



**HULAMIN**

Think future. Think aluminium.

## UNAUDITED INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2016



1 Opening remarks / market update

2 Financial results

3 Operational review

4 Strategy update

5 Outlook

- 
- 1
  - 2
  - 3
  - 4
  - 5

## **OPENING REMARKS / MARKET UPDATE**

- Higher sales volume at 111 000 tons (2015: 93 000 tons)
  - Rolled Products sales 205 000 tons annualised (2015: 170 000 tons)
- Weaker currency R15.46/US\$ on average (2015: R11.92/US\$)
- Net cash inflow R23 million for the period

### Aluminium price slowly recovering

- LME has recovered from below \$1 500 per ton to \$1 635 per ton over period
- Geographic premiums have remained stable

### Automotive demand growth for aluminium continues

### Market over-supply continues

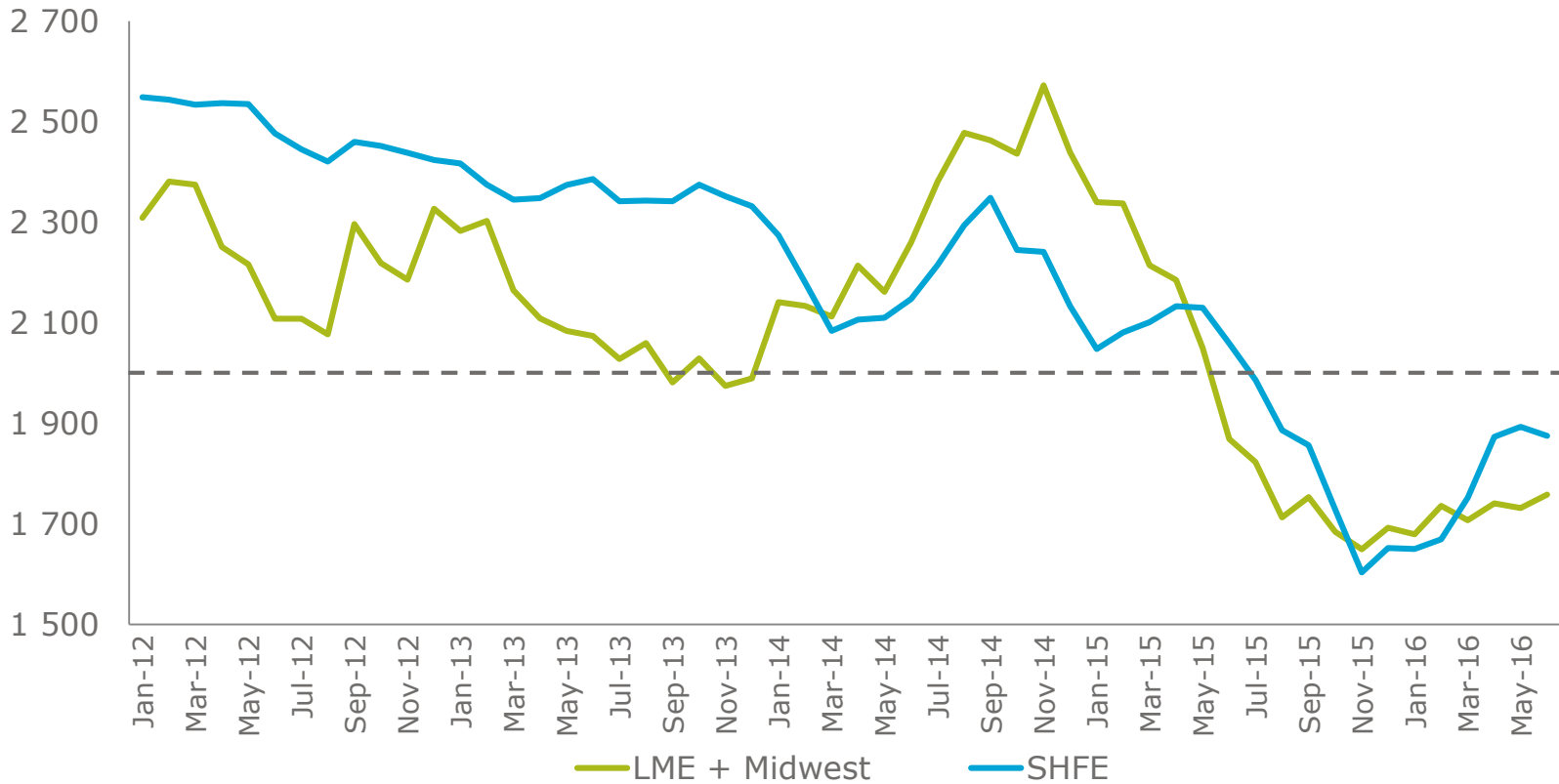
- Q1 Slow sales in USA reversed in Q2

### Local economy soft

- Weak demand for beverage cans, building and construction and general engineering
- Automotive demand steady

