

**HULAMIN LIMITED**

(Incorporated in the Republic of South Africa)

Registration number 1940/013924/06

JSE Code: HLM

ISIN: ZAE000096210

("Hulamin" or "the Company")



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**Chairman's Statement at the Annual General Meeting of Shareholders**

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Having sat on the Hulamin board since listing and following last year's Annual General Meeting, I am pleased to present my first statement as Chairman of Hulamin Limited. Our efforts to improve the health and sustainability of the business are delivering. Operational performance has improved markedly, debt has been paid down, cash return to shareholders has resumed and our safety performance has exceeded benchmark levels.

In 2018, my fellow directors and I approved a revision to the strategic direction of the business. Although Hulamin remains focused on its core aluminium rolling operation, we have introduced a number of initiatives to accelerate margin and earnings growth. These all capitalize on Hulamin's solid market reputation and the core strengths of the business.

Of these, two initiatives in particular are gaining traction. Firstly, a significant margin enhancing and simplification opportunity through an automotive finishing line investment is being evaluated. The initial feasibility study has been interrogated by the board and a detailed feasibility study is underway. This is expected to be concluded later this year.

The second growth initiative being pursued follows a Memorandum of Understanding that Hulamin signed with Chalco Ruimin, a large and growing, international aluminium rolling operation based in China. This agreement forms the basis for a can stock distribution arrangement where Hulamin capitalises on its commercial, technical, customer and logistics expertise to distribute and sell Chalco Ruimin products in Africa and beyond. Customer support resides with Hulamin. This arrangement is in its commercialization phase with volumes and customer demand growing to expectation.

In 2018 Hulamin extrusions reported a first loss in its recent history. Further to this, a major component in one of its four extrusion presses failed earlier this year. Although now repaired and back in operation, this has resulted in a loss of sales, a build-up of working capital and a loss of customer confidence. As a result of these specific challenges, as well as rising costs and a markedly deteriorating local market, we have conducted a strategic review of the business. Decisive actions are being taken to curtail these losses.

Although Hulamin Rolled Products experienced a strong second half in 2018, I became Chairman at a challenging time for the company as trade conditions have turned particularly turbulent in recent months.

Hulamin trades in more than 50 countries worldwide; our largest markets after South Africa being the United States of America and the EU. Volatility in these core markets has made it difficult to maintain a balance in our profile of orders to suit Hulamin's specific and available product manufacturing capacity. This, together with the inconvenience of inconsistent electricity supply have resulted in Hulamin's productivity declining to levels last seen in 2016 and 2017.

Prices for Hulamin products have softened in the USA in recent weeks, most notable in heat treated plate. Automotive demand, both locally and internationally, has also softened. In contrast, demand for can stock products is firming.

The net result, is a lower US Dollar rolling margin realisation. This is expected to impact negatively on profits in the first half of the current year. Furthermore, the lower metal throughput is expected to have a negative impact on working capital efficiency and therefore cash flow generation. Management are taking appropriate remedial action including cost reduction and pursuing higher margin product opportunities.

The prevailing Rand-US Dollar exchange rate weakened in the current year and is expected to impact positively on Hulamin. US Dollar volatility in turn has been impacted by uncertainty in unfolding trade relations between the USA and China. This may also affect market conditions for our products in future; efforts are being directed to achieve a positive outcome for Hulamin.

Any forward-looking information contained in this announcement has not been reviewed or reported on by the Company's external auditors.

Pietermaritzburg  
15 May 2019  
Sponsor



Questco Corporate Advisory Proprietary Limited