

UNAUDITED INTERIM RESULTS

for the half-year ended 30 JUNE 2019



AGENDA



Opening remarks/
market update



Financial results



Operational review



Turnaround plan

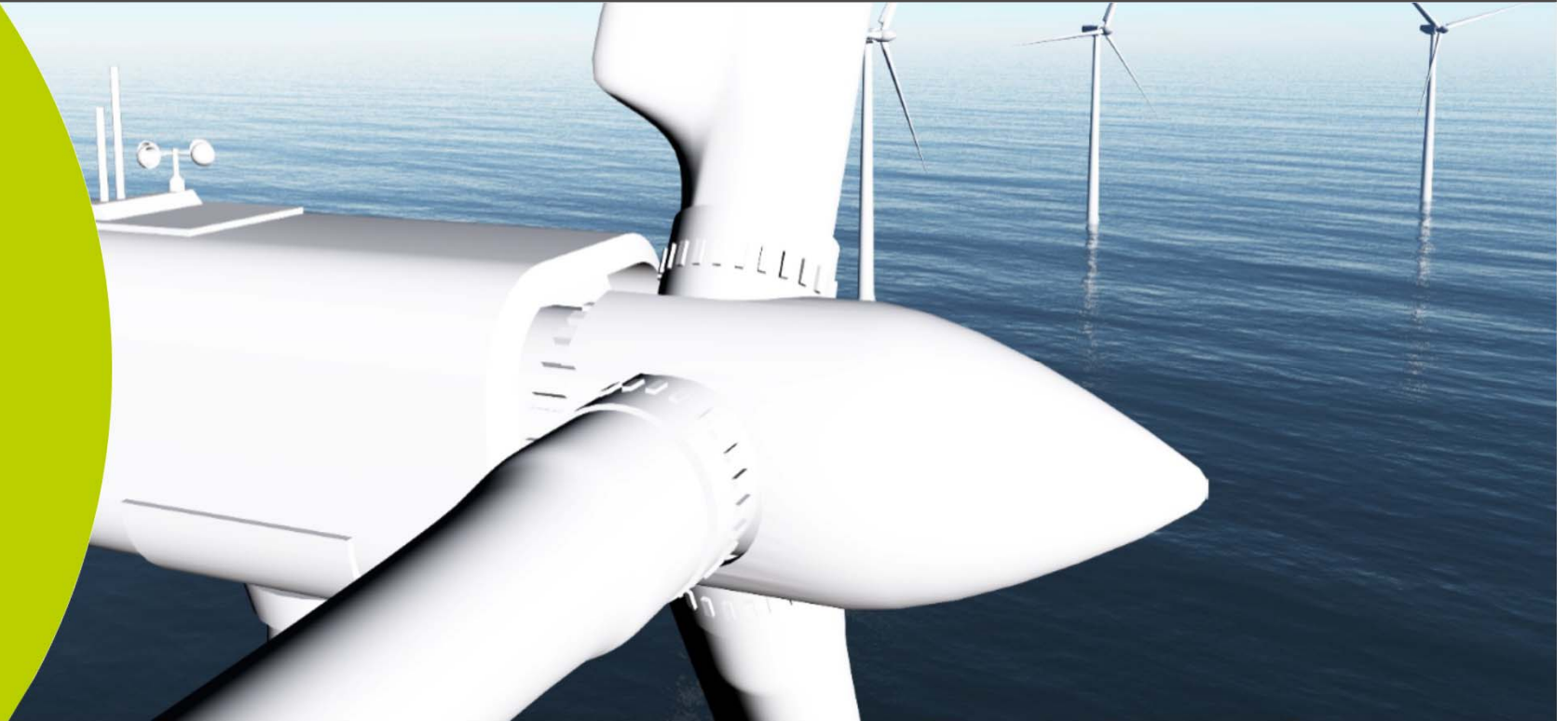


Medium-term market prospects



H2 outlook

1 OPENING REMARKS / MARKET UPDATE



KEY POINTS

Positive momentum disrupted in H1 2019

RP volumes lower

- Overstocked Hulamín distribution channel
- Imbalances in throughput flows
- Local automotive demand soft

Hulamín Extrusions in *turnaround* following three halves of losses

- R37m loss YTD
- Rightsizing underway for cost competitiveness

Large (R53m) metal price lag loss

- Decline in LME Aluminium price from averaging c. \$2 050 to c. \$1 750

USA sales channel overstocked, disrupted

- Hulamín distribution channel over stocked
- Aggravating a softening underlying market

Turnaround plan in progress

- Sales
 - Cost reductions
 - Working capital
-

USA market conditions softening

- Stable going into 2020
- Distribution channels overstocked
 - Reaction to tariffs in 2018
 - Expected to normalise during H2
- Numerous US trade actions imposed
 - Chinese supply into US halted
- Electric Vehicle (EV) build rates uncertain

Automotive demand for aluminium continues to grow globally

- Softness in SA
- Hulamin investing in battery foil research for EV's
- Demand dip in H1 2019, local -33%

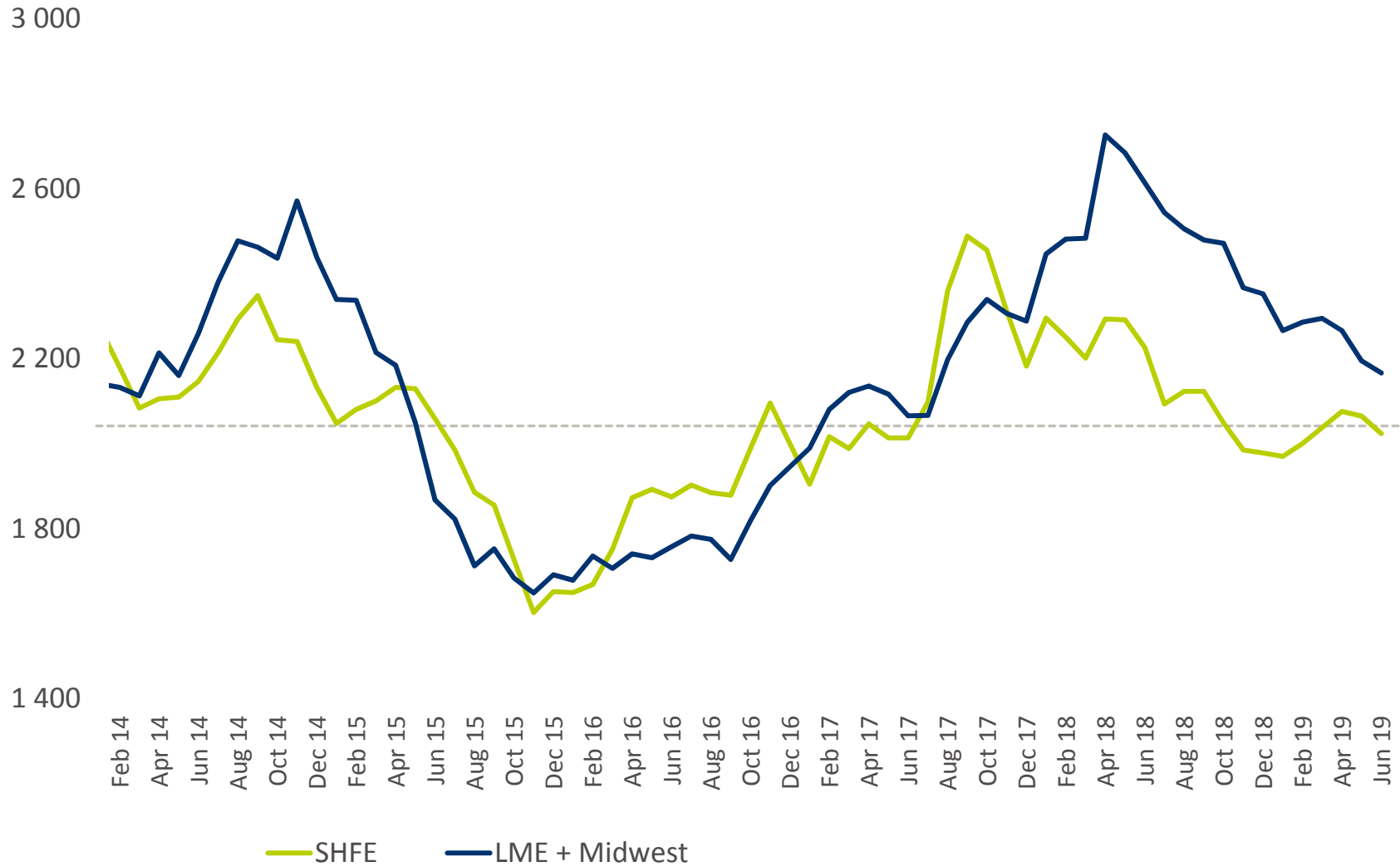
Can stock demand firming

- Environmental concerns over PET (plastics)
- Capacity in the west being converted to auto

LME Aluminium soft

- Supply / demand imbalances
 - Lack of Chinese demand

ALL-IN ALUMINIUM PRICE (USD/TON)



Source: Metal Bulletin

2 FINANCIAL RESULTS



KEY POINTS

Rolled Products sales demand disruption and Extrusions press failure impact on sales volumes and fixed cost absorption, interrupting performance momentum

- Normalised EBITDA¹ down by 54% to R116m
- Normalised HEPS¹ decreased to 10 cps (H1 2018: 19 cps)
- Disruption to positive performance momentum
 - Hulamín amongst top ROCE performers in peer group² over past 5 years

Significant IFRS / non-trading impacts on H1 2019 profits

- Operating profit down by 149% to a loss of R78 million
- EPS decreased to a loss of -23 cps (H1 2018: 27 cps)
 - Impairment on Isizinda property (R13m)
 - Restructuring provision at Extrusions (R38m)
 - Metal price lag loss (R53m)
 - IAS 39 hedge “ineffectiveness” (R25m)

Build up of inventory due to low sales and metal procurement commitments impacting free cash flow, but adequate liquidity

- Free cash flow – negative R168m³
- Net debt up to R596m (incl. lease liabilities, following IFRS 16 adoption)
- Adequate liquidity / borrowings headroom

1. Normalised EBITDA and HEPS exclude metal price lag and material non-trading items

2. Refer appendix for ROCE and Net debt to EBITDA peer comparison

3. Negative R376m if adjust for receipt in transit of R208m at 31 Dec 2018

SALIENT FEATURES

		H1 2019	H1 2018 Restated	% Change
KEY PARAMETERS AND ACTIVITIES				
Average LME	US\$	1 754	2 209	(21)
Average exchange rate	R/US\$	14.20	12.30	15
Group sales volume	Tons	109 000	114 000	(4)
Rolled Products sales volume	Tons	102 000	106 000	(4)
Revenue	Rm	5 247	5 290	(1)
PROFITABILITY				
EBIT	Rm	(78)	159	(149)
Normalised ¹ EBIT	Rm	52	127	(59)
Normalised ¹ EBITDA	Rm	116	250	(54)
EPS	Cps	(23)	27	(185)
HEPS	Cps	(20)	27	(174)
Normalised ¹ HEPS	Cps	10	19	(47)

1. Normalised EBIT, EBITDA and HEPS exclude metal price lag and material non-trading items

SALIENT FEATURES (CONTINUED)

		H1 2019	H1 2018 Restated	% Change
FINANCIAL, CASH FLOW AND BORROWINGS				
Capital expenditure	Rm	138	99	39
Net working capital as % of revenue	%	24	21	3
Free cash flow (cash flow before financing activities) ¹	Rm	(168)	75	
Closing net debt ²	Rm	596	297	100
Debt equity ratio	%	16	6	10

1. Negative R376m if adjust for receipt in transit of R208m at 31 Dec 2018

2. H1 2019 includes lease liability (IFRS 16) of R55m

SEGMENT PERFORMANCE

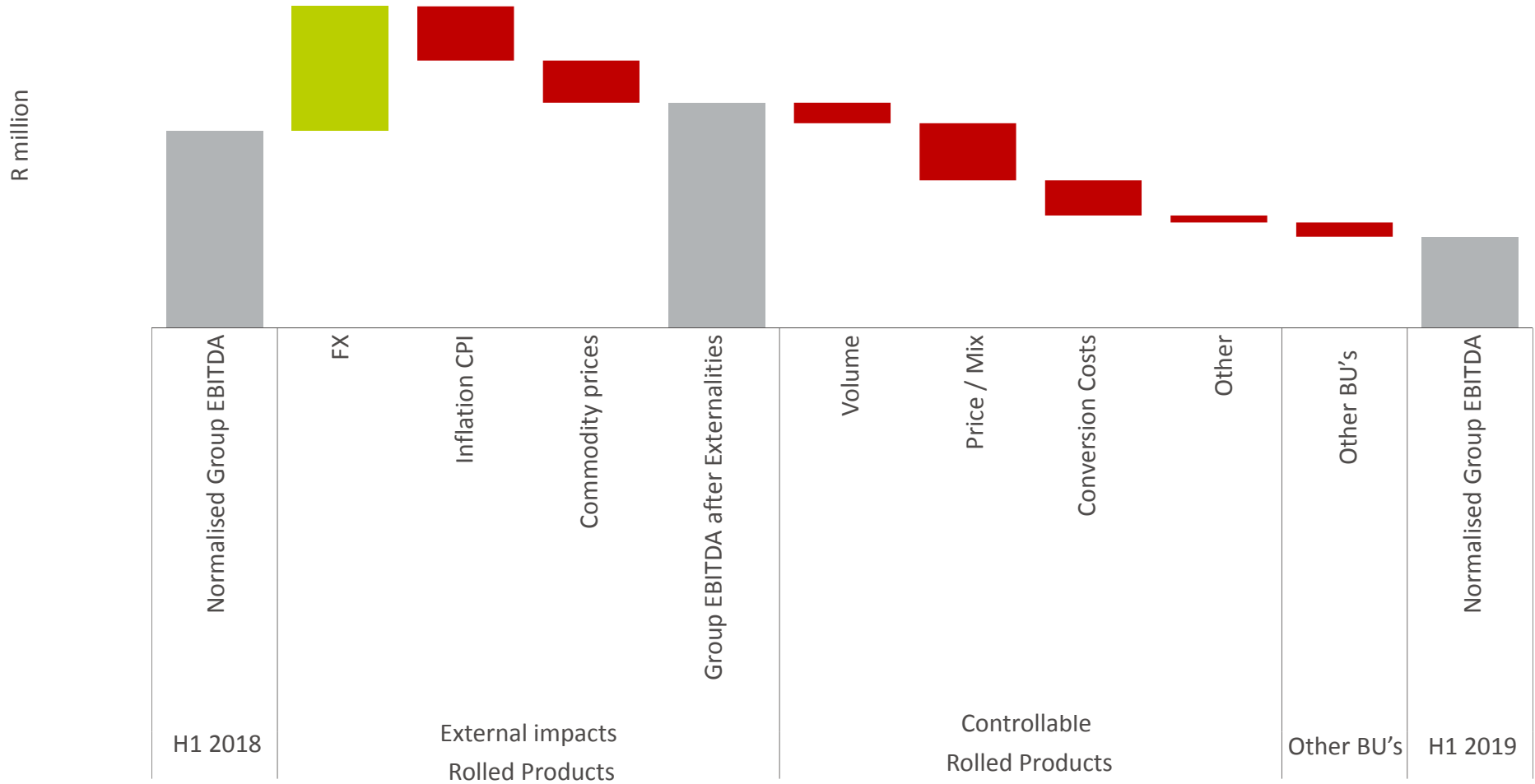


	H1 2019		
	Rolled Product Rm	Extrusions Rm	Group Rm
EBITDA	68	(68)	-
Adjustments:			
Restructuring costs	-	38	38
IAS 39 – hedge accounting	25	-	25
Metal price lag	53	-	53
Normalised EBITDA	146	(30)	116
	(42%)		(54%)

H1 2018 Restated		
Rolled Products Rm	Extrusions Rm	Group Rm
283	(1)	282
-	-	-
(57)	-	(57)
25	-	25
251	(1)	250

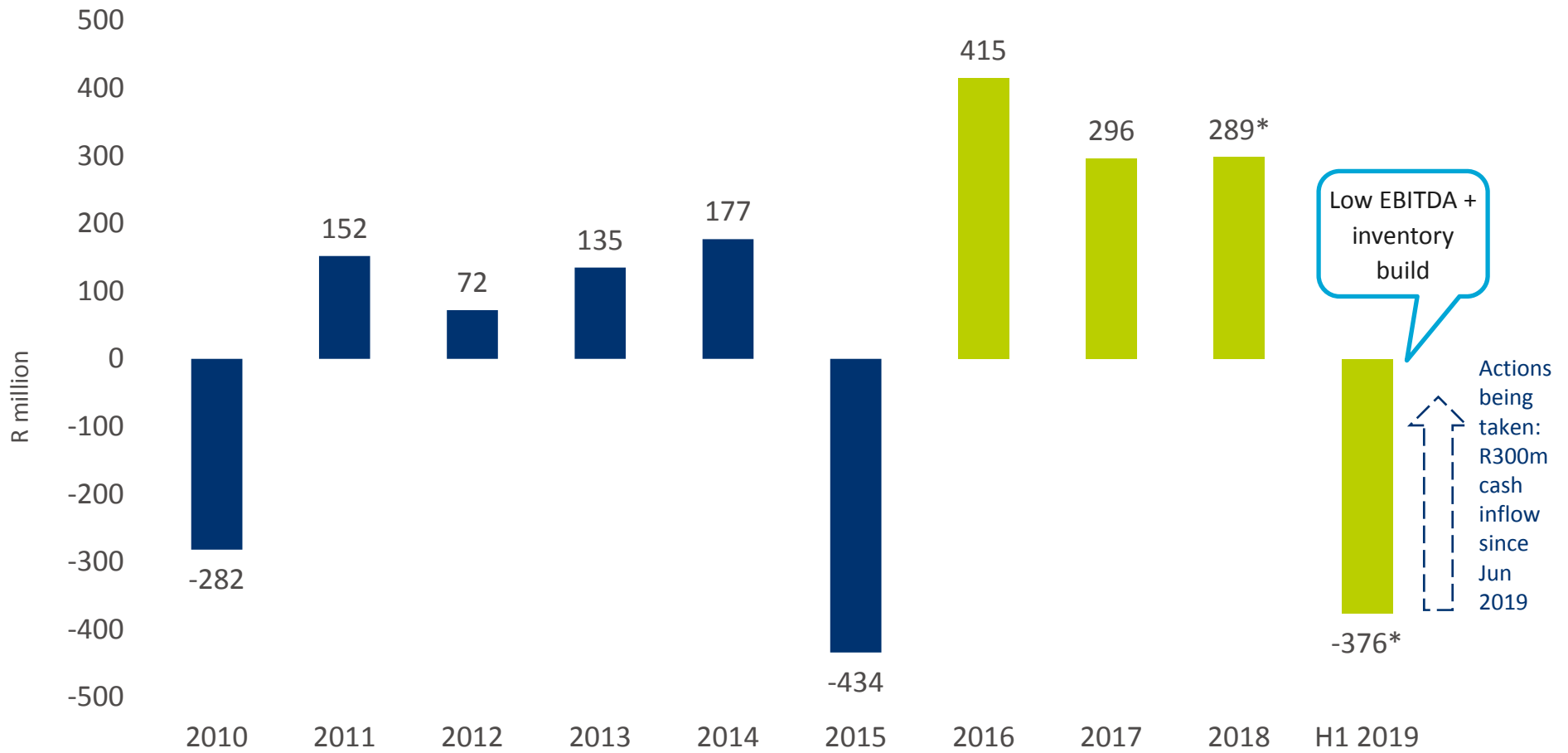
NORMALISED EBITDA

H1 2018 VERSUS H1 2019



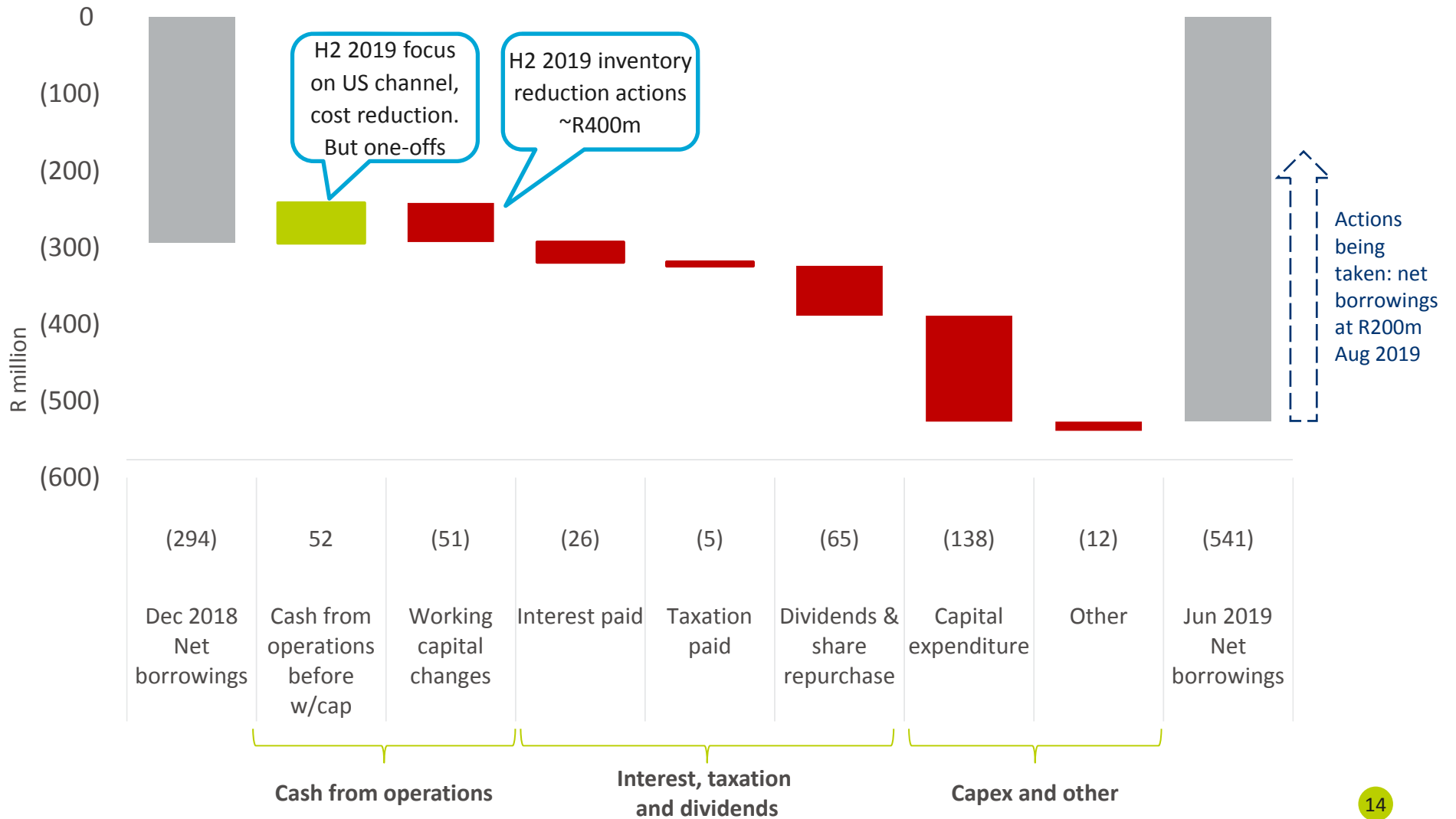
STRONG FREE CASH FLOW DELIVERY DISRUPTED

PLANS IN PLACE TO REBUILD MOMENTUM



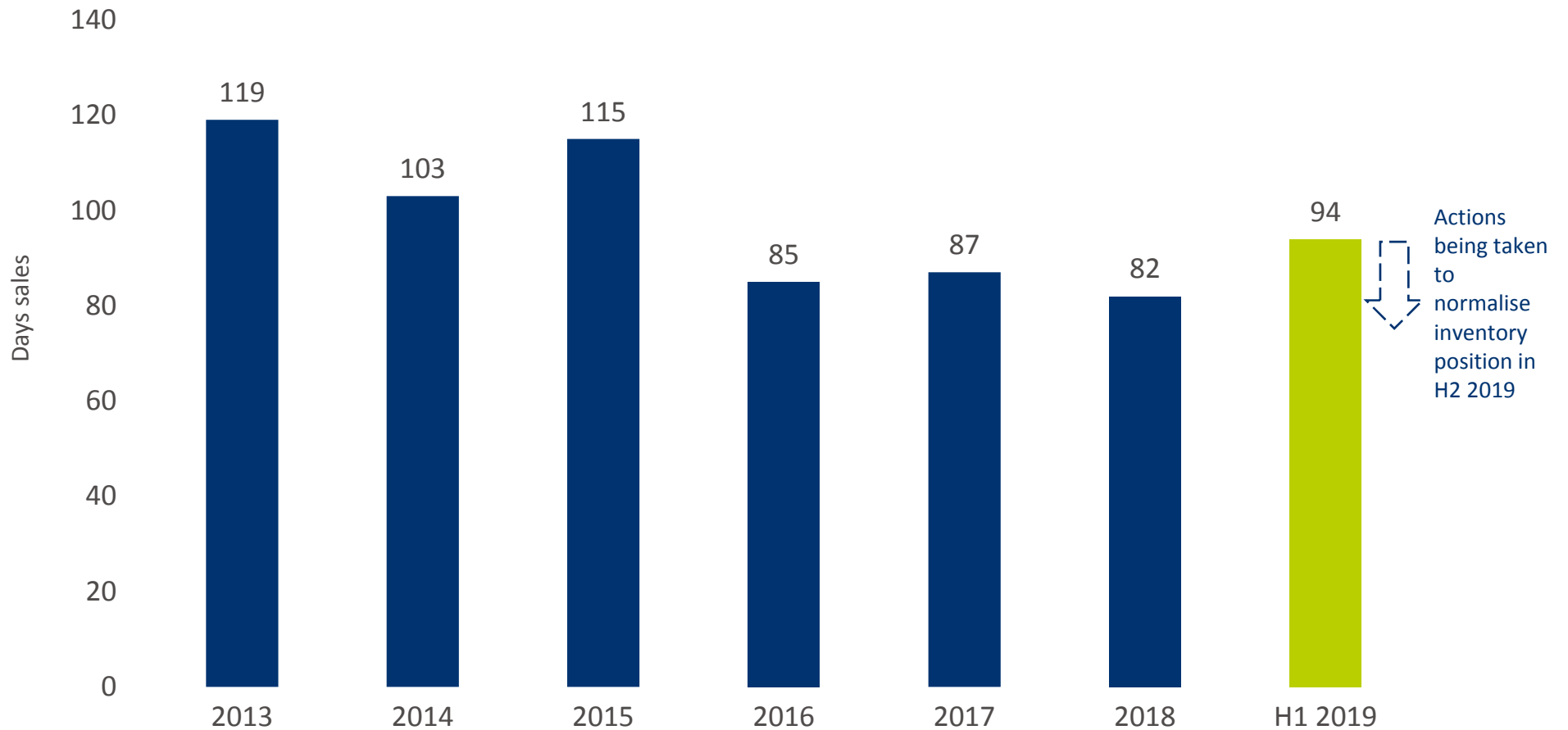
* Adjusted for receipt in transit of R208 million at 31 Dec 2018

H1 2019 CASH FLOW



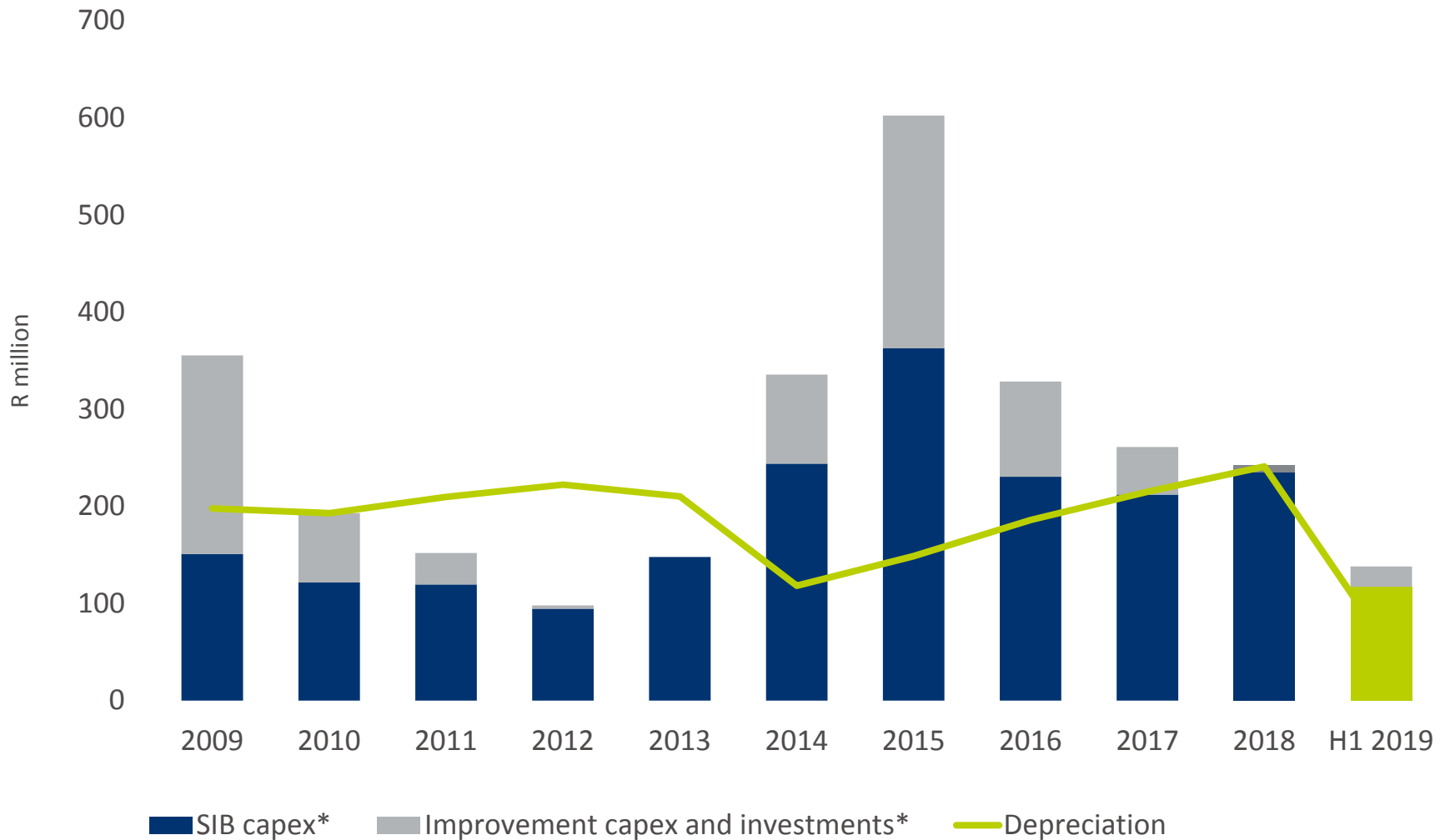
WORKING CAPITAL EFFICIENCIES IMPACTED IN H1 2019

Average inventory days



CAPITAL EXPENDITURE

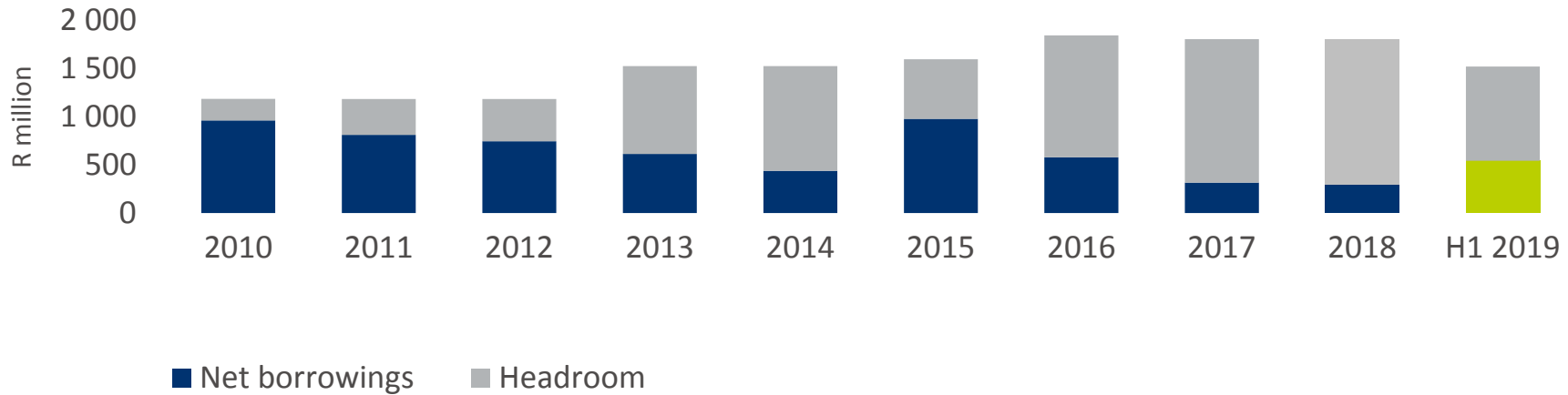
IMPROVEMENTS IN CAPITAL MANAGEMENT PROCESS INTRODUCED IN 2016, STABILISING CAPEX SPEND AT RESPONSIBLE LEVELS



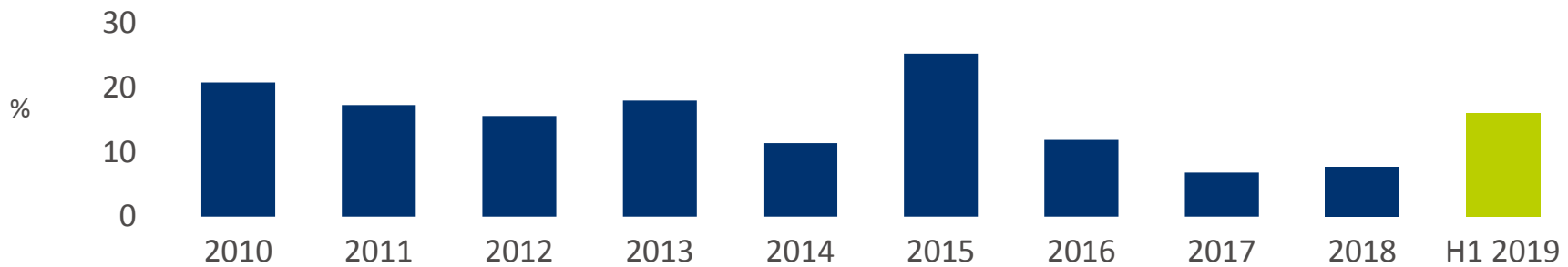
* Excludes capitalised borrowing costs

LIQUIDITY AND CAPITAL STRUCTURE

Net borrowings and headroom



Net debt to equity



3 OPERATIONAL REVIEW

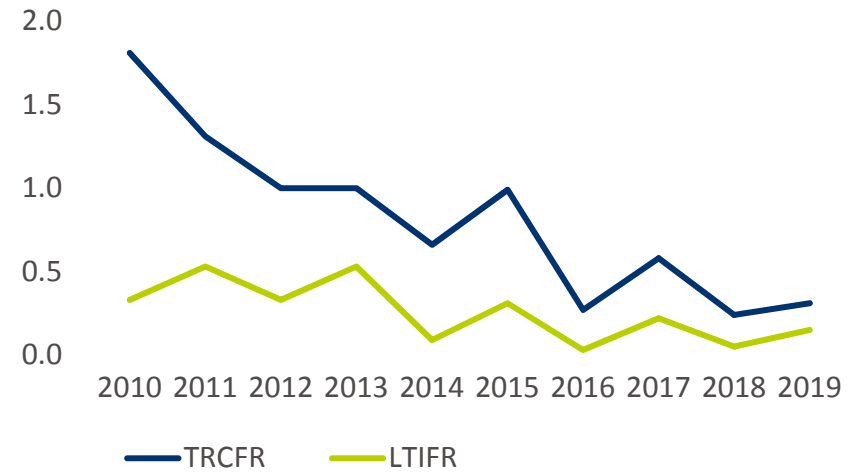


ROLLED PRODUCTS – KEY FEATURES

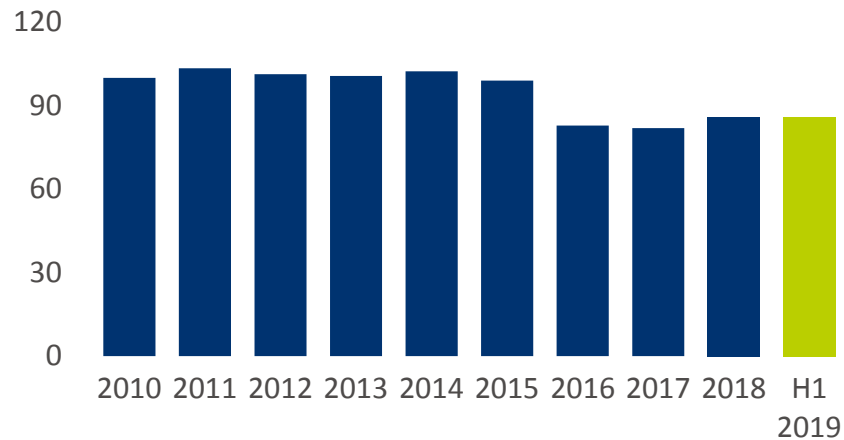
Rolled Products sales volumes (Tons 000's)



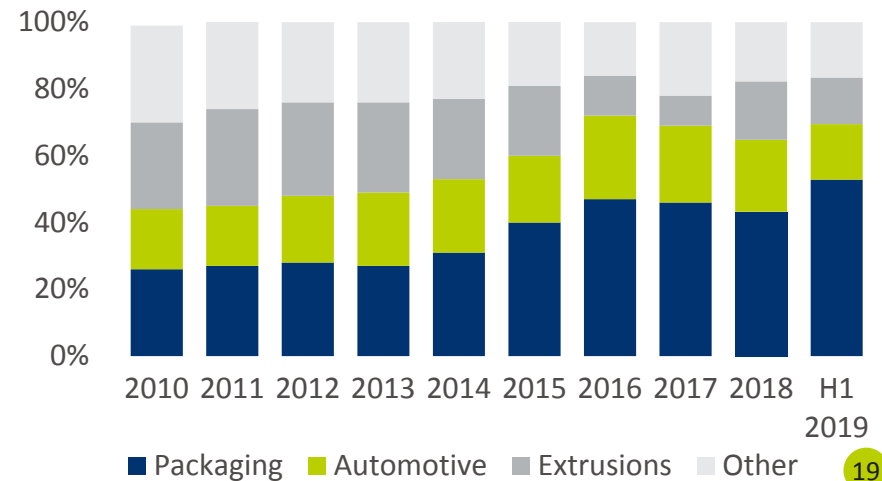
Safety performance



US margin index



Group local sales mix (%)



LOW SALES IN H1 2019

Low RP sales 206 000 tons annualised

- Hulamin distribution channel blocked in H1
- Lowest since 2015
- Constrained by low demand, plant imbalances

Weak US sales

- Especially HT plate (-26% YOY)
- Driven by overstocking
- Normalising in H2

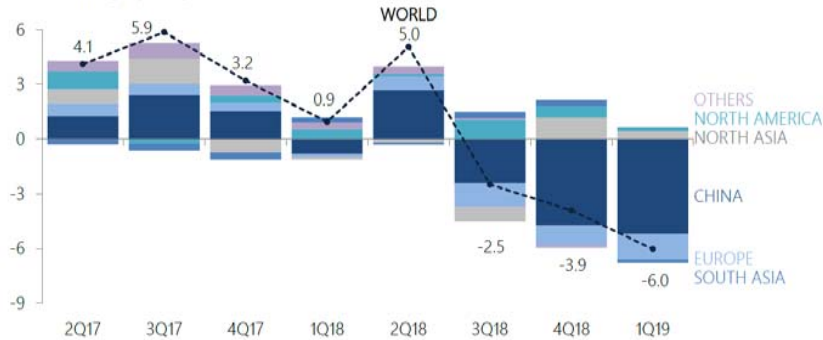
Stronger local and international can stock sales

- Local can stock sales up 61% YOY
- Total can stock sales up 19% YOY (local and export)

ROLLED PRODUCTS – LOWER SALES VOLUME

Auto market slow down

AUTOMOTIVE SECTOR PRODUCTION ANNUAL GROWTH BY REGION
(annual % change; quarterly data)



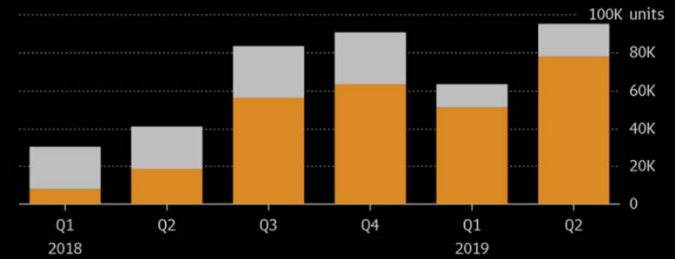
Source: HARBOR Aluminum.

EV market up and down

Bounce Back

Tesla delivered 95,200 vehicles in the second quarter, paced by the Model 3

Model 3 deliveries Model S and X

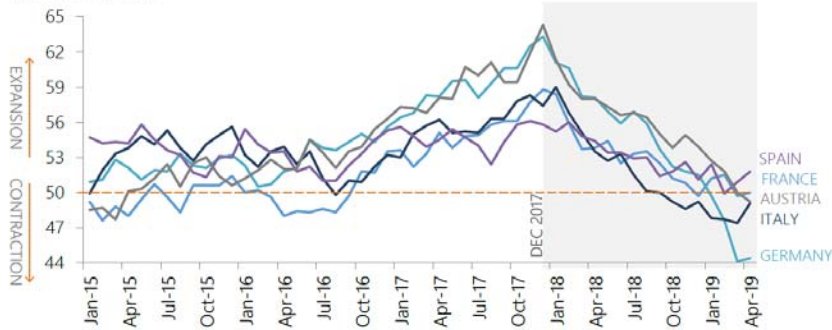


Note: In some quarters, final delivery numbers that were reported in quarterly shareholder letters varied from the company's initial statements.
Source: Tesla quarterly deliveries statements

Bloomberg

Western Europe Slowdown

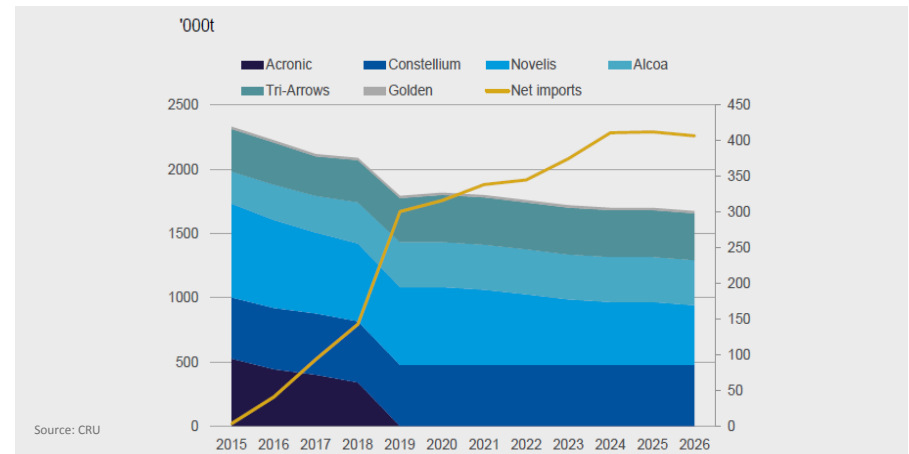
WESTERN EUROPE MANUFACTURING ACTIVITY INDEXES*
(index; monthly data)



Source: HARBOR Aluminum with Markit data.

*Manufacturing PMI Indexes: above (below) 50 signals expansion (contraction) in monthly activity.

US import can stock market firming, mills convert to auto



Source: CRU

VOLUMES UNDER PRESSURE

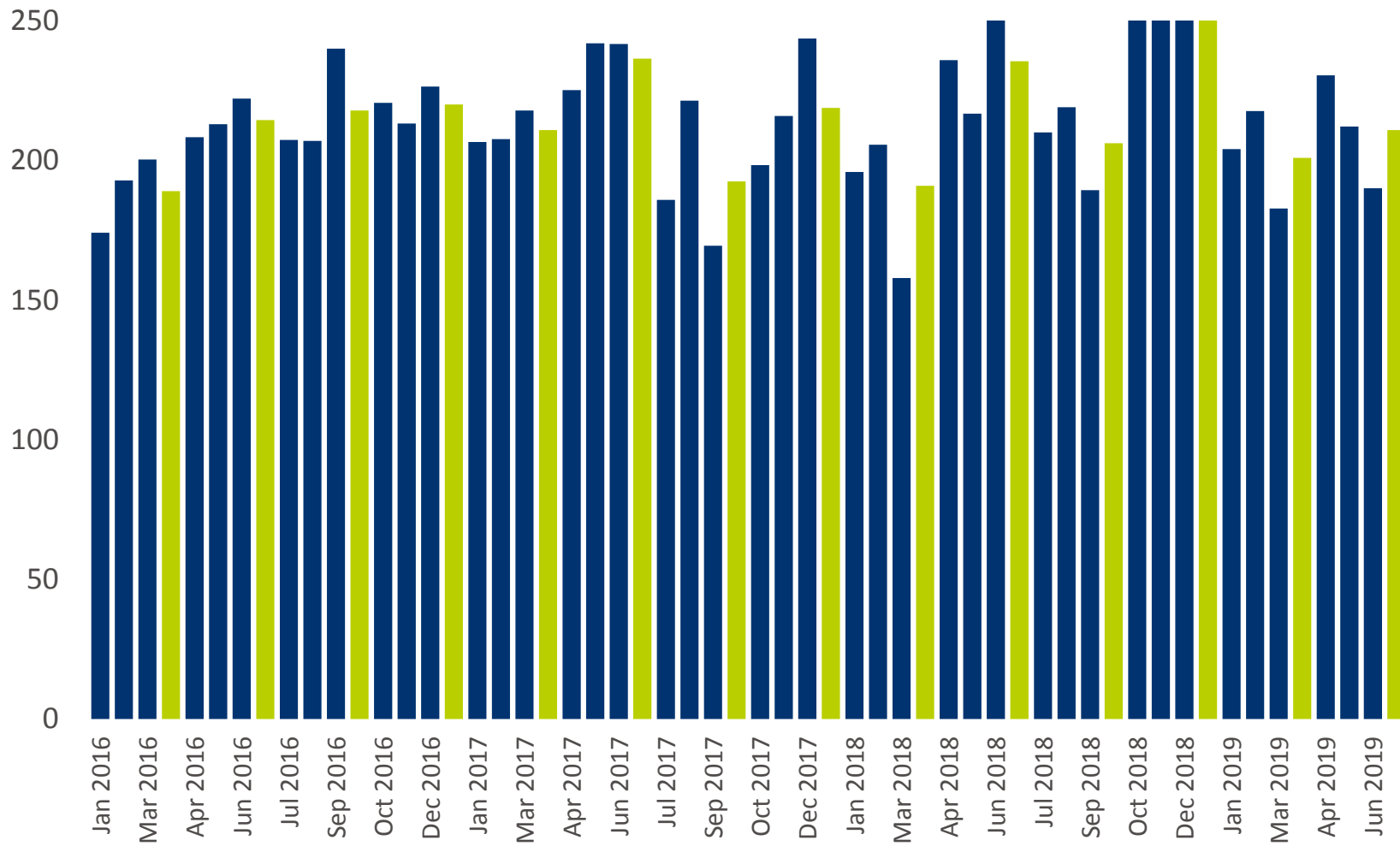
IMBALANCED DEMAND ON AVAILABLE CAPACITY

A half of imbalances in production

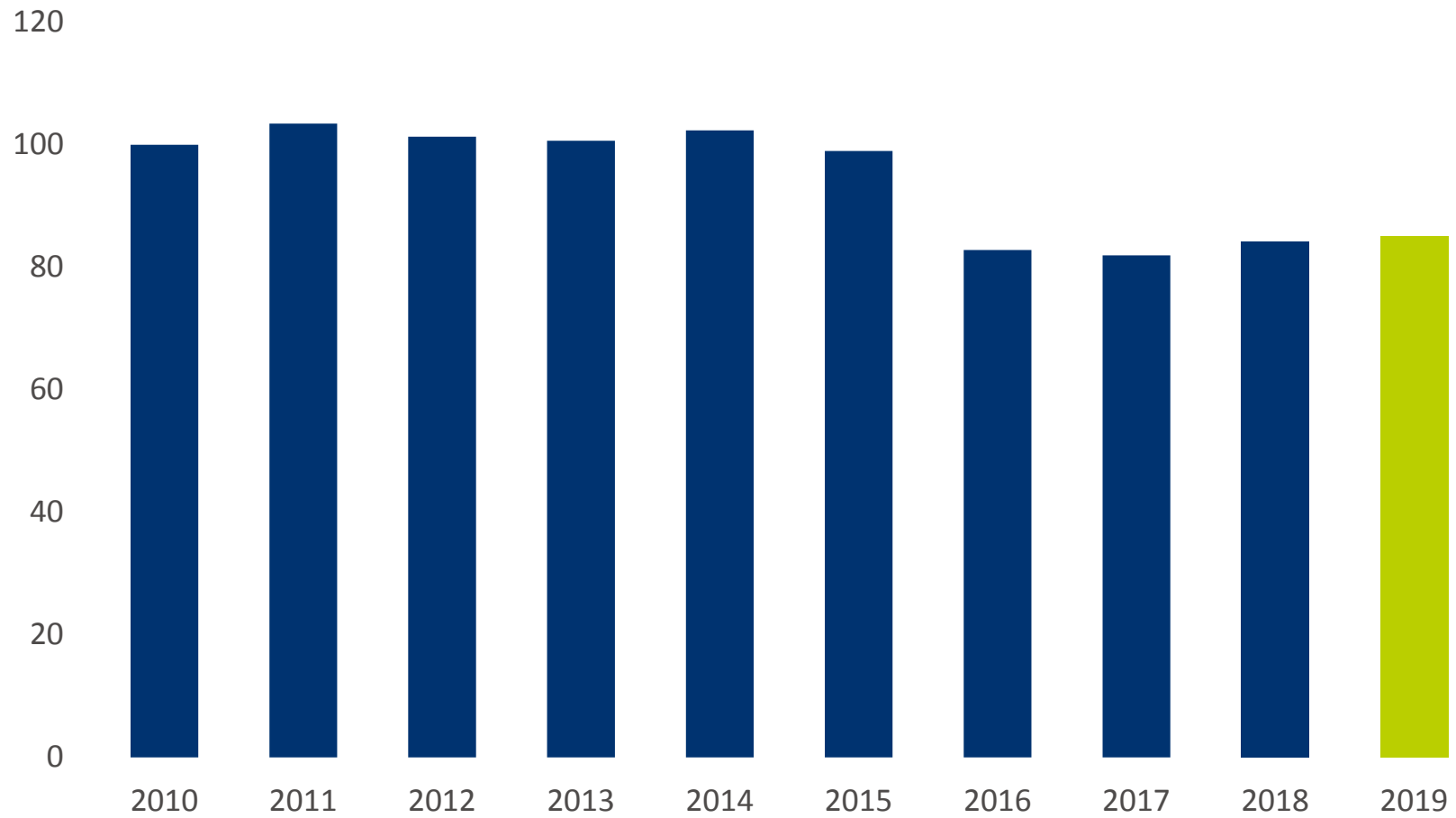
- Insufficient HT plate and automotive demand (combined volume effect of 14 500t ann.)
 - As a result R70 million contribution “lost” (compared to 2018 H1 volumes)
- Other products full (maximum capacity, thus unable to compensate)
 - Can End / Tab stock
 - Sheet and Coil to USA
- Minor volume disruption due to load shedding in March

ROLLED PRODUCTS SALES (ANNUALISED)

Tons (000's)



ROLLING MARGIN IN US DOLLARS INDEX



ROLLING MARGINS IN H1 2019

Uncertainty in USA

- Unpredictable tariff structure changes
 - Over-reaction to tariffs
- Underlying demand stable
- Over-supply from Russia, EU and Eastern Europe, Middle East, South America etc.

South Africa margins flat in depressed manufacturing economy

Product mix under pressure

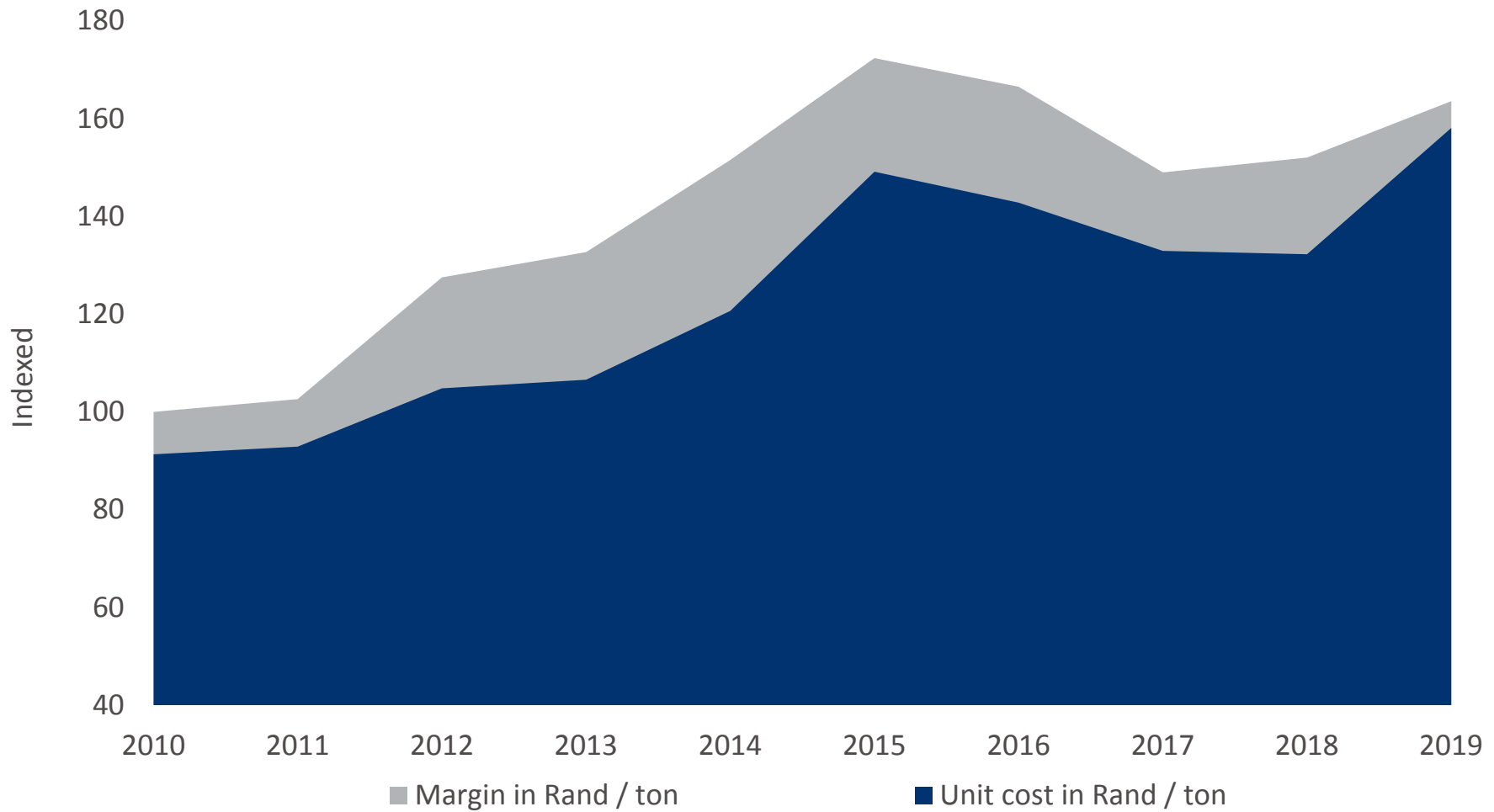
- Soft HT Plate sales

HT Plate market

- EV market (soft in H1) showing signs of improvement in H2
- To remain below 2018

ROLLED PRODUCTS OPERATING MARGIN

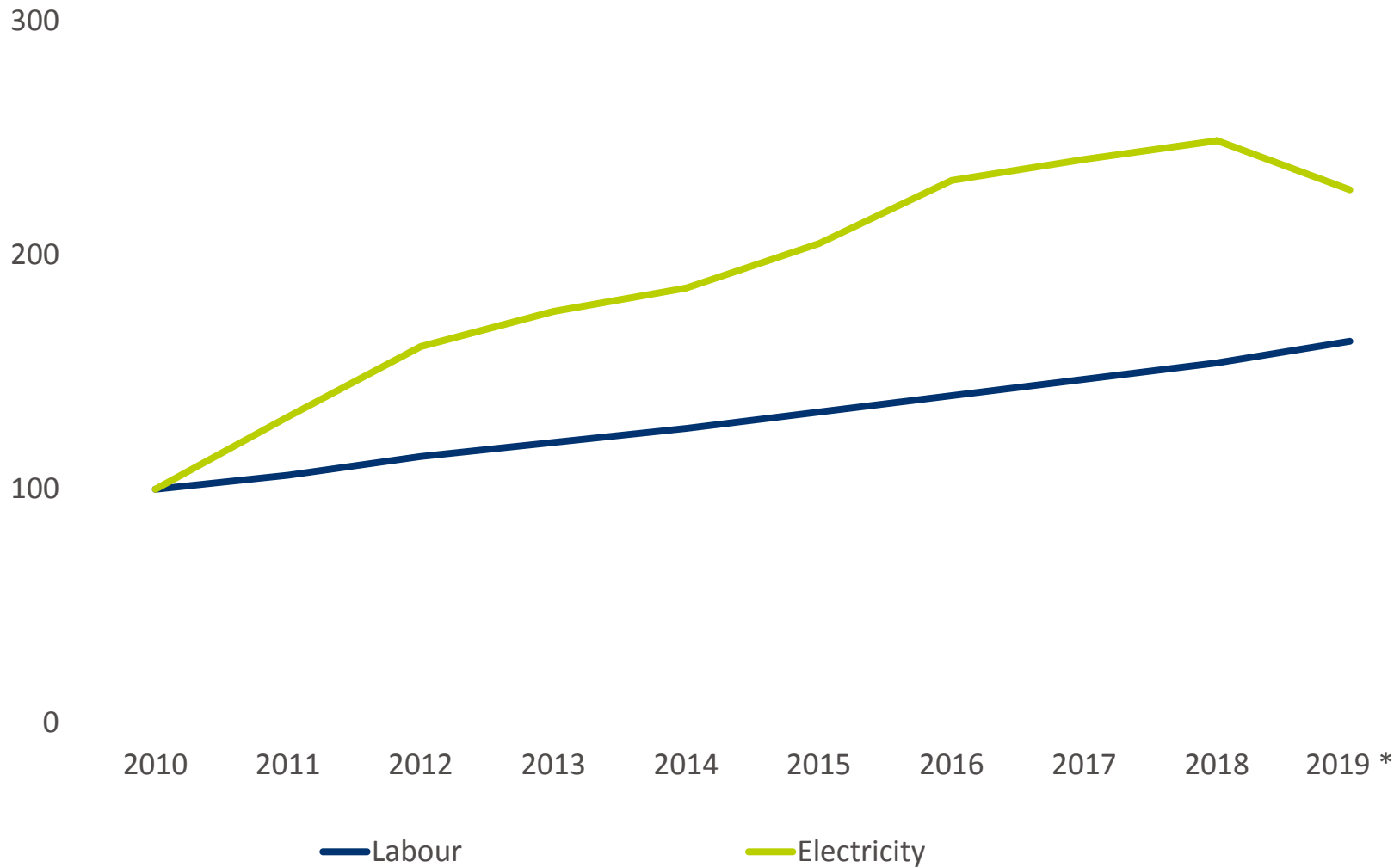
(UNIT COST IN RAND)



4 TURNAROUND PLAN



LABOUR AND ENERGY PRICE (INDEXED, UNIT)



Notes:

1. 2019 electricity price annual price increase effective from 1 July
2. Labour is the national statistics as published by the SA Reserve Bank

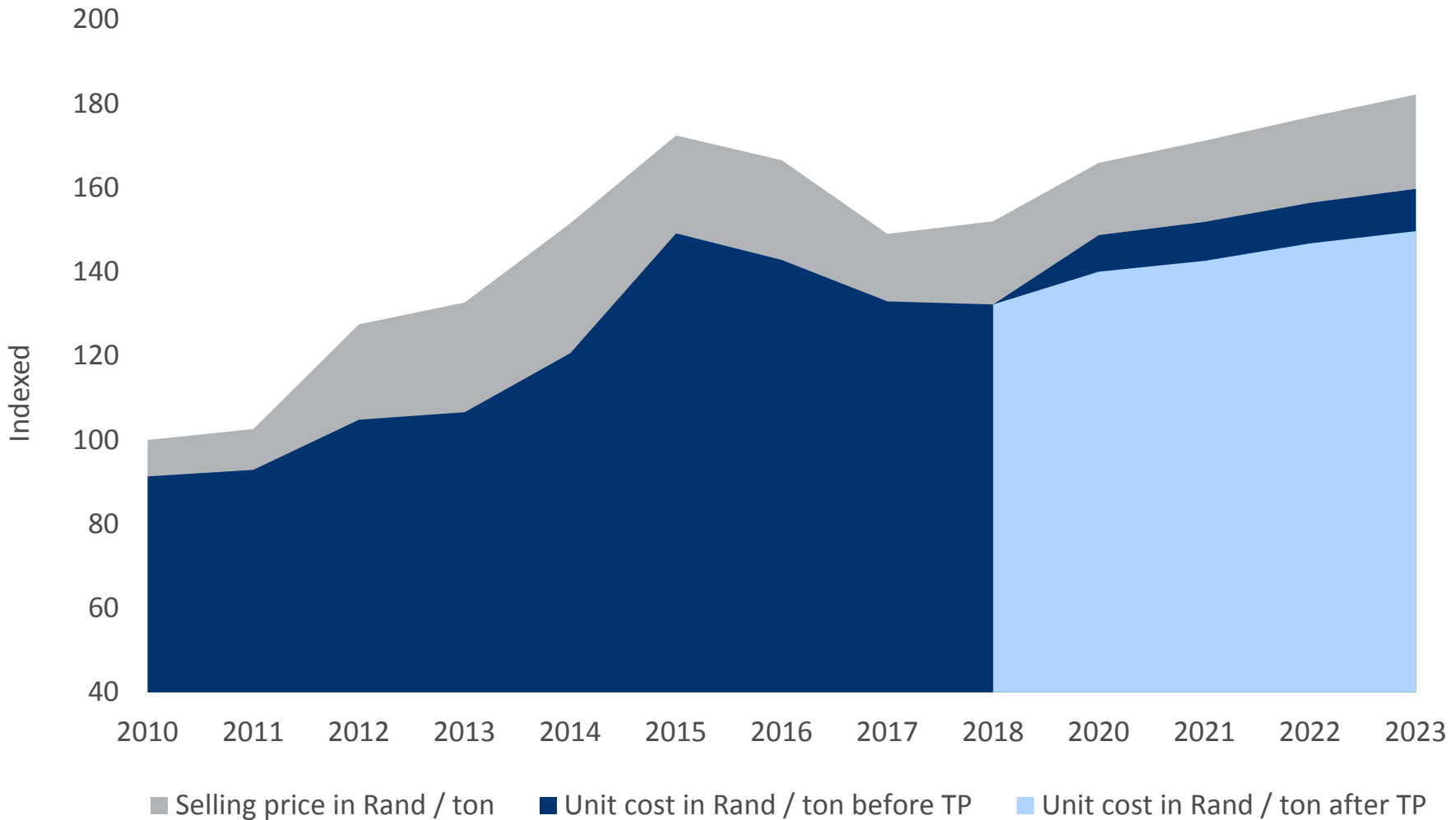
HULAMIN TURNAROUND PLAN 2019

Progress on track (started / board approved May 2019)

- Restructuring process in all divisions
 - All employees served S189 letters – may affect 400 employees (from top to bottom)
 - Extrusions process started in March – two months ahead of Rolled Products
- Cost saving target R300 million p.a. (recurring costs)
- Improvements and return to normal during H2
 - Once off costs during H2
- Monthly report back to the Board (governance)

MANPOWER COSTS	NON-MANPOWER COSTS	WORKING CAPITAL	SALES
<ul style="list-style-type: none">• Extrusions and Rolled Products – 400 heads• Contractors, consultants and employees• Headcount• Rate of pay• Incl. executives	<ul style="list-style-type: none">• Logistics<ul style="list-style-type: none">- Energy- Electricity• Gas• Consumables e.g. rolling oils• “Head office” costs• Material (metal) costs	<ul style="list-style-type: none">• Reduction in inventory• Supply chain finance• Reducing metal purchases	<ul style="list-style-type: none">• Total margin earned• Focus on margin per ton• Claw back most profitable products (HT Plate)• New niches emerging

INDEX MANUFACTURING UNIT COST BEFORE AND AFTER TURNAROUND PLAN



Note: 2019 to 2023 are full year estimates – Illustrative only

5 MEDIUM-TERM MARKET PROSPECTS



BATTERY FOIL

Lithium Ion batteries are commonly used in Electric Vehicles and home power storage systems

These batteries use aluminium foil as a current collector

Hulamin is collaborating with a leading cell supplier and a leading EV OEM to supply the foil for their cells

EV uptake is expected to rise exponentially, and with it the demand for Li-Ion batteries will grow



Aluminium foil on a battery material coating line



Aluminium foil wound up in battery



Test Cells with Hulamin Foil inside

TRUCK BODY COMPONENTS

Aluminium is well suited for vehicle lightweighting, assisting OEM's to achieve better fuel economies and meet desired emissions targets

Hulamin has several customers that we are working with in the US trucking industry for various sheet and plate requirements to be used in their components for commercial vehicle bodies

Hulamin's existing customers developing **electric** commercial vehicles in USA

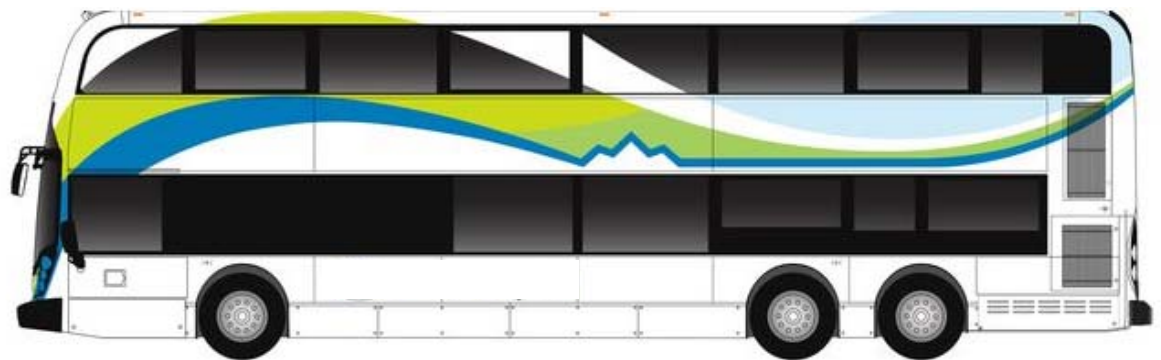


BATTERY BOXES FOR E-BUSES

Aluminium plate and extrusions is often used for the battery boxes in electric vehicles and buses

Hulamin currently supplies the battery plate for a leading EV OEM, and is collaborating with others for eBus battery boxes

The eBus boxes include aluminium extrusions



6 H2 OUTLOOK



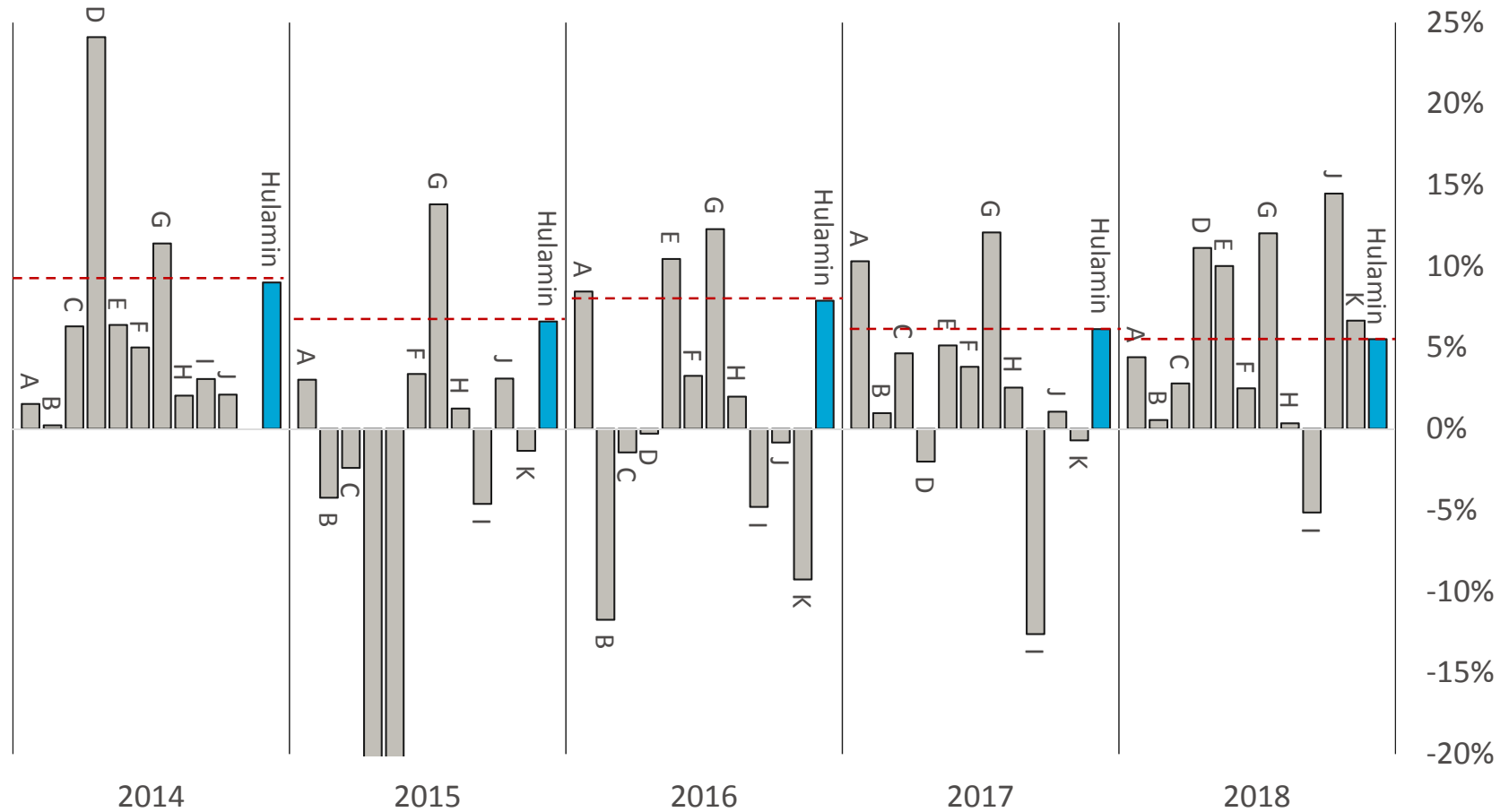
RETURNING TO HEALTH IN H2 REQUIRES ACTION

- Cutting losses in Extrusions
 - Rightsizing, Redundancies and Cost reductions
 - Planned completion November 2019
- Cost reductions
 - Rightsizing comes with once-off costs
 - Industrial Relations (strike) risks
- Improvements to USA sales distribution channel
 - Direct to long term customers
- Uncertainty in LME Aluminium and Rand / US Dollar
- Inventory normalisation
 - Return to planned cash flows
- Completing Isizinda restructuring

APPENDIX

RETURN ON CAPITAL EMPLOYED

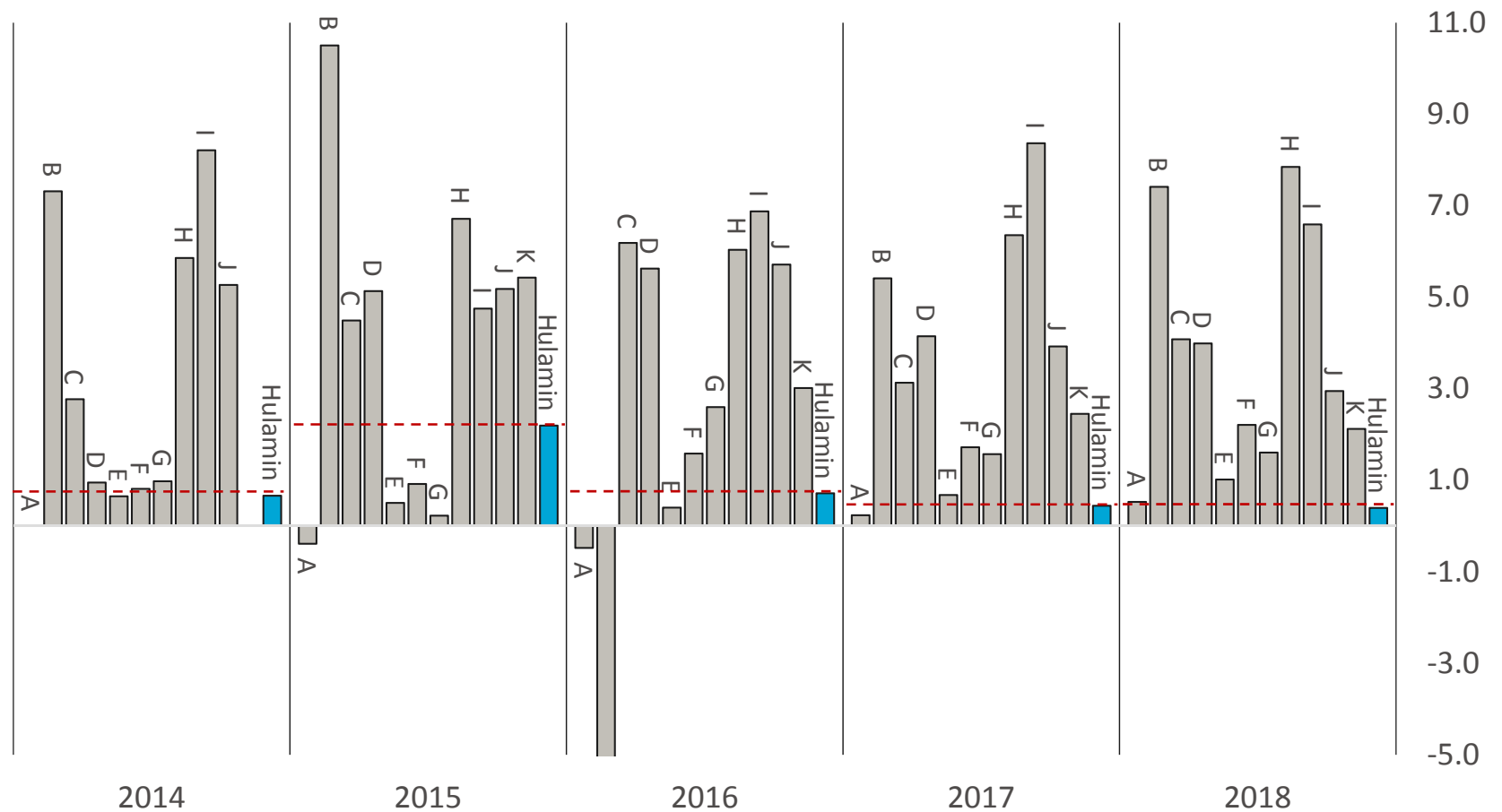
HULAMIN HAS CONSISTENTLY PERFORMED IN TOP QUARTILE OF PEER GROUP



Peer group includes Arconic, Novelis, Aleris, UACJ, Granges, Amag, Kaiser, Constellium, Kobe, Alumindo, Hydro. Figures refer to aluminium rolling performance where applicable and are based on financial reports of peers

NET DEBT TO EBITDA

HULAMIN HAS CONSISTENTLY PERFORMED IN TOP QUARTILE OF PEER GROUP, WITH LOW LEVELS OF GEARING



Peer group includes Arconic, Novelis, Aleris, UACJ, Granges, Amag, Kaiser, Constellium, Kobe, Alumindo, Hydro. Figures refer to aluminium rolling performance where applicable and are based on financial reports of peers

CONDENSED STATEMENT OF PROFIT OR LOSS



	H1 2019 Rm	H1 2018 (Restated) Rm
Revenue	5 247	5 290
Cost of sales	(4 927)	(4 869)
Gross profit	320	421
Selling, marketing, distribution and administrative expenses	(350)	(343)
Impairment losses on non-current assets	(13)	-
Restructuring costs	(38)	-
Other gains and losses	3	81
Operating (loss) / profit	(78)	159
Net interest expense	(26)	(37)
(Loss) / profit before tax	(104)	122
Taxation	31	(37)
Net (loss) / profit	(73)	85

NORMALISED HEADLINE EARNINGS

	H1 2019 Rm	H1 2018 (Restated) Rm	% change
NPAT	(73)	85	(186)
Impairment of non- current assets	13	-	
Taxation	(3)	-	
Headline earnings	(63)	85	(175)
IAS 39 - hedge accounting	25	(57)	
Restructuring costs	38	-	
Metal price lag loss	53	25	
Tax effect	(22)	9	
Normalised headline earnings¹	31	62	(51)

1. Normalised headline earnings excludes metal price lag and material non-trading items

CONDENSED STATEMENT OF FINANCIAL POSITION



	H1 2019 Rm	H1 2018 (Restated) Rm
Capital employed		
Equity	3 714	4 592
Net debt	596	297
	4 310	4 889
Employment of capital		
Property, plant and equipment and intangibles (incl. right-of-use assets)	2 075	3 372
Retirement benefit asset	118	130
Net working capital (incl. derivatives)	2 557	2 210
Net deferred tax liability	(179)	(547)
Retirement benefit obligations	(261)	(276)
	4 310	4 889

CONDENSED CASH FLOW STATEMENT

	H1 2019 Rm	H1 2018 (Restated) Rm
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating (loss) / profit	(78)	158
Net interest paid	(26)	(40)
Depreciation, impairment and other non-cash items	100	141
Income tax paid	(5)	(15)
Changes in working capital, net of movement in derivatives	(21)	(70)
	(30)	174
CASH FLOWS FROM INVESTING ACTIVITIES		
Net additions to property, plant and equipment and intangibles and investments	(138)	(99)
Cash flows before financing activities	(168)	75
Cash flows – equity, dividend and other transactions	(79)	(55)
Cash flows for the period	(247)	20
Net borrowings – beginning of period	(294)	(317)
Net borrowings – end of period	(541)	(297)
Net debt – end of period (including lease liability per IFRS 16)	(596)	(297)