UNREVIEWED CONSOLIDATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2016 AND INTERIM DIVIDEND DECLARATION

INSIMBI

Insimbi Refractory and Alloy Supplies Limited
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB ISIN code: 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 unreviewed consolidated condensed financial results for the six months ended 31 August 2016 and declares an interim dividend.

Key Financial Highlights:

When compared to the 6 months ended 31 August 2015:

- **Revenue** decreased by **2.6% to R480 million**
- **Gross profit** increased by **14.7% to R68.6 million**
- **Margins** increased to **14.3% from 12.1%**
- **Finance costs** increased by **87.6% to R6.6 million**
- **EBITDA** decreased by **2.6% to R24.5 million**
- **EPS** decreased by **16.8% to 4.94 cents per share**
- **HEPS** decreased by **19.2% to 4.78 cents per share**
- **Cash generated** by operations decreased by **R1.9 million from R25.2 million to R23.3 million**
- **NAV and tangible NAV** increased by **10.85% and 10.83 % to 65.69 cents per share** and **61.21 cents per share** respectively
- The group has declared a **gross interim dividend of 1.5 cents per share** for the period ending 31 August 2016
- Trading and **operational outlook** for the remainder of the financial year is **positive**

CEO of Insimbi, Pieter Schutte, commented:

"The six months to August have proven to be extremely challenging given political and economic uncertainty both locally and globally and Insimbi has done well to limit the decrease in revenue to only 2.6% during this period. Despite this decreased revenue, however, we have seen significant improvement in our margins and as a result our gross profit has increased by 14.7% to R68.6 million from R59.8 million in the previous interim period ended August 2015. This has been as a result of the introduction of the plastics segment and a concerted effort to improve the diversity of our historic basket of products with a focus on introducing higher margin products to this "basket".

"Our focus remains on improving operational efficiencies, improving utilisation of under utilised assets, especially the aluminium plants, reducing working capital, improving cash flows and maintaining strong controls over operational costs. As always our relationships with our customers and suppliers are absolutely key to our success and we constantly engage with them to ensure that these relationships keep strengthening"

"We are in the final stages of acquiring 100% of Amalgamated Metal Group Holdings Proprietary Limited ("Amalgamated") and this acquisition will bring further diversity to our group and secures source of the recycled metals required for our two secondary aluminium smelters and will better enable us to utilise excess capacity in both of these plants, for export orders. There are significant operational synergies which exist between the two groups and we are extremely excited about the impact on our group results going forward".

Operational Overview

Despite a 9% reduction in segmental revenue from R367 million to R334 million, the Foundry segment has performed well in a very difficult market. The anticipated rail infrastructure upgrade has yet to impact materially on the local foundry industry and as a result, many of these foundries are on short time. We remain hopeful that these upgrades will start coming to fruition soon as the foundry industry is in desperate need of it. Despite the lower revenues, it is pleasing to note that margins increased during the period under review and gross profit increased by 8% from R43.9 million to R47.3 million largely due to efforts to expand our product range and the inclusion of some higher margin product lines.

The two secondary aluminium smelters which form part of this segment continue to face low order books as a result of the continued challenges faced by the local steel industry and we have increased our focus on filling capacity with an export order book. Our material has been trialled in China and Germany and I remain hopeful that we will conclude some export business soon. As mentioned above, the acquisition of Amalgamated will improve our chances of securing this business despite the continued volatility of our currency.

The Steel segment showed some improvement as expected but it continues to face significant challenges. Revenues in this segment increased by 17% from R58.9 million to R68.9 million and gross profit increased by 13% from R6.9 million to R7.8 million. This is very pleasing and we are confident that this industrial sector locally will show continued and sustainable improvement going forward.

The Refractory segment has always proven difficult to compare with previous reporting periods as it is dependent on kiln shuts and repairs and maintenance programmes so whilst revenues and gross profit show a significant reduction on the comparative August 2015 results, down 14% and 18% to R55.4 million and R6.4 million respectively (August 2015 – R64.6 million and R7.8 million respectively), I am optimistic that the second half of the financial year will see this segment gain momentum sufficient to offset the reduced revenues in the first half.

