



MERAFE
R E S O U R C E S

Results Presentation

For the six months ended 30 June 2015

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Key agenda

01. Key features

02. Operational review

03. Market review

04. Financial review

05. Outlook

Annexures



01

Key features

Key features

OPERATIONAL

- TRIFR of **4.40**
- Ferrochrome production of **195kt**
- **Above inflation** increases in cost of goods sold per tonne of ferrochrome

PROJECTS

- **Project Lion II** ramped up to full capacity

MARKET

- **2.0%** decrease in global stainless steel production
- **0.8%** decrease in global ferrochrome demand
- **2.4%** decrease in global ferrochrome production
- **2.3%** reduction in chrome ore imports into China

FINANCIAL

- Revenue up by **12%**
- HEPS down by **44%**
- Cash from operating activities of **R251m**
- Interim cash dividend declared of **R25m**



02

Operational
review

Operational review

- Increase of 16% in ferrochrome production
 - Project Lion II
 - No strikes in H1 2015
- TRIFR of 4.40
- Wage negotiations
 - Western mines – agreement reached in 2014
 - Rest of operations – not concluded yet

Operational review (continued)

- Community unrest at Eastern Mines (post balance sheet)
 - Impact negligible

- Electricity
 - Supply
 - Pricing

- Above inflation increases in cost of goods sold per tonne of ferrochrome



03

Market
review

Global market review (H1 2015 / H1 2014)

GLOBAL STAINLESS STEEL PRODUCTION

2.0% decrease to 21.0mt

↑ **10%** NAFTA

↓ **11%** Japan

↓ **0.8%** China

↑ **2.6%** India

↓ **6.3%** EU

GLOBAL FERROCHROME DEMAND

0.8% decrease to 5.8mt

↑ **2.1%** NAFTA

↓ **4.2%** EU

↓ **2.5%** China

↑ **39.2%** India

↓ **12.4%** Japan

GLOBAL FERROCHROME PRODUCTION

2.4% decrease to 5.6mt

↑ **0.5%** South Africa

↑ **2.0%** EU

↓ **12.4%** China

↑ **12.1%** Kazakhstan

↑ **11.6%** India

Source: Heinz Pariser / July 2015

Ferrochrome market review

European benchmark ferrochrome prices

	2014 Usc/lb	2015 Usc/lb	Change
Q1	118	108	(8%)
Q2	122	108	(11%)
Q3	119	108	(9%)
Average	119.7	108.0	(10%)

Concerns about Chinese growth – net prices down

Average Rand/Dollar exchange rate

2014 H1	2015 H1	Change
10.7	11.9	+11%

Chrome ore imports into China

	2013	2014	Change	2014 (1-6)	2015 (1-6)	Change
	in '000 t		in %	in '000 t		in %
South Africa	6,736	5,748	-14.7	3,068	3,540	15.4
Turkey	1,988	1,280	-35.6	733	432	-41.1
Oman	687	489	-28.8	264	231	-12.7
Iran	428	494	15.6	276	238	-13.6
Albania	677	555	-18.1	286	203	-29.0
Pakistan	482	339	-29.7	167	163	-2.6
Madagascar	118	113	-4.0	44	85	94.6
Philippines	126	67	-47.3	37	23	-37.1
Sudan	17	40	133.3	9	25	187.3
India	168	63	-62.8	51		n.a.
Australia	407	44	-89.3	44		n.a.
Brazil		12	n.a.			n.a.
Kazakhstan	167	77	-54.2	35		n.a.
Others	90	63	-30.6	48	3	-93.0
TOTAL	12,094	9,384	-22.4	5,062	4,943	-2.3

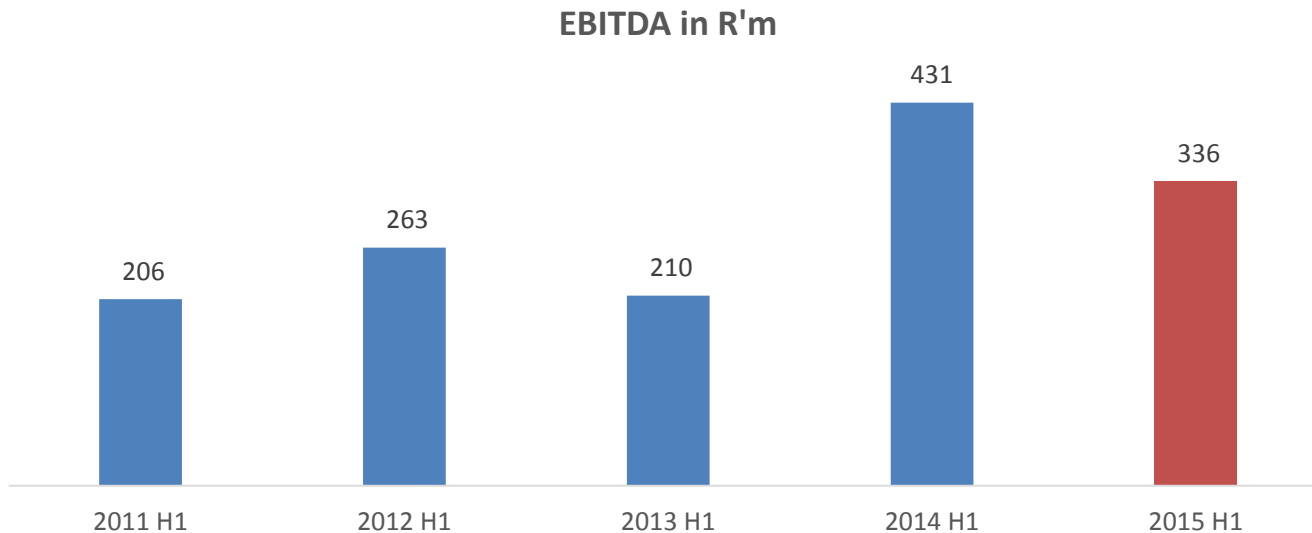
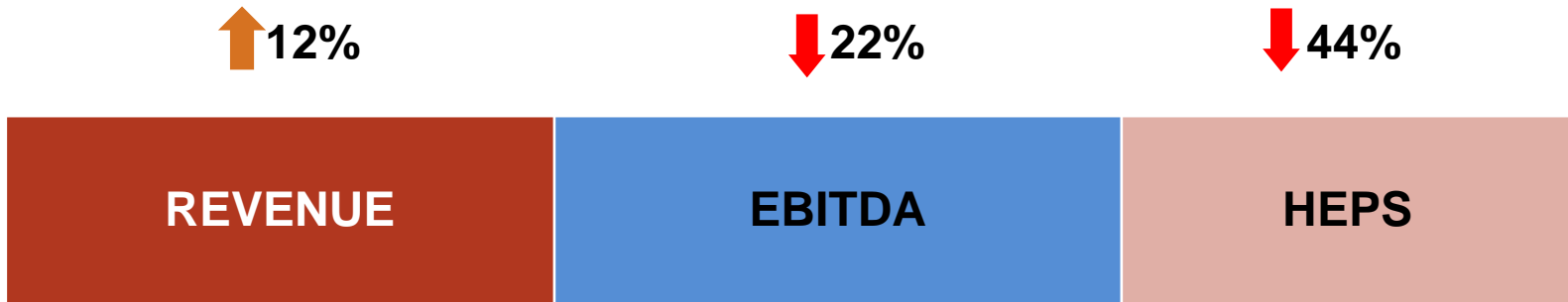
Source: Heinz Pariser, Alloy Metals & Steel Market Research



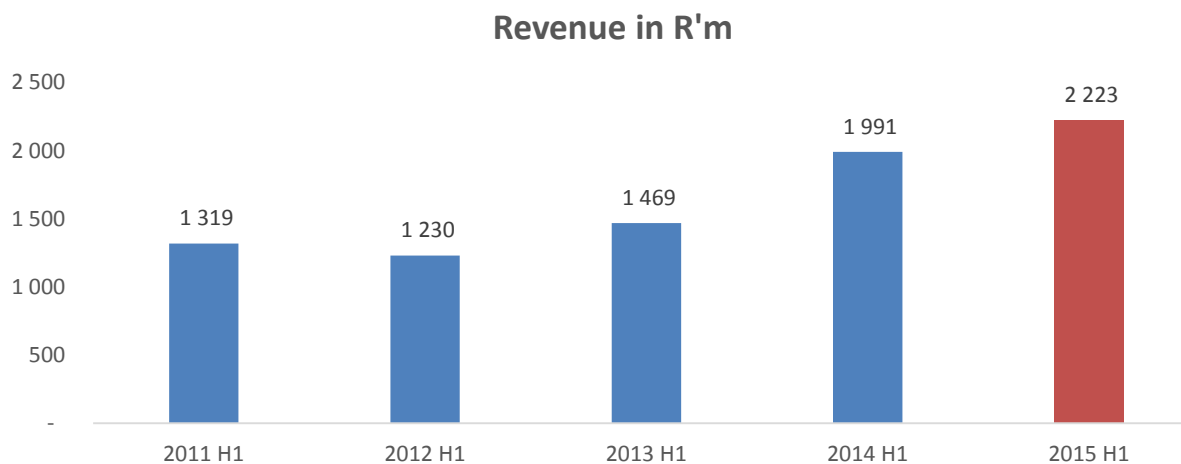
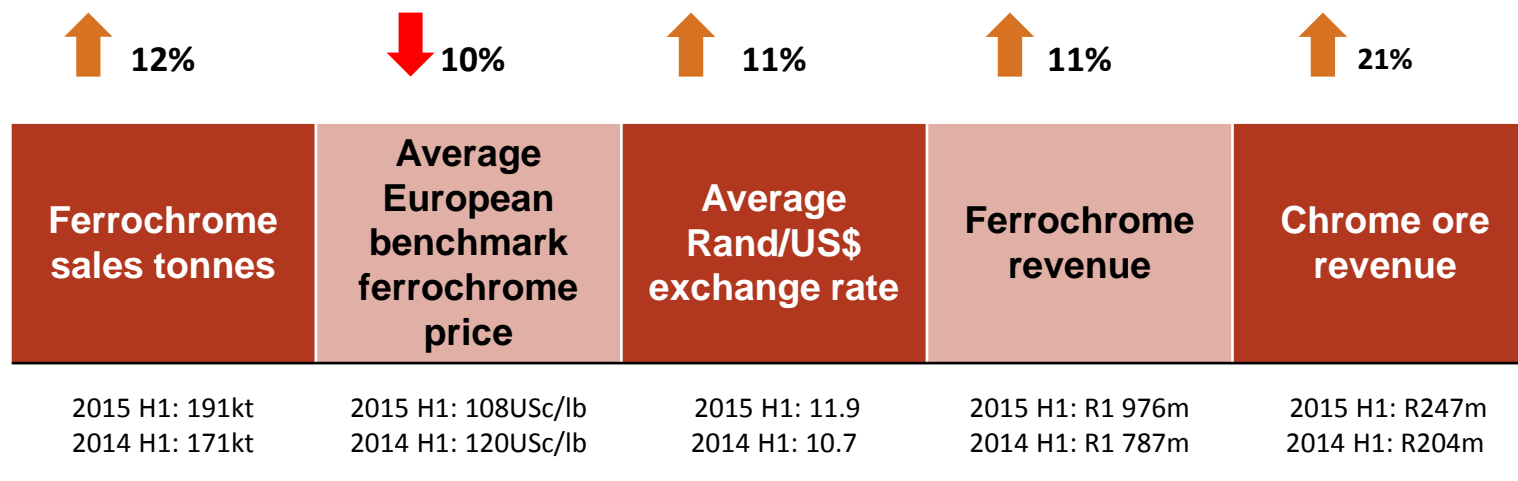
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Financial
review

Key financial features



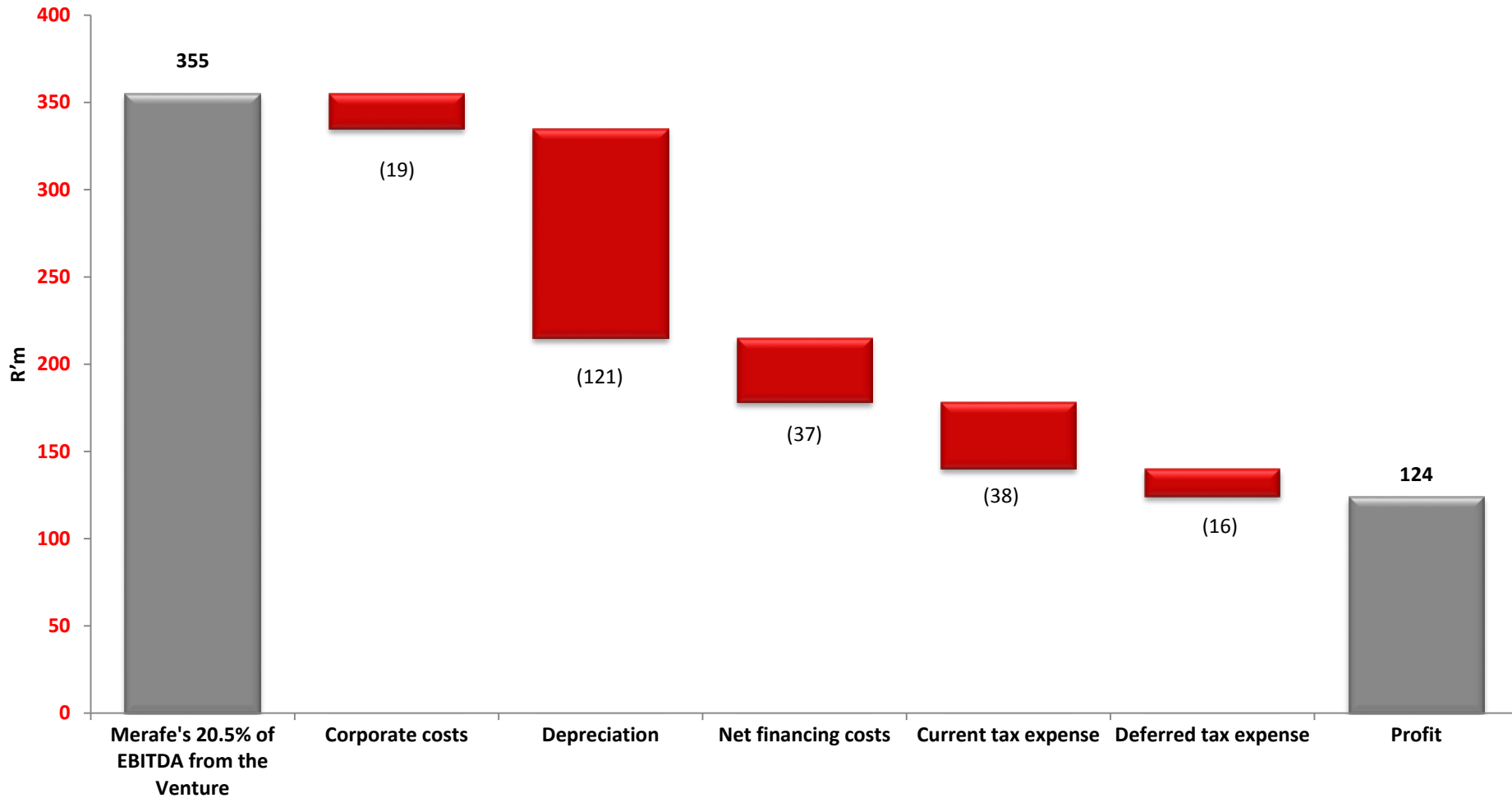
Revenue up by 12%



Cost of goods sold increases above inflation (per tonne of ferrochrome)

- ↑ Lion II start up costs
- ↑ Electricity increases
- ↑ Labour increases

EBITDA reconciliation to profit



2015 H1 / 2014 H1 variance

	Variance %
Ferrochrome sales volumes	12
Chrome ore sales volumes	13
Net ferrochrome price	(11)
Chrome ore prices	(3)
Exchange rate	11
Revenue	12
Ferrochrome	11
Chrome ore	21
EBITDA	(22)
Merafe head-office costs	48
Depreciation and impairment	(42)
Net financing costs	(39)
HEPS	(44)

Increase in sales volumes and weakening of the Rand was partially offset by lower net prices

2014 included restructuring costs / reduced headcount post restructuring

Lion II depreciation

Lion II borrowing costs ceased capitalisation in 2014

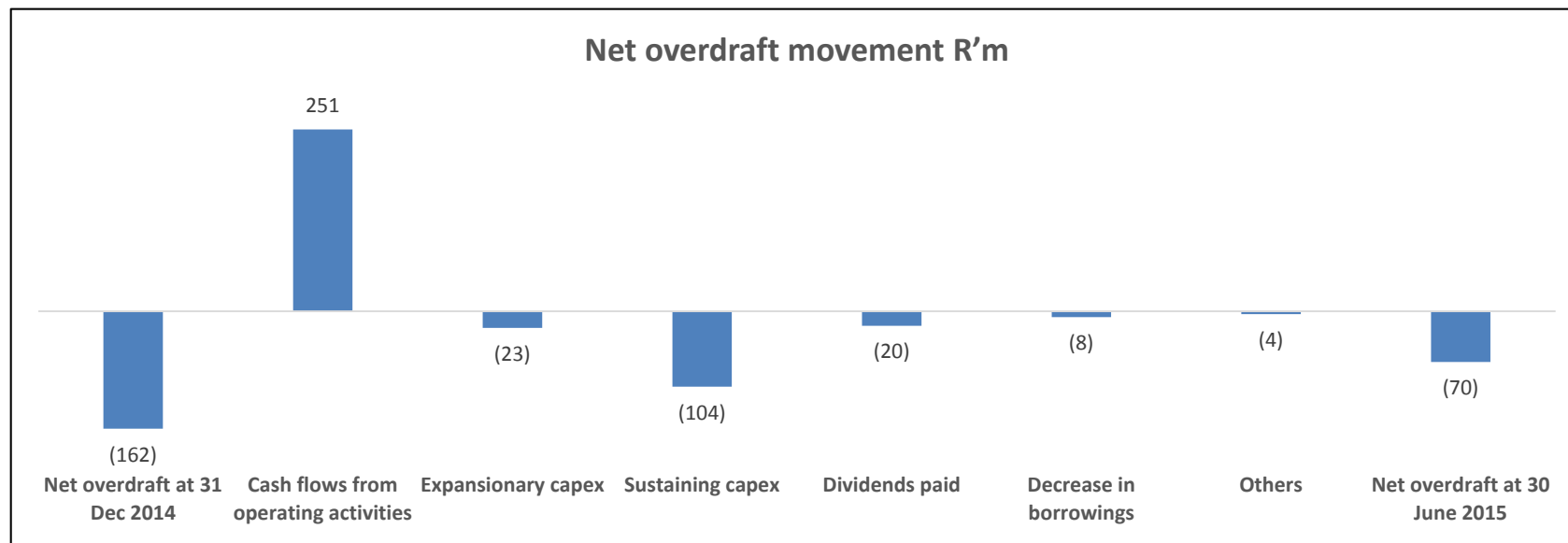
Balance sheet

	As at 30 June 2015	As at 31 December 2014
	Reviewed R'000	Audited R'000
Total non-current assets	3 248 125	3 252 680
Property, plant and equipment	3 232 708	3 239 162
Deferred tax assets	15 417	13 518
Total current assets	2 110 745	2 148 467
Inventories	1 352 618	1 435 799
Trade and other receivables	655 863	652 642
Current tax asset	-	15 485
Cash and cash equivalents	102 264	44 541
Total assets	5 358 870	5 401 147

Balance sheet (continued)

	As at 30 June 2015	As at 31 December 2014
	Reviewed R'000	Audited R'000
Total non-current liabilities	1 369 900	1 366 153
Loans and borrowings	521 958	549 909
Provision for close down and restoration costs	137 716	129 029
Share based payment liability	5 441	-
Deferred tax	704 785	687 215
Total current liabilities	777 813	911 492
Loans and borrowings	100 788	80 778
Trade and other payables	471 010	615 773
Provision for close down and restoration costs	8 407	7 932
Share based payment liability	11 600	-
Current tax liability	13 891	-
Bank overdraft	172 117	207 009
Total liabilities	2 147 713	2 277 645

Debt and facilities



Utilised facilities		
	30 Jun 2015 (R'm)	31 Dec 2014 (R'm)
ABSA loan	609	617
Overdraft facilities*	172	207
Inventory facility*	-	189
Total	781	1013

Headroom		
	30 Jun 2015 (R'm)	31 Dec 2014 (R'm)
ABSA loan	191	173
Overdraft facilities*	281	222
Inventory facility*	249	47
Total	721	442

* USD facilities converted at the closing exchange rate of R12,15 (2014: R11.5)



05

Outlook

Conclusion

- Remain profitable despite challenging times
- Continue to reap benefits of capital investments made
- No significant expansionary capex going forward
 - Reduce debt and increase dividends in short to medium term

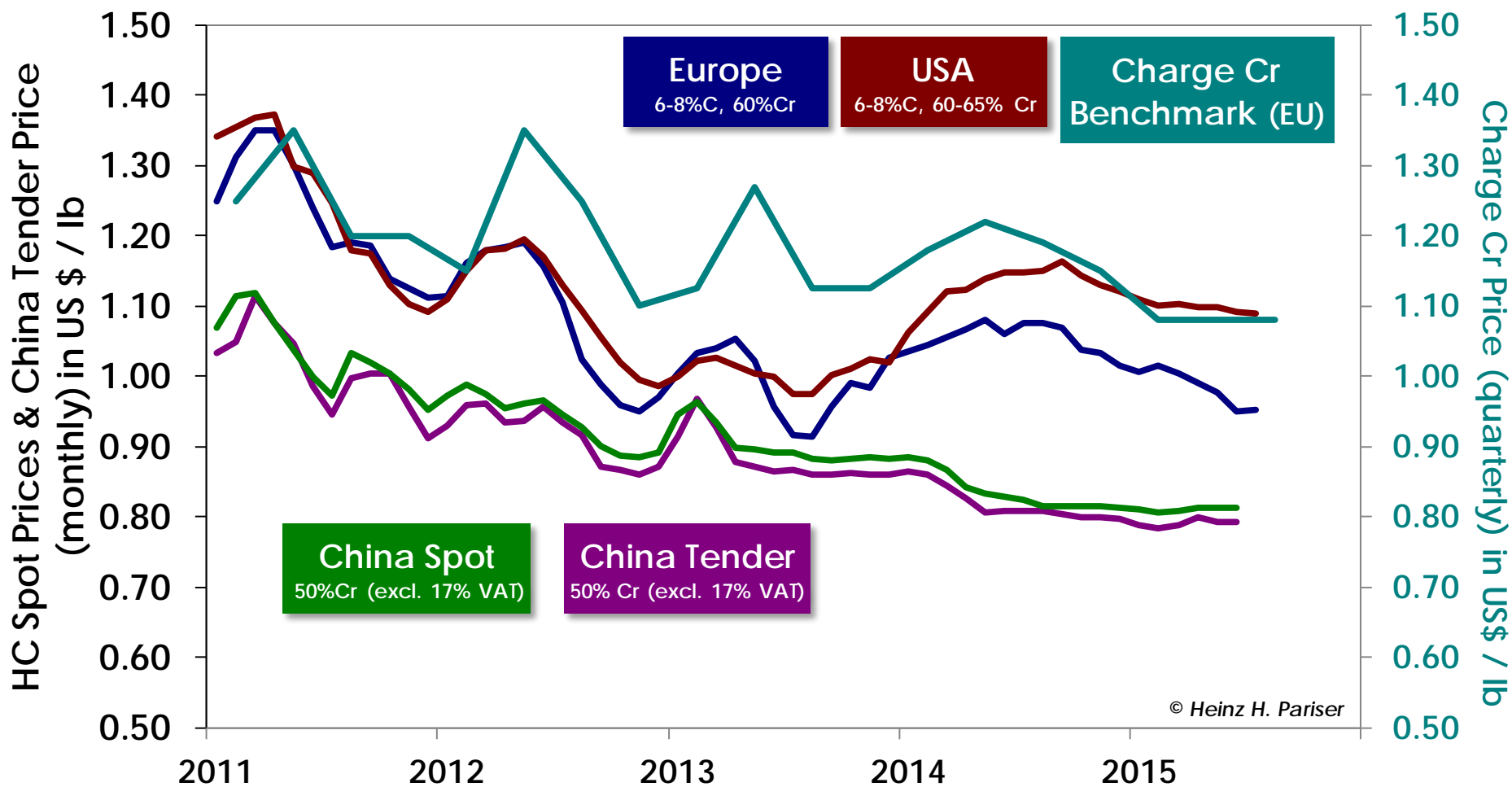
Questions





Annexures

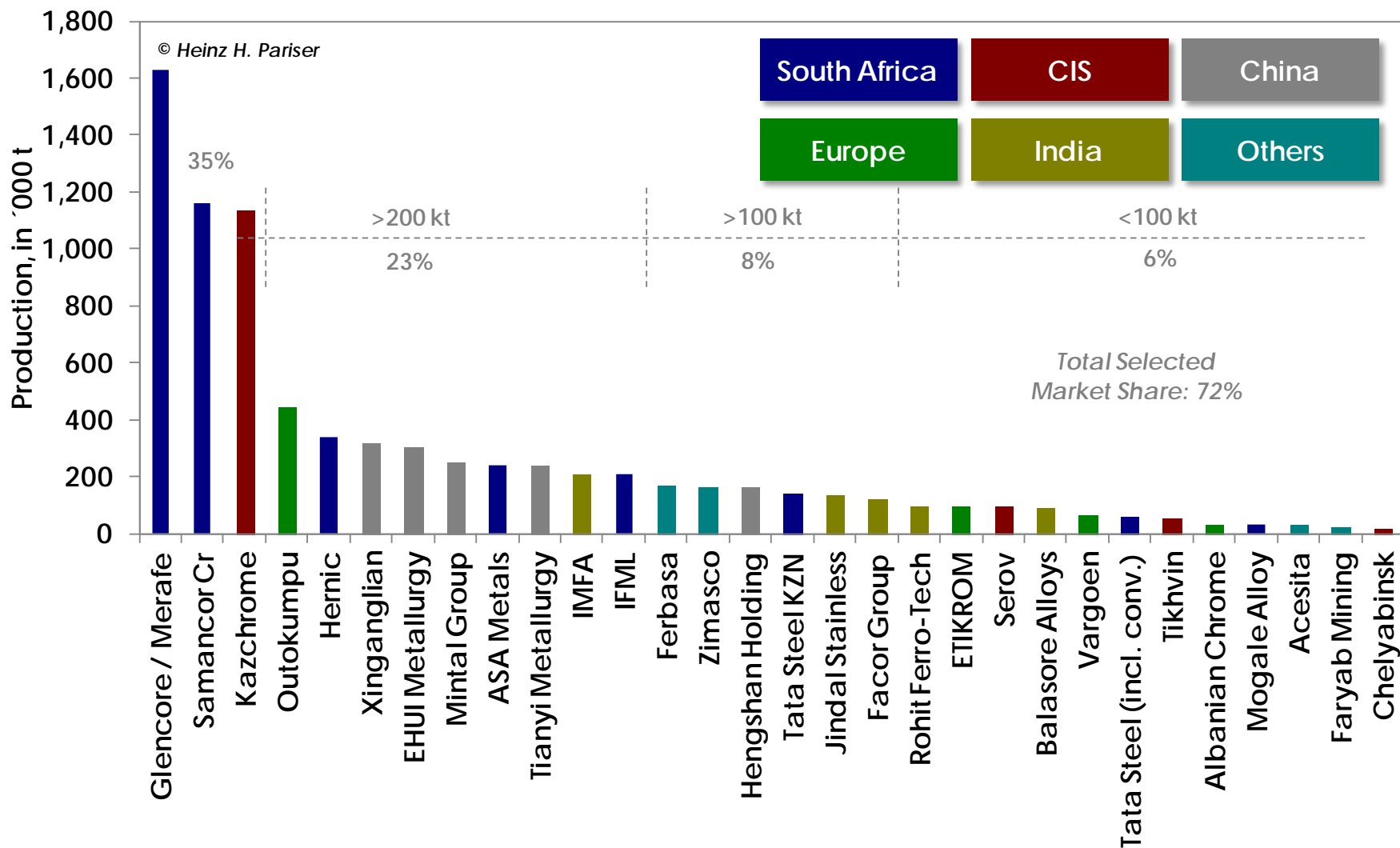
Ferrochrome prices



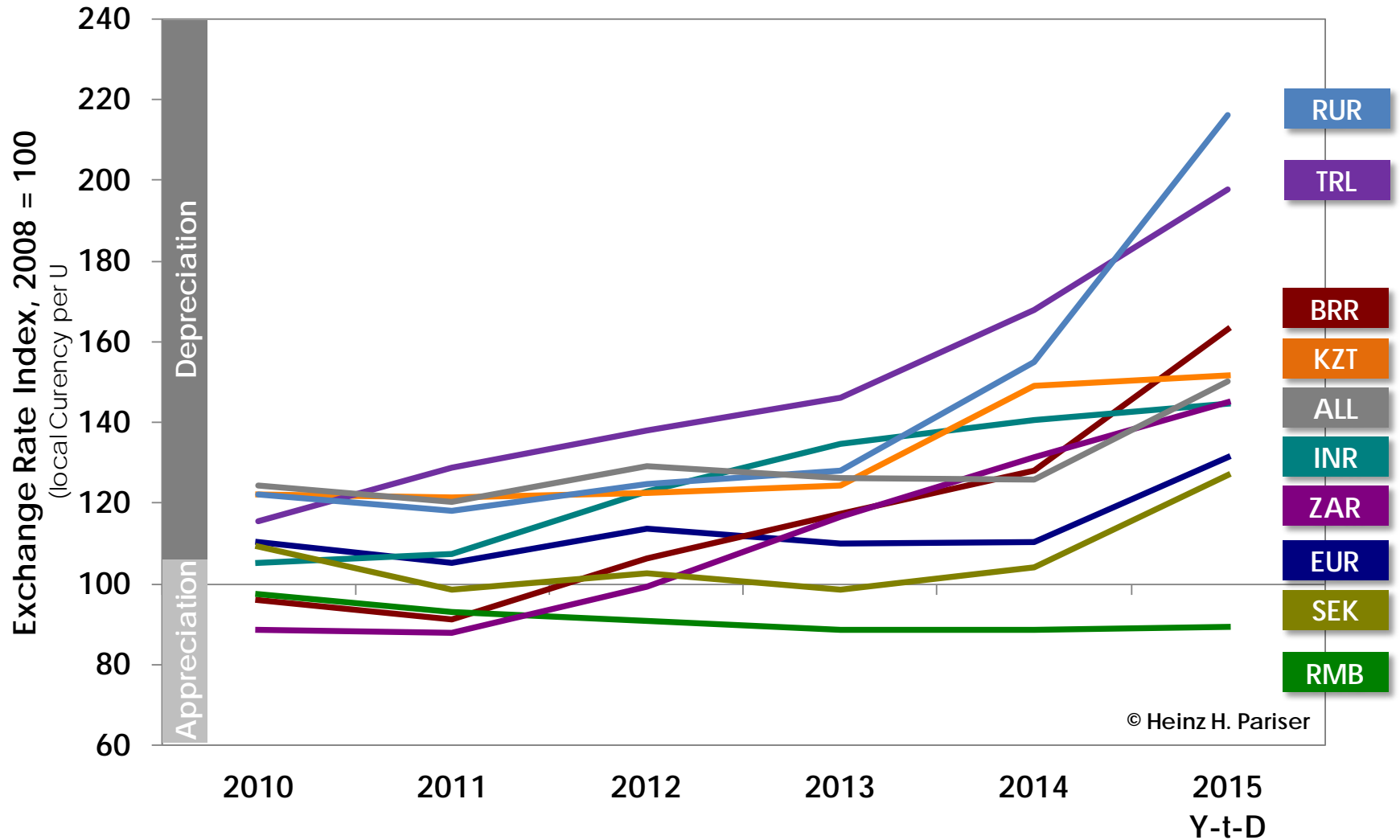
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Source: China Ferroalloy Industry Association, Metal Bulletin, Heinz H. Pariser

Ferrochrome Producer Ranking 2015



Ferrochrome Currencies' Exchange Rate Fluctuation



THANK YOU

