



RESULTS PRESENTATION

FOR THE YEAR ENDED 31 DECEMBER 2017



PRESENTED BY ZANELE MATLALA (CEO) AND KAJAL BISSESSOR (FD)

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KEY AGENDA

1. Key highlights
2. Market review
3. Operational review
4. Financial review
5. Outlook

1 Key highlights

Solid Performance within the context of a volatile operating environment

Safety

- Regrettably, one fatality
- 10% improvement in TRIFR since December 2016

Operational

- Increase in ferrochrome production, reaching a record high
- Costs well managed within a high mining inflation environment

Market

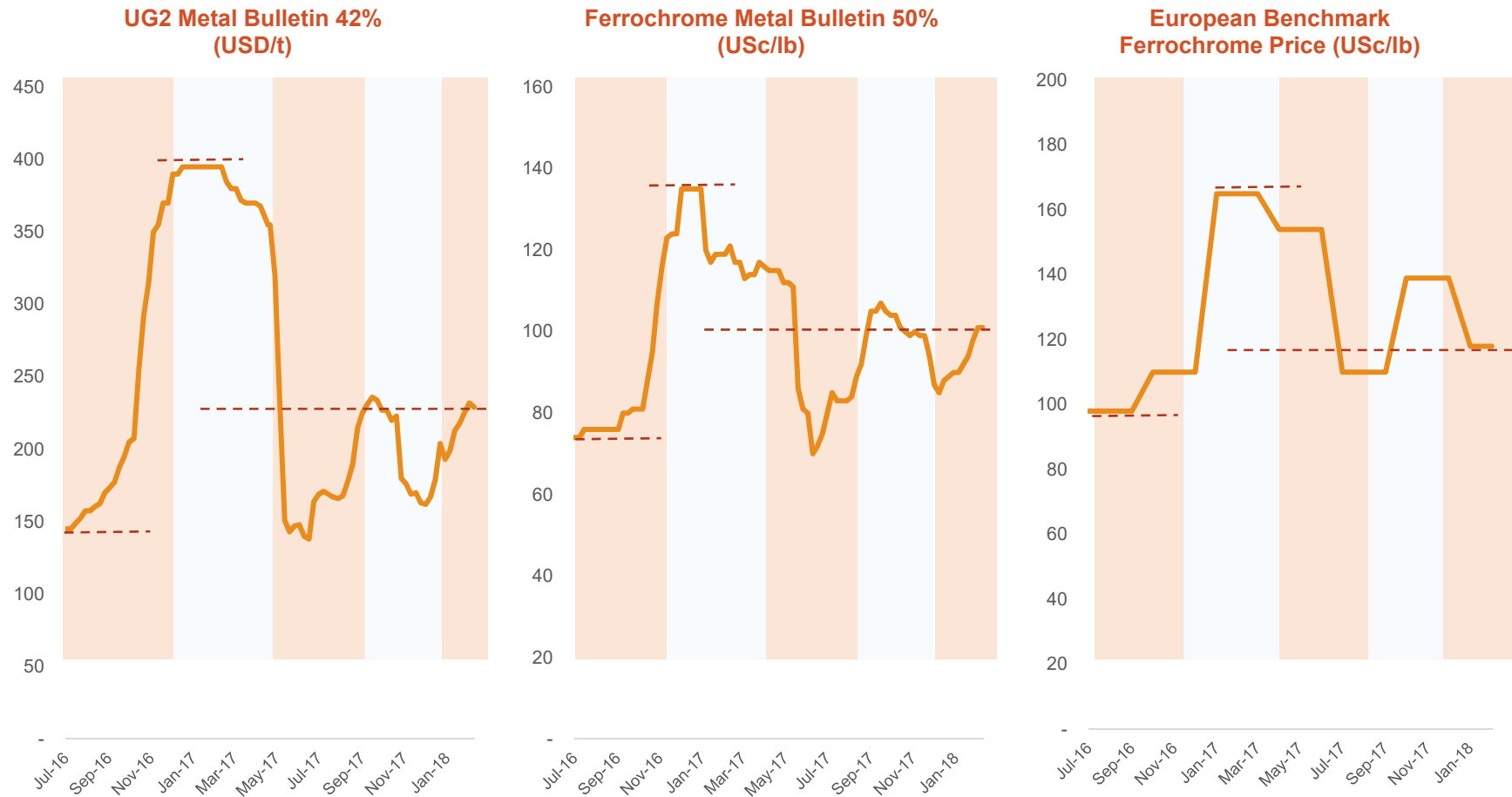
- Volatile pricing environment as market readjusts
- Growth in stainless steel production underpins industry outlook

Financial

- 3% y-o-y increase in revenue
- 179% y-o-y increase in cashflow from operating activities
- Significant reduction in debt levels
- Declared total cash dividends of R301m / 12 cents per share

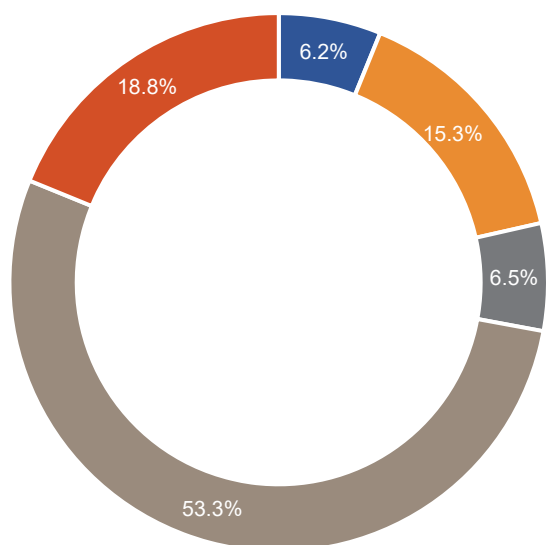
2 Market review

2017 Ferrochrome price environment characterised by high volatility



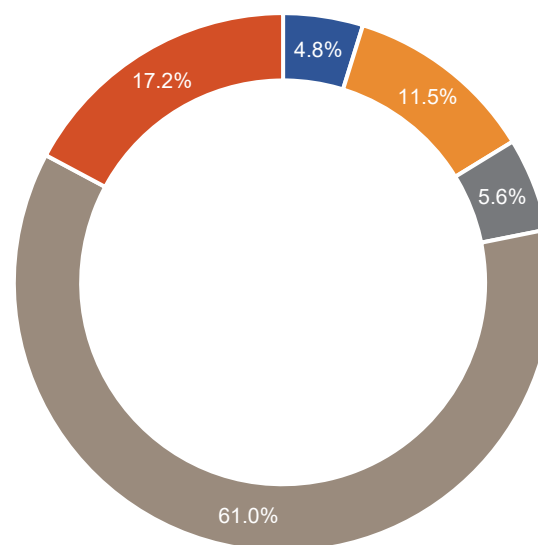
China remains the key player in stainless steel, accounting for 53.3% of global production and 61% of global ferrochrome demand

**Global Stainless Steel Production
(FY 2017)**



■ USA ■ Western Europe ■ Japan ■ China ■ Other

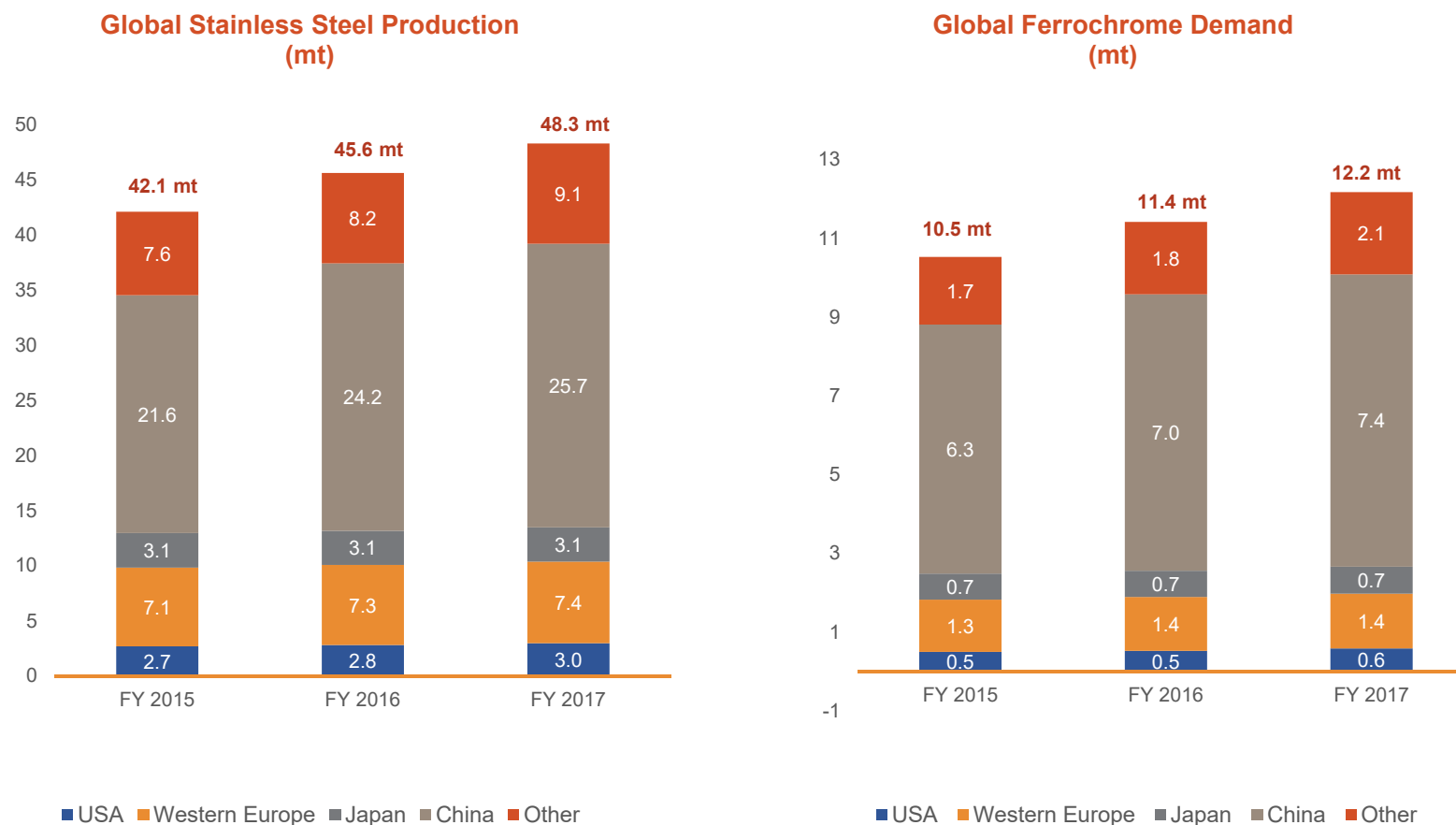
**Global Ferrochrome Demand
(FY 2017)**



■ USA ■ Western Europe ■ Japan ■ China ■ Other

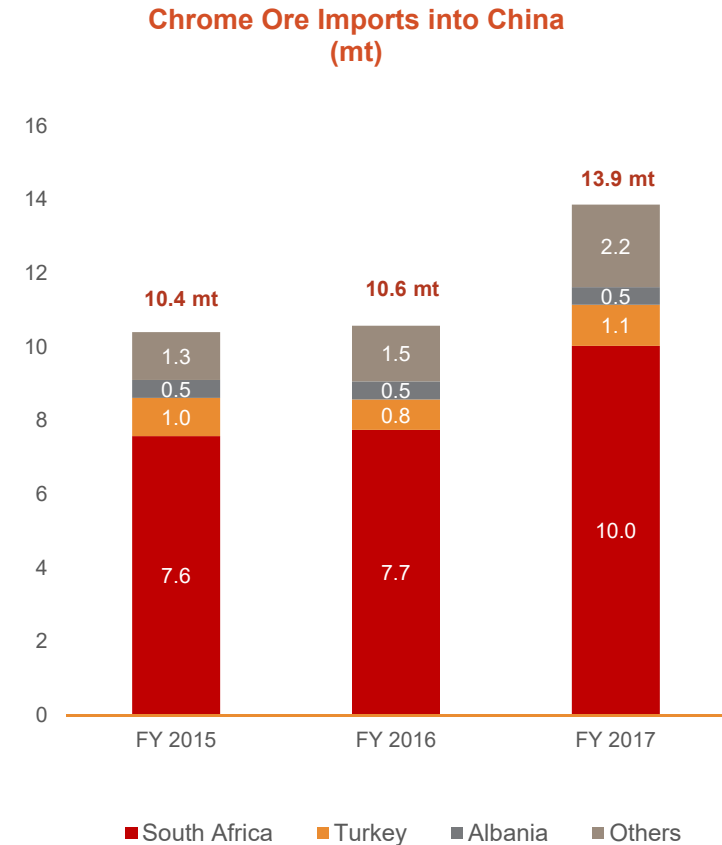
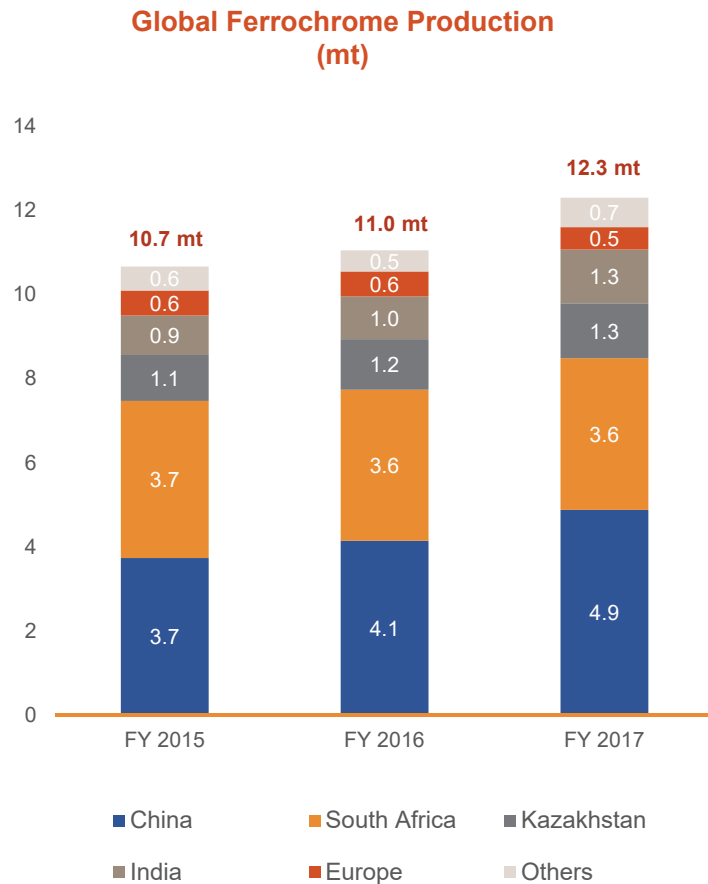
Source: CRU

Sector fundamentals remain strong as global stainless steel production and ferrochrome demand increase for third consecutive year



Source: CRU

Ferrochrome production reacted to market conditions; Ore imports into China also increased



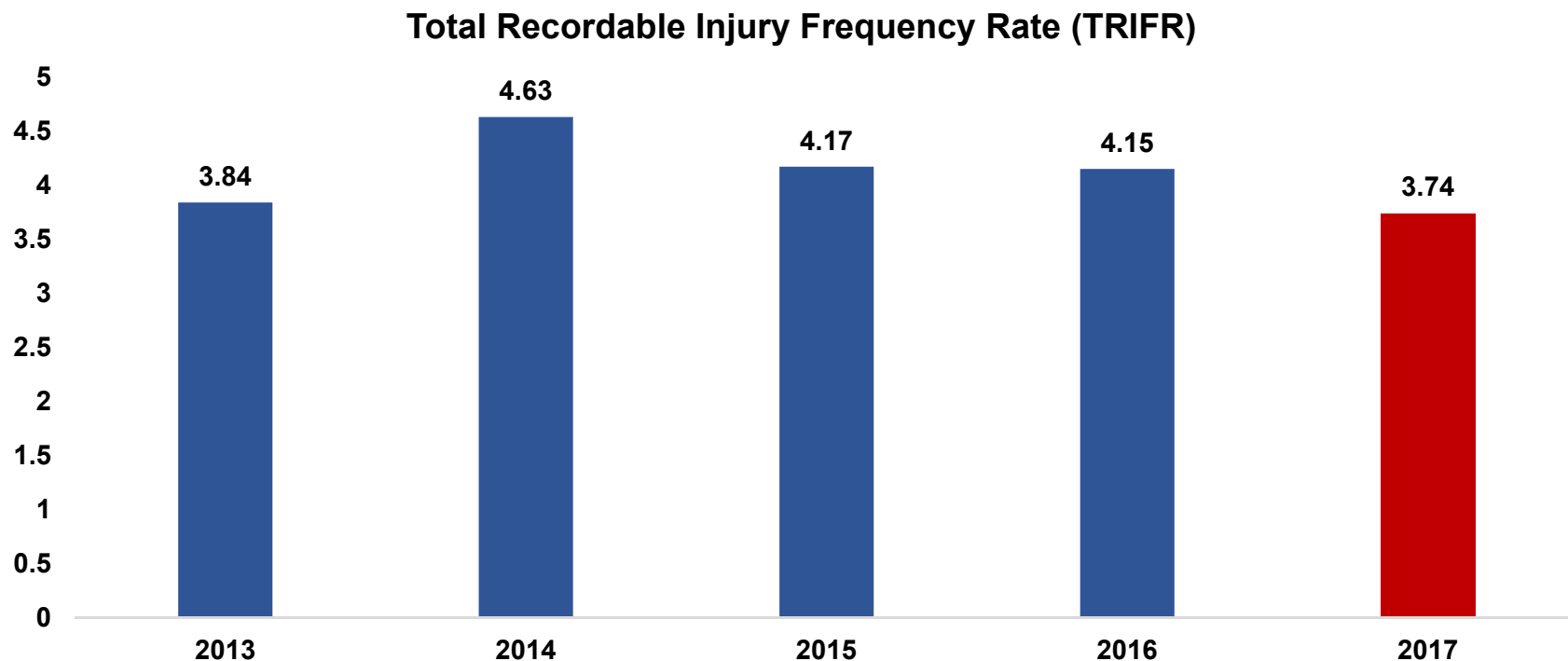
Source: CRU

3

Operational review

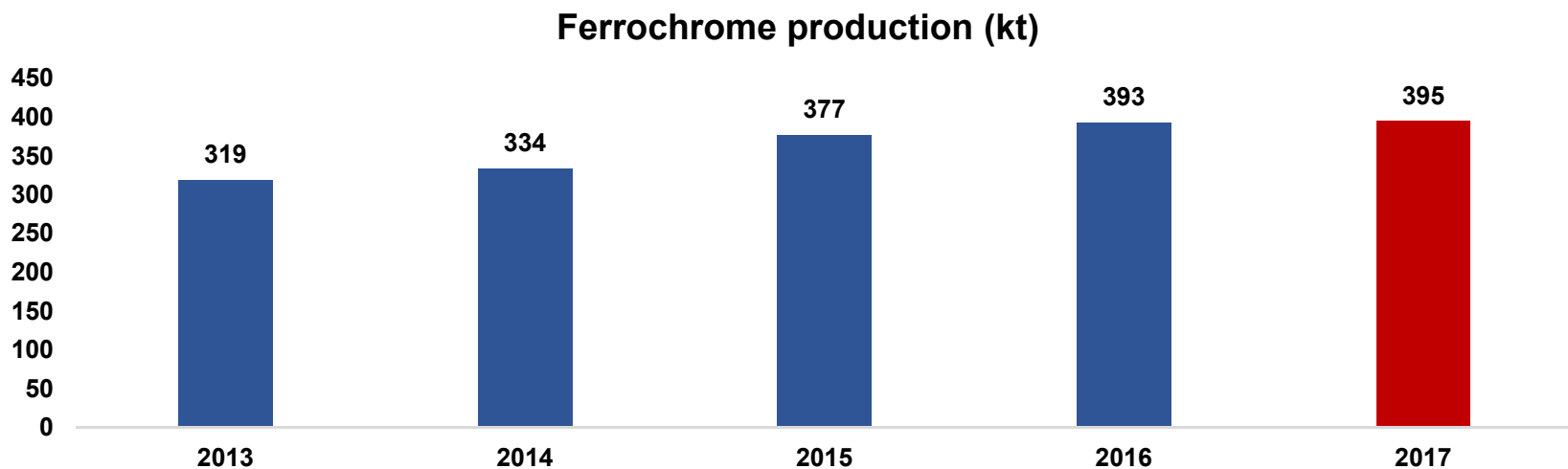
Ensuring the safety of all our employees remains key to building a stable production environment

- Regrettably one fatality during the period
- Overall, TRIFR improved to 3.74, from 4.15 in December 2016
- Safety remains the number 1 priority for the Venture with a goal of achieving zero harm
- Education and good decision making the key to building a sustainable safety culture
- Increased focus on safety campaigns and programmes through the period



Reaping rewards of initiatives undertaken to drive efficiency

- Ferrochrome production increased to a new record of 395kt
 - Installed capacity utilisation of 82%
 - Annual production records achieved at Lion and Wonderkop smelters
 - Annual pellet production records at Tswelopele and Bokamoso
- No significant disruptions in electricity supply during the period under review
- One year wage agreement successfully concluded at the western mines
- All three year wage negotiations lapse in 2018



Total costs well managed within a high mining inflation environment

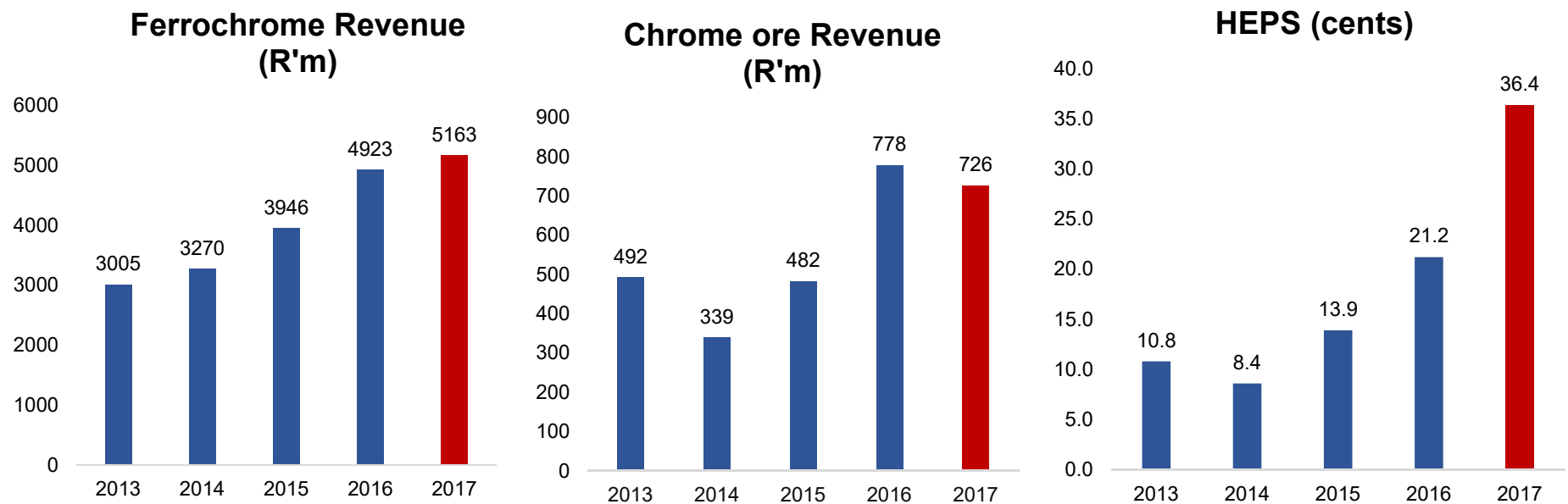
- Total production costs per tonne increased by 9% with key contributors being:
 - Increase in reductant prices;
 - Increase in UG2 input prices;
 - Increase in labour costs, effective 1 July 2017;
 - Increase in electricity prices of 2.2%, effective 1 April 2017; and
 - Higher royalty taxes, arising from higher chrome ore prices.
- Significant achievement as a results of:
 - Reduced winter production
 - Annual production records
 - Ongoing operational cost control initiatives

The Venture remains the lowest cost producer in South Africa and the second lowest cost producer globally

