

RMB MORGAN STANLEY
OFF PISTE CONFERENCE
02 OCTOBER 2014



HULAMIN

- 1 Introduction
- 2 Aluminium 101
- 3 Recent financial performance
- 4 Longer term drivers
- 5 The path we have chosen
- 6 Questions



ALUMINIUM 101



- Third most common element after oxygen and silicon
- Once considered to be a precious metal. It is said that Napoleon III, Emperor of France, gave a banquet where the most honoured guests were given aluminium cutlery while everyone else had to make do with gold
- Weighs 2.7 g/cm³, one-third as much as steel, reducing weight in vehicles and lowering fuel consumption and improving performance
- Twice as good a conductor of heat and electricity as copper (based on weight) and is used extensively in power transmission lines
- Releases no taste or toxins, making it ideal for food and pharmaceutical packaging
- Reflects heat and light and is used in solar technology, mirrors and rescue blankets
- Infinitely recyclable with no deterioration in quality. It is possible to recycle and resell a discarded aluminium can in just 60 days

BAUXITE MINING

STEP ONE
PREPARATION OF
MINING AREA



STEP TWO
BAUXITE MINING



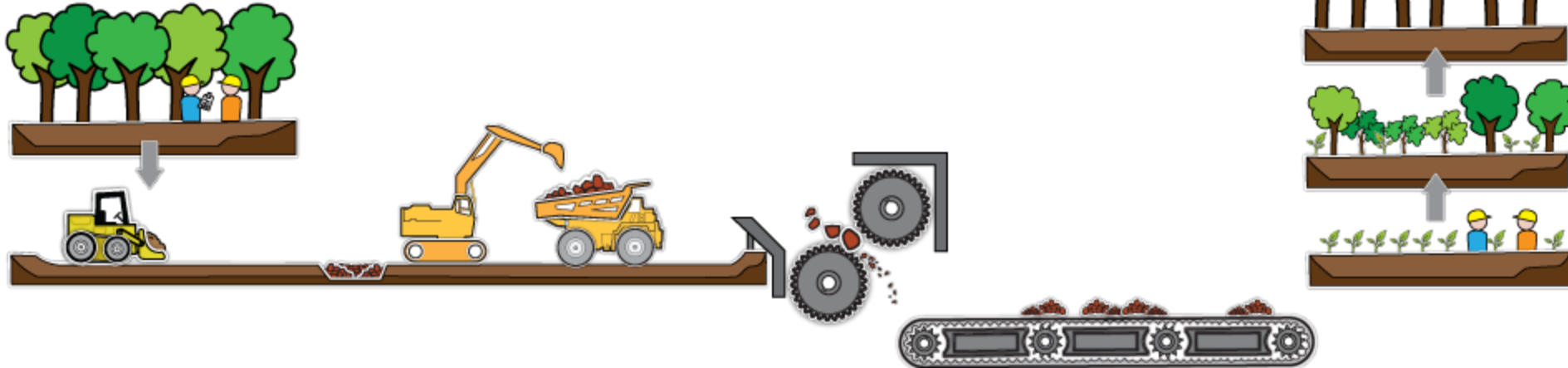
STEP THREE
CRUSHING



STEP FOUR
ORE CONVEYORS



STEP FIVE
REHABILITATION



ALUMINA REFINING

STEP ONE
DIGESTION



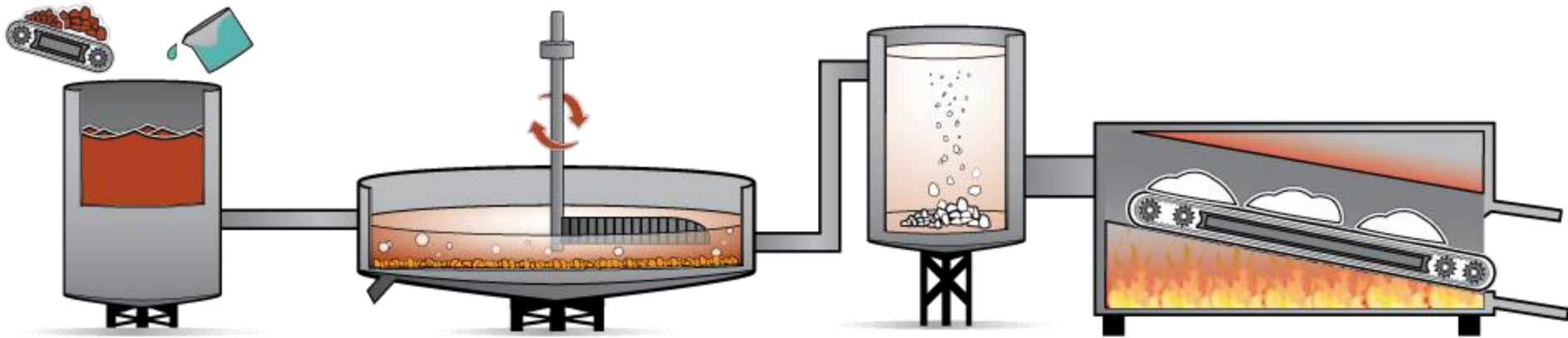
STEP TWO
CLARIFICATION



STEP THREE
PRECIPITATION



STEP FOUR
CALCINATION



ALUMINIUM SMELTING

STEP ONE
ADD BATH
AND ALUMINA



STEP TWO
ANODE



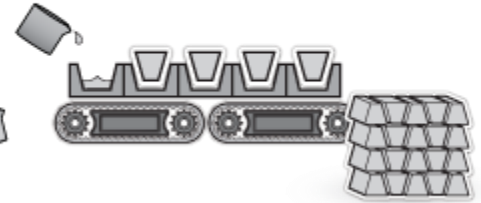
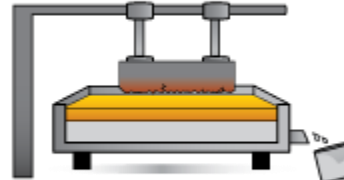
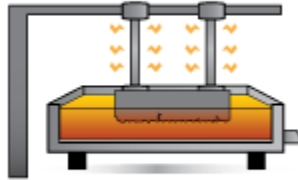
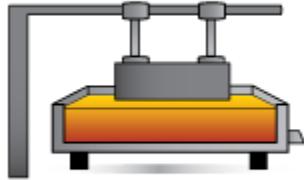
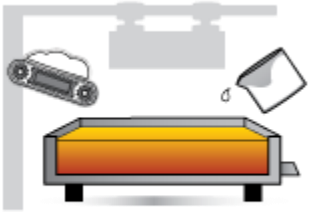
STEP THREE
ELECTROLYSIS



