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# 2011 FINAL RESULTS PRESENTATION

FEBRUARY 2012

# Agenda

1. Market Conditions 2011
2. Financial Review
3. Operational Review
4. Key Strategic Priorities
5. Outlook for 2012 and Beyond

# MARKET CONDITIONS 2011

# Market Conditions 2011

- Competitors
  - Tough trading conditions Q4 2011 (Alcoa Rolled Prods profits >50% lower)
  - European anti-dumping action against Chinese foil
  - Novelis invests USD50 million in Brazilian Coating Line, long-term deal with Coca Cola
  - AMAG – Sales and EBITDA up 15% (Q3 2011)
  - Aleris Q3 net income down 49%
- Market conditions
  - USA mill orders forecast up 7% on 2011
  - Europe H2 down 7% on H1, 2011 forecast up 2% on 2010
  - Smelters under cost pressures – capacity closing
- Economic indicators
  - LME
  - Rand/$

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# FINANCIAL REVIEW

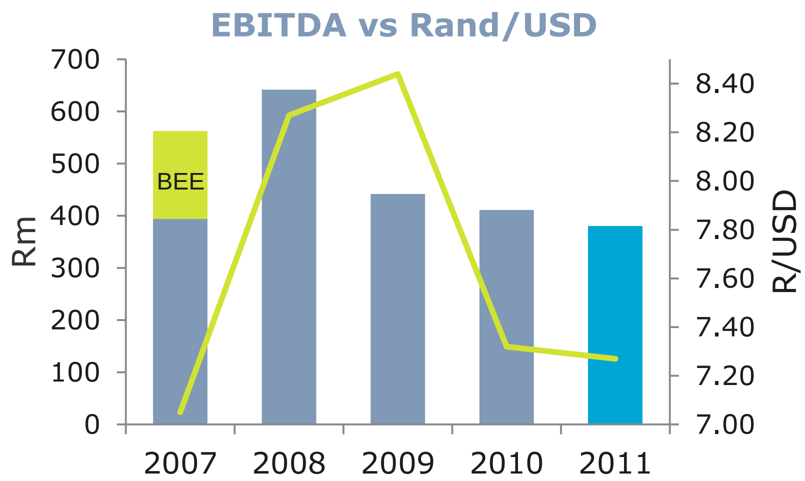
# Key Indicators

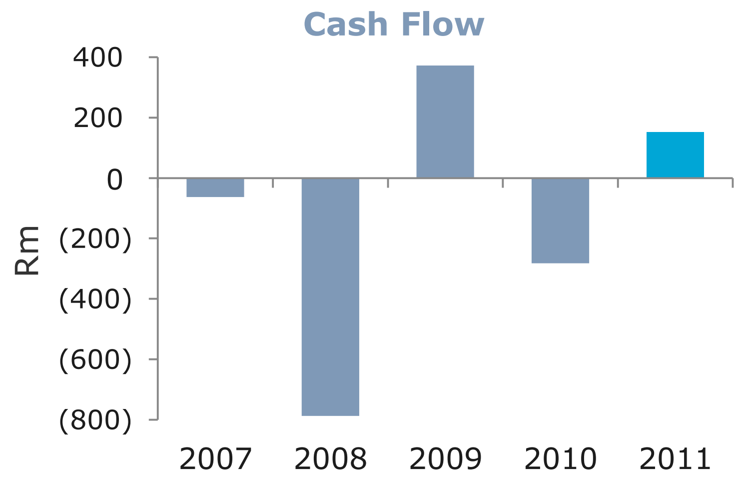
| | | 2011 | 2010 | % change |
|---|---|---|---|---|
| Rand/US Dollar | ZAR/USD | 7.27 | 7.32 | -1% |
| Revenue | R billion | 7.0 | 5.8 | 20% |
| Total sales volumes | Ton 000's | 229 | 206 | 11% |
| Operating profit before metal price lag | R million | 204 | 172 | 19% |
| Metal price lag | R million | (34) | 46 | |
| Operating profit | R million | 170 | 218 | -22% |
| Headline earnings | R million | 80 | 75 | 7% |
| HEPS | cents/share | 25 | 27 | -7% |
| Weighted average shares in issue | millions | 317 | 281 | 13% |
| Working capital increase | R million | 189 | 245 | |
| Capital expenditure | R million | 152 | 193 | -21% |
| Cash flow before financing activities | R million | 152 | (282) | |
| Borrowings (net) | R million | 809 | 958 | -16% |

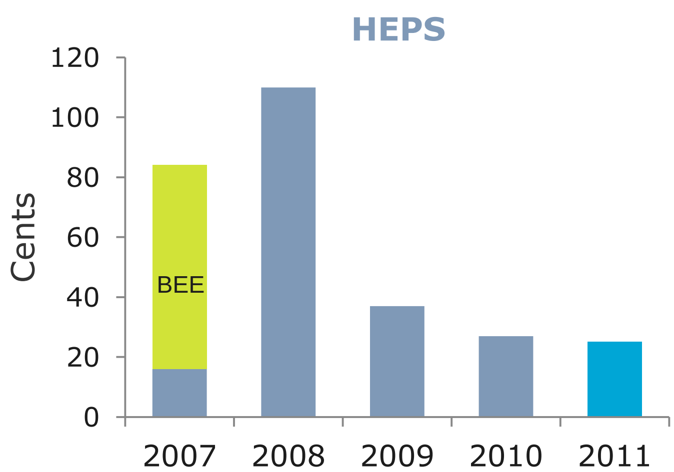
# Metal Price Lag

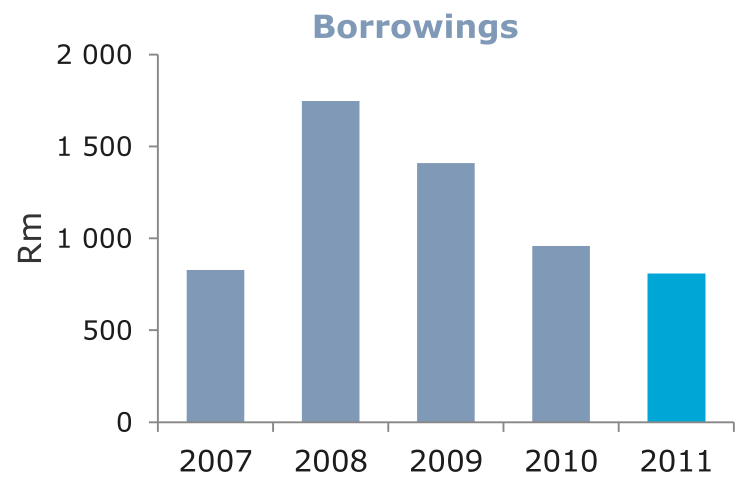
- Aluminium prices volatile
- Natural long-term hedge
  - Sell on basis of prevailing metal price plus agreed fabrication charge
  - Buy metal at prevailing price
- Short-term pricing risk
  - Timing mismatch due to inventory
  - Account on FIFO
- Metal inventory hedge
  - Creates income statement stability but cash flow volatility
  - Covenant exposure on both profits and cash flows
  - Hence 50% hedge of USD exposure

