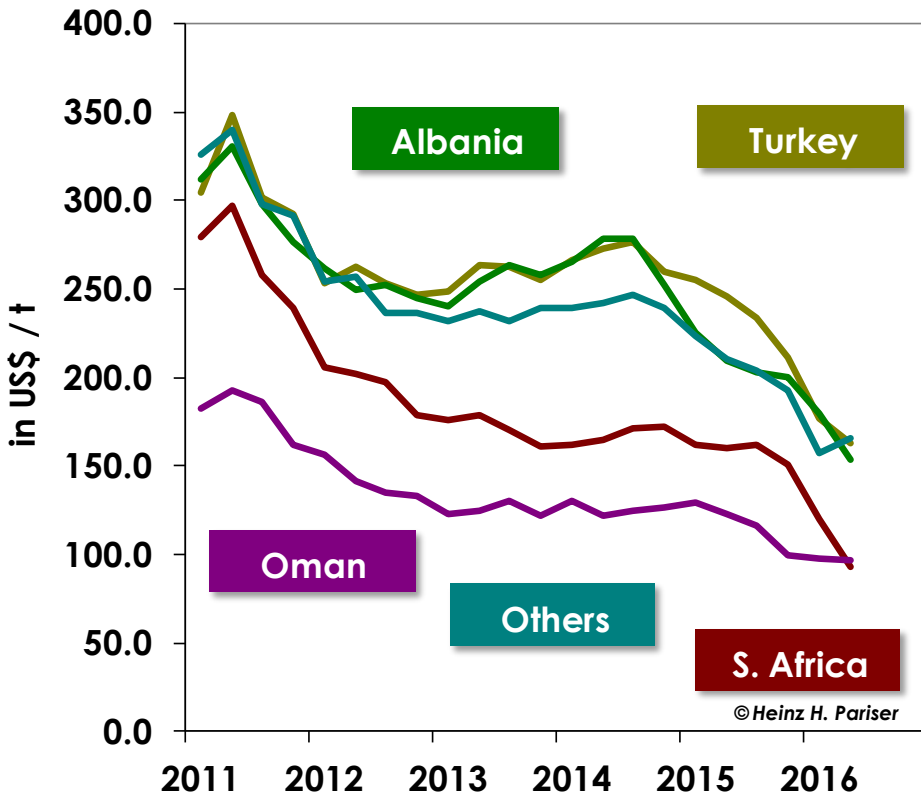
2018 onwards

- Free cash flow applied mainly to returning cash to shareholders



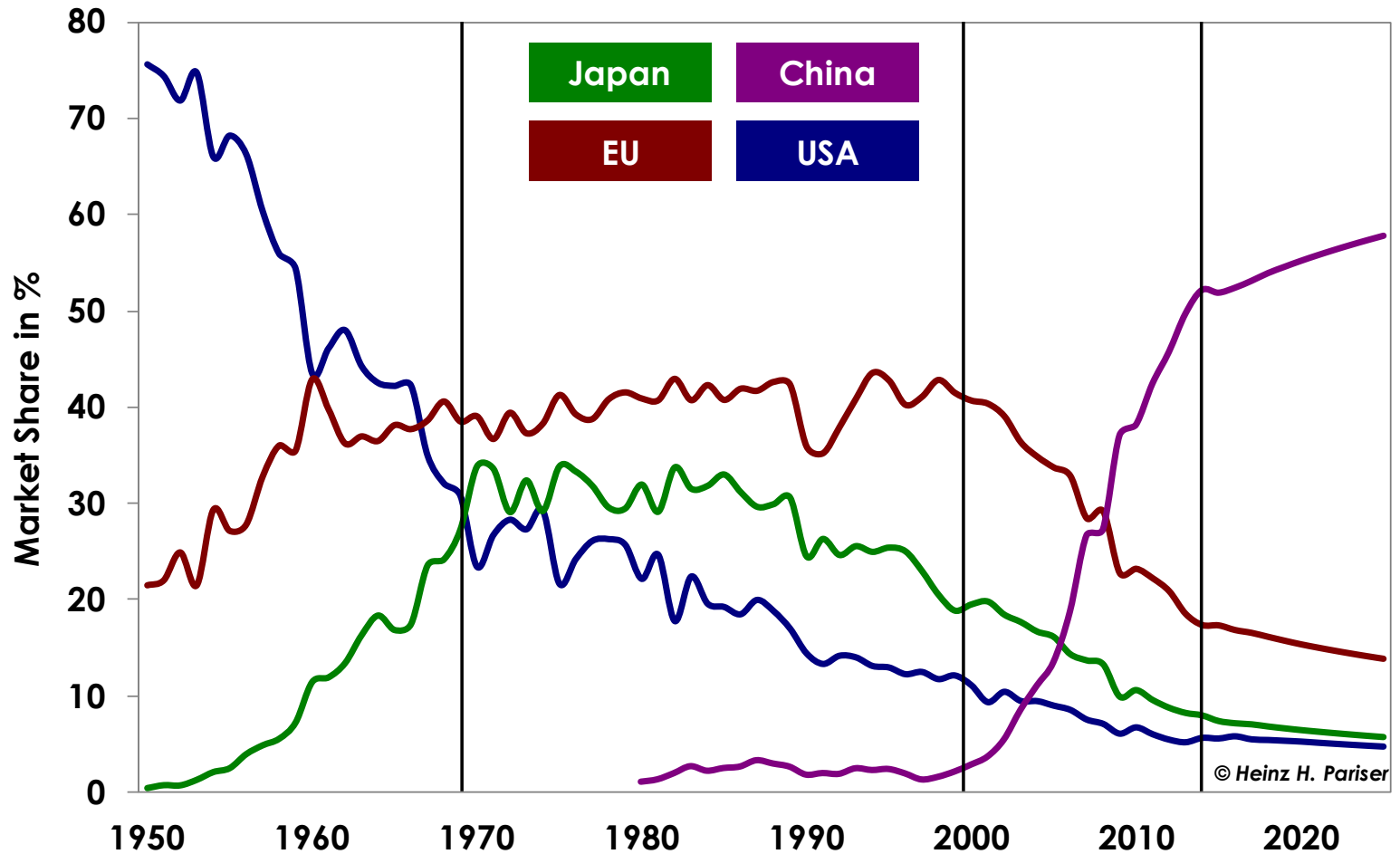
Annexures

China chrome ore import prices



Market Environment – Stabilising Next?

