



Global Ferronickel Holdings, Inc.

1H2017 Earnings Presentation
8 August 2017

Summary

- Solid turnaround delivered from growth in volumes and cash flows underpinned by low cost base and capex requirements
 - Net income of ₱148.8 million from a loss of ₱317.5 million in 1H2016
 - EBITDA of ₱397.6 million or 21.4% of sales
 - Funds from operations of ₱412.6 million, up 131.1%
 - Cash operating cost of ₱635.84 per WMT, down 16.6%
 - Capital expenditures of ₱83.1 million or 4.5% of sales
- Strong end-demand environment in China
 - Declining inventory levels for nickel ore
 - Healthy leading indicators for stainless steel and new energy vehicles
- Aggressive distribution of cash to shareholders through share repurchase



Operations Update

Ship loading of nickel ore, Surigao del Norte

Operational efficiencies drive growth in volume

1H2017

35 vessels shipped

11 contractors

1H2016

20 vessels shipped

7 contractors

+43% rainy days

81% waste stripping reduction

Record-breaking June shipment

1.101 million WMT

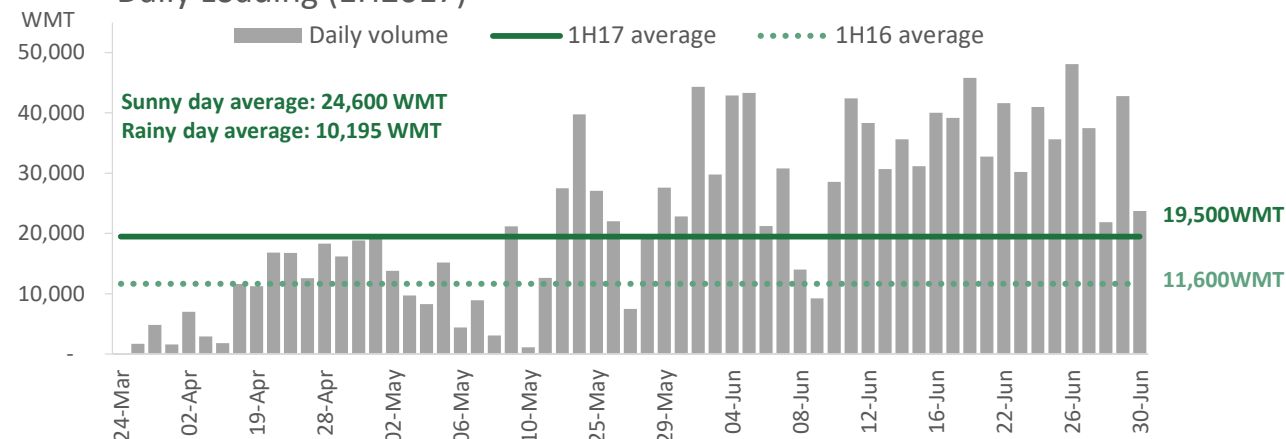
+7% operating hours

+30% equipment productivity

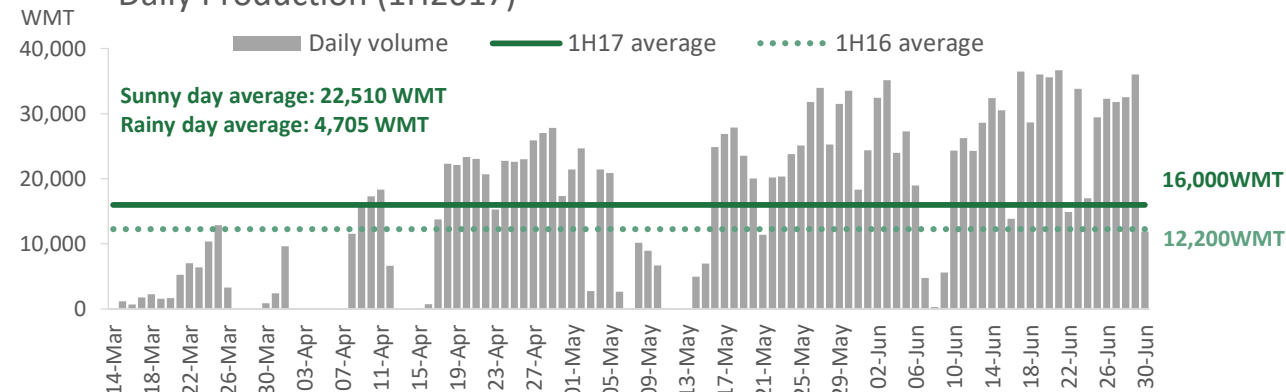
Highest one-day production loaded

48,068 WMT

Daily Loading (1H2017)



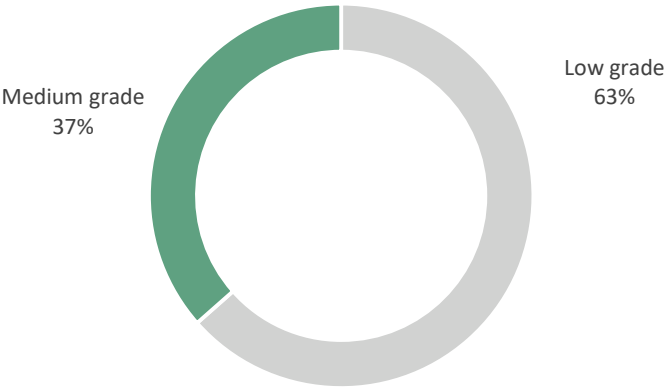
Daily Production (1H2017)



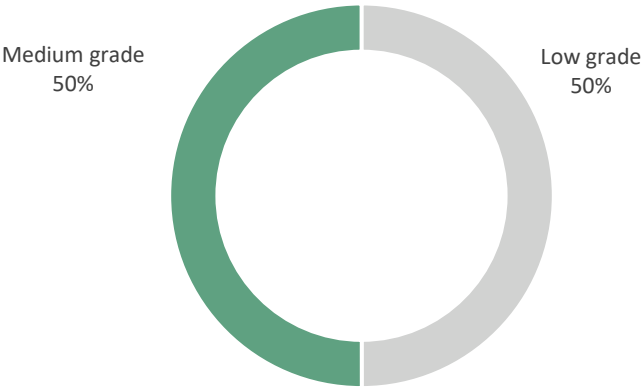
Flexible product mix captures varying customer needs

Revenue Breakdown

By shipment volume



By sales value



Volume Analysis

	1H2017	1H2016	change
Volume ('000 WMT)	1,915.1	1,090.5	75.6%
Limonite (Low grade)	1,215.9	880.4	38.1%
Saprolite (Med grade)	699.2	210.1	232.8%
Volume mix			
Low vs. Med grade	63:37	81:19	

Key Customers

Baosteel Resources	Wholly owned subsidiary of China Baowu Steel Group, China's largest steel company and second largest globally
Tsingshan Group	Fully integrated stainless steel producer whose products are sold in China, Southeast Asia, Europe, the Americas

Market Review



Large addressable markets support long-term demand outlook

Stainless steel 70% of Ni use

Architecture,
energy supply,
chemical, medical,
kitchenware,
water and sewage

Urbanization and infrastructure modernization in Asia

2017–2020: 3% annual Ni
demand growth for stainless
steel use

Battery NCA, NCM

Nickel-Cobalt-
Aluminum (NCA)

Nickel-Cobalt-
Manganese (NCM)

Electric car population¹ and nickel demand²

2016: 2 million units

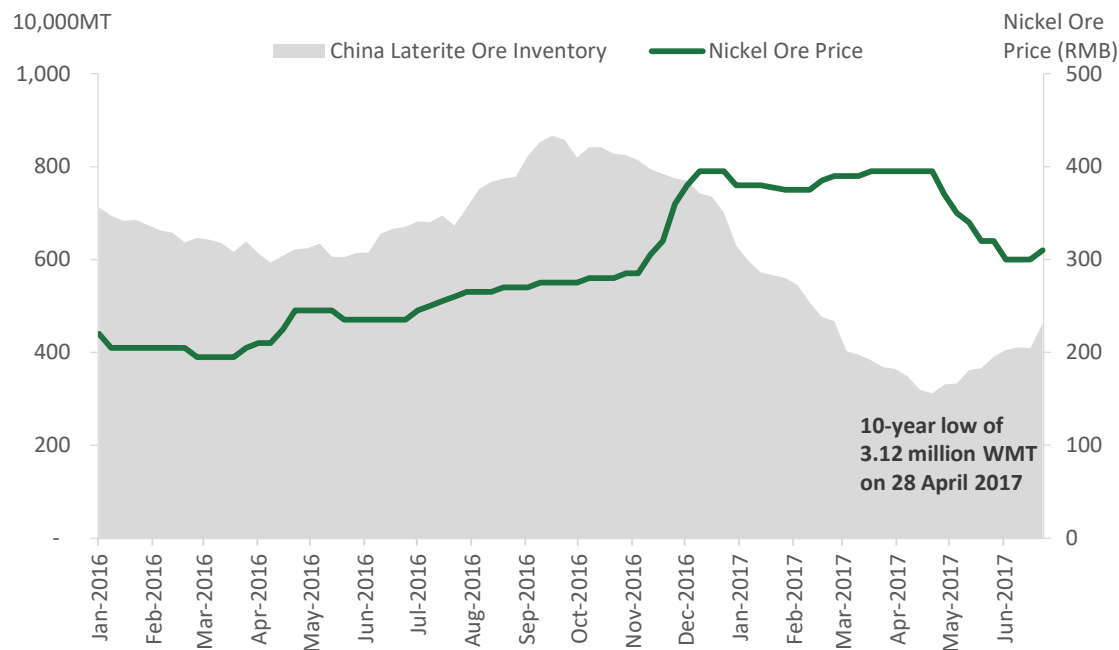
2020: 9–20 million units

2025: 40–70 million units, 400kt Ni

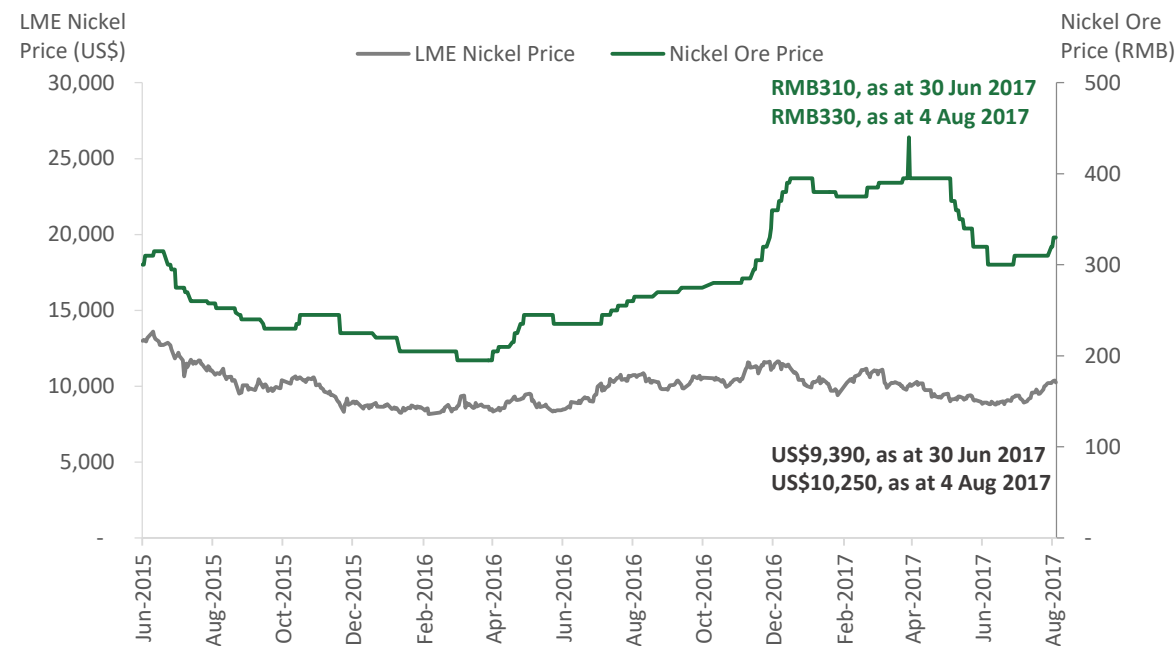


Declining inventory levels for nickel ore boost market prices

China Laterite Ore Inventory and Nickel Ore Price



Nickel Price versus Nickel Ore Price



Average Inventory	1H2017	1H2016	change
LME Nickel (ton)	378,639	422,895	-10.5%
China Laterite Ore (10k MT)	428.6	646.4	-33.7%

Average Price	1H2017	1H2016	change
LME Nickel (US\$/ton)	9,802	8,705	12.6%
China Nickel Ore (RMB/WMT)	365	217	68.2%

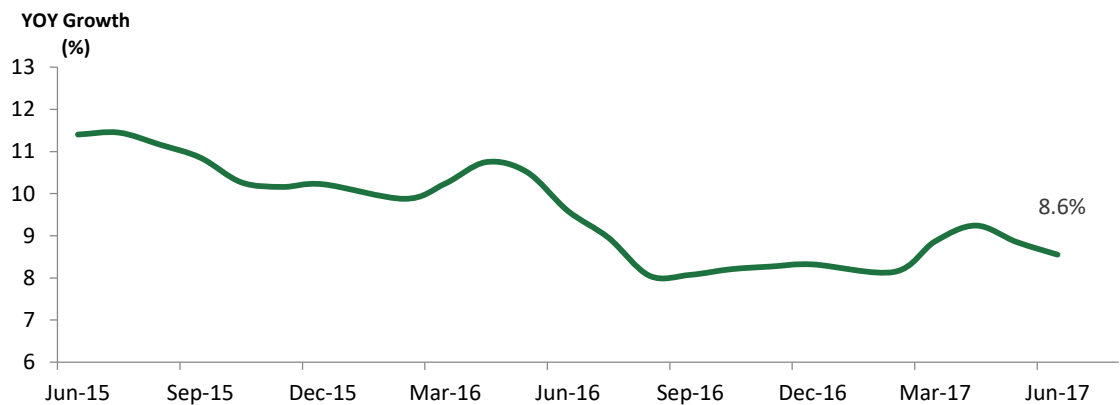
Source: Bloomberg

8 Nickel ore prices were referenced with Shanghai Metals Market China 1.4%- 1.6 % Nickel Ore Price Daily

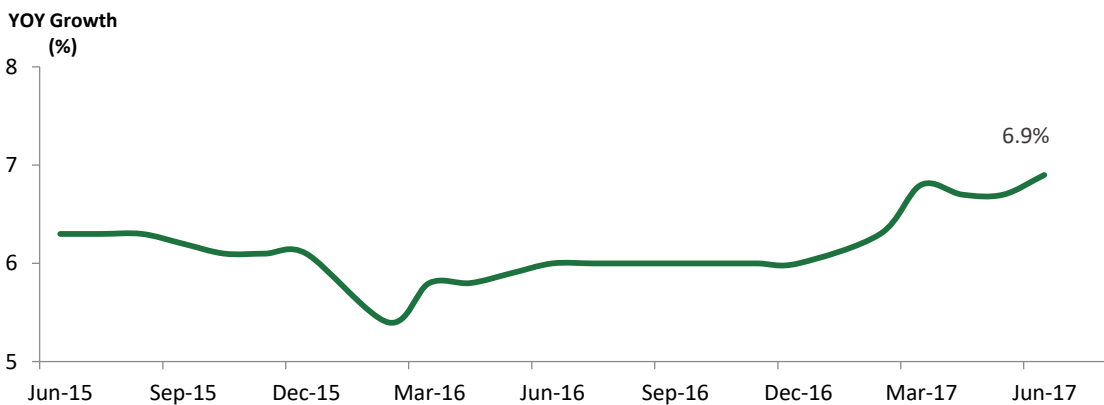
Strong end-demand environment in China

Demand for consumer goods still pointing upwards as China shifts to a consumption driven economy with rising disposable income

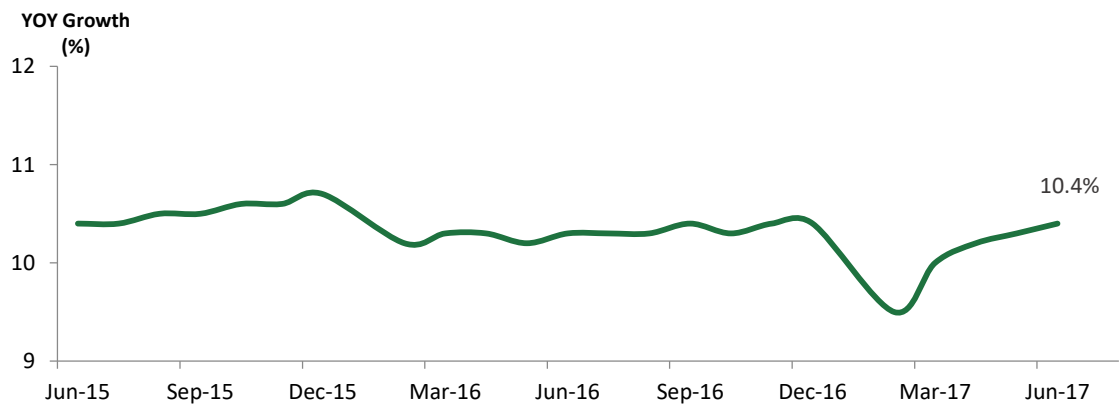
China Fixed Assets Investment (Excluding Rural Households)¹



China Industrial Production²



China Consumption Retail Sales



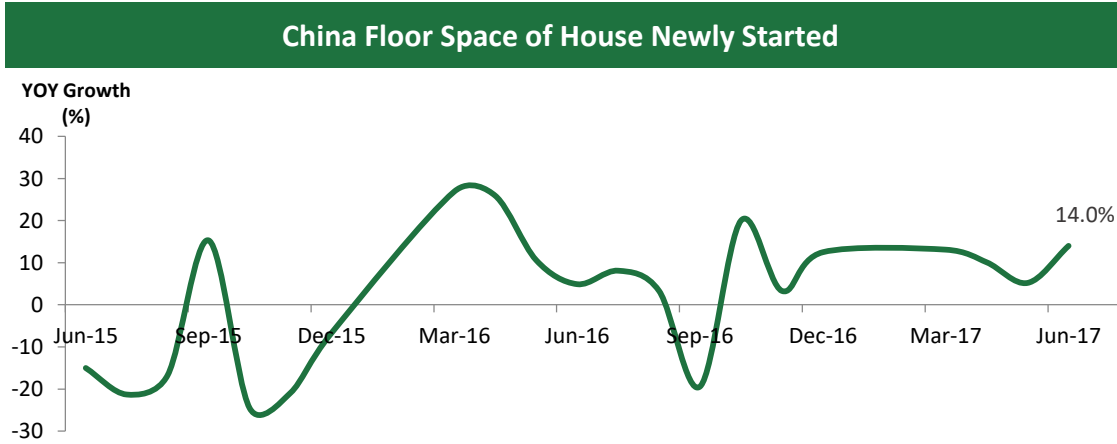
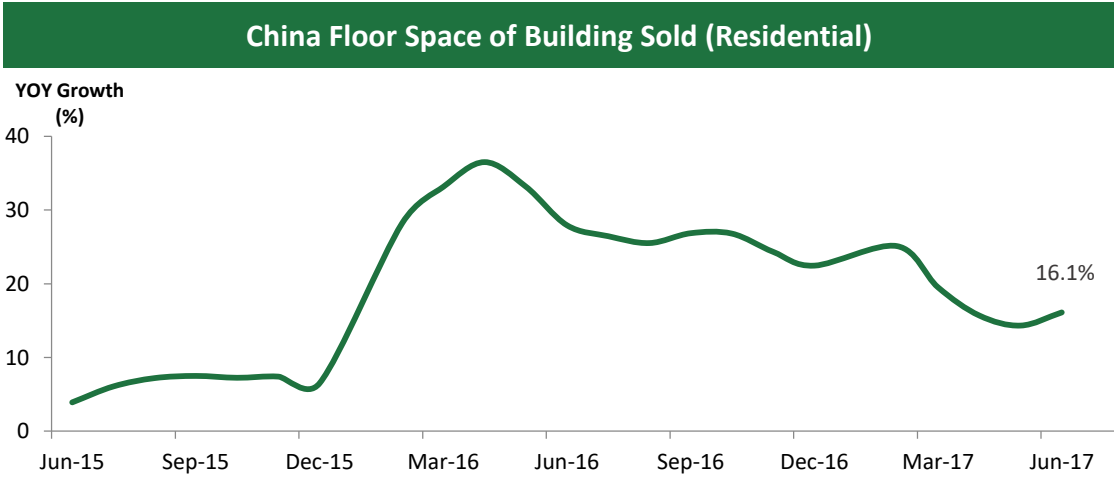
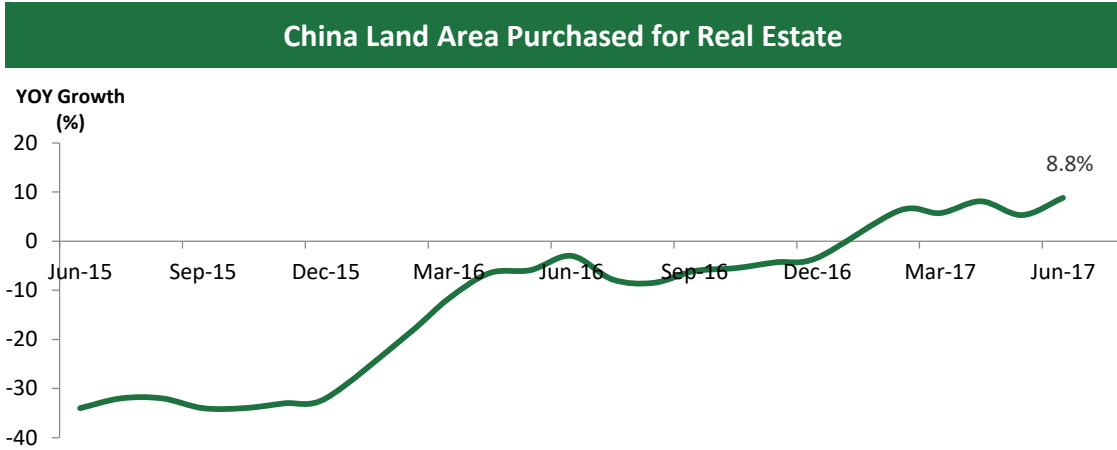
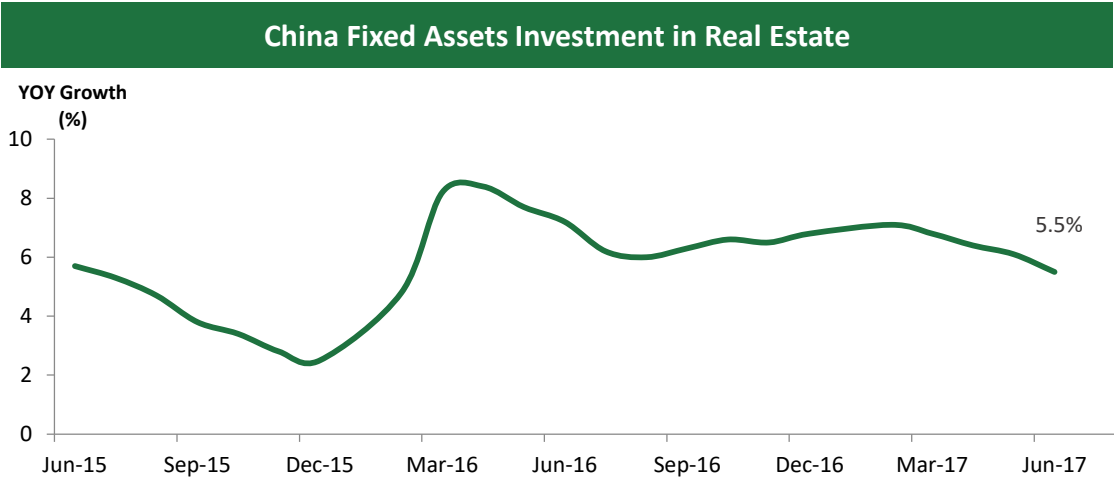
Notes:

- (1) Tracks investment in or capital expenditures on fixed assets such as buildings, plants, equipment, machinery
- (2) Measures the output of businesses integrated in industrial sector of the economy such as manufacturing, mining, and utilities

Source: Bloomberg (as at 30 June 2017)

Healthy leading indicators for real estate development

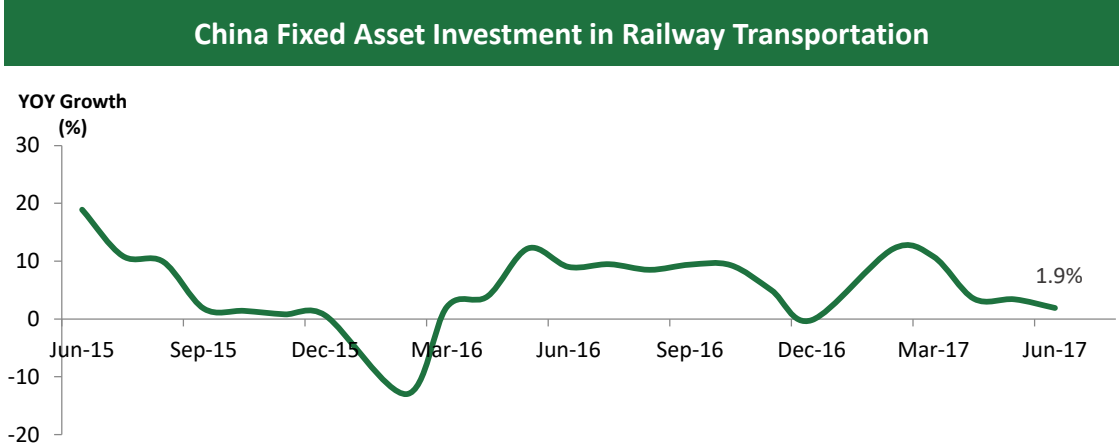
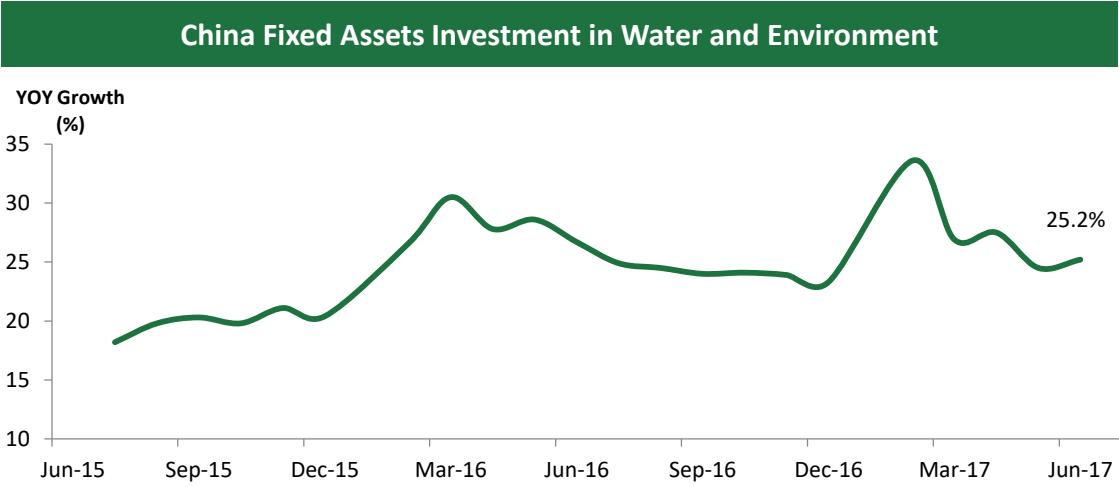
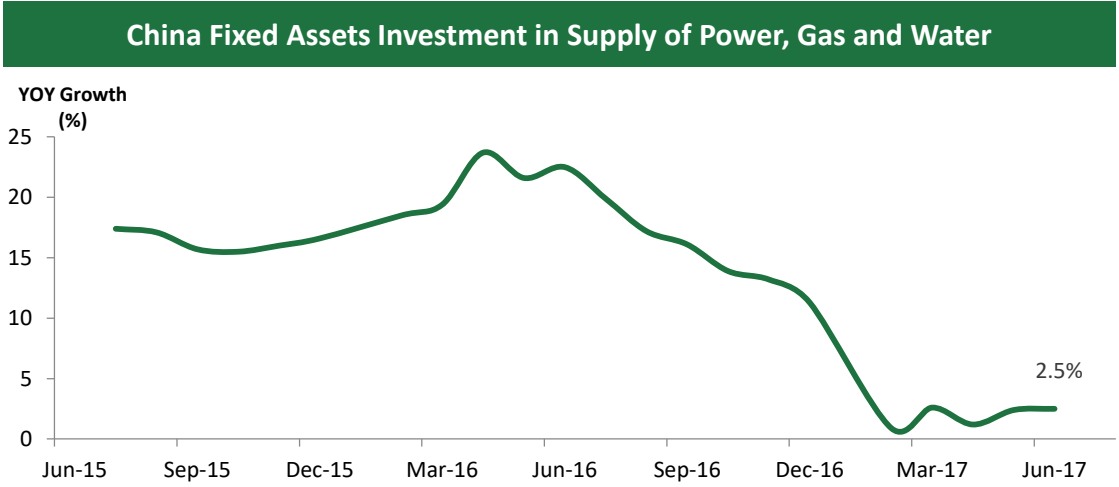
Real estate sector in China remains resilient



Source: Bloomberg (as at 30 June 2017)

Healthy leading indicators for infrastructure

Heavy investments in power, transport, and water infrastructure continue to be favourable

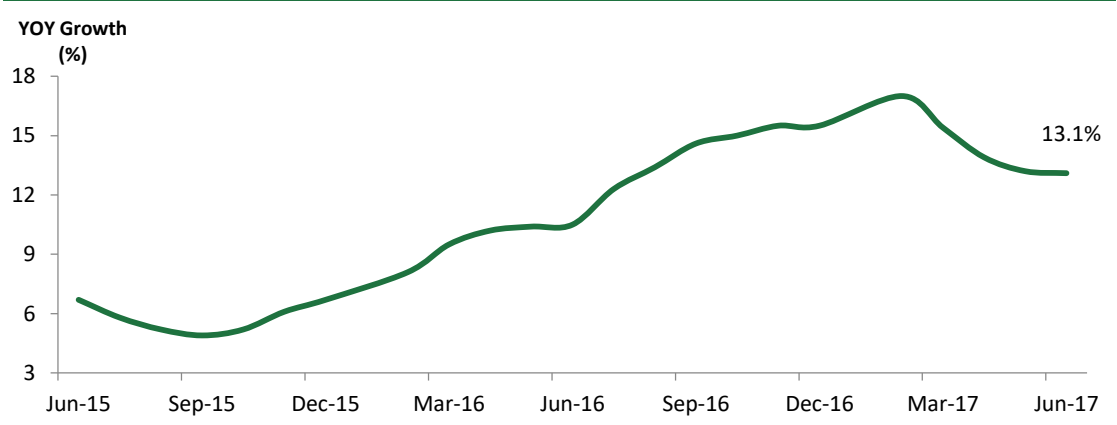


Source: Bloomberg (as at 30 June 2017)

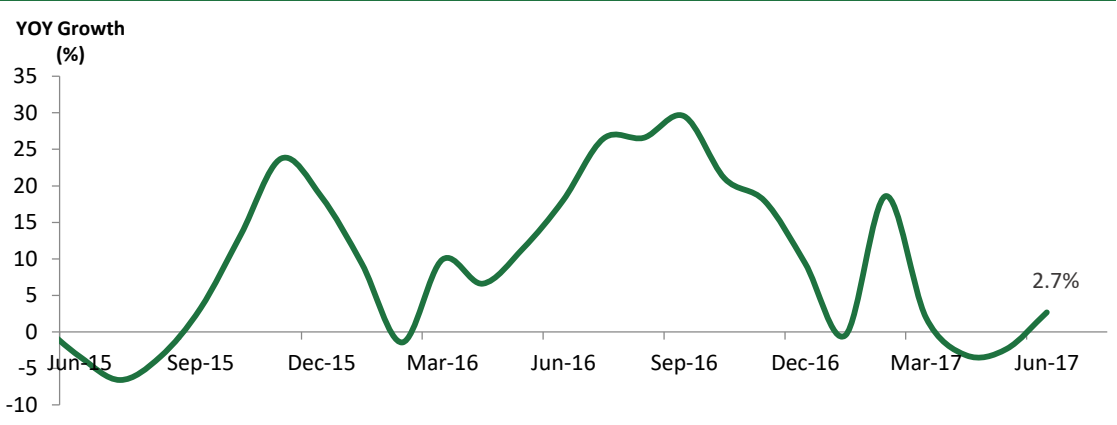
Healthy leading indicators for automobile

Demand for new energy vehicles holding up well on rising disposable incomes and government incentives to EV adoption

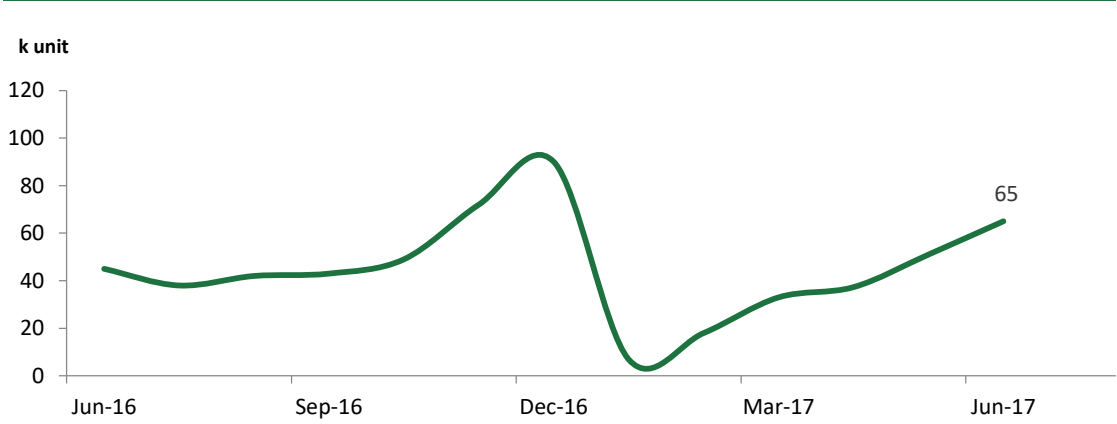
China Industrial Production of Automobiles



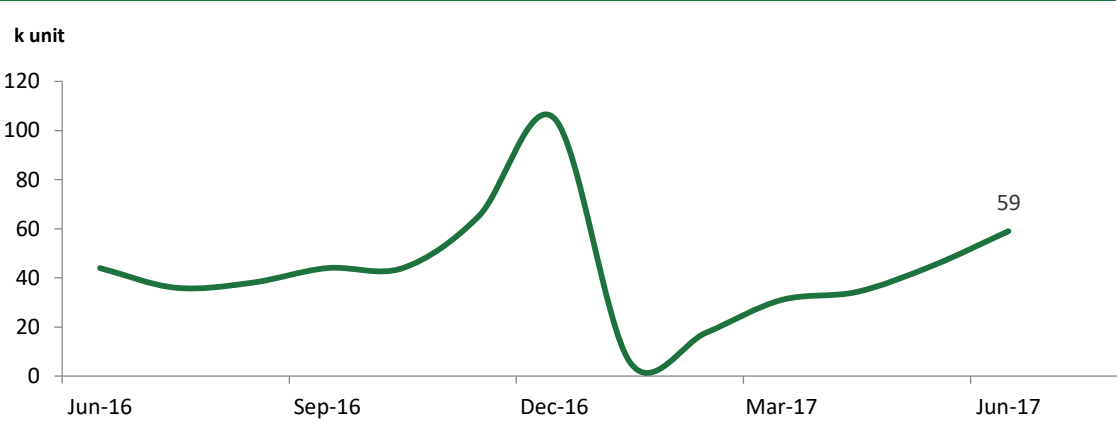
China Passenger Car Sales



China Production of New Energy Vehicles



China Sales of New Energy Vehicles



Source: Bloomberg, China Association of Automobile Manufacturers (as at 30 June 2017)

A close-up photograph of a laboratory setting. A person wearing a white nitrile glove is carefully placing a small, brown, cylindrical sample into one of the wells of a black multi-well plate. The plate is seated inside a larger, light blue laboratory instrument, which has a central black knob. Several other wells in the plate already contain similar brown samples. The scene is brightly lit, emphasizing the precision of the task.

Financial Highlights

1H2017: Beginning of turnaround momentum

(in PHP millions, unless otherwise indicated)

Summary Income Statement				Summary Balance Sheet	
	1H2017	1H2016	change		
Volume ('000 WMT)	1,915.0	1,090.0	75.6%	Cash	267.6
Average realized price (US\$/WMT)	19.44	13.48	44.2%	Total current assets	3,961.2
				PPE	2,040.6
Sale of ore	1,861.6	704.6		Total non-current assets	5,373.7
Operating income	232.8	(373.7)		Total current liabilities	2,042.7
<i>Operating margin (%)</i>	12.5%	-53.0%		Working capital	1,918.5
EBITDA	397.6	(235.7)		Total debt	820.7
<i>EBITDA margin (%)</i>	21.4%	-33.5%		Shareholders' equity	6,633.1
Net income	148.8	(317.5)		Net debt	553.1
<i>Net margin (%)</i>	8.0%	-45.1%			
Exchange rate (USD/PHP)	49.99	46.80		Current ratio	1.94
				Debt/ Equity	0.41

Aggressive distribution of cash to shareholders via share buyback

Share buyback

36,355,333 shares

Total amount

₱93,550,340

as of 30 Jun 2017

66,613,333 shares

₱173,392,770

as of 4 Aug 2017



Questions

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