

OM HOLDINGS LIMITED

(ARBN 081 028 337)



No. of Pages Lodged: 8 Covering letter
13 ASX Appendix 4E – Preliminary Final Report

28 February 2020

ASX Market Announcements
ASX Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

The Board of OM Holdings Limited (“**OMH**”, or the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to provide the financial results of the Group for the year ended 31 December 2019. A copy of the Group's Appendix 4E for the financial year ended 31 December 2019 is attached to this announcement.

HIGHLIGHTS

- **Profit after tax for the year ended 31 December 2019 (“FY2019”) of A\$56.1 million as compared to a profit after tax of A\$184.7 million for the year ended 31 December 2018 (“FY2018”). This was predominantly attributed to weaker ore and ferroalloy prices, in particular ferrosilicon (“FeSi”) which fell by 18% with an estimated negative impact on earnings of approximately A\$76.8 million.**
- **Earnings Before Interest, Tax and Depreciation (“EBITDA”) of A\$154.5 million for FY2019 compared with A\$339.7 million for FY2018.**
- **Basic and diluted earnings per ordinary share of the Group of 7.69 cents for FY2019 as compared to 22.05 cents and 21.79 cents respectively for FY2018.**
- **Revenue from operating activities for FY2019 was A\$1.03 billion, representing a 32% decrease over FY2018 (where revenue from operating activities was A\$1.51 billion). This decrease was primarily a result of lower tonnages of ores and alloys traded, and a softening of the manganese ore and ferroalloy prices in FY2019.**
- **Gross profit margin decreased to 14.9% in FY2019, down from 23.4% in FY2018. This was predominantly attributed to weaker ore and ferroalloy prices, and lower volumes of ferroalloy and manganese ore traded.**
- **The Group’s share of results from its associates for FY2019 was A\$30.4 million.**
- **Total borrowings decreased from A\$512.9 million as at 31 December 2018 to A\$473.9 million as at 31 December 2019 which included repayments against the Sarawak Project Finance Loan of US\$34.8 million. As a result, total borrowings to equity ratio decreased from 1.14 times as at 31 December 2018 to 0.93 times as at 31 December 2019.**
- **Consolidated cash position of A\$63.7 million (including cash collateral of A\$14.8 million) as at 31 December 2019 as compared to A\$91.8 million (including cash collateral of A\$12.8 million) as at 31 December 2018.**
- **Net cash generated from operating activities of A\$93.8 million for FY2019.**

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HIGHLIGHTS (CONT'D)

- **Property, plant and equipment (“PPE”) increased from A\$660.7 million as at 31 December 2018 to A\$698.4 million as at 31 December 2019 due to the construction of OM Materials (Sarawak) Sdn. Bhd.’s (“OM Sarawak”) sintering plant, storage warehouses, laboratory, canteen and offices, and OM (Manganese) Ltd’s (“OMM”) Tailings Retreatment Plant.**
- **Net asset backing per ordinary share of the Group was 68.94 cents as at 31 December 2019 as compared to 61.24 cents per ordinary share as at 31 December 2018, representing a 13% (or 7.7 cents per ordinary share) year-on-year increase.**
- **With the Group having recorded a net profit after tax of A\$56.1 million for FY2019, the Board has resolved to declare a final dividend of A\$0.01 per ordinary share for FY2019. The Record Date for the dividend will be 8 May 2020 and the Payment Date will be 29 May 2020. This final dividend is in addition to the interim dividend of A\$0.01 per ordinary share declared and paid with respect to the half year ended 30 June 2019.**



OM HOLDINGS LIMITED – GROUP KEY FINANCIAL RESULTS

KEY DRIVERS (Tonnes)	Year ended 31 December 2019	Year Ended 31 December 2018	Variance %
Sales volumes of Ores	987,744	1,987,414	(50)
Sales volumes of Alloys	502,034	511,801	(2)

FINANCIAL RESULTS (A\$' million)			
Total sales	1,026.5	1,510.4	(32)
Gross profit	152.5	353.3	(57)
Gross profit margin (%)	14.9	23.4	
Other income	4.3	2.4	79
Distribution costs	(47.7)	(54.6)	(13)
Administrative expenses	(20.4)	(35.2)	(42)
Other operating expenses	(21.9)	(23.2)	(6)
Exchange losses	(3.8)	(5.2)	(27)
Impairment charge	(2.3)	(2.6)	(12)
Finance costs	(32.2)	(44.9)	(28)
Share of results of associates	30.4	47.0	(35)
Profit before income tax	58.9	237.0	(75)
Income tax expense	(2.8)	(52.3)	(95)
Profit for the year	56.1	184.7	(70)
Non-controlling interests	0.5	(22.9)	NM
Profit after tax attributable to owners of the Company	56.6	161.8	(65)

OPERATING RESULTS ADJUSTED FOR NON-CASH ITEMS		
Net profit after tax	56.1	184.7
Adjust for non-cash items:		
Impairment charge	2.3	2.6
Fair value loss	0.6	2.9
Depreciation/amortisation ⁽²⁾	53.1	45.2
Unrealised exchange losses	8.3	7.5
Finance costs (net of income)	31.3	44.5
Income tax expense	2.8	52.3
Adjusted EBITDA⁽¹⁾	154.5	339.7
Less Depreciation/amortisation	(53.1)	(45.2)
Adjusted EBIT	101.4	294.5

(1) Adjusted EBITDA is defined as operating profit before depreciation and amortisation, impairment write-back/expense, net finance costs, income tax and other non-cash items. Adjusted EBITDA is not a uniformly defined measure and other companies in the mining industry may calculate this measure differently. Consequently, the Group's presentation of Adjusted EBITDA may not be readily comparable to other companies' disclosures.