# Financial Highlights 2011

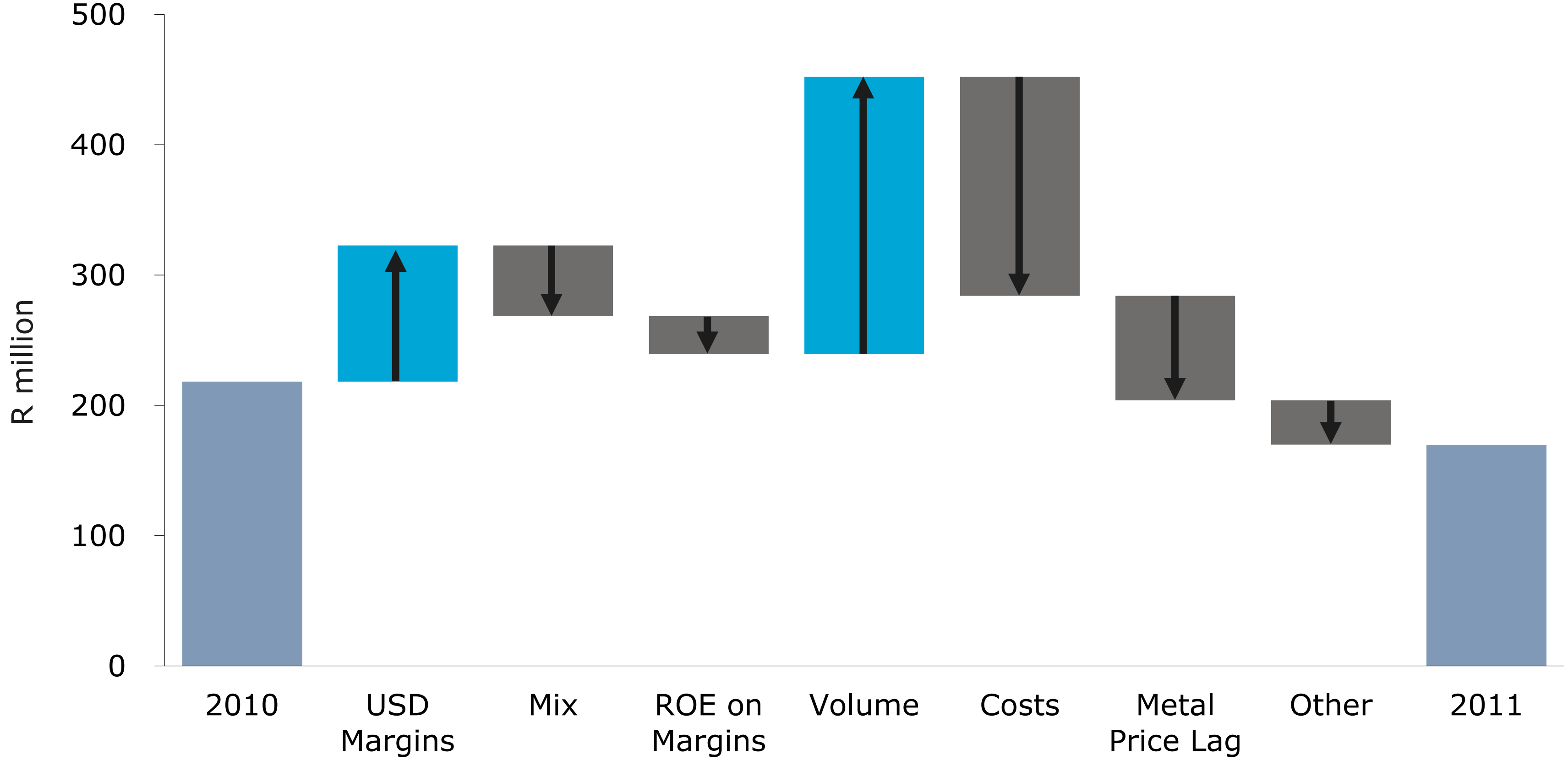


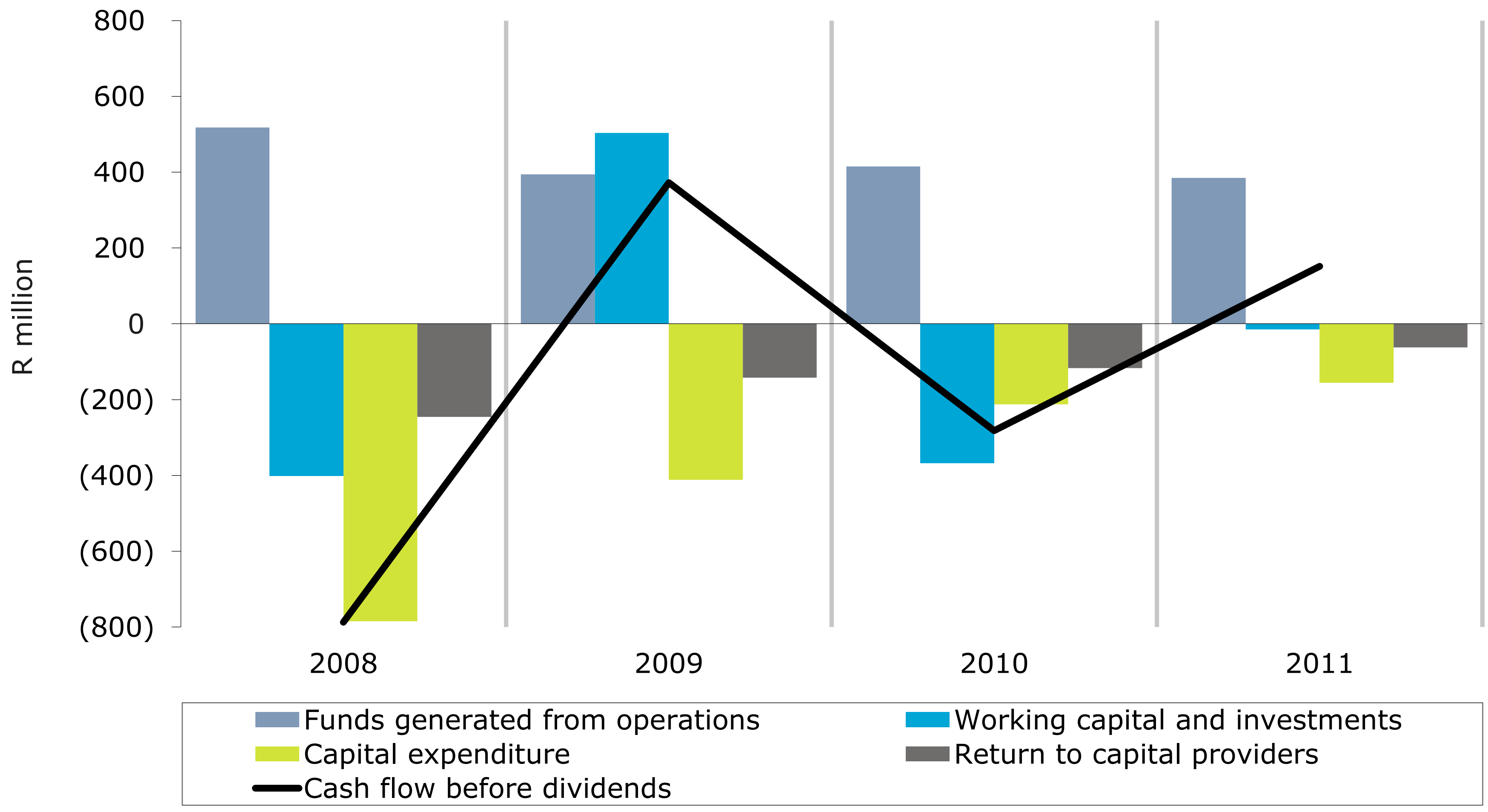



# Year-on-year Operating Profit Comparison

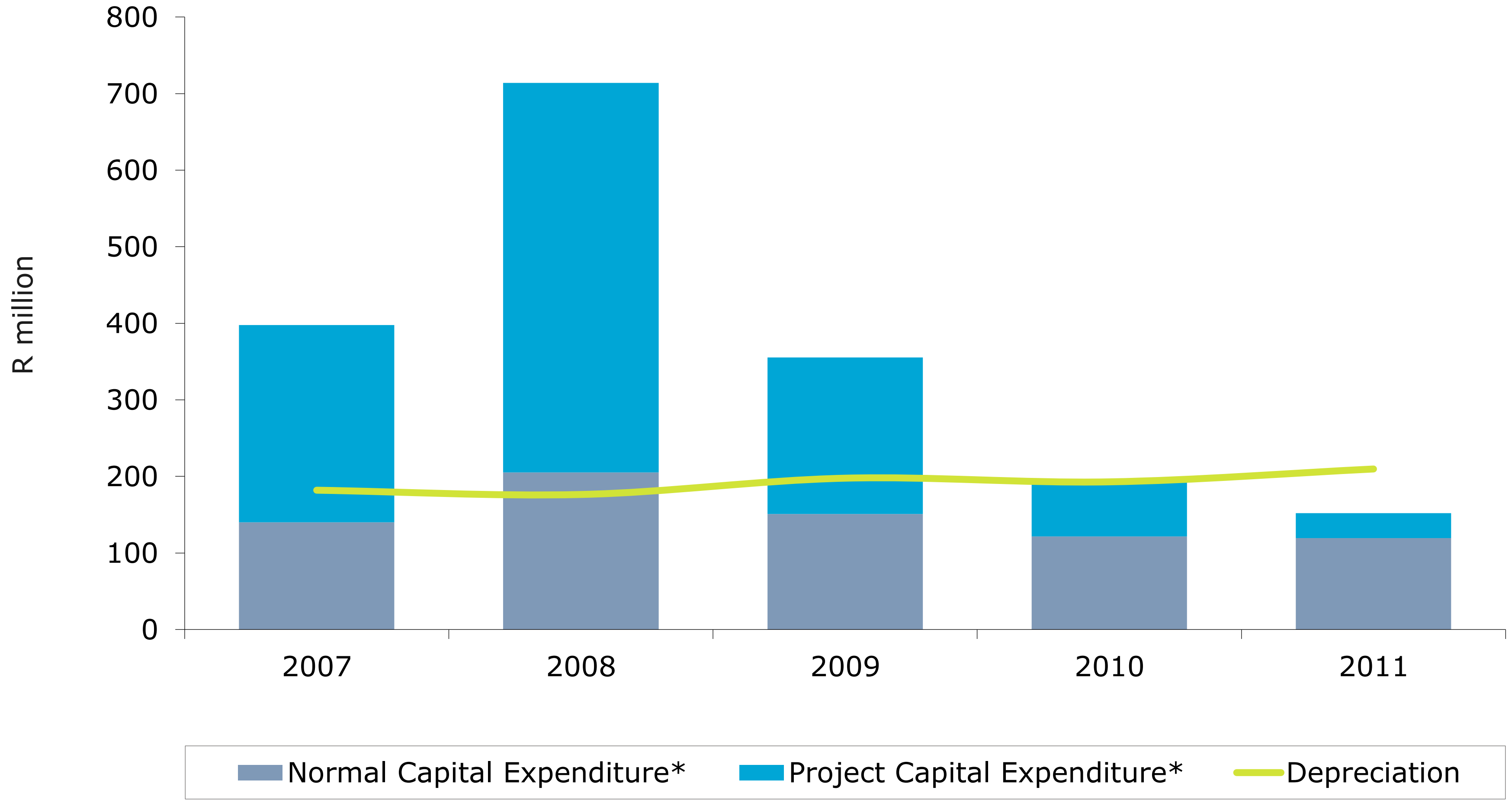


# Cash Flow



800
600
400
200
0
(200)
(400)
(600)
(800)
R million
2008
2009
2010
2011
Funds generated from operations
Working capital and investments
