UNAUDITED CONSOLIDATED CONDENSED FINANCIAL RESULS FOR THE SIX MONTHS ENDED 31 AUGUST 2015 AND INTERIM DIVIDEND DECLARATION

Insimbi Refractory and Alloy Supplies Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2002/029821/06)
Share code: ISB ISIN: ZAE000116828
("Insimbi" or "the company" or "the group")

Insimbi (JSE:ISB), the supplier of high grade specialised raw materials to the steel, stainless steel, cement, paper, refractory, castings and other industries, announces its unaudited consolidated condensed financial results for the six months ended 31 August 2015 and declares its interim dividend. These interim results have not been audited or reviewed.

Highlights

When compared to the 6 months ended 31 August 2014:

⇒ **Revenue** increased by **7.5% to R493 million**.
⇒ **Gross profit** increased by **20.1% to R59.8 million**
⇒ **Finance costs** decreased by **26.2 % to R3.5 million**
⇒ **Earnings per share ("EPS")** is up by **73.7% to 5.94 cents per share**
⇒ **Headline Earnings per share ("HEPS")** is up by **73.3% to 5.91 cents per share**
⇒ **Cash generated by operations** improved by **R35.9 million from R10.6 million** utilised to **R25.3 million** generated
⇒ **Net asset value ("NAV")** and tangible NAV increased by **20.5% and 20.1% to 59.3 cents** per share ("cps") and **55.2** cps respectively
⇒ **Insimbi** acquired a **75% shareholding** in Polydrum (Pty) Ltd
⇒ **Insimbi** acquired the property **360 Crocker Road**, Wadeville
⇒ The group has declared a **gross interim dividend of 2.00 cents** per share for the period ending 31 August 2015
⇒ Trading and **operational outlook** for the remainder of the financial year is **positive**

CEO of Insimbi, Pieter Schutte, commented:

"In challenging global markets, Insimbi has been pragmatic in positioning itself, notably in the Foundry and refractory segments, to achieve increasing profit and return for shareholders, seen in our increase in revenue of 7.5% for the period. Our reliance on the beleaguered steel sector has reduced considerably and we have effectively reached a level of sustainability.

"Furthermore, we have continued to optimise efficiency in all of our divisions, especially at our secondary aluminium smelters as we seek to define new markets for our aluminium products. Before year end, we will have commissioned an upgraded smelting facility at our Johannesburg operation.

"The Company also looks to expand on not only our core segments but also in our Nano Milling paint based products, with the appointment of an experienced quality technician, as well as the plastics segment with the acquisition of Polydrum (Pty) Ltd which has provided additional cash flow to our increasing revenues.

"As our focus moving forward remains on the businesses fundamental resilience by reducing working capital and operational costs as well as strengthening our relationship with current suppliers, management will also be looking at ways to expand on current incremental profit and I look forward to updating the market on further opportunities in the future."

Operational Overview

The Foundry segment has performed well generally and despite continued competition both locally and from abroad, it achieved revenue of R366.8 million, a 4.5% or R15.7 million increase on the previous period under review. This segment is traditionally a "barometer" of how well the economy is doing and it appears to have reached a comfortable level of sustainability. A change in product mix coupled with a weaker currency, has helped lift margins.

The two secondary aluminium smelters which forms part of this segment have been operating much more efficiently although they have been faced with a lower order book as a result of the challenges facing the steel industry. We are actively looking for other markets for our range of aluminium products and with a weaker currency, there are opportunities in the export market but raw material, energy and logistic costs remain a challenge when competing with overseas producers. We are in the process of commissioning a more modern and efficient smelting facility at our Johannesburg operation and we are confident that this will improve our operational efficiencies and recoveries to the degree necessary to enable us to export competitively. This upgraded facility should be operational by no later than the end of November 2015.

The Steel segment continues to be faced with many challenges including cheap imports and erratic power supply. During the period under review, Evraz Highveld Steel and Vanadium Ltd ("Evraz") went into business rescue, they along with Arcelor Mittal South Africa Limited and SCAW Metals have been very public about the need for intervention in curbing the cheap imports from overseas, especially China. In September, ITAC announced a 10% import duty on certain grades of locally produced steel and we are confident that this will assist the ailing steel industry to recover in time. There has been application for this duty to extend to a broader range of locally produced steel products and we wait in anticipation for further relief to be legislated. Evraz is in the final stages of the business rescue process and a potential buyer has been identified. Evraz is a strategic employer and producer in Mpumulanga and we hope that this transaction is finalised as soon as possible, despite the write downs which many concurrent creditors, including ourselves, have to provide for. Revenues in this segment continued to decline in the period under review and it achieved sales of only R58.9 million compared to R66.3 million in the previous comparable period, a reduction of 11.1% or R7.4 million. Insimbi's reliance on the steel sector has reduced significantly over the years and while this is strategically prudent, we look forward to the resurgence of this sector in the hopefully, not too distant future.

The refractory segment has seen significant growth in the current financial interim period and achieved revenues of R64.6 million compared to R41.5 million in the previous year, an increase of 55.7% or R23.1 million. This has always been an extremely cyclical business sector and history has taught us that it generally is opposite to that of the steel sector i.e. when steel is in decline, cement is showing growth and this helps to "flatten the curve" in difficult economic times. We have been able to achieve this growth due to the high quality of refractory products we supply combined with an extensive and highly regarded service offering. The weaker currency against the Euro has also enabled us to increase our revenue.

Insimbi Nano Milling paint based products continue to be expanded but it has been a challenge to produce a consistent quality product. To remedy this, we have appointed an experienced laboratory and quality technician who now oversees the quality control procedures and we remain confident that they will support our marketing team and that our reputation in this new target market and product range, will continue to grow. There are significant growth opportunities for Insimbi in this field and we hope to capitalise on our technology and investment in this operation.

Our entry into the plastics segment with the acquisition of Polydrum (Pty) Ltd effective 1 August 2015 is an exciting opportunity for the group and while we have no comparatives at this early stage, it is very promising to note revenues of R2.9 million and gross profit of R1.1 million in the first month of ownership and we look forward to growing this business significantly in the remainder of the financial year and the future. It is a high margin business and it will hopefully have a positive impact on the group's consolidated margin.

Financial Overview

Group revenue for the period is R493.2 million, an increase of 7.5% or R34.3 million on the comparative period ended 31 August 2014. The improved sales performance is a result of generally improved trading conditions locally in all sectors(with the exception of the steel industry), growth in exports, less industrial action disruption than in the previous year and the stimulus of a weaker currency against in particular, the US Dollar and the Euro.

The export market continues to see decent growth and we are especially satisfied with our penetration into the regional markets including West Africa. Gross profit from continuing operations is R59.8 million, an increase of 20.1% or R10.0 million on the R49.8 million achieved for the period ended 31 August 2014. Overall margins have improved due to the weaker exchange rate and continued decline in the steel sector which is traditionally a high volume, low margin segment. The group's diversity has yet again proven to be a successful strategy in difficult markets and despite the importance of the steel sector to our business, now and in the future, the interim results is clear evidence that Insimbi is not disproportionately reliant on any one of its target segments alone. This has enabled us to not only defend our market share against local and foreign competition but in fact enable us to show revenue and profit growth.

Group operating profit has increased by 32.3% compared to the previous comparative period ending 31 August 2014.

Group operating costs have increased by 14.2% on the previous period BUT approximately R3.0 million of the R38.3 million, are non recurring costs relating to:

- The restructuring and transfer of the Groups' banking facilities from Nedbank to First National Bank effective 1 March 2015
- The acquisition and legal costs associated with the acquisition of Polydrum (Pty) Ltd effective 1 August 2015
- The increase in doubtful debt provision to accommodate the Evraz Ltd business rescue proceedings

If these costs are excluded, the operating costs have increased by only 5.2% when compared to the same period in the previous year which is within our target and CPIX.

Group finance costs are 26% lower due to an improved foreign exchange loss of only R17 000 when compared to R1.3 million in the corresponding period last year. Actual interest incurred is R3.4 million for the period under review which is the same as incurred in the comparable period in the previous year.

Consolidated profit before taxation is R18.2 million compared to R11.9 million, an increase of 53.3% on the corresponding period ended 31 August 2014.

Other financial assets, which represents foreign exchange contracts, has increased from R0.6 million in August 2014 to R2.3 million in August 2015. This is due to the weakening of the Rand against major currencies.

Insimbi achieved group EPS of 5.94 and HEPS of 5.91 cents per share respectively compared to 3.42 and 3.41 cents per share in the previous comparative period. This equates to an increase of 73.5% and 73.2% in EPS and HEPS respectively.

