IDC
Industrial Development Corporation

CONFIDENTIAL

IDC Group

Financial results

31 March 2020

THE IDC GROUP STRUCTURE HAS NOT CHANGED

IDC Industrial Development Corporation

IDC Group

Mini Group

- Investor – IDC Ltd
- 100% – Findevco (Pty) Ltd
- 100% – Impofin (Pty) Ltd
- 100% – Konoil (Pty) Ltd

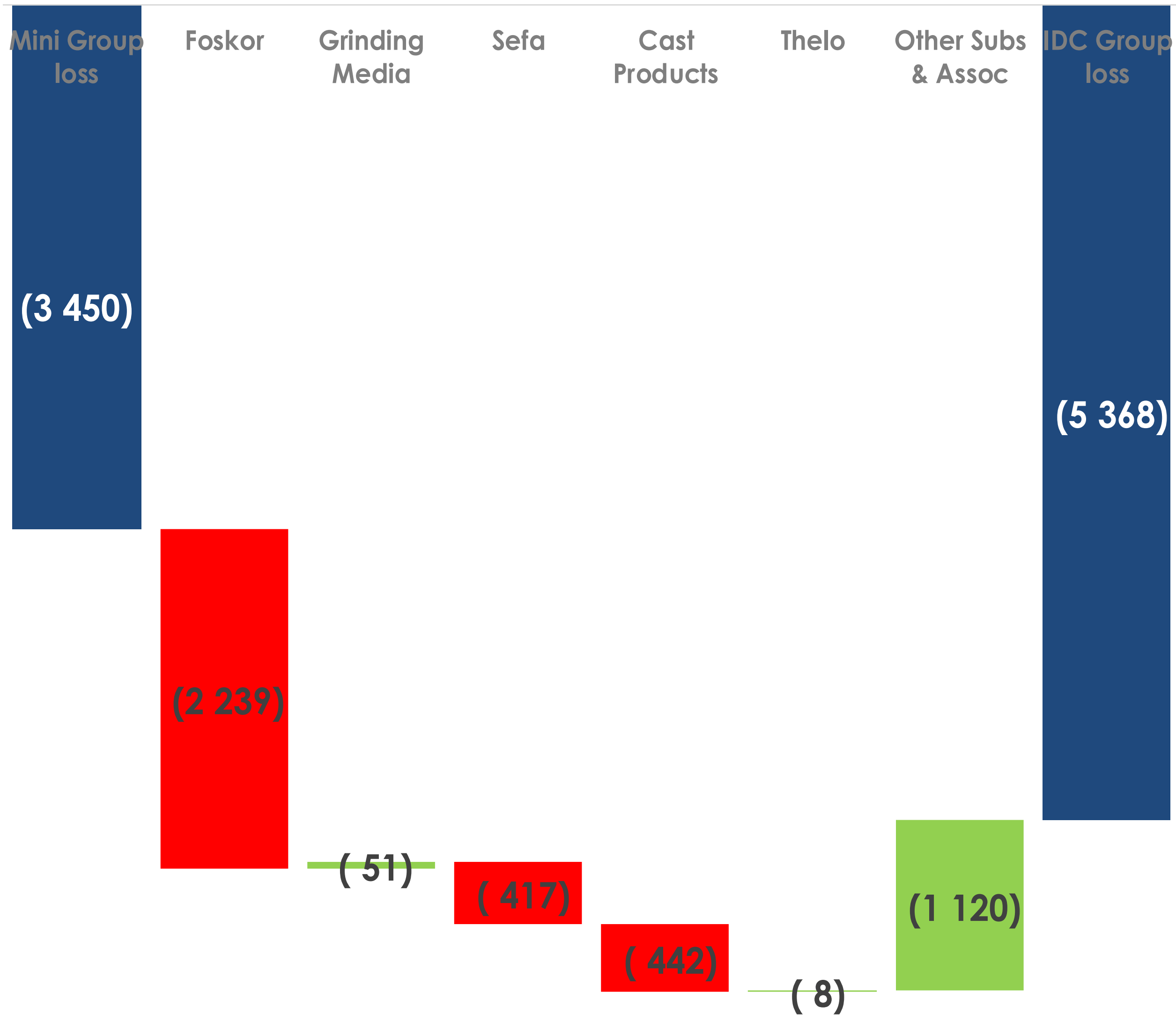
External subsidiaries

- 59% – Foskor (Pty) Ltd
- 100% – SEFA
- 59% – Grinding Media (Pty) Ltd
- 85% – Cast Products (Pty) Ltd
- 100% – Prilla (Pty) Ltd
- various – Other subsidiaries

Major Associates

- 24% – Mozal SARL
- 26% – Scaw South Africa (Pty) Ltd
- 24% – Incwala Resources (Pty) Ltd
- 30% – Hulamin (Pty) Ltd
- 29% – Ka Xu Solar One (Pty) Ltd
- 29% – Palabora Copper (Pty) Ltd
- Various – Other associates

Foskor and IDC mini-group contribute the significantly to the group losses



Foskor - Loss driven by CGU impairment of R600m and operational losses R1.6bn. Operating losses are due to lower production due to a 46 day strikes and plant breakdown. In Q4 mining production was reduced and limiting the Richards bay processing plant planned output.

Sefa - Lower interest income due to slow growth on loan book , loss making investment property portfolio, higher impairments and operating costs and lower grant income in line with term of assets.

Cast Products - Lower revenue due to the instability of the furnace that resulted in the production of low-quality casting, that were sold as scrap. Scrap rates peaked at 50%.

Grinding media - Revenue lower than budget due to cheap import prices. Managed to improve the gross margin from 16% to 18%, due to implementation of the Automatic metal pouring system, reducing high scrap rates.

Major profit (loss) contributors

Subsidiaries:
Prilla **(R47m)**
Colibri **(R53m)**

Associates:
Duferco Steel **(R464m)**
Mozal **(R358m)**
Merafe **(R296m)**
KHI Solar **(R227m)**
Naledi Foundry **(R193m)**
Sunrise Energy **(R201m)**
Hans Merensky **R304m**

GROUP LOSSES HAVE INCREASED, MAINLY DRIVEN BY FOSKOR'S PERFOMANCE

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Figures in Rand million	Mini Group FY2020 Actual	Foskor FY2020 Actual	Grinding Media FY2020 Actual	sefa FY2020 Actual	Cast Products FY2020 Actual	Thelo FY2020 Actual	Other Subs, Associates & Consol FY2020 Actual	Group FY2020 Actual
Revenue	9 289	3 997	2 244	163	979	192	(615)	16 249
Cost of sales	-	(4 410)	(1 846)	-	(860)	-	(793)	(7 909)
Financing costs	(2 668)	(250)	(22)	(50)	-	(106)	282	(2 814)
Gross profit after financing costs	**6 621**	**(663)**	**376**	**113**	**118**	**86**	**(1 126)**	**5 526**
Impairments & write offs	(9 924)	(599)	-	(189)	-	-	2 033	(8 679)
Other income	(66)	159	-	-	-	23	387	503
Operating expenses	(1 387)	(1 135)	(311)	(349)	(560)	(100)	(206)	(4 049)
Operating profit	**(4 755)**	**(2 239)**	**65**	**(425)**	**(442)**	**8**	**1 088**	**(6 699)**
Income from associates and JV's	-	-	-	14	-	-	221	235
Profit before taxation	**(4 755)**	**(2 239)**	**65**	**(412)**	**(442)**	**8**	**1 309**	**(6 464)**
Taxation	1 305	(0)	(14)	(5)	-	-	(189)	1 096
Profit for the year	**(3 450)**	**(2 239)**	**51**	**(417)**	**(442)**	**8**	**1 120**	**(5 368)**

IDC Mini-Group

Financial results

31 March 2020

KEY DRIVERS: FINANCIAL PERFORMANCE FY2020

Industrial Development Corporation

- Lower than planned investment levels at R11.7bn vs a budgeted R16.6bn resulted in lower than budgeted interest and fee income.