Capital expenditure
Return to capital providers
Cash flow before dividends

# Capital Expenditure



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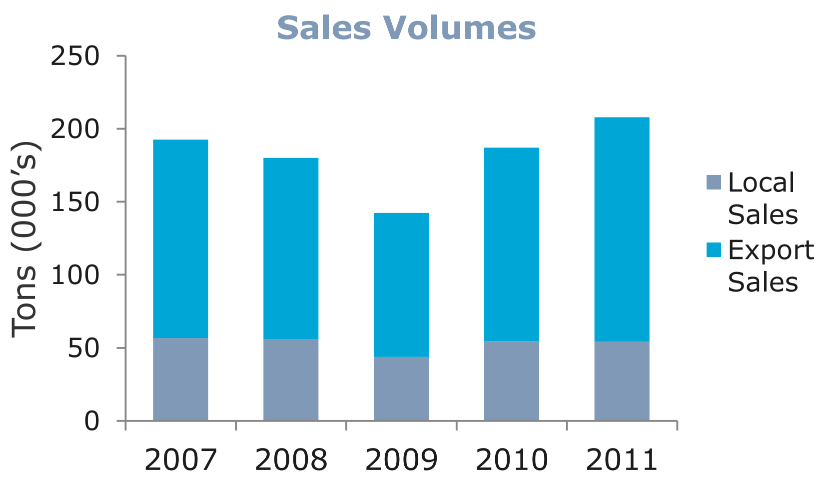
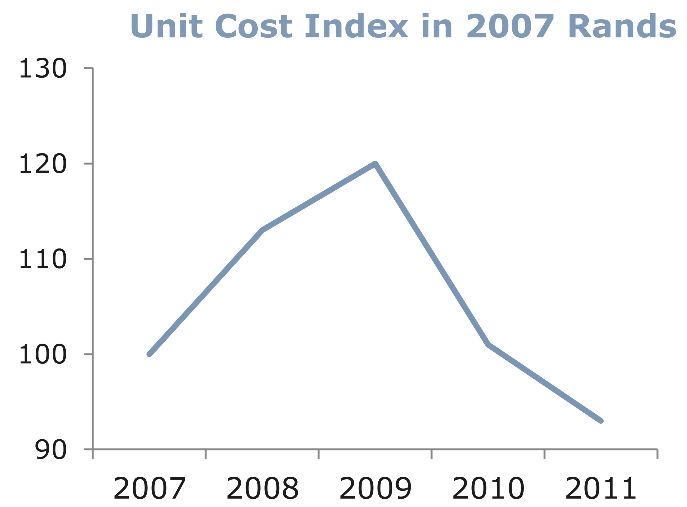
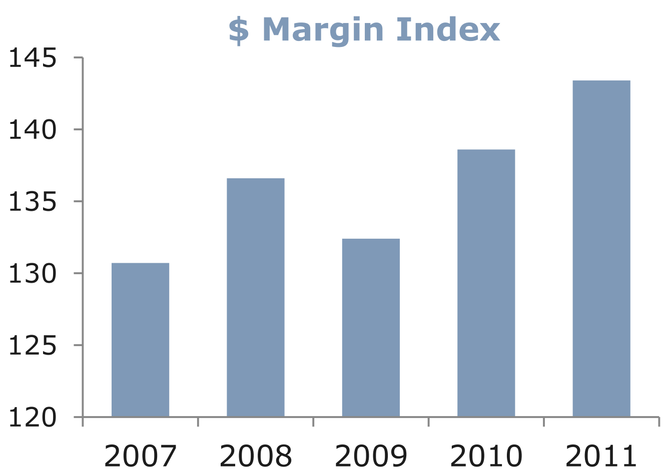
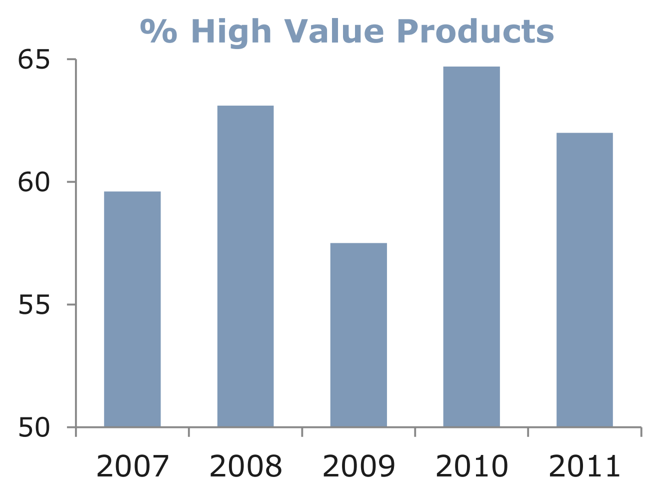
# OPERATIONAL REVIEW

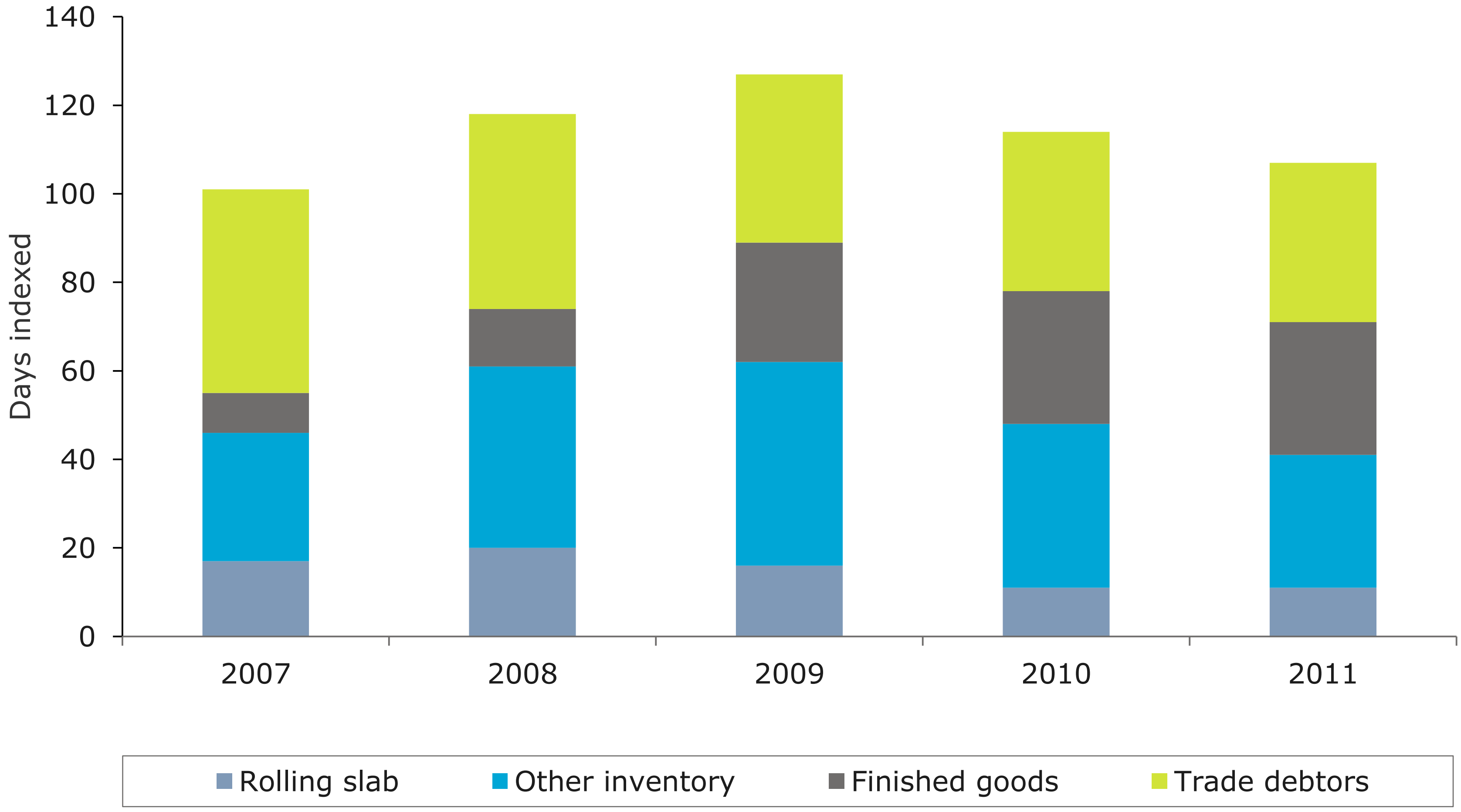

Sales Volumes
Tons (000's)
250
200
150
100
50
0
2007
2008
2009
2010
2011
Local Sales
Export Sales


Unit Cost Index in 2007 Rands
130
120
110
100
90
2007
2008
2009
2010
2011


$ Margin Index
145
140
135
130
125
120
2007
2008
2009
2010
2011

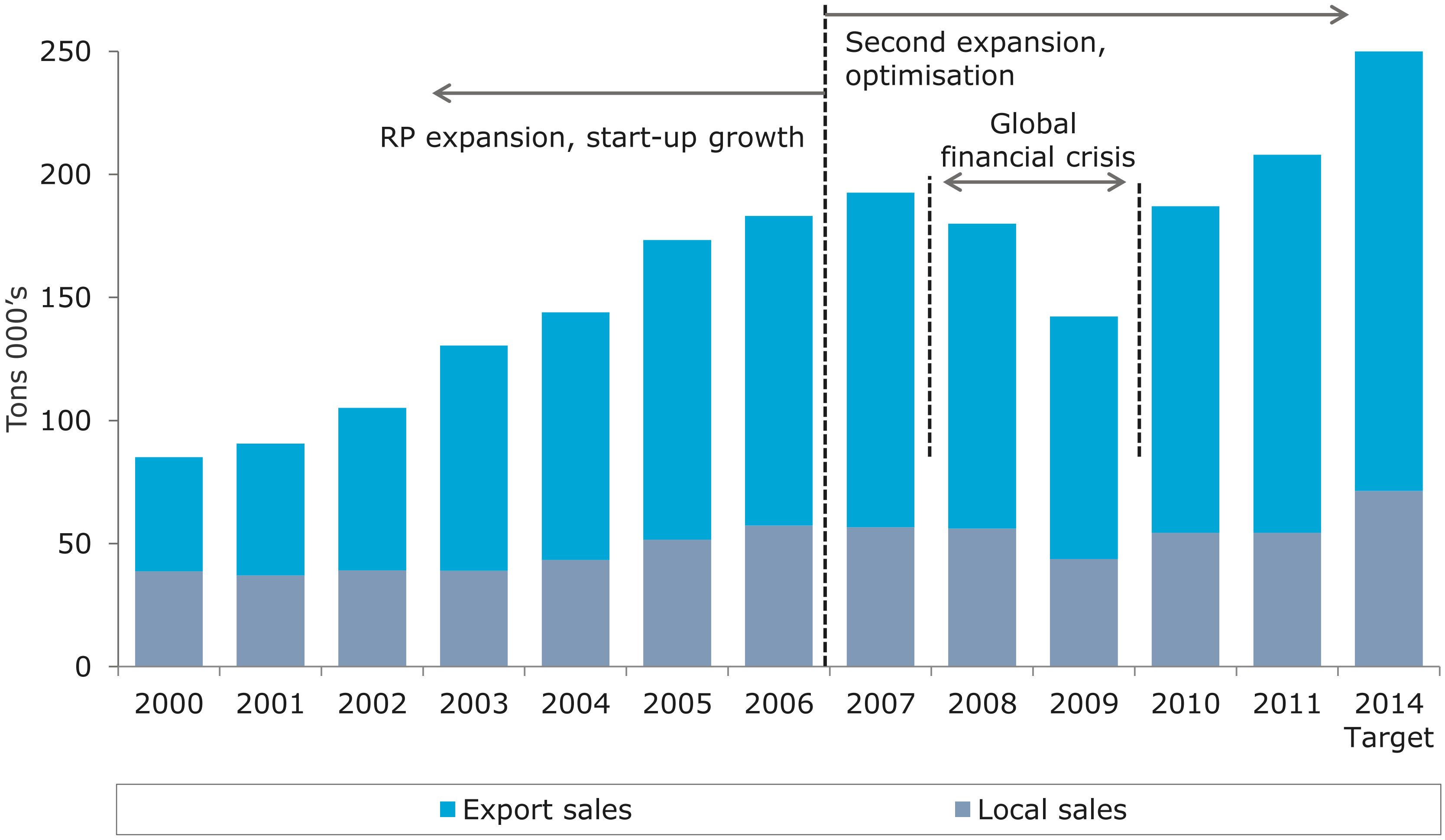

% High Value Products
65
60
55
50
2007
2008
2009
2010
2011

# Cash Cycle

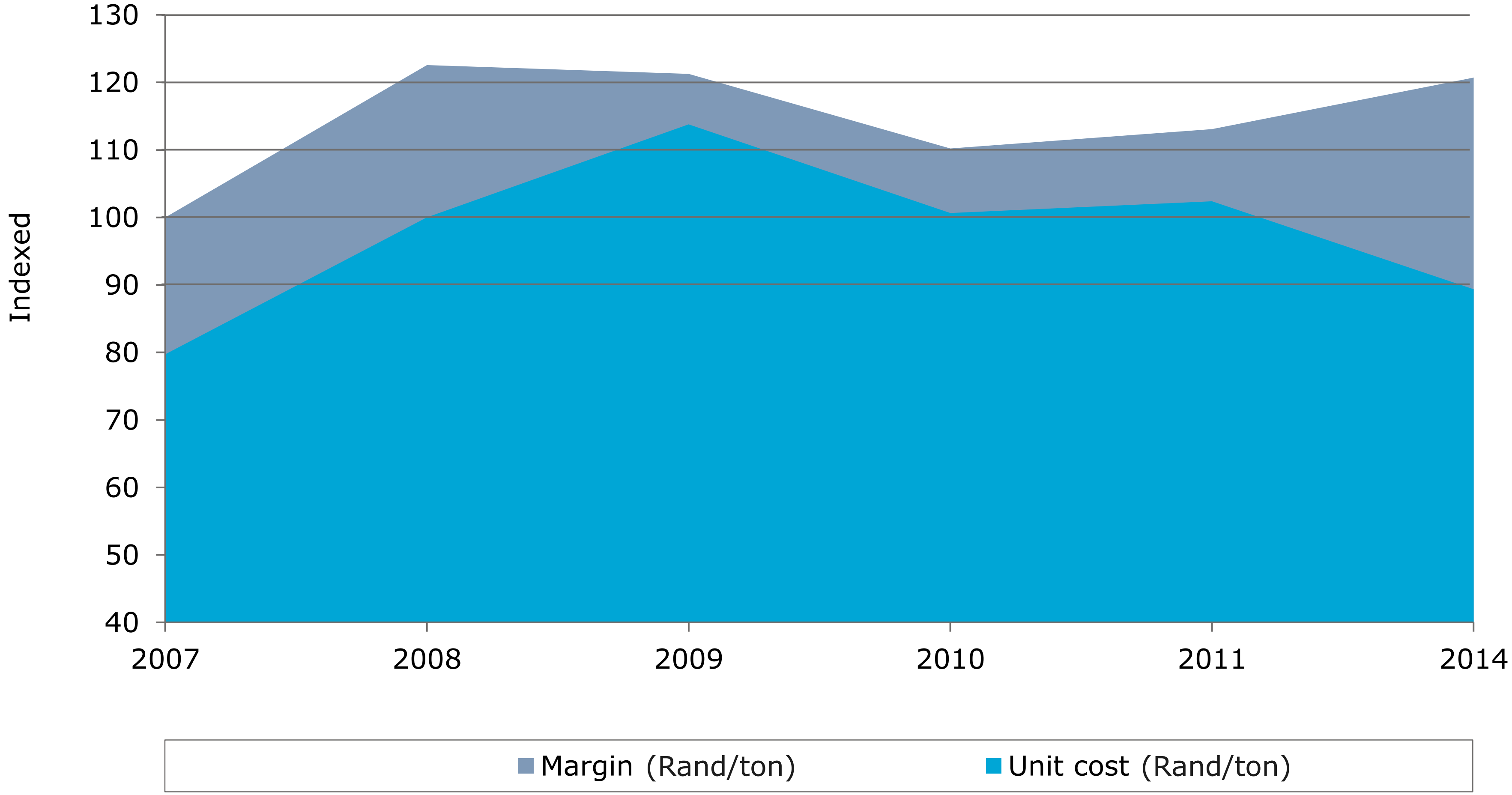


140
120
100
80
60
40
20
0
Days indexed
2007
2008
2009
2010
2011
Rolling slab
Other inventory
Finished goods
Trade debtors

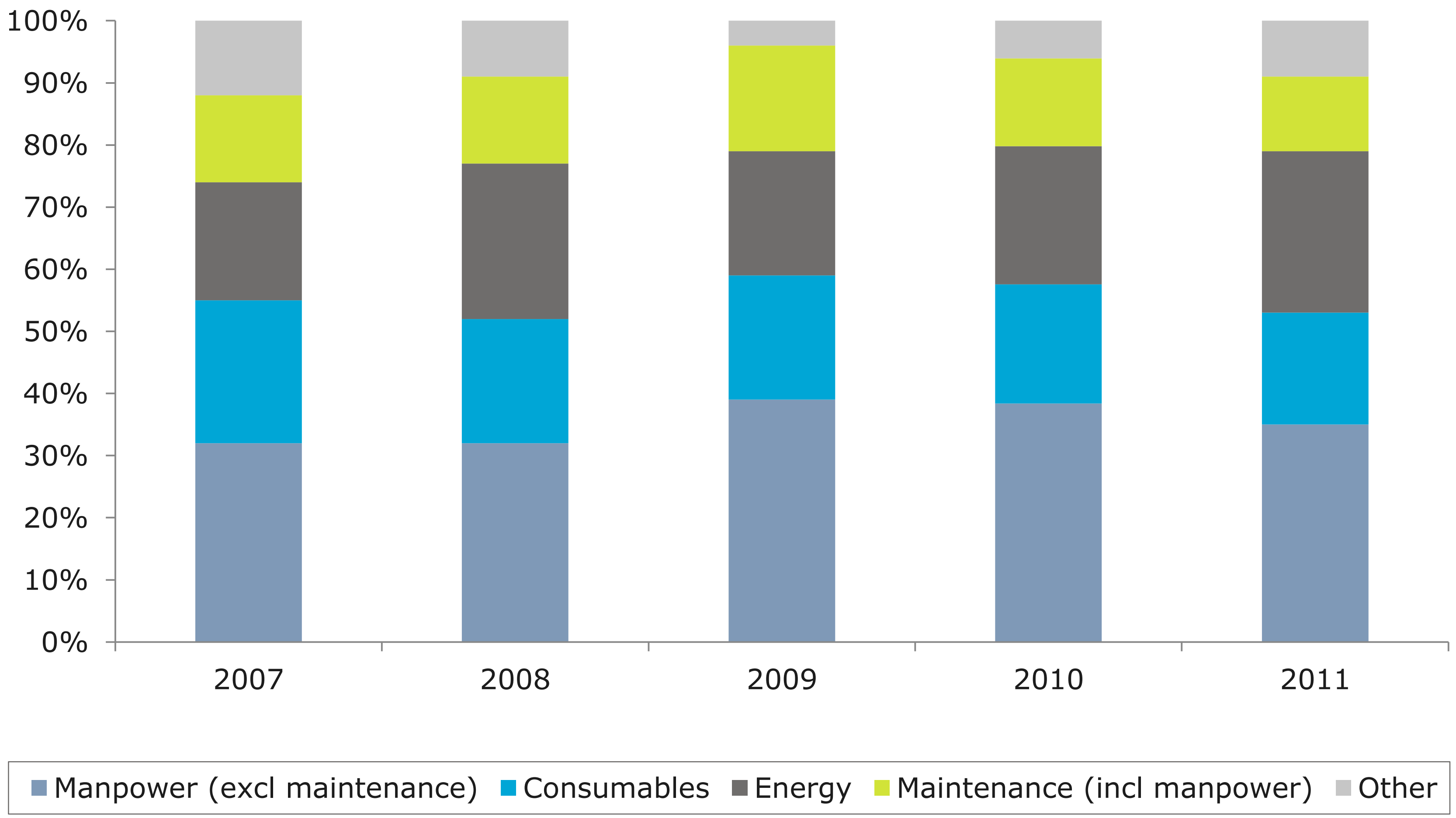
# Rolled Products Sales Volumes



# Rolled Products Operating Margin in Rand



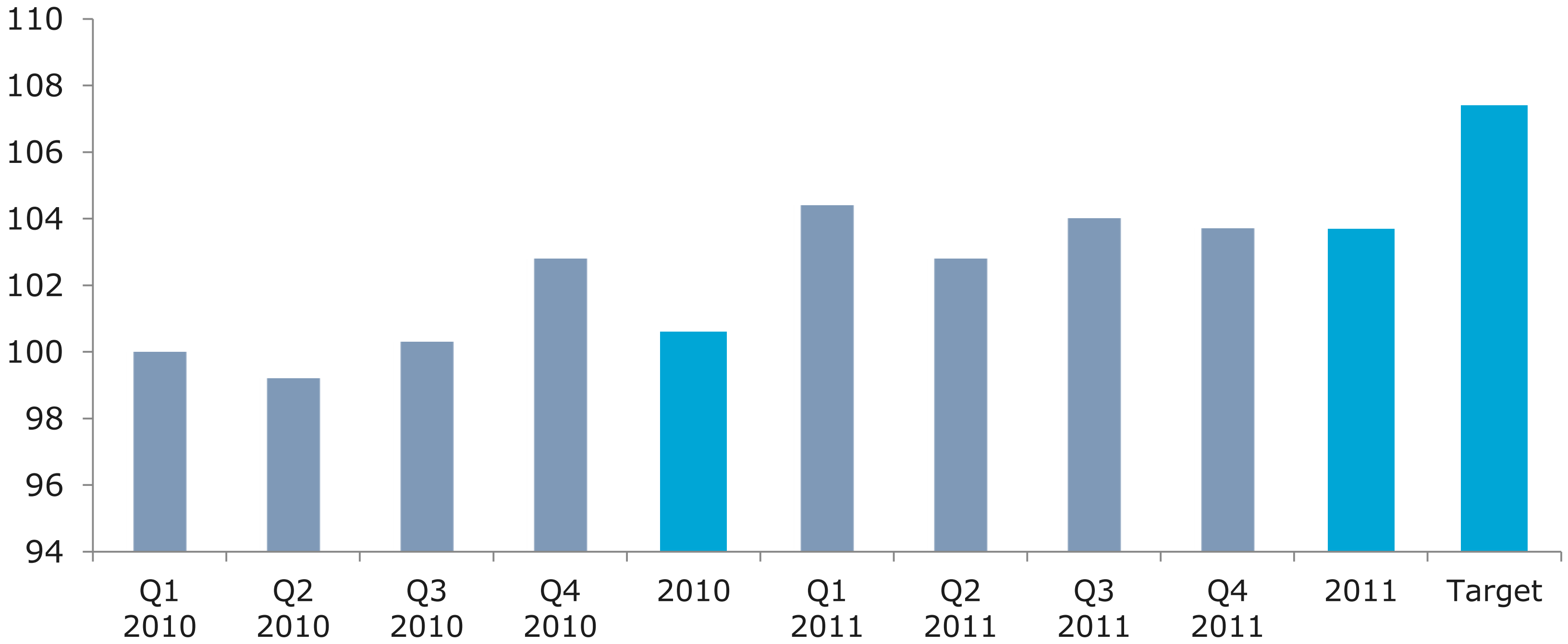
# Manufacturing Cost Breakdown



# Are We Delivering on Improvement Promises?

| | Cumulative Annualised Benefits | |
|---|---|---|
| Projects | December 2010 | December 2011 |
| Headcount | R35 million | R72 million |
| Overtime | R21 million | R7 million |
| Scrap Processing | R19 million | R17 million |
| Recovery/Yield | R47 million | R78 million |
| Improvement Projects | R78 million | R168 million |
| TOTAL | R200 million | R342 million |

# Rolled Products – Yield Improvement




## Yield improvement initiatives continue from 2010

- Focus on process control and equipment reliability methodologies
  - Part of manufacturing excellence programme
- Targeted Lean/Six Sigma projects

# Mix Optimisation

| | 2011 vs. 2010 | 2011 vs. 2007 |
|---|---|---|
| Can – end stock | +9% | +32% |
| Brazing sheet | +4% | +19% |
| Light gauge foil | +8% | +18% |
| Heat treated plate | +19% | +5% |

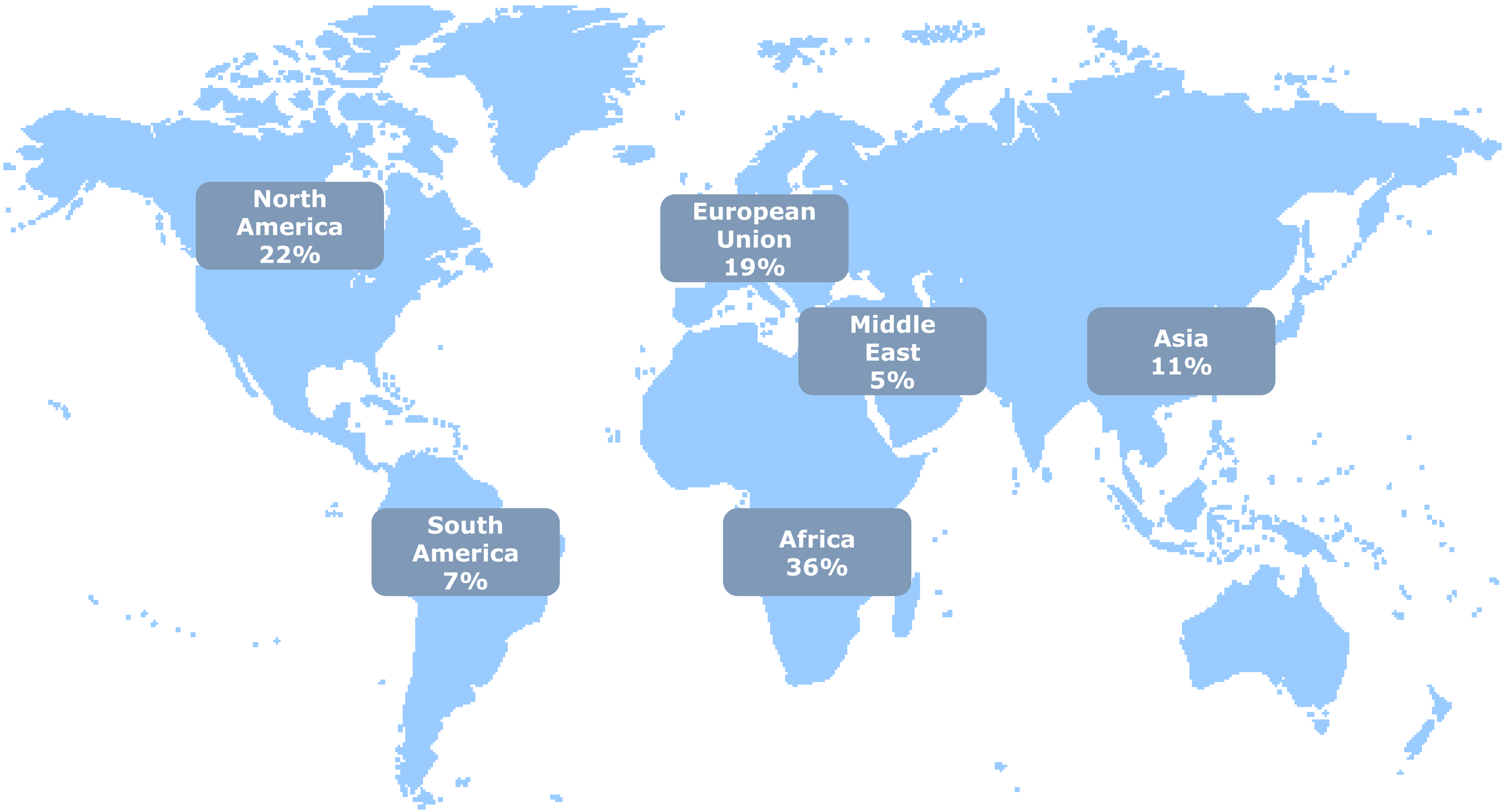
- Light gauge foil actions in 2012
  - Turn qualifications into regular business – develop reputation for service, quality, etc.
  - Continue to identify customers with suitable specifications
- Influence of market conditions
  - Product range response to market conditions
  - Products, customers and specifications

