



Interim Results presentation
for the six months ended 30 June **2019**

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Agenda

1. KEY FEATURES
2. MARKET REVIEW
3. OPERATIONAL REVIEW
4. FINANCIAL REVIEW
5. DIVIDEND
6. OUTLOOK



1. KEY FEATURES

Tough operating environment leads to depressed results

Safety

- Regrettably, one fatality
- TRIFR \downarrow 30% (from December 2018)

Operational

- Ferrochrome production slowed down in light of weak demand
- Inflationary pressures persist but costs controlled

Market

- Global uncertainty weighs on global economy
- Stainless steel production growth subdued
- Ferrochrome demand growth slows
- Prices under pressure

Financial

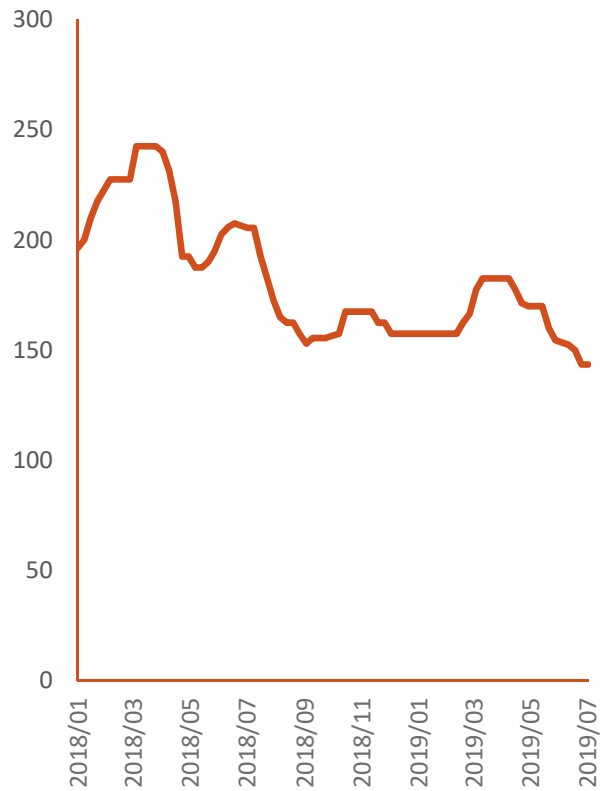
- Revenue \uparrow 3% period on period
- HEPS \downarrow 61% period on period
- No interim dividend declared

