

INSIMBI REFRACTORY AND ALLOY SUPPLIES LTD
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB
ISIN code: ZAE000116828

Insimbi Refractory and Alloy Supplies Limited

("Insimbi" or "the Company" or "the Group")

**UNREVIEWED CONDENSED CONSOLIDATED FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2017 AND INTERIM DIVIDEND DECLARATION**

Insimbi (JSE:ISB) is a group of companies that together provide resource-based supplies to a diversified range of industrial customers. Insimbi offers ferrous and non-ferrous alloys; refractory and foundry materials; plastic blow and rotomoulding production; and alloy recycling processes to national, regional and international markets. The core business expertise is the ability to source and provide local, regional and global industrial consumers with the required commodity over the four distinct segments. The Company herewith announces its unreviewed condensed consolidated financial results for the six months ended 31 August 2017, and declares an interim dividend of 3.00 cents per share.

Key Financial Highlights: When compared to the 6 months ended 31 August 2016:

- Revenue increased by 247% to R1,7 billion
- Gross profit increased by 162% to R179,8 million
- EBITDA increased by 273% to R91,3 million
- EPS increased by 142% to 11,97 cents per share
- HEPS increased by 150% to 11,95 cents per share
- Cash generated by operations increased by R93,5 million (401%) to R116,8 million compared to R23,3 million in comparable interim period ended August 2016
- NAV and tangible NAV increased by 33% and 38% to 87,17 cents per share and 84.30 cents per share respectively
- Finance costs increased by 150% to R16,4 million
- The Group has declared a gross interim dividend of 3 cents per share for the period ended 31 August 2017
- Trading and operational outlook for the remainder of the financial year is positive

CEO of Insimbi, Fred Botha, commented:

"Start by doing what is necessary; then do what's possible; and suddenly you are doing the impossible"

- Saint Francis of Assisi.

In what will be my first report as CEO of Insimbi Refractory and Alloy Supplies Limited ("Insimbi") I would like to turn things around a little, by starting with the gratitude element of the report. I would like to express my gratitude first of all to the team at Insimbi who have assisted in making my transition to Chief Executive Officer ("CEO") effortless. The team is expanding given the acquisitions made and the integration thereof has been seamless. We are all striving to achieve the impossible and it is only possible if we work as a team. To our suppliers and customers who play such a critical role in

our success – we look forward to nurturing long and mutually beneficial relationships. The board have played their role in creating a strategic environment in order for the executive to achieve the goals set and stretch the boundaries of what is possible. The board and executive team are positioning Insimbi to achieve even higher goals than those already reached and this provides us with the mechanism to deliver on the expectations of our loyal stakeholder base.

What started many years ago as a journey of growing a business in the refractory and alloys industry has resulted in an Insimbi that today is a diversified business in terms of industry, client base, presence and revenue. This augurs well for the future and we are well positioned to take advantage of opportunities as and when they arise. It is our intention to achieve at least a level 4 rating, on the B-BBEE Amended Codes of Good Practice at all our operations, by the end of 2018 and we are well positioned to achieve this.

The first half of FY18 has been satisfactory and in particular, the second quarter, was outstanding. The conclusion of the Amalgamated Metal Group Holdings (“AMGH”) transaction at the end of last year is now contributing positively to all aspects of the business. In the final results for 2017, we were only able to include two months of the AMGH trading in Insimbi’s consolidated results. We are happy to confirm that this business has met and exceeded our expectations as at the time of making the acquisition. The integration has been seamless and the synergies are being exploited beyond anticipation. From a commercial perspective, the AMGH transaction was concluded when Copper was at \$4400pmt while it is approximately \$6600pmt at the time of writing. Aluminium, chrome and iron ore prices have shown a significant upward trend since the last Insimbi report and seem to be recovering on the back of strong global demand.

Operational Overview

AMGH volumes are up over 10% on the previous year and this, complemented by the increased metal prices, has resulted in an exceptional 6 months.

Despite a rather lacklustre first quarter, Insimbi Alloy Supplies (“IAS”) has exceeded the comparative period last year after a very strong second quarter. Stock levels are consistently better and a renewed enthusiasm within this operation is clearly evident. The steel industry is showing signs of improvement whilst the ferrous and non-ferrous segments are showing significant growth.

The refractory operations are performing well although revenues are down as a result of the loss of volume but margins are trending higher. The synergies between the secondary aluminium smelters at Insimbi Aluminium Alloys (“IAA”) and Metlite Alloys (“ML”) and AMGH are becoming evident and the management teams are working effectively to benefit the Group.