The acquisition and integration of Polydrum Proprietary Limited ("Polydrum"), representing our Plastics segment, has been completed and whilst it was not without its challenges, including the continued drought and certain management issues which have been successfully resolved, it is now performing well and showing impressive monthly revenue and gross profit growth. The comparative period last year reflected only one month of operation versus six months in the current financial year. Margins and revenues have improved significantly over the last six operating months and are now in line with margins reported in the comparative interims. We are in the process of commissioning new plant and equipment in Natal and our roto moulding operation in Johannesburg is now operational and we are producing some innovative products including a range of high quality water harvesting products. This segment contributed revenue of R22.3 million and gross profit of R6.9 million for the period under review.

Financial Overview

Group revenue for the period is R480.3 million, a decrease of 2.62% or R12.9 million on the comparative period ended 31 August 2015. The reduction in revenue is mainly attributable to the unpredictable nature and timing of revenues in the refractory segment and continued challenges in the foundry segment. Notwithstanding this reduced group revenue, gross profit showed a pleasing increase of nearly 15% from R59.8 million to R68.6 million due to our focus on marketing higher margin products.

Gross profit from continuing operations is R68.6 million, an increase of 14.7% from R59.8 million in the comparative period ended 31 August 2015. Overall margins have improved from 12.1% last year to 14.3% for the period ended 31 August 2016. This is a result of a number of factors but primarily an ever evolving product offering with a specific focus on the inclusion of higher margins products. We continue to diversify and we are striving to become a significant and diversified industrial group, the acquisition of Amalgamated will take us a step closer to this goal.
Group operating profit has decreased by 8.49% compared to the previous comparative period ending 31 August 2015.

Group operating costs have increased R11.3 million from R38.3 million to R49.6 million when compared to the period ending August 2015. This increase is explained below:

- Polydrum operating costs for six months of R8.6 million compared to one month of R1.4 million in the previous reporting period, an increase of R7.2 million;

- Non-recurring professional fees associated with the implementation of the staff and junior management ownership schemes ("ESOP") in June 2016 and the current acquisition of Amalgamated (approximately R2.0 million;)
- An increase in the depreciation charge on assets as acquired (excluding Polydrum) in the last eighteen months (approximately R1.0 million); and
- An increase in repairs and maintenance and electricity and water (approximately R1.2 million) related to new plant and equipment as evidenced in our increased capital expenditure of R10.5 million.

If the additional operating costs attributable to Polydrum (R7.2 million) and the non-recurring professional fees pertaining to the ESOPs and Amalgamated acquisition (R2.0 million) are excluded, the operating costs have increased by only R2.1 million or 5.5% when compared to the same period in the previous year which is within our target and CPIX.

Group finance costs for the period have increased from R3.5 million to R6.6 million, an increase of R3.1 million or 89% due to:
- Mortgage bond finance on R14.5 million property acquisition in April 2015;
- Term funding of R18.5 million for the acquisition of Polydrum effective August 2015; and
- Asset based finance totalling approximately R10.5 million for new plant and equipment.

Insimbi achieved group EPS of 4.94 and HEPS of 4.78 cents per share respectively compared to 5.94 and 5.91 cents per share in the previous comparative period. This equates to a decrease of 16.83% and 19.2% EPS and HEPS respectively.

Net cash flow from operating activities increased marginally from R15.0 million to R15.3 million although this does not accurately reflect the control over stocks and debtors which improved by R20 million. This R20 million improvement in current assets was offset by a reduction in trade creditors of R20.2 million, resulting in no impact on operating cash flows. 'Net cash improved from a debit of R8.63 million at 31 August 2015 to a credit of R11.3 million at 31 August 2016, an improvement in net cash position of R19.9 million. The group has utilised only R7.1 million of a consolidated R71.5 million overdraft facility at 31 August 2016.