2. MARKET REVIEW

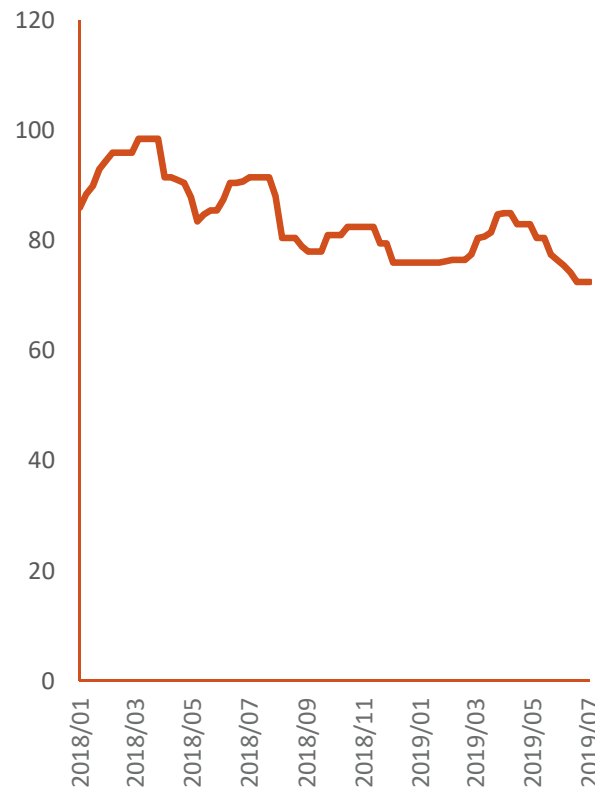
2019 product price volatility



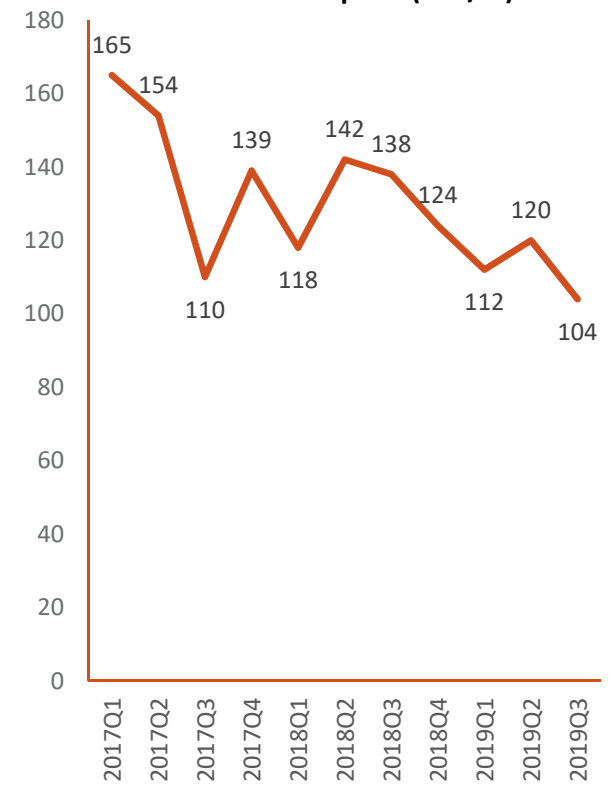
UG2 42% (US\$/t)



Ferrochrome 50% (USc/lb)



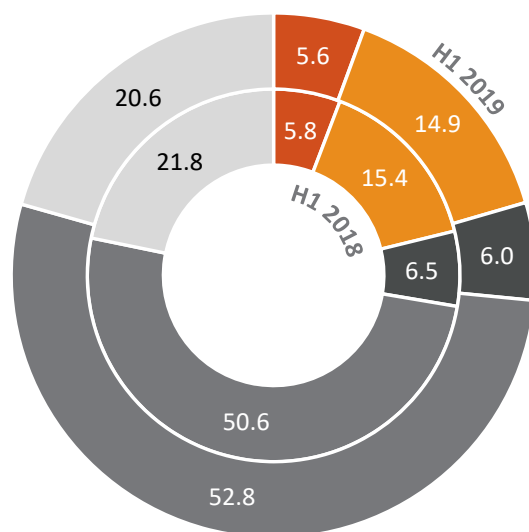
European benchmark ferrochrome price (USc/lb)



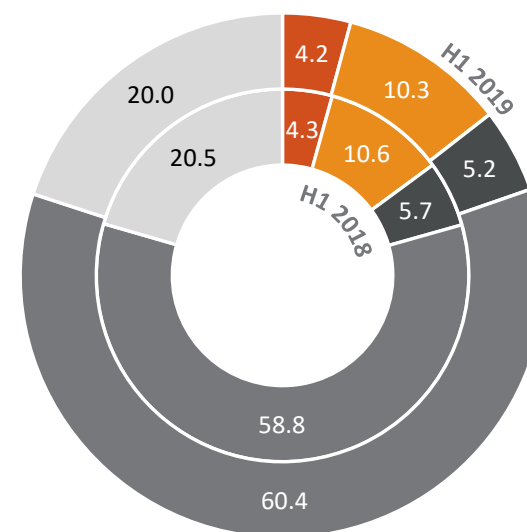
Source for all charts: CRU

China's dominant role in the stainless steel and ferrochrome market

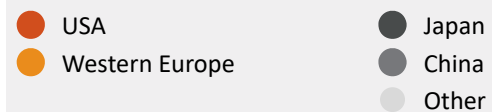
Global Stainless Steel production (%)



Global Ferrochrome demand (%)