(2) Inclusive of depreciation and amortisation charges recorded through cost of sales.



FINANCIAL ANALYSIS

The Group recorded revenue of A\$1.03 billion for FY2019, which was a 32% decrease from the A\$1.51 billion recorded for FY2018. The decrease in revenue was predominantly attributed to the lower total volume of products traded (a decrease of 40% as compared to FY2018) and a softening of ore and alloy prices throughout FY2019. The softening of the market as a result of the trade war on tariffs and the currency market fallout between the United States (“USA”) and China, impacted FeSi volumes traded from the Group’s 75% owned smelter in Sarawak which decreased by 4% in FY2019. Volumes of FeSi sold in FY2019 were 220,219 tonnes, with a total revenue contribution of approximately A\$349.1 million (FY2018: 228,525 tonnes with a revenue contribution of A\$441.9 million). Manganese alloy (high carbon ferromanganese and silicomanganese) volumes traded in FY2019 also decreased marginally. A total of 281,815 tonnes of manganese alloy was traded in FY 2019 (with a revenue contribution of approximately A\$407.9 million) as compared to 283,276 tonnes of manganese alloy traded in FY2018 (with a revenue contribution of approximately A\$447.9 million).

Manganese ore volumes traded from the Group’s wholly-owned Bootu Creek Manganese Mine and other third party ores decreased in FY2019. Total manganese ore volumes traded decreased by 1,017,548 tonnes (approximately 52%) to 934,569 tonnes, with a revenue contribution of A\$259.4 million in FY2019 (as compared to 1,952,117 tonnes with a revenue contribution of A\$607.8 million in FY2018). The decline was mainly due to lower production arising from the suspension of mining activities at the Bootu Creek Manganese Mine for about 4 months following the fatal accident in late August 2019. In addition, there was a reduction in third party manganese ore volumes traded during the current year from a supplier in South Africa.

The softening of manganese ore and ferroalloy prices in FY2019, coupled with the decrease in total ore and ferroalloy volumes traded had an impact on the Group’s sales revenue and gross profit in FY2019. The Group recorded a gross profit of A\$152.5 million in FY2019 (with a gross profit margin of approximately 14.9%) as compared to a gross profit of A\$353.3 million in FY2018 (with a gross profit margin of 23.4%). The Group’s FeSi margins were significantly impacted by the 18% drop in FeSi prices in FY2019.

Platts reported that prices of FeSi to Japan closed lower at US\$1,038 per metric tonne at the end of December 2019, as compared to US\$1,260 per metric tonne at the end of December 2018. The fall in the price of FeSi in FY2019 was a result of an accelerated production rate by Chinese FeSi producers which resulted in higher inventory levels in China, the inflow of Western products into the Asian markets, and also from the USA China trade war which had a negative impact on Asian currencies against the United States Dollar (“USD”). This in turn exerted further downward pressure on ferroalloy prices which impacted the global price in USD.

Index ore prices (44% Mn published by Metal Bulletin) trended downwards throughout FY2019 and closed at US\$4.20/dmtu CIF China as at 31 December 2019 after hitting its lowest price of US\$3.68/dmtu in early November 2019. In comparison, index ore prices closed at US\$6.96/dmtu CIF China as at 31 December 2018. The softening of manganese ore prices in FY2019 was mainly attributable to elevated levels of port inventories in China as a result of continued capacity expansion from miners globally.

Total distribution costs decreased by 13% to A\$47.7 million in FY2019 despite a 40% decrease in total product volumes traded. The decrease in total product volumes traded was mainly impacted by the reduction in manganese ore volumes traded. This was off-set by an increase in ocean freight costs as well as the change in geographical sales allocation in FY2019.

Administrative expenses for FY2019 decreased by 42% to A\$20.4 million. The higher administrative expenses incurred in FY2018 were mainly due to the expensing of legal and professional fees of A\$4.6 million in FY2018 following loan restructuring completed in late 2017.

Other operating expenses decreased to A\$21.9 million for FY2019 from A\$23.2 million for FY2018 mainly due to a one-time write-off of goodwill amounting to A\$2.5 million in FY2018 which was from the acquisition of the remaining interest of an associate to a subsidiary. For FY2019, the Company wrote off an amount of A\$0.6 million as a result of the expiry on 25 March 2019 of 26,000,000 unlisted warrants.