- Zero growth in SA markets in 2011
  - Building industry remained depressed
  - Automotive segment showing growth
- Sales volumes in Hulamin Extrusions up 14% in 2011
  - AGI closure in late 2010
  - Growth in automotive demand
  - Transport applications recovering
  - Subsidised Chinese imports of architectural products remain a threat
- Focus on cost reduction
  - Cape Town plant closed and Midrand production increased
  - Once-off cost R7 million
  - Benefits of the closure will come through in 2012

# Hulamin Extrusions Outlook

- Building industry recovery in 2012?
  - First signs of tenders on major projects
  - Market for merchant doors and windows showing some buoyancy
- Hulamin's major automotive contract is meeting volume expectations
- Solar energy market has potential for growth
  - The preferred bidders for solar farms announced in Dec 2011
  - Construction to start H2 2012 of the 650MW build plan
  - Projects to be operational by mid 2014
- Hulamin Building Systems (50% partnership with Mazor Ltd)
  - Business trading profitably
  - New systems being rolled out

# Hulamin Geographic Mix



# Hulamin Product Market Mix

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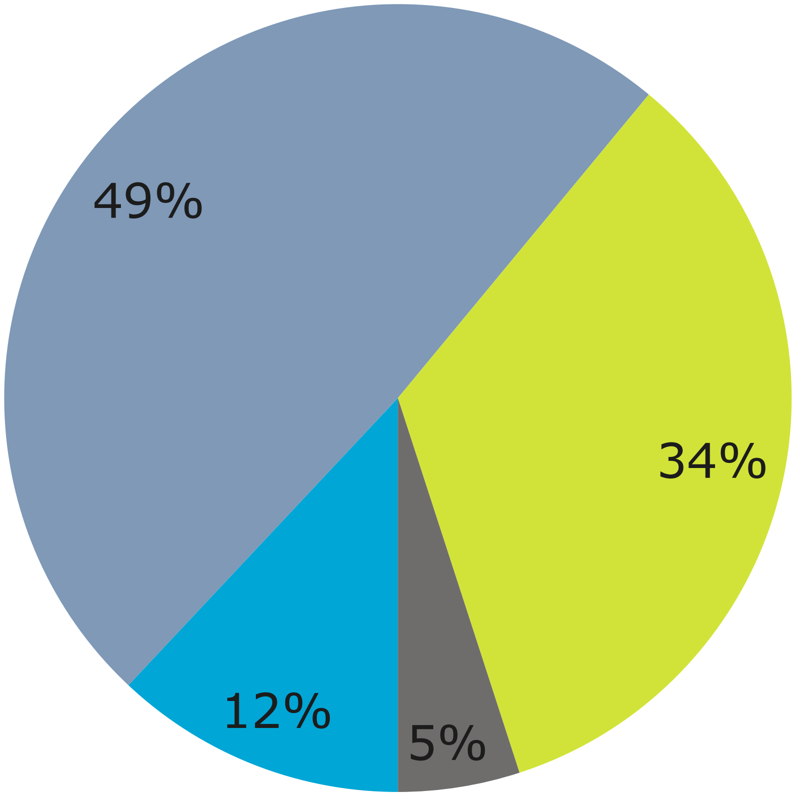
General Engineering





Packaging

Automotive and
Transport

Building and
Construction

# KEY STRATEGIC PRIORITIES

# Getting to Optimum Performance

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- Full capacity utilisation
  - Increasing sales from 208 000 tons to 250 000 tons
    - » *Remelt and Hot line bottlenecks*
    - » *Risk management and eliminating disruptions*
      - Focus on equipment maintenance
      - LP Gas loss of production ~3 000 tons in 2011
      - Electricity
- Achieve unit costs targets
- Increase average rolling margins by $100 per ton
  - High value products at full finishing capacity especially foil
  - New products and technologies
  - Local and regional market development

# Continued Focus on Cost Reduction

- Specific focus areas in 2012
  - Further payroll rationalisation – R5-10 million p.a.
  - Closing Circle plant in H1 – R5-10 million p.a.
  - Implementation of new Logistics arrangements – R12 million p.a.
- Quality and yield
- Attacking price and consumption
- Efficiency and cost reduction projects (Lean/Six Sigma projects)
  - Target – R50 million p.a.
- Bottom up (visual management) culture change on plan

# Balance Sheet Optimisation

- Current loan facilities
  - Facilities do not flex with working capital
  - Covenants do not support business growth
    - » *Debt service cover*
    - » *Interest cover*
    - » *Debt/EBITDA*
- Alternative has been developed
  - Size of facilities geared to working capital changes
  - Covenants more appropriate
    - » *Current Ratio*
    - » *Debt/Equity*
  - Implementation targeted in first half

# Status of Rolling Slab and Extrusion Billet Supply

- Bayside slab supply
  - Confirmed supply to December 2012
  - Discussions ongoing
- Pietermaritzburg slab casting capacity expansion
  - Optimisation of expanded in-house facilities
  - Mix optimisation benefits apparent
  - Vulnerable to LP Gas disruption
- Billet and slab imports

# Aluminium Cans in South Africa?

- Existing market
  - Steel body
  - Aluminium end and tab
- Long-term supply contracts (likely 4-7 years)
- Capital expenditure R100 – R200 million over 3-5 years
  - Recycling facilities
  - Metal purification
  - Re-oiler
  - Slitting line
- Develop new process technology
- Establish used beverage can (UBC) collection, logistics operations
- Review overall product mix and capacity balance

# OUTLOOK FOR 2012 AND BEYOND

# Outlook for 2012 and Beyond

- Operational performance priority to continue
- Cost pressures expected to remain
- Foil production set to increase
- Rising influence of market conditions on mix
- European and U.S. markets are improving after volatile 2011
- Potential for local energy supply disruption remains
- Stronger Rand in 2012 vs Q4 2011?
- Focus continues on key strategic opportunities/uncertainties