The plastics business has shown an improved performance year on year and we have increased the footprint of this segment by expanding the manufacturing facility to include Kwa-Zulu Natal at present and will soon be established in the Western Cape. The plastics product range has expanded as well and we are slowly penetrating the rain-water harvesting market.

Financial Overview

Group revenue for the period is R1.67 billion, an increase of 247% or R1.19 billion on the comparative period ended 31 August 2016. The increase in revenue is mainly attributable to the successful acquisition of AMGH, as well as an increase of around 11% in the revenue of the traditional pre-acquisition group of companies. As a result of the lower margins in AMGH, overall gross margins have decreased from 14% to 11% but gross profit has increased by 162% from R68.6 million to R179.8 million, an increase of R111.2 million for the 6 months ended August 2017.

Group operating profit has increased by 289% to R77.3 million compared to R19.9 million in the comparative period last year.

Group operating costs have increased by R56.2 million from R49.6 million to R105.9 million when compared with the period ended August 2016, R51 million as a result of operational costs associated with the acquisition of AMGH for the period under review. Operating costs in the pre AMGH acquisition group have increased by R5.3 million and are mainly attributable to an increase in salaries and wages. All companies within the Group are committed to cutting operating costs where possible.

Group finance costs for the period have increased from R6.6 million to R16.4 million, an increase of R9.8 million, due to:

- Interest on pre-acquisition funding of R6 million
- Interest on the funding of the AMGH acquisition of R10.4 million

Insimbi achieved Group EPS of 11.97 and HEPS of 11.95 cents per share respectively compared to 4.94 and 4.78 cents per share in the previous comparative period. This equates to an increase of 142% and 150% in respect of EPS and HEPS respectively.

Net cash flow from operating activities increased from R15.3 million to R88.6 million, of which R30 million is attributable to an improvement in the net working capital of the Group. Borrowings were reduced significantly by R95.1 million in the 6 months ended 30 August 2017 and this has resulted in a net cash decrease of R19 million to R8.0 million net overdraft from R11 million cash on hand in the comparative period. Utilisation of the Group's R111.5 million overdraft facilities was only R8.0 million as at 31 August 2017.

Prospects

Insimbi is well positioned for the future. Diversified products, revenue, client base and geographic location allow us to pursue our goals with the required vigour and energy. The expansion of the Atlantis, Cape Town, site to include the plastics blow-moulding and rotomoulding facilities has been completed and we will commence production in the third quarter. This follows a successful implementation of the strategy earlier in the year at our site in Durban. This will allow us to penetrate these markets cost effectively with a superior product from world class facilities.

Expansion of the AMGH metal recycling footprint into KZN and Western Cape is a key focus and inroads are already being made to achieve this.

Major inroads have been made regarding our ambition to produce ultra-low carbon alumino-thermic ferrochrome which will increase production volumes of aluminium in existing plants and provide us with a high value beneficiated chrome product for the local and export market. We are under cautionary with another transformative transaction being explored, which we hope to conclude in this financial year. We believe this transaction will be value accretive and bring further diversification and value added opportunities to Insimbi.

We are continuously looking at how we are able to achieve the impossible and as such we are focusing on exploiting underperforming assets, maximising synergies and ensuring appropriate cost management across all the business segments.

We believe that the Group is well positioned to continue to deliver on the promise reflected in the above results.

Dividend Declaration

An interim gross dividend of 3 cents per share has been declared on 21 September 2017. There are 410 000 000 ordinary shares in issue at announcement date, of which 494 033 are held in treasury and do not participate in dividends, 22 968 015 shares are held by the ESOP's and are participating in terms of the dividend policy. The total dividend amount payable is R12 285 179 (2016: R3 898 612).

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 20%. The net amount payable to shareholders who are not exempt from DT is 2.4 cents per share, while it is 3 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	Tuesday, 31 October 2017
First day to trade ex dividend	Wednesday, 1 November 2017
Record date	Friday, 3 November 2017
Payment date	Monday, 6 November 2017

No share certificates will be dematerialised or rematerialised between Wednesday 1 November 2017 and Friday, 3 November 2017, both days inclusive.

