ASSORE

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

RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

- **Outstanding safety** performance in the group
- **Headline earnings 5% lower**
- **Interim dividend** increased by 67% to R10 per share
- **Strong** commodity prices
- **Increased sales volumes** for all products

Financial highlights

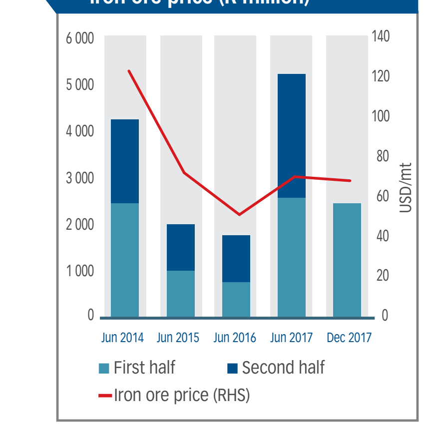
R'million (unless otherwise stated)	Half-year ended 31 December 2017 Unaudited	Half-year ended 31 December 2016 Unaudited	% increase/ (decrease)	Year ended 30 June 2017 Audited
Revenue	**3 841,6**	3 284,8	17	7 224,0
Profit after taxation, before joint venture and associates	**761,3**	837,2	(9)	1 888,9
Share of profit and loss from joint venture and associates, after taxation	**1 720,4**	1 411,7	22	3 249,4
Profit for the period	**2 481,7**	2 248,9	10	5 138,3
Attributable earnings	**2 454,4**	2 219,2	11	5 021,2
Headline earnings	**2 429,0**	2 545,1	(5)	5 209,0
Earnings per share (cents)	**2 379**	2 151	11	4 865
Headline earnings per share (cents)	**2 355**	2 467	(5)	5 047
Dividends per share in respect of profit for the year (cents)	**1 000**	600	67	1 400
Net asset value	**24 522,5**	20 632,2	19	22 625,0
Capital expenditure (joint venture, 100% basis Dwarsrivier and other)	**1 333,1**	1 191,9	12	2 958,0

Results

Headline earnings for the six months to 31 December 2017 (the current period) decreased by 4,6% to R2,4 billion, compared to the same period in the previous financial year (the previous period, or 2016). This decrease comprises higher headline earnings in Assmang Proprietary Limited (Assmang), which were 21,7% higher than 2016 but with lower headline earnings from the rest of the group's operations, which were 9,3% lower than 2016, at R701,8 million.

The markets for the group's commodities remained firm, with world economic growth for the 2017 calendar year (CY2017) estimated at 3,6%, while China's economy increased by 6,9% over the same period. These growth rates supported increased crude and stainless steel demand, with crude steel production for CY2017 5,3% higher than the previous year, at 1,691 million metric tonnes. Global production of stainless steel for CY2017 was at 5,6% above the previous year, with the increase in China recorded at 5,8%. These conditions led to prices that were generally slightly higher for the group's products, which are reflected in the table below:

Headline earnings versus iron ore price (R million)



Headline earnings and dividends declared (R million)

Average price, US dollar, delivered in China	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% increase/ (decrease)
Iron ore (62% iron content, "fines" grade per metric tonne)	**68**	65	5
Manganese ore (44% grade manganese content per dry metric tonne unit)	**6,30**	6,02	5
Chrome ore (44% chrome content material per metric tonne)	**195**	224	(13)

Even though demand for chrome ore remained healthy, prices over the current period were lower than 2016. This was mainly due to an abnormally high price spike exceeding US dollars (USD) 400 per metric tonne that occurred in 2016 as a result of extremely low chrome ore inventories as well as higher levels of stainless steel production in China. These inventories normalised to a level of 2,3 million tonnes for the current period, which brought about lower prices.

Environmental regulations imposed in China have resulted in strong demand for high-grade iron ores, including "lumpy" iron ore. The premium for "lumpy" material, was higher by nearly USD5 per metric tonne in the current period, compared to 2016. Over 50% of Assmang's iron ore is sold into the market as "lumpy" grade material.

Demand for manganese ore remained strong, driven by weaker than expected Chinese domestic production of manganese ore, increased production of crude steel and significantly higher Chinese electrolytic manganese metal (EMM) production. This resulted in an undersupplied market, thus providing support for strong but stable prices for both the high-grade (44% manganese content) and the lower-grade (37% manganese content) indices.

The alloy market remained tight as growth in supply was not sufficient to offset 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 as seen at the start of the 2017 calendar year.

The average level of the SA rand/US dollar exchange rate was 6% stronger across the current period, which offset the impacts of the improved US dollar selling prices and sales volumes to a limited extent.

Safety

The group continues to maintain and achieve exceptional safety records. In 2017, Assmang's operations received three safety awards at the annual Mine Safe conference, as arranged by the mining industry, Department of Mineral Resources (the DMR) and organised labour. Black Rock Manganese Mine was awarded first place for best safety performance in underground mines, while Beeshoek Iron Ore Mine (Beeshoek) achieved first place for best safety performance for base metal mines and second place for the best year-on-year safety improvement. Beeshoek was also the recipient of the best safety performance award from the DMR for achieving 16 000 fatality-free production shifts. On 16 January 2018, Black Rock Manganese Mine achieved 6 million fatality-free shifts.

Sales volumes

Increased sales volumes of iron ore were realised, in both the export and local markets. Sales volumes of manganese ore were well above the levels of the previous period, due to a combination of factors. The logistical issues at Port Elizabeth, which restricted sales volumes in the previous period, were mostly resolved by July 2017. In the current period, railage availability was also higher as a result of increased export capacity via Saldanha Port. This additional availability was met by increased production from Nchwaning II shaft at Assmang's Black Rock manganese mines. Production at Sakura Ferroalloys SDN BHD, Malaysia (Sakura), has reached and exceeded capacity, resulting in higher sales volumes of manganese alloys. Continued strong demand for chrome ore was evident across the period and improved production levels at Dwarsrivier enabled the group to achieve record sales volumes of chrome ore for a six-month period (refer "Dwarsrivier" below). The following table sets out the sales volumes achieved by the group for the current period:

Metric tonnes '000	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% increase
Iron ore	**9 130**	8 805	4
Manganese ore*	**1 556**	1 417	10
Manganese alloys	**162**	139	17
Chrome ore	**794**	733	8

*Excluding intra-group sales to Cato Ridge Works.

Dwarsrivier

Mining and beneficiation efficiency improved by 3,1% and 0,7% respectively compared to 2016. These efficiency improvements, together with labour productivity improvements resulted in an overall increase in production volumes of 7,2%. Inflationary increases were effectively countered by improved efficiencies and cost of production was marginally higher (0,1%) on a per-tonne basis. A new monthly production record was achieved in July 2017. Cash flow (before capital expenditure) was R990 million following record half-year sales volumes.

Outlook

World economic growth for the 2018 calendar year is forecast to be stronger than CY2017, at 3,7%. It is also expected that improved economic growth levels will be realised in all major areas in the world, and not merely in the East, as has been the case in recent years. As a result, strong demand for the group's products is anticipated in the short term and prices are expected to remain within relatively stable ranges. It is also expected that Chinese environmental policies should continue to support demand for the group's high-quality products.

For iron and manganese ores, the relatively higher current price levels may attract additional supply into these markets and depending on economic growth levels, may put pressure on price levels in the medium term.

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.

Directors: **Executive** Desmond Sacco (*Chairman*), CE Walters (*Chief Executive Officer*), RA Davies (*Finance*), PE Sacco (*Marketing*), BH van Aswegen (*Operations and Growth*) **Non-executive** EM Southey* (*Deputy Chairman and Lead Independent Director*), DN Aitken*,TN Mgoduso*, S Mhlarhi*, WF Urmson* *Independent
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Additional information available on:
www.assore.com

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