



SMS MAKES SUBSTANTIAL INVESTMENT IN AFRICA THROUGH METIX ACQUISITION

Leading smelter engineering firm, Metix looks set to gain substantial market share in the future, following the company's acquisition by the international conglomerate, SMS Group.

Global steel processing technology supplier SMS Siemag has made a substantial investment in the local economy, following the company's successful acquisition of a leading Southern African submerged arc furnace (SAF) engineering services and technology equipment provider, Metix in June 2011, on behalf of the SMS Group.

With an annual turnover of approximately €3-billion, and a staff complement in excess of 9 500 employees worldwide, the German-based SMS Group boasts a substantial international market share in the large SAF industry.

As a majority shareholder in Metix, the SMS Group brings with it a wealth of experience, expertise and resources to the Johannesburg-based company, which has already established a reputation for being a market-leader in smelter plant construction and SAF equipment supplies to the ferroalloy sector of the Southern African market over the past eight years.

SMS Siemag director for technical sales, Dr Rolf Degel is confident that the acquisition will lead to measurable and sustainable growth for both companies. "The SMS Group identified the need to expand its presence in the African market, which currently only comprises a minor portion of the company's turnover," he explains. "Metix was immediately identified as the ideal local partner, as it has a first class track record in the engineering of furnaces."

Johannesburg-based Metix will continue to operate as a standalone business unit in South Africa, in order to maintain the well-established brand name. Metix MD Reinier Meyjes points out that the company's current portfolio of products will be significantly expanded to cover the entire range of technology available within SMS Siemag.

"The acquisition by the SMS Group will enable Metix to expand its geographical footprint south of the equator, while adhering to its basic philosophy of maintaining valued relationships with existing clients, in addition to supplying new products and services in a sustainable manner," he says.

Metix was primarily-focused on the supply of equipment and plants for the production of ferrochrome and ferromanganese before the company's association with SMS Siemag, and Meyjes believes that the new platform will enable the company to expand its product range to include Si-metals, nonferrous metals, precious metals, calcium carbide and Ti₂ slag.

"It should be noted that Metix will now also have access to new technology, equipment and processes related to DC furnaces, rectangular furnaces, energy recovery systems and gas cleaning. What's more, the Metix range of products can be marketed on a global stage, and we are looking forward to the vast experience and knowledge that the SMS Group will add to our existing portfolio," he continues.

METIX ACQUISITION (Continued)

Degel highlights the fact that the deal will also enable Metix to offer complete plant concepts and associated performance guarantees, based on the database and track record of SMS Siemag.

SMS Siemag has decided to provide a unique test facility to assist customers with the complex decision to select the right process. Degel explains: "To allow our customers to select

smelting technology best suited to their own materials and location, a new 1 MVA testing facility is being constructed in Germany. We will soon be able to evaluate single and multiple electrode configurations for both AC and DC smelting in this furnace. Using the same feed materials, such test campaigns will promote confidence in the technology selected. It will also contribute to more accurate designs for new processes that include process guarantees."

Although the future outlook for the SMS Group and Metix seems very positive, Degel does admit that Metix faces a number of challenges. "Smelters consume a large amount of electricity, and that will prove to be a major challenge in South Africa, which is currently experiencing an energy shortage," he explains. "We are now in the fortunate position to offer energy-recovering equipment that partly overcomes this challenge."

Meyjes also notes that despite the 2009 downturn in the world steel markets, to which the ferroalloy industry is linked, Metix has accumulated significant references during the past few years, both in pre-treatment of ore (E.g.: Chromite sintering), as well as technology equipment for new furnaces, furnace refurbishments and upgrades.

A recently completed project involved upgrading IFM's two 66 MVA FeCr furnaces comprising new copper centre sections for the furnace roof, additional charging chutes (equipped with solid copper feed chute tips) as well as modifications on the four furnace gas cleaning plants. Other recent projects include up-rating the electrode columns on two furnaces at Xstrata's Lion plant; the upgrading of two SiMn furnaces for

Mogale Alloys; and the replacement of electrode columns on another two furnaces at Xstrata's Wonderkop plant. A project currently in progress is the rebuild and upgrading of a ferrochrome furnace for Zimasco in Zimbabwe.

Globally, Metix has supplied basic and detailed engineering for the construction of the biggest furnace in China for CYMCO, which is now in production. This 67,5 MVA SiMn furnace is equipped with the full range of Metix technology equipment covering a set of electrodes, a furnace roof including copper centre section, as well as a furnace shell complete with a freeze lining.

Metix has also supplied bottom electrode assemblies for SARDA India, and is currently in the process of manufacturing bottom electrode assemblies for four 54 MVA CaC₂ furnaces and two 36 MVA FeSi furnaces in China. Metix's latest major project in the pre-treatment of ores is a 600 000 tpa Chromite ore pelletising and sinter plant, as part of the Tswelopele Project, being constructed for the Xstrata Merafe PSV in Rustenburg. This is the sixth such plant constructed by Metix since its formation in 2003. Xstrata received the environmental ROD in the second quarter of 2011, construction started immediately and the plant will be ready for hot commissioning towards the end of the third quarter 2012.

Due to the remarkable success of Metix in the local market over the past eight years SMS Siemag is fully comfortable with the current management and structure of Metix. "A few non-executive directors from the SMS Group will join the Metix board; however, this will not affect the day-to-day running of the business in any way. We firmly believe that there is no need to modify a winning team, and the SMS Group has full confidence and trust in the capabilities of the Metix management team," explains Degel.

Meyjes says that Metix is proud to be associated with the SMS Group. "The working relationship between Metix and the SMS Group has already proven to be mutually-beneficial, and we are looking forward to a transparent and prosperous partnership that should span decades," he concludes.