Shares repurchased by a subsidiary since the year end and held in treasury amounted to 356 313 (2016: 92 500), which brings the total number of treasury shares to 23 462 048 (2016: 22 970 515).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unreviewed as at 31 August 2017 R'000	Unreviewed as at 31 August 2016 R'000	Audited as at 28 February 2017 R'000
Assets			
Non-current assets			
Property, plant and equipment	236 526	118 087	239 095
Goodwill	101 591	44 560	101 591
Intangible assets	11 756	10 613	11 836
Investments in joint ventures	1 190	–	670
Deferred taxation asset	6 892	9 288	7 609
	357 955	182 548	360 801
Current assets			
Inventories	149 187	97 671	152 546
Trade and other receivables	292 594	118 380	275 792
Derivative financial assets – at fair value	1 138	1 766	–
Current taxation receivable	–	–	3 166
Cash and cash resources	25 629	18 412	29 848
	468 548	236 229	461 352
Total assets	826 503	418 777	822 153
Equity and liabilities			
Equity			
Share capital	190 704	47 230	190 704
Treasury shares	(18 580)	(16 947)	(18 215)
Reserves	21 503	21 503	21 503
Share based payment reserve	1 634	597	980
Retained earnings	162 251	106 042	116 579
Non-controlling interest	(124)	(2 728)	(258)
	357 388	155 697	311 293
Liabilities			
Non-current liabilities			
Loans from shareholders	1 630	3 364	2 491
Other financial liabilities	172 611	45 934	210 811
Deferred taxation	26 082	13 607	26 083
	200 323	62 905	239 385
Current liabilities			
Other financial liabilities – through profit or loss	29 427	59 333	74 214
Other financial liabilities – at fair value	–	–	2 823
Current taxation payable	–	1 288	–
Trade and other payables	205 714	132 455	162 111
Bank overdraft	33 649	7 099	32 327
	268 791	200 175	271 475
Total liabilities	469 114	263 080	510 860
Total equity and liabilities	826 503	418 777	822 153

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unreviewed as at 31 August 2017 R'000	Unreviewed as at 31 August 2016 R'000	Audited as at 28 February 2017 R'000
Revenue	1 666 368	480 312	1 342 526
Cost of sales	(1 486 617)	(411 746)	(1 156 693)
Gross profit	179 751	68 566	185 833
Other income	3 370	940	1 349
Operating expenses	(105 860)	(49 645)	(132 749)
Operating profit	77 261	19 861	54 433
Investment revenue	162	17	266
Income from equity accounted investments	1 282	–	543
Finance cost	(16 408)	(6 566)	(16 355)
Profit before taxation	62 297	13 312	38 887
Taxation	(15 837)	(2 075)	(9 440)
Profit for the year	46 460	11 237	29 447
Other comprehensive income for the year net of taxation	–	–	–
Total comprehensive income for the year	46 460	11 237	29 447
Total comprehensive income attributable to:			
Owners of the parent	46 326	11 717	29 571
Non-controlling interest	134	(480)	(124)
	46 460	11 237	29 447

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Share capital	Share premium	Treasury shares	Re- valuation reserve	Distri- butable reserve	Share based payment reserve	Non- control- ling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 31 August 2016 (unreviewed)	-	47 230	(16 947)	21 503	106 042	597	(2 728)	155 697
Total comprehensive income	-	-	-	-	16 874	383	356	17 613
Transactions with non-controlling interest	-	-	-	-	(2 114)	-	2 114	-
Shares issued	-	143 474	-	-	-	-	-	143 474
Dividend paid	-	-	-	-	(4 223)	-	-	(4 223)
Net movement in treasury shares	-	-	(1 268)	-	-	-	-	(1 268)
Balance at 28 February 2017 (audited)	-	190 704	(18 215)	21 503	116 579	980	(258)	311 293
Total comprehensive income	-	-	-	-	45 672	654	134	46,460
Net movement in treasury shares	-	-	(365)	-	-	-	-	(365)
Balance at 31 August 2017 (unreviewed)	-	190 704	(18 580)	21 503	162 251	1 634	(124)	357 388

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unreviewed as at 31 August 2017 R'000	Unreviewed as at 31 August 2016 R'000	Audited as at 28 February 2017 R'000
Cash flow from operating activities			
Cash generated from operations	116 758	23 282	88 928
Investment income	162	17	266
Finance costs	(16 408)	(6 566)	(16 355)
Taxation paid	(11 954)	(1 408)	(11 244)
Net cash flow from operating activities	88,558	15 325	61 595
Cash flow from investing activities			
Purchase of property, plant and equipment	(6 115)	(6 063)	(10 373)
Proceeds on disposal of property, plant and equipment	1 446	537	1 430
Purchase of other intangible assets	-	-	(922)
Business combinations	-	-	(230 546)
Cash received from joint venture	762	-	-
Net cash from investing activities	(3 907)	(5 526)	(240 411)
Cash flow from financing activities			
Proceeds from loan funding	5 334	2 059	95 613
Repayment of other financial liabilities	(94 305)	(4 501)	(6 672)
Proceeds from share issue	-	-	96 262
Proceeds from shareholder's loan	-	-	296
Repayment of shareholder's loan	(861)	-	(1,169)
Dividends paid	-	(5 926)	(10 149)
Sale/(repurchase) of treasury shares	(365)	-	(4 056)
Net cash outflow from financing activities	(90 197)	(8 368)	170 125
Net movement in cash for the period/year	(5 547)	1 431	(8 691)
Effect of exchange rate movement on cash	6	(338)	10 220
Cash and cash equivalents at the beginning of the period/year	(2 479)	10 220	(4 008)
Cash and cash equivalents at the end of the period/year	(8 020)	11 313	(2 479)

