

Metal Bulletin
Events



第13届亚洲铁合金会议

13th Asian Ferro-alloys

Conference 27-29 March 2012
JW Marriott, Hong Kong

2012年3月27-29日, 香港JW 万豪酒店

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Realising Ruukki Group's Global Potential

Dr Danko Koncar
Enterprise Director
March 2012



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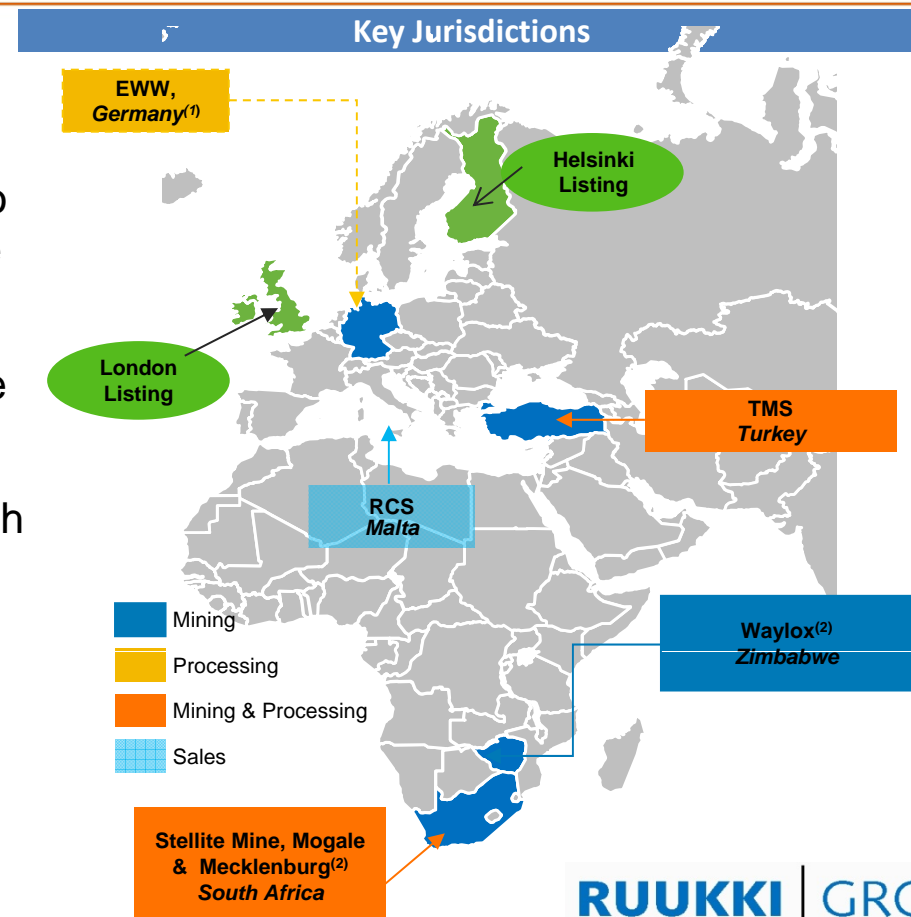
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A Global Footprint

- Ruukki is an integrated specialist ferroalloys producer
- In 2008 Ruukki began transformation into mining company focused primarily on the ferroalloys segment
- Currently producing ferrochrome, chrome ore and silico manganese
- Group quickly took steps to pursue growth opportunities, completing 3 acquisitions:
 - 51% of Chromex Mining for £37m through JV with Kermas
 - 84.9% of Mogale Alloys for €162.5m
 - 99% of Intermetal's assets and licenses

1) Exclusive tolling agreement

2) Mine development projects



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Ruukki Strategic Vision

To become a top 5 ferrochrome producer within 5 years



Phase 1: Short Term

- Increase production
- Grow resources



Phase 2: Medium Term

- Expand processing capacity globally



Phase 3 Long Term

- Secure mix of renewable and non-renewable power supply

Mergers and Acquisitions

Consolidation | Pool & Share ventures | Joint marketing initiatives



Ruukki is Committed to Ferrochrome: Strong Fundamentals

Strong long term market fundamentals: Stainless steel output continues to grow and Chinese producers rely solely on chrome ore imports

South Africa is the world's largest ferrochrome producer with abundant chrome reserves. However it is important to **diversify jurisdictions and products.**

A fragmented market in South Africa represents an opportunity for **consolidation.**



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The Time is Ripe for Consolidation in South Africa

Options for Consolidation:

- Pool and share arrangement
 - Optimise capacity utilisation
- Joint Marketing Initiatives
 - Better manage both ore and ferrochrome export volumes and to optimise price
- Consolidate Mid tier ferrochrome producers into one Tier one Ferrochrome Producer
 - Holding entity
 - LSE main listing
 - JSE secondary listing
 - BEE at operational level



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Benefits of Consolidation

Operations:

- Economies of scale & shared resources
- Optimised use of resources
- Combined processing capacity
- Secure power supply
- Combined management and technical experience

Market:

- Market penetration = greater presence
- Agility when reacting to market dynamics

Corporate:

- Increased investor base = Access to equity and debt markets
- Ability to bring new strategic partners



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South Africa is at a Crossroads

- South Africa is & will remain a significant chrome & ferrochrome player
- Chrome market is rapidly changing
- Power
- UG2
- High cost of logistics
- Human resource development
- Slowdown in global demand



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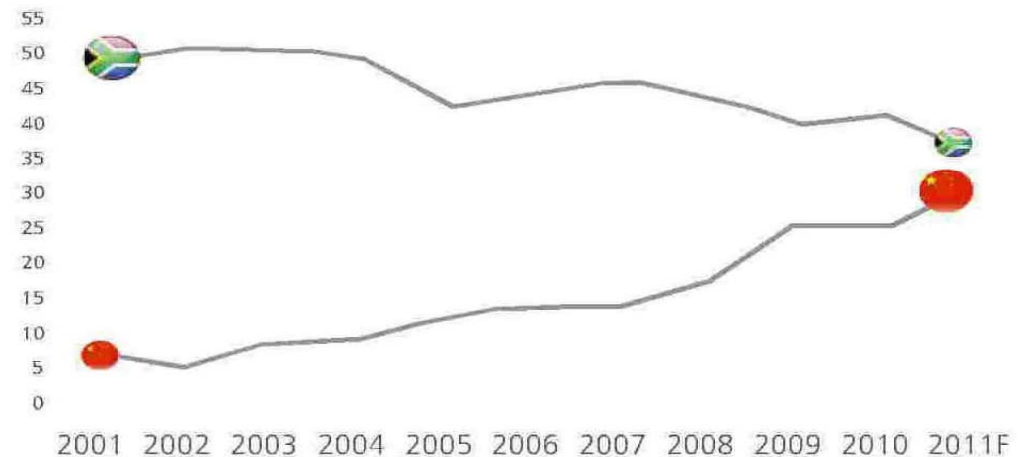
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The Problem that Could Put the Industry Out of Business

The South African ferrochrome industry is losing market share to China despite significant investment in expanding local beneficiation capacity

- South African ferrochrome industry has increased capacity by 39% since 2005 but is operating at sub-optimal capacity utilisation levels
- 2010 capacity utilisation was 74% vs. 90% in 2004
- South Africa has dropped from approx. 50% approx. 42% of ferrochrome market share between 2001 – 2010
- China has grown from approx. 5% to approx. 25% over the same period
- The trend is accelerating as in 2011, South Africa is likely to have approx. 36% market share against China's 30% ferrochrome market share

HC Ferrochrome market share evolution



SOURCE: CRU, ICDA, Heinz Pariser, Industry estimates



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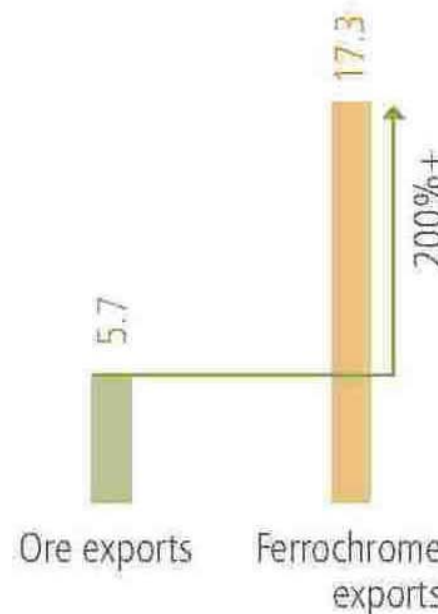
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Recommended Solutions

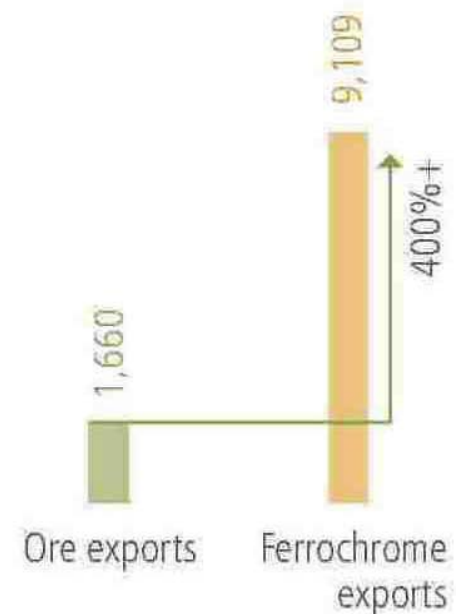
- South Africa's beneficiation strategy is justified
- The country should aim to increase production of ferrochrome with its significant potential to yield large socio-economic benefits for South Africa, as opposed to exports of unbeneficiated ore.
- The graph provides ample evidence to support the justification for expanding beneficiation

Beneficiation impact on GDP and employment

Jobs created per '000 tonnes
of ore



ZAR/tonne of GDP
impact per tonnes ore



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A Long Term Solution Framework

- Export permits awarded to Independent Chrome Ore Producers (including UG2) based on ROM production capacity
- Regulation of ore exports through export permits
- Export permits awarded to Integrated Producers based on ore-equivalent beneficiation capacity (2.5x multiplier)
- Impact will be that Integrated Producers will be long on export permits allowing efficiency of trade between the Integrated Producers and Independent Ore Producers, hence advancement of local beneficiation
- Export permits reviewed on an annual basis based on supply demand and accommodation for new BEE Entrants



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