

▶ **Headline earnings decline by 59,2%**
▶ **Significantly lower iron ore prices**
▶ **Interim dividend declared of R3,00 per share**

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

Commentary

Results
Headline earnings for the six months to 31 December 2014 declined by 59,2% to R990 million, compared to the same period in the previous financial year (the previous period). This was mostly due to substantially lower headline earnings recorded for the period by Assmang Proprietary Limited (Assmang), which decreased by 60,5% to R1,7 billion.

Subdued demand for iron ore, particularly in China, coupled with significant additional volumes being brought to market from Australia and Brazil resulted in the index selling prices in US dollars for 62% iron ore fines delivered in China falling to US dollar 82 per ton, being 38,3% lower on average. The premium for “lumpy” grade ores, although lower on average for the six months, had a positive impact on the prices achieved by the group for sales of iron ore towards the end of the half year. During the period, prices for manganese and chrome ores remained relatively constant, with some minor fluctuations, while prices for manganese alloys declined slightly. Market conditions for all the group’s commodities deteriorated during the period, due to weakening world demand for steel and steel-related products. The group, however, has benefited from a weaker rand/US dollar exchange rate, which was 8,0% lower. Commissions and technical fees earned by the group declined in line with selling prices achieved on Assmang’s products.

Assore holds a 50% interest in Assmang, which it controls jointly with African Rainbow Minerals Limited (ARM) and which, in terms of International Financial Reporting Standards (IFRS) is accounted for on the equity accounting basis. Assore has disclosed its share of Assmang’s profit after taxation in its income statement as its “Share of profit from joint venture after taxation”.

Sales volumes

Despite sales volumes of iron ore into the South African market improving significantly for the current period, export sales volumes were lower, due to delays experienced in loading iron ore vessels at the Saldanha port. Sales volumes for the remainder of the group’s products were similar to the previous period. The table below sets out Assmang’s sales volumes for the current period:

	Half-year ended 31 December 2014	Half-year ended 31 December 2013	Increase/ (decrease) %
Metric tons '000			
Iron ore	7 496	7 738	(3)
Manganese ore*	1 422	1 411	1
Manganese alloys*	112	117	(4)
Chrome ore	478	477	(–)

* Excluding intra-group sales to alloy plants.

Capital expenditure

Capital expenditure in Assmang amounted to R1,7 billion (2014: R1,5 billion) for the period. The majority of the capital was spent in Assmang’s Manganese division on the expansion of the Black Rock mines’ capacity to 4 million tons per annum by 2017. Assmang’s Iron Ore division spent R710 million, of which R404 million was spent on waste-stripping at its Khumani and Beeshoek mines. R140 million was spent across the group’s chrome assets, with R40 million allocated to the development of underground shafts at Rustenburg Minerals.

Construction work at Assmang’s joint venture ferromanganese smelting project in Malaysia (“Sakura”), in which it has a 54,36% stake, continues, and all major milestones to date have been met. The project remains on schedule to achieve full design production output of approximately 170 000 tons per annum towards the middle of 2016 at an estimated cost to completion of US dollar 328 million, of which US dollar 155 million has been spent to date.

On 2 December 2014, the group announced that it intended to subscribe for an equity stake of approximately 30% in IronRidge Resources Limited (IronRidge) at a cost of R121 million. IronRidge has planned an initial two-year programme to conduct prospecting for high-grade iron ore in three separate locations in Gabon, West Africa.

Outlook

A high level of unpredictability continues to undermine the state of the global economy in a number of different countries around the world. Chinese economic growth for 2015 is expected to be at its lowest level in more than 20 years, while uncertainty is apparent in Europe, specifically in the Eurozone where quantitative easing will commence shortly and the euro weakened by political tensions in Greece and the Ukraine. The Japanese economy is in recession, however, the outlook for India is promising, on the back of recent political changes. These conditions should result in prices of the group’s products remaining under pressure, with the index price for iron ore expected to trade in a range of between US dollar 55 and 75 for the short to medium term. Prices for manganese ores and alloys have declined recently and are expected to remain at depressed levels in the short term.

Some respite on margins is being experienced, however, due to reduced freight rates, on the back of the recent collapse in crude oil prices. Further benefit is being realised by the group on the sale of “lumpy” iron ore grades, with spot premiums in this market currently exceeding US dollar 20 per ton. The prevailing level of the Rand/US dollar exchange also enhances the group’s results, relative to previously reported results.

Dividends

The results in this announcement include the final dividend relating to the previous financial year of 550 cents (2013: 350 cents) per share, which was declared on 27 August 2014 and paid to shareholders on 2 September 2014. Based on the decreased level of earnings for the period, the board has declared an interim dividend of 300 cents (2013: 450 cents) per share, which will be paid to shareholders on or about 9 March 2015.