CONDENSED SEGMENT REPORT

	Unreviewed as at 31 August 2017 R'000	Unreviewed as at 31 August 2016 R'000	Audited as at 28 February 2017 R'000
Revenue by segment			
Non-Ferrous (<i>Previously "Foundry"</i>)	1 405 227	333 576	1 002 438
Ferrous (<i>Previously "Steel"</i>)	171 450	68 922	174 818
Refractory	54 422	55 494	114 462
Plastics	35 268	22 320	50 808
	1 666 368	480 312	1 342 526
Gross profit by segment			
Non-Ferrous (<i>Previously "Foundry"</i>)	140 839	47 388	134 852
Ferrous (<i>Previously "Steel"</i>)	17 980	7 821	20 915
Refractory	6 977	6 376	14 008
Plastics	13 955	6 981	16 372
	179 751	68 565	185 833
Operating profit by segment			
Non-Ferrous (<i>Previously "Foundry"</i>)	57 393	11 034	28 231
Ferrous (<i>Previously "Steel"</i>)	11 861	6 062	15 422
Refractory	6 067	4 397	10 802
Plastics	1 940	(1 632)	(23)
	77 261	19 862	54 433

SALIENT FEATURURES

	Unreviewed as at 31 August 2017 R'000	Unreviewed as at 31 August 2016 R'000	Audited as at 28 February 2017 R'000
Basic earnings (loss) per share			
From continuing operations (cents per share)	11.97	4.94	11.01
Number of weighted shares in issue at the end of the period/year ('000)	410 000	260 000	291 644
Less: treasury shares held in a subsidiary at the end of the year ('000)	(23 108)	(22 715)	(22 962)
	386 892	237 285	268 682
Reconciliation of headline earnings (loss) and diluted headlines earnings (loss)e			
Profit attributable to owners of the parent (R'000)	46 326	11 717	29 571
Adjusted for (profit)/loss on sale of property, plant and equipment, net of tax (R'000)	(111)	(378)	(366)
Headline earnings for the group (R'000)	46 216	11 340	29 206
Headline earnings per share (cents)	11.95	4.78	10.87
Reconciliation of number of shares for diluted earnings (loss) per share			
Weighted average number of ordinary shares in issue ('000)	386 892	237 285	268 682
Adjusted for: Share options ('000)	17 511	16 406	16 406
Weighted average number of ordinary shares for diluted earnings per share ('000)	404 404	253 691	285 087
Basic earnings per share (cents)	11.97	4.94	11.01
Headline earnings per share (cents)	11.95	4.78	10.87
Diluted earnings per share (cents)	11.46	4.62	10.37
Diluted headlines earnings per share (cents)	11.43	4.47	10. 24
Dividends per share	3.00	1.50	1.50
Net asset value per share (cents)	87.17	65.69	75.93
Tangible net asset value per share (cents)	84.30	61.21	73.04
EBITDA	91 276	24 482	66,013
Depreciation	12 733	4 621	11 580

Changes to the board

The following changes to the board have taken place –

- PJ Schutte stood down as CEO of Insimbi with effect from 31 May 2017;
- F Botha was appointed as CEO from 1 June 2017;
- CF Botha, EP Liechti and PJ Schutte resigned as directors of Insimbi with effect from 31 May 2017; and
- A de Wet has been appointed as Chief Financial Officer with effect from 9 October 2017.

Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements for the interim period ended 31 August 2017 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 acting Financial Director, Frederik Botha CA (SA). The accounting policies are consistent with those applied in the annual financial statements for the previous year. The above information has not been audited or reported on by Insimbi's auditors.

Contingencies

The Company does not have any material contingencies.

Approval:

B Craig

Chairman

26 September 2017

F Botha

Chief Executive Officer

Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Company Secretary:	SK Saunders
Directors:	B Craig* (Chairman), F Botha (Chief Executive Officer), C Coombs, RI Dickerson*, P Mogotlane*, N Mwale*, C Ntshingila (previously Shiceka)* <i>*non-executive</i>
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited