

Q3/2017

Investor Call Presentation

November 17, 2017



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Speakers from Afarak Group

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

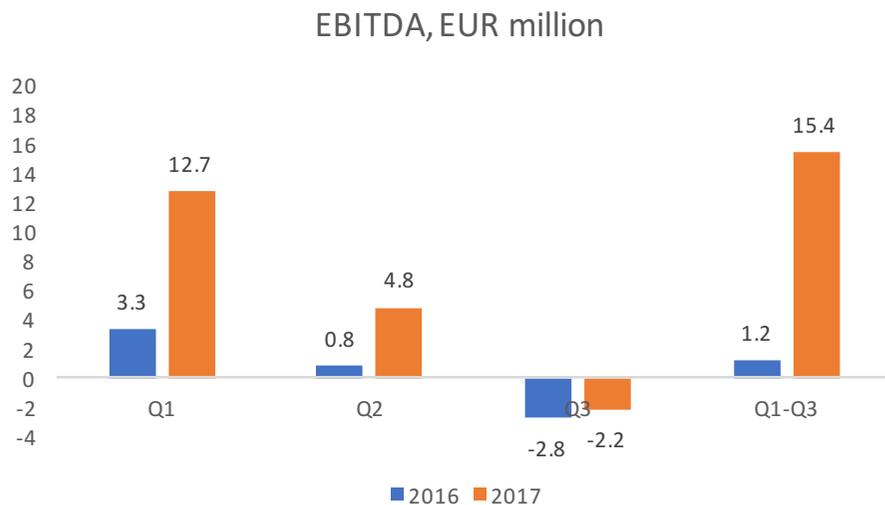


Agenda

- Overview
- Mining & Production Asset Overview
- Q3 results
- Sustainability
- Q&A



Resilient performance in Q3



- Despite the seasonal effects and specific circumstances, Afarak displayed resilience in Q3
- In quarter three, Group EBITDA, stood at EUR -2.2 million, up from EUR -2.8 million a year earlier
- Ferrochrome prices, though lower than in quarter two, and strong market demand had a positive impact on our results
- This result was in line with the market sentiment we expressed in quarter two



Segment performance



Segments, Q3 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)	 Shorter shutdown period in EWW due to increased demand for its products	 Higher productivity at Mogale, South Africa
Financial Performance; Revenue, EBITDA, EBIT (EUR million)	 Increased performance due to higher sales volumes	 Despite revenue increasing, profitability was negatively affected by longer shutdown period at Mogale, higher cost of production and impairments



Financial results



Results, Q3 2017

<i>€ million</i>	Q3 2017	Q3 2016	Y-o-Y	Comments
Revenue	44.2	28.9	⬆️	Higher sales volumes and prices in both Speciality and FerroAlloys segments
EBITDA	-2.2	-2.8	⬆️	Improvement due to improved market conditions, though higher costs of production in line with seasonal effects and a sharp increase in cost of raw materials negatively affected profitability
EBIT	-4.2	-4.5	⬆️	
Profit	-3.9	-3.2	⬇️	
Material mined (<i>tons</i>)	153,285	63,977	⬆️	Increased activity at Stellite, higher yields from shaking tables and opencast mining at Mecklenburg
Material processed (<i>tons</i>)	22,829	18,489	⬆️	Increased production volumes in the Speciality Alloys segment, due to a shorter shutdown at EWW plant on account of higher demand for our products



Financial indicators & balance sheet

	Q1-Q3 2017	Q1-Q3 2016	Comments
Return on Equity (ROE), %	1.4	-3.5	Significantly improved, due to strong performance during 2017
Return on Capital Employed (ROCE), %	8.1	-1.3	
Equity ratio, %	64.4	66.2	
Gearing ratio, %	-1.3	0.4	Improved on account of a stronger cash balance
Inventories, EUR million	43.7	55.7	Higher demand and improved working capital management
Trade receivables, EUR million	37.0	19.4	Increased due to higher revenues
Cash balance, EUR million	13.6	7.0	Improved working capital management and strong performance



Sustainability



Health & Safety

- During quarter three 2017, there were 20 (Q3/2016:6) recordable injuries, of which 7 (Q3/2016:3) were lost-time injuries
- These injuries resulted in 169 (Q2/2016: 62) lost days due to injury, increasing the lost time injury frequency rate to 12.3, from 6.9 a year earlier
- Whereas TMS in Turkey underperformed, Stellite and Mogale 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

- 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 invested substantially in the Magakala Community in the areas of Sefara and Madifahlane in South Africa
- Afarak invested in the purchase and installation of 10 water tanks with a capacity of 10,000 litres each
- This project also supported local entrepreneurship and local companies were entrusted with the installation and commissioning of the tanks
- Afarak Group continues to support the Magakala Community in various other ways including educational and training initiatives



Thank you.



A F A R A K
THE SPECIALIST ALLOY PRODUCER