The foreign exchange losses in FY2019 were A\$3.8 million as compared to foreign exchange losses of A\$5.2 million in FY2018. The foreign exchange losses were mainly attributed to the translation of Malaysia Ringgit (“MYR”) denominated payables and borrowings to USD.



The Group's share of results from its associates of A\$30.4 million relates to the operating results of its 13% interest in Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi"). This was a decrease of approximately 35% as compared to FY2018 mainly due to the softening of manganese ore prices in FY2019.

Tax expense for FY2019 decreased to A\$2.8 million, a decrease of approximately 95% as compared to FY2018, due to a reduction in taxable income in FY2019.

With the softening of manganese ore and ferroalloy prices in FY2019, coupled with the decrease in total product volumes traded, the Group recorded a profit after tax of A\$56.1 million for FY2019 (against a profit after tax of A\$184.7 million for FY2018). The Group's basic profit per ordinary share for FY2019 was 7.69 cents.

The Group also recorded a positive EBITDA of A\$154.5 million in FY2019 as compared with A\$339.7 million in FY2018, a decrease of approximately 54%, on the back of weaker prices and reduced product volumes traded.

Results Contributions

The contributions from the Group's business segments were as follows:

A\$ million	Year ended 31 December 2019		Year ended 31 December 2018	
	Revenue*	Contribution	Revenue*	Contribution
Mining	139.5	20.8	229.1	94.9
Smelting	734.6	23.4	859.1	134.3
Marketing, logistics and trading	887.3	20.8	1,434.9	24.9
Other	4.5	(5.2)	13.8	(19.7)
Net profit before finance costs		59.8		234.4
Finance costs (net of income)		(31.3)		(44.4)
Share of results of associates		30.4		47.0
Income tax		(2.8)		(52.3)
Profit after tax		56.1		184.7
Non-controlling interests		0.5		(22.9)
Profit attributable to owners of the Company		56.6		161.8

* revenue contribution from segments is subsequently adjusted for intercompany sales on consolidation

Mining

This category included the contribution from the Bootu Creek Manganese Mine (the "Mine").

The Mine (100% owned and operated by the Company's wholly owned subsidiary OMM) produced 570,090 tonnes of manganese ore with an average grade of 33.71% Mn in FY2019 as compared to 814,040 tonnes of manganese ore with an average grade of 35.77% Mn in FY2018. The decrease of approximately 30% was mainly due to the suspension of mining activities at the Mine from late August 2019, and also due to the constraints of limited water supply, especially in the second half of FY2019, due to an abnormally dry season which hindered the processing plant production. Approval was only provided by the Department of Primary Industry and Resources on 7 October 2019 to re-start the dewatering of the pits required to facilitate the requisite water supply to operate the processing plants. Approval to re-commence mining operations did not occur until late December 2019. There was also no contribution of product from the Tailings Retreatment Plant ("TRP") as the TRP was not fully commissioned due to constraints of limited water supply. During the period when mining activities were suspended at the Mine, OMM produced a product of lower grade from existing stockpiles of mineralised ore inventories. OMM shipped 612,537 tonnes of manganese ore with an average grade of 33.86% Mn with an additional 9,009 tonnes sold domestically in FY2019 (FY2018: 795,974 tonnes shipped and 1,041 tonnes sold domestically).

Revenue for FY2019 amounted to A\$139.5 million and OMM achieved a positive contribution of A\$20.8 million for the year ended 31 December 2019. This was mainly due to lower volumes of ore traded and the softening of manganese ore prices in FY2019.



Smelting

The business segment covered the operations of the FeSi and manganese alloy smelter operated by OM Sarawak (75% interest) and the Group's 100% owned Qinzhou manganese alloy smelter operated by OM Materials (Qinzhou) Co Ltd ("**OMQ**").

OM Sarawak and OMQ recorded revenues of A\$734.6 million for FY2019 as compared to A\$859.1 million for FY2018. The decrease in revenue was mainly due to the softening of FeSi and manganese alloy prices in FY2019 as compared to FY2018. OM Sarawak produced a total of 230,735 tonnes and 248,163 tonnes of FeSi and manganese alloy respectively in FY2019 (FY2018: 220,515 tonnes of FeSi and 242,341 tonnes of manganese alloy) with a revenue contribution of A\$674.0 million for FY2019 as compared to A\$792.0 million for FY2018.

OMQ produced 41,791 tonnes of manganese alloy and 42,409 tonnes of manganese sinter ore in FY2019 (FY2018: 38,523 tonnes of manganese alloy and 42,274 tonnes of manganese sinter ore) and had a revenue contribution of A\$60.6 million for FY2019 as compared to A\$67.1 million for FY2018.

The smelting segment recorded a lower positive contribution of A\$23.4 million for FY2019 (FY2018: A\$134.3 million) mainly due to the softening of market prices of FeSi and manganese alloy throughout FY2019. With the decrease in FeSi prices by 18% in FY2019, FeSi margins correspondingly decreased from 29% for FY2018 to 11% for FY2019.