Prospects

The current year under review has again, proven to be a challenging one operationally. However, it has also been a very exciting one and we have achieved a number of successes worth mentioning:
1. The creation of a tangible and meaningful employee ownership scheme with an effective 8.8% of the group owned by our employees across the board
2. The introduction of our strategic and empowerment partner, New Seasons Investments Holdings Proprietary Limited who own an effective 20% of the group and have two directors on our main board
3. The successful integration of Polydrum into the group despite initial challenges
4. The acquisition of Amalgamated which will significantly improve our group revenues, profits and net asset value and
5. The successful commissioning of the roto moulding plant and the expansion of the plastic segment into the KwaZulu-Natal market.

   The board and management of Insimbi are optimistic that 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 are optimistic that we are entering a period of political stability and that economic stability will follow. We are pleased by the recent signs that the long awaited Transnet/Spoornet upgrades are starting to gain traction and we hope that this will provide much needed stimulus to the foundry industry in particular.

The Foundry segment remains very much part of our core business and we will continue to service this segment with the recognition it deserves.

We are optimistic about the cement industry and are of the opinion that the import tariffs implemented on cheap cement imports almost two years ago, are now starting to have a positive impact on local cement production as a result of the import "pipeline" having gradually come to an end.

We believe that with the acquisition of Amalgamated, it will be possible to maximise the existing spare capacity ("sweat the assets") at both of our secondary aluminium smelters with a focus on the export.

Polydrum has been showing incremental growth in recent months and with the commissioning at our existing warehouse in Durban of two additional lines and the recent commissioning of the roto moulder in Wadeville, we believe that this segment will continue to grow and reverse the negative results experienced shortly after acquisition and we remain hopeful that the terrible drought that South Africa has been experiencing for nearly two years, will be broken soon and this will boost agriculture which in turn will add to the success of this operation, which relies quite heavily on the agri-chemical business in the traditional rainy season.

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.

Dividend Declaration

An interim gross dividend of 1.5 cents per share has been declared on 10 November 2016. There are 260 000 000 ordinary shares in issue at announcement date, of which 92 500 are held in treasury and does not participate in dividends, 22 968 015 shares are held by the ESOP s and are participating in the dividend policy. The total dividend amount payable is R3 898 612 (2015: R4 725 814).

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 1.275 cents per share, while it is 1.5 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, 29 November 2016
First day to trade *ex dividend*	Wednesday, 30 November 2016
Record date	Friday, 2 December 2016
Payment date	Monday, 5 December 2016

No share certificates will be dematerialised or rematerialised between Wednesday, 30 November 2016 and Friday, 2 December 2016, both days inclusive.

Shares repurchased by a subsidiary since the year end and held in treasury amounted to 92 500 (2015: 360 000), which brings the total number of treasury shares to 22 970 515 (2015: 23 949 748).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	**Unreviewed as at 31 August 2016**	Unreviewed as at 31 August 2015	Audited as at 29 February 2016
ASSETS			
Non-current assets			
Property, plant and equipment	**118 087**	111 286	116 658
Goodwill	**44 560**	44 560	44 560
Intangible assets	**10 613**	9 523	10 613
Deferred taxation asset	**9 287**	12 228	8 749
	182 548	177 597	180 580
Current assets			
Inventories	**97 671**	83 439	87 927
Trade and other receivables	**118 380**	112 913	148 071
Derivative financial assets	**1 765**	2 347	484
Cash and cash resources	**18 412**	11 176	10 270
	236 229	209 875	246 752
Total assets	**418 777**	387 472	427 332
EQUITY AND LIABILITIES			
Equity			
Share capital	**47 230**	44 442	44 442
Treasury shares	**(16 947)**	(15 035)	(14 159)
Reserves	**21 503**	21 503	21 503
Share based payment reserve	**597**	–	–
Retained earnings	**106 042**	89 509	100 251
Non-controlling interest	**(2 728)**	(1 584)	(2 248)
	155 697	138 835	149 789
Liabilities			
Non-current liabilities			
Loans from shareholders	**3 364**	4 606	3 364
Other financial liabilities	**45 934**	37 870	47 887
Deferred taxation	**13 607**	18 638	13 607
	62 905	61 114	64 858
Current liabilities			
Other financial liabilities – current	**59 333**	27 559	59 822
Current taxation payable	**1 288**	1 939	83
Trade and other payables	**132 455**	138 217	152 730
Bank overdraft	**7 099**	19 808	50
	200 175	187 523	212 685
Total liabilities	**263 080**	248 637	277 543
Total equity and liabilities	**418 777**	387 472	427 332