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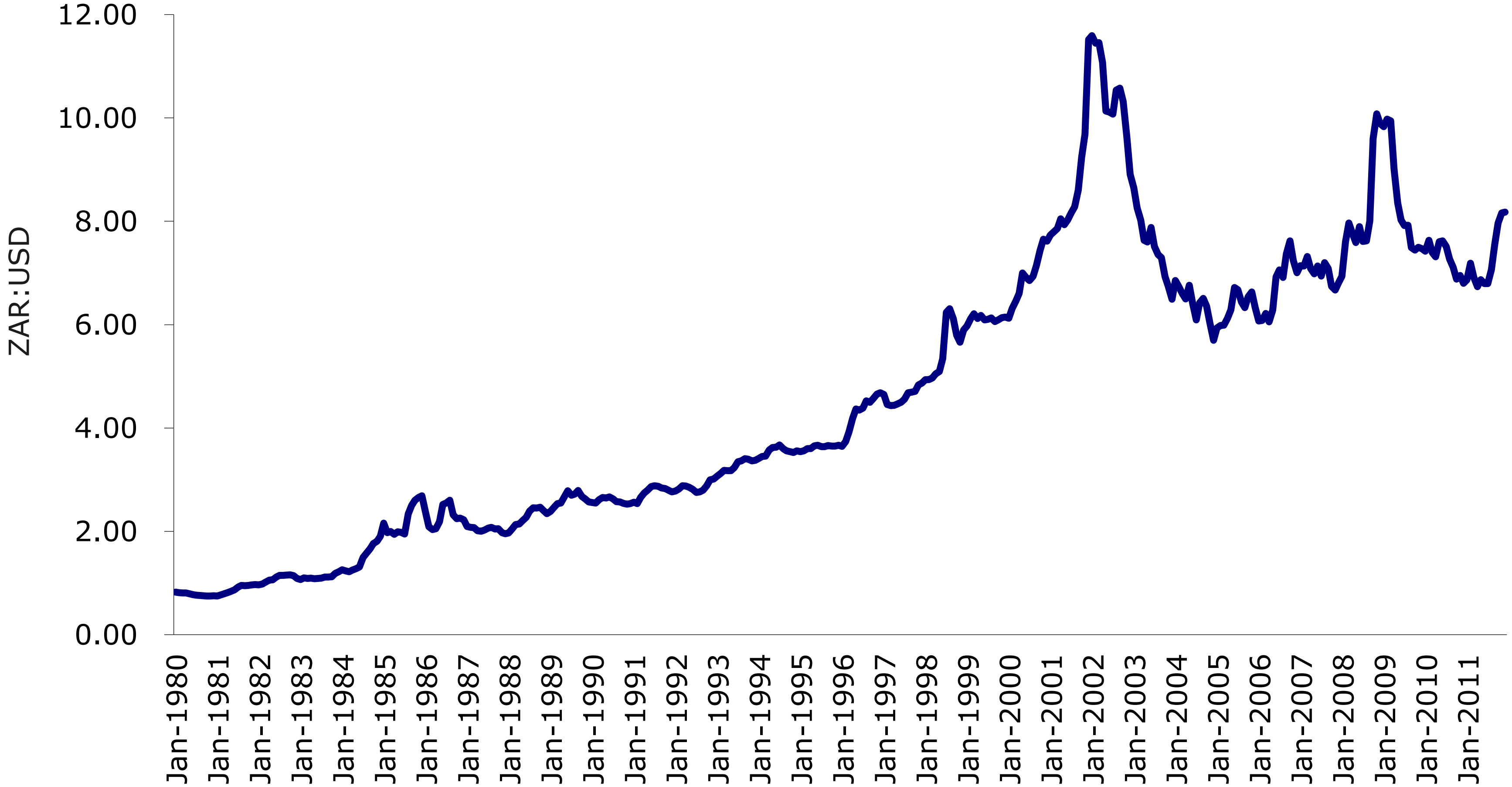
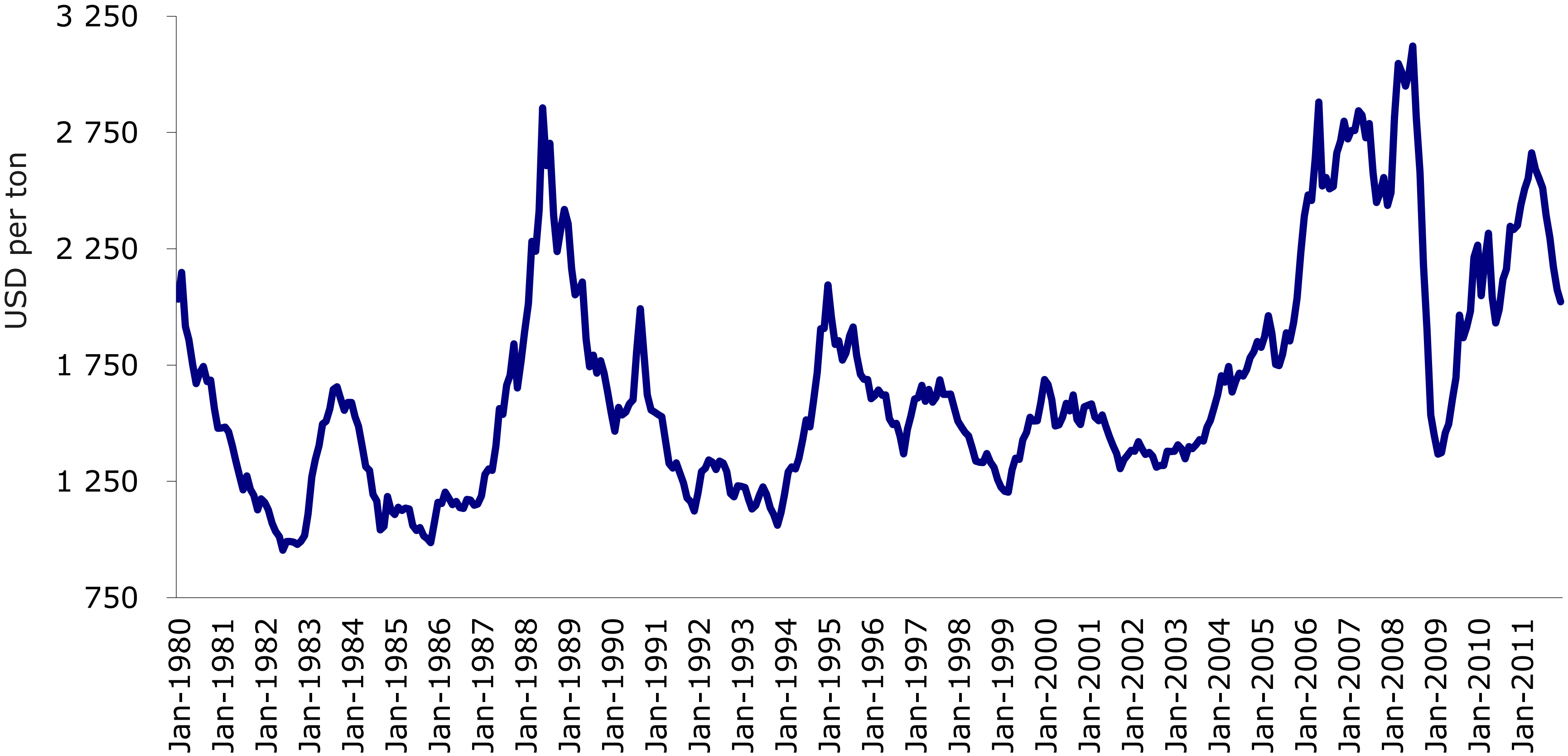
# APPENDICES

# Exposure to Rand/US Dollar



# Exposure to LME Aluminium Price



# Exposure to Rand Aluminium price