(Regional Share of Global Stainless Production)

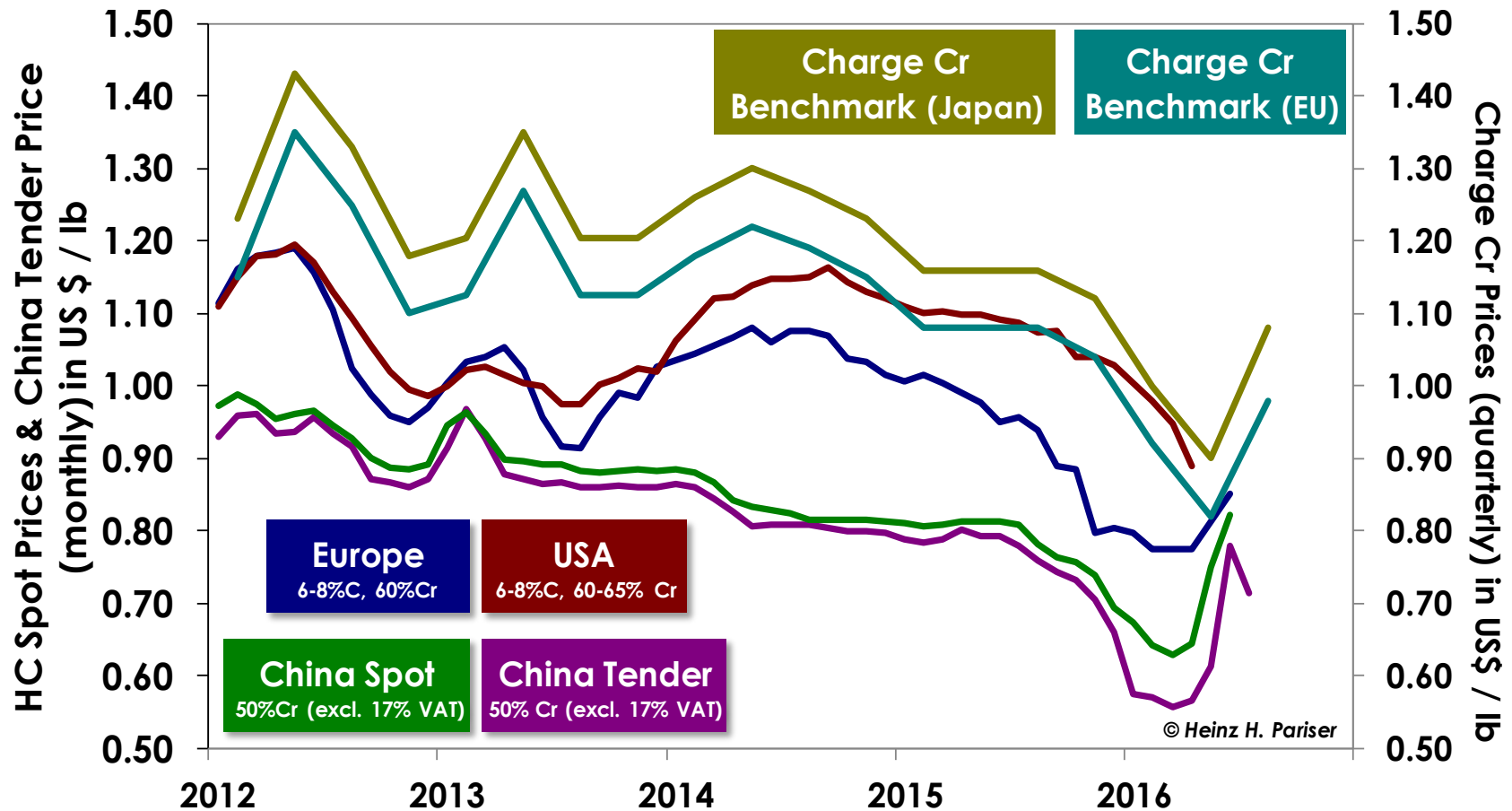


Ferrochrome supply and demand balance

	2013	2014	2015	2016 e	2017 f	G.R.
	'000 t					in %
Stainless Steel Production	38,665	41,836	41,531	42,679	44,001	2.8
Real FeCr Demand	10,211	10,978	10,722	10,984	11,018	1.5
Apparent Consumption	10,061	10,922	10,735	10,581	10,971	1.4
Production						
- Cr Production	10,356	11,217	10,590	10,636	10,996	0.7
- Capacity	14,243	15,294	16,088	15,945	16,141	3.0
- Utilisation (in %)	72.7	73.3	65.8	66.7	68.1	
Supply	10,275	11,162	10,784	10,538	11,001	0.8
Balance						
Supply - AC	214	239	49	-43	29	
Supply - Real Demand	64	183	63	-446	-18	
Charge Cr Prices in \$ / lb	1.16	1.19	1.07	0.93	1.01	

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Ferrochrome prices differ from region to region



Source: China Ferroalloy Industry Association, Metal Bulletin, Heinz H. Pariser