



# HULAMIN

RMB-MORGAN STANLEY  
OFF-PISTE CONFERENCE  
OCTOBER 2013



Think Future. Think Aluminium. Think Hulamin.

# Agenda

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- 1 Introduction To Hulamin
- 2 Financial Performance
- 3 Operational Review
- 4 Progress on Key Strategic Objectives
- 6 Outlook



# INTRODUCTION

# “Think Future. Think Aluminium. Think Hulamin”

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- 100% recyclable – high scrap value
- Lightweight – reduces transport costs and carbon footprint
- Low melting point – saves 95% of energy and carbon footprint on recycling
- Non-corrosive – high aesthetic durability and structural integrity
- Highly conductive
  - Heat - beverage cans and heat exchangers
  - Electrical – cables and windings
- Bright and shiny – Preferred by consumers
- Superior printing qualities



# The Aluminium Value Chain (in Southern Africa)

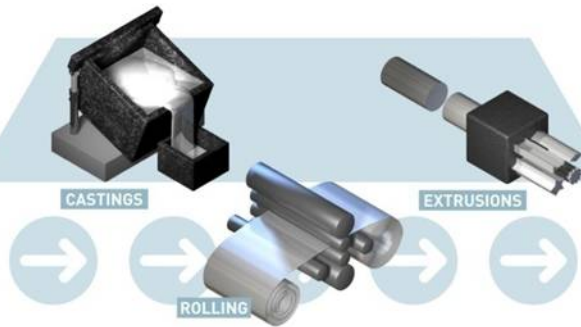
BHP Billiton  
1.3 million tons p.a.

Hulamin and others  
275 000 tons p.a.

Fabricators /Distributors  
e.g. Nampak, MacSteel, etc.  
180 000 tons p.a.



**UPSTREAM**  
MINING, REFINING, SMELTING

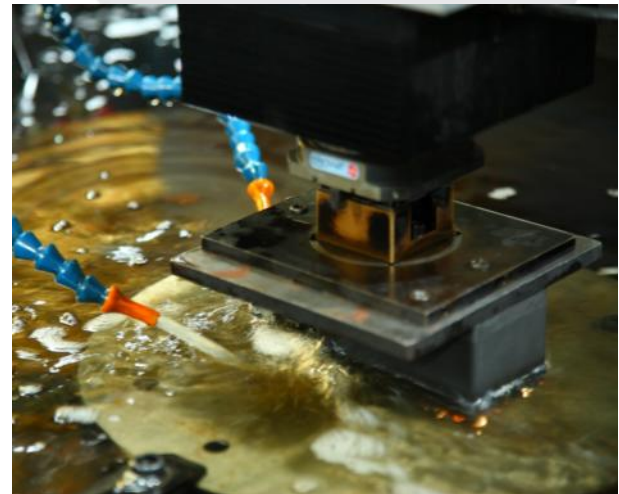


**MIDSTREAM**  
SEMI-FABRICATION  
CASTING, ROLLING, EXTRUSIONS



**DOWNSTREAM**  
FABRICATION

- PACKAGING
- GENERAL ENGINEERING
- BUILDING & CONSTRUCTION
- AUTOMOTIVE
- TRANSPORT



## Hulamin – Competitive Information

Core business	Aluminium beneficiation
Impact of LME price	Turnover, working capital
Drivers of Competitiveness	<ul style="list-style-type: none"> <li>• Local primary aluminium supply</li> <li>• Local competition and market size</li> <li>• Regulatory environment</li> <li>• Local cost base             <ul style="list-style-type: none"> <li>• Employment</li> <li>• Energy</li> <li>• Metal</li> </ul> </li> </ul>
Differentiators	<ul style="list-style-type: none"> <li>- Flexible, customer focused</li> <li>- Small, niche markets</li> <li>- Africa focus</li> <li>- Independent in consolidated supply market</li> <li>- Product range and capability</li> </ul>
Major cost drivers	Employment, energy, logistics, maintenance
Customers' industries	Packaging, Building and Construction Automotive, Transport etc.