Working capital management and cash flow have been a key focus area for Insimbi and we have responded to changing market conditions effectively. Stocks and debtors have been particularly well managed, given the increased revenues, and decreased by R4.6 million and R12.2 million respectively compared to 31 August 2014. Trade payables declined by R16.9 million. Cash on hand reduced to R11.2 million from R18.5 million during the same period in 2013 and as a result of the migration from Nedbank to First National Bank, the group has utilised only R19.8 million of a consolidated R71.5 million overdraft facility at 31 August 2015.

Prospects

It seems that every year we make mention of the challenging economic conditions facing businesses in South Africa and yet Insimbi continues to not only survive but flourish and we continue to seek and find opportunities that help us grow. This year is proving to be no different and while businesses are still faced with significant challenges, the board and management of Insimbi are optimistic that as in previous years, opportunities will continue to present themselves and that we will be able to take advantage of them for the benefit of all our stakeholders.

We remain confident that our government will react positively and promptly to ensure that our strategic South African assets, particularly in the steel and resource sectors, are given the opportunity to stabilise in the short term and return to operational and economic viability in the medium term. This confidence is supported by the recent implementation on import duties on certain grades of steel being imported into South Africa. A similar request for import tariffs on certain aluminium products has recently been made by Hulamin Limited. We hope that these initiatives bring the stimulus these industries require as it will benefit not only those industries directly, but all their suppliers and other stakeholders. Insimbi is one of them.

The foundry segment has shown tremendous resilience over the past few years and while many foundries have closed, those that have not have grown stronger, more efficient and are becoming even more resilient. The foundry segment is very much part of our core business and we will continue to service this segment with the recognition it deserves.
The refractory segment is another core segment and, like the foundry segment, has proven it's resilience over the past decade. Recently, the cement players in this segment have been successful in getting ITAC to implement import tariffs on cheap cement which has, for a long time, been imported into South Africa at the cost of our local industry. The impact has not filtered through yet but we are optimistic that when it does, Insimbi will be ready to meet the increased demands made on us by the cement industry.

As mentioned earlier, the secondary aluminium smelters are running optimally and our investment in new furnace technology will hopefully improve our recoveries. The commissioning of this upgraded plant is imminent. Scrap supplies have become much more consistent with respect to both quality and price, this can in part, be attributed to the ITAC regulation implemented in 2013/4 which monitors and regulates the issuing of export permits to the waste metals industry.

We have said many times before, that Insimbi services mature industry segments in South Africa and these industries have not become “mature” without being resilient and successful over time and through the various cycles that any economy faces. This is our core business and it has proven its mettle over many decades and we continue to look for organic growth by adding new products and services to our existing basket.

We remain optimistic about the future of Insimbi and we will continue to look for sensible and profitable acquisitions to supplement our diverse and growing group.

Changes to the Board of Directors

Mr. Daniel O’Connor retired as chairman and non-executive director of Insimbi at the Annual General Meeting (“AGM”) which was held on 25 June 2015. Mrs Lerato Okeyo was appointed as independent chairman of the Board effective the same day. Mrs Cleopatra Shiceka was appointed as non-executive director to the board on 7 July 2015 as well as chairman of the Audit and Risk Committee.

Dividend Declaration

An interim gross dividend of 2.0 cents per share has been declared on 29 September 2015. There are 260 000 000 ordinary shares in issue at announcement date, of which 23 929 748 are held in treasury and the total dividend amount payable is R 4 721 405 (2014: R3 622 482).

This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax (DT) rate is 15%. The net amount payable to shareholders who are not exempt from DT is 1.7 cents per share, while it is 2 cents per share to those shareholders who are exempt from DT. The income tax reference number of the company is 9078488153.

The salient dates applicable to the interim dividend are as follows:

Last day to trade cum dividend	16 October 2015
First day to trade ex dividend	19 October 2015
Record date	23 October 2015
Payment date	26 October 2015

No share certificates will be dematerialised or rematerialised between Monday, 19 October 2015 and Friday, 23 October 2015, both days inclusive.