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	**Unreviewed as at 31 August 2016**	Unreviewed as at 31 August 2015	Audited as at 29 February 2016
Revenue	**480 312**	493 214	955 106
Cost of sales	**(411 746)**	(433 447)	(830 137)
Gross profit	**68 566**	59 767	124 969
Other income	**940**	243	2 638
Operating expenses	**(49 644)**	(38 306)	(83 219)
Operating profit	**19 861**	21 704	44 388
Investment revenue	**17**	29	78
Finance cost	**(6 566)**	(3 499)	(8 372)
Profit before taxation	**13 312**	18 234	36 094
Taxation	**(2 075)**	(4 207)	(7 264)
Profit for the year	**11 237**	14 027	28 830
Other comprehensive income for the year			
Items that will be reclassified to profit and loss:			
Exchange differences on translating foreign entities			
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			
Total comprehensive income for the year	**11 237**	14 027	28 830
Total comprehensive income attributable to:			
Owners of the parent	**11 717**	13 924	29 391
Non-controlling interest	**(480)**	103	(561)
	11 237	14 027	28 830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Treasury shares	Revaluation reserve	Distributable reserve	Share based payment reserve	Non-controlling interest	Total equity
Balance at 31 August 2015 (unreviewed)	–	44 442	(15 035)	21 503	89 509	–	(1 584)	138 835
Total comprehensive income					15 467		(485)	14 982
Non-controlling interest arising on business combination							(179)	(179)
Dividend paid					(4 725)			(4 725)
Net movement in treasury shares			876					876
Balance at 29 February 2016 (audited)	–	44 442	(14 159)	21 503	100 251	–	(2 248)	149 789
Total comprehensive income					**11 717**		**(480)**	**11 237**
Shares issued		**2 788**	**(2 788)**					**–**
Dividend paid					**(5 926)**			**(5 926)**
Share based payment expense						**597**		**597**
Net movement in treasury shares								
Balance at 31 August 2016 (unreviewed)	**–**	**47 230**	**(16 947)**	**21 503**	**106 042**	**597**	**(27 28)**	**155 697**

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	**Unreviewed as at 31 August 2016**	Unreviewed as at 31 August 2015	Audited as at 29 February 2016
Cash flow from operating activities			
Cash generated from operations	**23 282**	25 261	25 545
Investment income	**17**	28	78
Finance costs	**(6 566)**	(3 640)	(8 863)
Taxation paid	**(1 408)**	(6 641)	(11 027)
Net cash flow from operating activities	**15 325**	15 008	5 733
Cash flow from investing activities			
Purchase of property, plant and equipment	**(6 063)**	(21 855)	(31 443)
Proceeds on disposal of property, plant and equipment	**537**	552	214
Purchase of other intangible assets	**–**	(1 068)	(1 708)
Business combinations	**–**	(8 289)	(8 289)
Net cash from investing activities	**(5 526)**	(30 660)	(41 226)
Cash flow from financing activities			
Proceeds from loan funding	**2 059**	39 394	108 436
Repayment of loans	**(4 501)**	(57 945)	(85 337)
Proceeds from shareholders loan	**–**	3 977	3 364
Dividends paid	**(5 926)**	(5 907)	(10 632)
Sale/(repurchase)of treasury shares		(269)	607
Net cash outflow from financing activities	**(8 368)**	(20 750)	16 438
Net movement in cash for the period/year	**1 431**	(36 402)	(19 055)
Effect of exchange rate movement on cash	**(338)**	24	1 529
Cash and cash equivalents at the beginning of the period/year	**10 220**	27 746	27 746
Cash and cash equivalents at the end of the period/year	**11 313**	(8 632)	10 220