Accounting policies and basis of preparation

The financial results for the period under review have been prepared under the supervision of Mr CJ Cory, CA(SA), and in accordance with IAS 34 *Interim Financial Reporting* and comply with International Financial Reporting

Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Listings Requirements of the JSE Limited (JSE) and the Companies Act, No 71 of 2008, as amended. The accounting policies applied are consistent with those adopted in the financial year ended 30 June 2014 and amendments and improvements to IFRS effective in the period have not had any significant impact on the results or disclosures of the group for the period under review.

Directors

Subsequent to the date of the previous integrated annual report, the following non-executive appointments have been made to the board of directors, with effect from 2 February 2015:

- Ms Thandeka Mgoduso, who also serves as an independent non-executive director on the boards of the South African Reserve Bank, Tongaat Hulett and Air Traffic Navigation Services.
- Mrs Ipeleg Nonkululeko Mkhari, who is founder and CEO of Motseng Investment Holdings, and serves as an independent non-executive director on the boards of KAP Industrial Holdings, Nampak and South African Property Owners Association (SAPOA).

Declaration of interim dividend

Shareholders are advised that on 10 February 2015, the board of directors (the board) approved interim dividend number 116 (the dividend) of 300 cents per share (gross) for the half-year ended 31 December 2014.

In terms of paragraph 11.17 of the Listings Requirements of JSE Limited, shareholders are advised of the following with regard to the declaration:

- The dividend has been declared from retained earnings.
- The local dividend tax rate is 15%.
- The company does not have any secondary tax on companies (STC) credits available to reduce the impact of the dividend tax.
- The net local dividend amount is 255,0 cents per share for shareholders liable to pay the dividend tax.
- The issued ordinary share capital of Assore is 139 607 000 shares, of which 36 400 000 shares are accounted for as treasury shares in terms of IFRS and are therefore excluded from earnings per share calculations.
- Assore’s income tax reference number is 9045/018/84/4.

The salient dates are as follows:

- Last day for trading to qualify and participate in the interim dividend Friday, 27 February 2015
- Trading “ex dividend” commences Monday, 2 March 2015
- Record date Friday, 6 March 2015
- Dividend payment date Monday, 9 March 2015
- Dates (inclusive) between which share certificates may not be dematerialised or rematerialised Monday, 2 March 2015 to Friday, 6 March 2015

On behalf of the board

Desmond Sacco Chairman Johannesburg 11 February 2015
CJ Cory Chief Executive Officer Johannesburg 11 February 2015

Consolidated income statement

	Half-year ended 31 December 2014 Unaudited R'000	Half-year ended 31 December 2013 Unaudited R'000	Year ended 30 June 2014 Audited R'000
Revenue	1 677 172	1 320 539	2 894 596
Turnover	1 295 758	736 069	1 768 561
Cost of sales	(1 216 392)	(686 908)	(1 649 450)
Gross profit	79 366	49 161	119 111
Commissions on sales and technical fees	278 218	494 480	926 060
Other income	104 399	89 989	200 384
Other expenses	(299 338)	(214 947)	(486 350)
Finance costs	(14 531)	(29 469)	(61 152)
Profit before taxation and joint venture	148 114	389 214	698 053
Taxation	(46 367)	(108 142)	(240 486)
Profit after taxation, before joint venture	101 747	281 072	457 567
Share of profit from joint venture, after taxation	845 379	2 151 322	3 572 155
Profit for the period	947 126	2 432 394	4 029 722
Attributable to:			
Shareholders of the holding company	935 434	2 427 312	4 005 123
Non-controlling shareholders	11 692	5 082	24 599
As above	947 126	2 432 394	4 029 722
Earnings attributable to shareholders of the holding company	935 434	2 427 312	4 005 123
Impairment of financial assets	63 308	—	26 327
Impairment of non-financial assets	—	—	276 922
Loss on disposal of fixed assets	4 367	19	542
Taxation effect of above items	(13 039)	—	(79 024)
Headline earnings	990 070	2 427 331	4 229 890
Earnings per share (basic and diluted – cents)	906	2 352	3 881
Headline earnings per share (basic and diluted – cents)	959	2 352	4 098
Dividends per share declared in respect of the profit for the period (cents)	300	450	1 000
– interim	300	450	450
– final	—	—	550
Ordinary shares in issue for the year (million), net of treasury shares	—	—	—
Ordinary shares in issue	139,61	139,61	139,61
Less: Treasury shares held in BEE trusts	(36,40)	(36,40)	(36,40)
	103,21	103,21	103,21

Consolidated statement of comprehensive income

	Half-year ended 31 December 2014 Unaudited R'000	Half-year ended 31 December 2013 Unaudited R'000	Year ended 30 June 2014 Audited R'000
Profit for the period (as above)	947 126	2 432 394	4 029 722
Items that may be reclassified into the income statement dependent on the outcome of a future event	(9 130)	42 040	57 407
(Loss)/gain after taxation, on revaluation to market value of available-for-sale investments	(27 282)	29 845	52 434
(Loss)/gain on revaluation to market value of available-for-sale investments	(33 545)	39 483	59 452
Deferred capital gains tax thereon	6 263	(9 638)	(7 018)
Exchange differences on translation of foreign operations	18 152	12 195	4 973
Actuarial gains in pension fund after taxation	—	—	36 776
Total comprehensive income for the period, net of tax	937 996	2 474 434	4 123 905
Attributable to:			
Shareholders of the holding company	917 409	2 469 358	4 096 869
Non-controlling shareholders	20 587	5 076	27 036
As above	937 996	2 474 434	4 123 905

Consolidated statement of financial position

	At 31 December 2014 Unaudited R'000	At 31 December 2013 Unaudited R'000	At 30 June 2014 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment and intangible assets	591 348	544 136	552 191
Investments			
– joint venture	14 863 549	14 352 389	14 768 170
– available-for-sale	287 454	392 040	377 988
– other	43 372	46 766	46 613
Pension fund surplus	56 973	12 315	56 973
Total non-current assets	15 842 696	15 347 646	15 801 935
Current assets			
Inventories	770 028	484 496	627 190
Trade and other receivables	420 819	223 966	383 923
Cash resources	2 137 134	2 087 497	2 144 598
Total current assets	3 327 981	2 795 959	3 155 711
TOTAL ASSETS	19 170 677	18 143 605	18 957 646
EQUITY AND LIABILITIES			
Share capital and other reserves			
Ordinary shareholders’ interests	17 652 363	16 140 655	17 302 592
Non-controlling interests in subsidiary companies	161 278	130 839	150 271
Total equity	17 813 641	16 271 494	17 452 863
Non-current liabilities			
Net deferred taxation liabilities	47 907	54 905	63 426
Long-term liabilities			
– interest-bearing	346 100	846 100	346 100
– non-interest-bearing	26 562	30 275	27 134
Total non-current liabilities	420 569	931 280	436 660
Current liabilities			
Interest-bearing	752 310	430 705	538 588
Non-interest-bearing	184 157	510 126	529 535
Total current liabilities	936 467	940 831	1 068 123
TOTAL EQUITY AND LIABILITIES	19 170 677	18 143 605	18 957 646

Consolidated statement of cash flow

	Half-year ended 31 December 2014 Unaudited R'000	Half-year ended 31 December 2013 Unaudited R'000	Year ended 30 June 2014 Audited R'000
Cash (utilised)/generated by operations	(346 561)	275 046	100 494
Dividends paid net of dividends on treasury shares	(567 639)	(361 225)	(825 656)
Cash utilised by investing activities	(56 986)	(198 789)	(111 224)
Dividends received from joint venture	750 000	750 000	1 750 000
Acquisition of available-for-sale investment	—	—	(161 926)
Long-term liabilities repaid	—	—	(500 000)
Other financing activities	213 722	(81 281)	189 164
(Decrease)/increase in cash for the period	(7 464)	383 751	440 852
Cash resources at beginning of period	2 144 598	1 703 746	1 703 746
Cash resources per statement of financial position	2 137 134	2 087 497	2 144 598

Segmental information

	Associate mining and beneficiation			Sub-total R'000	Marketing and shipping R'000	Other mining and beneficiation R'000	Eliminations and adjustments* R'000	Consolidated R'000
	Iron ore R'000	Manganese R'000	Chrome R'000					
Half-year ended 31 December 2014								
Revenues	5 970 123	3 872 371	708 455	10 550 949	1 498 974	180 693	(10 553 444)	1 677 172
Contribution to profit	1 173 669	473 488	56 074	1 703 231	107 463	(11 952)	(851 616)	947 126
Half-year ended 31 December 2013								
Revenues	9 424 567	4 029 343	781 782	14 235 692	1 163 711	159 648	(14 238 512)	1 320 539
Contribution to profit	3 644 079	656 731	36 884	4 337 694	275 702	39 660	(2 220 662)	2 432 394

*Eliminations and adjustments comprise mainly of the adjustments required to give effect to the requirement of IFRS to equity account the group’s investment in Assmang.