## Major Market Successes

Major supplier to Tesla Motors	USA	6-series plate
Largest supplier of Colour coated beverage tab stock	Global	Beverage tab stock
Major supplier of to Automotive heat exchanger industry	SA and global	Brazing sheet
Major supplier of vacuum chamber plate in Silicon Valley	USA	6-series plate
Major supplier of Solar panel frameworks	SA	Extrusions



Tesla chassis



Automotive heat exchangers



Machined vacuum chamber component



## FINANCIAL PERFORMANCE



## Key Indicators

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	2013 H1	2012*	2011
Rand/ US Dollar	9.23	8.22	7.27
Turnover (R billion)	3.6	6.5	6.9
Rolled Products sales (tons)	97000	194000	208000
Earnings (R million)	66	29	80
Normalised Earnings, (Adjusted for one off items and timing mismatches) (R million)	84	101	54
HEPS	21	25	25
No. of Employees	1956	2087	2190
Hulamin Rolled Products export sales (%)	72	73	74
Hulamin Extrusions export sales (%)	0	0	0

\* Restated for changes to IAS19

## Restructured Funding in line with Business Needs

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Commenced in 2010 with R750 million rights offer

- Proceeds of rights offer were used to lower borrowing levels

Borrowing facilities at December 2012 comprised

- R630 million term loan repayable in instalments by June 2015
- R550 million 360-day notice facility (overdraft)
- Tight covenants, in particular a Debt Service Ratio