# ALL-IN ALUMINIUM PRICE (USD/TON)

6



Source: Metal Bulletin

Unaudited interim results for the half-year ended 30 June 2016





- 1
- 2
- 3
- 4
- 5

## FINANCIAL RESULTS

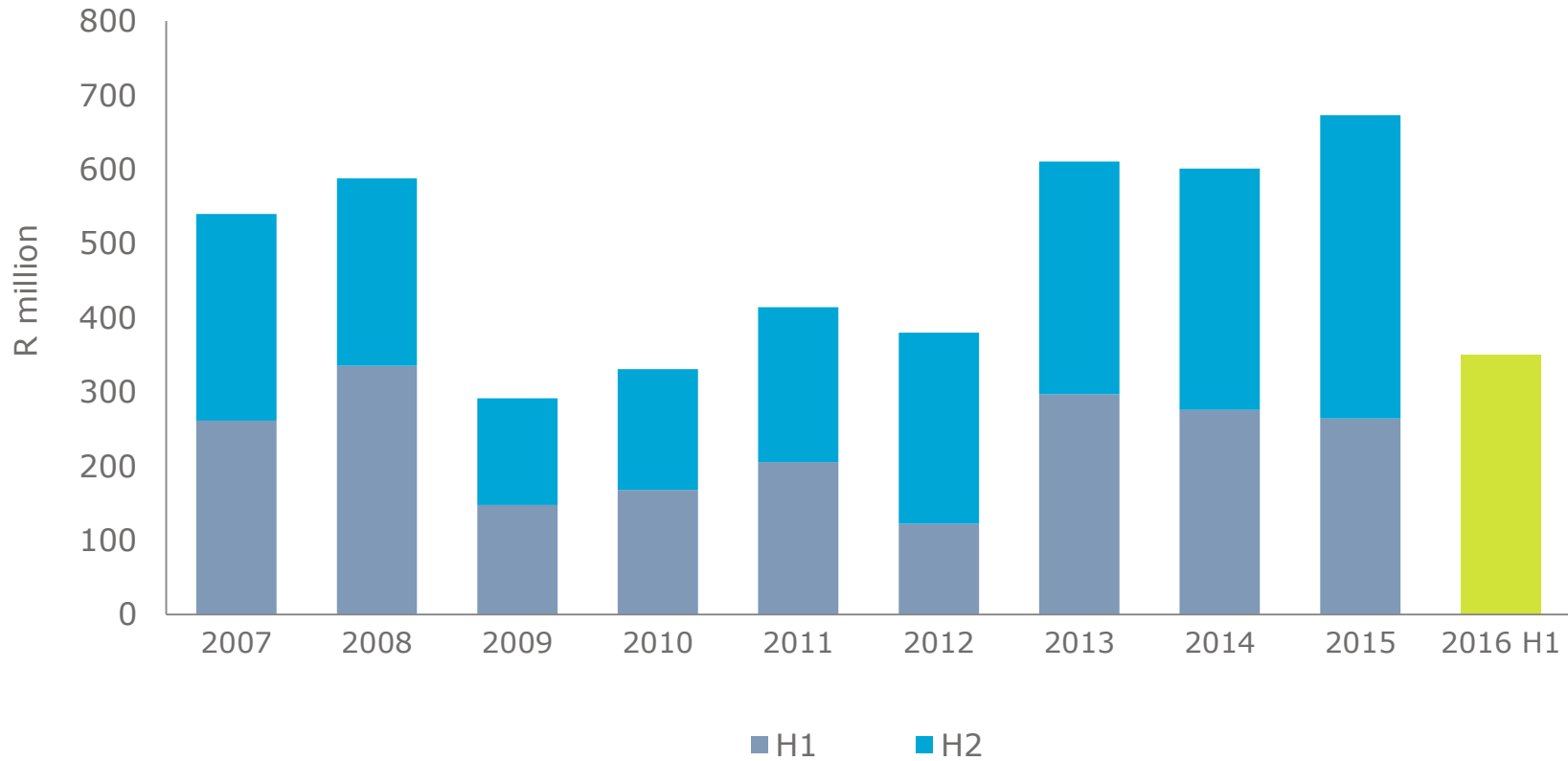
		H1 2016	H1 2015
<b>Key parameters and activities</b>			
Average LME	US\$	<b>1 543</b>	1 785
Average exchange rate	R/US\$	<b>15.46</b>	11.92
Group sales volume	tons	<b>111 000</b>	93 000
Rolled Products sales volume	tons	<b>102 000</b>	84 000
Group turnover	Rm	<b>4 928</b>	3 930
<b>Profitability</b>			
Group EBIT	Rm	<b>257</b>	138
Rolled Products EBIT	Rm	<b>229</b>	124
Group EBITDA (excl impairment)	Rm	<b>350</b>	209
EBITDA / turnover	%	<b>7.1</b>	5.3
ROE	%	<b>7.6</b>	4.1
HEPS	cps	<b>48</b>	25
Normalised EPS	cps	<b>48</b>	26



		H1 2016	H1 2015
<b>Financial, cash flow and borrowings</b>			
Capital expenditure	Rm	<b>136</b>	265
Cash flow before financing activities	Rm	<b>33</b>	(495)
Net borrowings	Rm	<b>952</b>	1 012
Debt equity ratio	%	<b>23</b>	26
NAV per share	cps	<b>1 283</b>	1 203
Share price (VWAP)	cps	<b>589</b>	774

	H1 2016 Rm	H1 2015 Rm
<b>Revenue</b>	<b>4 928</b>	<b>3 930</b>
Cost of sales	(4 394)	(3 642)
<b>Gross profit</b>	<b>534</b>	<b>288</b>
Selling, marketing, distribution and administrative expenses	(294)	(227)
Impairment charge	-	(4)
Other gains and losses	17	81
<b>Operating profit</b>	<b>257</b>	<b>138</b>
Net interest expense	(47)	(30)
<b>Profit before tax</b>	<b>210</b>	<b>108</b>
Taxation	(58)	(32)
<b>Net profit for the period</b>	<b>152</b>	<b>76</b>
<b>EBITDA (excluding impairment)</b>	<b>350</b>	<b>209</b>
<b>EBITDA / Sales (%)</b>	<b>7.1</b>	<b>5.3</b>

	H1 2016 Rm	H1 2015 Rm	Change %
<b>Operating profit</b>	<b>257</b>	<b>138</b>	86
Impairment charge	-	4	
<b>Headline EBIT</b>	<b>257</b>	<b>142</b>	81
Transaction costs	-	3	
<b>Normalised EBIT</b>	<b>257</b>	<b>145</b>	77
Metal price lag (gain) / loss	(5)	55	
<b>Comparable EBIT</b>	<b>252</b>	<b>200</b>	26



## GROUP EXPENSES BY NATURE

13



	H1 2016 Rm	H1 2015 Rm
Aluminium and other material costs	3 177	2 716
Utilities and other direct manufacturing costs	364	308
Employment costs	515	436
Hulamin	473	428
Isizinda	25	-
Share incentive costs	17	8
Depreciation and amortisation	92	66
Repairs and maintenance	134	126
Freight and commissions	190	135
Other operating income and expenditure	216	82
	<b>4 688</b>	<b>3 869</b>
<b>Classified as</b>		
Cost of sales	4 394	3 642
Selling, marketing and distribution expenses	230	171
Administrative and other expenses	64	56
	<b>4 688</b>	<b>3 869</b>

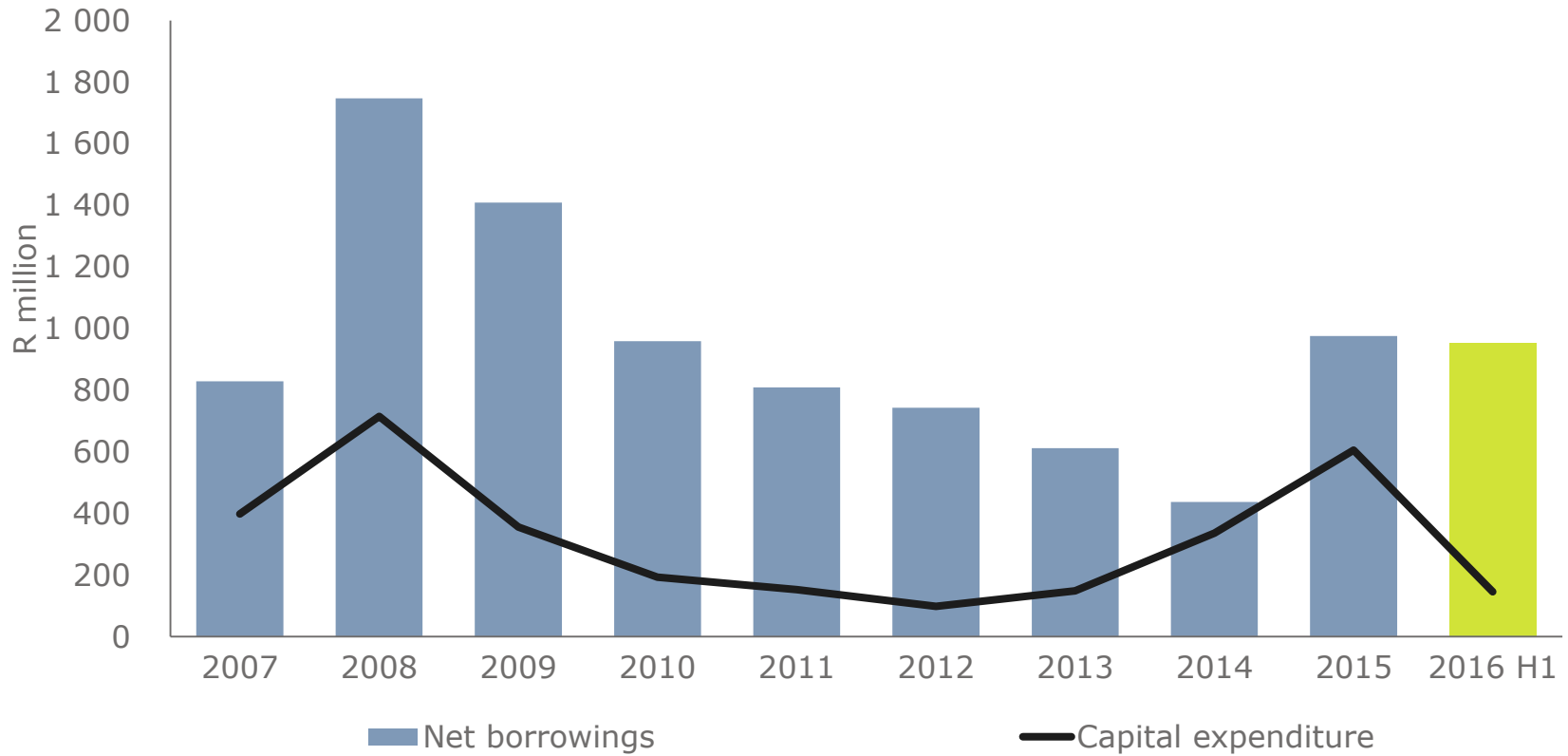


	June 2016 Rm	June 2015 Rm
<b>Capital employed</b>		
Equity	4 105	3 843
Net borrowings	952	1 012
	<b>5 057</b>	<b>4 855</b>
<b>Employment of capital</b>		
Property, plant and equipment and intangibles (incl. asset held for sale)	3 229	3 016
Retirement benefit asset	135	140
Investments	-	101
Net working capital (incl. derivatives)	2 450	2 311
Net deferred tax liability	(521)	(473)
Retirement benefit obligations	(236)	(240)
	<b>5 057</b>	<b>4 855</b>

	Jun 2016 Rm	Dec 2015 Rm	Change Rm
Inventories	1 795	1 785	(10)
Trade and other receivables	1 633	1 384	(249)
Trade receivables	1 498	1 200	(298)
Other receivables	135	184	49
Trade and other payables	(1 040)	(806)	234
Trade payables	(748)	(564)	184
Other payables	(292)	(242)	50
<b>Net working capital</b>	<b>2 388</b>	<b>2 363</b>	<b>(25)</b>
Net derivatives /other	62	(215)	(277)
<b>Net working capital and derivatives</b>	<b>2 450</b>	<b>2 148</b>	<b>(302)</b>

# NET BORROWINGS VS CAPITAL EXPENDITURE

16



	H1 2016 Rm	H1 2015 Rm
<b>Cash flows from operating activities</b>		
Operating profit	257	138
Net interest paid	(56)	(39)
Impairment charge	-	4
Depreciation and other non-cash items	(31)	56
Income tax payment	(33)	(37)
Changes in working capital	(25)	(251)
	<b>112</b>	<b>(129)</b>
<b>Cash flows from investing activities</b>		
Net additions to property, plant and equipment and intangibles and investments	*(79)	(366)
<b>CASH FLOWS BEFORE FINANCING ACTIVITIES</b>	<b>33</b>	<b>(495)</b>
Cash flows – equity, dividend and other transactions	(10)	(80)
<b>CASH FLOWS FOR THE PERIOD</b>	<b>23</b>	<b>(575)</b>
<b>NET BORROWINGS – BEGINNING OF PERIOD</b>	<b>(975)</b>	<b>(437)</b>
<b>NET BORROWINGS – END OF PERIOD</b>	<b>(952)</b>	<b>(1 012)</b>