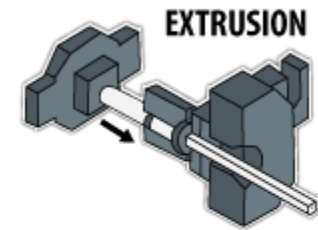
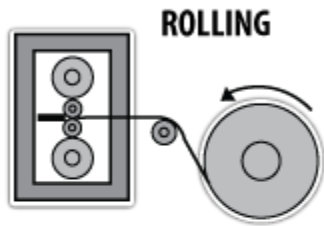
STEP FOUR
TAPPING



STEP FIVE
PRIMARY
CASTING



SEMIFAB & PRODUCTS



PACKAGING



TRANSPORT



CONSTRUCTION



OTHER



ALUMINIUM 101 - VALUE CHAIN (Southern Africa)

BHP Billiton
1.2 million tons p.a.

Hulamin and others
275 000 tons p.a.

Fabricators /Distributors
e.g. Nampak, Mahle Behr
MacSteel etc. 180 000





RECENT FINANCIAL PERFORMANCE



RECENT FINANCIAL PERFORMANCE - HIGHLIGHTS H1 2014

- Much improved safety performance
- Normalised earnings up 42% to R130m with continued Rand weakness
- HEPS increase 95% (40CPS) due to impact of restructuring costs on 2013
- Strong cash flow from improved working capital management with substantial reduction in borrowings
- Ongoing focus on operational performance with 5% growth RP sales volumes
- Discussions continue with BHP Billiton around the future of Bayside cast house
- Commercial sales of aluminium can body stock to the local market begin
- Aluminium recycling plant progressing on schedule for mid 2015 start up

CONDENSED INCOME STATEMENT

	2014 H1 Rm	2013 H1 Rm	2013 FY Rm
Revenue	4 061	3 554	7 560
Cost of sales	(3 608)	(3 234)	(6 915)
Gross profit	453	320	645
Selling, marketing and distribution expenses	(211)	(192)	(390)
Administrative expenses	(50)	(41)	(71)
Impairment charge	-	-	(2 122)
Other gains and losses	18	35	133
Operating profit/(loss)	210	122	(1 805)
Net interest expense	(27)	(31)	(63)
Profit/(loss) before tax	183	91	(1 868)
Taxation	(53)	(25)	523
Net profit/(loss) for the year	130	66	(1 345)
EBITDA (excluding impairment)	269	233	527
EBITDA/Sales (%)	6.6	6.6	7.0

NORMALISED EARNINGS

Earnings and headline earnings

Abnormal items included in headline earnings:

- Severance costs

Normalised earnings

	2014 H1 Rm	2013 H1 Rm
Earnings and headline earnings	130	66
Abnormal items included in headline earnings:		
- Severance costs	-	25
Normalised earnings	130	91

BALANCE SHEET

	Jun 2014 Rm	Jun 2013 Rm	Dec 2013 Rm
Capital employed			
Equity	3 553	4 788	3 403
Net borrowings	387	799	612
	3 940	5 587	4 015
Employment of capital			
Property, plant and equipment and intangibles	2 575	4 693	2 553
Net working capital (including derivatives)	1 866	1 908	1 903
Net deferred tax liability	(422)	(935)	(377)
Retirement benefit obligations - net	(79)	(79)	(64)
	3 940	5 587	4 015