Marketing, logistics and trading

Revenue from the Group's trading operations decreased by 38% from A\$1.43 billion in FY2018 to A\$887.3 million in FY2019. This decrease was primarily due to lower total volumes of manganese ore volumes traded in FY2019, as well as the weakened prices of manganese ore and ferroalloys in FY2019. The profit contribution from the Group's trading operations decreased by 16% to A\$20.8 million in the current year.

Other

This segment includes the corporate activities of OMH as well as procurement services rendered by a subsidiary.

The revenue recognised in this segment related mainly to procurement fees received for services rendered. The negative contribution of A\$5.2 million in this segment for FY2019 was mainly due to administrative and operating expenses for corporate activities incurred at the OMH level. This included a A\$0.6 million expense arising from the expiry of 26,000,000 unlisted warrants on 25 March 2019. The negative contribution of A\$19.7 million for FY2018 was mainly the result of unrealised foreign exchange losses, and A\$4.6 million of restructuring legal and professional fees previously capitalised and subsequently expensed following loan restructuring in late 2017.

FINANCIAL POSITION

The Group's property, plant and equipment ("**PPE**") increased from A\$660.7 million as at 31 December 2018 to A\$698.4 million as at 31 December 2019 mainly due to the construction of OM Sarawak's sintering plant, storage warehouses, laboratory, canteen and offices, and OMM's Tailings Retreatment Plant.

The Group adopted IFRS 16 "Leases", which became effective on 1 January 2019. Consequently, an amount of A\$7.1 million was recognised as Right-of-Use assets as at 31 December 2019.

The Group's consolidated cash position was A\$63.7 million (including cash collateral of A\$14.8 million) as at 31 December 2019 as compared to A\$91.8 million (including cash collateral of A\$12.8 million) as at 31 December 2018. For FY2019, net cash generated from operating activities was A\$93.8 million as compared to net cash generated of A\$179.6 million for FY2018.

Inventories decreased to A\$228.3 million as at 31 December 2019 from A\$267.0 million as at 31 December 2018. This was mainly a result of a reduction in unconsumed power inventory from OM Sarawak as at 31



December 2019, and the reduction in inventory in OMM as a result of the suspension of mining activities from late August to the end December 2019.

Trade and other receivables decreased to A\$37.8 million as at 31 December 2019 from A\$90.6 million as at 31 December 2018 which was in line with the decrease in sales revenue and total product volumes traded.

Trade and other payables decreased by approximately 37% to A\$173.4 million as at 31 December 2019 from A\$277.2 million as at 31 December 2018.

The Group's total borrowings decreased from A\$512.9 million as at 31 December 2018 to A\$473.9 million as at 31 December 2019. The decrease was mainly attributed to repayments against the Sarawak Project Finance loan during the year of approximately US\$34.8 million (equivalent to approximately A\$50.4 million). This was offset by an increased utilisation of trade facilities by approximately A\$10.5 million for the purchase of raw materials for alloy production and ore products for trading. The Group's total borrowings to equity ratio decreased from 1.14 times and 1.01 times as at 31 December 2018 and 30 June 2019 respectively, to 0.93 times as at 31 December 2019. The borrowings as at 31 December 2019 comprised A\$435.6 million of Sarawak Project Finance loans associated with the smelter operations.

The Company's net asset backing per ordinary share was 68.94 cents per ordinary share as at 31 December 2019 as compared to 61.24 cents per ordinary share as at 31 December 2018, a 13% (or 7.7 cents per ordinary share) year-on-year increase.

Capital Structure

For the year ended 31 December 2019, movements in the capital structure of the Company were as follows:

- (1) In March 2019, convertible notes on issue were reduced from 17,435,500 to 12,500,000 following the redemption by the Company of 19.742% of the convertible notes for US\$4.2 million (equivalent to approximately A\$6.0 million).
- (2) The Company's 26,000,000 unlisted warrants lapsed on 25 March 2019.

As at 31 December 2019, the Company had 738,623,337 ordinary shares and 12,500,000 unsecured convertible notes on issue.

INVESTMENT IN NTSIMBINTLE MINING PROPRIETARY LIMITED

Ntsimbintle Mining Proprietary Limited ("NMPL") holds a 50.1% interest in Tshipi é Ntle Manganese Mining (Pty) Ltd ("Tshipi"), an independently operated and managed black-empowered manganese mining company that operates the Tshipi Borwa Manganese Mine located in the world class Kalahari Manganese field in South Africa. The Tshipi Borwa Manganese Mine currently has a production target of approximately 3.3 to 3.6 million tonnes per annum. The Company has a 13% effective beneficial interest in this project via its NMPL investment holding. The Group equity accounts its 13% effective interest in Tshipi's results which equated to a contribution of A\$30.4 million for FY2019 compared to A\$47.0 million for FY2018.