\* Net of MCEP grant receipt of R57m

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  - 2
  - 3
  - 4
  - 5

## **OPERATIONAL REVIEW**

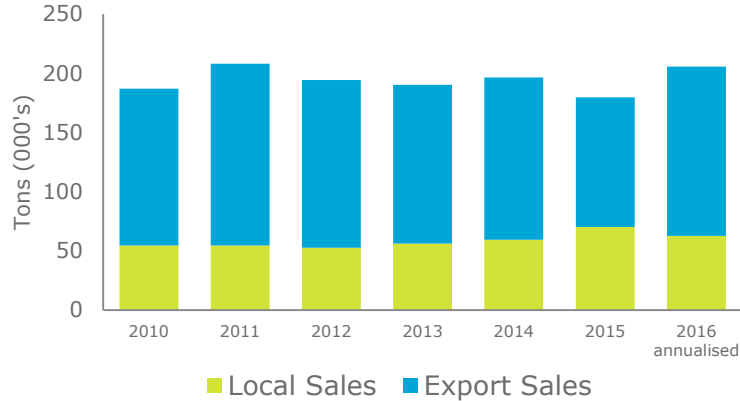


# ROLLED PRODUCTS – KEY FEATURES

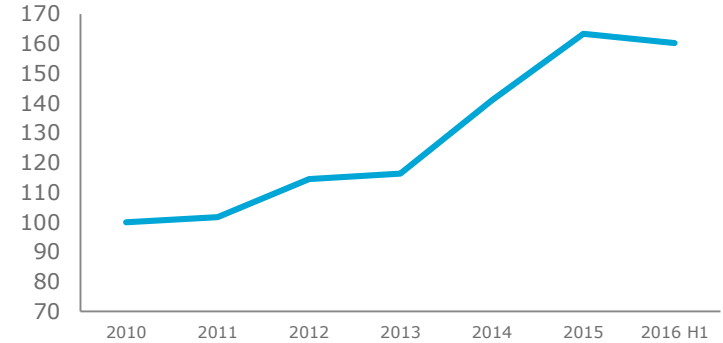
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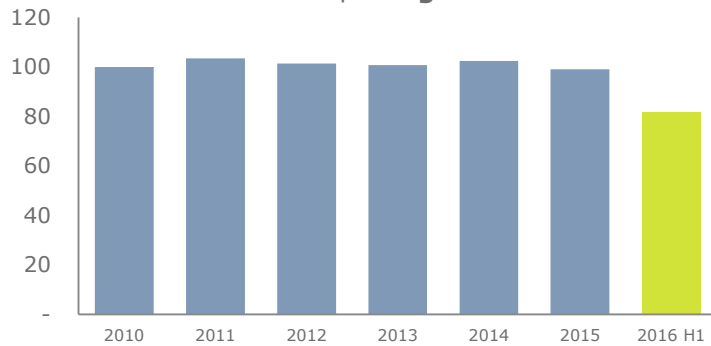
**Rolled Products sales volume**



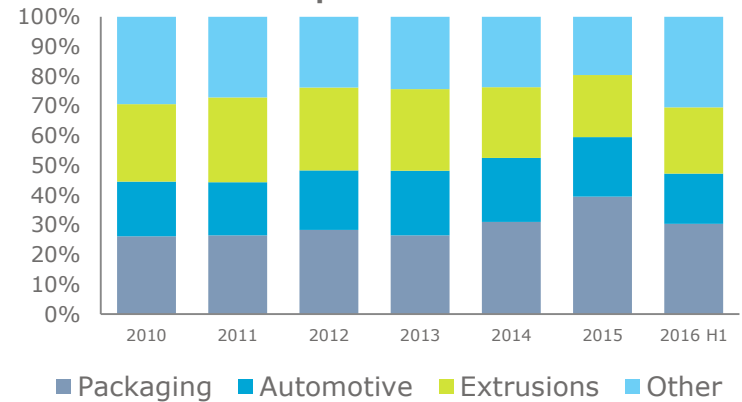
**Unit cost index in 2010 Rands**



**US\$ margin index**

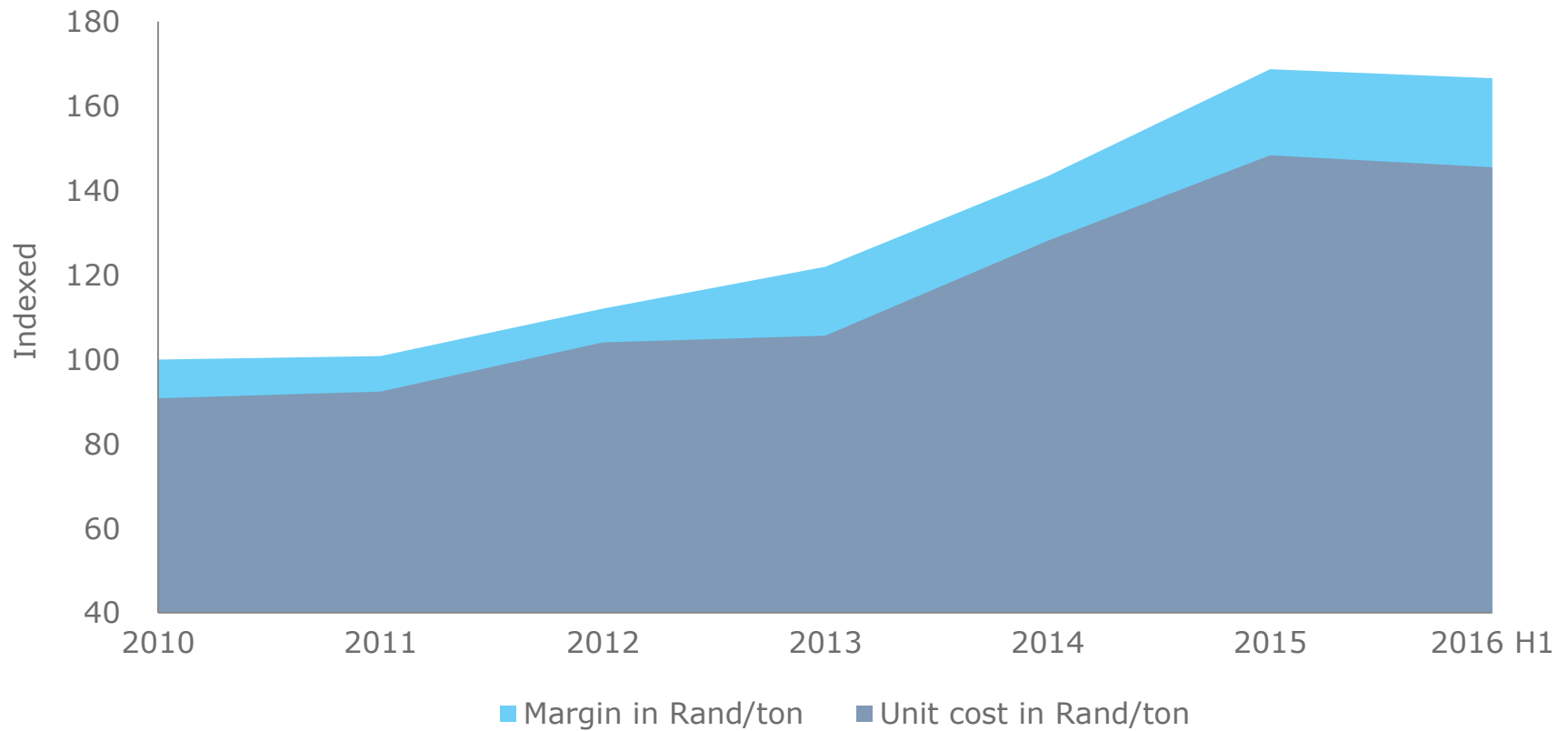


**Group local sales mix**



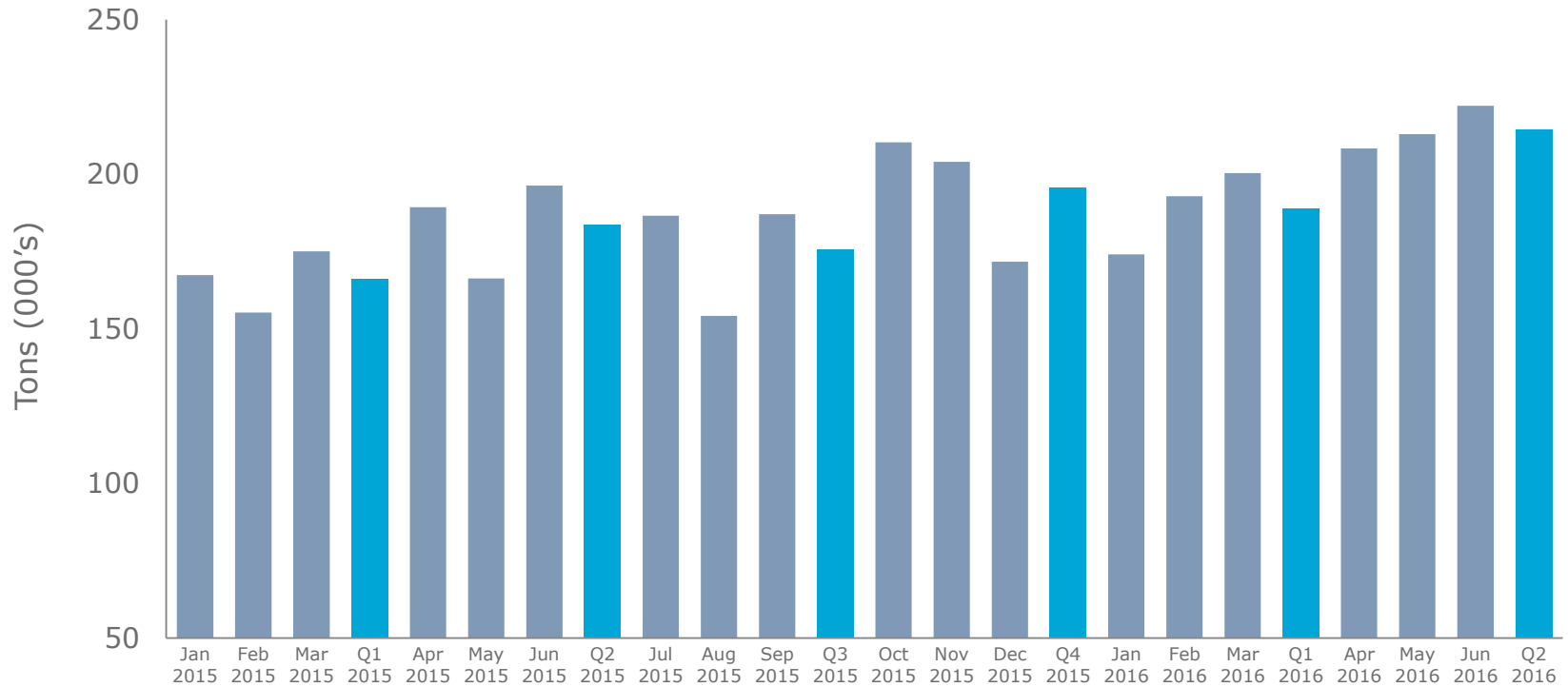
# ROLLED PRODUCTS OPERATING MARGIN IN RAND

20



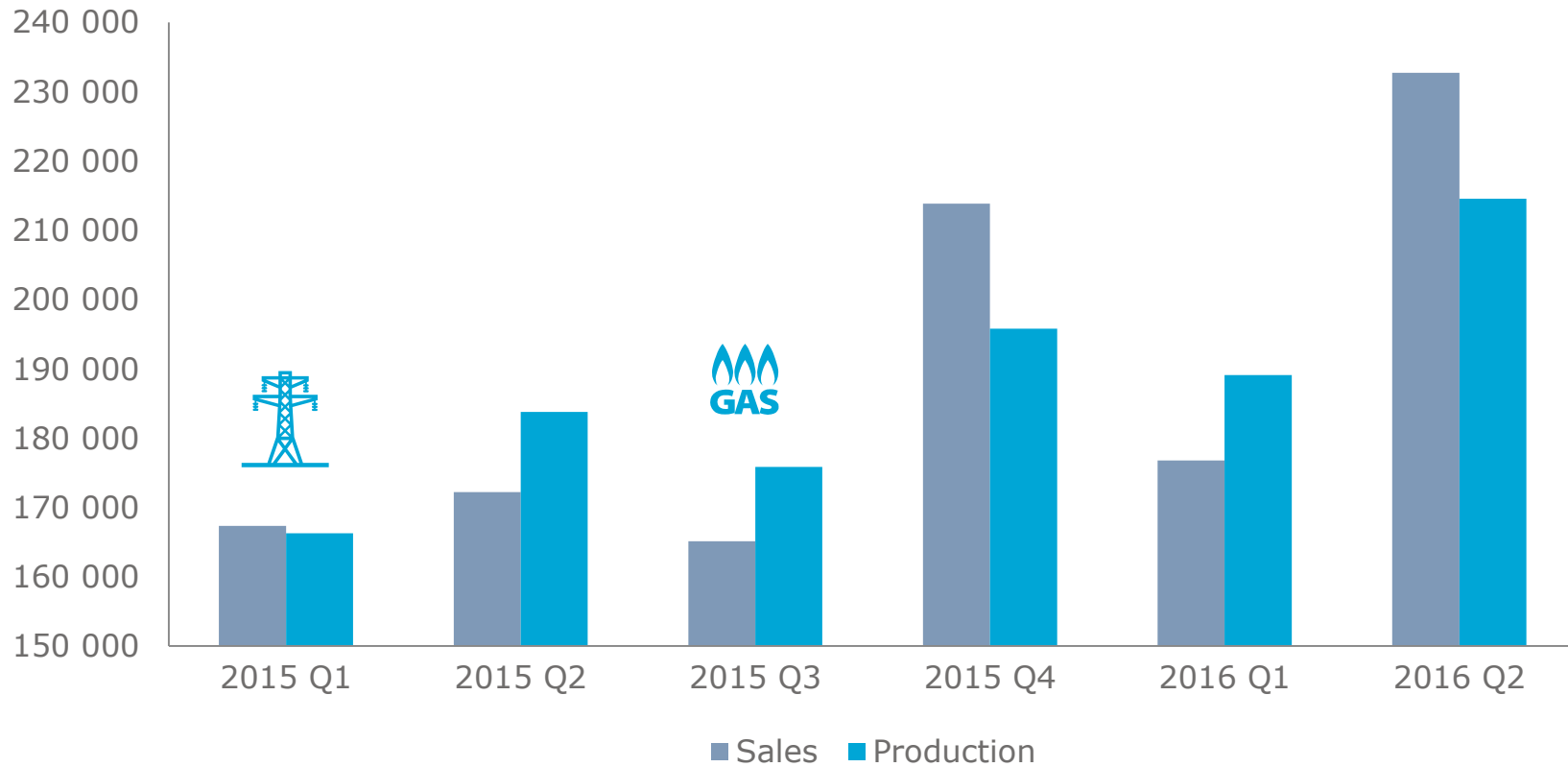
# ROLLED PRODUCTS PRODUCTION (ANNUALISED)

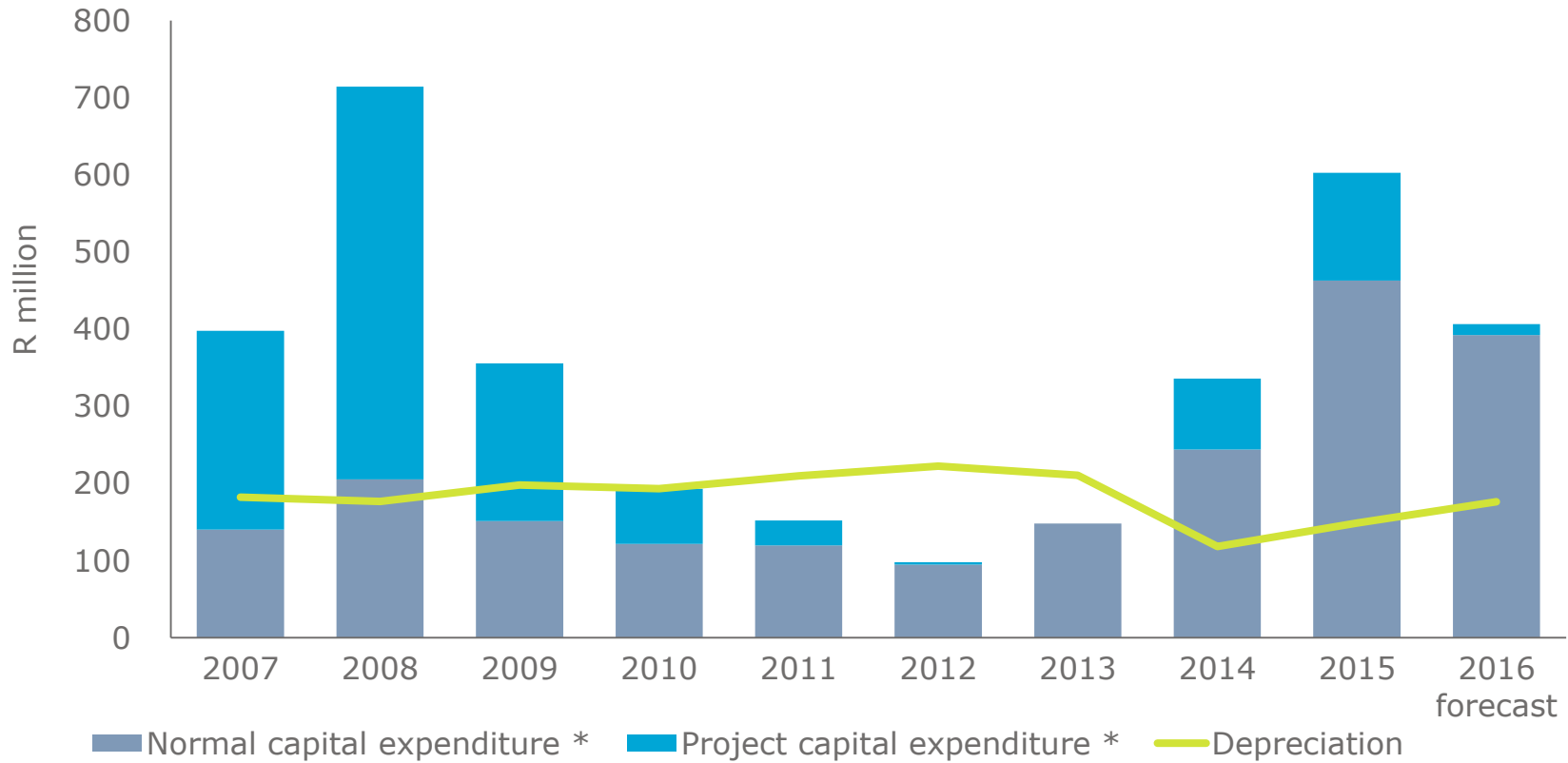
21



# QUARTERLY VOLUME PERFORMANCE – ROLLED PRODUCTS (ANNUALISED)

22



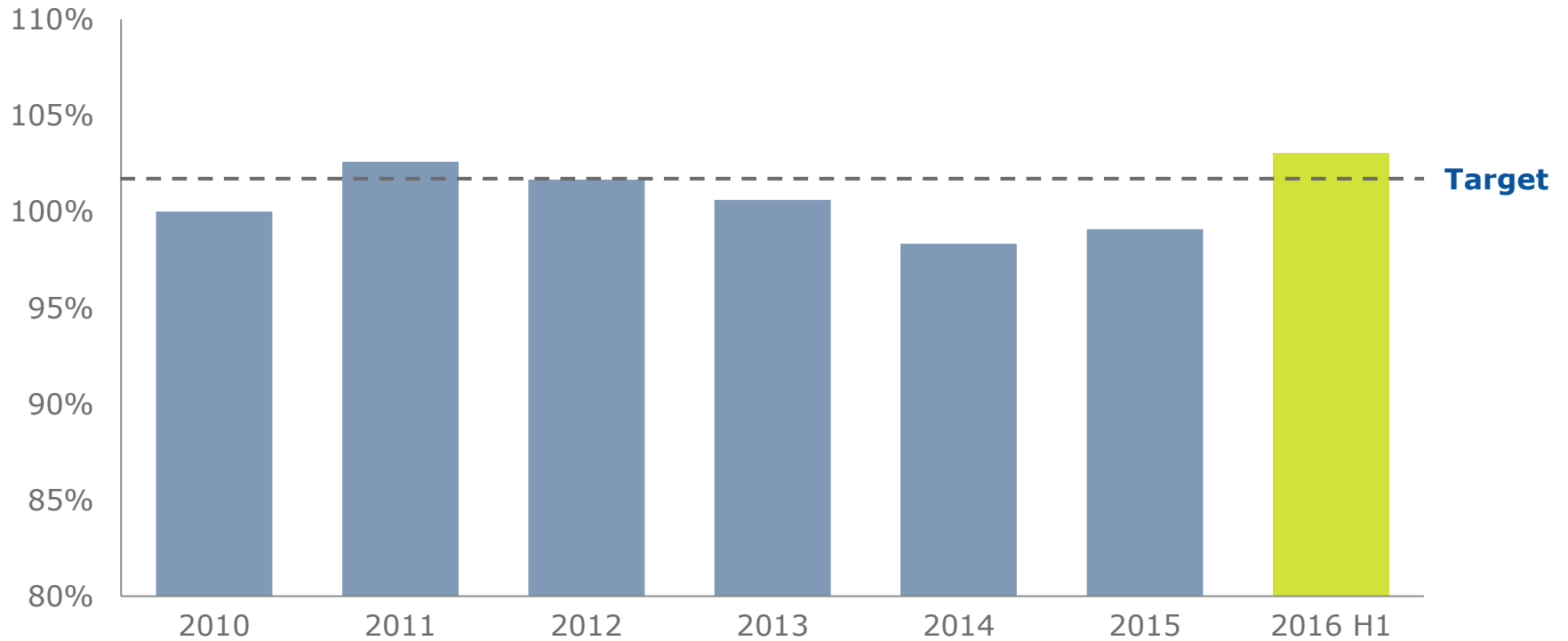


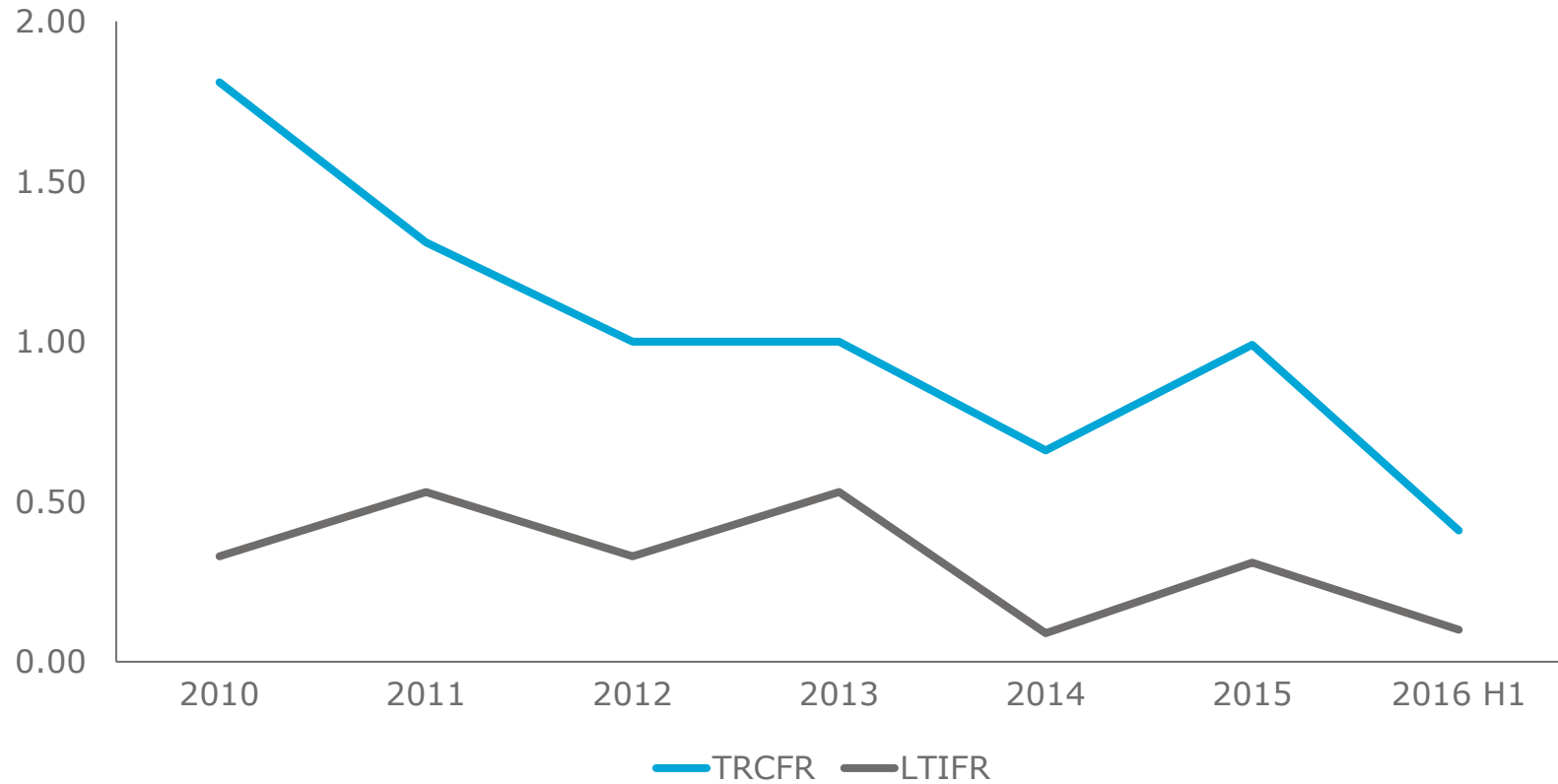
\* Excludes capitalised borrowing costs



# ROLLED PRODUCTS YIELD INDEX

24





The Total Recordable Case Frequency Rate (TRCFR) and the Lost Time Injuries Frequency Rate (LTIFR) is the number of recordable injuries divided by the number of hours worked, multiplied by 200 000

- Cost and product rationalisation moving to next phase
- Flat volumes in subdued market conditions
- Profit improvement (H1 2016: R14.3 million) following appreciation of the metal price from the prior period (H1 2015: R5.7 million)
- Imports erode local manufacturing especially in architectural
- Low GDP growth (demand) undermining sales volume growth



- 1
- 2
- 3
- 4
- 5

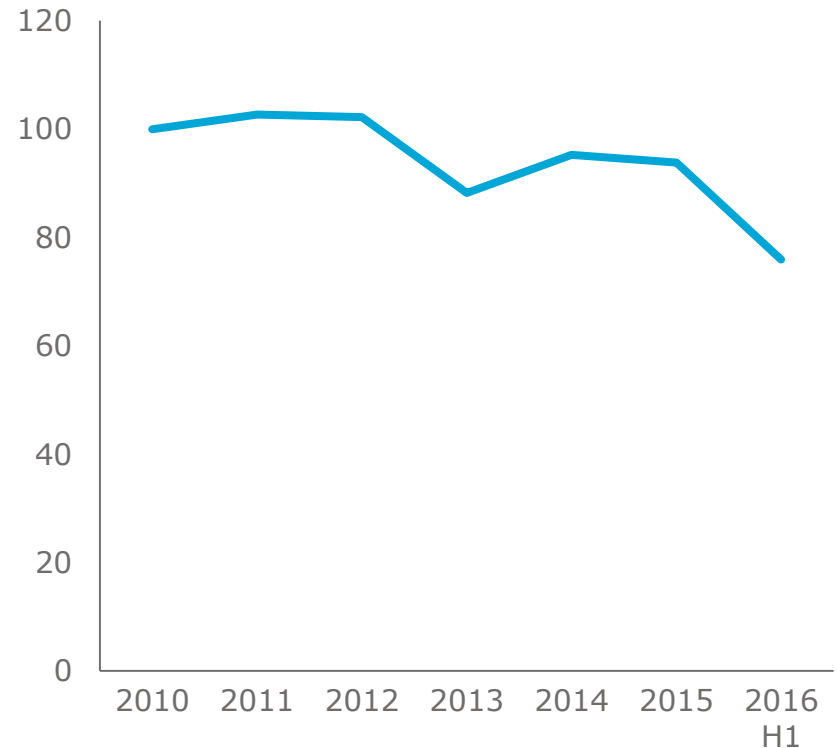
## STRATEGY UPDATE

<b>1</b>	<b>Operational performance</b>	Margins, yield, on-time delivery, volume, quality, inventory
<b>2</b>	<b>Cost competitiveness</b>	Metal, efficiencies, energy, employment
<b>3</b>	<b>Growth in regional sales</b>	Optimising regional competitive advantages Build capacity in beverage cans, recycling and automotive
<b>4</b>	<b>Secure and competitive metal supply</b>	Hillside (melting ingot and liquid to Isizinda) Bayside (slab, billet and others) Scrap input target 25%
<b>5</b>	<b>Supportive regulatory environment</b>	Global competitiveness Supports local manufacturing

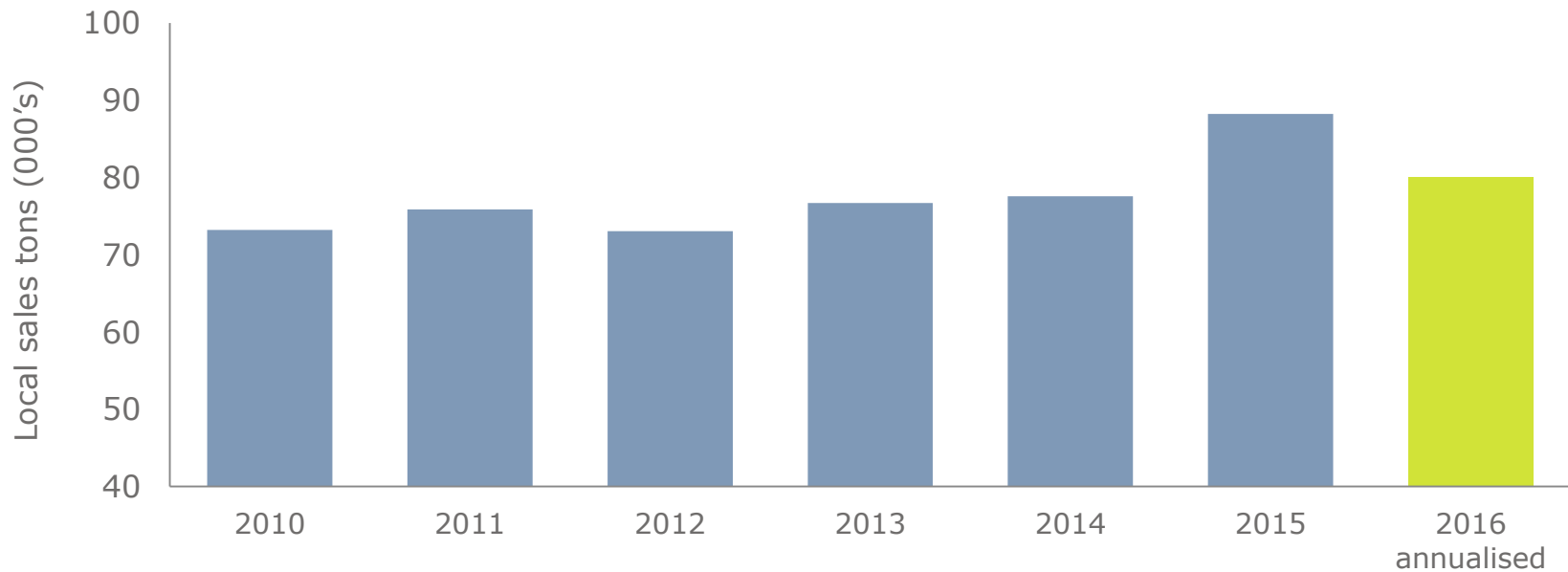
- Sales volume improved 19%
- Hulamin Rolled Products
  - 15% improvement in yield
  - 21% increase in sales volume
  - Unit cost down 4%
- Improved risk mitigation
  - LP Gas supply stabilised – imported LPG (local supply disruptions)
  - CNG conversion to accelerate in Q3 and Q4
- Best ever safety performance
  - Lost Time Injury Frequency Rate (LTIFR) – 0.07 injuries per 200 000 hours
  - Total Recordable Case Frequency Rate (TRCFR) – 0.41 injuries per 200 000 hours

- Low scrap consumption due to soft local beverage can demand
  - Achieved 6% in H1
  - Forecast to increase in H2
- Pressure on US Dollar costs from Weaker rand
- Premium paid for imported LP Gas
  - Increasing CNG usage
- Strategic skills secure

**Rolled Products unit US Dollar conversion cost index**



- Automotive body sheet opportunity – feasibility progressing
- Local beverage can volume forecast to increase in H2





- Cleaning line in operation from February 2016
- Bayside casthouse (Isizinda JV) performing satisfactorily
  - Volume increased 25%
  - Wider product range (includes 5xxx alloys)
  - Improved unit cost
  - Excellent safety record
- Strategy to increase usage of liquid metal at Isizinda
  - Investment opportunities
  - Competitive assets

- Import duty applications
  - Rolled products application not supported
  - Resubmission being prepared
  - Awaiting extruded products outcome
- Scrap export restrictions are improving local supply and pricing
- Corporate Affairs strategy evolving under new leadership
  - Focus on gas pipeline

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- 1
  - 2
  - 3
  - 4
  - 5

## OUTLOOK

- Continued focus on unit cost improvement and efficiencies
- Manufacturing optimisation
  - Capacity utilisation
  - Scrap and used beverage can sourcing
- Increasing local and export beverage can sales
- Completion of automotive feasibility
- Stable pricing in export markets