

Q2/2017

Investor Call Presentation

August 11, 2017



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Speakers from Afarak Group

- Guy Konsbruck, CEO
- Danko Konchar, COO
- Predrag Kovacevic, CFO
- Michael Lillja, Commercial Director

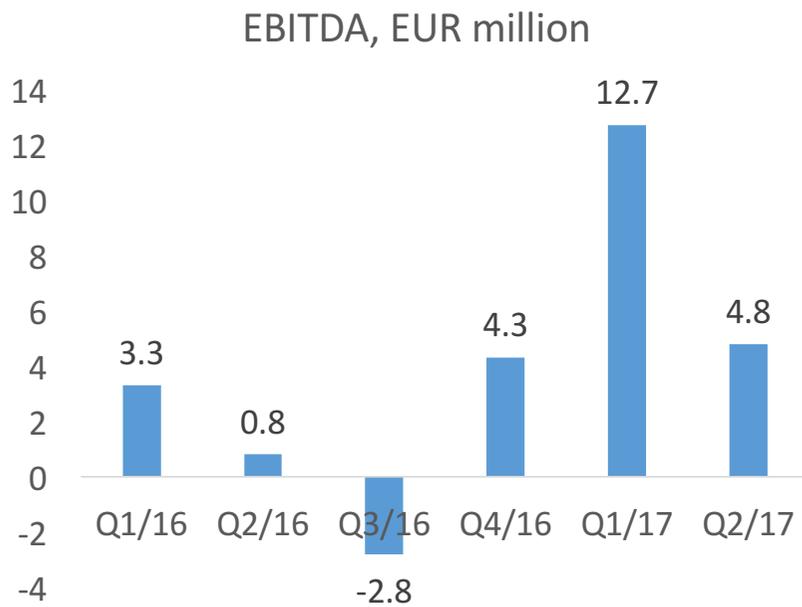


Agenda

- Overview
- Mining & Production Asset Overview
- Q2 results
- Market sentiment for Q3
- Q&A



Overview



- Afarak continued to achieve solid and robust results in 2017.
- In quarter two, we achieved another positive result with Group EBITDA, reaching EUR 4.8 million, up from EUR 0.8 million a year earlier.
- Ferrochrome prices, though lower than in quarter one, have had a positive impact on our results.
- This result was in line with the market sentiment we expressed in quarter one



Segment performance



Segments, Q2 2017

	Speciality Alloys	FerroAlloys
Production, mining (mt)	 Higher productivity at TMS, Turkey	 Increased activity at Stellite; higher yields from shaking tables and continuously improving mining at Mecklenburg
Production, processing (mt)	 Temporary stoppage at EWW, Germany to reduce piling of inventory	 Higher productivity at Mogale, South Africa
Financial Performance; Revenue, EBITDA, EBIT (EUR million)	 Y-o-Y comparatively higher selling prices, albeit notably below Q1 levels	 Y-o-Y Improved market conditions



Financial results



Results, Q2 2017

<i>€ million</i>	Q2 2017	Q2 2016	Y-o-Y	Comments
Revenue	47.4	39.5	↑	Higher revenue in both Speciality and FerroAlloys segments
EBITDA	4.8	0.8	↑	Significant increase, due to a better overall performance and Y-o-Y comparatively stronger market conditions. The prices and market demand, however, were below their Q1 levels
EBIT	3.3	-0.9	↑	
Profit	2.9	-1.0	↑	
Material mined (<i>tonnes</i>)	110,631	56,395	↑	
Material processed (<i>tonnes</i>)	26,100	27,631	↓	Decreased production volumes in the Speciality Alloys segment, due to a temporary closure of EWW plant in April



Financial indicators & balance sheet

	H1 2017	H1 2016	Comments
Return on Equity (ROE), %	6.4	-1.5	
Return on Capital Employed (ROCE), %	18.1	2.1	Significantly improved, due to strong performance in H1 2017
Equity ratio, %	68.2	65.7	
Gearing ratio, %	-2.8	-4.5	Strengthened as a result of increased cash position and debt reduction
Inventories, EUR million	51.8	50.1	Marginally increased
Trade receivables, EUR million	25.6	23.0	Increased due to higher revenues
Cash balance, EUR million	11.7	13.2	Improved working capital management and strong performance



Sentiment



Global market overview

	Demand – Q2/2017	Prices – Q2/2017	Outlook – Q3/2017	Outlook – Q4/2017
Stainless steel				
Ferrochrome				
Chrome ore				



The seasonally slower market, decreased ferrochrome prices and negative effects of exchange rate movements are expected to contribute to a lower performance compared to the second quarter results, though improved when compared to a year earlier



Sustainability



Health & Safety

- During quarter two 2017, there were 7 (Q2/2016:3) recordable injuries, of which 5 (Q2/2016:3) were lost-time injuries
- These injuries resulted in 167 (Q2/2016: 106) lost days due to injury, increasing the lost time injury frequency rate to 9.5 from 6.8 a year earlier
- Whereas Mogale worsened its performance, Stellite and TMS have improved their performance over a year earlier
- The LETSEMA programme in Mogale focused on Health & Safety and a new SHEQ Toolbox has been implemented



Environment

- At EWW we continued investing in the de-dusting system which will mitigate the release of dust from the plant
- Water management and conservation plays a key role in the Company's environmental strategy
- At the TMS mines in Turkey, the Company has continued to invest in press filter systems, which will allow for the recycling and reuse of water
- At Mogale in South Africa, work is underway on a storm water dam, which will harvest all rain water together with a water recycling process



Community investment

- Afarak also continued investing and supporting its corporate social responsibility programme in South Africa
- Throughout 2017, it continued with its commitment to support meals to 155 children
- Similar meal schemes are also run in conjunction with Magda Fourie at the Paardekraal and Millennium Primary schools
- Other projects focused on education and social assistance are also underway



Thank you.