Tshipi has recently conducted and completed a concept study on the expansion of the Tshipi Borwa Manganese Mine and a comprehensive feasibility study is expected to commence shortly. The feasibility study will seek to examine the economics of an increase from the current 3.3 to 3.6 million tonnes per annum production level to a production profile of 4.5 million tonnes per annum. Tshipi has advised that such an uplift to the production capability will be supported by the Tshipi Borwa Manganese Mine existing ore reserves. Various considerations including but not limited to capital and funding requirements, implementation timeframes, logistical constraints, legislative requirements and sourcing and evaluating water availability will be examined as part of the feasibility study process.

Tshipi paid to NMPL a total dividend of ZAR 876.6 million (approximately US\$60.7 million) for the 6 months ended 31 August 2019. Correspondingly, NMPL declared and paid a net dividend to the Group of A\$24.2 million in the second half of FY2019.



As previously announced, the board of NMPL decided to terminate the process to potentially list the issued shares of NMPL on the securities exchange operated by the Johannesburg Stock Exchange. Alternative corporate strategies are currently being evaluated and assessed by NMPL.

FINAL DIVIDEND

With the Group having recorded a net profit after tax of A\$56.1 million, the Board has resolved to declare a final dividend of A\$0.01 per share for FY2019. The Record Date for the dividend will be 8 May 2020 and the Payment Date will be 29 May 2020. This dividend is in addition to the interim dividend of A\$0.01 per fully paid ordinary share paid on 29 November 2019.

Yours faithfully
OM HOLDINGS LIMITED

Heng Siow Kwee/Julie Wolseley

Joint Company Secretary

Important note from page 3

Earnings before interest, taxation, depreciation and amortisation (ie 'EBITDA') and earnings before interest and tax (ie 'EBIT') are non-IFRS profit measures based on statutory net profit after tax adjusted for significant items and changes in the fair value of financial instruments. The Company believes that such measures provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

The Company believes that EBITDA and EBIT are useful measures as they remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the Company's various businesses thereby facilitating a more representative comparison of financial performance between financial periods. In addition, these profit measures also remove changes in the fair value of financial instruments recognised in the statement of comprehensive income to remove the volatility caused by such changes.

While the Company's EBITDA and EBIT results are presented in this announcement having regard to the presentation requirements contained in Australian Securities and Investment Commission Regulatory Guide 230 titled 'Disclosing non-IFRS financial information' (issued in December 2011) investors are cautioned against placing undue reliance on such measures as they are not necessarily presented uniformly across the various listed entities in a particular industry or generally.

This ASX announcement was authorised for release by the Board of OM Holdings Limited.

Further enquiries please contact:
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OM HOLDINGS LIMITED

A.R.B.N 081 028 337

Appendix 4E

Preliminary Final Report

For the year ended 31 December, 2019

(previous corresponding period being the year ended 31 December, 2018)

OM Holdings Limited and Controlled Entities
Preliminary Final Report
APPENDIX 4E

Results for Announcement to the Market
OM Holdings Limited
For the year ended 31 December 2019

Name of Entity:		OM Holdings Limited	
ARBN:		081 028 337	
1. Details of the current and prior reporting period			
Current Period:		1 Jan 2019 to 31 Dec 2019	
Prior Period:		1 Jan 2018 to 31 Dec 2018	
2. Results for announcement to the market			
		A\$'000	
2.1	Revenues from ordinary activities (excludes property revaluations) Total Revenue	Down 32% to	1,026,454
2.2	Profit for the year	Down 70% to	56,072
2.3	Net profit for the period attributable to owners of the Company	Down 65% to	56,641
2.4	Dividend distributions	Amount per security	Franked amount per security
		A\$0.01	Nil
2.5	Record date for determining entitlements to the dividend	8 May 2020	
3. Consolidated statement of comprehensive income		Refer Appendix 1	
4. Statements of financial position		Refer Appendix 2	
5. Consolidated statement of cash flows		Refer Appendix 3	
6. Details of dividends or distributions		A\$0.01 interim dividend	
7. Consolidated statement of changes in equity		Refer Appendix 4	
		Current Period A\$	Previous Corresponding Period A\$
8.	Net asset backing per ordinary security	68.94 cents	61.24 cents

OM Holdings Limited and Controlled Entities
Preliminary Final Report

9. Control gained over entities during the period	N/A	
10. Details of associate and joint venture entities	Refer Note 3	
11. Other significant information	Refer Note 4	
12. Accounting Standards used by foreign entities	N/A	
13. Commentary on the result for the period		
	Current Period	Previous Corresponding Period
13.1 Profit per share overall operations (undiluted)	7.69 cents	22.05 cents
13.4 Segment results	Refer Appendix 5	
14. Status of audit or review	This report is based on accounts that are in the process of being audited.	
15. Dispute or qualification - accounts not yet audited	N/A	
16. Qualifications of audit/review	N/A	

Consolidated statement of comprehensive income for the financial year ended 31 December 2019

	Note	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Revenue		1,026,454	1,510,416
Cost of sales		(874,001)	(1,157,128)
Gross profit		152,453	353,288
Other income		4,334	2,356
Distribution costs		(47,692)	(54,566)
Administrative expenses		(20,383)	(35,244)
Other operating expenses		(27,952)	(30,984)
Finance costs		(32,220)	(44,881)
Profit from operations		28,540	189,969
Share of results of associates		30,381	46,958
Profit before income tax		58,921	236,927
Income tax		(2,849)	(52,270)
Profit for the year	1	56,072	184,657
Other comprehensive income/(expense), net of tax:			
Items that may be reclassified subsequently to profit or loss			
Currency translation differences		(15)	24,409
Cash flow hedges		919	461
Other comprehensive income for the year, net of tax		904	24,870
Total comprehensive income for the year		56,976	209,527
Profit/(loss) attributable to:			
Owners of the Company		56,641	161,722
Non-controlling interests		(569)	22,935
		56,072	184,657
Total comprehensive income/(expense) attributable to:			
Owners of the Company		57,742	181,761
Non-controlling interests		(766)	27,766
		56,976	209,527
Profit per share			
		Cents	Cents
- Basic		7.69	22.05
- Diluted		7.69	21.79

Statements of financial position as at 31 December 2019

	Note	The Company		The Group	
		31 December 2019 A\$'000	31 December 2018 A\$'000	31 December 2019 A\$'000	31 December 2018 A\$'000
Assets					
Non-Current					
Property, plant and equipment		-	-	698,406	660,743
Land use rights		-	-	9,920	10,070
Exploration and evaluation costs	2	-	-	963	1,808
Mine development costs		-	-	23,363	23,988
Right-of-use assets		-	-	7,131	-
Investment property		-	-	642	-
Deferred tax assets		-	-	11,392	-
Interests in subsidiaries		144,621	134,300	-	-
Interests in associates	3	-	-	116,358	126,339
		144,621	134,300	868,175	822,948
Current					
Inventories		-	-	228,275	267,042
Trade and other receivables		18,325	46,231	37,809	90,570
Capitalised contract costs		-	-	1,015	2,759
Prepayments		118	133	3,754	3,035
Cash collateral		-	-	14,812	12,773
Cash and bank balances		31	178	48,900	79,046
		18,474	46,542	334,565	455,225
Total assets		163,095	180,842	1,202,740	1,278,173
Equity					
Capital and Reserves					
Share capital		36,931	36,931	36,931	36,931
Treasury shares		(2,330)	(2,330)	(2,330)	(2,330)
Reserves		59,462	85,554	390,276	354,016
		94,063	120,155	424,877	388,617
Non-controlling interests		-	-	82,990	62,508
Total equity		94,063	120,155	507,867	451,125
Liabilities					
Non-Current					
Borrowings		15,029	14,441	385,549	436,120
Lease liabilities		-	-	1,102	-
Trade and other payables		-	-	60,230	112,879
Provision		-	-	14,453	9,931
Deferred tax liabilities		-	-	1,237	3,301
Deferred capital grant		-	-	12,605	13,315
		15,029	14,441	475,176	575,546
Current					
Trade and other payables		54,003	40,247	113,169	164,288
Contract liabilities		-	-	4,859	3,011
Borrowings		-	5,999	88,369	76,806
Lease liabilities		-	-	5,990	-
Deferred capital grant		-	-	809	803
Income tax payables		-	-	6,501	6,594
		54,003	46,246	219,697	251,502
Total liabilities		69,032	60,687	694,873	827,048
Total equity and liabilities		163,095	180,842	1,202,740	1,278,173

OM Holdings Limited and Controlled Entities
Preliminary Final Report

Appendix 3

Consolidated statement of cash flows
for the financial year ended 31 December 2019

	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Cash Flows from Operating Activities		
Profit before income tax	58,921	236,927
Adjustments for:		
Amortisation of land use rights	204	193
Amortisation of deferred capital grant	(814)	(760)
Amortisation of mine development costs	5,147	9,052
Depreciation of property, plant and equipment	42,369	36,751
Depreciation of right-of-use assets	6,156	-
Depreciation of investment property	11	-
Write off of exploration and evaluation costs	2,706	932
Write off of goodwill from acquisition of subsidiary	-	2,550
Write off of warrants	619	-
Loss on disposal of property, plant and equipment	121	-
Write off of property, plant and equipment	121	116
Unwinding of discount on non-current trade payables	1,128	2,464
Reclassification from hedging reserve to profit or loss	919	461
Impairment loss on financial asset	278	-
Interest expense	32,220	44,881
Interest income	(898)	(405)
Share of results of associates	(30,381)	(46,958)
Operating profit before working capital changes	118,827	286,204
Decrease/(Increase) in inventories	38,989	(13,163)
Decrease in trade receivables	44,854	1,034
Decrease/(Increase) in capitalised contract costs	1,754	(2,759)
Decrease in prepayments, deposits and other receivables	7,205	2,573
Increase in contract liabilities	1,859	3,301
Decrease in trade payables	(28,773)	(53,426)
Decrease in other payables and accruals	(65,190)	(38,184)
Increase in provisions	4,522	3,899
Cash generated from operations	124,047	189,479
Income tax paid	(30,199)	(9,886)
Net cash generated from operating activities	93,848	179,593
Cash Flows from Investing Activities		
Payments for exploration and evaluation costs	(1,861)	(573)
Payments for mine development costs	(4,522)	(1,014)
Purchase of property, plant and equipment	(76,564)	(29,172)
Proceeds from disposal of property, plant and equipment	94	-
Acquisition of a subsidiary	-	(2,550)
Loan repayment and dividend received from an associate	40,421	35,623
Interest received	898	405
Net cash (used in)/generated from investing activities	(41,534)	2,719

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Consolidated statement of cash flows (cont'd)
for the financial year ended 31 December 2019

	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000
Cash Flows from Financing Activities		
Repayment of bank and other loans	(67,593)	(41,960)
Proceeds from bank and other loans	23,081	-
Payment of lease liabilities	(7,006)	-
Repayment of finance lease creditors	-	(921)
Buy-back of warrants	-	(641)
Issue of ordinary shares, net of issue costs	-	2,060
Capital contribution by non-controlling interest	22,476	-
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	(25,040)
Increase in cash collateral	(2,039)	(8,310)
Dividend paid	(23,329)	(22,101)
Interest paid	(28,278)	(38,252)
Net cash used in financing activities	(82,688)	(135,165)
Net (decrease)/increase in cash and cash equivalents	(30,374)	47,147
Cash and cash equivalents at beginning of year	79,046	29,913
Exchange difference on translation of cash and cash equivalents at beginning of year	228	1,986
Cash and cash equivalents at end of year	48,900	79,046

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Appendix 4

Consolidated statement of changes in equity for the financial year ended 31 December 2019

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2019	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125
Profit/(loss) for the year	-	-	-	-	-	-	-	56,641	56,641	(569)	56,072
Other comprehensive income/(expense) for the year	-	-	-	-	-	689	412	-	1,101	(197)	904
Total comprehensive income/expense for the year	-	-	-	-	-	689	412	56,641	57,742	(766)	56,976
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	(1,228)	(23,329)
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	22,476	22,476
Write off of warrants	-	-	-	-	619	-	-	-	619	-	619
Transactions with owners	-	-	-	-	619	-	-	(22,101)	(21,482)	21,248	(234)
Balance at 31 December 2019	36,931	(2,330)	178,363	8,868	16,063	(5,851)	30,181	162,652	424,877	82,990	507,867

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2018	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748
Profit for the year	-	-	-	-	-	-	-	161,722	161,722	22,935	184,657
Other comprehensive income for the year	-	-	-	-	-	346	19,693	-	20,039	4,831	24,870
Total comprehensive income for the year	-	-	-	-	-	346	19,693	161,722	181,761	27,766	209,527
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	-	(22,101)
Issue of ordinary shares, net of issue costs	260	-	1,800	-	-	-	-	-	2,060	-	2,060
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	(25,040)	(25,040)
Buy-back of warrants	-	-	-	-	(1,069)	-	-	-	(1,069)	-	(1,069)
Transfer	-	-	-	3,316	-	-	3	(3,319)	-	-	-
Transactions with owners	260	-	1,800	3,316	(1,069)	-	3	(25,420)	(21,110)	(25,040)	(46,150)
Balance at 31 December 2018	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125

Operating segments

For management purposes, OM Holdings Limited and its controlled entities (“Group”) are organised into the following reportable operating segments as follows:-

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys, ferrosilicon and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon and sinter ore

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude finance income and costs, share of results of associates, income tax which was not directly attributable to the business activities of any operating segment, and was not included in arriving at the operating results of the operating segment.

Sales between operating segments are carried out at arm’s length.

Segment performance is evaluated based on the operating profit or loss which in certain respects, is set out below and is measured differently from the operating profit or loss in the consolidated financial statements.

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Operating segments (cont'd)

	Mining		Smelting		Marketing and Trading		Others		Total	
	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000	2019 A\$'000	2018 A\$'000
Reportable segment revenue										
Sales to external customers	2,651	321	315,973	265,938	707,830	1,235,629	-	8,528	1,026,454	1,510,416
Inter-segment sales	136,815	228,734	418,637	593,120	179,449	199,311	4,520	5,263	739,421	1,026,428
Elimination									(739,421)	(1,026,428)
	139,466	229,055	734,610	859,058	887,279	1,434,940	4,520	13,791	1,026,454	1,510,416
Reportable segment profit	20,770	94,934	23,462	134,300	20,782	24,909	(5,152)	(19,698)	59,862	234,445
Reportable segment assets	109,633	119,171	997,622	1,048,820	460,708	432,341	188,246	209,847	1,756,209	1,810,179
Elimination									(669,827)	(658,345)
Interest in associates									116,358	126,339
Total assets									1,202,740	1,278,173
Reportable segment liabilities	167,017	179,422	644,340	784,517	199,265	193,981	93,171	119,741	1,103,793	1,277,661
Elimination									(480,920)	(450,613)
Total liabilities									694,873	827,048
Other segment information										
Purchase of property, plant and equipment	8,725	7,212	66,281	19,789	56	477	1,502	1,694	76,564	29,172
Depreciation of property, plant and equipment	7,444	5,927	34,201	30,515	190	162	534	147	42,369	36,751
Depreciation of right-of-use assets	2,565	-	3,122	-	451	-	18	-	6,156	-
Depreciation of investment property	-	-	-	-	11	-	-	-	11	-
Loss/(gain) on disposal of property, plant and equipment	120	-	22	-	(21)	-	-	-	121	-
Write off of exploration and evaluation costs	724	337	-	-	-	-	1,982	595	2,706	932
Write off of property, plant and equipment	-	92	100	8	21	16	-	-	121	116
Amortisation of deferred capital grant	-	-	(814)	(760)	-	-	-	-	(814)	(760)
Amortisation of land use rights	-	-	204	193	-	-	-	-	204	193
Addition of mine development costs	4,522	1,014	-	-	-	-	-	-	4,522	1,014
Amortisation of mine development costs	5,147	9,052	-	-	-	-	-	-	5,147	9,052
Addition of exploration and evaluation costs	1,724	573	-	-	-	-	137	-	1,861	573

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Operating segment (cont'd)

Reconciliation of the Group's reportable segment profit to the profit before income tax is as follows:

	2019	2018
	A\$'000	A\$'000
Reportable segment profit	59,862	234,445
Finance income	898	405
Share of results of associates	30,381	46,958
Finance costs	(32,220)	(44,881)
Profit before income tax	58,921	236,927

The Group's revenues from external customers and its non-current assets (other than deferred tax assets) were divided into the following geographical areas:

	Revenue from external customers		Non-Current Assets	
	2019	2018	2019	2018
Principal markets	A\$'000	A\$'000	A\$'000	A\$'000
Asia Pacific	857,746	1,239,325	740,481	696,645
Europe	79,522	147,291	-	-
Middle East	39,681	82,599	-	-
Africa	1,911	1,414	116,302	126,303
Others	47,594	39,787	-	-
	1,026,454	1,510,416	856,783	822,948

The geographical location of customers is based on the locations at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets.

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NOTE TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

Note 1: Profit after taxation

	2019	2018
	A\$'000	A\$'000
The Group		
Profit after tax has been arrived at after charging/(crediting):		
Amortisation of land use rights	204	193
Amortisation of mine development costs	5,147	9,052
Amortisation of deferred capital grant	(814)	(760)
Cost of inventories recognized as expenses and included in cost of sales	874,001	1,157,128
Depreciation of property, plant and equipment	42,369	36,751
Depreciation of right-of-use assets	6,156	-
Depreciation of investment property	11	-
Exchange loss	3,809	5,249
Write off of exploration and evaluation costs	2,706	932
Write off of property, plant and equipment	121	116
Loss on disposal of property, plant and equipment	121	-
Interest income	(898)	(405)
Finance costs:		
- loans	28,832	43,508
- others	3,388	1,373
Operating lease expense	-	5,587
Employee benefits expenses	81,850	80,552

Note 2: Exploration and evaluation costs

	2019	2018
	A\$'000	A\$'000
The Group		
At beginning of year	1,808	2,167
Costs incurred during the year	1,861	573
Written off during the year	(2,706)	(932)
At end of year	963	1,808

Note 3: Interests in associates

	2019	2018
	A\$'000	A\$'000
The Group		
Interests in associates	116,358	126,339

The associates are:

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Percentage of equity held</u>		<u>Principal activities</u>
		2019	2018	
Ntsimbintle Mining Proprietary Limited	South Africa	26%	26%	Investment holding
OM Materials Japan Co., Ltd.	Japan	33%	33%	Trading of metals and ferroalloy products

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Note 4: Other significant information

Sponsor Guarantee issued under the terms of the Power Purchase Agreement with Syarikat Sesco Berhad

Pursuant to the execution of the Amended Power Purchase Agreement (“PPA”) between a subsidiary and Syarikat Sesco Berhad (“SSB”), the Company issued sponsor guarantees to SSB for its 75% interest of the subsidiarys’ obligations under the PPA.

The sponsor guarantees mentioned above do not fall into the category of financial guarantees as they do not relate to debt instruments as the purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiary on the condition that these guarantees are provided by the ultimate holding company in the event that there are any unpaid claims arising from the PPA owed to SSB. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement (“FA”) for a limited recourse senior project finance debt facility.

Concurrently, the Company also executed a Project Support Agreement (“PSA”) with OM Materials (Sarawak) Sdn Bhd (as Borrower), and the ultimate shareholders of the Borrower (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Obligors are several in basis in accordance with shareholding proportions in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse 18 months after the satisfaction of pre-agreed project completion tests typical for a project financing facility of this nature.