

Hulamin Limited

Chairman's Statement at the Annual General Meeting of Shareholders

Hulamin achieved record operational performance in 2017. This facilitated the generation of in excess of R700 million free cash flow over the past two financial years, in addition to record profits in 2016.

As a result of the improved performance and stronger business, the company has resumed its annual dividend flow to shareholders subject to favourable conditions.

Having led the board since its listing, and with a very capable board of directors to ensure continuity in leadership, I decided early in 2017 to give the board notice of my intention to retire and to advise the board to start its search for a new Chairman.

The Board, through the Remuneration Nominations Committee, concluded that process at the end of 2017. I am delighted that my colleague and friend Thabo Leeuw, was selected by the board and has been voted in by shareholders, following a test of his independence.

Thabo has served the board with distinction over the past 10 years and I am supremely confident that I hand over leadership to a person highly capable of taking the board and company to new levels of performance and achievement.

I thank all stakeholders for the support and engagement during my tenure. I wish the company and incoming Chairman all the best for the future.

I hand over the reins at a challenging time for the company and indeed turbulent times for the world. Hulamin trades in more than 50 countries worldwide. Our biggest market (after South Africa) being the United States of America.

We have developed relationships with customers, built our reputation for excellence and supported the USA manufacturing economy for more than 30 years. Over the past year, and particularly in recent weeks, the Trump Administration has introduced no fewer than 5 regulatory actions that affect trade from Hulamin and South Africa.

These are tariff interventions that have heightened risks of a fractious trade war, particularly between the USA and China. Included in these actions in the US are personal sanctions against certain Russian oligarchs, a duty justified by strategic Defence concerns, Intellectual Property protection, Anti-dumping and Countervailing- import duties.

Massive over-capitalisation leading to over-capacity in aluminium rolling in China has resulted in global over-supply and the resultant decline in conversion prices over the past three to four years.

As a result of these actions, that appear likely to affect Hulamin and its competitors in different ways, prices for Hulamin products have risen sharply in the USA in recent weeks as the market adjusts for a different supply / demand balance. Prices outside the USA are not yet responding measurably, except the London Metals Exchange (LME) price for aluminium.

The LME price of aluminium has risen sharply since early April when the US government announced sanctions against specific Russian companies, including UC Rusal, supplier of approximately 15% of western primary aluminium (outside China). This has resulted in dramatic market shortages and a rise in excess of 20% in the US dollar price of primary aluminium.

Given this background, order books for the second quarter are full [and at margins in US Dollars ahead of the corresponding period].

Hulamin continues to focus on operational and manufacturing excellence in order to deliver further cost saving, improved efficiencies and growth in sales volumes. In 2018 to date, manufacturing performance is steady, while sales volumes have lagged production, as is usual this time of year.

With change and progress accelerating, often driven by technology, Hulamin is particularly well placed. Being in aluminium, a truly remarkable metal we are at the forefront of material choices that support leading technological innovation.

As such Hulamin is deeply engaged in new technology uses for aluminium including electric vehicles, local and international battery innovation as well as renewable energy developments and telecommunications. All these elements augur well for our metal and our Company.

The prevailing stronger Rand continues to impact negatively on profits. We have operational measures in place to mitigate the severity as much as possible.

Update: 3 May 2018

Hulamin supplies both specialist, bespoke products and standard products to customers in the US. Noting the announcement by the Department of Trade and Industry that South Africa will not be exempt from the Section 232 import duties imposed by the US on steel and aluminium imports, Hulamin advises that efforts are underway to address regulatory issues with customers in the US, as appropriate to secure our niche positions. In the short to medium term, markets for these niche products in the US are likely to remain strong.

Hulamin has maintained a flexible and nimble strategy over many years that allows the company to adjust export destinations for its standard products in response to changing market conditions. Long-standing market positions and customer relationships in key markets around the world remain available should conditions in the US worsen.

South Africa's competitive position (relative to countries and regions that have been granted exemption status) is being eroded by developments around this tariff. In the short to medium term the direct impact on Hulamin is likely to be neutral as there is little available capacity, both in the US and in countries that have been granted exemption, to replace the general products Hulamin currently supplies into the US. In the longer term however, the risk that new capacity will become available, has increased.

ENDS

Pietermaritzburg

3 May 2018