Shares repurchased by a subsidiary since the year end and held in treasury amounted to 340 000 (2014: 1 437 000), which brings the total number of treasury shares to 23 929 748 (2014: 22 919 943).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unaudited as at 31 August 2015	Unaudited as at 31 August 2014	Audited as at 28 February 2015
Assets			
Non-current assets			
Property, plant and equipment	111 286	77 147	78 146
Goodwill	44 560	35 638	35 638
Intangible assets	9 523	7 585	8 414
Deferred taxation	12 228	12 047	12 228
	177 597	**132 417**	**134 426**
Current assets			
Inventories	83 439	88 055	86 454
Trade and other receivables	112 913	125 122	132 356
Other financial assets	2 347	599	1 137
Taxation receivable	-	-	303
Cash and cash equivalents	11 176	18 468	27 899
	209 875	**232 244**	**248 149**
Total assets	**387 472**	**364 661**	**382 575**
Equity and liabilities			
Equity			
Share capital	44 442	44 442	44 442
Reserves	21 503	21 657	21 503
Retained income	89 509	66 133	81 492
Non-controlling interest	(1 584)	(1 195)	(1 508)
Treasury shares	(15 035)	(14 295)	(14 766)
	138 835	**116 742**	**131 163**
Liabilities			
Non-current liabilities			
Other financial liabilities	37 870	19 041	14 022
Shareholders loans	4 606	-	-

Deferred taxation	18 638	16 554	13 592
	61 114	**35 595**	**27 614**
Current liabilities			
Other financial liabilities	27 559	52 977	58 095
Bank overdraft	19 808	-	153
Current tax payable	1 939	288	4 677
Redeemable preference shares	-	3 999	-
Trade payables and accruals	138 217	155 060	160 873
	187 523	**212 324**	**223 798**
Total liabilities	**248 637**	**247 919**	**251 412**
Total equity and liabilities	**387 472**	**364 661**	**382 575**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unaudited as at 31 August 2015	Unaudited as at 31 August 2014	Audited as at 28 February 2015
Revenue	493 214	458 981	958 016
Cost of sales	(433 447)	(409 214)	(846 114)
Gross profit	59 767	49 767	111 902
Other income	243	198	1 246
Operating expenses	(38 306)	(33 553)	(72 926)
Operating profit	21 704	16 412	40 222
Investment income	29	219	251
Finance costs	(3 499)	(4 739)	(7 026)
Profit before taxation	18 234	11 892	33 447
Taxation	(4 207)	(3 766)	(7 666)
Profit for the year	14 027	8 126	25 781
Profit attributable to:			
Owners of the parent	13 924	8 120	26 094
Non-controlling interest	103	6	(313)
	14 027	8 126	25 781
Other comprehensive income for the year			
Items that will be reclassified to profit and loss:			
Exchange differences on translating foreign entities	-	-	(154)
Items that will not be reclassified to profit and loss:			
Gain on property revaluation	-	-	-
Taxation related to components of other comprehensive income that will not be reclassified	-	-	
Other comprehensive income for the year net of taxation	-	-	(154)

Total comprehensive income for the year	14 027	8 126	25 627
Total comprehensive income attributable to:			
Owners of the parent	13 924	8 120	25 940
Non-controlling interest	103	6	(313)
	14 027	8 126	25 627
Basic and fully diluted earnings per share			
From continuing operations	5.94	3.42	10.88
From discontinuing operations	-	-	-
From profit for the year	5.94	3.42	10.88

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share Capital	Share premium	Treasury Shares	Foreign Currency Translation Reserves	Revaluation reserve	Distributable Reserve	Non controlling interest	Total Equity
Balance at 31 August 2014 (Unaudited)	-	44 442	(14 295)	154	21 503	66 133	(1 195)	116 742
Total comprehensive income				(154)		18 981	(313)	18 514
Share-based payments								-
Dividend paid						(3 622)		(3 622)
Net movement in treasury shares			(471)					(471)
Balance at 28 February 2015 (audited)	-	44 442	(14 766)	-	21 503	81 492	(1 508)	131 163
Business combination							(179)	(179)
Total comprehensive income						13 924	103	14 027
Dividend paid						(5 907)		(5 907)
Net movement in treasury shares			(269)					(269)
Balance at 31 August 2015 (Unaudited)	-	44 442	(15 035)	-	21 503	89 509	(1 584)	138 835