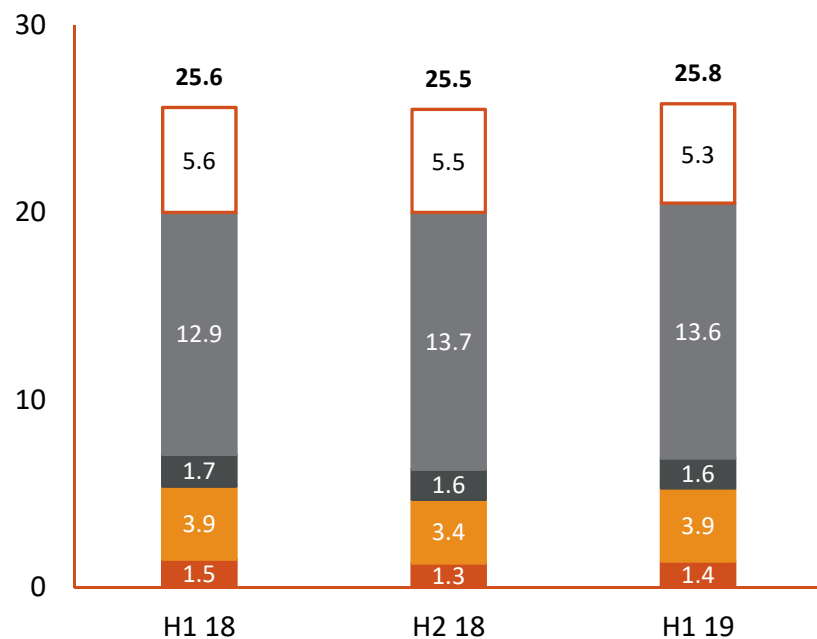
Source for both charts: CRU



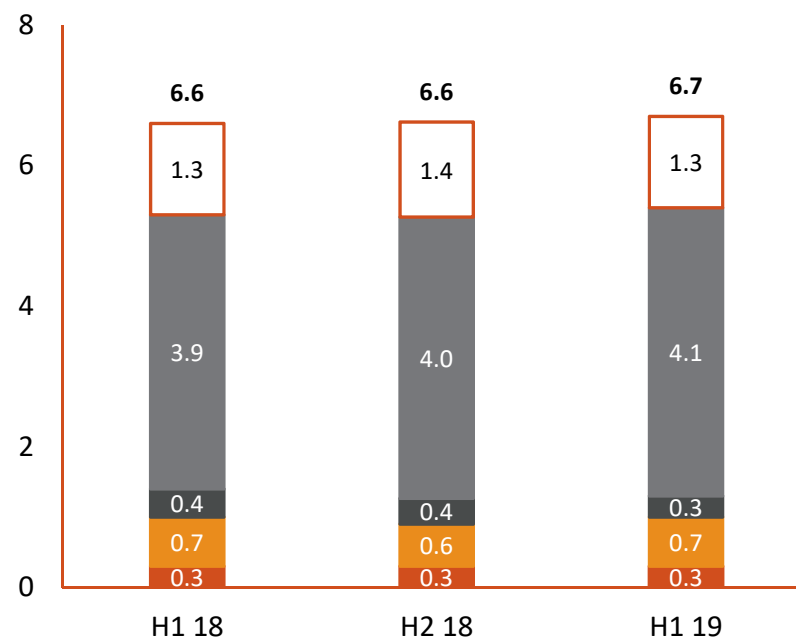
Market uncertainty curbs growth in stainless steel production and ferrochrome demand



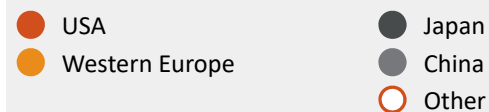
Global Stainless Steel Production (mt)



Global Ferrochrome Demand (mt)



