

Hulamin Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1940/013924/06)  
Share code: HLM  
ISIN: ZAE000096210  
("Hulamin", "the Group" or "the Company")

**TRADING STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019**

In terms of paragraph 3.4(b) of the JSE Listings Requirements, Hulamin advises that there is a reasonable degree of certainty that basic earnings per share ("EPS") and headline EPS ("HEPS") for the six months ended 30 June 2019 ("Current Period") will be at least 200%, being at least 26 cents per share, lower than those reported in respect of the six months ended 30 June 2018 ("Prior Corresponding Period") of 13 cents per share.

Normalised<sup>1</sup> EPS is expected to be at least 25%, being at least 5 cents per share, lower than that reported in the Prior Corresponding Period.

Factors impacting the decline in the estimated earnings for the Current Period are:

Hulamin Rolled Products operating performance:

- A sharp decline in demand in the US common alloy market following overstocking, as well as a reduction in demand for heat-treated plate, has had a severe impact on the financial performance of the business in the first half of the 2019 financial year ("First Half"). It has become apparent that the imposition of duties on Chinese common alloy in 2018 prompted unusually strong buying in the US market which has resulted in extensive import overstocking, exacerbated by increased availability from US rolling mills. Destocking in this market, with attendant lower prices, is expected to continue through the second half of the 2019 financial year ("Second Half").
- Globally, automotive production has declined since the second half of 2018, resulting in a 30% reduction in Hulamin's sales volumes to automotive component customers in the First Half.
- In addition, the slowdown in European manufacturing, which has also seen an increasing influx of Chinese aluminium imports, and tough economic conditions in the domestic economy, constrained Hulamin from selling additional production into these markets.
- In contrast, demand for can stock, which represents around 45% of the sales volumes of Hulamin Rolled Products, has remained robust in both local and international markets.
- The rapid reduction in non-can stock demand, as well as the associated impact on rolling margins, has had a large negative effect on operating profit in the First Half, as well as on working capital, with inventory (in tons) increasing

over 30% since the beginning of the year due to fixed metal procurement commitments.

- The destocking in the US, weak automotive demand and the general slowdown in the local and global economic and manufacturing cycles is expected to continue to impact the business in the Second Half.

In response to these conditions, Hulamin is aggressively pursuing alternative market opportunities and taking cost reduction actions. These actions include:

1. Aggressively addressing manpower-related costs, including contractors, consultant and employment costs;
2. Reducing non-manpower costs, with a specific focus on energy, metal and other commodity-related expenses;
3. Pursuing opportunities to increase sales and improve product mix and rolling margins; and
4. Working capital reduction: a number of actions have been taken to reduce inventory and improve the cash cycle. Hulamin plans to normalise the level of working capital by the end of the third quarter of the 2019 financial year.

The above actions are expected to positively impact Hulamin's financial performance mainly in the 2020 financial year.

Hulamin Extrusions operating performance:

- Hulamin Extrusions has recorded a large operating loss in the First Half, following the severe disruption to the business arising from the failure of a major component of its largest extrusion press.
- A restructuring programme is underway, the press has now been repaired and a replacement component has been ordered. Hulamin remains in discussion with its insurers regarding its business interruption claim in terms of its comprehensive insurance programme.

A further trading statement for the six months ended 30 June 2019 will be issued once there is reasonable certainty on the range of the financial results that will be reported.

The financial information contained in this trading statement is the responsibility of the directors and has not been reviewed or reported on by the Company's external auditors.

Hulamin's results for the six months ended 30 June 2019 are expected to be released on the Stock Exchange News Service on or about 23 August 2019.

<sup>1</sup> Normalised EPS is one of the measurement bases which the Hulammin Executive Committee uses in assessing financial performance and is calculated in a consistent manner as per the latest annual financial statements, by dividing normalised earnings by the weighted average number of ordinary shares in issue during the year. Normalised earnings is defined as headline earnings excluding (i) metal price lag and (ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the Group.

In the Current Period, normalised earnings includes an adjustment for restructuring costs and the timing impact of a highly-effective commodity risk management programme not qualifying for hedge accounting as at 31 December 2018 due to the limitations of IAS 39.

The presentation of normalised earnings is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.

Pietermaritzburg

12 July 2019

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