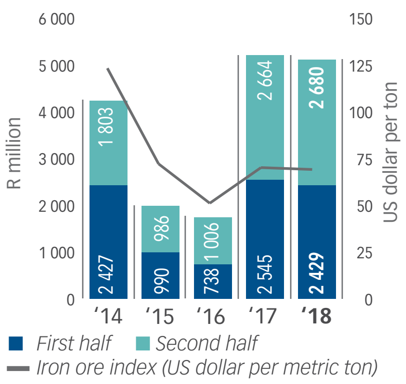
Assore Limited
Registration number: 1950/037394/06
Share code: ASR ISIN: ZAE000146932
(Assore or group or company)

# PROVISIONAL REVIEWED RESULTS for the year ended 30 June 2018

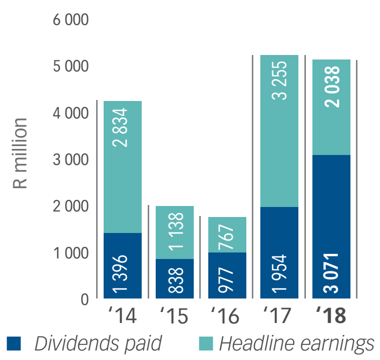
## FINANCIAL HIGHLIGHTS

| R million (unless otherwise stated) | FY18 Reviewed | FY17 Audited | % increase/ (decrease) |
|---|---|---|---|
| Revenue | 7 805 | 7 224 | 8 |
| Profit after taxation, before joint venture and associates | 1 667 | 1 632 | 2 |
| Bargain purchase gain (Dwarsrivier) | – | 257 | – |
| Share of profit and loss from joint venture and associates, after taxation | 3 524 | 3 266 | 8 |
| Profit for the year | 5 175 | 5 138 | 1 |
| Attributable earnings | 5 119 | 5 021 | 2 |
| Earnings per share (cents) | 4 963 | 4 867 | 2 |
| Headline earnings per share (cents) | 4 953 | 5 049 | (2) |
| Dividends per share in respect of profit for the year (cents) | 2 200 | 1 400 | 57 |
| Net asset value | 26 050 | 22 625 | 15 |
| Capital expenditure – Assmang (100% basis), Dwarsrivier and other | 3 486 | 2 967 | 17 |

Headline earnings review




Headline earnings and dividends paid (gross)




**Safety:** overall improvement in LTIFR

**Record iron and chrome ore sales and production** for the fourth consecutive year

**Record** attributable earnings for the second consecutive year

**Record** annual dividend of R22,00 per share

## COMMENTARY

### Safety

#### Assore operations

Dwarsrivier Chrome Mine Proprietary Limited (Dwarsrivier) showed a slight improvement in its lost time injury frequency rate (LTIFR) from 0,20 for the financial year ended 30 June 2017 (FY17) to 0,19 for the financial year ended 30 June 2018 (FY18). The impact on Assore's LTIFR of its other operations resulted in an overall increase from 0,25 to 0,27 over the same period.

#### Assmang operations

The operations of Assmang Proprietary Limited (Assmang), which is jointly controlled by Assore and African Rainbow Minerals Limited (ARM), achieved a combined LTIFR of 0,13 for FY18. This was an overall improvement compared to 0,17 for FY17. Its smelting operations at Cato Ridge and Machadodorp completed FY18 without recording a lost time injury.

We are, however, saddened to report the tragic loss of a colleague due to a work-related incident that occurred on 30 March 2018 at Sakura Ferroalloys SDN BHD, Malaysia, (Sakura) in which Assmang has a 54,36% interest. We share our deepest condolences with the family and friends of our colleague, and deeply regret this loss.

The group remains committed to the pursuit of continuing sustainable improvement in our overall safety performance.

### Group financial performance

Headline earnings for FY18 are at a similar level compared to those recorded in FY17, decreasing by 2% to R5,1 billion, from R5,2 billion for FY17. Assmang's headline earnings which were 5% lower than in FY17, at R7,1 billion contributed R3,5 billion (50%) towards Assore's earnings. In accordance with International Financial Reporting Standards (IFRS), Assmang, in which Assore has a 50% interest, is classified as a joint venture and accordingly, its financial results are equity-accounted.

The rest of the group's operations reported headline earnings that were 4% higher than FY17, at R1,6 billion, Dwarsrivier contributed R875 million (FY17: R843 million) of this, with commissions and interest earned making up most of the balance. Attributable earnings amounted to R5,1 billion, 2% higher than FY17, representing another annual record.

The average SA rand/US dollar exchange rate for FY18 was R12,82, 6% stronger than the level that prevailed during FY17. This had the effect of countering the somewhat higher commodity prices for FY18. Record sales and production volumes of iron and chrome ore were once again achieved, making this the fourth consecutive financial year in which record sales volumes of these products were achieved. The Black Rock complex achieved record manganese ore production in FY18.

Production and sales volumes achieved by the group were as follows:

| Metric tons '000 | FY18 | FY17 | % increase |
|---|---|---|---|
| **Production volumes** | | | |
| Iron ore | 18 578 | 17 714 | 5 |
| Manganese ore | 3 717 | 3 069 | 21 |
| Manganese alloys | 462 | 403 | 15 |
| Chrome ore | 1 619 | 1 392 | 16 |
| **Sales volumes** | | | |
| Iron ore | 17 874 | 17 275 | 3 |
| Manganese ore* | 3 177 | 2 974 | 7 |
| Manganese alloys | 378 | 303 | 25 |
| Chrome ore | 1 557 | 1 279 | 22 |

**Excluding intra-group sales to Cato Ridge Works.*

Strong cash generation in the group resulted in group net cash increasing by 56% to R7,9 billion (FY17: R5,0 billion). A final dividend of R12,00 per share has been declared, bringing the total dividend for FY18 to a record level of R22,00 (FY17: R14,00) per share.