- Dividend income behind the budget, as Sasol cancelled all FY2020 dividends that would have accrued to the IDC (R991m budget. A higher than budgeted dividend of R1.9bn was received from Kumba Iron Ore significantly absorbed the loss of dividend.

- Borrowing costs came in higher than the budget, as stringent lending criteria by the UIF, PIC (cheaper sources of funding), forced the organisation to borrow from more expensive funders. In addition, certain facilities that reached maturity were refinanced at higher than budgeted rates.

- The impact of the recession and COVID-19 pandemic has resulted in the further deterioration of the IDC book. The total impairments summited at a total R9,9bn in the current year reflecting the difficulties being experienced by our clients.

- The Sasol share price crashed from levels reported at the FY 2019 of R450 a share to R36 a share at the end of the 2020 FYE. Problems at the Lake Charles project and a subsequent price war between major oil producers have been attributed to the decline.

- The impact of the above is a D/E ratio of 77.7%, up from 43.5% at the last FY. The deterioration in the D/E ratio is largely driven by the decline in the listed portfolio and significant losses, although borrowings grew modestly.

- The Mini-Group has made a loss of R5.3bn down from a profit of R166m from the FY 2019.

MINI-GROUP RESULTS: OVERVIEW

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Industrial Development Corporation

FINANCIAL RESULTS DASHBOARD			2020 FINANCIAL YEAR END				
	Measure	**Unit**	**Actual 2020 vs Actual 2019**	**Actual 31.03.2019**	**Actual 31.03.2020**	**Budget 31.03.2020**	**Actual 2020 vs Budget 2020**
Income Statement	Revenue	R'm		8 943	9 289	9 565	
	Profit/(loss) for the period after tax	R'm		226	-3 450	2 005	
	Cost-to-income ratio	%		24%	21%	25%	
	Cost-to-income ratio (incl impairments)	%		101%	171%	70%	
Balance Sheet	Total Assets	R'm		141 486	96 876	146 787	
	Total Equity	R'm		92 479	54 003	95 936	
	Borrowings	R'm		40 223	41 957	44 937	
	Debt/equity ratio	%		43%	77.7%	47%	
Impairments	Impairments charge (SPPI)	R'm		3 612	5 509	2 696	
	Total impairment charge (Incl. FV adj.)	R'm		4 781	9 924	3 102	
	Total impairment provision (BS)	R'm		15 047	20 621	15 428	
	Impairments as % of SPPI book	%		26.3%	32.0%	24.6%	
	Impairments as % of total book at cost	%		28.3%	36.8%	24.7%	
	Impairments as % of book at market value	%		16.1%	31.7%	17.9%	
Cash Flow	Disbursements	R'm		11 819	11 685	16 600	
	External funds raised	R'm		11 015	7 719	13 699	
	Borrowings repaid	R'm		6 504	7 905	7 022	
	Repayments received	R'm		5 314	5 919	4 448	
	Proceeds from shares	R'm		2 744	386	1 800	

JAWS is calculated as Growth in revenue less Growth in cost. The first one comprises of only operating expenses when the latter uses operating expenses and impairments.

MINI-GROUP: BALANCE SHEET

IDC Industrial Development Corporation

All amounts in R'm	FY 2019	Budget 2020	FY 2020	Variance % FY 2020 vs FY2019	Variance % FY 2020 vs Budget
Loans and advances	45 013	59 525	48 408	7.5	(18.7)
Shares and shareholder's loans	44 305	46 297	44 372	0.2	(4.2)
Impairments	(15 047)	(15 428)	(20 621)	37.0	33.7
	74 271	**90 394**	**72 159**	(2.8)	(20.2)
Fair value adjustment	55 860	49 141	14 817	(73.5)	(69.8)
Total financing and investments	**130 131**	**139 536**	**115 953**	(10.9)	(16.9)
Cash on hand and on call	9 257	5 622	7 234	(21.9)	28.7
Other assets	2 098	1 630	2 666	27.1	63.6
TOTAL ASSETS	**141 486**	**146 787**	**96 876**	(31.5)	(34.0)
Share capital	1 393	1 393	1 393	-	-
Reserves	91 086	94 543	52 610	(42.2)	(44.4)
Equity	**92 479**	**95 936**	**54 003**	(41.6)	(43.7)
Foreign currency based loans	9 840	9 328	10 370	5.4	11.2
Rand based (DMTN, UIF & banks)	26 179	31 729	26 835	2.5	(15.4)
Other rand based loans	4 204	3 879	4 752	13.0	22.5
Total loans	**40 223**	**44 937**	**41 957**	4.3	(6.6)
Deferred taxation	7 729	4 572	(360)	(104.7)	(107.9)
Creditors and provisions	1 055	1 342	1 277	21.0	(4.8)
Total liabilities	**49 007**	**50 851**	**42 874**	(12.5)	(15.7)
TOTAL EQUITY AND LIABILITIES	**141 486**	**146 787**	**96 876**	(31.5)	(34.0)
Debt/Equity ratio	43%	47%	77.7%		