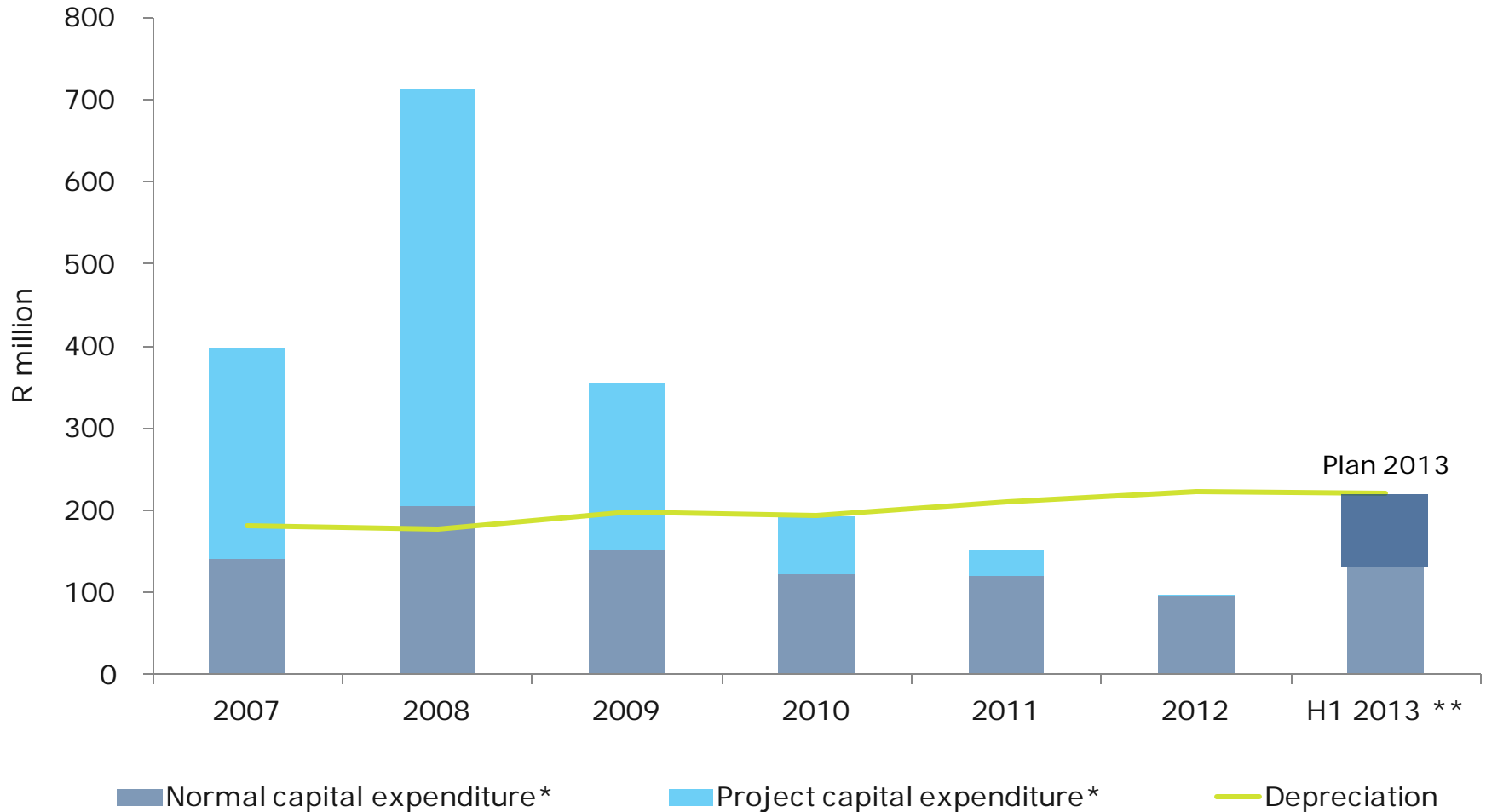
Rationale for new package

- Working capital varies directly with changes in R/\$ and LME Aluminium price

Nedbank committed R1 650million working capital facilities

- Metal Inventory and Receivables Facility overall limit of R1.2 billion - flex
- R250 million 360-day notice facility (OD), R200m FEC facility