CASH FLOW STATEMENT

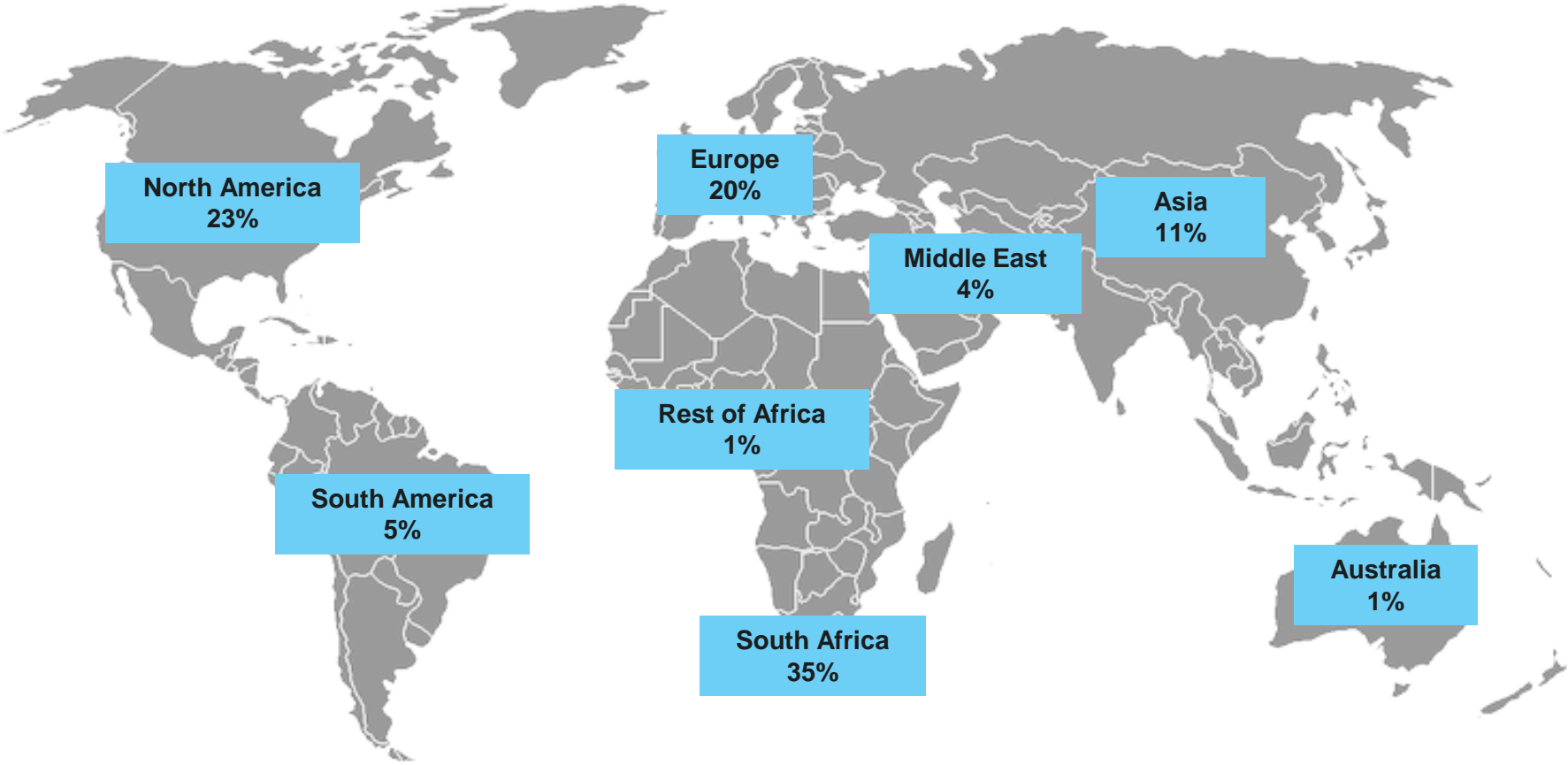
	2014 H1 Rm	2013 H1 Rm	2013 FY Rm
Cash flows from operating activities			
Operating profit/(loss)	210	123	(1 805)
Net interest paid	(28)	(31)	(64)
Impairment charge	-	-	2 122
Depreciation and other non-cash items	43	207	269
Income tax payment	(21)	(10)	(28)
Changes in working capital	100	(280)	(211)
	304	9	283
Cash flows from investing activities			
Additions to property, plant and equipment and intangibles	(79)	(66)	(148)
	(79)	(66)	(148)
CASH FLOWS BEFORE FINANCING ACTIVITIES	225	(57)	135
Cash flows from equity transactions	-	-	(5)
NET BORROWINGS – BEGINNING OF PERIOD	(612)	(742)	(742)
NET BORROWINGS – END OF PERIOD	(387)	(799)	(612)



LONGER TERM DRIVERS



LONGER TERM DRIVERS - HULAMIN IS A GLOBAL BUSINESS



LONGER TERM DRIVERS – DOMINATE HOME BASE

Beverage can market growth

- Aluminium cans in SA successfully introduced, Angola and East Africa to follow
- Initial qualification process successfully completed, production ramp-up process underway
- Over 900 tons of can body stock successfully supplied in H1 2014. Demand is strong and growing

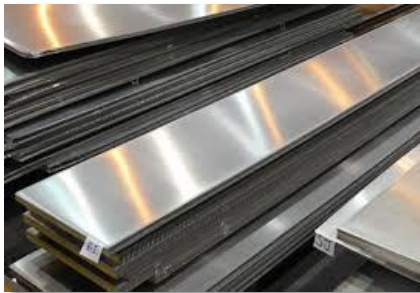
Automotive and transport markets

- Develop with existing heat exchanger and suspension component customers
- Global acceleration of aluminium in automotive continues (e.g. auto body-sheet)
- Regional strategy being reviewed - import replacement opportunities

Regional market development

- Reviewing regional opportunities in can stock, solar and distributor products
- Fabrication and entrepreneurship programme development

Level playing field with imports



LONGER TERM DRIVERS – TARGET NICHE EXPORTS

Exploit world class can end competency

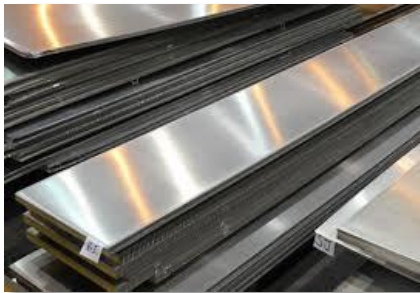
- Grow sales to existing key customers including Rexam, Crown, Ball and Canpak
- Exit/reduce exposure in low margin overtraded commodity products