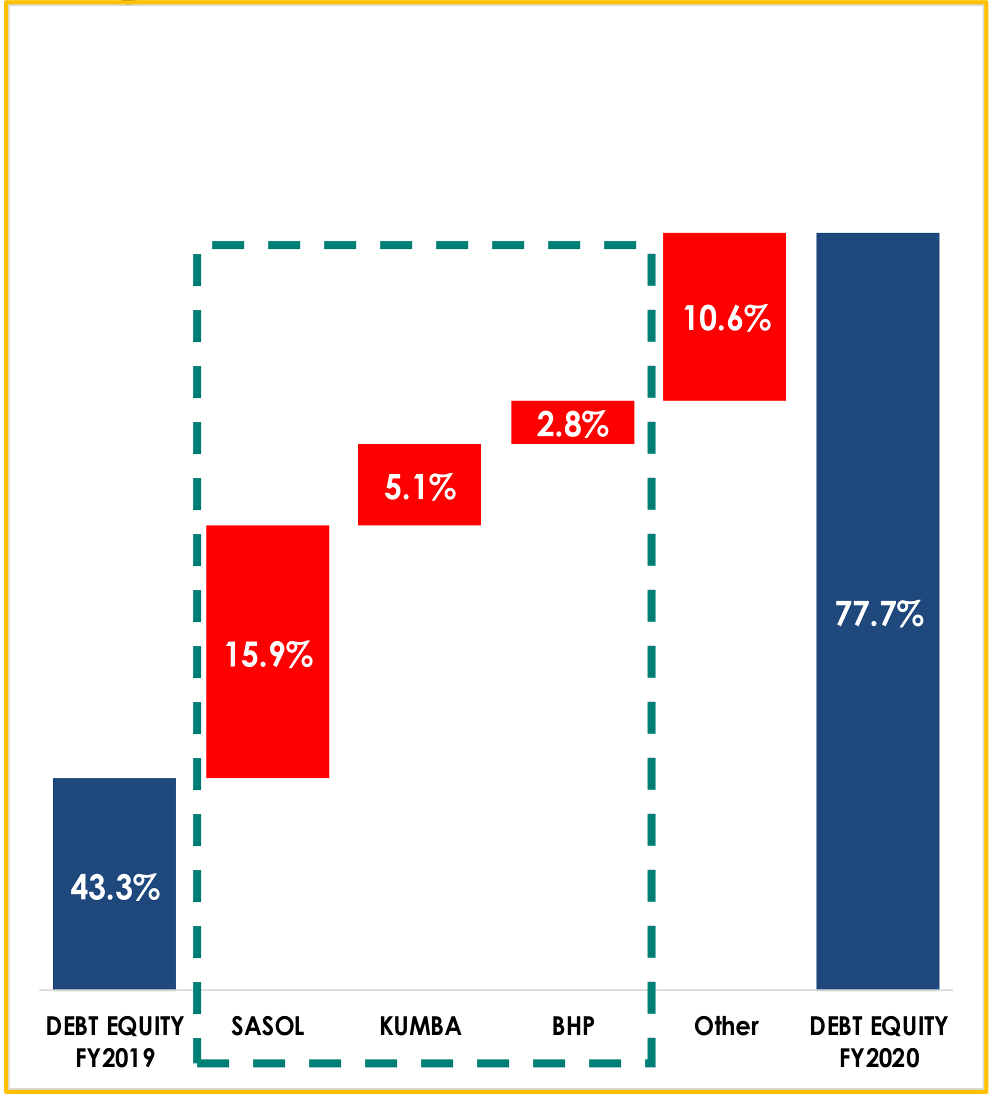
Assets
The effect of slow economic growth continues as evidenced by lower disbursements. COVID-19 has negatively affected the credit quality of IDC clients (ECL) and valuations of its investments.

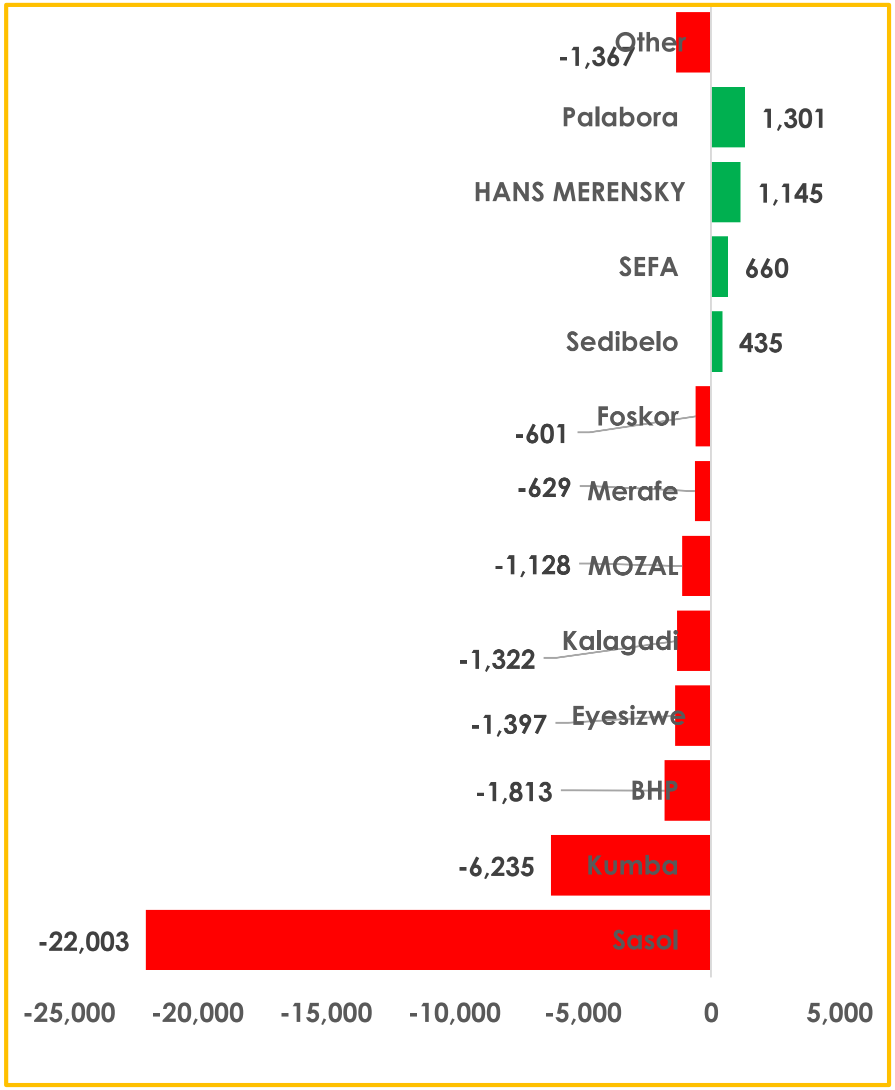
Impairments
The Impairment ratio has increased from 28.3% at the 2019 FYE to 36.2%. The increase has been exacerbated by the impact of the lockdown.

Debt/Equity Ratio
D/E Ratio at 76.9% due to the decline in the Sasol share price. The impact of the lockdown (COVID-19) has also negatively impacted the impairments leading to further stresses on the gearing ratio.

Borrowings
Bearing in mind the lagging disbursements, borrowings have not grown to the levels budgeted thereby cushioning gearing levels.

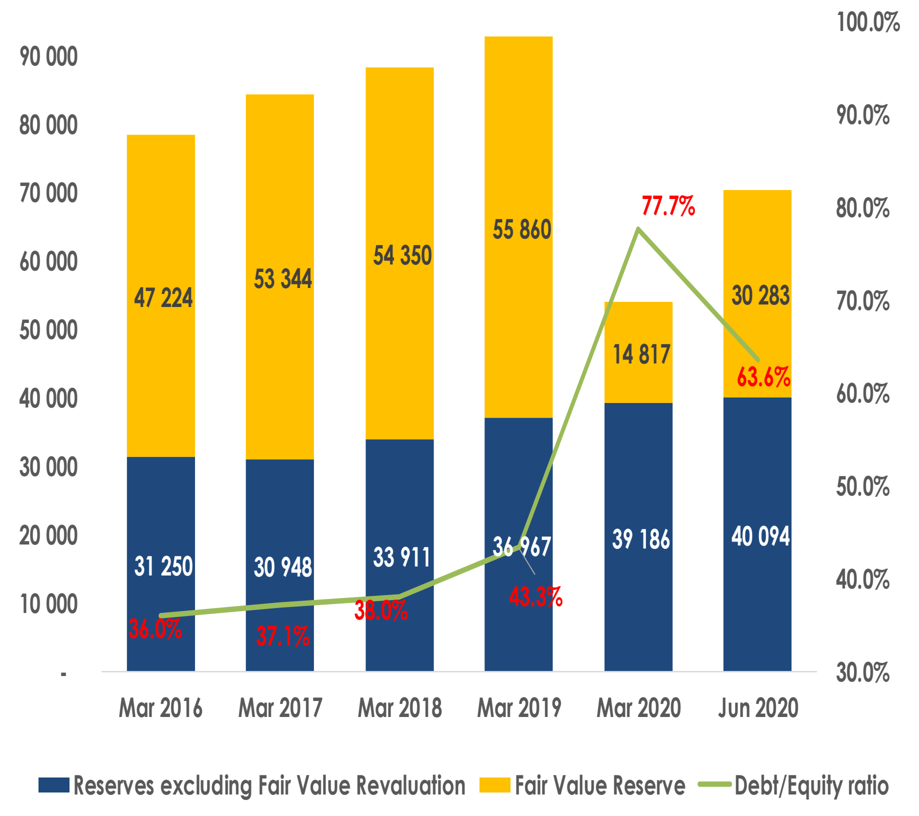
The top 3 listed shares lead to a 23.8% increase in gearing, this stresses the need to diversify