- Appropriate covenants – Current Ratio and Debt/Equity Ratio
- Direct working capital security drives competitive pricing

# Capital Expenditure

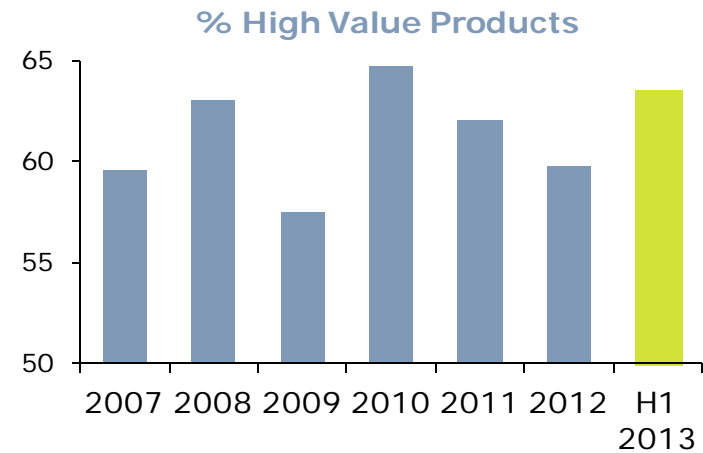
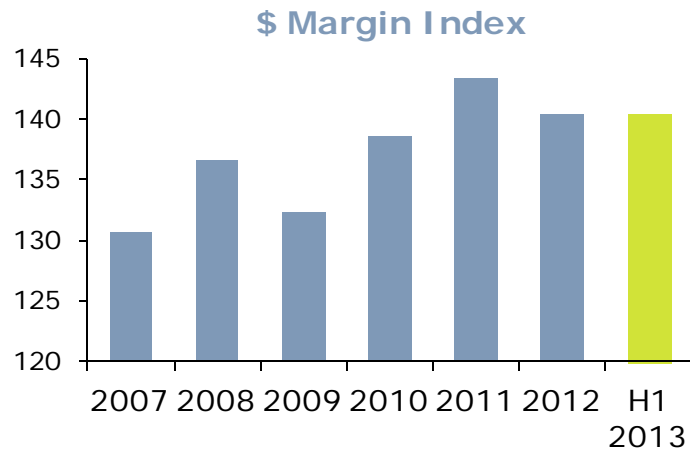
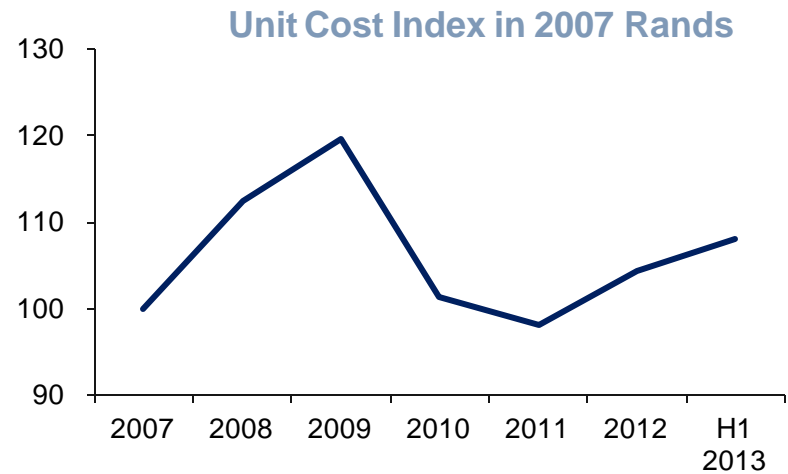
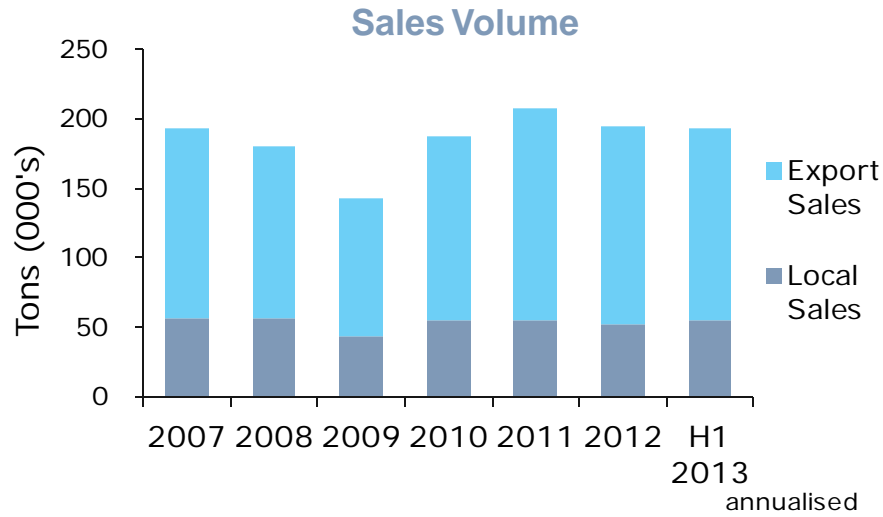


\* Excludes capitalised borrowing costs   \*\* Annualised



# OPERATIONAL REVIEW

# Rolled Products - Operational Highlights



# Hulamin Extrusions

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## Key indicators for 2013

- Revenue up 10%
- Sales volume up 4%
- Unit costs down 3%
- Operating profit up by R15 million

## Strategic themes in 2013

- Replacing volumes lost to competitor imports with new business
  - Infrastructure projects, new customers
- New automotive contract secured to 2015
- Continued cost rationalisation and selective capital investment to improve efficiency
- Ongoing challenge of securing consistent supply of reasonably priced imported billet



## KEY STRATEGIC OBJECTIVES

# 1. Meeting Rolled Products Operational Performance Targets

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## Historic targets

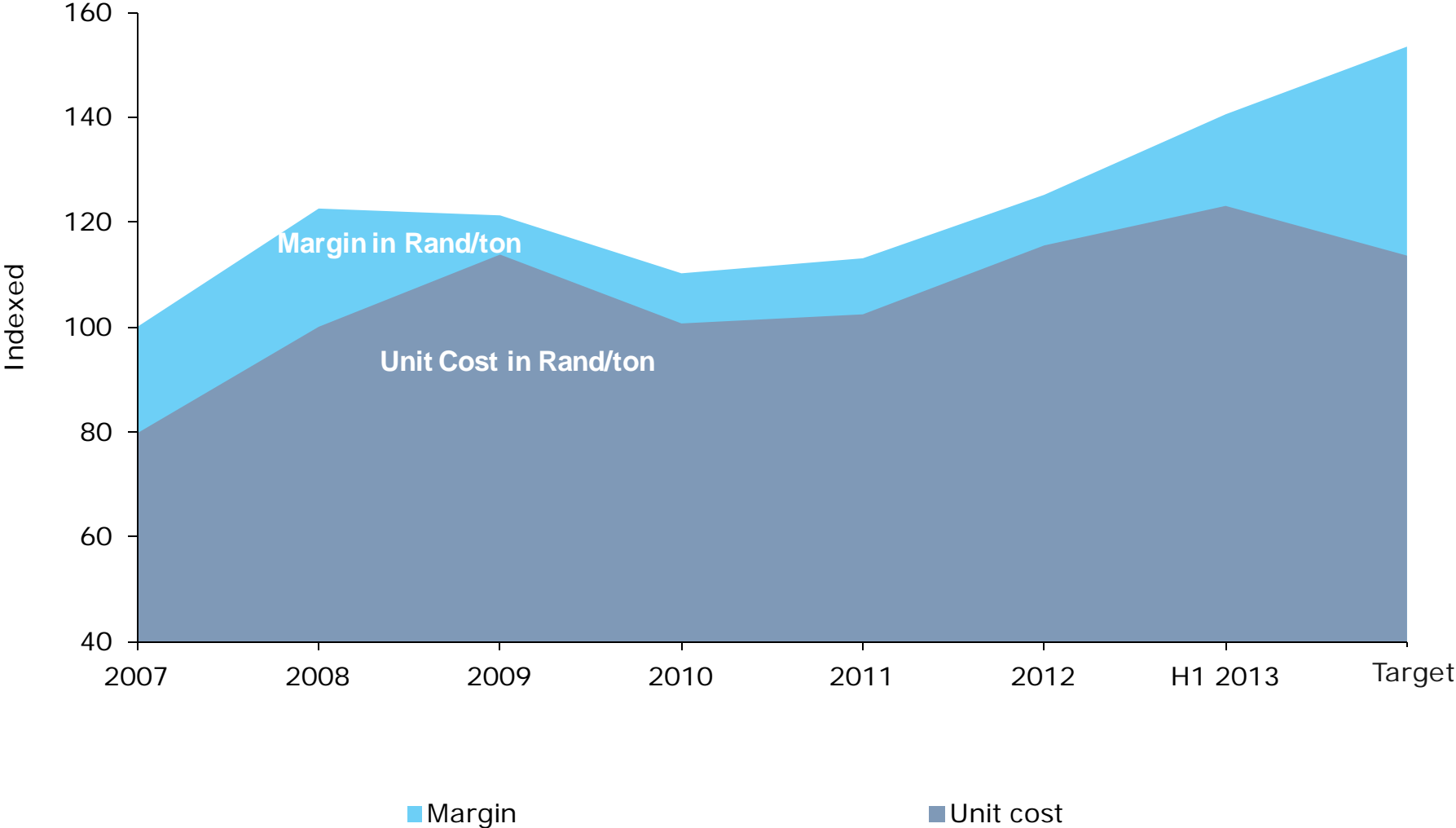
Sales volume	250 000 tons annualised
Yield	>68%
Unit cost	<\$1 150 per ton
Rolling margin	>\$1 475 per ton
Working capital cash cycle	<120 days

## Manufacturing excellence programme roll-out continues

- Asset care risk assessment completed
- R19 million cost improvement projects completed in H1 2013
- Review of human resources



# Rolled Products Operating Margin in Rand



## 2. Achieving Cost Competitiveness

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### Manpower

- Comprehensive rightsizing to be completed Q3, protecting skills
  - Numbers reduced by ~140 people (7%)
  - Once-off cost of <R35 million
  - Annual savings ~R50 million

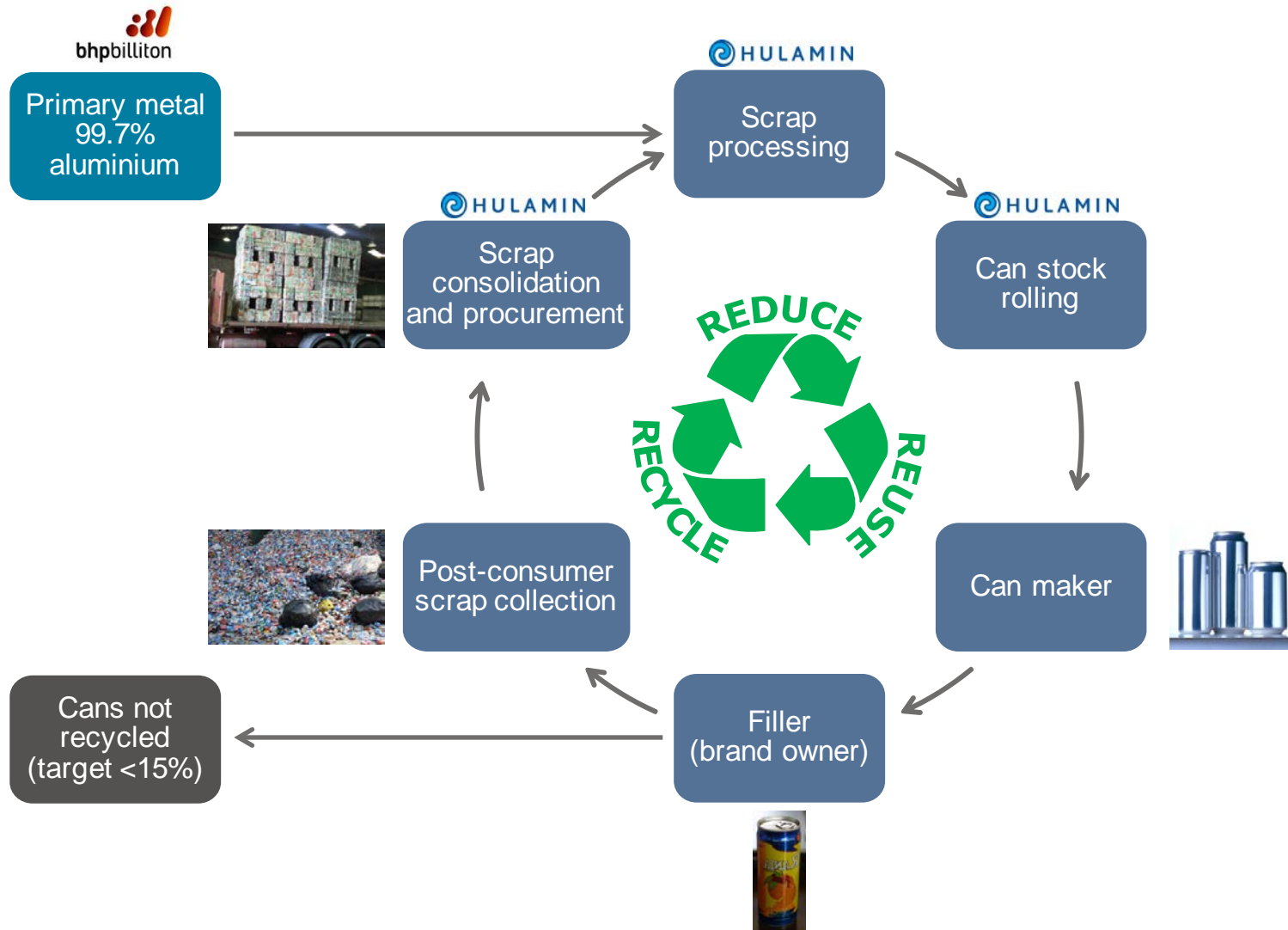
### Energy

- Gas is majority of Hulamín energy mix
- Pricing of gas in SA is higher than benchmarks
  - Supply is dependent on ageing LPG infrastructure and imports
- Piped Natural/Methane Rich Gas is significantly more cost competitive
  - Seeking access to existing infrastructure

### Metal

- Long term pricing of primary metal from BHP Billiton
- Secure more than 25% of metal from scrap

# Reduce Metal Cost - Closed Loop Recycling



### 3. Secure Long-term Metal Supply

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Slab supply from Bayside extended to March 2014

Melting ingot supply contract from Hillside to be renegotiated in 2015

Extrusion billet imported from Middle East

#### Hulamin positioning

- Long-term Aluminium supply security (slab, billet, melting ingot)
- Be the driver for growth of aluminium consumption in SA
- Strategic value of Aluminium industry in SA
  - Downstream value creation of electricity
  - Driver of economic growth
  - Enabler of technological advancement
- Growing role for recycling as a source of metal

## 4. Grow Local/Regional Sales

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Capitalise on local opportunities, while maintaining export competitiveness

- Automotive - 70 000 tons
- Packaging – 100 000 tons (can stock, closures, foil)

Key actions to unlock growth

- Unlock existing automotive opportunities (e.g. auto body-sheet)
- Identify viable opportunities for downstream manufacturing
- Long-term metal supply security is important to customers
- Import replacement opportunities
- Preferred supplier to regional beverage can industry
- Cooperation with Government, inward investment agencies
- Develop and invest in Hulamin capability

High-level appointment made, effective January 2014

## 5. Supportive Regulatory Environment

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### Goal alignment with Government

- Growth in local beneficiation of Aluminium/Electricity
- Local/regional sales growth (fabrication) drives
  - Employment growth (target 22 000 jobs by 2028)
  - Inward investment (multinationals)
- Growth in recycling of aluminium (green economy)
- Investments

### Important regulatory outcomes

- Continued demand side support (local content, infrastructure projects)
- Gas pipeline infrastructure and internationally competitive pricing
- Scrap export controls
- Level playing fields/comparable international regulatory trade frameworks
- Non-punitive/stimulatory carbon tax/pricing
- (Inward) investment incentives to attract multinational customers
- Continued competitiveness investment support (e.g. MCEP)



# OUTLOOK

# Outlook

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Aluminium beverage can commercial local supply ramp up to January 2014

Slab supply - Ongoing discussions

Expanded capital expenditure

- Growth in normal capital expenditure
- Project capex for recycling

Focus on operational performance in H2





# APPENDIX

# Restatement of June 2012 Results

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## IAS 19R Employee Benefits

- Effective 1 January 2013
- Treatment of actuarial gains and losses
  - No more deferral
  - Recognition in Other Comprehensive Income (OCI)
- Impacts only defined benefit funds – Pension, Post retirement Medical Aid and Gratuities
- Requires restatement of prior period H1 2012 and Full Year 2012

## Impact on June 2013

- Pension fund now defined contribution – no impact
- Post retirement Medical Aid and gratuities increase EBIT by R4million and net income by R3million

## Impact on 2012

- Converted from Defined Benefits to Defined Contribution in 2012
- Gain of R95million (R69million after-tax) in June 2012 and R164million (R118million after-tax) at Dec 2012
- As a result of IAS 19:
  - June 2012 – EBIT increases by R57million, Earnings by R41million
  - December 2012 – EBIT decreases by R143million, Earnings by R103million – gains taken to OCI
- Accounting treatment confirmed with external experts

## Key Indicators (2012 Restated)

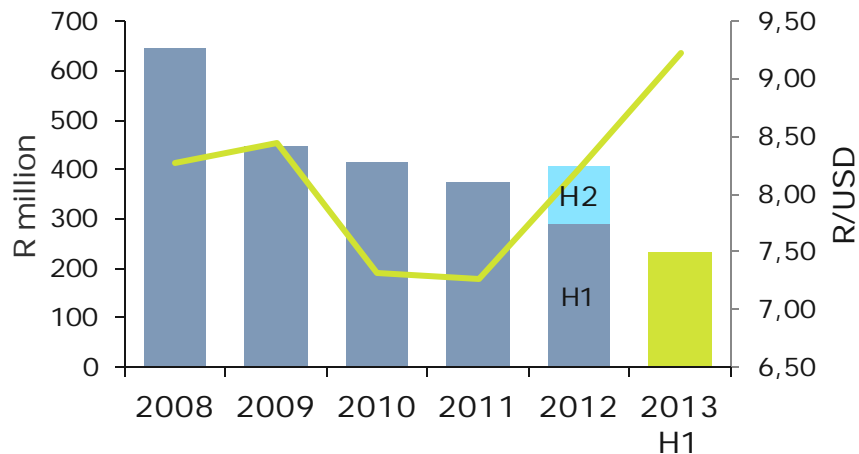
		2013 H1 Rm	2012 H1 Rm	% change	2012 FY Rm
Rand/US Dollar (average)	ZAR/USD	9.23	7.94	↑ 16	8.22
Revenue	R billion	3.6	3.1	↑ 13	6.5
Total sales volume	k tons	107	104	↑ 3	215
Operating profit before metal price lag	R million	152	169	↓ (10)	103
Metal price lag	R million	(29)	15		(2)
Operating profit	R million	123	184	↓ (33)	101
Earnings	R million	66	114	↓ (42)	29
Headline earnings	R million	66	98	↓ (32)	79
Normalised earnings	R million	91	(11)	↑	57
HEPS (as restated)	cents/share	21	31	↓ (32)	25
HEPS (as previously reported)	cents/share	21	18	↑ 17	57
Normalised EPS	cents/share	29	(4)	↑	18
Working capital increase	R million	280	26	↓	182
Capital expenditure	R million	66	48	↓	98
Cash flow before financing activities	R million	(57)	9	↓	72
Borrowings (net)	R million	799	800	—	742

## Normalised Earnings

	2013 H1 Rm	2012 H1 Rm	2012 FY Rm
<b>Earnings</b>	<b>66</b>	114	29
(Profit)/loss on disposal and impairment of assets	-	(16)	50
<b>Headline earnings</b>	<b>66</b>	<b>98</b>	<b>79</b>
<b>Abnormal items included in headline earnings</b>			
Revaluation of assets to be disposed	-	4	-
Effect of pension fund conversion	-	(113)	(22)
Severance costs	<b>25</b>	-	-
<b>Normalised earnings</b>	<b>91</b>	<b>(11)</b>	<b>57</b>
<b>Net cost of hot mill failure:</b>	<b>(7)</b>	<b>57</b>	<b>44</b>
Loss of profit and material damage	<b>17</b>	57	111
Insurance claim accrued	<b>(24)</b>	-	(67)
<b>Normalised earnings adjusted for timing mismatches</b>	<b>84</b>	<b>46</b>	<b>101</b>

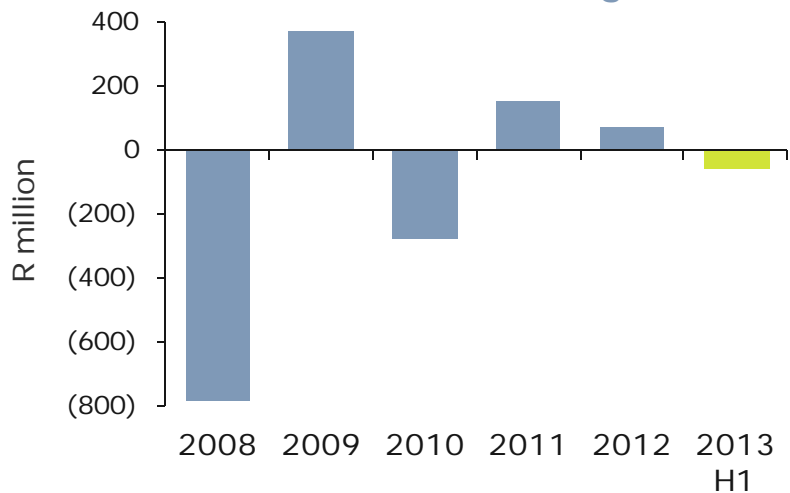
# Key Financial Indicators – June 2013

## EBITDA\* vs Rand/USD

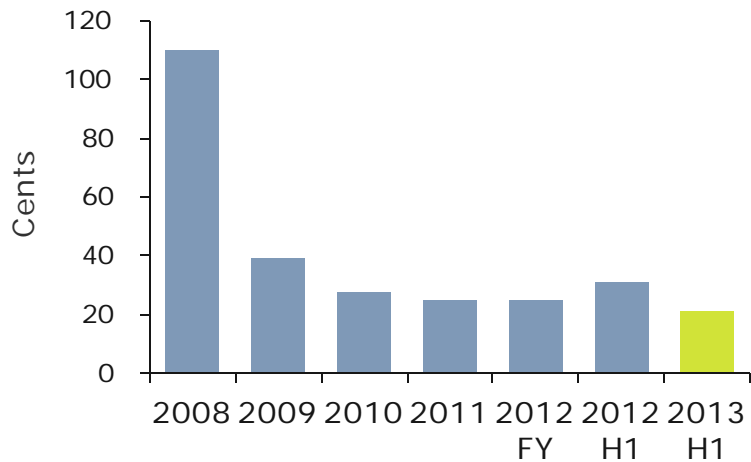


\* Including impairment of property, plant and equipment

## Cash flow before financing activities



## HEPS



## Borrowings