Automotive is fastest growing sector in world markets

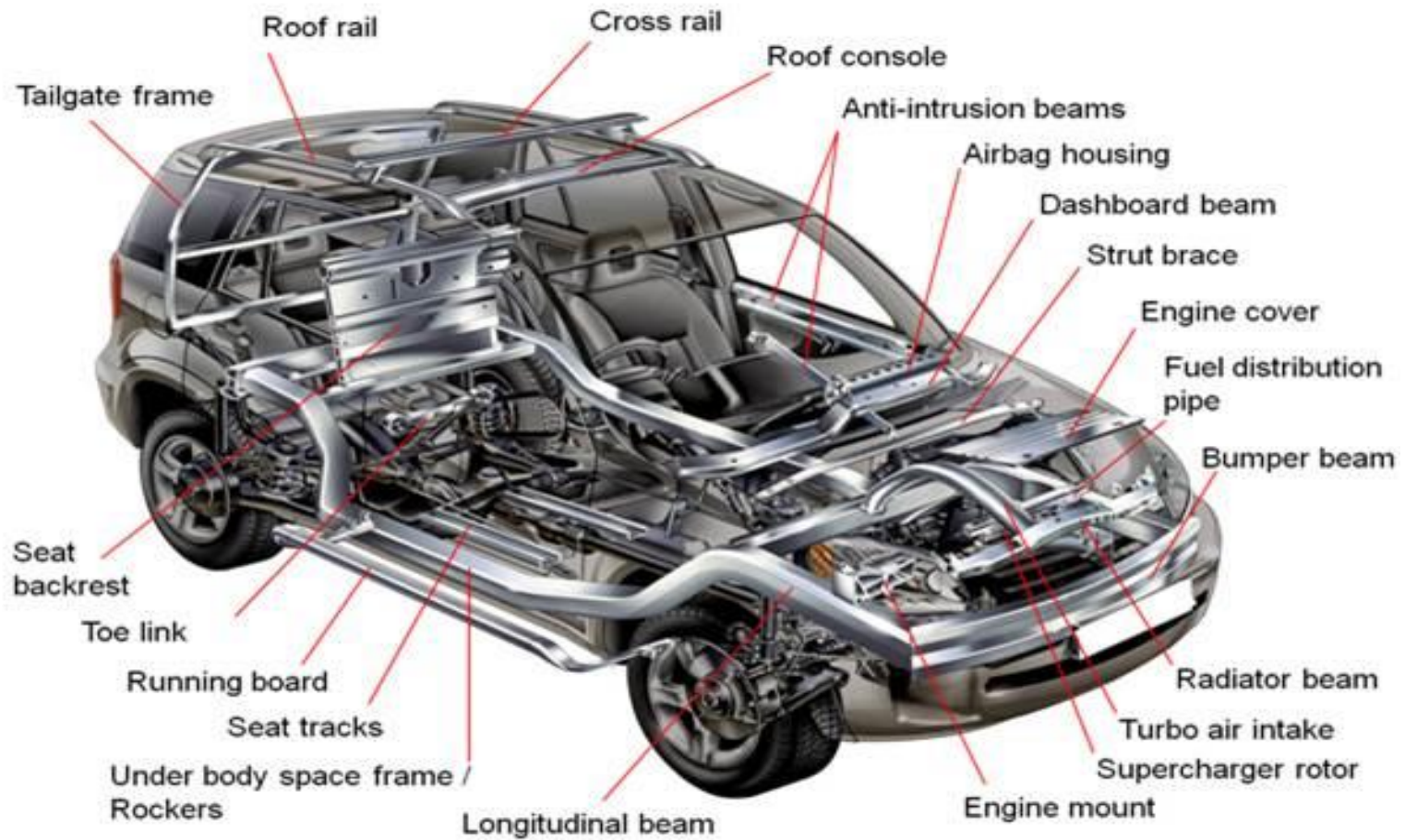
- Leverage further Heat Exchanger and other exports off SA customer base
- Focus high tech applications i.e. Tesla contract just renewed

Improve supply chain/logistics and customer experience

- Become the foreign supplier of first choice
- Quality and reliability command a premium in high value products



THE AUTO INDUSTRY IS ONE OF THE FASTEST GROWTH CATEGORIES IN WORLD ALUMINIUM



TESLA LAUNCHED BY SOUTH AFRICAN BORN ENTREPRENEUR ELON MUSK



Aluminium and Electricity

- Aluminium supply security (slab, billet, melting ingot)
- Strategic cooperation/alignment with stakeholders – Government and BHP Billiton
- Enable and promote downstream industry

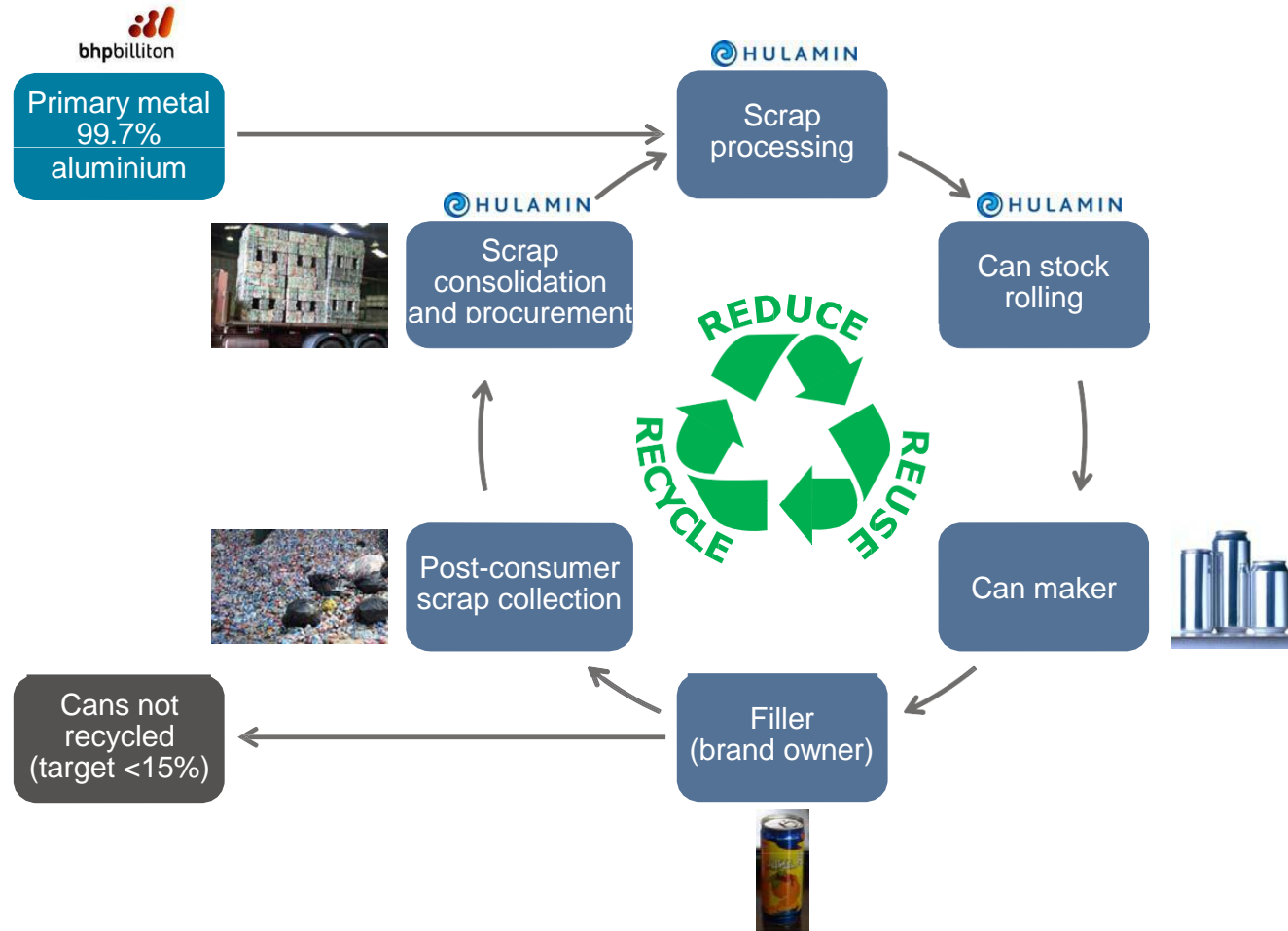
Slab supply from Bayside casthouse runs to December 2014

- Bayside smelter closed June 2014
- Bayside casthouse supplied with liquid metal from Hillside
- Discussions progressing over future of slab supply beyond 2014

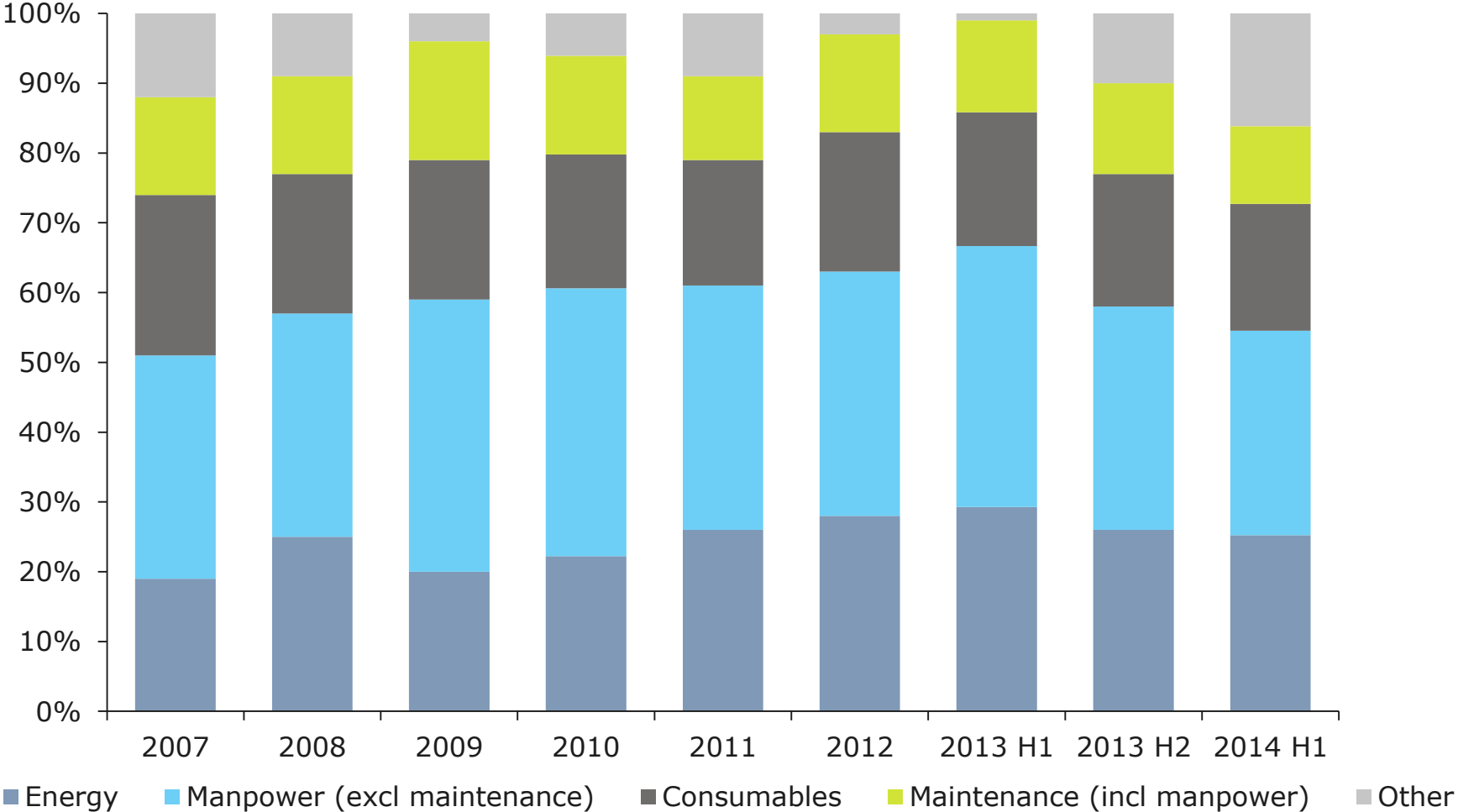
Goal: To source 25% of metal units from third party scrap by 2018

- R300m investment in recycling capability approved and underway
- Increases Hulamín on site slab capacity to 190 000 tons sales
- Project includes scrap storage, separation, cleaning and melting
- Planned start-up Q2 2015; interim plans in place

Reduce Metal Cost - Closed Loop Recycling



LONGER TERM DRIVERS - MANUFACTURING COSTS



Manpower

- Broad restructuring across all levels
 - Splits rolling and metal supply operations
 - Local and Regional Market Development bolstered
- Comprehensive rightsizing completed in 2013
 - Overall numbers reduced by 211 people
 - Once-off cost of <R35m
 - Overall savings of around R25m achieved in H1 2014
- Three year deal with hourly paid employees 2013 to 2016

Energy

- Gas (cost) dominates Hulamín energy mix
- LPG supply risk and cost uncompetitiveness
- New possibilities for alternative gas sourcing

Scrap export legislation promulgated in August 2013

Goal alignment with Government

- Growth in regional beneficiation of Aluminium/Electricity in progress
- Local/Regional sales growth (fabrication)
- Growth in recycling of aluminium
- Improvements to Non-ferrous/Aluminium scrap export restrictions underway

Important regulatory outcomes

- Gas pipeline infrastructure and internationally competitive gas pricing envisioned
- Equitable and symmetrical import duty regime to be submitted
- Non-punitive and competitive carbon tax/pricing to be lobbied
- Continued competitiveness investment support (e.g. MCEP)

A CASE FOR IMPORT TARIFF PROTECTION

In 2011 ITAC

- Awarded partial relief to extrusions, and
- Rejected rolled products application

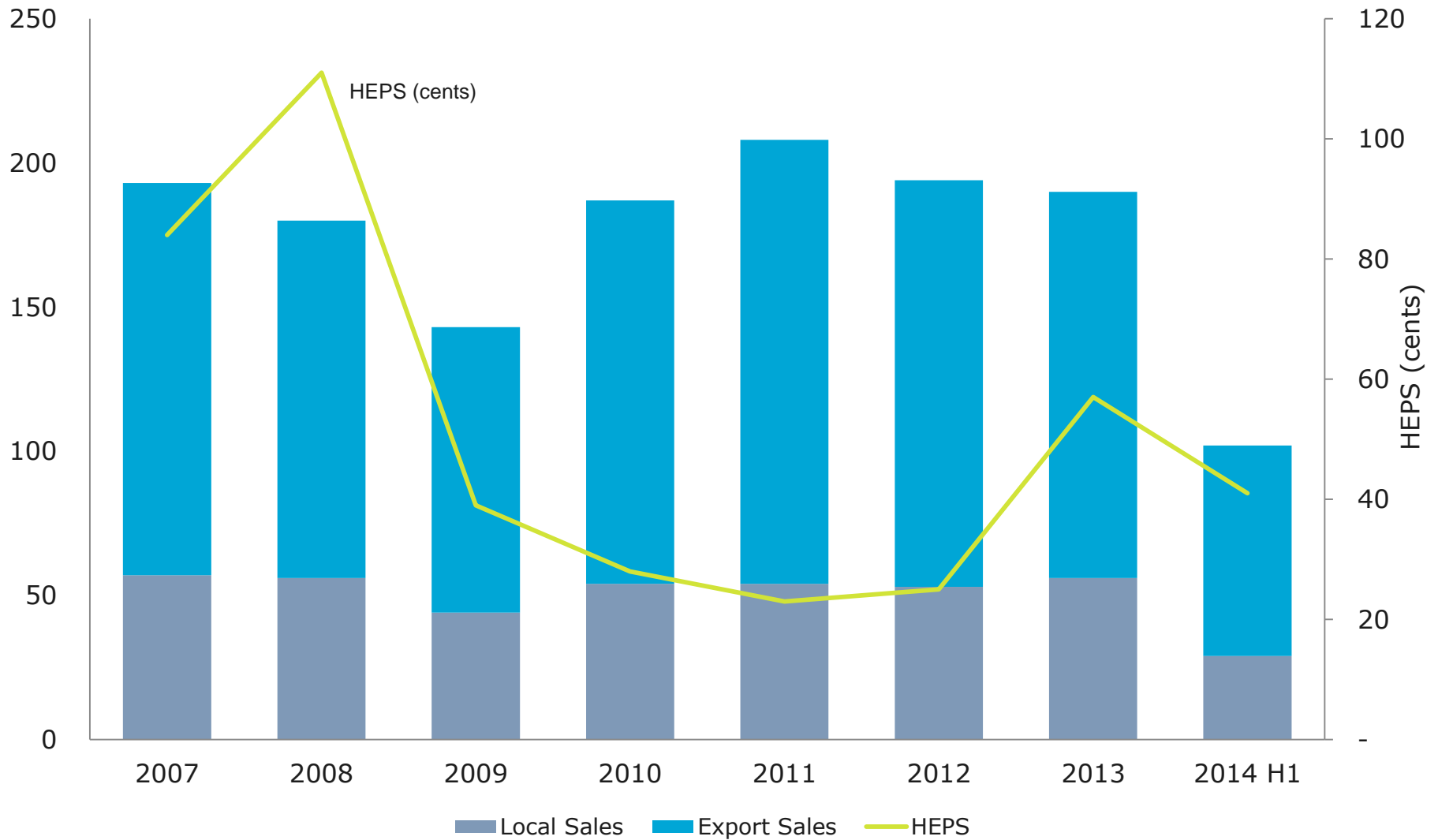
Post 2011

- Imports of extruded and rolled products continued to increase
- Uneven tariff regimes in SA trade partners especially in BRICS remain
- A group of products sold by Hualamin in Brazil attract 12% duty, whilst similar imports from Brazil attract zero duty in SA
- Examples of import duties in rolled products

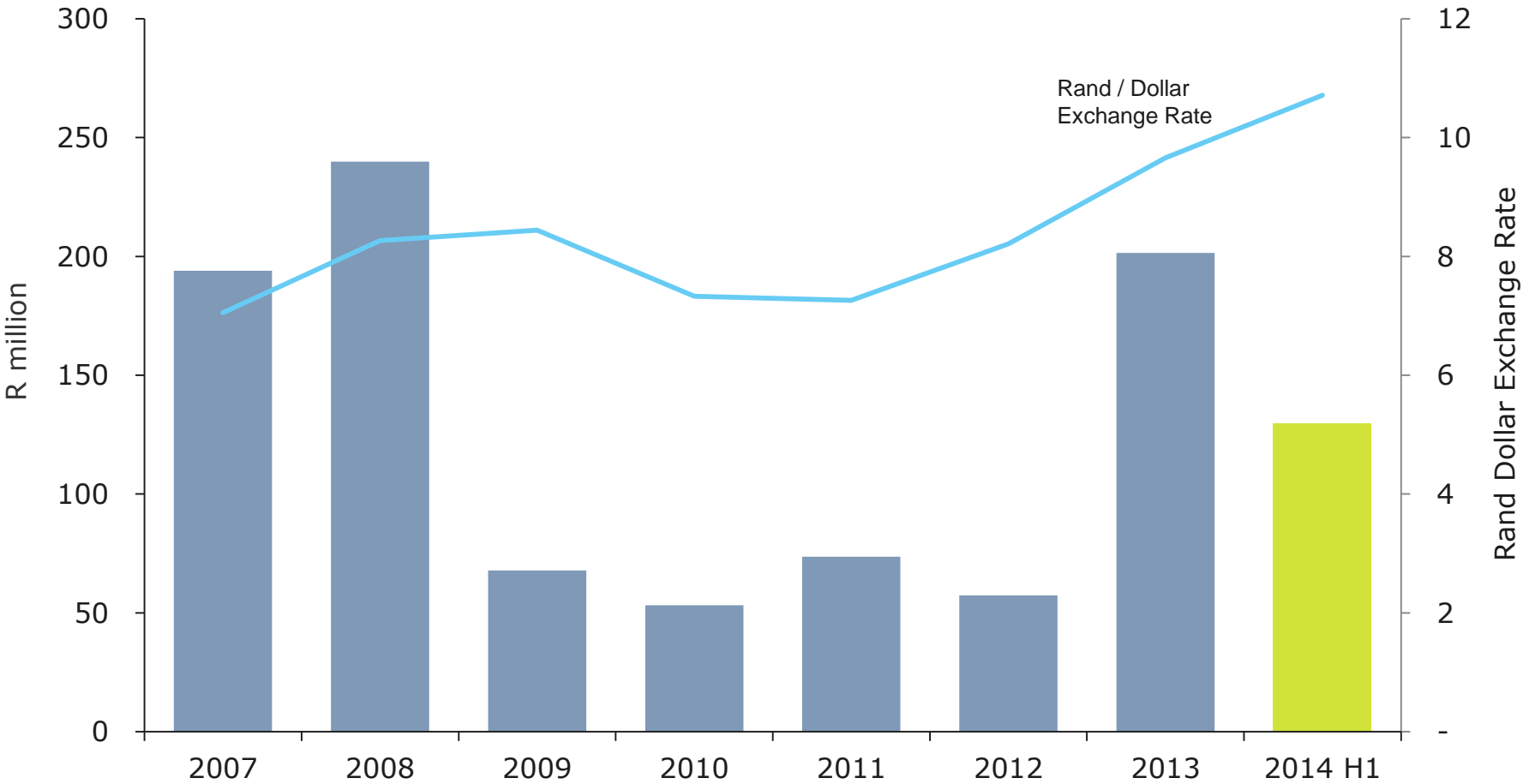
	BRAZIL	RUSSIA	CHINA	INDIA	SA
Duty (%)	12	20	5	6	0

- Hualamin will apply to ITAC in Q3 2014 for import tariff increases

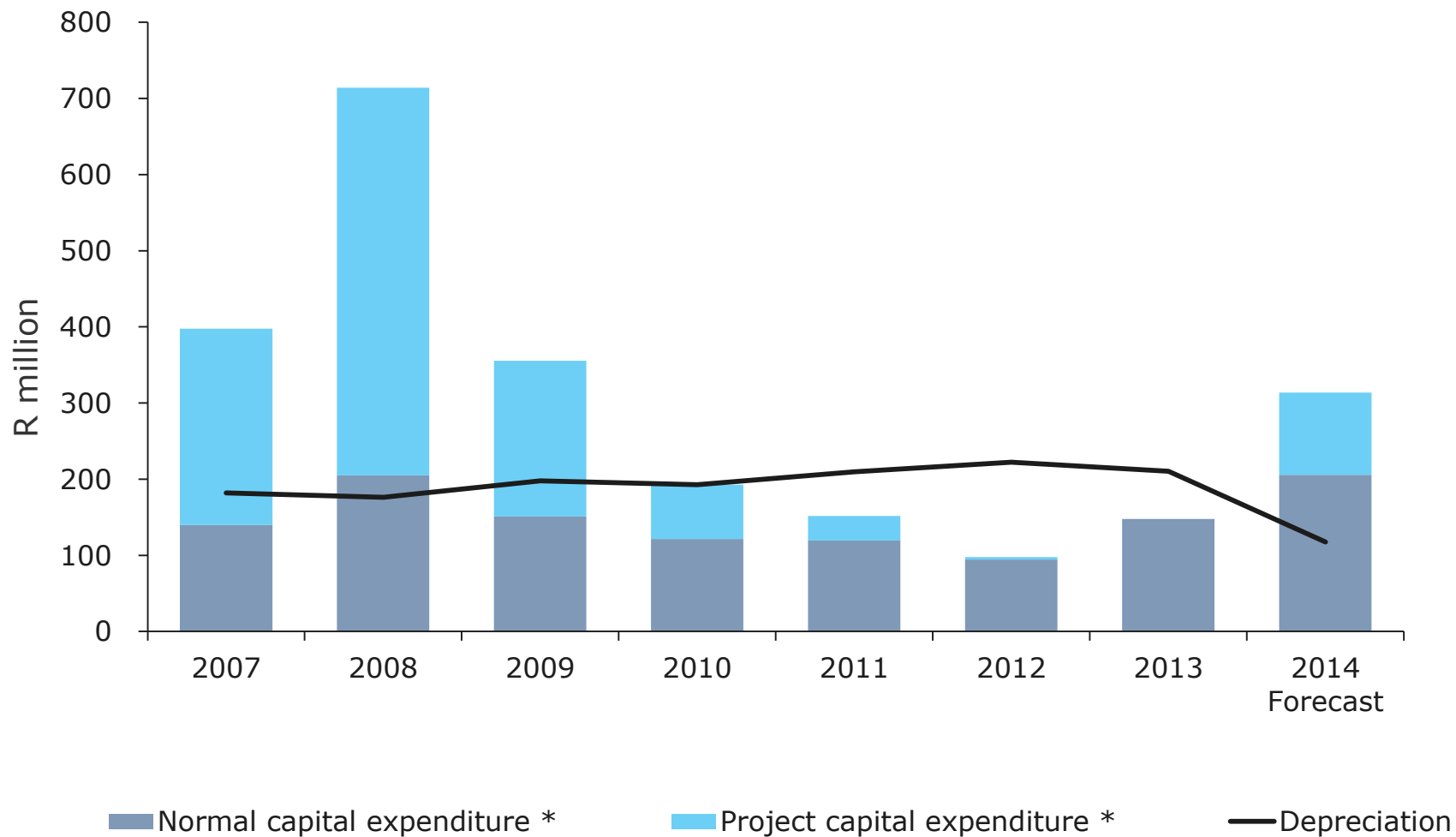
SALES VOLUMES VS. HEADLINE EARNINGS PER SHARE



NORMALISED EARNINGS VS. RATE OF EXCHANGE

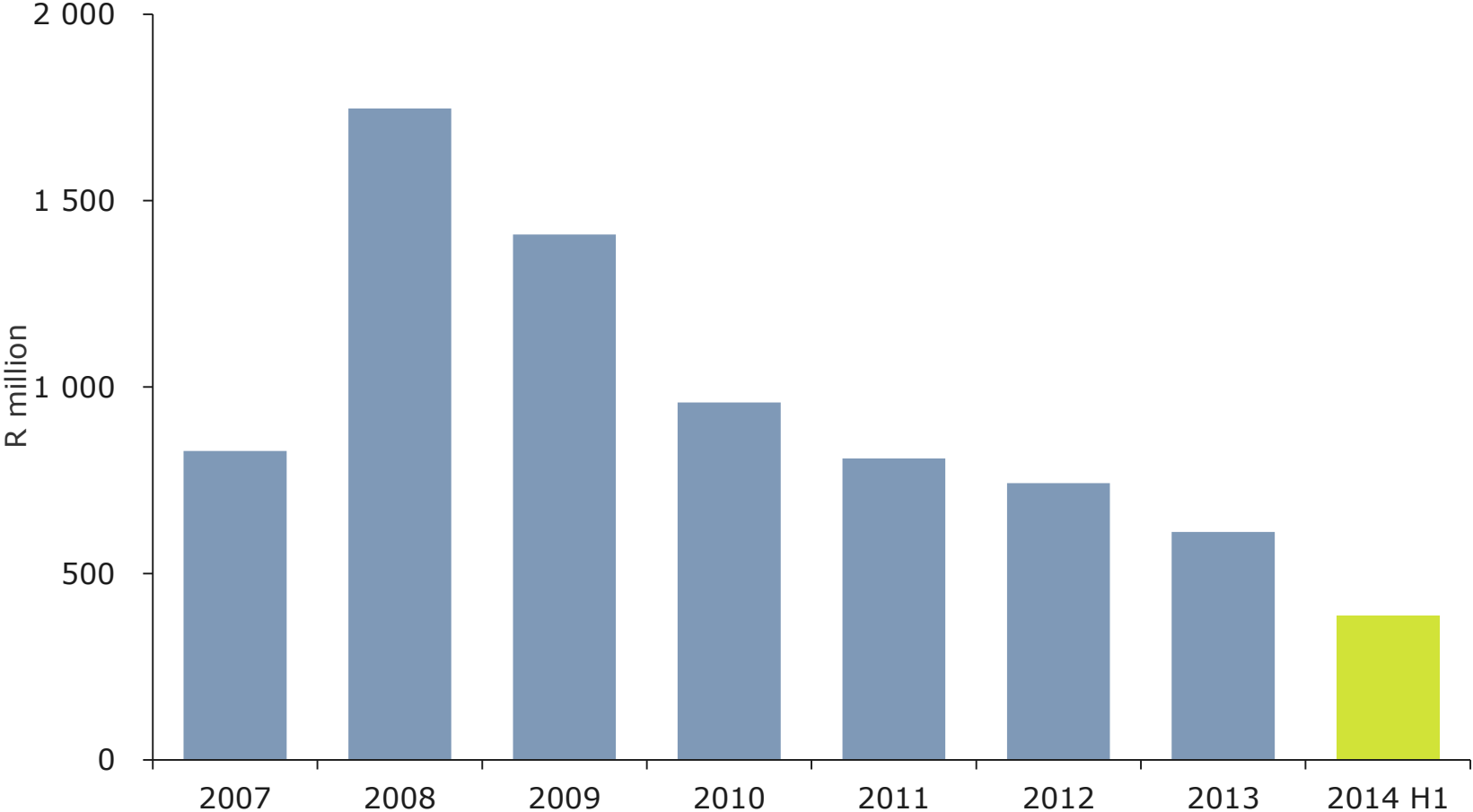


CAPITAL EXPENDITURE



* Excludes capitalised borrowing costs

NET BORROWINGS





THE PATH WE HAVE CHOSEN



THE PATH WE HAVE CHOSEN

- Focus on what we do best – mix optimisation
- Growth in local market and niche export markets
- Level playing fields for imports – Extrusions and RP
- Improved manufacturing performance from Rolled Products
- Long term metal supply security
- Increased capital expenditure – reliability and new products
- Continued focus on working capital, costs and efficiencies



QUESTIONS