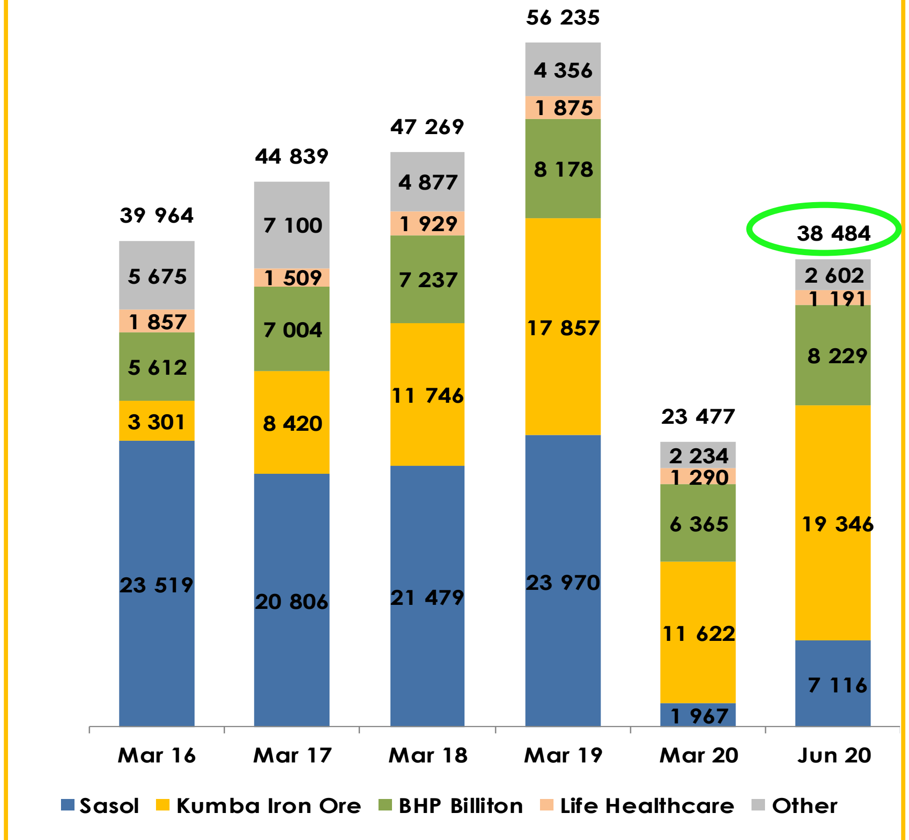


MINI-GROUP RESULTS: ASSET BASE & GEARING

Reserves and Gearing



Listed Shares – 5-year trend



- IDC's investment in Sasol had lost a cumulative R22bn, due to challenges at the Lack Charles project and a subsequent oil price war that drove the oil price down.
- ECL's have played a huge part in weakening the IDC balance sheet. A detailed analysis of the biggest contributors to the increase in ECL's is included as a slide to this presentation.

MINI-GROUP RESULTS: INCOME STATEMENT

IDC
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All amounts in R'm	FY 2019	Budget 2020	FY 2020	Variance % FY 2020 vs FY2019	Variance % FY 2020 vs Budget
Industrial financing	**8 417**	**9 349**	**8 748**	3.9	(6.4)
Dividend income	4 019	4 366	4 268	6.2	(2.2)
Interest income	3 998	4 178	3 591	(10.2)	(14.1)
Other income	400	805	889	122.3	10.5
Cash resource income	526	216	541	2.9	151.0
	8 943	**9 565**	**9 289**	3.9	(2.9)
Borrowing costs	(2 573)	(2 457)	(2 668)	3.7	8.6
Net interest, dividends & fees	**6 370**	**7 108**	**6 621**	3.9	(6.8)
Administration costs	**(1 670)**	**(1 867)**	**(1 387)**	(17.0)	(25.7)
Operating expenses	(428)	(509)	(450)	5.1	(11.5)
Staff costs	(1 022)	(1 169)	(866)	(15.2)	(25.9)
Project costs - general	(147)	(122)	27	(118.2)	(121.9)
Social and special enterprise cost	(73)	(67)	(98)	33.3	45.5
Operating income before impairments	**4 700**	**5 240**	**5 234**	11.4	(0.1)
Impairments	(4 781)	(3 102)	(9 924)	107.6	219.9
Net operating income before taxation	**(81)**	**2 138**	**(4 690)**	5 688.2	(319.3)
Taxation on operating income	354	(134)	1 305	268.6	(1 077.4)
Net operating income / (loss) after tax	**273**	**2 005**	**(3 385)**	(1 339.8)	(268.8)
Capital income / (losses)	(7)	-	(66)	835.7	
Net attributable income / (loss)	**266**	**2 005**	**(3 450)**	(1 397.1)	(272.1)
Cost to income ratio, excl project costs	**24%**	**25%**	**21%**		
Cost to income ratio including impairments	**101%**	**70%**	**171%**		

The impairment provisions exceed the revenue line for the first time.

Interest Income
Interest income has been adversely impacted by the 150bps decrease from prior year. The impact of deteriorating book has also impacted on interest revenue (interest impairments).

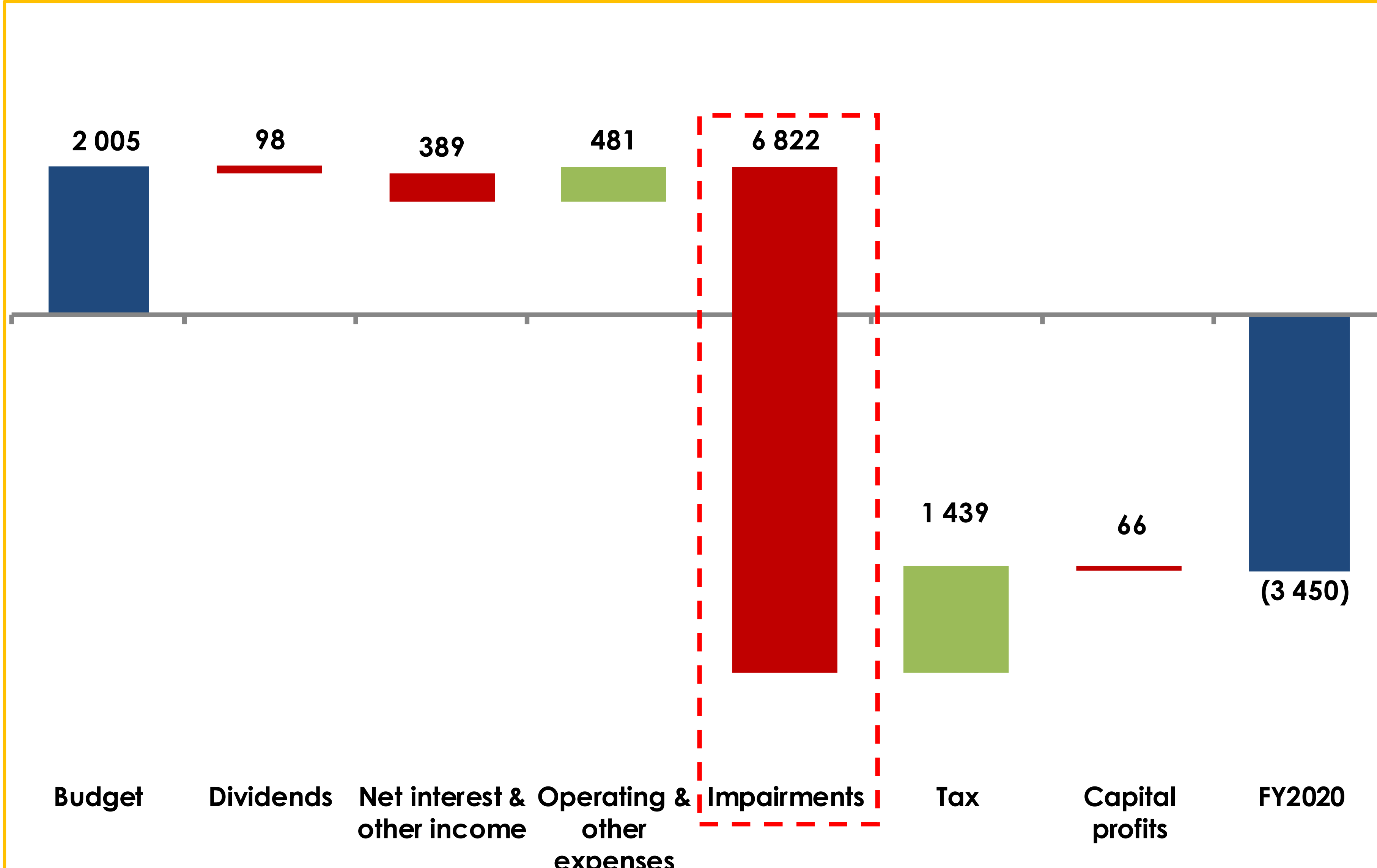
Dividend Income
Sasol is going through operational challenges which has lead to no dividends in the 2020 financial year. However, Kumba declared a dividends that is R1,1bn above what was anticipated in the budget,

Borrowing costs
The cost of borrowing has continued to increase as the quality of the book deteriorates. This was mitigated by the impact of the hedging strategies on a weakening currency.

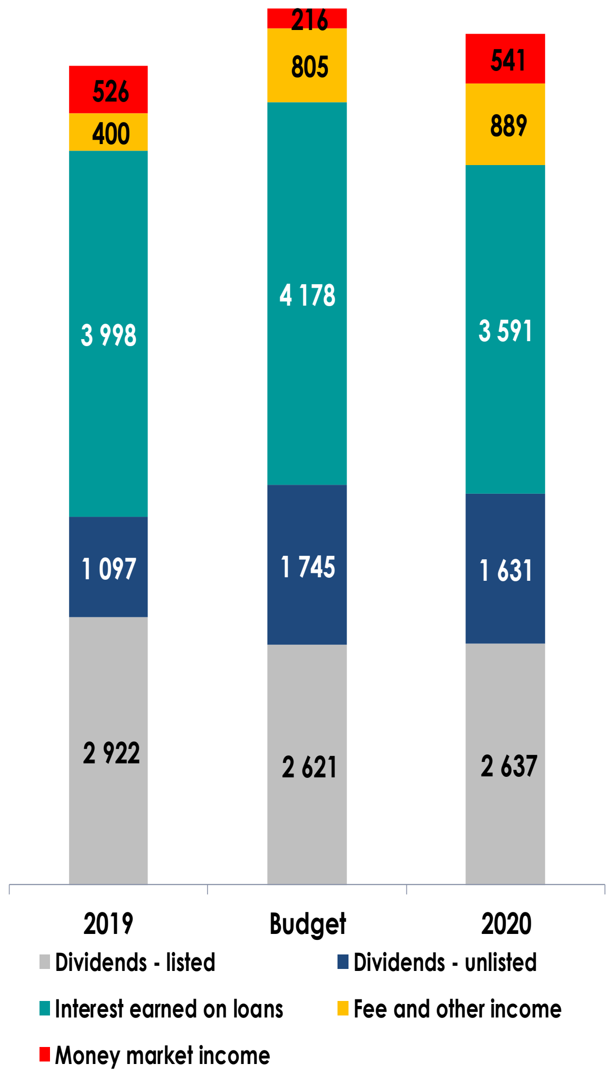
Staff costs are favourable to the budget due to vacancies that have not been filled or were filled later than the budget assumed.

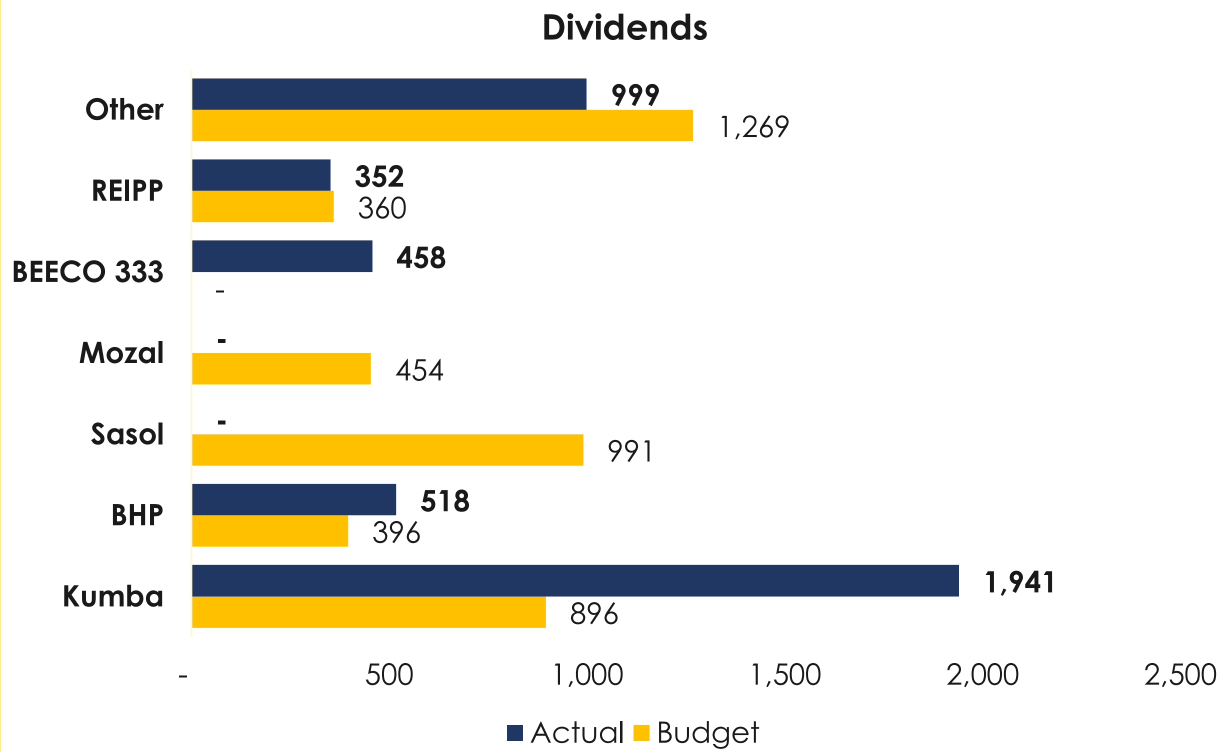
Impairments
Significant growth in impairments as a result of the tough economic conditions faced by our clients.

MINI-GROUP: Actual profits are lagging behind budget due to high impairments and lower net interest income



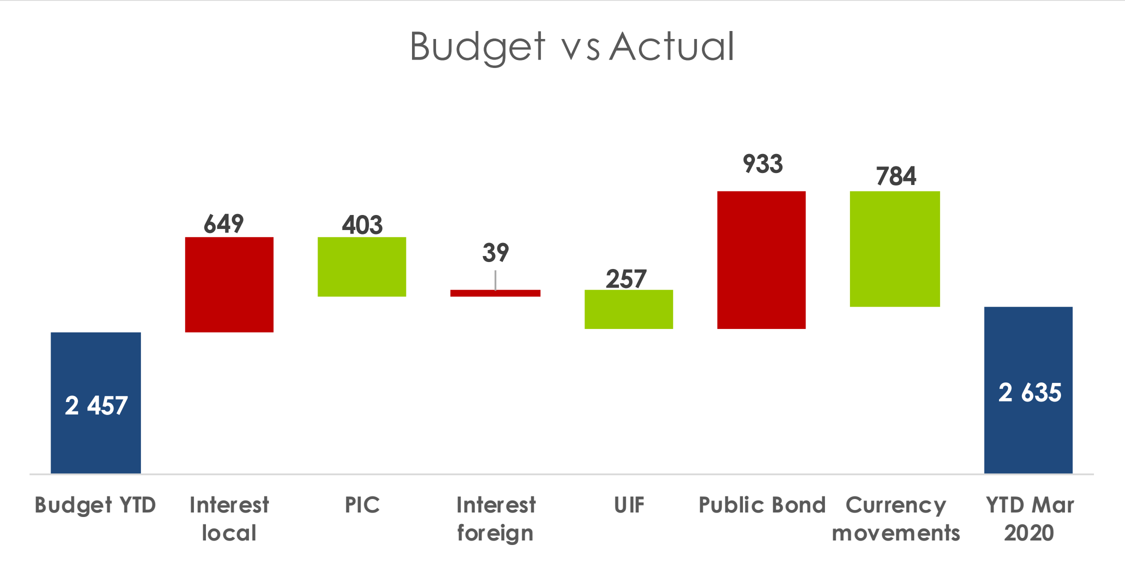
MINI-GROUP: SOURCES OF INCOME

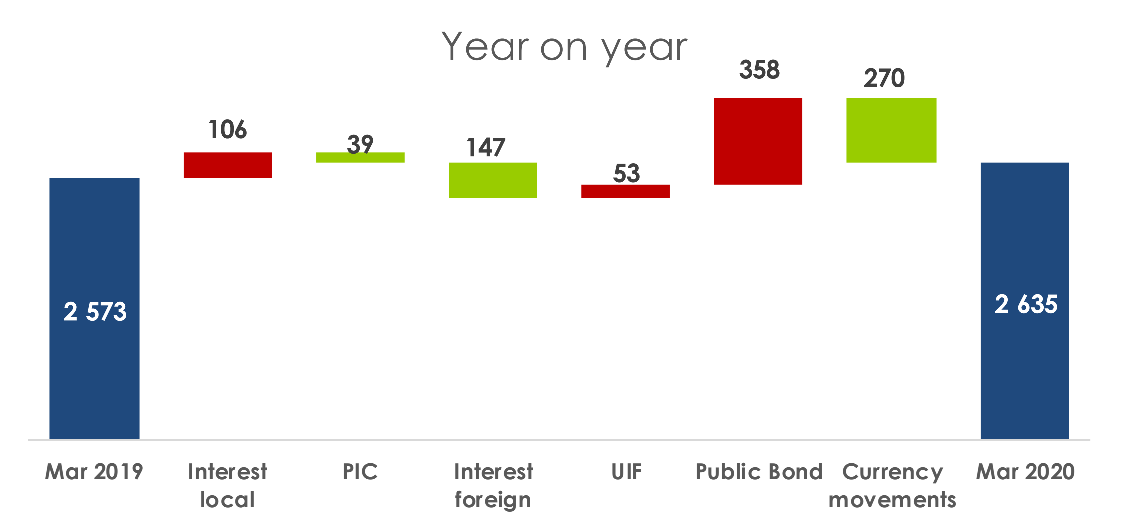




- Significant portion of income coming from listed shares, despite the cancellation of the Sasol dividend (budgeted at R991m for FY 2020).
- Lack of Sasol dividend and lower interest income, offset by the dividend of R1.9bn from Kumba during the FY2020 has led to the income stream being R700m lower than the budget.
- Interest income has been adversely impacted by the stage 3 impairments and lagging disbursements.
- Fee and other income lags the budget due to lower than budgeted disbursements.
- Available cash, in light of lower than planned disbursements, resulted in higher money market income than budgeted.

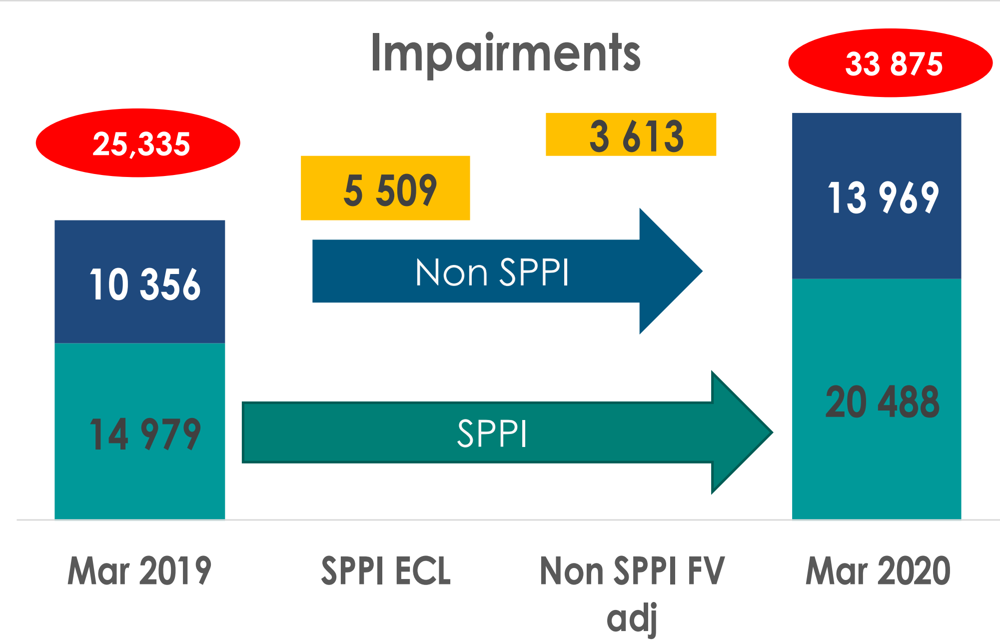
FUNDING: BORROWING COST



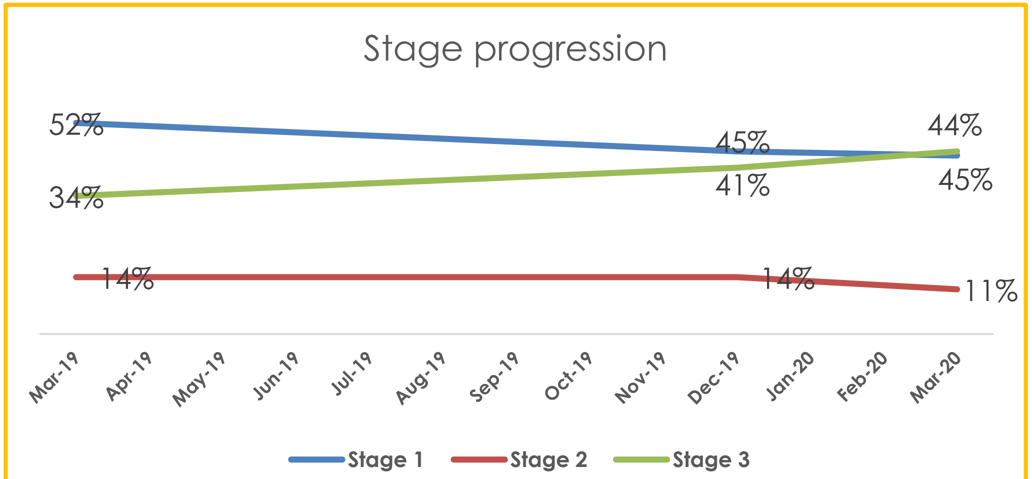


- Borrowing costs came in higher than budget.
- The budget assumes the utilization of cheaper funding sources such as PIC and UIF, which have stringent requirements on the types of assets that can be funded.
- Because there were no assets matching those requirements, these funds were not utilized to the extent envisioned in the budget.
- A strategic decision was made to increase the tenure of borrowings, so as to better match IDC assets. Longer tenure borrowings carry higher margins.
- While balance sheet borrowings reflect a R2bn growth, this figure is net of facilities which were rolled forward in the current financial year. These roll forwards were done at higher margins.

MINI-GROUP RESULTS: IMPAIRMENTS



- In the current financial year to date, SPPI impairments have seen a R5.3bn increase as significant counters such as Foskor, Kalagadi and Broadband Infraco encountered challenges and significant increase in credit risk (SICR);
- The quality of the assets clearly indicate the strain of the economy over the year;
- Significant increase in stage 3 from stage 1 in Dec 2019;
- There's a clear spike in Mar 2020 due to the impact of COVID-19 with stage 3 increasing to 48% of the book.



Stage	Exposure Day 1	Exposure 2019	Exposure 2020	ECL Day 1	ECL 2019	ECL 2020
Stage 1	32 020	29 881	30 069	2 600	2 777	3 594
Stage2	5 512	8 122	7 469	1 774	2 268	2 387
Stage 3	16 351	19 404	31 252	8 604	9 299	14 546
	53 883	57 407	68 791	12 978	14 344	20 527

COVID-19 IMPACT ON THE FINANCIALS

Industrial Development Corporation

- Directive from the SARB: to smooth out the effect of Covid19 in forecasts, valuations.
- Reason: Covid19 is a short term event and will self correct in due course.
- IDC policy on valuations is to consider a long term view i.e. 5 to 10 year cash flows (DCF).
- ECL are calculated over the lifetime of an instrument (stage 2&3) – the average lifetime of IDC loans = 7 years.
- An analysis was done to determine whether any of the top 20 ECL movements were significantly influenced by Covid19.
- There was no change in staging in 17/20 of the top 20 ECL movers. This means that these business partners were already considered high risk before the start of Covid19 and staged accordingly.
- **Conclusion**: The treatment of Covid19 at the IDC is in line with the SARB directive and the IDC's own policies.

Impairment reconciliation

Description	Instrument type	Amount R'm
Increase in impairments	ECL	11 436
Decrease in impairments	ECL	(3 250)
ECL extrapolation	ECL	698
Write-off net impact	ECL	(920)
Land Bank - ECL on cash	ECL	167
Decline in loan portfolio	NON-SPPI	1 820
Recovery preference shares	NON-SPPI	*(27)*
Total IS charge		**9 924**

A total of R4,7bn worth of write-offs with recoveries of R262m

IDC Industrial Development Corporation

LOANS WRITTEN OFF	
Business Partner	**Net Write-off**
Hernic Ferrochrome (Pty) Ltd	299
F and R Catai Transport Solutions	268
Lace Diamond Mines (Pty) Ltd	264
ADC Cables (Pty) Ltd	261
Le-Sel Research (Pty) Ltd	246
Electro Inductive Industries (Pty)	209
Sustainable Fibre Solutions (Pty) L	131
Liberty Lane Trading 337 (Pty) Ltd	128
R B Merit Investments (Pty) Ltd.	121
SA Ladder (Pty) Ltd	112
Pan Africa Business Media Holdings	96
Al Manara Water Co. Ltd.	90
Oakbay Resources & Energy Limited	79
Econoheat Energy Efficient Applianc	73
SA Calcium Carbide (SACC) (Pty) Ltd	69
Sphynx Trading CC	67
Steval Engineering (Pty) Ltd	66
Umnotho weSizwe Resources (Pty) Ltd	62
Yi Li Da SA Manufacturing	55
Klydon Gas (Pty) Ltd	54
Others	389
Grand Total	**3,138**

SHARES WRITTEN OFF	
Business Partner	**Net Writeoff**
Incwala	531
Basil	295
Hernic	186
Imbani	141
Panafrica	67
Stedone	67
Morning	44
Electro	43
Phophoma	36
Africa-prf	30
Lesel	24
Greyjade	21
Avalloy	20
Clorpique-prf	11
Trubok	10
Care cure	8
Oakbay	7
Expia	4
Sustain	4
Goodenuf	3
Other	15
Grand Total	**1,567**

Recoveries	**R'm**
Recoveries FY2020	262

MINI-GROUP CASH FLOW STATEMENT

IDC Industrial Development Corporation

	Mar 2019	2020 BUDGET	Mar 2020
Total Financing Advances	11 819	16 600	11 685
Advances: Equity	3 997	5 644	3 002
Advances: Loans	7 822	10 956	8 683
Borrowings repaid	6 504	7 022	7 905
Dividend paid	50	0	0
Tax paid	135	411	0
OUTFLOW	**18 508**	**24 033**	**19 590**
Internal funds generated	8 257	7 378	9 462
Repayments received	5 314	4 448	5 919
Net income before tax	2 943	2 930	3 543
External funds raised	11 015	13 699	7 719
Proceeds from sale of shares	2 744	1 800	386
INFLOW	**22 016**	**22 877**	**17 566**
NET (OUTFLOW)/INFLOW	**3 508**	**-1 156**	**-2 023**
Opening Bank Balance	***5 749***		***9 257***
Movement	3 508		***-2 023***
Closing Bank Balance	***9 257***		***7 234***
IDC cash			2 587
Cash held on behalf of 3rd parties:			4 638
SEFA			654
DTI and other funds			3 984
Cash as per Balance sheet			**7 234**

- R11,6bn cash outflow to fund new business (disbursements) with a 74:26 loans to equity ratio;
- Disbursements funded mainly from internally generated funds (R9,2bn), comprising dividend income and collections;
- Inflows from borrowings (ABSA, Standard Bank and AFDB) mainly due terminal draw dates approaching;
- R7,9bn in borrowings repaid, including the early settlement of expensive funding (RMB facility);
- Borrowings repaid exceeds collections from IDC customers. This points to a need to continuously push for better collection rates.
- Of the planned R1.8bn in share sales, only 21% sold to date, as lower disbursements required less cash.