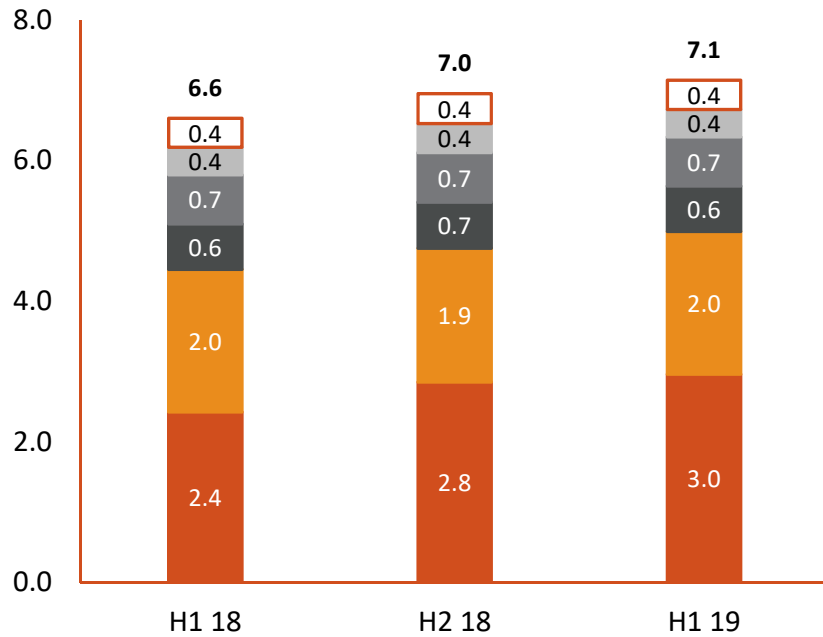
Source for both charts: CRU



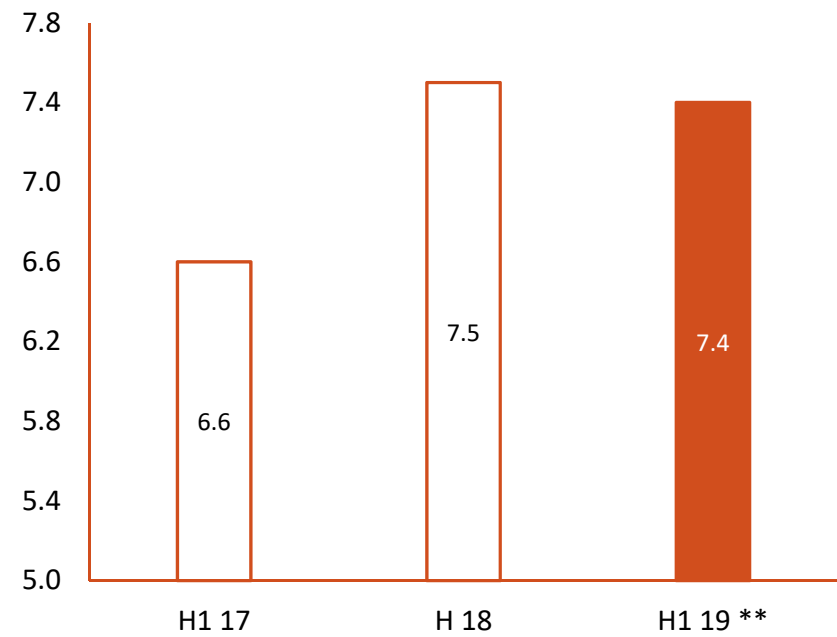
Ferrochrome production growth led by China;
Ore imports into China increase in support of production



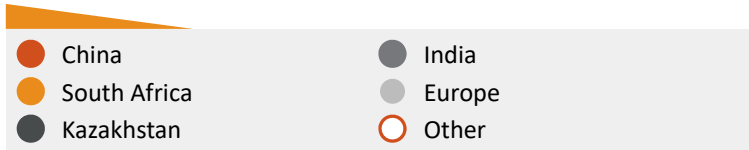
Global Ferrochrome Production (mt)



Chrome Ore Imports into China (mt)



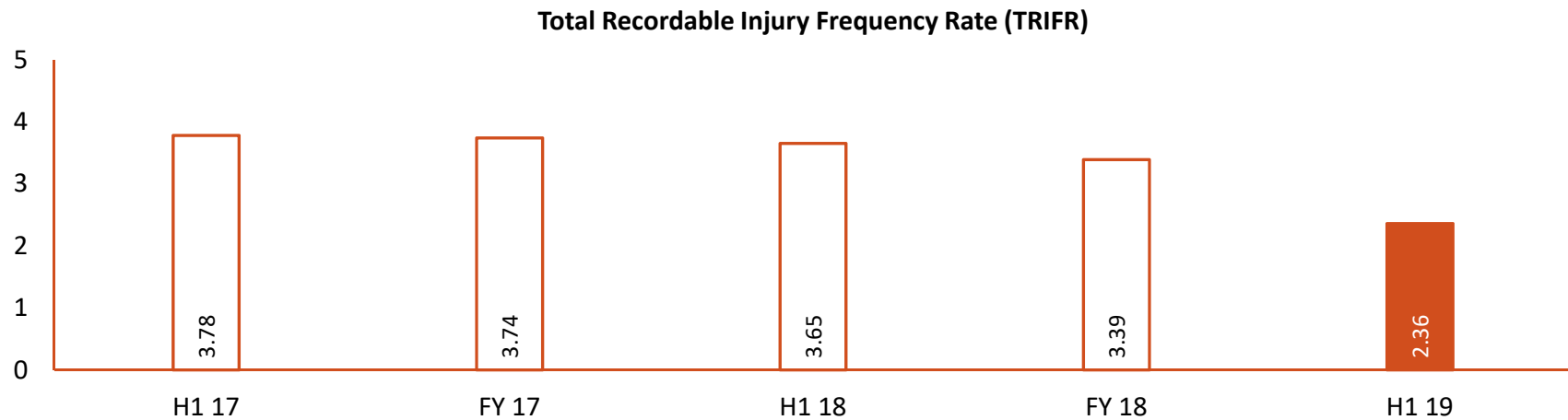
Source for both charts: CRU (except for **)
Source for **: Global Trade Atlas