* Share capital is equal to 246 700 013 shares at 0.000025 cents each = R62

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unaudited as at 31 August 2015	Unaudited as at 31 August 2014	Audited as at 28 February 2015
Cash flow from operating activities			
Cash generated from operations	25 261	(10 634)	17 288
Investment income	28	219	251
Finance costs	(3 640)	(3 544)	(7 167)
Tax paid	(6 641)	(2 166)	(4 381)
Net cash flow from operating activities	15 008	(16 125)	5 991
Cash flow from investing activities			
Purchase of property, plant and equipment	(21 855)	(2 208)	(4 682)
Proceeds on disposal of property, plant and equipment	552	-	217
Purchase of other intangible assets	(1 068)	(1 069)	(1 757)
Acquisition of subsidiary, net of cash acquired	(8 289)	-	-
Net cash utilised from investing activities	(30 660)	(3 277)	(6 222)
Cash flow from financing activities			
Other financial liabilities advanced	39 394		
Other financial liabilities repaid	(57 945)	(1 471)	(4 042)
Settlement of preference share liability	-	-	(3 999)
Loans from directors	-	629	-
Loans from shareholders	3 977	-	-
Dividends paid	(5 907)	(7 053)	(9 663)
Repurchase of treasury shares	(269)	(856)	(1 327)
Net cash outflow from financing activities	(20 750)	(8 751)	(19 031)
Net movement in cash for the period/year	(36 402)	(28 153)	(19 262)
Exchange gains/(losses) on cash	24	-	346
Cash and cash equivalents at the beginning of the period/year	27 746	46 641	46 662
Cash and cash equivalents at the end of the period/year	(8 632)	18 488	27 746

CONDENSED SEGMENT REPORT

R'000	Unaudited as at Aug-15	Unaudited as at Aug-14	Audited as at Feb-15
Revenue by segment			
Foundry	366 796	351 131	729 205
Steel	58 988	66 346	134 952
Refractory	64 585	41 504	93 859
Plastics	2 845	-	-
	493 214	458 981	958 016
Gross profit by segment			
Foundry	43 887	35 907	85 072
Steel	6 966	9 424	19 275
Refractory	7 791	4 436	7 554
Plastics	1 123	-	-
	59 767	49 767	111 902
Operating profit by segment			
Foundry	10 091	6 939	26 059
Steel	5 240	7 124	10 670
Refractory	5 608	2 349	3 495
Plastics	522	-	-
	21 461	16 412	40 224

OTHER GROUP SALIENT FEATURES

Basic attributable earnings per share is determined by dividing profit attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares outstanding during the year.

Where there is a discontinued operation earnings per share is determined for both continuing and discontinued operations

Basic earnings (loss) per share	Unaudited as at 31 August 2015	Unaudited as at 31 August 2014	Audited as at 28 February 2015
From continuing operations (cents per share)	5.94	3.42	10.88
	5.94	3.42	10.88
Number of shares in issue at the end of the period/year ('000)	260 000	260 000	260 000
Less: weighted number of treasury shares held in ('000)	(23 755)	(22 614)	(22 982)
a subsidiary at the end of the year			
	236 245	237 386	237 018
Profit attributable to owners of the parent (R'000)	14 027	8 120	25 781
Adjusted for (profit)/loss on sale of property, plant and equipment (R'000)	(55)	(16)	941
Headline earnings for the group (R'000)	13 972	8 104	26 722
Basic and fully diluted headline earnings per share (cents)	5.91	3.41	11.27
Dividends per share	2.50	2.94	1.53
Net asset value per share (cents)	59.26	49.18	55.34
Tangible net asset value per share (cents)	55.23	45.98	51.79
Depreciation	4 122	3 069	6 312
Capital expenditure	21 855	2 212	4 682

Accounting policies

The condensed consolidated financial statements for the interim period ended 31 August 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS), IAS 34, the AC 500 series of accounting standards, JSE listing Requirements and the Companies Act of South Africa, and prepared under the supervision of the Commercial and Financial Director, Frederick Botha CA (SA). The accounting policies are consistent with those applied in the annual financial statements for the previous reporting period, being 28 February 2015.

Contingencies

The company does not have any material contingencies.

Post balance sheet event

No material fact or circumstance existed post balance sheet date that affects the results being reported.

Approval:

L. Y. Okeyo	P. Schutte
Chairman	Chief Executive Officer
29 September 2015	

Registered office: Stand 359 Crocker Road, Wadeville, Germiston, 1422

Company Secretary: Kristell Holtzhausen

Directors: CF Botha, F Botha (Commercial and Financial Director), EP Liechti, GS Mahlati*, LY Okeyo*, C Shiceka*, PJ Schutte (Chief Executive Officer)
*non-executive

Sponsor: Bridge Capital Advisors (Proprietary) Limited

Transfer Secretaries: Computershare Investor Services (Proprietary) Limited