ANNEXURES

Financial results

31 March 2020

FOSKOR

R'000	March 2019 Prior year	March 2020 Budget	March 2020 Actual	Variance % Actual vs PY	Variance % Actual vs Bud
Revenue	5 429 057	7 409 720	3 996 509	-26	-46
Cost of sales	(4 461 491)	(5 342 054)	(4 409 902)	-1	-17
Gross Profit	967 566	2 067 666	(413 393)	**-143**	**-120**
Distribution, selling & admin exp	(855 919)	(1 404 043)	(780 444)	-9	-44
Operating profit	111 647	663 623	(1 193 837)	**-1 169**	**-280**
Sundry income	124 306	51 692	158 622	28	207
Depreciation	(352 925)	(439 835)	(360 795)	2	-18
PPE impairment	-	-	(599 381)		
Bad debts & Forex gains/losses	(127 765)	-	6 541	-105	
EBIT	(244 737)	275 480	(1 988 850)	**713**	**-822**
Net Finance cost	(131 263)	(236 982)	(249 703)	90	5
Loss before tax	(376 000)	38 498	(2 238 553)	**495**	**-5915**
Tax expense	192 280	-	(243)		
Loss before tax	(183 720)	38 498	(2 238 796)	**1 119**	**-5915**

- No generation of gross profit margins in the current year, compared to 18% margin in the prior period and a 28% budgeted margin.
- Distribution and selling cost were 9% lower than prior year due to lower sales volumes. All these challenges resulted in operating losses of R1.2bn.
- Depreciation, CGU impairment and finance cost further increased losses to R2,2bn.

SEFA

Consolidated Statement of Comprehensive Income For the period ended 31 March 2020	March 2019 Prior Yr R'000	March 2020 Budget R'000	March 2020 Actual R'000	Variance % Act vs PY	Variance % Act vs Bud
Interest	100 451	77 603	68 060	-32	-12
Dividend income	43 304	27 166	42 481	-2	56
Rental income	27 635	26 379	26 338	-5	0
Fee income from loans and indemnities	7 567	11 229	26 052	244	132
Revenue	**178 957**	**142 377**	**162 931**	**-9**	14
Finance costs	**(40 925)**	**(9 323)**	**(49 754)**	22	434
Gross profit after finance costs	**138 032**	**133 054**	**113 177**	**-18**	-15
Movement on impairments & Bad debt Written-off	(184 530)	(66 903)	(189 124)	2	183
Net interest and dividend income after impairments	**(46 498)**	**66 151**	**(75 947)**	**63**	-215
Investment property fair value gains (loss)	5 254	-	(10 354)	-297	0
Investment property expenses	(42 335)	(57 735)	(50 996)	20	-12
Other income	19 818	18 860	32 669	65	73
Personnel expenses	(177 249)	(211 673)	(204 618)	15	-3
Other operating expenses	(69 632)	(99 567)	(116 188)	67	17
Operating income/(loss)	(310 642)	(283 964)	(425 434)	37	50
Profit from equity accounted investments, net of tax	4 096	38 577	13 743	236	-64
Operating income/(loss) before tax	**(306 546)**	**(245 387)**	**(411 691)**	**34**	68
Income tax expense	-	3 671	(4 971)	0	-235
Operating income/(loss) after tax	**(306 546)**	**(241 716)**	**(416 662)**	**36**	72
MTEF Allocation received/ Grant income *	228 836	241 453	181 089	-21	-25
Net operating income /(loss) after tax + MTEF Allocation	***(77 710)***	***(263)***	***(235 573)***	**-**	**77 447**

- Sefa recorded a net loss of R417m for the period driven by higher impairments (R189m), loss making property business (R35m) and higher administration cost (R321m), offset by favourable variance in investment income;
- Actual interest income is 12% lower than budget due to lower disbursement and suspension of interest on defaulting loans;
- Finance costs are 22% higher than prior year due to a R150m IDC facility;
- Rental income is slightly lower than planned and the property portfolio continue to contribute to significant losses.

CAST PRODUCTS

Figures in R'000	31 March 2019 YTD	31 March 2020 Actual	31 March 2020 Budget	Variance % Actual vs PY	Variance % Actual vs Bud
Revenue	795 000	978 648	1 276 000	23%	-23%
Cost of Sales	(684 000)	(860 316)	(929 000)	26%	-7%
Gross profit	**111 000**	**118 332**	**347 000**	**7%**	**-66%**
Variable costs	**-576 000**	**-704 309**	**-792 000**	**22%**	**-11%**
Fixed costs	**-558 000**	**-653 000**	**-579 000**	**17%**	**13%**
Production recoveries	643 000	797 000	873 000	24%	-9%
Loss for the period	**-380 000**	**-441 977**	**-151 000**	**16%**	**193%**

- Revenue is 23% lower than budget due to the instability of the furnace that resulted in the production of low quality castings at the Wheels and the UJ Germiston foundry , which had to be sold at lower prices as scrap. The Wheel plants was significantly affected as it has registered about 40% to 50% of production as scrap during the year.
- A new Wheels plant manager from Amsted Rail with over 20 years experience was appointed to ensure that manufacturing processes and procedures are followed to improve quality of production.
- The fixed production cost further contributed to losses in the period as they remained higher despite the business inability to produce good quality castings. The profitability of CPSA is dependant on the success of the turnaround initiatives at both the Wheels and the UJ Germiston foundry plant.

GRINDING MEDIA

Figures in R'000	31 March 2019 YTD	31 March 2020 Actual	31 March 2020 Budget	Variance % Actual vs PY	Variance % Actual vs Bud
Revenue	2 566 538	2 244 377	2 330 832	-13%	-4%
Cost of Sales	(2 154 830)	(1 845 845)	(1 930 071)	-14%	-4%
Gross profit	**411 708**	**398 532**	**400 761**	**-3%**	**-1%**
Selling, general and administrative expense	(308 806)	(311 288)	(208 838)	1%	49%
Operating profit	**102 902**	**87 244**	**191 923**	**-15%**	**-55%**
Net finance costs	(17 271)	(22 236)	(12 249)	29%	82%
Profit before taxation	**85 632**	**65 009**	**179 674**	**-24%**	**-64%**
Taxation	(22 465)	(14 437)	(50 309)	-36%	-71%
Profit for the year	**63 167**	**50 572**	**129 366**	**-20%**	**-61%**

- Revenue is 4% lower than budget due to price pressure on Hi chrome balls from cheaper imports, which are reducing its margins.
- Forged grinding balls sales are 1% lower than the prior period, while high chrome balls are 7% lower.
- The results of some of the improvement initiatives are starting to show as evidenced by an improvement in the gross margin of 17% from 16% in the prior period. The implementation of the Automatic metal pouring system was completed during the year, with the aim of reducing high scrap rates on high chrome plants.
- The selling and administrative costs were significantly higher due to voluntary severance packages offered to employees, bad debts, transport cost under recoveries and settlement of legal dispute.
- Profit was further affected by higher finance costs as an additional loan was taken to finance capex to improve production and reduce emissions.

Industrial Development Corporation

Thank you

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