3. OPERATIONAL REVIEW

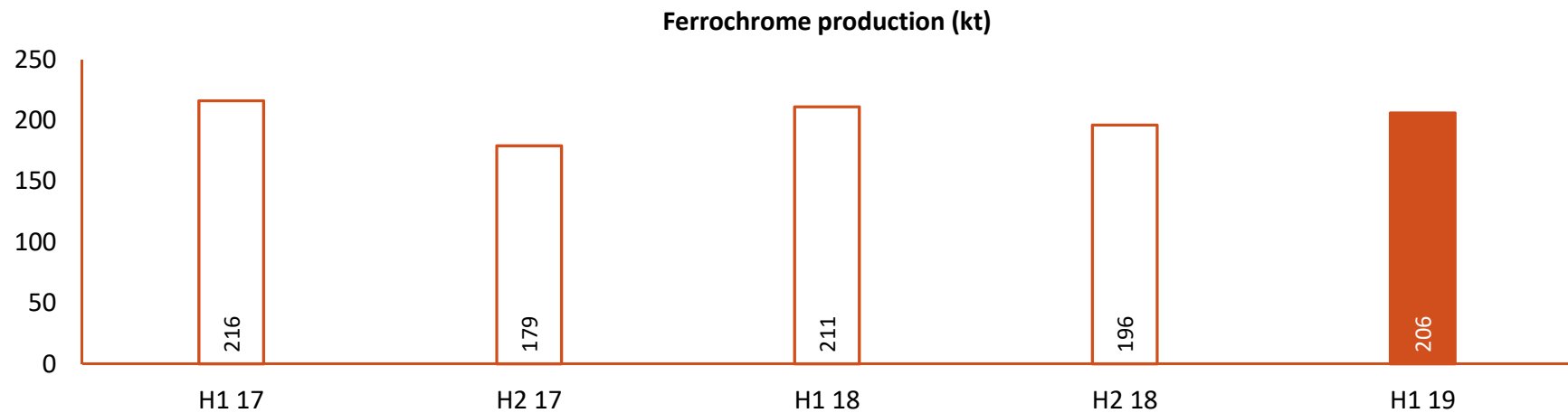
Safety of our employees is paramount

- Regrettably one fatality in the current year
- Overall, TRIFR improved to 2.36 from 3.39 in December 2018
- Safety of our employees remains a critical focus, the goal is to achieve zero harm
- Education and good decision making the key to building a sustainable safety culture
- Continued focus on safety campaigns and programs through the period



Managing assets in the face of a soft market

- Reduction in ferrochrome production to 206kt
 - Installed capacity utilisation of 87%
 - Production cuts in Q2 to manage inventory levels
- No significant disruptions in electricity supply
- Multiple year wage agreements concluded in 2018

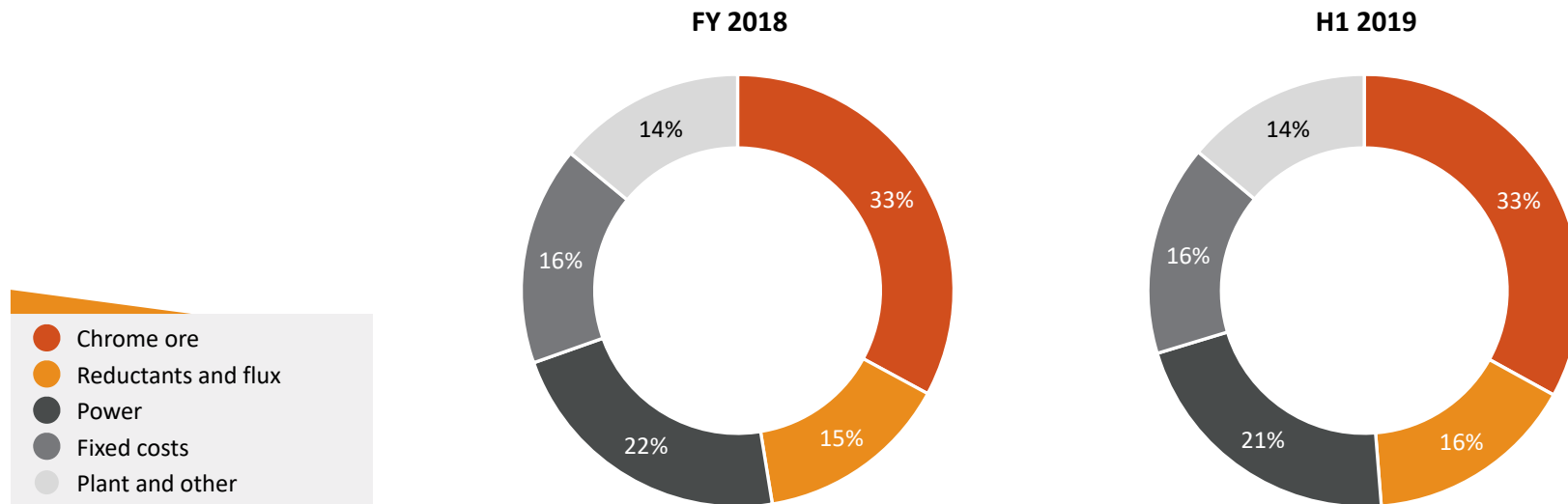


Controlled costs despite headwinds

Total production costs per tonne increased by 7.2% (from Dec 2018), influenced by:

- Increase in reductants prices
- Increase in electricity prices, effective 1 April 2019
- Higher allocation of fixed costs and standing charges

Below is a breakdown of C3 production costs:

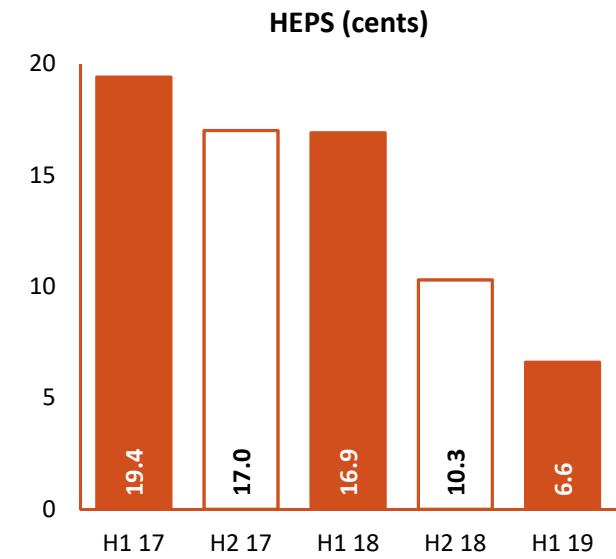
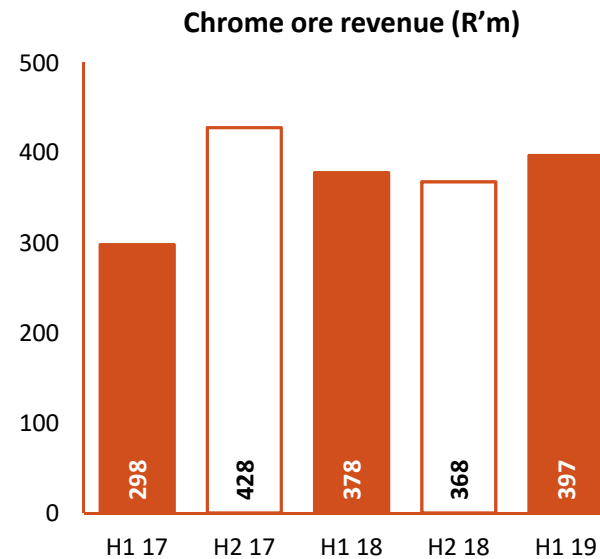
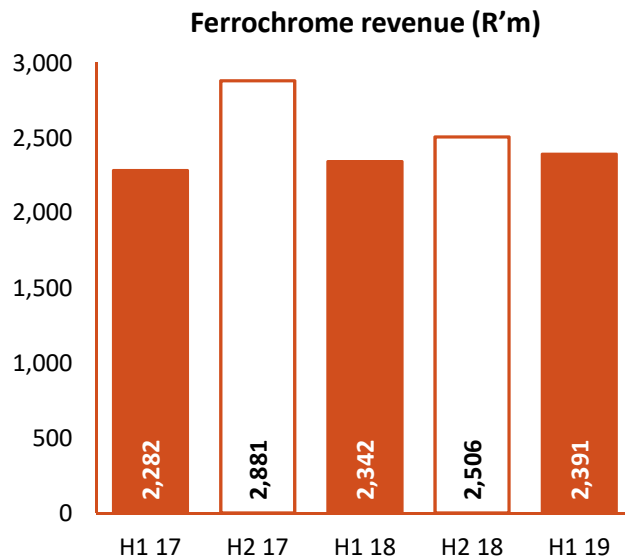