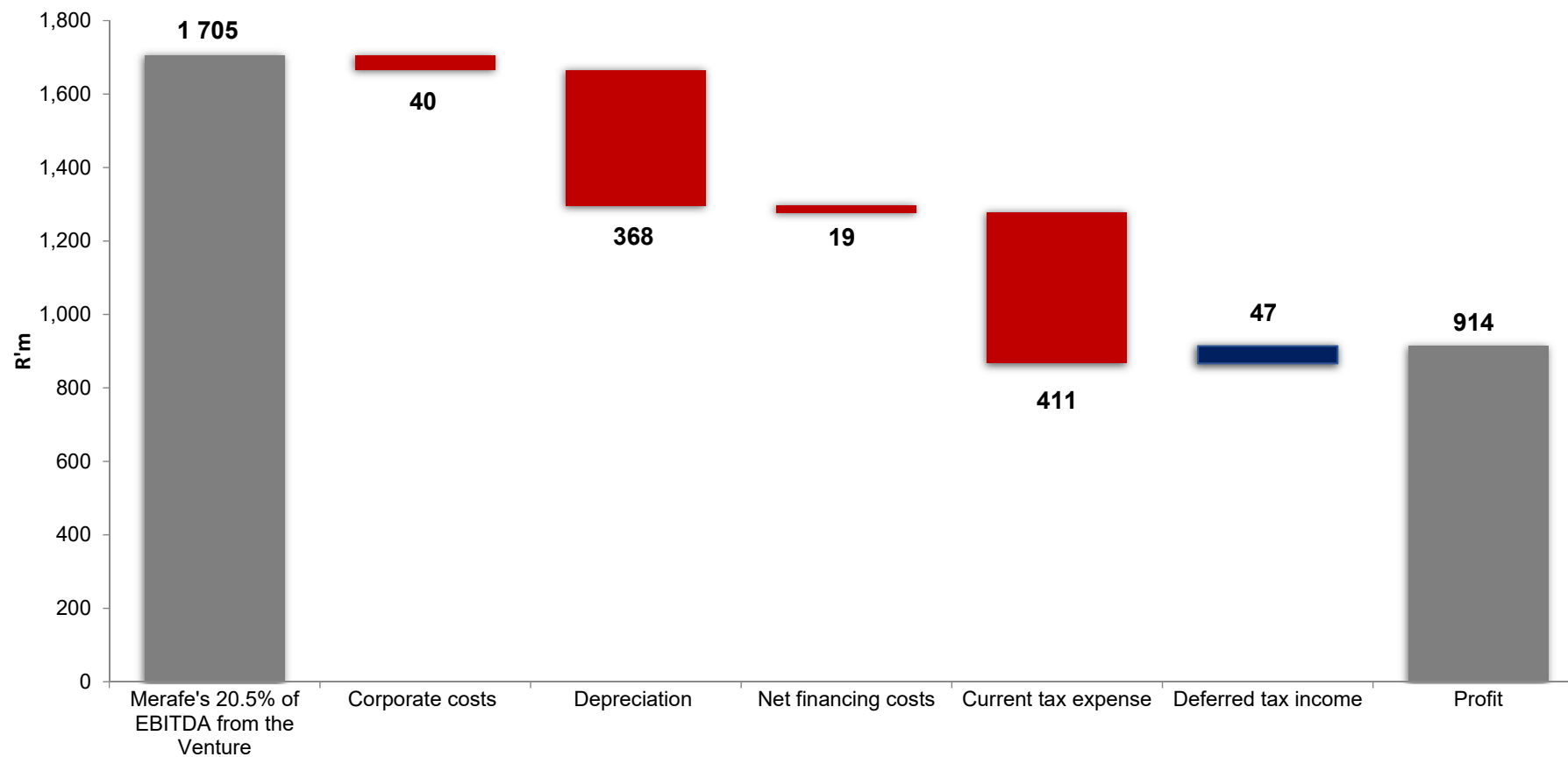
4 Financial overview

Record Revenue and healthy profit

- 3% increase in revenue y-o-y to R5 889m
 - Strength of the Rand partially offset the impact of the pricing environment
 - Ferrochrome revenue up by 5% y-o-y to R5 163m setting a new record
 - Chrome ore revenue down by 7% y-o-y to R726m. Realised chrome ore prices lower than average market prices due to lower grade material sold and an increase in local sales period on period



EBITDA reconciliation to profit



Benefitted from upswing but continuing to drive efficiencies to counter negative macro influences

	2017 R'm	2016 R'm	Variance
Ferrochrome revenue	5 163	4 923	5%
Chrome ore revenue	726	778	(7%)
Foreign exchange losses	(73)	(78)	6%
Total expenses	(4 111)	(4 447)	8%
Merafe's 20,5% of Venture's EBITDA	1 705	1 176	45%
Merafe corporate costs	(40)	(43)	7%
Merafe's EBITDA	1 665	1 133	47%
Depreciation	(368)	(330)	(12%)
Net financing costs	(19)	(59)	68%
Current tax	(411)	(147)	(180%)
Deferred tax	47	(65)	n/a
Profit after tax	914	532	72%
HEPS (cents)	36,4	21,2	72%

Ferrochrome Revenue

- Driven by higher prices but partially offset by stronger Rand and lower sales volumes

Chrome Ore Revenue

- Driven by lower volumes and stronger Rand partially offset by higher prices

Total expenses

- Due to lower volumes sold, overall reduction in operating expenses

Merafe corporate costs

- Includes maiden R3.5m CSI expense

Depreciation

- Increase primarily as a result of the reassessment of residual values – R30m additional charge

Current tax

- Increase reflects higher profits and full utilisation of capex

Deferred tax

- A function of timing differences on provisions and accruals, higher sustaining capex compared to depreciation and impact of embedded derivative

Strengthening of the balance sheet enables greater flexibility in the future

As at 31-Dec-17 R'000	As at 31-Dec-16 R'000
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Key balance sheet items

Inventories	1 497 798	1 105 437
Trade and other receivables	883 249	1 587 280
Working capital loan	(72 272)	(309 133)

Inventories

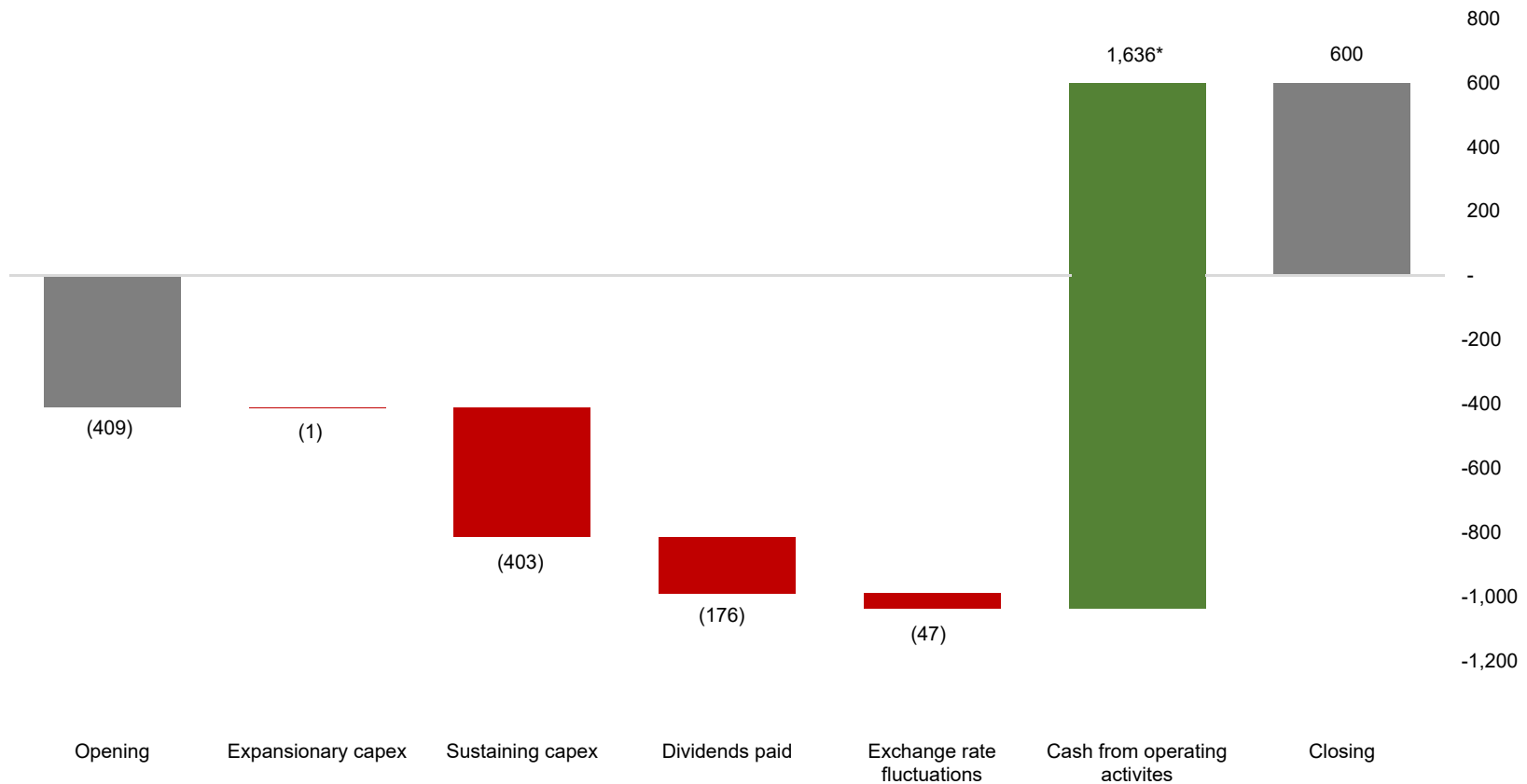
- Increase is a function of higher raw materials and finished goods balances.
- The increase in raw materials is mainly due to higher chrome ore stock levels at a higher average cost and an increase in the reductant cost per tonne.
- Increase in finished goods on hand as a result of production being higher than sales and higher production costs. Finished goods on hand is about 4 to 5 months of sales.

Key contributors to trade and other receivables:

- Working capital loan at 31 December 2016 reclassified to short-term liabilities to more accurately reflect the nature.
- Reduction in volumes (Q4 2017 vs Q4 2016).
- Strengthening of the Rand at 31 December 2017 compared to 31 December 2016
- Earlier than expected cash receipts

Strong operational cash generation enabled a significant reduction in net debt levels

Reconciliation of total (net debt)/cash (R'm)



* Cash from operating activities of R1 399m + R237m movement of working capital loan

Significant headroom on facilities

	Merafe and Venture Cash R'm	Working Capital loan R'm	Merafe Head Office debt R'm	Total Net cash R'm
Closing – 31 Dec 2017	672	(72)	-	600
Total facilities – 31 Dec 2017	(241) ¹	(254) ²	(200) ³	(695)
Total utilised – 31 Dec 2017	-	(72)	-	(72)
Headroom – 31 Dec 2017	(241)	(182)	(200)	(623)

¹Merafe's 20.5% of the Venture's \$95 million overdraft facility of which \$30 million is committed and \$65 million is uncommitted

²Merafe's 20.5% of the Venture's \$100 million uncommitted working capital loan

³A new unsecured, 3 year Revolving Credit Facility at Merafe level concluded with ABSA in H2 2017

5 Outlook

Outlook

- 2018 commenced with robust demand and pricing, Rand however is stronger
- 2018 growth rate of stainless steel production projected to be 4,1%*
- 2019 to 2021 growth rate of 3%* per annum for stainless steel production indicating strong demand for chrome
- Our strong balance sheet, strong cash flow generation coupled with being a low cost producer enables us to withstand the volatility in the markets and benefit from future price increases
- In line with strategy, we are on track to maximise returns to shareholders in the form of dividends and also explore opportunities to deliver further value
- Final dividend of R226m brings total dividend to R301m
 - highest ever
 - remain committed to dividends of at least 30% of HEPS

*Source: CRU



QUESTIONS?