### Market conditions

The markets into which the group sells its products were generally stronger in comparison to FY17. World crude steel production grew by 5% in the 2017 calendar year (CY17) and this growth rate was maintained during the first six months of the 2018 calendar year (CY18). Healthy demand for ores resulted in stable prices for iron ore and an increase in prices for manganese ore. Higher demand for ferrochrome was driven by increased production of stainless steel (up 6% in CY17 over the 2016 calendar year), resulting in strong demand for chrome ore, prices of which were steady over FY18. The tightening of environmental controls in China continues to drive positive demand for higher grade raw materials, as evidenced by higher premiums achieved for "lumpy" grades of iron ore.

### Assmang (iron ore and manganese)

Attributable earnings increased by 8% over FY17 to R7,1 billion (100%). Iron ore delivered R3,3 billion (down 25% on FY17), while manganese ore and alloys increased by 71% to R3,8 billion. This was driven mostly by increased sales revenue, which was 5% up on FY17 to R27,5 billion on the back of the increased volumes, as well as steady higher product prices.

#### Iron ore

The average market price for iron ore was stable over FY18, compared to FY17, at US dollar 69 per ton (62% iron content, "fines" grade, delivered in China) and the "lumpy" premium almost doubled over the same period, to US dollar 13,34 per ton. In addition, Khumani Iron Ore Mine achieved record production of 14,7 million tons and total sales volumes were marginally up on FY17 by 3%, to 17,9 million (FY17: 17,3 million) tons. These factors were, however, not sufficient to counter the effect of the stronger rand/US dollar exchange rate.

#### Manganese ore and alloys

The demand for manganese ore remained strong, driven by weaker than expected Chinese domestic manganese ore production and significantly higher Chinese electrolytic manganese metal (EMM) production. The strong demand and undersupplied Chinese market resulted in an improvement in manganese ore prices, with the average index price for 44% grade manganese content material, delivered in China increasing by 19% to US dollar 6,88 per dry metric ton unit (dmtu), from US dollar 5,77 in FY17.

The alloy market remained undersupplied as growth in supply was not sufficient to cover the increases in demand. These conditions, together with robust manganese ore prices, strong steel consumption and high steel prices resulted in alloy prices across the grades being maintained at the higher levels seen since the start of CY17.

The positive price momentum and increased production of both manganese ore and alloys (including from Sakura, which achieved nameplate production during FY18), resulted in increased earnings from the Manganese division.

### Dwarsrivier (chrome ore)

A combination of improved mining and beneficiation efficiencies, coupled with increased asset utilisation, gave rise to a 16% increase in production compared to FY17, with the mine achieving records in five months during FY18. This production, together with favourable market conditions, enabled the mine to achieve another year of record sales volumes of 1,6 million tons (FY17: 1,3 million tons). While the price for chrome ore was less volatile in FY18 compared to FY17, the average index market price was down by 28%, year-on-year, with an average price for the year of US dollar 224 per ton (44% chrome content material, delivered China), compared to US dollar 310 in FY17. The strong production and sales performance, however, resulted in the impact of the lower prices and stronger rand/US dollar exchange rate being mostly negated, with the mine generating more than R1 billion of cash, after accounting for capital expenditure of R300 million.

### Outlook

As this period of global economic cyclical upswing approaches two years, the pace of expansion in some economies appears to have peaked, with decelerated growth projected in the near future. Recent increases in trade tariffs have not impacted the group negatively to date. However, further escalation of tensions and a potential trade war could impact global economic growth and demand for steel negatively.

The Chinese economy remains robust with the growth recorded in the first half of the 2018 calendar year well above the target GDP level of 6,5%. Efforts by Chinese authorities to enforce more stringent environmental controls had a positive impact on the demand for the group's higher quality products. This trend is set to continue and should support prices for the group's products in the near term.

Following the release of the draft Mining Charter 2018 in June, the mining industry in South Africa continues to face a high level of uncertainty and the impact of the changes are likely to be negative for the country's mining industry. Further to the factors noted above, the results of the group remain significantly exposed to fluctuations in exchange rates.

### Short-form announcement

This short-form announcement is the responsibility of the board of directors of Assore Limited and is a summarised version of the group's full announcement and as such, it does not contain full or complete details pertaining to its results. Any investment decisions by investors and/or shareholders should be made after taking into consideration the full announcement, which has been released on the JSE Stock Exchange News Service (SENS) and is available for viewing on the group's website www.assore.com. The full announcement is available for inspection, at no charge, at the registered office of Assore Limited, (15 Fricker Road, Illovo Boulevard, Johannesburg, 2196) from 09:00 to 16:00 on business days. Copies of the full announcement can be requested from the registered office by contacting the Company Secretary on +27 11 770 6800.



**Registered office:** Assore House, 15 Fricker Road, Illovo Boulevard, Johannesburg, 2196 **Company Secretary:** African Mining and Trust Company Limited **Transfer office:** Singular Systems Proprietary Limited, 28 Fort Street, Birnam, 2196
**Sponsor:** The Standard Bank of South Africa Limited

*Additional information available on* **www.assore.com**

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