4. FINANCIAL OVERVIEW

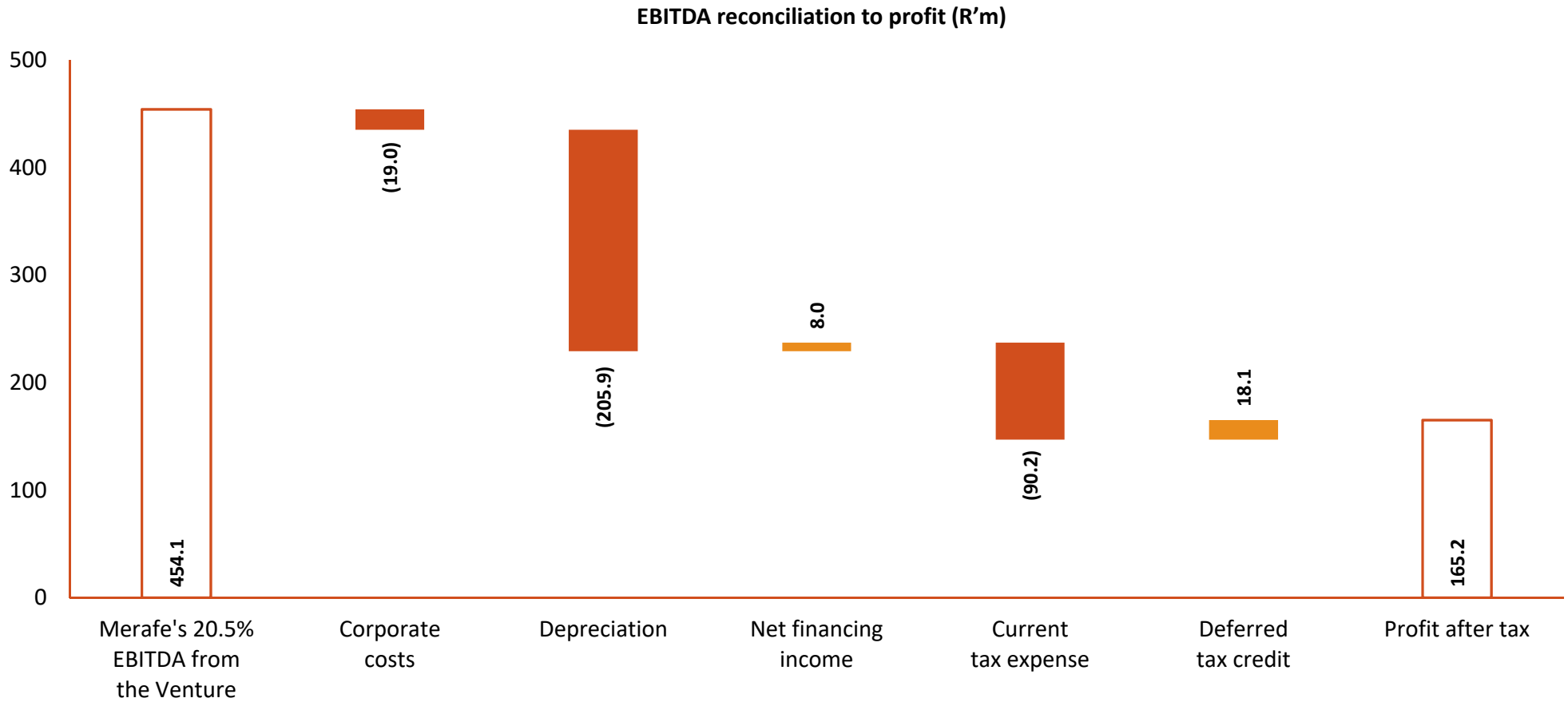
Revenue and profit

3% increase in revenue period on period to R2.788bn

- Ferrochrome revenue increased by 2% to R2.391bn period on period
- Chrome ore revenue increased by 5% to R397m period on period
- Higher volumes of chrome ore and ferrochrome sold
- Lower commodity prices
- Significantly lower HEPS by 61% period on period



EBITDA reconciliation to profit



Focus remains on driving efficiencies to counter negative macro influences



	H1 2019 R'm	H1 2018 R'm	H2 2018 R'm
Ferrochrome revenue	2 391	2 342	2 507
Chrome ore revenue	397	378	369
Foreign exchange (loss)/gain	(6)	103	38
Operating expense	(2 327)	(2 009)	(2 338)
Merafe's share of PSV EBITDA	454	814	576
Merafe corporate costs	(19)	(18)	(26)
Merafe's EBITDA	435	796	550
Depreciation	(206)	(204)	(202)
Net financing income/(expense)	8	(3)	7
Current tax expense	(90)	(184)	(107)
Deferred tax credit	18	19	11
Profit after tax	165	424	259
HEPS	6.6	16.9	10.3

Ferrochrome and Chrome ore revenue

- Higher due to weaker R:\$ exchange rate and higher volumes but negatively impacted by lower prices

Foreign exchange (loss)/gain

- A function of the R:\$ exchange rate

Operating expenses

- Cost per tonne increased by 7.2% from 31 Dec 2018. Key factors were:
 - › Reductants, ore & power costs

Merafe corporate costs

- Inflationary increases

Current tax

- Decrease is reflective of lower profits and taxable income

Balance sheet weighed on by increased inventory levels

	As at 30 Jun 2019 R'm	As at 31 Dec 2018 R'm
Current assets		
Inventories	2 250 259	2 042 621
Current tax asset	-	26 368
Trade, other receivables & tax asset	987 223	920 231
Cash and cash equivalents	208 688	282 037
Total current assets	3 446 170	3 271 257
Total assets	6 717 023	6 579 785

Inventories

Increase due to:

- Higher finished goods on hand (4 - 5 months)
- Higher inventory costs

Trade and other receivables

Increase due to higher revenues

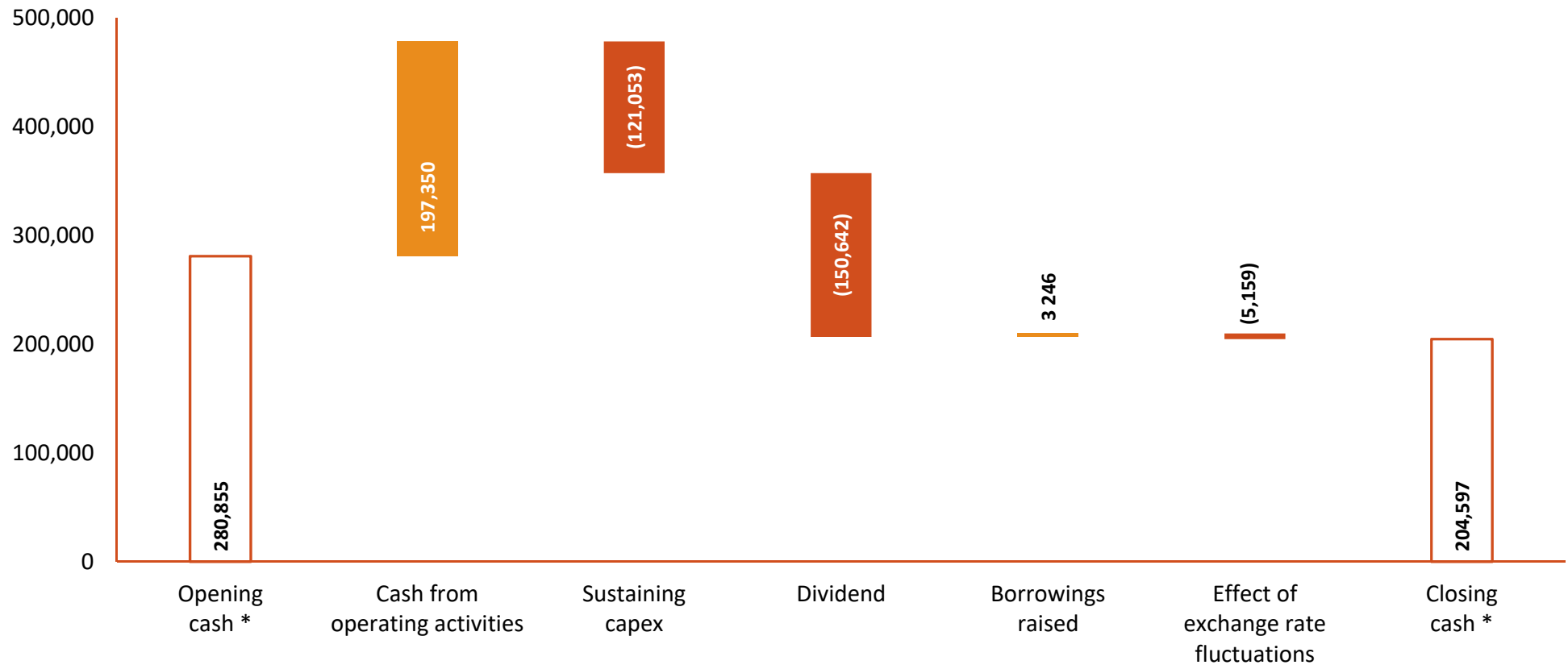
Cash and cash equivalents

Reduction due to:

- Dividend payment
- Lower profitability
- Increased working capital

Generation of cash from operations

Reconciliation of net cash (R'000)



* Includes bank overdraft

Significant headroom on facilities

As at 30 June 2019	Venture (Merafe's share)	Merafe head office	Merafe total
	(R'm)	(R'm)	Total (R'm)
Closing net cash/(debt)¹	60	145	205

As at 30 June 2019	Venture (Merafe's share)	Merafe head office	Merafe total	
	Cash and overdraft facilities (R'm)	Working capital loan (R'm)	Interest bearing debt (R'm)	Total (R'm)
Total facilities in place	(508) ²	(290) ³	(200) ⁴	(998)
Total facilities utilised	-	-	-	-
Headroom	(508)	(290)	(200)	(998)

1. Net cash/debt includes cash and cash equivalents, bank overdraft, working capital loan and debt
2. Merafe's 20.5% of the Venture's \$175 million overdraft facilities
3. Merafe's 20.5% of the Venture's \$100 million working capital loan
4. Unsecured 3-year Revolving Credit Facility

5. DIVIDEND

Interim dividend

- In light of significant market uncertainty, the Board has decided not to declare an interim ordinary dividend
- A final dividend will be considered based on the 31 December 2019 year end results

6. OUTLOOK

Outlook

- Global uncertainty continues to impact markets negatively
- Inflationary pressures persist for South African producers
- Production cuts expected from key markets with surpluses likely to narrow or reverse
- Market expected to respond with some improvements in pricing
- Merafe remains ungeared and well positioned to take advantage of any opportunities
- We will continue sweating our assets and driving efficiencies
- In the absence of any opportunities, we will continue returning cash to shareholders in line with dividend policy





Thank you