CONDENSED SEGMENT REPORT

R'000	**Unreviewed as at 31 August 2016**	Unreviewed as at 31 August 2015	Audited as at 29 February 2016
Revenue by segment			
Foundry	**333 576**	366 796	692 394
Steel	**68 922**	58 988	127 167
Refractory	**55 494**	64 585	115 975
Plastics	**22 320**	2 845	19 570
	480 312	493 214	955 106
Gross profit by segment			
Foundry	**47 388**	43 887	92 377
Steel	**7 821**	6 966	12 917
Refractory	**6 376**	7 791	12 632
Plastics	**6 981**	1 123	7 043
	68 565	59 767	124 969
Operating profit by segment			
Foundry	**11 034**	10 091	31 232
Steel	**6 062**	5 240	7 063
Refractory	**4 397**	5 608	6 107
Plastics	**(1 632)**	522	(14)
	19 862	21 461	44 388

	Unaudited as at 31 August 2016	Unaudited as at 31 August 2015	Audited as at 29 February 2016
Basic earnings (loss) per share			
From continuing operations (cents per share)	**4.94**	5.94	12.43
Number of weighted shares in issue at the end of the period/year ('000)	**260 000**	260 000	260 000
Less: treasury shares held in a subsidiary at the end of the year ('000)	**(22 715)**	(23 755)	(23 611)
	237 285	236 245	236 389
Reconciliation of headline earnings (loss) and diluted headlines earnings (loss)			
Profit attributable to owners of the parent (R'000)	**11 717**	14 027	29 391
Adjusted for (profit)/losson sale of property, plant and equipment, nett of tax (R'000)	**(378)**	(55)	(30)
Headline earnings for the group (R'000)	**11 340**	13 972	29 361
Headline earnings per share (cents)	**4.78**	5.91	12.42
Reconciliation of number of shares for diluted earnings (loss) per share			
Weighted average number of ordinary shares in issue ('000)	**237 285**	236 245	236 389
Adjusted for: Share options ('000)	**16 406**	–	–
Weighted average number of ordinary shares for diluted earnings per share ('000)	**253 691**	236 245	236 389

CONDENSED SEGMENT REPORT continued

	Unaudited as at 31 August 2016	Unaudited as at 31 August 2015	Audited as at 29 February 2016
Basic earnings per share (cents)	**4.94**	5.94	12.43
Headline earnings per share (cents)	**4.78**	5.91	12.42
Diluted earnings per share (cents)	**4.62**	–	–
Diluted headlines earnings per share (cents)	**4.47**	–	–
Dividends per share	**1.50**	2.50	4.50
Net asset value per share (cents)	**65.69**	59.26	63.13
Tangible net asset value per share (cents)	**61.21**	55.23	58.65
EBITDA	**24 482**	25 126	53 050
Depreciation	**4 621**	4 122	8 662
Capital expenditure	**6 063**	21 855	31 443

Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements for the interim period ended 31 August 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS34, the AC500 series of accounting standards, JSE Listing Requirements and the Companies Act of South Africa, and prepared under the super vision of the 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 auditors.

Contingencies

The Company does not have any material contingencies.

Post balance sheet event

Alarge customer, Steloy Castings Proprietary Limited was placed in to voluntary Business Rescue by its directors on 4 July 2016.They owe Insimbi Alloy Supplies Proprietary Limited an amount of R1 283 127.00 inclusive of 14% VAT (R9 897 479.82 exclusive of VAT) We were notified on Monday, 31 October 2016 that the Business Rescue Practitioner, Mr Thomas George Nell had decided to apply for the liquidation of Steloy Castings Proprietary Limited and the Notice of Motion is scheduled for Tuesday, 8 November 2016. This application is being made despite significant support from several of the creditors to convert debt to equity, including the IDC and we expect said application to be opposed. We have not provided against this debt and we have calculated our potential exposure to be in the region of R7.9 million on the assumption that liquidation would result on a liquidation dividend of 20 cents in the Rand.

Approval:

LY Okeyo
Chairman
10 November 2016

PJ Schutte
Chief Executive Officer

Registered office:	Stand 359, Crocker Road, Wadeville, Germiston, 1422
Company Secretary:	Kristell Holtzhausen
Directors:	CF Botha, F Botha (Financial and Commercial Director), EP Liechti, P Mogotlane, N Mwale, B Craig*, LY Okeyo*, C Shiceka*, PJ Schutte (Chief Executive Officer) **non-executive*
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited