



Think future.
Think aluminium.

Integrated
Annual
Report

for the year ended 31 December

2018



HULAMIN

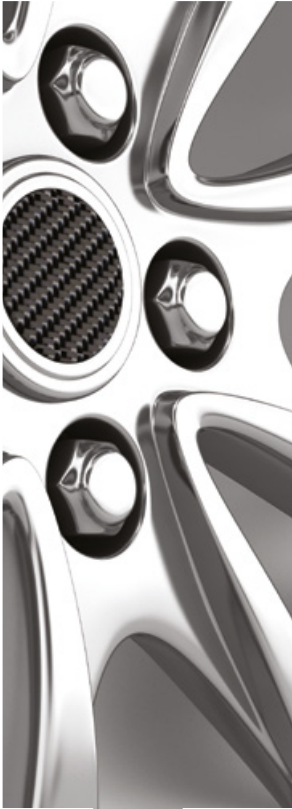
Think future. Think aluminium.

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MANUFACTURED
CAPITAL

NATURAL
CAPITAL

FINANCIAL
CAPITAL

Hulamin Integrated Annual Report 2018



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NAVIGATION



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An overview

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An overview

Notwithstanding local market pressure, sales volumes increased by 5.2% to a record 245 ktons, supported by another year of strong operational performance. The Hualamin Rolled Products division increased sales volumes by 5.8% to a record 228 ktons.

59% Export revenue earned



About this report

This integrated annual report provides a concise review of how the group (“Hulamin”) creates sustainable value. It provides insight into Hulamin’s business model, changes in the external environment and the risks and opportunities that arise therefrom.

SCOPE

The scope of this report includes Hulamin Limited and its subsidiaries, listed on page 6. The report covers the financial reporting period 1 January 2018 to 31 December 2018.

OUR AUDIENCE

Hulamin’s long-term providers of capital are the primary audience of Hulamin’s integrated report. However, Hulamin’s value creation activities benefit and impact a wide range of stakeholders whose interests are specifically covered in this report in line with our shared value creation principle.

The report provides all stakeholders with a greater understanding of the reliance of Hulamin’s business model on the relevant capitals. It also sets out the financial and non-financial performance of Hulamin and the impact of Hulamin’s operations on the relevant capitals and provides insight into the prospects and future outlook of Hulamin.

OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholders who wishes to make an informed assessment of Hulamin’s ability to generate value over the short, medium and long term.

The material matters included in this report were identified through a structured process involving senior executives and the group Risk and SHE Committee through which they review Hulamin’s business model and operating context, and the interaction thereof with our capitals.

Rather than provide a short list of material issues, we have sought to ensure that all information in this report relates to matters that have a material bearing on value creation. Understanding our business (page 6) and our business model (page 18) lends an appreciation to stakeholders understanding of how our external environment (page 32) impacted on performance delivery against our key objectives during the current financial year (page 36) and how the external environment as well as stakeholder needs (page 26) have shaped our key strategic objectives (page 35). Making an informed assessment of our ability to respond appropriately to the external environment and stakeholder requirements requires an appreciation of our strategy and the leadership team contained within the corporate governance section of this report.

REPORTING FRAMEWORKS

In compiling this integrated annual report, the following frameworks have been considered:

- International Integrated Reporting Framework, December 2013
- King Report on Corporate Governance (King IV)
- JSE Limited Listings Requirements
- Companies Act, No 71 of 2008, as amended, and the Companies Regulations
- International Financial Reporting Standards

ASSURANCE

The Audit Committee provides an oversight role to this integrated annual report. The committee has reviewed the completeness and accuracy of this report and is satisfied that the report is an accurate reflection of the group’s integrated performance.

Certain elements of this report have been independently assured. This assurance forms part of a combined assurance approach adopted by the Hulamin Audit Committee.

MATERIALITY AND COMPARABILITY

Materiality has been applied to qualitative and quantitative disclosures and content of this report. An item is considered material if it could influence the decisions of the group and its stakeholders.

There have been no significant changes to the content and scope of this report from prior years. In attempts to enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such.

FORWARD-LOOKING INFORMATION

The report contains some forward-looking information regarding the financial and non-financial performance and position of Hulamín. Hulamín believes this forward-looking information to be realistic at the time of the issue of the report. These statements include uncertainties, assumptions and risks about future events and circumstances, which may result in actual results differing from those anticipated. Forward-looking information has not been independently reviewed by the external auditors.

BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and to the best of its knowledge and belief the integrated annual report for 2018 addresses all material issues and presents fairly the integrated performance of Hulamín and its impacts. The report has been prepared in line with best practice and the Board confirms that it has approved the release of the 2018 integrated annual report.

FEEDBACK FROM OUR STAKEHOLDERS

Hulamín is committed to building stronger stakeholder relationships, which are enhanced through various communications. Stakeholders are encouraged to provide feedback on this integrated annual report and the type of information you would like to see in future reports to Ayanda. Mngadi@hulamin.co.za, which will enable the group to gauge the accuracy and standard of its integrated reporting.

OUR 2018 REPORTS



CONTENT AND ASSURANCE PROVIDERS

Annual financial statements:
Ernst & Young Inc.

Review of internal controls:
PricewaterhouseCoopers Advisory Services Proprietary Limited

BEE contributor level: Empowerdex

Sustainability report (selected information):
KPMG Services Proprietary Limited



Group overview

Hulamin is a leading, mid-stream aluminium semi-fabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal and Midrand, Guateng, supported by sales offices in South Africa, Europe and the USA. Hulamin is the only major aluminium rolling operation in sub-Saharan Africa and one of the largest mineral beneficiating exporters in South Africa. 59% of Hulamin's sales are exported to leading manufacturers around the world, focusing on specific product and end-use markets.

NORTH AMERICA

R3 309 m



Although Hulamin currently reaps the benefit of Chinese displacement in the US, rolling mill restarts in the US have commenced which may erode this position.

SOUTH AMERICA

R321 m



WHO WE ARE

Hulamin transforms primary aluminium into semi-fabricated products (rolled and extruded products) which can be used by downstream fabricators in a broad range of industries thereby unlocking the intrinsic remarkable properties of aluminium for use in a variety of end-use applications.



Hulamin Rolled Products

Based in Pietermaritzburg, Rolled Products produces a range of technologically sophisticated sheet, coil and plate. The majority of products are exported to customers in North America, Western Europe and the Far and Middle East for use in the packaging, automotive and engineering and construction industries.



Hulamin Containers

Based in Pietermaritzburg, Containers is a leading downstream business focusing on the production of standard and customised rigid aluminium foil containers for the local catering industry and for household use.



Hulamin Extrusions

With two plants, one in Midrand and one in Pietermaritzburg, Extrusions is a leading local supplier of standard and custom aluminium extrusions for use in largely the engineering and architectural markets.



Isizinda Aluminium

Through its aluminium casting facility in Richards Bay, Isizinda supplies Rolled Products with aluminium rolling slab.

EUROPE

R2 408 m



With the introduction of US duties Chinese imports in the EU have increased. The future could see similar trade action against Chinese producers in Europe.

MIDDLE EAST

R239 m



AFRICA

R26 m



ASIA

R462 m



Chinese mills seek new markets as trade actions in the US and India take effect.

SOUTH AFRICA

R4 691 m



Polarisation due to unfair trade practices by the Chinese is likely to lead to protection for Hulamin in the local market against low cost imports.

AUSTRALASIA

R78 m



WHY ALUMINIUM

Aluminium is light, strong, conductive, durable, flexible and easy to recycle. These along with many other qualities have inspired architects, engineers, artists and many other industries to see new and exciting possibilities. An increasing number of industries are becoming aware of how aluminium can solve challenges and benefit different applications and new areas are still being discovered. Aluminium truly is the metal of today – and tomorrow.

Our human and manufactured capital enables us to partner with our existing and potential customers to unlock new alloys for application in the industries and products of tomorrow. For more about our vision see page 22 of this report.

THINK FUTURE. THINK ALUMINIUM.

OPPORTUNITY
AND RISK

Examining our capabilities to respond to the opportunities and risks in our operating context, resources and our stakeholder relationships, enables us to determine our strategic approach. For more about our strategic approach see page 34 of this report.

KEY

Hulamin transforms primary aluminium into two types of semi-fabricated products: rolled products and extruded products. Our products are used by downstream fabricators in a variety of industries, namely:

- Automotive and transportation
- Building and construction
- General engineering
- Packaging

Salient features

FINANCIAL

FINANCIAL PERFORMANCE

	Unit	2018	2017
Revenue	R million	11 534	10 304
EBITDA ¹	R million	742	715
Operating profit	R million	(950)	498
Attributable earnings	R million	(773)	304
Headline earnings per share	cents	91	95
Return on capital employed ²	%	6,0	7,8
Return on equity ³	%	6,9	6,8
Net borrowings to shareholders equity ⁴	%	7,7	6,8
Net asset value per share	cents	1 192	1 455
Current ratio ⁵		3,1	3,0
Free cash flows ⁶	R million	90	296
Free cash flows (adjusted) ⁹	%	298	296
Capital expenditure	R million	242	261
Sales volumes:			
Hulamin group sales volume	'000 tons	245	233
Rolled Products sales volume	'000 tons	228	215

Hulamin sells rolling capability. We buy aluminium at a point in time, apply capital, labour and energy to convert that aluminium into a wide range of products (see page 19) for local and global markets, and sell that converted aluminium after applying our technical expertise.

The operating profit includes a metal price lag gain of R4 million (2017: gain R150 million) which occurs due to changes in the rand aluminium price between the point of purchase and final sale.

ECONOMIC INDICATORS

Average Rand/US Dollar exchange rate	Rand	13.25	13.32
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SHARE STATISTICS

Total shares in issue	million	320	320
Share price (closing)	cents	439	609
Market capitalisation	R million	1 403	1 946

Our returns are materially impacted by the foreign exchange rate as we compete in a global market. Aluminium prices, certain input costs and our rolling margin (conversion fee) are all denominated in US Dollar.

NON-FINANCIAL

EMPLOYEES AND SAFETY

	Unit	2018	2017
Total number of employees		2 039	2 020
Employee cost to turnover	%	11,0	11,7
Lost time injury frequency rate		0,05	0,22
Total recordable frequency case rate		0,24	0,59

SOCIAL AND TRANSFORMATION

B-BBEE expenditure	R billion	4 866	4 095
CSI spend	R million	4	2
Carbon emissions intensity ⁷	MT CO ₂ e/MT production	1,5	1,8
Energy consumption intensity ⁸	GJ/MT production	11,89	11,54
Water consumption intensity	Kℓ/MT production	2,52	2,49

Our people are our value. Hulamin takes great pride in ensuring that we invest in, protect and give back to our people and the communities within which they live. More details on our interaction with our human capital and social capital is available on page 56 and page 58 of this report.



Five year review

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
INCOME STATEMENT					
Revenue	11 533 818	10 303 531	10 099 349	8 394 986	8 038 918
EBITDA ¹	742 181	714 800	807 514	444 141	659 988
Operating (loss)/profit	(949 907)	498 426	621 514	295 480	585 133
Net finance cost	(73 701)	(77 625)	(86 696)	(66 492)	(45 707)
(Loss)/profit before tax	(1 023 608)	420 801	534 818	228 988	539 426
Taxation	250 197	(117 038)	(149 885)	(65 274)	(154 498)
Net (loss)/profit attributable to equity holders of the company	(773 411)	303 763	384 933	163 714	384 928
Headline earnings attributable to shareholders	292 200	304 570	379 737	119 261	358 355
BALANCE SHEET					
Property, plant, equipment and intangibles	1 944 930	3 388 737	3 332 586	3 233 717	2 756 925
Retirement benefit asset	133 860	127 054	117 397	142 292	138 854
Deferred tax asset	17 060	21 152	25 463	20 260	25 450
Current assets (including non-current assets held for sale)	4 415 609	3 688 256	3 480 992	3 260 271	3 348 149
Total assets	6 511 459	7 225 199	6 956 438	6 656 540	6 269 378
Equity holders' interest	3 802 621	4 648 677	4 346 688	3 854 517	3 833 817
Borrowings: Non-current and current	819 783	428 699	652 444	1 045 401	686 144
Deferred tax liability	221 060	578 568	516 533	486 765	477 702
Retirement benefit obligations	251 738	266 767	258 879	227 997	236 369
Current liabilities (excluding current borrowings)	1 416 257	1 302 488	1 181 894	1 041 860	1 035 346
Total equity and liabilities	6 511 459	7 225 199	6 956 438	6 656 540	6 269 378
CASH FLOW					
Net cash inflow from operating activities	331 618	557 166	679 028	123 775	518 046
Free cash flow ⁶	89 874	296 132	415 349	(419 554)	132 688
Free cash flow (adjusted) ⁹	297 874	296 132	415 349	(419 554)	132 688
Net cash outflow from investing activities	(241 744)	(261 034)	(263 679)	(543 329)	(335 358)
Net cash inflow/(outflow) from financing activities	333 352	(287 405)	(405 393)	233 401	(124 724)
Net cash increase/(decrease) for the year	423 226	8 727	9 956	(186 153)	57 964

¹ Earnings before interest, taxation, depreciation, amortisation and impairment of property, plant and equipment and intangible assets.

² Net operating profit after taxation (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed.

³ Headline earnings expressed as a percentage of average equity.

⁴ Current and non-current borrowings less cash, divided by equity.

⁵ Current assets divided by current liabilities (excluding borrowings).

⁶ Free cash flow is made up of cash flow generated from operations and cash flows from investing activities which equates to cash flows before financing activities.

⁷ Using Eskom emission factor.

⁸ Consumption of LPG and electricity.

⁹ Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.

Key performance indicators

FINANCIAL

Earnings per share
(242) cents
(2017: 95 cents)

Normalised earnings per share
77 cents
(2017: 64 cents)

R1.1 billion post-tax impairment recognised
(2017: Rnil)

Free cash flow
R90 million
(2017: R296 million)
Free cash flow (adjusted)¹ R298 million

Dividend of
18 cents
(2017: 15 cents)

Debt equity ratio
7,7%
(2017: 6,8%)

NON-FINANCIAL

Consistent and improving operating performance driving underlying financial delivery.

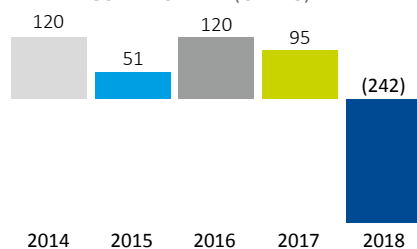
Cumulative R800 million free cash flow, R1 billion free cash flow (adjusted)¹, delivery in three years².

Record sales performance of 245 Ktons.

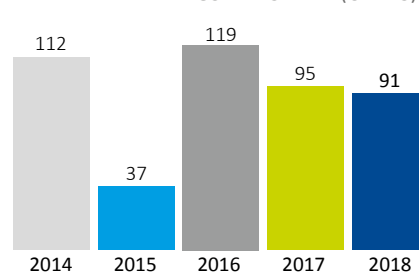
Hulamin is now one of the safest aluminium semi-fabricators in the world.

1. Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.
2. Free cash flow and free cash flow (adjusted) over each of the three years is provided on page 9 under the cash flow section.

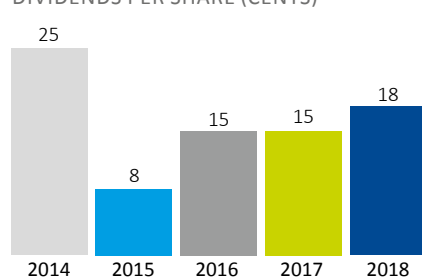
EARNINGS PER SHARE (CENTS)



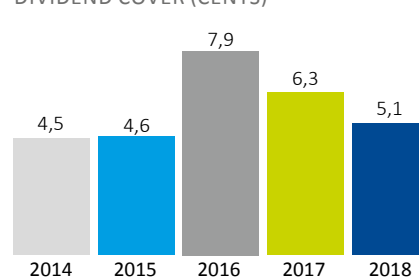
HEADLINE EARNINGS PER SHARE (CENTS)



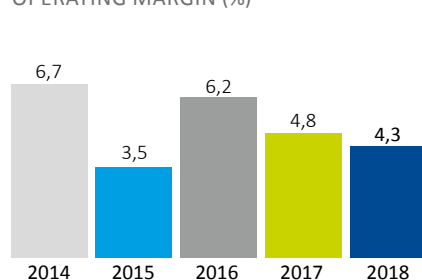
DIVIDENDS PER SHARE (CENTS)



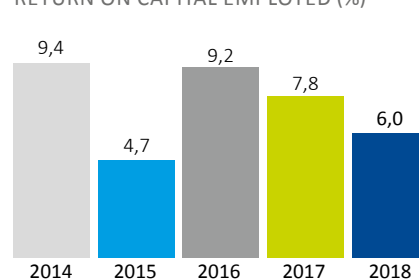
DIVIDEND COVER (CENTS)



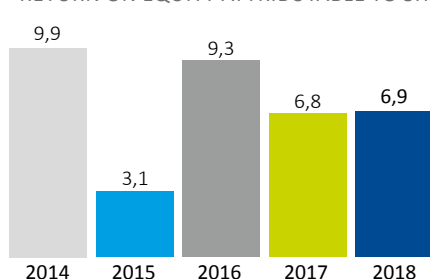
OPERATING MARGIN (%)



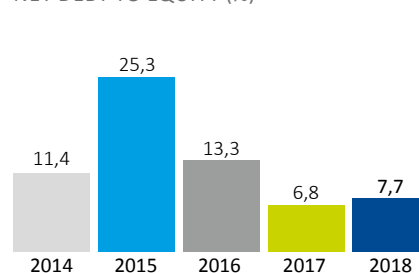
RETURN ON CAPITAL EMPLOYED (%)



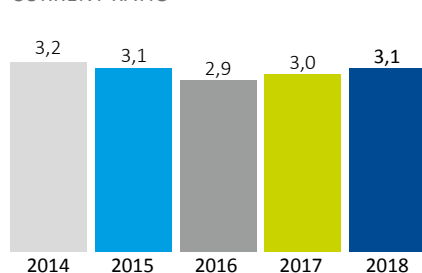
RETURN ON EQUITY ATTRIBUTABLE TO SHAREHOLDERS (%)



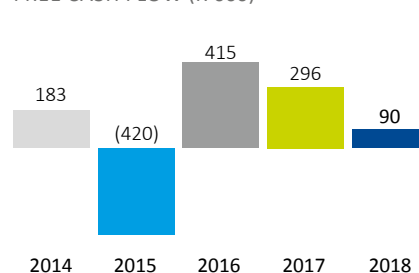
NET DEBT TO EQUITY (%)



CURRENT RATIO



FREE CASH FLOW (R'000)



Chairman's letter

THABO PATRICK LEEUW
Chairman



Hulamín extended its high levels of operational performance in 2018. This consistently high level of performance formed the basis for its ability to play its important role in the regional economy, its community, the environment and society at large.

In 2019, Hulamín will celebrate 80 years of existence in South Africa. Hulamín continued its important role in the economic, social, manufacturing, intellectual and natural eco-systems in the region in 2018, growing its footprint, creating value for stakeholders.

2018 proved a year of two halves for Hulamín. The context for the first half proved to be volatile with the Rand/USD exchange rate (that has such a major impact on Hulamín's financial performance) strengthening to below R11.50 early in the year. Optimism surrounding the election of President Cyril Ramaphosa began to wane from late March 2018. The Rand followed this sentiment, weakening to over R15.00 in early September.

RETIREMENT OF MR M MKWANAZI AS BOARD CHAIRMAN

Mafika Mkwanazi served Hulamín stakeholders as Chairman of the Board from June 2007 to April 2018. During this time, his exemplary and solid leadership provided a major stabilising force that helped the organisation navigate through numerous challenging times. I wish to express my heartfelt gratitude to Mafika for his selfless and passionate leadership. On behalf of all Hulamín stakeholders, thank you!

2018 PERFORMANCE

Hulamín once again achieved record operational performance in 2018. Not only did we beat previous production and sales record by around 6%, we also achieved our best safety record ever. The improving safety trend has been ongoing since 2015. It is clearly no coincidence that operational performance and safety trends have improved in parallel in recent years.

Notwithstanding the impairment charge of R1,45 billion in 2018 which arose largely due to the uncertainty of future cash flows as global markets continue to show signs of polarisation, the Board and I are proud of the underlying financial turnaround in the business since 2016 and are very focused on ensuring that this trend is sustained.

IMPROVING VALUE CREATION THROUGH BUSINESS MODEL REFINEMENT

The Board's mandate is to provide strategic leadership to management, and to be responsible for oversight on any changes to Hulamín's strategic direction that management propose. To this end, we have been engaged in an ongoing process to identify improvements to the Hulamín business model since 2016. In 2018, management presented a comprehensive pre-feasibility proposal for the reshaping of the Hulamín business model. This was internally known as Project Key, the "key" to unlocking value.

With a focus on growth, management's recommendations (which was approved by the board in July) included maintaining a simplified Pietermaritzburg rolling operation as the heart of Hulamin, and to expand the Hulamin footprint into new profit pools. These include establishing a can stock agency (resale) and technical service business, expansion into Africa with a focus on aluminium scrap collection and processing and possible investments into downstream fabrication of aluminium products. All of these areas of growth are proposed to be based on existing strengths, market positions (customers) and known opportunities.

TRANSFORMATION

The Board continues to place great value on the Hulamin contribution to the normalisation of the KwaZulu-Natal and South African societies. Hulamin has played a strong role in this area for many years though successes in creating opportunities for participation in the economy for those previously excluded. In 2018, the company focused on executing the Transformation plan that was approved by the board in 2017.

Through the Transformation, Social and Ethics Committee, the Board of Directors will continue to oversee its implementation.

We are again pleased to see further improvement in the 2017 BEE Scorecard assessment. Hulamin scored well to qualify for a Level 4 rating although was "discounted" one level as a result of not meeting the sub-minimum on Preferential Procurement (PP). We continue to encourage South32 to improve its BEE scorecard for the Hillside smelter due to its enormous impact on the scorecards, not only of Hulamin, but the entire Aluminium value chain.

ELECTRICITY AND ALUMINIUM SUPPLY

Hulamin continues to play a vital linking role in the Southern African aluminium supply chain. The enormous and globally competitive Hillside and Mozal smelters are critical to the aluminium and manufacturing economies in South and Southern Africa. A new long-term power supply contract is critical to ensure certainty and investment in the aluminium industry. The Board therefore encourages South32 and Eskom (and its mandatory oversight body, NERSA) to reach agreement to secure future long-term supply of electricity as soon as possible. In the absence of electricity supply certainty, there is serious risk to the sustainability of the industry and the tens of thousands of jobs dependent on the supply of primary electricity. The Board will continue to support management in this regard.

PROTECTION FROM SUB-ECONOMICAL IMPORTS

In 2018 Hulamin submitted applications for the increase in import duties for both rolled and extruded aluminium products. Although duties are in place for aluminium extrusions, the flood of subsidised aluminium from Asia have increased sharply in recent years. The board supports the rationale that in these challenging times, we cannot allow our precious manufacturing economy to close down operations due to other countries dumping low priced products in our market. We therefore call on ITAC and Government to protect local manufacturing and aluminium products specifically. This is particularly problematic at present as the USA market has begun to close its doors to Chinese imports, resulting in these exporters becoming increasingly desperate to seek alternative markets.

CONCLUSION

The board is pleased with the ongoing high operational performance levels achieved in 2018 and the proposed improvements to the Hulamin business model. The board supports management efforts to increase value to shareholder and stakeholders through the execution of plans described above. These revisions provide the basis for significant enhancement; an exciting future for Hulamin is dawning, one where the business exceeds the reasonable expectations of all its stakeholders.



Thabo Leeuw
Chairman

The business in context

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The business in context

Continued global oversupply of aluminium rolled products remains, largely arising out of China into unprotected markets.

57%

The percentage of
global aluminium
produced in China



Why aluminium?

WHAT IS ALUMINIUM?

Aluminium is a metallic chemical element on the periodic table. In the early 1820's, aluminium was first physically converted into usable metal. Aluminium is the most widespread metal on earth, making up more than:

8%

of the
earth's mass

3rd

Most abundant
element on
earth

HOW VALUABLE IS IT?

The global price of aluminium is set to increase over the next

12 years

as the demand for the metal increases due to the metal's various properties making it suitable for technological product innovation

Aluminium is becoming a symbol of progress and innovation as it gains widespread adoption by a multitude of sectors worldwide due to its association with numerous “high-tech” applications such as electric vehicles and consumer electronics

CONSTRUCTION

Aluminium is used in the construction of modern architectural structures across the world. Providing framing support to glass and window structures

ELECTRICAL ENGINEERING

Aluminium’s ability to conduct electricity makes it a core material in building power lines that power the world

PACKAGING

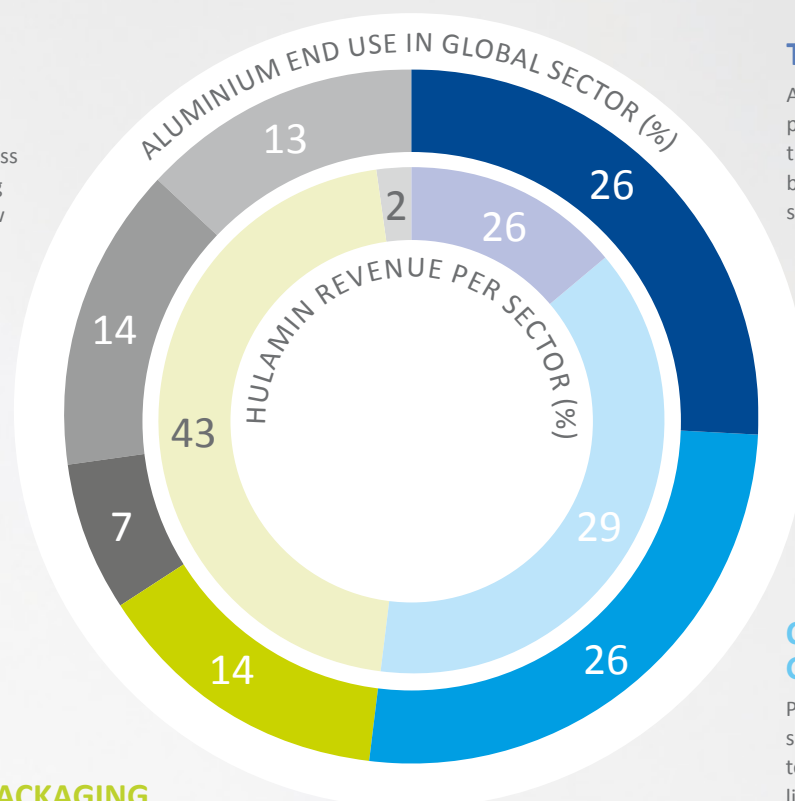
Aluminium’s ability to take any shape makes it an ideal packaging solution for various of consumer goods

TRANSPORTATION

Aluminium is used in the production of all forms of transportation – From bicycles and cars to space shuttles

CONSUMER GOODS

Personal computers, smartphones, flat screen televisions are most likely to be built with aluminium bodies



HOW ALUMINIUM IS ALIGNED TO THE FUTURE

Aluminium’s many uses stem from it being a metal that is aligned to the fast-changing and malleable world – aligned to the future.

SUSTAINABILITY

Reduced carbon emissions
Lower energy
Freight efficiency
100% recyclable
75% of all aluminium ever produced still in use

STRONG ECONOMIC IMPACT

Global consumption 63 million per annum
African production 1,7 million per annum
± 1 billion tons in use

VERSATILE

Reflective, strong
High-tech

MOBILE

Light
Improved safety
Improves fuel efficiency

The Hulamin business model



MANUFACTURED CAPITAL

Our production facilities include remelting and recycling facilities, direct chill ingot casting, hot and cold rolling mills, extrusions presses and finishing lines to ensure quality product delivery. Further investment in our finishing capacity is envisaged in the coming financial year.



SOCIAL AND RELATIONSHIP CAPITAL

The group plays an active part in uplifting the greater Pietermaritzburg community in which we operate.



HUMAN AND INTELLECTUAL CAPITAL

The group employs suitably qualified people and continues to invest in them. Our people are harnessed to enhance our intellectual capital to innovate in alloy properties for new product applications.



NATURAL CAPITAL

As a manufacturer the group is conscious of the impact it has on the natural resources available to the communities within which it operates.



FINANCIAL CAPITAL

The group's JSE-listing provides access to shareholder funds which is complemented by responsible borrowings.

RESOURCE ALLOCATION DECISIONS

The group allocates capital and resources in the best way possible to maximise value for stakeholders.

MATERIAL TRADE-OFFS

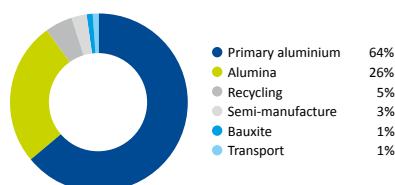
DECREASED short-term profitability
to
INCREASE cash flow generation

PRIMARY ALUMINIUM PRODUCTION

Aluminium production starts with the raw material **bauxite**. Aluminium oxide is extracted from Bauxite in a refinery.



Process output
CO₂ EMISSIONS



The bonds in the Alumina atom are broken through a process of electrolysis.

CAPITALS REQUIRED



PRIMARY ALUMINIUM

EXPORT TOTAL
500 Ktons

SOLD TO OTHER SA CONSUMERS
10 Ktons

CRITICAL RELATIONSHIPS

The group has designated a senior executive with a specific focus on metal supply from South32. During the current year, the group continued to engage with South32 on matters of mutual interest. The relationship is considered effective.

CASTING

Primary aluminium ingots are alloyed with other elements such as copper, manganese and silicon for additional strength, corrosion resistance and other properties required by our customers. These are then cast into slab and billet for rolling and extruding.

HULAMIN

The group has its own remelt facilities, which includes a recycling facility providing the opportunity to use scrap metal, decreasing the negative impact on natural capital from the production of primary aluminium and improving productivity.

CAPITALS REQUIRED



ALUMINIUM INGOT 80 Ktons

VALUE-ADDED

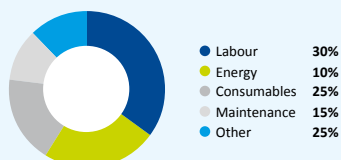
LIQUID METAL 130 Ktons

ISIZINDA CASTHOUSE

Isizinda's casting facility in Richards Bay supplies Hulamin with rolling slab. These cuboid shaped ingots are the input into the rolling process and are produced using a similar technique to billet. Billet are log-shaped castings produced for the extrusions process using a vertical direct chill process.

ROLLING AND EXTRUDING

PRIMARY INPUTS



HULAMIN ROLLED PRODUCTS

Hulamin rolled products produces:

- Technologically sophisticated sheet,
- Coil and plate,
- High-quality, tight tolerance and complex products,

For use in downstream industries.

CAPITALS REQUIRED



ROLLING SLABS 320 Ktons

PIPELINE

EXTRUSION BILLET 32 Ktons

HULAMIN EXTRUSIONS

Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

Aluminium can be extruded and shaped into a variety of tubes and profiles. Aluminium billets are heated to 500° Celsius and are depressed through shaping tools to make various products.

FINISHING CAPABILITIES

FOIL ROLLING

Foil rolling is a form of cold rolling for very thin products and certain alloys. Our stand-alone foil mills are capable of further reducing cold rolled products to gauge as low as 6 microns.

PLATE PROCESSING

Some thicker rolled products do not require cold rolling. This group of products is generally known as plate. Most plate rolled by Hulamin is known as heat-treatable alloys. This process involves heating and controlled rapid spray cooling followed by artificial hardening the plates to temperatures between 150°C to 190°C. The plates can then be processed for width, length, flatness and surface finish. Automated shears, saws and cut-to-length lines cut plates to the required customer specifications.

ANODISING

This electrochemical process allows the thickness of the naturally occurring oxide layer on the aluminium surface to be artificially increased. With the anodising process a wide range of colours are available including bright anodising.

POWDER COATING

Powder coating offers a virtually unlimited choice of colours and is very durable. The profiles are pre-treated in order to clean and prepare the surface before it is sent through the spray booths where the electrostatically charged powder is sprayed and attracted to the face of the profiles to form an even coating.

For more on our manufactured capital see page 66 of this report.

OUR PRODUCTS AND APPLICATIONS

AUTOMOTIVE AND TRANSPORTATION

Radiators, charge air-coolers, condensers, evaporators, aerospace components, truck bodies, trailers, tankers, boats and train wagons.

ENGINEERING AND DURABLE GOODS

Industrial applications, coated and uncoated building products, electronics, computers and durable consumer goods.

BUILDING AND CONSTRUCTION

Roofing, cladding, gutters, downpipes, household frames and industrial applications.

PACKAGING

Our can body and coated can-end and tab stock is used in the manufacturing of aluminium cars.

Our converter foil is used in the production of laminated cartons and confectionary packets. Our products also find application in household foil, rigid container foil laminated foil and closure sheet.



RECYCLING

Aluminium can be endlessly recycled without loss in quality.

Recycling aluminium is a sustainable, positive contributor to social, natural and financial capital:



Key resources we rely on

Our business model relies on a stock of capitals to function and operate

The allocation and utilisation of our capitals is done with a firm strategic intent in mind



INPUT AND UTILISATION

FINANCIAL CAPITAL

The group requires funding for day-to-day activities incorporated in its business model which allows it to generate value for all stakeholders. Funding is received from:

Investors: The group's largest investor is the Industrial Development Corporation representing 29,6% of all investors. Investors require returns on investment in the form of a growing share price (through a sustainable profitable business) and dividends.

Finance houses: The group has secured a three-year borrowing facility of R1,65 billion which includes a general 360-day facility of R350 million and a revolving working capital facility of R1,3 billion secured against receivables and inventory. Finance houses provide this capital in exchange for interest on the amount invested.



MANUFACTURED CAPITAL

PRIMARY ALUMINIUM

The group makes use of primary aluminium (as a raw material) as part of its remelt and casting operations which produce rolling slab and extrusion billet required for the manufacture of fabricated and semi-fabricated aluminium products.

Through a liquid metal supply agreement the group has secured the supply of liquid metal from South 32's Hillside Aluminium Smelter until December 2019.

Bayside casting facility: The Bayside cast house owned by Isizinda is effectively controlled by Hulamini and produces one-third of Hulamini's requirements of rolling slab for the rolling operations.

Remelt and Casting: Hulamini owns three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace.

Rolling: The rolling operations consist of hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tensioning levelling and foil finishing facilities. The plate plant is equipped with sawing, stretching and plate cut-to-length lines.

Extrusions: Two extrusions plants which include the ability to manufacture dies used in the extrusions press to produce the desired profile. Finishing options include powder coating, anodising and fabrication.

HUMAN CAPITAL

The Hulamini Group employs 2 039 people across its various business units.

The state-of-the-art technical equipment employed in the group's business model requires key engineering, metallurgical and manufacturing experience and key competencies and capabilities.



NATURAL CAPITAL

Local aluminium smelters: The group relies on the Hillside smelter to produce primary aluminium. The Hillside smelter is highly energy and carbon intensive.

Rolling and finishing: As part of the manufacturing operations the group relies on the use of water, gas and electricity.



SOCIAL, RELATIONSHIP AND INTELLECTUAL CAPITAL

The group leverages its relationships within the community in which it operates, with its supplier and its customers to create value for all stakeholders.

Government: Government provides support for the aluminum industry through government's stance on tariffs and duties and assistance with the downstream development of the aluminium value chain.

Suppliers: Strong relationships with suppliers ensures that the group is able to secure the long-term supply of key inputs into the manufacturing process.

Customers and markets: Relationships with customers are key in developing new products and innovation to suit customer needs and expectations. Our customer relationships also provide us with the leverage require to profitably sell our finished products.



STRATEGIC INTENT

- Free cash-flow generation over the medium-term to build capabilities and invest in the assets of tomorrow
- Sustainable reductions in the investment in working capital to generate free cash flow

- Improved asset risk management systems and maintenance programmes result in improved manufacturing performance and product quality
- Invest in new assets and capabilities to support growth ambitions
- Integrate our digital strategy to enhance skills development, process capability and product development capability to build the assets of tomorrow

- Invest in our people through training and development to improve strategic accountability to drive decision-making and implementation
- Develop capabilities to grow new markets and consolidate existing market positions into defendable niche positions
- Create new skills and competence to interact with the assets of tomorrow in accordance with our digital strategy

- Balance the impact on natural capital with our financial objectives
- Increase benefits available from scrap recycling to reduce the impact on natural capital.

- Enhance customer relationships by driving innovation and servicing the customers of tomorrow
- Leverage government relationships to grow the local beneficiation of primary aluminium into a range of value added products

Our capitals enable us to carry out the activities that add value to Aluminium

ADDING VALUE THROUGH OUR ACTIVITIES



REMELT AND CASTING



ROLLING AND FINISHING



EXTRUDING



SCRAP RECYCLING



Refer to our business model on page 18.

Due to our activities, our capitals fluctuate and transform

TRANSFORMATION OF CAPITALS

Equity: Equity provider's book value R3,8 billion with a current market value of R1,4 billion. This indicator of impairment has been assessed on page 134 of the report. Retained earnings for the current year have decreased by R773 million. Dividends declared per share of 18 cents.

Borrowings

Net debt: R294 million
Net interest cost: R80 million

Cash generation

Net cash inflows from operating activities for the year ended 31 December 2018: R332 million

Our manufactured capital is subjected to wear-and-tear as finished goods are produced for sale to our customers to their quality specifications. The group takes asset management and maintenance programmes seriously and implements these programmes with consideration of production volumes lost. Management implemented a trade-off between its manufactured capital and its financial capital.

KEY SALIENT FEATURES

Production

Rolled Products: 228 000 tons
Extrusions: 17 000 tons

Additions

Rolled Products: R215 million
Extrusions: R26 million

Repairs and maintenance

Rolled Products: R261 million
Extrusions: R24 million

Depreciation

Rolled Products: R215 million
Extrusions: R26 million

Employee's competencies and capabilities are used in operating manufactured capital to produce finished goods for sale to our customers.

Where required employees are provided with various self-development opportunities through the talent management and development programme, financial assistance for academic studies and an employee wellness programme.

During the current financial year the group has shared R1,2 billion in value with employees through guaranteed and variable remuneration structures.

During the manufacturing process Hualamin's impact on natural resources is as indicated below:

	Carbon footprint (tons CO ₂ e)	Electricity consumption (KWh)	Gas consumption (GJ)	Water consumption (Kℓ)
2016	1,76	1 274	6,58	2,66
2017	1,68	1 241	6,55	2,49
2018	1,52	1 172	7,53	2,52

The group interacts with all stakeholders through a formalised stakeholder engagement process. The needs of stakeholders are identified and our strategic response is altered where required to respond to the material needs of our stakeholders. Through this the group continues to enhance the social and relationship capital it has established with stakeholders.

Definition of value

THINK FUTURE. THINK ALUMINIUM. THINK HULAMIN.

The Hulamin circle of synergy lies at the heart of our vision. The circle of synergy illustrates our commitment to our customers, our people and our communities and acts as the vehicle through which we frame, defined and provide value to our stakeholders and ourselves. Leveraging our key relationships Hulamin creates stakeholder value through delivering a high-tech, end-user focussed product, developing downstream capability in the local market and driving industrialisation through strong African partnerships whilst contributing to a better, more inclusive world.

Before defining the value we wish to create, we ensure we have the conducive foundations





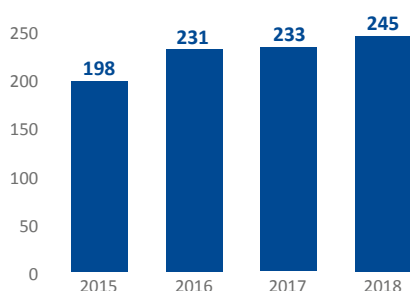
Value delivered

CUSTOMERS

Technical expertise and manufacturing capability

R241 m invested in sustaining manufactured capital

ANNUAL SALES VOLUMES (KTONS)

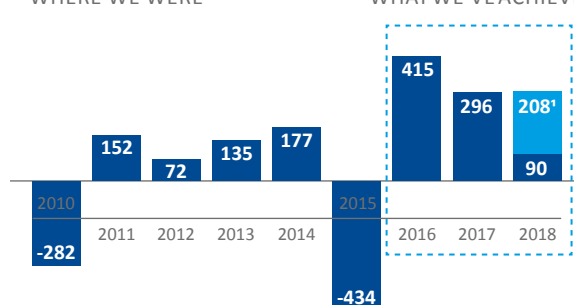


SHAREHOLDERS AND BROADERSTAKEHOLDER BASE

Generation of sustained free cash flow

WHERE WE WERE

WHAT WE'VE ACHIEVED



Full year dividend distribution
R57 m

Improved free cash flows result in a stronger balance sheet with improved debt covenant ratios

* For more information on free cash flow adjusted see the Supplementary information section of the financial capital report.

R11 534 m REVENUE $\wedge$ 12% (2017: R10 304 million)

— **R10 666 m** COST OF SALES $\wedge$ 16% (2017: R9 172 million)

— **R644 m** OTHER OPERATING EXPENSES $\wedge$ 18% (2017: R545 million)

+ **R277 m** OTHER GAINS AND LOSSES $\wedge$ 413% (2017: -R88 million)

— **R74 m** NET FINANCE COST $\vee$ 5% (2017: R78 million)

— **R134 m** TAXATION $\wedge$ 17% (2017: R117 million)

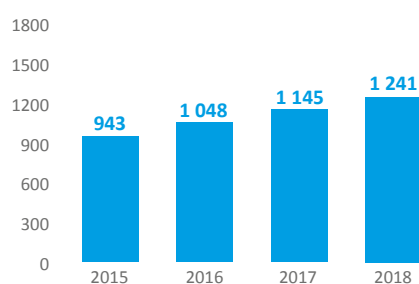
= **R293 m** TOTAL VALUE BEFORE IMPAIRMENT $\vee$ 4% (2017: R304 million)



EMPLOYEES

Employer of choice

ANNUAL REMUNERATION (R'000)

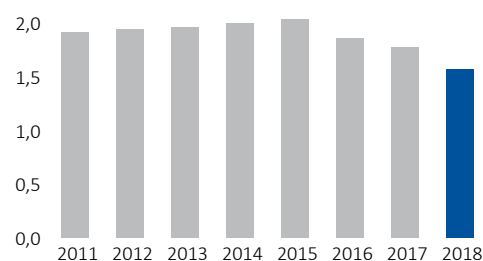


Introduction of the Hulamini Talent Universe Programme

R37 m invested in the training and development of our people

COMMUNITY

Creating opportunities in and giving back to the Pietermaritzburg community

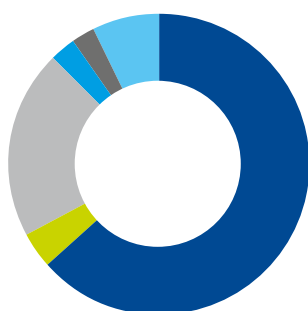
CARBONFOOTPRINT INTENSITY (TCO₂E/MT PRODUCTION)

R2 695 m invested through Enterprise Supplier Development

Sponsorship of annual Career Day Fair

CSI spend R4 m

TOTAL VALUE DISTRIBUTED



R9 814 m TO SUPPLIERS $\wedge$ 6% (2017: R8 800 million)

R774 m TO FINANCIERS $\vee$ 5% (2017: R778 million)

R1 240 m TO EMPLOYEES $\wedge$ 8% (2017: R1 145 million)

R127 m TO GOVERNMENT $\wedge$ 9% (2017: R117 million)

R48 m TO SHAREHOLDERS $>$ 0% (2017: R48 million)

Stakeholder engagement



GOVERNMENT

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Local, provincial and national government licenses us to operate and provides a supportive regulatory environment through tariffs and duties to level uneven regimes.

HOW WE HAVE ENGAGED

- Personal meetings and written correspondence through our Corporate Affairs Executive
- Participation in industry forums including Aluminium Federation of South Africa and the Manufacturing Circle

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Continual and responsible contribution to regional development through:

- Job retention and creation;
- Transformation and empowerment;
- Safer workplaces;
- Healthy competition among business;
- Energy consumption reduction; and
- Environmental sustainability.
- Investment in the economy.

STRATEGIC RESPONSE

- Development of the Richard's Bay hub to facilitate downstream development.
- Recycling initiatives to create employment opportunities and reduce energy consumption.
- The development of the Aluminium Beneficiation Initiative to identify and develop black entrepreneurs.

RESOURCES NEEDED TO RESPOND



PROVIDERS OF FINANCIAL CAPITAL

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Shareholders, investment community, creditors and lenders who provide us with the financial capital required to sustain our growth.

HOW WE HAVE ENGAGED

- Road shows and regular presentations.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Sustainable growth and return on investment through:

- Sustainable returns;
- Supportive regulatory and business environment; and
- Future growth for the business.

STRATEGIC RESPONSE

- Aggressively attack costs and develop cost-focused culture.
- Investing in capability and technical partnerships to develop new, higher value products.
- Improving free cash-flow generation to provide consistent returns to providers of capital.

RESOURCES NEEDED TO RESPOND



CUSTOMERS

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Our customers are down-stream manufacturers in various industries including, packaging, general engineering, automotive and transport and building and construction. We are reliant on our customers and potential customers to sustain revenue-generation and growth.

HOW WE HAVE ENGAGED

- Meetings and site visits.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Reliable service, good quality products and competitive prices through:

- Long-term security of supply;
- Consistent supply of products; and
- Improved manufacturing capability and product range.

STRATEGIC RESPONSE

- Secure metal supply through recycling facilities and the acquisition of Isizinda.
- Improve customer on-time delivery performance by re-engineering the sales and operations planning approach.
- Investing in digital to develop intellectual property for the assets of tomorrow

RESOURCES NEEDED TO RESPOND



Effectiveness of engagement – KEY



Effective



Sufficient



Improvement to be made



SUPPLIERS

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Suppliers of metal and other products and service providers are important, as we are reliant on them to provide safe, good quality and good value products and reliable services that support growth.

HOW WE HAVE ENGAGED

- Meetings and site visits
- Performance audits and reports.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

**ISSUES RAISED**

Continued growth of operations and relationships through:

- Long-term supply contracts;
- Efficient payment cycles.

STRATEGIC RESPONSE

- Focus on enterprise development spend to grow small upcoming suppliers
- Facilitating partnerships between established and emerging enterprises to allow for skills transfer
- Establishment of supply contracts with performance management metrics.

RESOURCES NEEDED TO RESPOND



EMPLOYEES

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Employees are the key underpin to achieve operational performance and objectives.

HOW WE HAVE ENGAGED

- Internal newsletters
- Employee engagement survey
- Shop floor briefings
- Communication boards
- "Town Hall" meetings

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

**ISSUES RAISED**

Provision of gainful and safe employment through:

- Employment security;
- Safe working conditions;
- Competitive remuneration and benefit packages;
- Workforce transformation;
- Information and communication; and
- Participation and empowerment.

STRATEGIC RESPONSE

- Continued investment through training and development.
- Strategic transformation targets.
- Talent pipeline.
- Bursary schemes.
- Employee share ownership plan.

RESOURCES NEEDED TO RESPOND



COMMUNITIES

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

We build and nurture existing relationships, and create a conduit to better understand community needs and interests. This allows us to contribute to transformation, enterprise development and various corporate social investment initiatives.

HOW WE HAVE ENGAGED

- Public meetings
- Community outreach programs

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

**ISSUES RAISED**

Responsive contribution to community interest and needs through:

- Support for key community developments and activities;
- Sponsorships and donations;
- Employment opportunities; and
- Support for environmental initiatives.

STRATEGIC RESPONSE

- Continued commitment to established CSI programmes.
- Reduced carbon emissions for a cleaner environment.

RESOURCES NEEDED TO RESPOND





Strategic leadership

- 30 Board of Directors
- 31 Executive Committee
- 32 The External Environment
- 34 Unpacking the Strategy
- 36 Our Performance Scorecard
- 38 Risk Management
- 50 Chief Executive Officer's Report

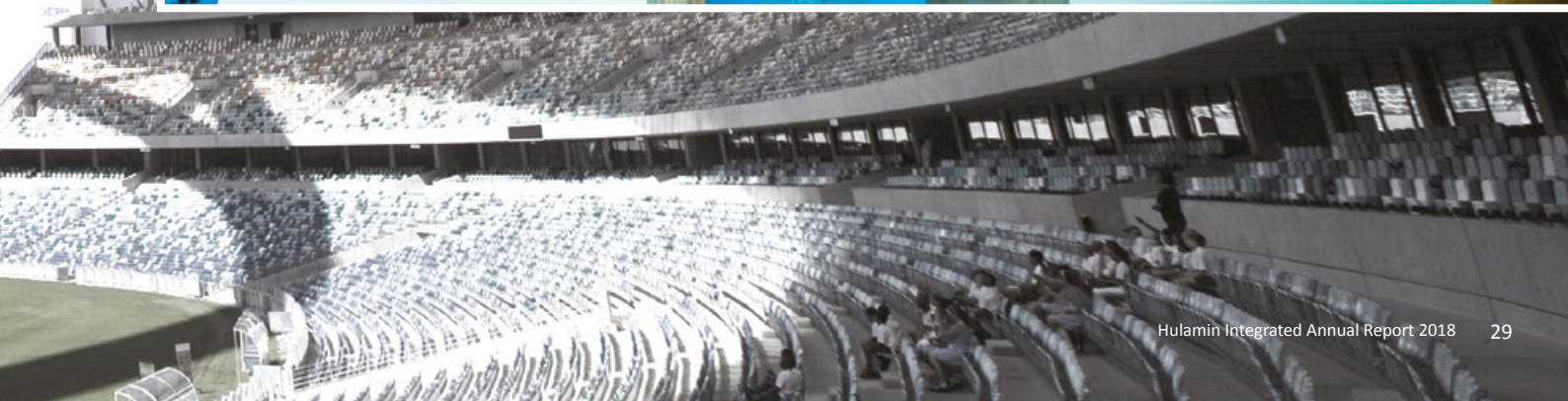


Strategic leadership

The board is diverse in demographics, skills and experience to provide strategic leadership to the group

63%

Non-executive independent executives



Board of directors



THABO PATRICK LEEUW (55)
Chairman of the board

RHSECCRN



RICHARD GORDON JACOB (53)
Chief executive officer

RHSETSE



CHARLES ALEXANDER BOLES (49)
Independent non-executive

RNA



VUSI NOEL KHUMALO (56)
Non-executive

TSECC



ROBERT LARSON (63)
Independent non-executive

RHSE



ANTON PAUL KRULL (44)
Chief financial officer

RHSE



NARAN MAHARAJH (52)
Independent non-executive

ARHSECC



NOMGANDO MATYUMZA (55)
Independent non-executive

ARNCC



DR BONAKELE MEHLOMAKULU (46)
Independent non-executive

RHSETSE



MOSES ZAMANI MKHIZE (57)
MD: Hulamin Rolled Products

RHSE



SIBUSISO NGWENYA(65)
Non-executive

TSE



PETER HEINZ STAUDE (65)
Independent non-executive

RHSECC



GEOFFREY HAROLD WATSON (67)
Independent non-executive

RNRHSECC



GCINACECILZONDI(45)
Alternative non-executive

The Hulamin Group Board of Directors provides strategic leadership to the group with due regard to all stakeholders. The Board is diverse in demographics, skills and experience and consists of 63% independent non-executive directors, 19% non-executive directors and 18% executive directors.

BOARD DEMOGRAPHICS



- ACI male 43%
- White male 43%
- ACI female 14%

ACI: African, Coloured and Indian

COMMITTEES

- A** Audit Committee
- CC** Chairman’s Committee
- RN** Remuneration and Nomination Committee
- RHSE** Risk and Safety, Health and Environment Committee
- TSE** Transformation, Social and Ethics Committee

The executive committee



**RICHARD GORDON
JACOB (53)**

Chief executive officer
Joined Hulam in 1990



**ANTON
KRULL (44)**

Chief financial officer
Joined Hulam in 2008
Rejoined Hulam in 2016



**MOSES
MKHIZE (57)**

MD: Hulam Rolled Products
Joined Hulam in 1982



**AYANDA
MNGADI (44)**

Corporate affairs
Joined Hulam in 2016



**HECTOR
MOLA (52)**

Business development
Joined Hulam in 1993



**CLAYTON
FISHER (42)**

Strategy and supply chain
Joined Hulam in 2009



**MARLENE
JANNEKER (46)**

Human capital
Joined Hulam in 1995



**FRANK
BRADFORD (58)**

Metal supply
Joined Hulam in 1993



**DARRYL
WEISZ (55)**

MD: Hulam Extrusions
Joined Hulam in 2012



**MARLON
REDDY (49)**

Technical and safety
Joined Hulam in 2001



**RODNEY GREEN-
THOMPSON (44)**

*Manufacturing director:
Rolled Products*
Joined Hulam in 1994



IAN SMITH (49)

Sales and marketing
Joined Hulam in 2003



**ZITHULELE
GUMELE (46)**

Market development
Joined Hulam in 1991
Rejoined Hulam in 2017

The Executive Committee is responsible for delivering the strategic objectives as set by the Board of Directors. The Group Executive Committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and 11 other suitably skilled and experienced members of senior management.

EXECUTIVE DEMOGRAPHICS



Refer to our website at www.hulam.co.za for a detailed résumé of the Board of Directors and of the Executive Committee.



● White male 46%
● ACI male 38%
● ACI female 15%

ACI: African, Coloured and Indian

Note: Ages quoted are at 31 December 2018.

The external environment

Our business does not exist in isolation. As we compete in the world semi-fabricated aluminium market with more than 50% of our goods exported, we are exposed to market forces and developments both within and outside of our borders.

In this context it is important that we understand:

- The drivers behind these dynamics and how they interact,
- Their implications for our business, and
- How we can best navigate them in the short, medium and long term.

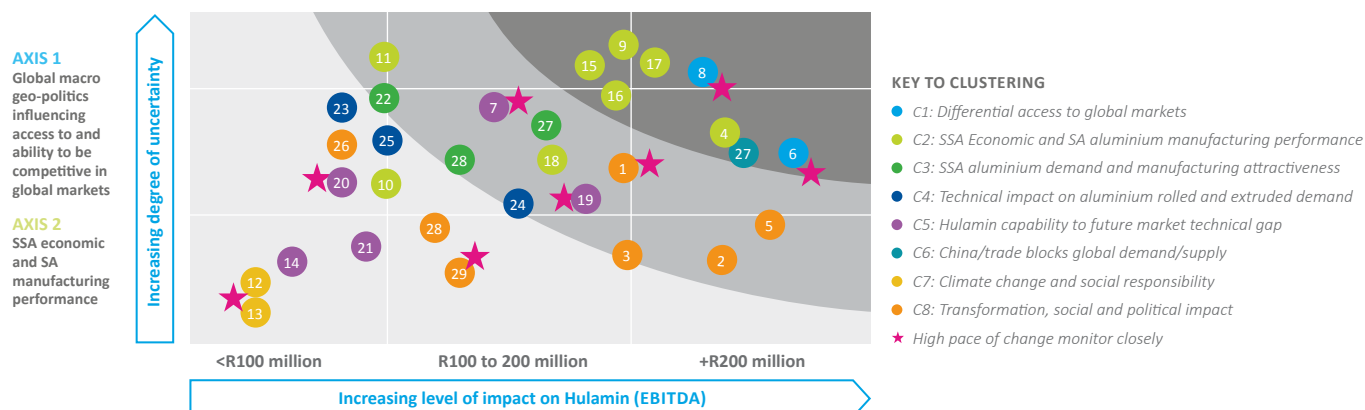
Scenario planning methodology described in the Risk management section is used to analyse the external and internal environment.

Hulamin five year scenarios

In order to derive five-year scenarios, Hulamin analysed all the driving forces impacting its business. By clustering the drivers and looking at correlations and impact between them, eight underlying forces have been identified as shown in this picture.

In the two to five-year time frame, the two most uncertain forces with the biggest impact on Hulamin formed the two axes that were used to describe possible future scenarios:

- Global macro geo-politics influencing differential access for Hulamin to global markets
- South African economic and manufacturing performance



From the above analysis Hulamin then identified the following four scenarios (see next page) as relevant to Hulamin over the two to five year timeframe:

During 2018, the SA economy remained sluggish and polarisation worldwide increased, moving us to “Most favoured nation”. Pricing pressure in SA increased whilst opportunities for Hulamin in the USA improved. Depending on the results of the South African elections and traction of a possible “new dawn”, we could move to “Best of times” in 2019/2020, but should be ready for potential slide to “Proudly African” or even “Things fall apart” if we lose differential access to global markets. We regard the four scenarios as possible futures and have developed a strategy incorporating “no regret” capability build enablers and specific strategic options, to be triggered by future events.

The main purpose of describing the scenarios is to identify the likely characteristics of each scenario (i.e. review all the key driving forces and trends in the risk register under each scenario) and how this will impact Hulamin so that strategic actions and options can be developed.

Refer to page 48 for strategic enablers, capabilities and options. These were used to inform the strategic response (page 35).

High differential access and ability to
compete in chosen export markets
(**POLARISATION**)

SCENARIO 3 MOST FAVOURED NATION

- International trade policies focus on China and enable Hulamin to attractively access chosen export markets
- Weaker Rand prevails
- Economic growth in SSA over recent years does not translate into benefit for Africans and inequality levels continue to widen – ensuing social and political instability results in subdued economic progress in SSA.
- Despite more subdued local demand, local operating environment does not preclude Hulamin from being able to compete effectively on global stage

SCENARIO 1 THE BEST OF TIMES

- Thriving local economy results in strong local demand and is supported by beneficial industrial and manufacturing policy (including trade protection)
- Demand in SSA fuelled by growing middle class, however polarised world results in uneven FDI (mostly from Asia-Pacific, especially China), uneven and isolated growth and higher competition in SSA region from China as they get “closed out” of other key markets.
- International trade policies remain focused on China and do not inhibit Hulamin access to export market at attractive margins, despite relative Rand strength

Struggling SSA economy with continued decline in South African manufacturing sector (**COMING UP SHORT**)

SA ECONOMY & MANUFACTURING

SECTOR PERFORMANCE

Strong SSA economy driving industrialisation, resurgence of South African manufacturing sector (**NEW DEAL**)

SCENARIO 4 THINGS FALL APART

- Counter-productive policy choices lead to deterioration of South Africa's competitiveness and economic health resulting in weakening of terms of trade and subdued domestic demand and rising sovereign risks
- SSA regional integration improves, but non-inclusive growth agenda results in social instability and sub-optimal growth across the region.
- Poor operating environment/ infrastructure means Hulamin is globally uncompetitive, exacerbated by Chinese material permitted access to global markets

SCENARIO 2 PROUDLY AFRICAN

- Strong local demand driven by thriving and stable SA local economy
- Strong SSA economy with inclusive growth agenda and infrastructure investments that support local manufacturing. Strong FDI in SSA from a range of countries including US, Europe, China. Regional FTA in place provides RSA differential access to rest of SSA.
- However, relatively open key export markets pervasive and impacts Hulamin's ability to compete abroad (especially in US and EU)

Low differential access and ability to compete in export markets (**GLOBALISATION**)

GOVERNMENT IMPACT ON DIFFERENTIAL ACCESS TO MARKETS

Hulamin have highlighted key issues relating to these categories of driving forces, which affected our business in 2018 as well as our approach to managing the challenges and opportunities that they represent. These key issues and risk factors from the scenario are described in detail in our Risk register summary on pages 44 to 47. By putting ourselves in the future, Hulamin have gained a much better understanding of what to do pre-emptively in different scenarios and have identified early warning signals (“flags”) that need to be monitored.

Unpacking the strategy

MATERIAL MATTERS

The Executive Committee has undertaken a situational analysis to determine possible future scenarios that could form the basis of Hualamin's external environment in the medium term. For each identified scenario the Executive Committee has developed strategic options and actively monitors how the future is unfolding to assess which scenario, or combination of scenarios, are becoming increasingly likely and how Hualamin can influence the outcome of each scenario for the benefit of all stakeholders.

Hualamin's strategy is flexible and agile to allow the Executive Committee with the ability to adapt to changes in the external environment. During the current year, the following material matters had the most material impact on the outcomes of our strategic objectives in the current financial year and have continued to shape our short-term strategic objectives for 2019. More details about our external environment and an analysis of our risks and opportunities are provided on page 32 and pages 38 to 49.

THREAT: Global over-supply of aluminium rolled products.

THREAT: Stagnant local market demand for extruded products accompanied with Chinese dumping.

THREAT: Commoditisation of key products places pressure.

OPPORTUNITY: The world seems to be moving towards polarisation, which may provide protection in the South African market, and new opportunities where Hualamin enjoys preferential access to export markets.

OPPORTUNITY: Pressure is building in various industries to ensure environmental sustainability materials are used. Aluminium is fully recyclable at lower energy inputs than required for primary aluminium production.

OUR ENABLERS

To drive short-term cash flow delivery through a range of additional operational improvements, whilst developing capabilities required to implement long-term strategic objectives and position the group for growth. The below key enablers are required:

Enabler	Driving focus cluster	Reference
E1. Transformation	Transformation, social and political impact	C8
E2. Talent management	Hualamin capability	C5
E3. Sustainability	Climate change and social responsibility	C7
E4. Supportive regulatory environment	South African economic and manufacturing performance	C2
E5. Enterprise performance management	Hualamin capability	C5

Refer link to enablers and strategic capabilities as key risk mitigating requirements for Hualamin on page 48.

OUR STRATEGIC RESPONSE

1

Drive cash-flow to earn the right to invest

Free cash-flow generation is the core requirement to enable the group's medium-term and long-term strategy. In order for the group to remain competitive and sustainable, it must improve performance in the following three areas:

1(a) Benchmark operational performance

Benchmark operational performance drives cash-flow delivery through:

- increasing sales volumes aligned to product mix enhancements;
- reducing costs;
- increasing scrap inputs; and
- mitigating operational risk

1(b) Reducing investment in working capital

The group has focused on embedding a working capital and efficiency improvement programme that will realise systematic improvements in both trade receivables and inventories.

1(c) Product and market segment re-positioning

The group is currently implementing a rationalisation programme to reduce unprofitable complex products, optimising the mix and increase higher margin products. Niche product focus will assist in improving margins.

KPI

Free cash-flow generation over the next five years in excess of R3 billion, supported by:

- Sustainable reduction in inventory and trade receivables days on hand
- Production volume growth
- Cost reduction and improvement
- Overall USD/ton conversion margin
- Percentage metal inputs from recycled scrap

2

Build capabilities to enable future business model execution

Business capability refers broadly to the ability of the group to deliver its strategic objectives. Business capability consists of people, process and systems which need to work in synergy to ensure successful delivery of Hualamin's longer-term vision under any unfolding scenario. The scenarios described on page 33 identified key risk mitigating factors in the following areas:

2(a) Technology research and innovation

Hualamin seeks to foster a strong innovation culture by working closely with customers, suppliers and partners, co-creating and investing in new innovative products through the use of relevant technologies to enhance skills development, process capability and product development capability.

2(b) New product and market development

The group is currently investing in additional capabilities to improve market research and analysis and becoming a leader in introducing new products and alloy properties into markets. Niche product development will assist in improving margins and volumes in new growth segments.

2(c) Internet technology and digitisation

A digital innovation strategy can unlock many opportunities in current operations, while positioning Hualamin for global competitiveness across its operations and the value chain from suppliers to customers. Hualamin is undertaking a digitalisation strategy process that will seek to leverage emerging technologies that are collectively referred to as part of 'Industry 4.0'.

3

Implement the strategic business model changes

With increasing global competition in aluminium rolled products, for Hualamin to achieve a step change in margin realisation in the future, a significant shift is required in the manner in which we operate.

Supported by improving free cash-flow generation and investment in strategic capabilities, Hualamin seeks to implement a new strategic business model that includes:

- product range simplification and focus on niche higher-value product range;
- partnering with low-cost operators to supply sub-Saharan Africa and global markets in beverage cans and packaging segments, leveraging the Hualamin brand;
- investment in downstream manufacturing capabilities to secure niche market segments;
- harnessing the power of scrap metal; and
- investing in business of the future.

The evaluation and investment in these business model changes are guided by the strategic risk management process described from page 38, with strategic options (see page 49) derived from the scenario planning exercise only triggered when the identified flags indicates specific unfolding scenarios.

Our performance scorecard

Our performance scorecard provides an overview of how we have delivered in the year and tracks and reports how we create value through the use of our manufactured capital. It shows our progress against several Key Performance Indicators (KPIs) that are linked to the delivery of our strategy to create value for our stakeholders.

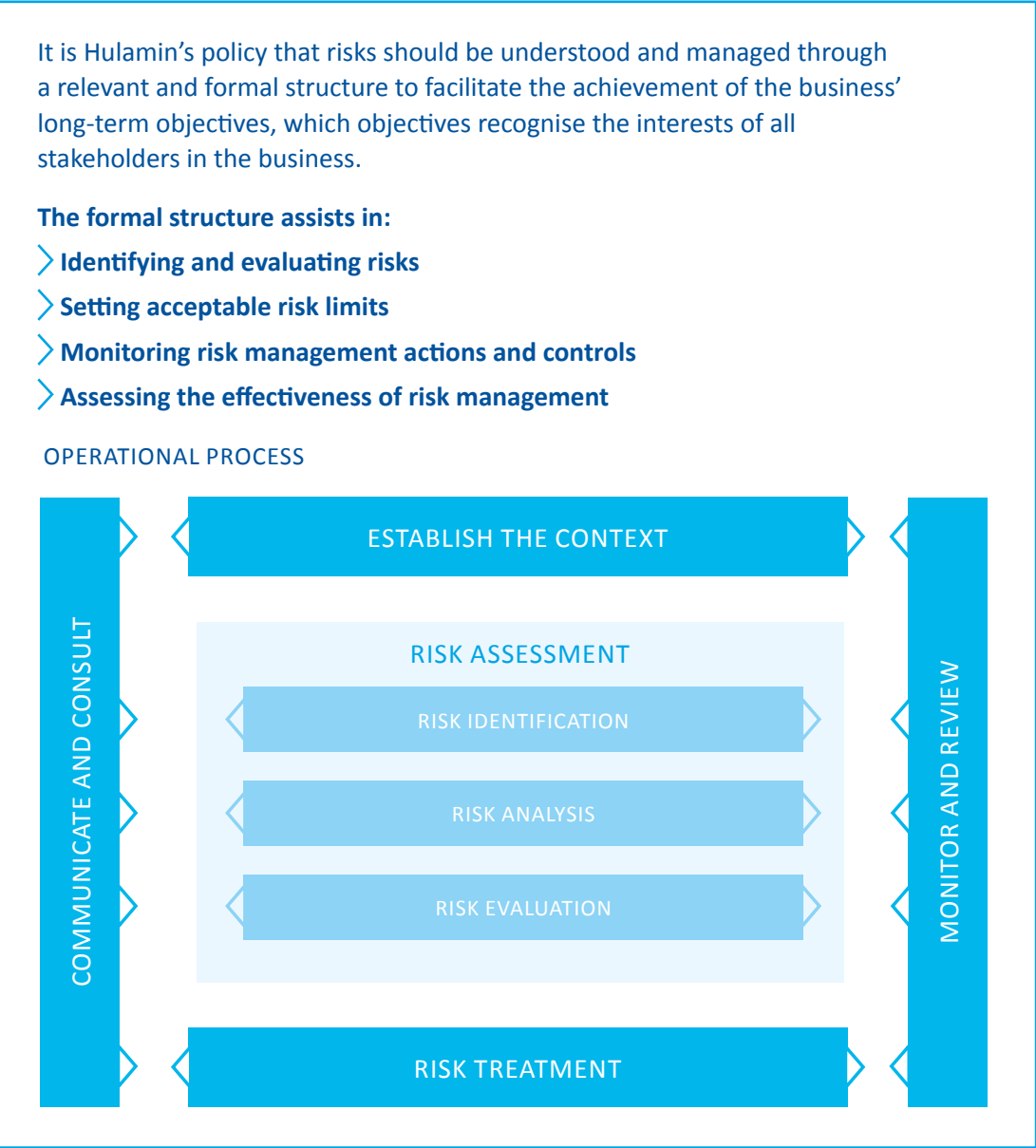
KPI	2018 Target	2018	2017	2016
Sales volume	>240 000 tons per annum	245 310	233 210	231 583
Rolled Products production volume	>215 000 tons per annum	223 756	214 339	211 436
Overall yield	>67%	66.1%	66.9%	67.4%
Rolled Products conversion cost per ton (index)	Cost reduction of R100 million to maintain unit cost level	95.0	90.1	95.7
USD/ton rolling margin (index)	Increasing average margins	85	82	83
Scrap as % of metal input	12% of metal requirement	11%	11%	8%
Energy consumption intensity (GJ/MT Production)	Constant or decreasing per metric ton produced	11.89	11.54	11.68
Carbon emissions intensity (MT CO₂/MT production)	Constant or decreasing per metric ton produced	1.52	1.68	1.76
Water consumption intensity (Kℓ/MT production)	Constant or decreasing per metric ton produced	2.52	2.49	2.66
Lost time frequency rate	<0.18	0.05	0.22	0.03

KPI	2018 Target	Performance
Sales volume	Sales volume in excess of 240 000 tons per annum	Risk mitigation systems continue to be effective and plant reliability stable. Consequently another record year of sales volumes, 245 000 tons for the group (and a record 228 000 tons for Rolled Products), was achieved.
Rolled Products production volume	Rolled Products production volumes in excess of 215 000 tons per annum	Rolled Products built on the strong manufacturing performance delivered in the prior year as the plant continued its strong performance. Rolled Products again achieved record production levels of 223 000 tons in the current year.
Overall Yield	Yields greater than 67%	Yields continue to remain stable as manufacturing performance remains reliable due to the implementation of appropriate asset life cycle planning.
Rolled Products conversion cost per ton (index)	Managed cost increases	The group continues to drive cost saving initiatives to minimise the cost base.
USD/ton rolling margin (index)	Increasing average margins	Rolling margins showed improvement on the prior year as Hulamín finds benefits from the anti-dumping and countervailing duties imposed by the USA on China.
Scrap as % of metal input	12% of metal requirements	Scrap inputs remain largely consistent with the prior year although lower sales of can body stock in the local market.
Energy consumption intensity (GJ/MT production)	Constant or decreasing metric ton produced	The group continues to put in place measures to lower energy consumption intensity. The group's energy consumption consists of fuel gases (61%), electricity (35%) and liquid fuels (4%). Specific actions to reduce our energy consumption is available in our sustainability report available at www.hulamin.co.za .
Carbon emissions intensity (MT CO₂/MT production)	Constant or decreasing metric ton produced	The group converted a number of furnaces to natural gas with 2018 being the first full year with a new energy mix. The change in the energy mix had a positive effect on GHG emissions as natural gas has a lower carbon footprint than LPG.
Water consumption intensity (Kℓ/MT production)	Constant or decreasing metric ton produced	The group continues to find ways to decrease water consumption. The objective is to migrate to an automated water management system to allow better understanding of water consumption trends so that future reduction opportunities are identified. Further information on Hulamín's water reduction efforts is available in our Sustainability Report available at www.hulamin.co.za .
Lost time frequency injury rate	<0,18	Hulamín continues to monitor high-pontial hazards and incidents that caused injuries from them and improve safety behaviour and conditions. Further information on our safety interventions can be found in our Sustainability Report which is available at www.hulamin.co.za

Risk management

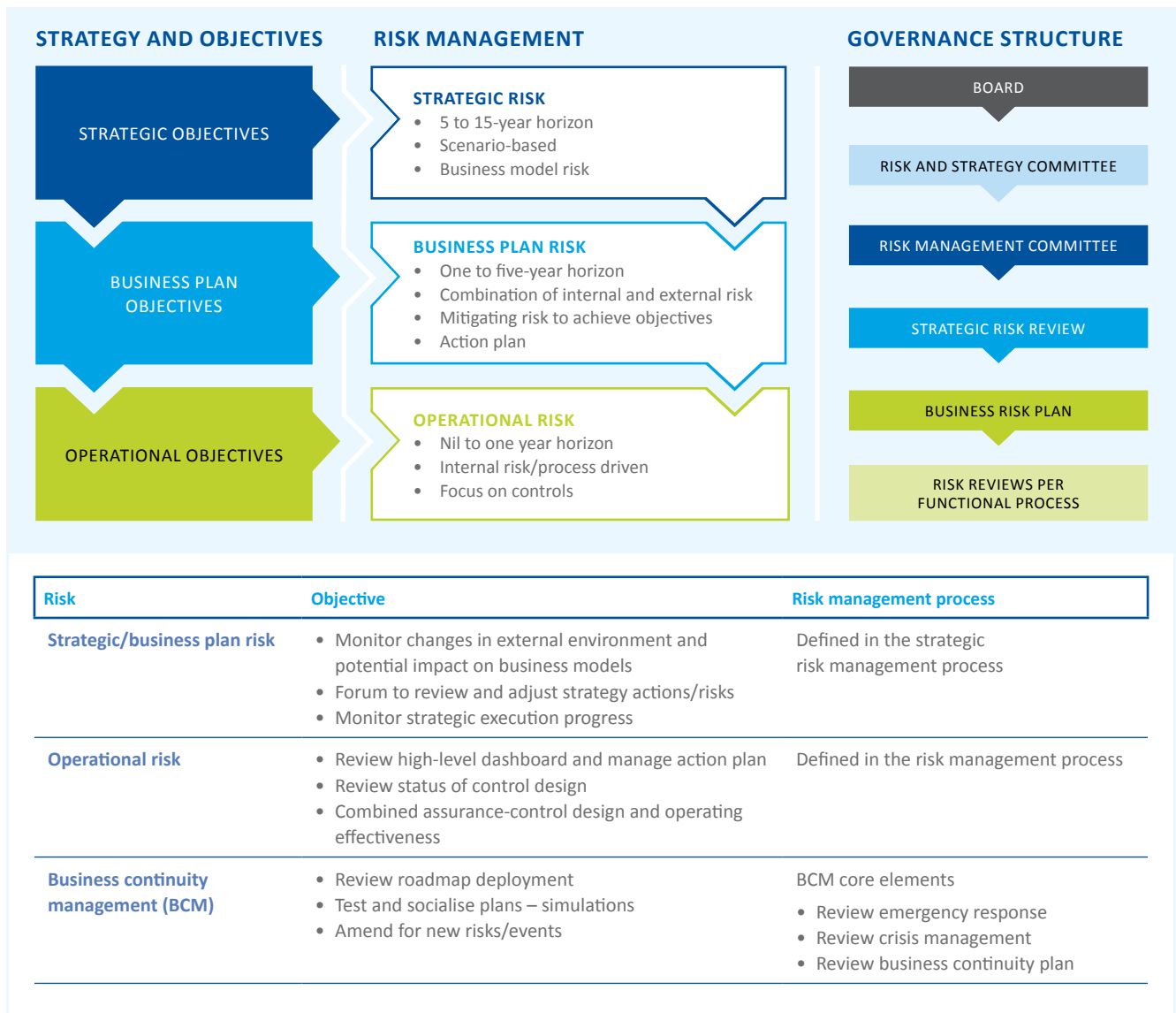
INTRODUCTION

The employment of an effective risk management process is critical to Hulamín achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. Hulamín recognises that risk is intrinsic to the business and that there is a balance to be struck between managing risk and exploiting opportunities. The group’s response to identified risks includes acceptance, avoidance, transfer and mitigation, as informed by the group’s risk appetite and tolerance levels as shown in the diagram.



RISK MANAGEMENT FRAMEWORK

Hulamín’s risk management framework provides the basis for the implementation of a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact Hulamín’s objectives. The framework also addresses the specific responsibilities and accountabilities for the Enterprise Risk Management (ERM) process and the reporting of risks and incidents at various levels within Hulamín. Hulamín’s risk management and governance structures, are aligned to its strategic and business objectives.



The framework, ISO 31000, which has been adopted by the group and assists Hulamín with:

- the aligning of its risk appetite and strategy;
- pursuing business objectives through transparent identification and management of acceptable risk;
- prioritising risks to ensure that resources and capital are focused on high-priority risks faced by the group;
- enhancing risk response decisions;
- reducing operational surprises and losses;
- identifying and managing multiple and cross-enterprise risks;
- seizing opportunities and developing strategic options;
- improving allocation and deployment of capital;
- ensuring compliance with laws and regulations; and
- increasing the probability of achieving objectives.

RISK MANAGEMENT GOVERNANCE REVIEW

The board of Hulamín is ultimately responsible for the governance of risk of the group and assumes overall ownership thereof.

The board carries out its responsibilities for risk management via the Risk and the Strategy Committee which has oversight of the group’s enterprise risk management framework, policy and processes.



There is also a Hulamín Risk Management Committee, a sub-committee of the Hulamín Executive Committee, accountable to the Risk and Strategy Board Committee for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the various departments.

The Hulamín Executive Committee, supported by management, supports Hulamín’s risk management philosophy; promotes compliance with Hulamín’s risk appetite; identifies, assesses and manages risks within their spheres of responsibility consistent with risk appetite and tolerances; and manages the implementation of risk reduction actions and appropriate internal controls.

All Hulamín employees are responsible for executing enterprise risk management in accordance with established directives and protocols.

A number of external stakeholders often provide information useful in effecting enterprise risk management, but they are not responsible for the effectiveness of Hulamín’s enterprise risk management.

Various external and internal parties provide risk assurance and compliance. The Hulamín Risk Management committee coordinates cross functional scenario teams (internal and external expert sources) to institutionalise the monitoring of scenario flags and appropriate strategic and tactical responses.

PRINCIPLE RISK

The Risk Management Committee conducts a formal review of the most significant risks and the group’s responses to these risks three times a year.

The key strategic risks of the group, extracted from the group risk register, are shown in the table on pages 44 to 47. These risks have been assessed according to materiality and likelihood on an inherent and residual risk basis.

INTERNAL CONTROL AND ASSURANCE

The Hulamín board is responsible for establishing and maintaining an effective system of internal control which is designed to provide reasonable assurance that the group’s business objectives will be achieved in accordance with the group’s risk appetite.

A key element of the system of internal control is the review by assurance providers who assess the adequacy and effectiveness of the controls.

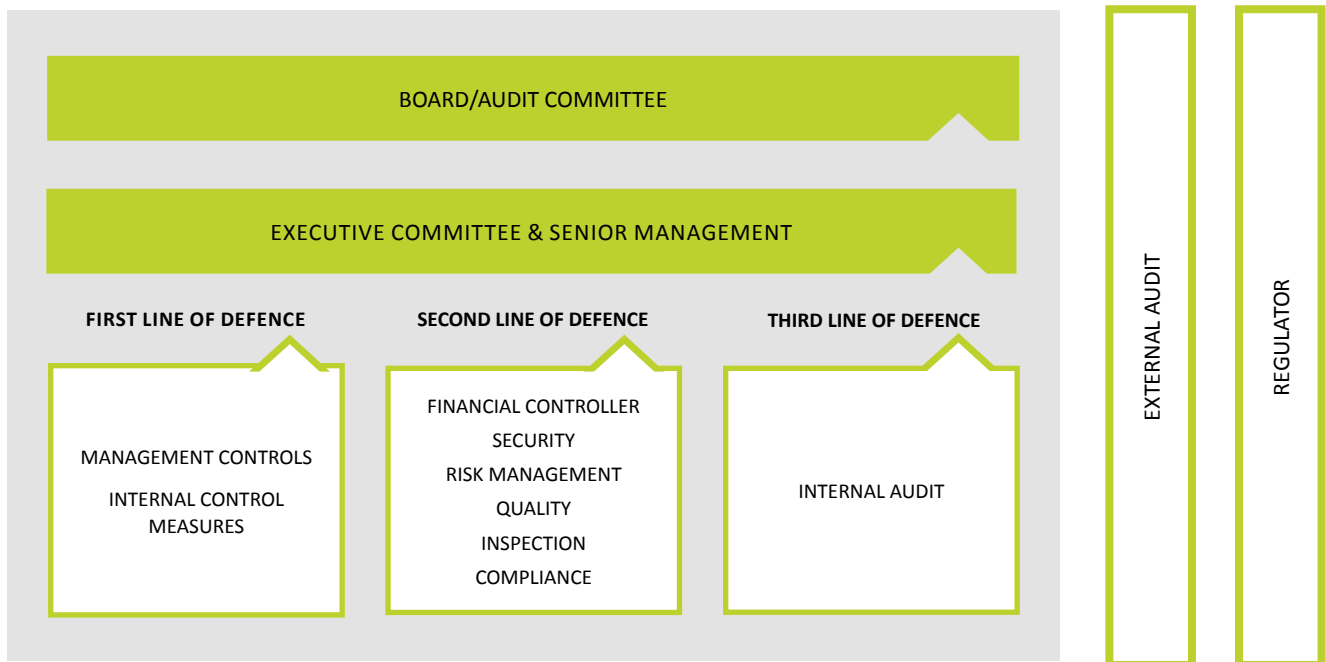
The group’s internal audit function is responsible, *inter alia*, for the following:

Effectiveness of internal controls and risk management

Internal audit provides a written statement annually to the board on the effectiveness of the systems of internal control and risk management.

Specialist assurance providers are used to assess the adequacy and effectiveness of controls in certain instances. These include environmental and safety audits. The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls in place are adequate and effective. This assurance recognises that the organisation is dynamic and that at any point in time there are new areas of risk exposure which may require management attention. As such, there is a continual focus on ensuring that the control environment is understood and maintained at the required level.

Assurance efforts are documented in the combined assurance plan.



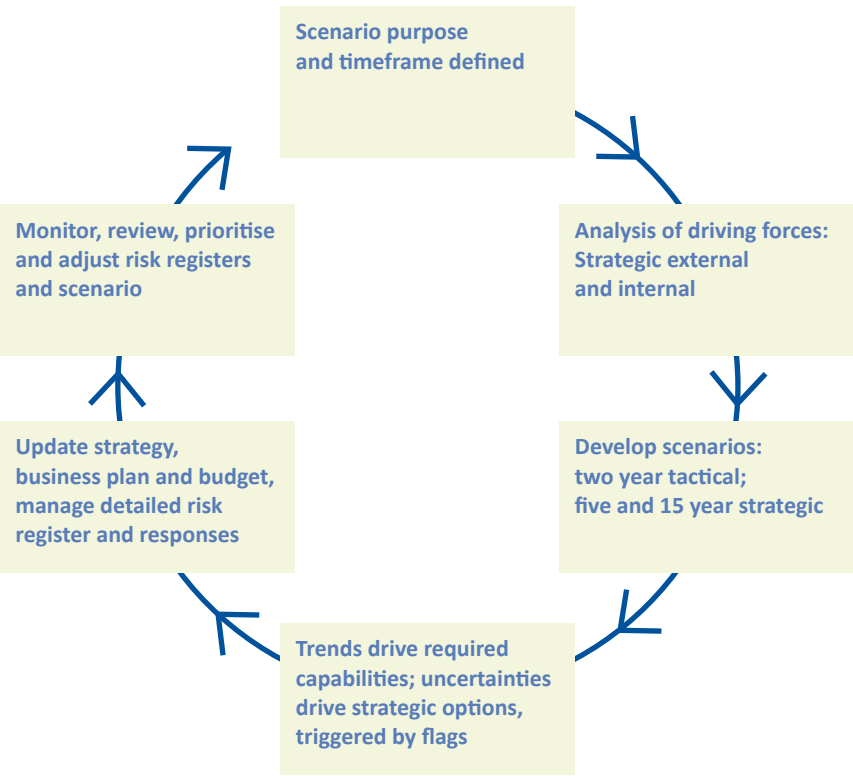
2018 Risk Focus Summary

Reflecting on 2018	Status	Comment
Focus in risk culture and embedding risk	Ongoing	Multi-year workplan
Risk review session	Completed	
Risk appetite review	Completed	Clarify and explained
Operational risk framework	Completed	
Strategic risk framework and risk scenario planning	In progress	Methodology agreed, implementation underway
Developed risk procedure and processes	Ongoing	Achieved ISO 9001 and new IATF certification which included process risk management.
15,5 and 2 year scenarios	Ongoing	Multi-year work plan
Embedding business continuity management	Ongoing	Multi-year work plan

2019 Focus

Risk culture and embedding risk
15 year scenario linked to strategic options
Advancing risk controls and KPI via process optimisation
Focus on operational risk mitigation and controls linked to KPIs

SCENARIO PLANNING METHODOLOGY INTEGRATES WITH STRATEGIC RISK MANAGEMENT, STRATEGY AND BUSINESS PLANNING



Hulamin uses two- and five-year scenarios to measure and manage the risk of not achieving its business plan objectives. Enhanced by 15-year scenarios, scenario planning is used to drive strategy development.

As such, scenarios contribute to stimulating strategic thought and communication within Hulamin and with its stakeholders; improving internal flexibility of response to environmental uncertainty. They support and inform our decision-making and strategy formulation function, with respect to arriving at decisions; working out options; identifying indicators for taking action; and evaluating decision-making processes.

Scenarios are developed over different time frames to measure the impact on Hulamin of key uncertainties as far as it relates to very specific focal points:

Short-term scenarios

How can Hulamin respond tactically to minimise risks to its achieving its 18 to 24 month objectives and exploit opportunities and develop strategies to optimise execution of its five-year business plan?

Long-term scenarios

How will Hulamin be value adding to its stakeholders over the next 10 to 20 years?

Scenario planning is therefore embedded in the Risk management process and aligns risk management, business planning, budgeting and strategy development and execution for Hulamin. (Refer to page 32 for our external environmental assessment.)



The key risks in Hualamin's risk register are summarised into the table below with appropriate responses.

Trend	Emerging uncertainty	Subsidiary risk
SA economic and manufacturing performance Weak economic climate in South Africa. Political uncertainty, unclear policy direction.	1. Sovereign rating downgrade by rating agencies of local-currency denominated debt below investment grade.	Dramatic weakening of currency resulting in short-term liquidity constraints.
	2. Low growth in the local market.	Low economic growth. Constrained local market demand for aluminium semi-fabricated products.
		Potential withdrawal of foreign investment. (Key customers withdraw from South Africa).
		Reduced investment in and/or failure of infrastructure: • Ports • Roads • Energy • Water
Differential access to global markets Global oversupply of aluminium semifabricated products, driven by continued capacity investments in China • Investment in capacity exceeds demand growth, leading to flat/lower utilisation rates over the next 10 years	3. Increased competition in global and local markets for market share.	Rolling margins in key product categories continue to decline in USD terms.
	4. Increased relevance of access to required technology and skills to develop products of the future.	Inability to develop new high value, niche products to improve business profitability and long-term sustainability.
Differential access to global markets Growing trend in protectionist trade policies around the world and support to local manufacturing industries.	5. Chinese aluminium producers get closed out of key markets such as USA through punitive tariff protection measures.	Hualamin gains an advantage over Chinese competitors to supply key markets such as USA.
	6. South Africa's preferential trade access into key developed markets is reviewed.	Competition in South Africa from low cost countries increases substantially.
		Loss of competitive advantage relative to other exporters into developed markets.

Enablers

E1 Transformation

E2 Talent management

E3 Sustainability

E4 Supportive regulatory environment

E5 Enterprise performance management

Risk type	Risk response	Link to strategy and enabler	Capital impacted	Risk trend
THREAT/ OPPORTUNITY	- Amend currency metal hedge strategy to reduce cash flow volatility. - Committed working capital in place with adequate headroom. - Reduce working capital investment by focusing on inventory efficiencies and cash cycle improvements to reduce cash flow volatility.	 	Financial	Increasing
THREAT	- Seek growth opportunities through new products. - Shift mix as appropriate to higher value export opportunities. - Develop regional (Africa) growth plan.	 	Financial	Increasing
THREAT	- Engagement with multinational customers to promote Hulamín's value proposition in South Africa. - Cooperate with industry and government regarding incentive programmes for industrial development coupled with local sourcing.	  E4	Financial Social/ relationship	Stable
THREAT	- Shift in Hulamín's product mix to higher value OEM sectors with lower dependence on infrastructural projects. - Monitor capability of outgoing logistics; road, rail and port infrastructure. - Reduce electricity usage through energy efficiency projects. - Reduce water consumption and install backup water reservoirs. - Diversify gas supply to limit dependence on a single source.	  E4	Manufactured/ Natural	Stable
THREAT	- Drive improved product mix, by: - Growing proportion of current high value products in overall mix (and reduce low margin export common alloy volumes) - Improve routes to market and niche positions in current high value products - Develop new, higher value products with focused investments in finishing capability. - Monitor competitor actions - Pursue manufacturing excellence and low cost of production - Develop local and regional sales, including the promotion of local market OEM type products	  	Financial/ Social/ relationship	Increasing
THREAT	- Maintain strong relationships with current technology partners/ consultants, industry experts and academic institutions - Develop local R&D network and aluminium technology centre(s) through CSIR/DST and AFSA.	 E2	Intellectual/ Human	Stable
OPPORTUNITY THREAT	- Grow sales of high value products in key developed markets such as USA. - Route to market optimisation	 	Financial Manufactured Social/ relationship	Increasing
THREAT	- Focus on developing OEM market sectors in SA. - Enhance non-tariff businesses where possible. - Pursue tariff protection where necessary.	  E4	Financial Manufactured Social/ relationship	Increasing
THREAT	- Engage with DTI and international trade authorities to understand and influence direction of trade policies. - Focused product/market development programme to grow high value product sales in a variety of domestic, regional and export markets. - Focus on product development and innovation with key OEM customers.	   E4, E2	Social/ relationship Financial Manufactured	Increasing

 Drive cash-flow to earn the right to invest Build capabilities Implement the strategic business model

Trend	Emerging uncertainty	Subsidiary risk
SA Economic and manufacturing performance Economic activity curtailed by energy scarcity due to delayed investment in infrastructure and production/conversion capacity.	7. Energy scarcity in South Africa.	Inconsistent supply of and increasing cost of electricity. Uncertainty in sustainability of Hillside smelter.
Climate change and social responsibility Accelerating impact of climate change, and increasing global environment regulations.	8. Local and international resolve towards low-carbon economy.	Introduction of Carbon Tax in South Africa curtailing manufacturing growth.
	9. Water scarcity.	Disruption to manufacturing operations.
Global geo politics and SA economic manufacturing performance A weakening of the US dollar, whilst at the same time South African political stability improves, supporting foreign investment and growth, which results in a materially stronger Rand.	10. South African Rand strengthens against the US Dollar and remains at a stronger level for an extended period.	Significantly stronger Rand results in major negative impact on Hulamín's profitability.
Hulamín capability Increasing proliferation of computing power, data and new digital technologies resulting in the transformation of manufacturing capabilities and value chain collaboration.	11. Build capabilities to use digital technologies to improve business value.	Leverage product and process know-how, achieve production efficiencies and cost reduction, improved agility and closer customer collaboration and service improvements.

Enablers

- E1 Transformation
 E2 Talent management
 E3 Sustainability
 E4 Supportive regulatory environment
 E5 Enterprise performance management

Risk type	Risk response	Link to strategy and enabler	Capital impacted	Risk trend
THREAT	- Develop demand reduction operating plan to minimise production losses. - Work closely with Eskom to ensure Hulamín has as few disruptions as possible. - Install backup generators to mitigate impact of load shedding/curtailment. - Work with Energy Intensive Users Group (EIUG) to lobby Nersa for “reasonable” electricity cost escalations.	 E4	Manufactured Natural Social/ relationship	Increasing
THREAT	- Develop alternative metal sourcing options. - Engage government, South 32 and other stakeholders to ensure support for domestic aluminium industry.	 E4	Financial Social/ relationship Social/ relationship	Increasing
THREAT	- Ongoing engagement with government through AFSA regarding an appropriate approach to the levying of carbon tax on the aluminium industry. - Ongoing efforts to reduce Hulamín’s electricity and gas consumption. - Implement environmental sustainability strategy.	 E4, E3	Natural Financial Social/ relationship	Increasing
THREAT	- Projects to reduce water consumption. - Increase the water storage capacity on site. - Investigation in the use of recycled water on all manufacturing sites. - Ongoing engagement with the municipality regarding water supply.	 E3, E4	Manufactured Natural Social/ relationship	Stable
THREAT	- Ongoing focus on improving rolling margins and sustainably reducing costs. - Improve prioritisation of capital expenditure. - Continue to maximise production within a stable plant. - Review hedging strategy to change Hulamín risk profile. - Review non-core assets/other business units. - Maintaining suitable borrowing facilities and headroom.	 	Financial Manufactured	Increasing
OPPORTUNITY	- Implement digitalisation roadmap and strategy. - Implement technology strategy. - Enhance cyber security strategy.	 E2	Manufactured Intellectual Human	Increasing

-  Drive cash-flow to earn the right to invest
 Build capabilities
 Implement the strategic business model

Risk management continued

The following key enablers and capability build projects were identified as key risk mitigating requirements for Hualamin in any of the future scenarios.

(Cluster A)	
Enablers	Description
1. Transformation (C8 Transformation, social and political)	The re-enforcing Hualamin circle of synergy embodies the Hualamin vision of driving value to all stakeholders, whilst contributing to a better, more inclusive world. Hualamin is increasing its preferential procurement score and enterprise supplier development programmes as well as focusing on its skills development and employment equity objectives.
2. Talent management (C5 Hualamin capability)	The Hualamin Talent Programme (H-TUP) journey provides Hualamin with an intimate knowledge of talent capabilities and gaps, enabling strategic talent decision making in a Sociotechnology disrupted world where people and skills become the ultimate differentiator. Hualamin is reshaping our approach to managing talent, through stimulating our leadership thinking and enabling our ability to utilise talent optimally as well as extract more from our people.
3. Sustainability (C7 Climate change and social responsibility)	“Green” is good for Aluminium and Aluminium is good for “Green”. Globally, corporates, consumers and governments are becoming more aware of and concerned with environmental sustainability and carbon footprint. This is causing rapid trend shifts globally towards “greener” technologies such as renewable energy sources, electric vehicles and recycling. Hualamin has established an Environmental Sustainability Committee to consider these various issues and to develop an environmental sustainability strategy and policy to address these various emerging requirements.
4. Supportive regulatory environment (C2 SA economics and manufacturing performance)	Strategic positioning of Hualamin as a brand, a strategic player and key partner in the Aluminium Value Chain in South Africa is a crucial requirement to compete in a globalised world. The development of a transformational Aluminium Agenda for the country as a key contributor to the GDP and a creator of sustainable jobs in and around local communities is core to our collaboration with DTI and government.
5. Enterprise performance management (EPM) (C5 Hualamin capability)	This is a key enabler to the execution of the business plan. The EPM programme is extended to support standardised process capability with information/analytics at the core of EPM. The IT and Digitisation programme enables EPM and will be a key driver of medium-term cash flow delivery and long-term positioning to enable the “New Hualamin” vision execution.
(Cluster B)	
Strategic capabilities	Description
6. Technology, research and innovation (R&I) (C5 Hualamin capability)	To achieve Hualamin’s margin growth aspirations requires niche market re-positioning. This requires Hualamin to invest in the development of its technology and R&I capability. Hualamin will invest in its capability and resources to expand the current activities and focus on this critical function.
7. New product/market development (C5 Hualamin capability)	Market development is key for the long-term sustainability and success of Hualamin and many opportunities exist in markets that Hualamin does not currently supply directly to, but has the required core capabilities and market access differentiation. Hualamin’s programme include developing innovation and product development capabilities in three horizons: 1. Provide technical/innovation support for existing product mix 2. Product innovation to meet customer requirements in new high value/growth niches 3. New innovation and business models, leveraging core capabilities
8. Information technology and digital (C5 Hualamin capability)	A digital innovation strategy can unlock many opportunities in current operations, while positioning Hualamin for global competitiveness across its operations and the value chain from suppliers to customers. Hualamin is kicking off a digitalisation programme that will seek to leverage emerging technologies to achieve these ambitions.
9. Integrated business planning (C5 Hualamin capability)	With the increased demands for on time delivery from end user customers, niche product positioning, and the additional flexibility required to respond to customer needs, Hualamin’s sales and operations planning capability and systems requires investment and enhancement. A number of initiatives have been commenced to meet changing customer requirements and increased manufacturing and planning complexity.

Cluster A: refer link to “Our strategic response”, Pillar 2, “Building capabilities”, set out on page 35.

Cluster B: refer link to “Unpacking the strategy”, set out on page 34.

Hulamin also identified a number of strategic options, most of which are already under evaluation and development as part of our longer term strategy, that will make Hulamin more robust under the different scenarios.

The rationale for these strategic options are described below.

(Cluster C) Strategic options		Rationale
1. Importance of Pietermaritzburg simplification and rolled products niche finishing investments and strategic repositioning		Pietermaritzburg Rolled Products strategic repositioning is relevant to all scenarios: i.e. a “No regret” move to lower our cost base, simplify our product range and allowing a more niche higher value product range
2. Development of a trading model with partners		A trading model is particularly important to compete in a globalised world where we must offer lower cost supply, in addition to our differentiation on customer service and digitised technical process capabilities
3. Establishment of alliances and partnerships		A global set of partnerships and alliances is most important in a polarised world, especially when SSA growth is low, but also to de-risk Hulamin from volatile markets and environmental/social threats
4. Establishment of SSA manufacturing footprint		SSA will become more important in the longer term, especially when South Africa is not growing significantly
5. Downstream capability investment		Downstream investments is relevant in most scenarios, especially in globalised trading environment and over the longer term when technology threats and new market opportunities such as Electric Vehicles become significant

Cluster C: refer link to “Our strategic response”, Pillar 3, “Implement strategic business model changes” set out on page 35.

CEOs report

RICHARD GORDON JACOB
Chief executive officer



I am proud to report that continued focus on manufacturing excellence has produced record sales volumes in Hualamin Rolled Products. The strong manufacturing performance together with a weaker currency in the second half of the year (average of R14.18), produced HEPS of 78 cents per share of the second half of the year. An assessment of recoverable value resulted in an impairment charge of R1,45 billion to historical asset values.

In 1996, when the Hualamin Rolled products \$550 million expansion was approved, the world was very different to the current global aluminium rolled products ecosystem. At that time, and prior to the unbundling of Hualamin from Tongaat Hulett, the feasibility study for this investment, approved by the Hulett Aluminium and Tongaat Hulett boards, was based on an annual sales volume of 150 000 tons. Since then, plant performance has improved considerably, despite a number of disruptions and equipment outages. I am therefore well pleased with the ongoing improvements that have resulted in sales in 2018 totaling 228 000 tons in Hualamin Rolled Products.

PERFORMANCE REVIEW

Group sales volumes for the year to 31 December 2018 totalled a record 245 000 tons, which was measurably higher than the corresponding period's 233 000 tons. Despite a third consecutive year's record performance in Hualamin Rolled Products of 228 000 tons Hualamin Extrusions experienced a very difficult year. Following a major equipment breakdown early in the year, the business was unable to recover from the volume and confidence setback and reported a loss for the year. Hualamin Containers continued to perform well.

Since 2015, when Hualamin undertook to completely rebase our safety programme, our safety performance has improved considerably. In that year, Lost Time (LTIFR) and Total Recordable Injury Frequency Rates (TRCFR) were 0.32 and 0.89 per 200 000 hours worked, respectively. Concerted efforts to reduce risks associated with employees and on-site contractors getting injured have included focus on employee behavior, risk assessment, physical separation of employee and risk and suspended load safety. Research has shown that Hualamin is now one of the safest (if not *the* safest) aluminium semi-fabrication plant in the world. Our 2018 Injury rates were 0.08 (LTIFR) and 0.24 (TRCFR) respectively.

Underpinning the step up in safety performance are also significant changes to employee engagement and workplace orderliness. In 2018 we reran a 2016 Employee Engagement survey, which showed a 20% improvement in engagement level. Furthermore, we are convinced that our efforts at establishing higher levels of workplace orderliness have contributed to numerous other performance indicators that have improved such as yield, unit cost, energy efficiency etc.

In an unprecedented move on November 28 2017, US Secretary of Commerce Wilbur Ross announced the self-initiation of antidumping duty and countervailing duty investigations on imports of aluminum sheet and coil imports from the People's Republic of China. These historic investigations, the first in over a quarter of a century, were self-initiated. Both of these actions have created a window of opportunity for Hualamin to increase its sales footprint and entrench its market position in the United States, where Hualamin has a long history and strong customer base.

MARKETS

Hulamin sells both rolled and extruded aluminium products to fabricators and manufacturers around the world. While Hulamin Rolled Product Exports around 65% of its sales, almost 100% of Hulamin Extrusions sales are local.

2018 was a difficult year for the South African economy and Hulamin in particular struggled to improve its local sales. The SA economy shrunk in the middle two quarters of 2018 (by 2.6% and 0.4% respectively). The Gross Domestic Capital Formation, a measure of capital investment in the economy, declined in every quarter of 2018 to the lowest level since mid-2016. In parallel, imports of price-subsidised rolled and extruded products (mainly from China) grew sharply by 10% and 15% respectively. Subsidised imports have the effect of suppressing domestic prices, rendering local manufacturing industries economically unsustainable. In Southern Africa, our markets are already too small to sustain many strategic industries. These industries support employment, skills development, technological advancement and many other pillars of a successful economy. As a result, we resubmitted applications for increases in the duty levels of rolled and extruded aluminium products during the course of 2018.

FINANCIAL RESULTS

Turnover increased to R11,5 billion (2017: R10,3 billion) on increased volume. This was somewhat countered by a strengthening Rand/US Dollar that averaged 7 cents stronger for the year (R13.25 in 2018 versus R13.32 in 2017).

Unit conversion costs in Rolled Products decreased again in 2018 in real terms. After two years of successive real decreases in excess of 10% (2016: 10.7% reduction and 2017: 10.6%), Hulamin Rolled Products' unit costs further decreased by 2.4% in 2018 (2.2% increase in nominal terms, despite significant commodity price impacts).

Earnings before interest and taxation (EBIT) declined by 291% to negative R950 million due to the recognition of impairment charges. Net interest charges decreased by 5% to R74 million. Attributable earnings were consequently 354% lower at negative R773 million for the year. Headline earnings per share (HEPS) of 91 cents compared to 95 cents in 2017.

The London Metal Exchange (LME) aluminium price ended 2018 at \$1 870 per ton, close to the \$1 916 per ton that it closed at in 2017. On a net basis (volume weighted by month) this resulted in an insignificant metal price lag benefit of R4 million for the full year (2017: R150 million).

Free cash flow amounted to R90 million (2017: R296 million) and free cash flow (adjusted) amounted to R298 million (2017: R296 million), after R242 million capital expenditure. Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.

The performance of Hulamin Extrusions remained unacceptable in trading conditions that remained extremely challenging. The group has commenced a strategic review of its investment portfolio, including its interest in Hulamin Extrusions.

REFINEMENT OF THE BUSINESS MODEL

In 2018, the management team presented an updated group growth strategy, reopened the feasibility study done previously for an automotive finishing investment and developed financial models for the simplification of the Hulamin Rolled Products operation. This work indicated significant and practical opportunities for growth, particularly in areas of Hulamin's core competences such as beverage cans and electric vehicles. Hulamin plans to reduce product range with consequent cost reductions and rolling margin uplifts, and to expand into new profit pools. In particular, good progress was made in 2018 in opening up a new operation based on Hulamin's existing technical service and logistics capability in the can stock market. This new operation will focus on sourcing can stock (to supplement that which will continue to be produced in Pietermaritzburg) and supply to existing and new customers.

Other new opportunities in feasibility phase include investigations into strategic investments in specifically synergistic downstream fabrication assets, as well as aluminium scrap collection and related manufacturing investments in Africa.

CONCLUSION

In years to come, I am optimistic that 2018 will prove to be pivotal. In addition to a record production year, the foundations for a step up in value creation for all stakeholders will be shown to have been laid.

Richard Gordon Jacob
Chief executive officer

Value creation

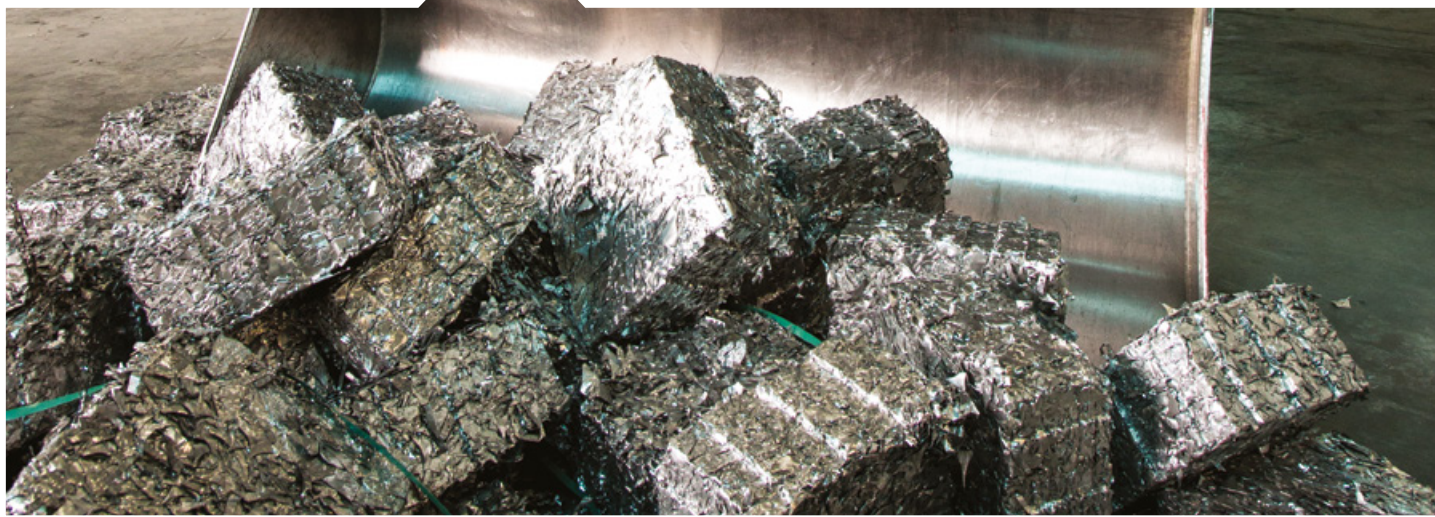
- 54 Key indicators: Capitals
- 56 Social and Relationship Capital
- 58 Human and Intellectual Capital
- 62 Natural Capital
- 66 Manufactured Capital
- 70 Financial Capital

Value creation

The group continues to implement its CNG conversion to provide a secure energy supply and continues to engage with stakeholders to secure piped natural gas to Pietermaritzburg.

61%

Energy requirement sourced from LPG and CNG during the year



Key indicators: Capitals



SOCIAL, RELATIONSHIP AND INTELLECTUAL OUTCOMES

		2018	2017		TARGET 2019	MOVING FORWARD Hulamin is committed to the advancement and transformation of the South African economy through the adoption of the B-BBEE framework.
Taxation paid	(R'000)	(73 682)	(127 669)	↓	Pay as required	
Spending on corporate social responsibility	(R'000)	4 118	2 101	↑	% of PAT	
B-BBEE expenditure	(R million)	4 866	4 095	↑	Pay as required	
B-BBEE status	(Level)	5	6	↑	5	

CAPITAL TRADE-OFF

Hulamin balances investment in communities and development of EME's and QSE's with the return required by providers of capital.

ACTIONS TO ENHANCE OUTCOMES

- Contribute to the development of small, local businesses that have majority black shareholding.
- Promote job creation in the KwaZulu-Natal region.



HUMAN OUTCOMES

		2018	2017		TARGET 2019	MOVING FORWARD Embed strategic workforce planning ensuring the acquisition, retention, development and effective use of the people that the organisation needs. As part of our employment equity process, a key objective includes transforming representation on key strategic decision-making bodies at all levels in the organisation.
Benefits distributed	(R'000)	1 241 193	1 144 905	↑	Pay as required	
Number of employees		2 039	2 020	↑	As required	
Lost time injury frequency rate		0,05	0,22	↓	<0,18	
Total recordable case frequency rate		0,24	0,61	↓	<0,2	

CAPITAL TRADE-OFF

Investment in the safety of our people is of critical importance to Hulamin regardless of the production man-hours lost.

ACTIONS TO ENHANCE OUTCOMES

- Enhance the Hulamin Talent Pipeline Management Programme to build the capabilities of tomorrow
- Optimise and enhance the retention of Africans and females by building a corporate culture that values transformation
- Provide our people with the right safety information, direction and the competencies necessary to contribute to the success of our business.



MANUFACTURED OUTCOMES

		2018	2017		TARGET 2019	
Capital expenditure	(R'000)	241 744	261 034	↓	250 000	MOVING FORWARD With the overlay of our digital strategy acquire improved manufacturing insights to provide market leading innovation in our products and their applications.
Repairs and maintenance	(R'000)	286 183	282 028	↓	Sufficient to maintain	
Depreciation/amortisation	(R'000)	241 274	216 314	↑	Appropriate per capital spend	
RP production volumes	(tons)	228 018	214 339	↑	>220 000	

CAPITAL TRADE-OFF

The overall objective of free cash flow generation is balanced against the need to maintain and invest in the assets of today.

ACTIONS TO ENHANCE OUTCOMES

- Continued adherence to the asset management strategy



NATURAL OUTCOMES

		2018	2017		TARGET 2019	
Total CO ₂ emissions	(CO ₂ /MT produced)	1,52	1,68	↓	<1,5	MOVING FORWARD Hulamin has laid out a plan to continue the development of the Resource Efficiency structure. A Resource Efficiency Technician joined the Resource Efficiency Manager during the period with further additions to the team to come in 2019.
Water consumption	(Kℓ/MT produced)	2,52	2,69	↓	<2,5	
Electricity consumption	(KWh/MT produced)	1 172	1 241	↓	<1 150	
Fuel gases	(%)	61	57	↑	>61	

CAPITAL TRADE-OFF

Although energy efficiency savings require additional capital investment, the medium to long terms benefits outweigh the cost of investment.

ACTIONS TO ENHANCE OUTCOMES

- Continue to increase scrap inputs where possible to decrease reliance on natural resources
- Continue to improve Hulamin's Carbon Footprint Reporting and other disclosure initiative



FINANCIAL OUTCOMES

		2018	2017		TARGET 2019	
Operating profit	(R'000)	(949 907)	498 425	↓	Drive underlying performance	MOVING FORWARD Free cash-flow generation is the base requirement to unlock the group's medium term and long-term strategy.
Free cash flow	(R'000)	89 874	296 132	↓	Drive underlying performance	
Net debt to equity	(%)	7.7	6.8	↑	Drive underlying performance	
Headline earnings per share	(cents)	91	95	↓	Drive underlying performance	

CAPITAL TRADE-OFF

The group balances the return required by the providers of capital with the requirements of all other stakeholders.

ACTIONS TO ENHANCE OUTCOMES

- Continue to drive cost optimisation programme
- Sustain reduction in inventory and trade receivable days on hand
- Increased sales volumes aligned to new mix enhancements

Social and relationship capital



Social and relationship capital encompasses our relationships with communities, groups of stakeholders and other networks.

It incorporates shared values and behaviours and provides us with our social license to operate. Interaction with a key stakeholders, consideration of their concerns and earning their trust are central to maintaining and developing this capital.

A LOOK BACK AT OUR GOALS FOR 2018

- The restructure of Isizinda Aluminium has not yet been achieved but Hulamini continues to work on determining an appropriate structure for Isizinda Aluminium.
- Our enterprise supplier development initiatives continues to develop and grow suppliers within the aluminium value chain.
- The establishment of the aluminium-hub in Richards Bay continues to move forward with partners having been identified to conduct operations within the rod, billet and rim-alloy spheres.

THE FOCUS FOR 2019

- Increasing participation of black owned businesses in our procurement spend with a particular focus on suppliers with a B-BBEE recognition level 1 to level 3.
- Grow the economic participation of majority black owned enterprises in Hulamini's procurement spend so as to more accurately reflect the demographic realities of the country.
- Promote job creation in the KwaZulu-Natal region.

OUR KEY RELATIONSHIPS

The Group recognises that in order to create sustainable value for all it needs to be responsive to the expectations of all stakeholders. To meet the expectations of our stakeholders the Group engages in regularly with all stakeholders to establish a relationship of trust and respect to achieve favourable outcomes for all stakeholders on issues of mutual interest.

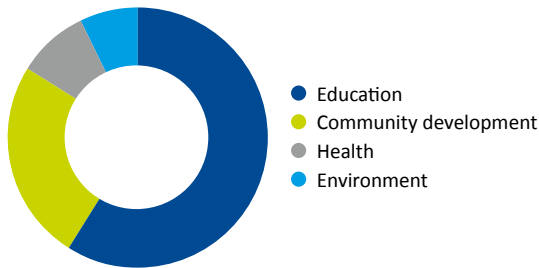
Further information detailing the expectation of stakeholders and the Groups strategic response thereto is provided on page x of this report. Additional information can also be found in the Sustainability Report available on our website at www.hulamini.co.za.

INVESTMENT IN OUR COMMUNITIES Corporate Social Investment (CSI)

The Group is steadfast in its vision to make a meaningful contribution to the Pietermaritzburg community. The Group recognises that it is situated in a society with enormous challenges and that the Group is symbiotically linked to the socio-economic and natural environment in which the company is located. The Group is therefore obligated in playing a leadership role in those areas within its sphere of influence.

During the past 12-months the Group contributed R4,1 million towards various CSI initiatives.

CSI DISTRIBUTION (%)



INVESTMENT IN OUR SUPPLIERS

Preferential procurement

The Group promotes the economic empowerment of black South Africans and encourages business relationships with other companies, which actively pursue sound employment equity and black economic empowerment programs and who will endeavour not only to support the new B-BBEE codes but to actively better their scoring on a on an ongoing basis.

The Group's intervention program of preferential procurement is committed to achieving the objectives of growing the economic involvement in mainstream business, on a sustainable basis, of all previously disadvantaged groups. The Group promotes the development of black owned businesses and in particular wholly African owned entities, or majority African owned entities, as preferred suppliers, especially those that are both owned operated by and managed by Africans.

In order to achieve the strategy the Group has established an ESD committee. For further information on the objectives of the committee refer to our Sustainability Report available on our website at www.hulamin.co.za.

The revised B-BBEE codes continue to have an impact on the Group's preferential procurement score as approximately 70% of the Group's total measureable spend relates to incoming aluminium (raw material). The sole source of supply of primary ingot and rolling slab are B-BBEE level 5 and non-compliant respectively, with no verified black ownership, resulting in very little B-BBEE recognition for more than two thirds of its procurement spend. The Group is unable to achieve an acceptable preferential procurement score as almost no points are achieved from these two key entities. Hulamin has made significant progress on driving procurement from black owned EMEs and QSEs in the remaining 30% of its spend and as a result of this focus expects to achieve the sub-minimum 10 points for preferential procurement in its 2018 scorecard.

Over the last 12-months the Group spent R4,9 billion with B-BBEE enterprises. Within this amount:

- R523,1 million was spent on qualifying small enterprises (QSE);
- R478,0 million was spent on emerging micro-enterprises (EME);
- R1,3 billion was spent with enterprises which were at least 51% black owned; and
- R388,1 million was spent with enterprises where black woman owned more than 30%.

Enterprise development

The Group's objective is to facilitate the development of sustainable businesses that will create jobs and add stimulus to the economy. In an effort to achieve this objective the Group has implemented strategic objectives which, among other, include:

- Favourable payment terms to emerging SD beneficiaries,
- Monetary and non-monetary support for black enterprises including supporting enterprise development agencies such as the Business Support Centre, and
- Management and time devoted towards conceptualising, guiding and rolling out various elements of supplier development.

The various initiatives put in place by the Group for enterprise development and supplier development amounted to Rx million committed during the past 12-months. The spend includes grant and loan funding contributions, shorter payment term benefits, senior management involvement in ESD activities and third party support costs in the form of developmental assessments, advice and mentorship and certain administrative support functions.

ZCN BUSINESS ENTERPRISE

ZCN Business Enterprise and Hulamin established a relationship under the ESD framework that enlisted ZCN as a beneficiary for skills transfer in the hygiene services category. In terms of the supplier development support provided, ZCN was granted a three-year skills transfer agreement in collaboration with a leading service provider in the industry (Servest Hygiene) to allow it to develop key skills and experience in the category and to gain an appreciation for the market dynamics within the hygiene services industry.

Due to the business acumen attained during the three-year programme, and as part of the graduation process, ZCN has been awarded the provision of the hygiene services for Hulamin's core operating division; Hulamin Operations

Human and intellectual capital



Human capital is considered a core asset at Hulamín and the skills of our people are the foundation of our success. Hulamín appreciates the importance of our people, who are equipped with knowledge, skills and motivation, which gives Hulamín a leading advantage.

A LOOK BACK AT OUR GOALS FOR 2018

- During the period under review four employees were appointed to the executive management committee of which three were African.
- Efforts to achieve greater representation at all levels of our business is consistently applied for the effective implementation of our employment equity plan.
- There have been three noise-induced hearing claims reported in 2018. No fatalities have occurred during the current year under review.

THE FOCUS FOR 2019

- Continue to close the representation gap in all managerial roles, with particular emphasis on African females.
- Achieve the objectives of the Employment Equity Plan in 2019.
- Continue to develop the leaders and managers of tomorrow through the Hulamín Talent Universe Programme
- Improve on safety record

OUR PEOPLE

Our workforce consisted of 2 039 employees at December 2018 (2017: 2 020) on whose skills, education and experience we rely to deliver our strategic objectives. Core and specialist skills required throughout our operations include, among others, metallurgical engineering, rolling, roll-grinding, surface treatments and casting.

Employment equity

Hulamín believes in the development of all its employees, regardless of race and gender, but with more emphasis on people from designated groups. Hulamín regards employment equity as a special intervention required to address the past in providing equal opportunity to previously disadvantaged citizens of South Africa.

Employment equity is an integral component of Hulamín's strategy with a particular focus on:

- the elimination of unfair discrimination within the workplace; and
- the implementation of affirmative action measures to achieve equitable representation of designated groups across all occupational levels within the organisation.

Employment equity targets

	Target 2019 %	Status 2018 %	Number of people 2018
Black representation at senior management	58	46	34
Black representation at middle management	85	81	156
Black representation at skilled and supervisory level	91	95	1 005
Women at senior management	12	11	83
Women at middle management	23	19	36
Women at skilled and supervisory level	15	19	197

To this effect Hulamín has developed a formal Employment Equity Plan and designated the Chief Executive Officer as the custodian of ensuring the achievement of our five-year employment equity objectives. The Human Capital Executive is the senior employment equity manager appointed to drive its implementation. For more information on our Employment Equity Plan please refer to our sustainability report available electronically at www.hulamin.co.za.

In 2018, we continued to make progress against our representation goals in all management structures in the business.

Management control

We recognise that active participation of previously disadvantaged people in positions that influence the direction of the business is critical to real transformation.

As part of our employment equity process, a key objective includes transforming the representation on strategic decision-making bodies at all levels of the organisation. During the period in review, four employees were appointed to the executive management committee (EXCO), of which three are black.

Persons with disability

Efforts remain focused on providing reasonable accommodation for individuals with disabilities in our workplaces. Progress has been made in investing in developmental programmes to improve people with disabilities skills sets, as well their employability prospects.

INVESTING IN OUR PEOPLE

Skills development

Hulamín strives to develop skilled and motivated employees through an outcomes based approach to development that endorses personal growth, individual responsibility and a culture of lifelong learning. Training and development initiatives draw on the technological, operational and process knowledge that exists within the business, and uses this to guide employees into developing innovative solutions for real business challenges.

Hulamín believes that it is important to continue to develop organisational capabilities for future sustainability, and to contribute to reducing the skills shortage, thus boosting growth within the South African manufacturing context.

A Training Committee has been established which functions in accordance with requirements the Skills Development Act and the MERSETA. For further information on the terms of reference of the Training Committee please refer to our sustainability report which is available electronically at www.hulamin.co.za.

Talent management and development

Hulamín has implemented a talent management strategy to ensure that Hulamín has the appropriate plans and interventions in place that enable the organisation to have the right skills in place as cost-effectively as possible to meet future needs.

Hulamín's Talent Universe Programme aims to develop, retain and unleash talent capability for current and future business. This initiative focuses on supporting and coaching leaders to redefine and shift their approach to talent by actively engaging in building and developing human capabilities at the same time challenging and holding people accountable.

To-date, 48 managers attended the On-Boarding programme, which is 87,3% of the targeted audience, the rollout process is due to be completed by the first quarter of 2019.

Performance management remains the key driver in our talent management approach. Key performance indicators and performance reviews are calibrated to ensure alignment to the business's critical drivers. All employees are subject to biannual performance reviews and six career conversations with line managers.

Hulamín's talent pipeline management programme is an important tool in building capability. Hulamín's approach is to focus on bursars, engineers-in-training, in-service trainees, apprentices and learners on the learnership programme. Each year the intake for the respective programmes is reviewed in accordance with business needs.

More information of the components of our talent management and pipeline development programme is available in our Sustainability Report available on our website at www.hulamin.co.za.

EMPLOYEE WELLNESS

Safety

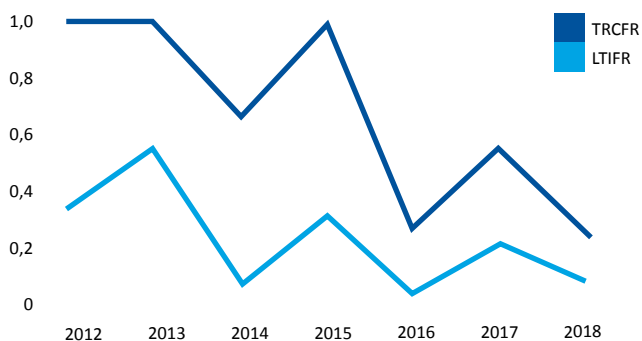
Hulamin is committed to the wellbeing of employees and to providing a safe working environment that ensures that the business continues to function effectively and retains and attracts skilled people in future.

Hulamin has embedded a culture of safety in the organisation to ensure that its plants are operated safely and that employees are protected from injury or from harm due to incidents or exposure. To achieve this, employees and the teams in which they work are guided and supported in taking responsibility for their own safety. Hulamin seeks to continuously improve its safety performance by measuring and monitoring both leading and lagging indicators that are aligned to industry best practice. The Hulamin Executive Team is ultimately accountable for safety.

A successful surveillance audit was conducted during June 2018 in terms of OHSAS 18001 (Occupational Health and Safety) management standard.

The number of lost time injuries (LTIs) decreased from eight in 2017 to two in 2018 with human behaviour being the biggest contributor to these injuries. Hulamin continues to monitor high-potential hazards and incidents that caused injuries to learn from them and improve safety behaviour and conditions.

SAFETY PERFORMANCE FREQUENCY RATE



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. Targets for 2018 were LTIFR 0.05 and TRCFR 0.5.

Health

Hulamin believes that the good health of employees is essential for motivation, capability and productivity. To this end, we offer benefits for employees and their families. Hulamin has adopted a “shared responsibility” approach to the wellbeing of its employees. In this regard, the company equips employees with the appropriate education and healthcare facilities in order for employees to best manage their own health.

Hulamin is audited for verification and compliance in line with the OHSAS 18001 management standard.

Further information on our various health initiatives are provided in our Sustainability Report available on our website at www.hulamin.co.za

Employee participation

Employees are key to all aspects of Hulamin’s performance and future success. Hulamin’s employee engagement strategy is based on an open communication and consultation with its employees and their representatives.

Relationships with the unions remain that of mutual respect and progressive. In 2018, the company experienced its first industrial action since 2004. The incident affected only one of the three divisions in our Rolled Products operation in Pietermaritzburg. The incident was resolved within 48 hours.

The year in review, marked the end of Hulamin’s three-year wage agreement that was concluded with the unions in 2015. Of the issues referred to work group deliberation outside the wage agreement, 80% have been finalised.



Natural capital



The Group is committed to responsible stewardship of its resources and to ensuring that all its activities result in no harm to staff and the environments in which the company operates. Sustainability is being integrated into the strategic and operational aspects of the business with structural and reporting changes being put in place to enable and sustain monitoring and reporting of these critical business measures. This includes developing plans for continuous improvement and assessment of environmental risk.

A LOOK BACK AT OUR GOALS FOR 2018

- Hulamín formally reported the required greenhouse gas emissions from on-site stationary combustion to The South African Department of Environmental Affairs.
- Under the Carbon Disclosure Project (CDP) Hulamín also reported on the CDP Water Disclosure for the first time. The CDP is a useful guide that challenges companies to develop best practices in climate change reporting and response.
- Significant gains made in both reducing carbon emissions and water usage.

THE FOCUS FOR 2019

- Continued emissions reductions by monitoring and improving efficiency of fuel gas consumption.

NATURAL RESOURCES WE ARE RELIANT ON

The Group relies on gas, water and electricity (carbon-intensive resource) throughout its production process.

Aluminium smelters are heavily reliant on electricity to produce primary aluminium. The mid- and downstream aluminium industries are reliant on primary aluminium for its production process. This high usage of electricity by the smelters is therefore an indirect capital on which the Group is reliant.

DECREASING OUR RELIANCE ON KEY RESOURCES

Aluminium is infinitely recyclable. By recycling aluminium, the initial energy intensive process is eliminated. There is an increasing availability of aluminium scrap, including used beverage cans, in the local market. Recycling scrap creates prospects of improved economic returns for the mid- and downstream industry; and the collection and recycling industry creates additional employment.

At the same time we are continuously striving to reduce energy consumption through improved efficiencies and waste management.

INTENSITY AGAINST 1 ton OF PRODUCTION

	Carbon footprint (tons CO ₂ e)	Electricity consumption (KWh)	LPG consumption (GJ)	Water consumption (Kℓ)
2016	1,76	1 274	6,58	2,66
2017	1,68	1 241	6,55	2,49
2018	1,52	1 172	7,53	2,52

OUR APPROACH TO MINIMISE ENVIRONMENTAL IMPACT

To further our environmental goals a formalised business model is being developed to manage and reduce our environmental footprint. Through setting up the structural changes required to make lasting change to the use of natural capital it was recognised that financial and risk consideration were intimately connected to resource efficiency. The development of structures to achieve realistic resource efficiency targets would be beneficial for all these aspects within the organisation.

CARBON FOOTPRINT

Many of our customers are very aware of climate change and have formal programs to reduce the carbon footprints of their products by collaborating with their suppliers and customers. We assist our customers by supplying carbon footprint information and other environmental sustainability issues from the four manufacturing sites in South Africa that are under our operational control.

The group has further reduced absolute Carbon emissions for the 2018 production year, in spite of increasing production.

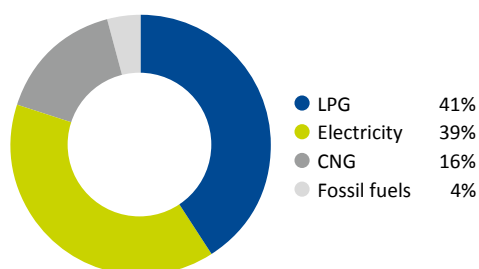
Hulamin continues to monitor the growing requirements in carbon footprint reporting and takes action, where applicable, from questions posed by the Carbon Disclosure Project which has challenged industry with setting significant carbon reduction standards.

ENERGY CONSUMPTION

Hulamin's energy performance per unit ton improved in 2018 on that of our previous record in 2017. The comparison of the 2018 data with 2017 in terms of production throughput and energy consumption shows:

- Production output increased by 4.1%,
- Energy consumption increased by 1.7%, and
- Energy intensity decreased by 2.3%.

ENERGY CONSUMPTION (%)



Gas

The current year under review represented the first year during which all planned furnaces had been converted from liquid petroleum gas (LPG) to compressed natural gas (CNG). As a result CNG consumption as a percentage of the energy mix increased by 68% while LPG consumption decreased by 24%. This change in Hulamin's energy mix has had positive effects on greenhouse gas emissions as natural gas has a lower carbon footprint than LPG.

Hulamin continues to have three melting furnaces on the Campsdrift site that continue to consume LPG. During 2018 three failures led to a decrease in the efficiency of the melting furnaces resulting in the excess consumption of LPG.

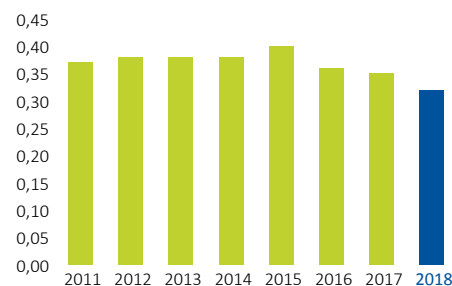
The efficiency of the transfer of liquid metal from the recycling furnace has been improved by increasing the volume of metal, from eight to ten tons, transferred at each pour. This improvement has been achieved by relining the crucibles with a thinner refractory, without loss of insulation performance. This in turn ensures more molten metal is delivered into the main melters, reducing their energy needs.

Electricity

Electricity consumption decreased by 1.1% largely attributable to the continued success of the variable speed drive (VSD) project, which continues to see implementation. During the period under review 18 147 GJ was saved due to the installation of VSD.

The projects to capture consumption data accurately and match this to the tons produced continued through 2018. Significant progress has been made with the installation of power meters at machines, the development of an industrial network to support the uninterrupted transfer of data and the installation of IT systems to support problem solving and decision making.

ELECTRICITY INTENSITY (GJ/MT)



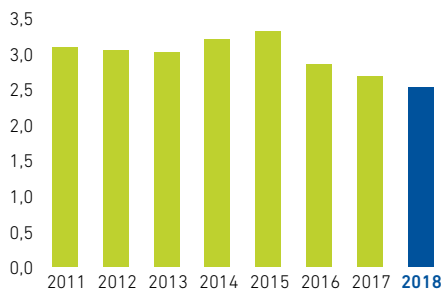
WATER

The water consumption per unit production continues on a positive downward trend and has dropped in 2018 to 40% below 2010 levels. Water consumption levels have decreased per unit to the lowest levels since 2011 mostly through awareness campaigns and identified wastages.

The capital expenditure for the largest potential water savings project has been approved. This Campsdrift Remelt Cast Water Recycling plant will be installed by April 2019. The objective for this plant is to recycle 80 000 litres per day from the cast water system for use in the cooling towers.

Hulamin recognises that South Africa is a water scarce country and we aim to continually set aggressive water consumption targets.

WATER INTENSITY (Kℓ/MT PRODUCTION)



RECYCLING

Scrap metal recycling

In 2018, Hulamin continued to grow the benefits from its Campsdrift Recycling centre, which is designed to efficiently remelt light gauge and coated aluminium scrap streams and enable the recycling of post-consumer scrap such as used beverage cans (UBCs). The Recycling centre supplied the Remelt facility with an additional 43 000 MT of liquid metal, of which 27 000 tons was from post- and pre-consumer scrap, representing a 27% increase on 2017. This directly replaces the requirement for primary metal.

Aluminium scrap Hulamin is unable to use is recycled by appropriate third party users. However, in the majority of cases the recovered aluminium is fed straight back into our Remelt facility in a closed-loop system.

During 2018, Hulamin continued with its support of the recently formed producer responsibility organisation, Metal Packaging South Africa (METPAC-SA), where the focus was on preparing an Industry Waste Management Plan in response to the Department of Environmental Affairs call for plans.

Waste recycling

Dross is a natural waste by-product of the aluminium melting process. Hulamin has for many years outsourced the service of recovering aluminium from the dross generated at our remelt, recycling and other furnaces. Prior to 2016, the resulting waste stream (salt cake) had been going to landfill. From 2017 and continuing into 2018, Hulamin ensured that salt cake was sent to a recycler to be beneficiated into a range of end-user products, thereby avoiding landfilling.



Manufactured capital



Manufactured capital is the infrastructure, plant and equipment that we use to produce our products. It includes assets that are produced by other entities and those manufactured internally and excludes intellectual capital such as software. The management of these assets is a key business imperative and is considered an essential element in achieving manufacturing excellence and operational performance. Our high-tech, state-of-the-art rolling and semi-fabrication assets are central to our operations. The implementation of leading asset maintenance and care policies will improve asset utilisation and profitability.

A LOOK BACK AT OUR GOALS FOR 2018

- Manufacturing performance yield for 2018 decreased to 66,1% (2017: 66,9%) due to a more complex mix of products being produced.
- Can body stock production ramp up continues in line with our targets.

THE FOCUS FOR 2019

- Continue to improve our production performance and efficiencies to reach our upwards revised target of 67%.
- Continue to optimise our cost-efficiency programme without hampering the achievement of targeted production and sales levels.
- Improved utilisation of cheap scrap metal units and the optimisation of the Camps Drift and Isizinda remelt facilities.

OPERATIONAL STATISTICS

REPAIRS AND MAINTENANCE

R286 million

(2017: R282 million)

GROUP SALES

245 000 tons

(2017: 233 000 tons)

ROLLED PRODUCTS SALES

228 000 tons

(2017: 215 000 tons)

ASSET ADDITIONS

R242 million

(2017: R261 million)

ASSET DISPOSALS AT COST

R21 million

(2017: R94 million)

EXTRUSIONS SALES

17 000 tons

(2017: 18 000 tons)

PERFORMANCE YIELD

66,1%

(2017: 66,9%)

ASSETS CARRYING AMOUNT

R1 901 million

(2017: R3 325 million)

ROLLED PRODUCTS COST PER TON INDEX

95,0%

(2017: 90,1%)

STRATEGIC ASSET BASE

The strategic assets of Hualamin can be separated into the following key categories, of which all are important to the overall state-of-the-art facilities that produce our products.



GROUP ASSETS INFRASTRUCTURE

Buildings, roads, pipelines and other services essential for production.



STRATEGIC SPARES

Spares, which are essential to production, are on hand in the event of breakdowns and urgent repairs.



REMELT AND CASTING REMELT AND CASTING EQUIPMENT

Melting and holding furnaces are used to melt and blend primary aluminium, alloying elements and scrap aluminium. The casting launder and moulds are used to solidify the molten aluminium into rolling slab. There are three slab production lines in Pietermaritzburg with a capacity of 240 000 tons per year, with Isizinda providing further rolling slab production capacity in excess of 120 000 tons per annum.



RECYCLING PLANT

Coated and painted scrap is also processed via the aluminium reclamation operation which consists of a shredding line, de-coater and induction furnace. The processed scrap is fed into the slab production lines above.



ROLLING AND FINISHING MILLS

Hualamin has state-of-the-art rolling mills, which roll the slab into coils. The hot mills roll heated slab, substantially reducing its thickness and multiplying its length by up to 24 times. The cold mills further roll the hot-rolled coils to achieve the required gauges and properties.



PLATE PLANT

The aluminium plate plant is a technologically advanced process that includes heat treatment, sawing, stretching and cut-to-length lines.



SLITTERS

These items of equipment form part of the finishing processes. These high-tech machines allow for a high-quality product that meets customers' specific needs.



COATING

Coils can be coated with paint or lacquer using rollers and then oven-cured. The coil coating process is designed to ensure highly consistent quality.



EXTRUSIONS EXTRUDING

Billet presses push softened metal through dies to create desired profiles, which are then finished by either coating, anodising or fabrication. Hualamin has two extrusion plants, both of which boast these advanced technologies.



POWDER COATING

Profiles are pre-treated in order to clean and prepare the surface. Electro-statically charged powder is sprayed and attracted to the profile to form an even coating.

KEY CAPITAL RELIANCES

Local aluminium smelters

Hillside aluminium smelter (source of primary aluminium for Hualamin's remelt and casting operation).

Bayside casting facility

Bayside casthouse (source of one-third of Hualamin's requirements for rolling slab for the rolling operation).

Hualamin operations

Hualamin's remelt operations, consist of:

- Three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year.
- An aluminium reclamation operation.
- Two twin roll casters, which are able to process scrap and primary metal into coil, with the capacity to produce 20 000 tons of coil per year.

ROLLING

Hualamin is a conventional flat rolled aluminium products producer and operates hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tension levelling and foil finishing facilities. A state-of-the-art plate plant is equipped with a range of equipment including sawing, stretching and plate cut-to-length lines.

EXTRUDING

Hualamin manufactures the majority of the extrusion dies for its two extrusion plants. Heated billet is placed in an extrusion press which pushes the softened metal through the die to produce the desired profile. Finishing options include powder coating, anodising and fabrication.

Scrap processing

Hualamin operates an aluminium reclamation operation which consists of a shredding line, de-coater and induction furnace which is used to process light and coated scrap to produce aluminium sows that are fed into the three slab production lines. A R300 million investment in a scrap sorting, processing and recycling facility was approved in 2013 and went online in the third quarter of 2015. The facility was completed on time and within budget.

ASSET MANAGEMENT STRATEGY

The purpose of the asset risk management strategy is to provide a structured approach to the implementation of an asset risk management system, based on ISO 55000 and ISO 31000 principles.

Our asset management strategy is aligned with international best practice. The focus is on asset care, operation and maintenance while considering the asset performance and the effect of external factors.

KEY AREAS OF FOCUS

Business risk assessment

To identify potential assets that pose a high risk to the overall business objectives.

Operation task criticality

To determine activities related to assets that can cause harm to people and the environment while performing these activities.

Equipment criticality analysis

To identify the most significant equipment and determine the most appropriate approach to the development of maintenance tasks.

Spares criticality analysis

To determine inventory categories and develop an approach for a specific spare or material.

Asset acquisition risk management

To determine issues that should be included in the specification of the asset such as training, integration of systems, energy considerations, critical spares and technology.

ASSET CARE

The asset care team ensures that equipment is kept in good, functional condition and contributes to safe working conditions and prevents environmental damage.

Our dedicated asset care team is focused on furthering the:

- Development and implementation of Asset Risk Management policies and governance.
- Development and implementation of centralised work planning and control.
- Development and implementation of improved material management systems.

Our reliance on manufactured capital and our approach to the management thereof allow for us to extract the benefits and value of our assets.

RECYCLING PLANT

Hualamin has invested in the infrastructure needed to recycle Used Beverage Cans (UBCs) and other end-of-life and customer scrap in the most effective and environmentally responsible manner.

The recycling centre, which cost R300 million, has further advanced our manufactured capital. The construction of this plant was within budget and came online in the third quarter of 2015. The facility is now in the process of ramping up to full capacity.



Financial capital

CONSISTENT AND IMPROVING OPERATIONAL PERFORMANCE DRIVING UNDERLYING FINANCIAL DELIVERY	• EPS down from 95 cents to negative 242 cents in 2018 after the recognition of a R1,45 billion impairment charge. • Normalised¹ earnings per share up 20%, building on ongoing operational improvements since 2016 • H2 2018 normalised¹ EPS of 116 cps (annualised) • On course to deliver 2022 ambition
STRONG FREE CASH FLOW PERFORMANCE, MAINTAINING BALANCE SHEET STRENGTH	• A further R90 million free cash flow delivery in FY2018, R298 million free cash flow adjusted² • Cumulative R800 million free cash flow, R1 billion free cash flow adjusted², in three years (average R1.02 FCF/share p.a.) • Improvement in capex management yielding results • Debt/equity at 8% post impairment
INCREASING RETURNS TO SHAREHOLDERS	• Final dividend of 18 cps (2016 and 2017: 15 cps) • Dividend cover increased to 5x HEPS (target 3x HEPS) • R60 million share repurchase programme
R1.1 BILLION POST-TAX IMPAIRMENT TO NAV, IMPACTING ROLLED PRODUCTS AND EXTRUSIONS	• Underlying cash flow delivery on course, but higher discount rate • WACC increased by >3.5% – reflecting higher hurdle rates, global macro uncertainties

PURPOSE

The purpose of this review is to provide insight into the financial performance and financial position of the group for the year ended 31 December 2018 and should be read in conjunction with the annual financial statements presented on pages 108 to 187.

OVERVIEW

Consistent and improving operational performance driving underlying financial delivery

Strong operational performance drove an increase in sales volumes on the prior year of 5%, achieving record sales volume of 245 000 tons (2017: 233 000 tons). This was complemented by strong unit conversion margins which were 4% better than the prior year.

Continued delivery of Hulamin's cost management programme and an increase in the utilisation of market scrap in Hulamin's input metal mix assisted to offset the impact of inflationary pressures, including the significant impact of higher commodity prices, most notably Brent crude, relative to the comparative period. Manufacturing costs on a per unit basis were 3.5% higher than the prior year, but lower by 1.2% in real terms.

The Rand was less of a factor on a year on year basis, although it was volatile, averaging R12.30 in the first half and R14.18 in the second.

Earnings per share decreased to negative 242 cents in 2018 following the recognition of a R1,45 billion impairment charge. Normalised earnings per share¹ improved by 20% over the prior year.

The non-repeat of a significant metal price lag gain of R150 million in the comparative period compared with a gain of just R4 million in the current year, offset by once-off adjustments, including an accounting anomaly (which also resulted in a restatement of prior year results), resulted in a 4% decline in Hulamin's headline earnings per share to 91 cps from the 95 cps achieved in the previous year (as restated).

Group earnings before interest, tax, depreciation and amortisation (EBITDA), on a headline basis, improved 4% to R742 million (31% increase before metal price lag).

The second half of 2018 recorded an impairment loss of R1,45 billion bringing EPS down to negative 255 cents in the second half. Underlying results in the second half of 2018 were particularly strong, recording HEPS of 78 cps, after HEPS of 13 cps was achieved in the first half. After adjusting for once-off items and the impact of metal price lag, normalised¹ EPS of 58 cps was achieved in the second half of 2018, demonstrating the sensitivity of Hulamin's results to the currency.

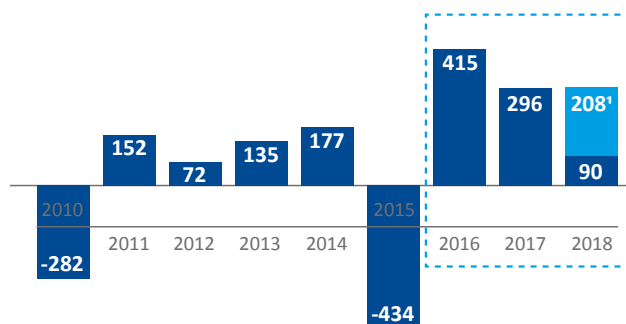
Consistent strong free cash flow delivery

Continued focus on working capital efficiencies, together with responsible levels of capital expenditure resulted in cash inflows before financing activities (free cash flow) of R90 million which enabled the group to reduce its borrowings to R294 million from R317 million at the close of the comparative period. Free cash flow (adjusted), represented by free cash flow adjusted for the inclusion of a significant customer payment, of R298 million (2017: R296 million) was achieved. Further information is provided in the Supplementary information section of this report.

¹ Normalised earnings is defined as earnings excluding metal price lag, non-recurring items and once-off adjustments as presented in note 2.2(c).

² See the supplementary information section of this report for further detail.

OVER THE LAST THREE YEARS, HULAMIN HAS DELIVERED CONSISTENT FREE CASH FLOW AMOUNTING TO A CUMULATIVE >R800 MILLION, FREE CASH FLOW ADJUSTED¹ (>R1 BILLION)



Consistent and increasing returns to shareholders

A final dividend of 18 cps was declared for the 2018 financial year (a dividend cover ratio of 5 times HEPS). A dividend of 15 cps was declared in 2017 (7 times HEPS).

In addition, Hulamín will distribute capital to shareholders by means of a general share buy-back. Hulamín has set aside R60 million for this share buy-back which is intended to run for approximately the next 12 months.

Given the current discount of Hulamín's market capitalisation to net asset value, the strong trend in underlying financial performance and generation of cash flow, and following the conclusion of a substantial strategic review, Hulamín will repurchase shares on an open market repurchase programme until the annual general meeting in terms of the existing shareholder approval obtained at the previous annual general meeting, and will continue with this programme subject to further shareholder approval at the 2019 AGM.

MARKET REVIEW

Key external drivers of performance

Domestic currency

The Rand experienced continued volatility to the US Dollar during the current financial year. The Rand averaged R13.25 to the US Dollar (1% lower than the prior year).

As "Ramaphoria" continued to provide renewed excitement in the South African economy after the ANC elective conference on 18 December 2017 the Rand rallied during the first quarter of 2018. Continued Rand strength during the six months to June 2018, averaging R12.30 to the US Dollar, placed pressure on earnings.

Changes in global emerging market sentiment, however, drove the Rand to its weakest levels since 2017 against the US Dollar as the Rand reached R13.29 on 7 June 2018. Investors across the world anticipated a global economic slowdown as the threat of a trade war between the US and China loomed fuelled by trade duties introduced by US President Donald Trump. This, together with specific domestic issues in emerging markets, resulted in the largest outflow of investment from emerging markets since 2016 placing downward pressure on emerging market currencies relative to the US Dollar.

As interest rates in the US and Europe continue to increase, emerging market economies, including South Africa, are becoming less attractive to foreign investors.

During the current financial year, the Rand traded between R11.52 and R15.50 to the US Dollar. The Rand was weaker against the Euro for the 2018 financial year, recording a loss of 3.5% on the average of the previous period.

Impact on profit and loss*

- Underlying EBIT (conversion margins net of currency-affected costs)
- Metal price lag (net of hedging derivatives)

Impact on free cash flow*

- Underlying EBIT (conversion margins net of currency-affected costs)
- Hedging derivatives
- Foreign receivables, payables and capital expenditure

* Hulamín's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.

¹ See the supplementary information section of this report for further detail.

Key external drivers of performance continued



* Hulamin's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.

Primary aluminium

The average US dollar aluminium price of \$2 110 (2017: \$1 968) was 7% higher during the period under review. The improvement in the average price of aluminium was largely supported by an improved price in the first six month of the period as the metal price averaged \$2 209 (2017: \$1 880). During this period the aluminium price was particularly bullish on the back of sanctions imposed on Russian oligarch *US Rusal* and the imposition of trade duties on both Chinese and US allied steel and aluminium imports as markets anticipated a tightening of aluminium supply.

The aluminium price settled at an average price of \$2 011 (2017: 2 056) for the six months to December and displayed less volatility. Prices settled as the US-government continued to extend deadlines on sanctions imposed on *US Rusal*, the world's second largest aluminium producer. *US Rusal* have approached the US-government with substantial corporate governance changes that could potentially result in significant changes of as initially requested by Washington. The US-government has again extended the imposition of sanctions until 7 January 2019.

As demand continues to exceed supply ex-China the aluminium price has continued to see support during the year under review. This trend is expected to continue into 2019 as the use of aluminium continues to be adopted in new industries and products.

The average Rand aluminium price during the last few months of 2018 was only slightly higher than the corresponding period in 2017, while inventory levels were similar. This resulted in an insignificant metal price lag benefit of R4 million for the full year (2017: R150 million).

Impact on profit and loss*

- Metal price lag (net of hedging derivatives)

Impact on free cash flow*

- Hedging derivatives

* Hulamini's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.

FINANCIAL PERFORMANCE

The financial performance of the group is measured in terms of various key financial measures which include operating profit, headline and normalised earnings, return on capital employed, cash flow generation, gearing and liquidity, as set out below in further detail.

SEGMENT PERFORMANCE

The Rolled Products segment recorded operating profits of R530 million (before impairment), an increase of 10% over the prior year. Hulamin Extrusions incurred an operating loss (before impairment) of R29 million during the current period as stagnant local market demand and continued imports from Chinese markets eroded volumes and margins. Note 2.1 of the group financial statements discloses more information on our operating segments contribution.

Hulamin Rolled Products 2017 results have been restated and this has also impacted on the 2018 results (refer section entitled ACCOUNTING POLICIES below). The impact of this has been an increase in 2018 operating profit of R40 million and a decrease in 2017 of the equivalent amount.

Rolled Products operating profit

Controllable earnings

The Rolled Products segment built on strong manufacturing performance delivered in 2017, which included a 12-day integrated shut. Risk mitigation systems continue to be effective and the plant reliability was stable. This led to an improvement in sales volumes to a record 229 000 tons (group sales volumes improved to a record 245 000 tons).

Overall, average unit US Dollar rolling margins achieved in 2018 were some 4% higher than the prior year. Trading conditions in the local market faced some pressure as Chinese supply flooded the South African market with the imposition of US trade duties particularly against Chinese metal. In the local market can stock sales represent 46% of total domestic sales, up from 40% in the prior period. A strong performance in export market margins was achieved in 2018 as Hulamin benefited from favourable market conditions in the US.

Material costs, packaging and gas costs were impacted by higher commodity and crude oil prices and increased volumes. Salary and wage increases in 2018 were above the official consumer price inflation level, however, there was a welcome reduction in the rate of increase in electricity prices approved by NERSA for the period 1 July 2017 to June 2018 to 2.2%. However, due to the poor financial state of Eskom, the risk remains that electricity prices will increase significantly going forward.

Excellent progress was made during the current financial year both in terms of the delivery of continued cost reduction against target and the development and the roll out of Hulamin's cost optimisation programme. This, together with the strong production performance, mitigated the impact of inflation and commodity price increases, and resulted in an improvement in unit manufacturing costs at Rolled Products in real terms by 1.2% (3.5% higher in nominal terms).

Hulamin's cost optimisation programme, which was rolled out at the beginning of 2017, aims to deliver further measurable, sustainable cost reduction of R300 million over the next five years.

In the current year, Hulamin delivered a number of cost reductions through the deployment of lean methodology, supported by improved cost management systems. Procurement and supply chain improvements resulted in reductions in certain material and packaging costs. Baseline gas costs improved as Rolled Products converted a further 35% of its gas supply to compressed natural gas, which now stands at 45% of its total supply. The remelt and casting operation remains fully supplied by liquid petroleum gas, whilst Hulamin continues to seek a long-term solution to securing piped gas into the region.

Currency impact on underlying operating profit (externality)

The Rand averaged R13.25/USD for the 2018 financial year, 1% stronger than the previous year's average of R13.32/USD. This had a slightly negative impact on the current year's operating profit as Hulamin's conversion margins are predominantly foreign currency-denominated.

Metal price lag (externality)

Following a significant metal price lag gain of R150 million in 2017, a gain of just R4 million was realised in the current year as the Rand aluminium price during the last few months of 2018 was only slightly higher than the corresponding period in 2017, while inventory levels were similar.

FINANCE COSTS

Net interest paid decreased by 19% to R80 million as a result of lower average borrowings during the current financial year.

Net finance cost was only slightly lower than the comparative period at R74 million due to a lower proportion of borrowing costs capitalised to plant and equipment in the current financial year.

TAXATION

The effective rate decreased from 27.8% to 24.4% in the current year, largely due to a deferred tax asset in relation to the Hulamin Extrusions operating segment not being recognised.

HEADLINE EARNINGS

Basic headline earnings for the group decreased by 4% to R292 million in 2018 from R305 million in the previous year.

FREE CASH FLOW

A strong operational performance and working capital management, together with controlled capital expenditure, resulted in the group generating cash flow before financing activities (free cash flow) of R90 million (2017: R296 million), and free cash flow (adjusted) of R298 million. (2017: R296 million).

Operating cash flow

The group generated positive cash flow before working capital changes of R673 million in 2018, a 10% decrease on the previous year.

Working capital management

Working capital increased by R284 million (8%) in the 2018 financial year, largely attributable a 5% increase in sales volumes and the increase in rolling margins.

Rolled Products has continued to improve its inventory efficiencies, building on improvements delivered since 2016. The Rand value of inventory nevertheless increased by 5% but declined in terms of number of days of sales.

Rand receivables increased by 25% over 2017. The increase in receivables was mainly due to higher levels of sales, together with increased conversion margins. Overall, improved efficiencies were recognised. Almost all receivables are insured, with a 10% deductible, and the quality of the book remains excellent.

Trade payables increased by 11% on the prior year, mainly as result of the impact of the higher volume levels.

Capital expenditure and commitments

Cash outflows from investing activities for the year decreased to R242 million from the R261 million net outflow in 2017. An amount of R175 million (2017: R43 million) has been contracted and committed but not spent.

CAPITAL MANAGEMENT BORROWINGS AND LIQUIDITY

Net borrowings closed at R294 million, down from the R317 million on the prior year closing position. Borrowings comprised the balance of R108 million on an original R270 million term loan (put in place to fund the investment in Hulamín's recycling facility), a R632 million revolving working capital loan and a R80 million loan from the employer surplus in the pension fund, reduced by cash balances of R526 million. Committed facilities totalled R1 838 million, leaving headroom of R1 544 million at year-end.

Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants have been met with a significant safety margin in the 2018 financial year.

Gearing (net debt to equity) increased to 8%, after the impairment charge. The low level of gearing is expected to be further reduced in the short term.

DIVIDENDS

The group has maintained its policy to target a distribution to shareholders which is three times covered by headline earnings, after due consideration of current and forecast cash-generation, liquidity and gearing levels, and planned capital expenditure.

A final dividend for the 2018 financial year of 18 cps has been approved (2017: 15 cps). This represents a distribution which is five times covered by headline earnings and is considered appropriate in order to permit a further reduction in the group's gearing levels.

In addition, the group has reserved R60 million to fund an open market share repurchase programme over the next 12 months.

KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES METAL PRICE RISK AND CURRENCY EXPOSURE

Hulamín purchases primary aluminium and converts this into rolled or extruded aluminium products. It sells the aluminium component in its products to its customers and, in addition, earns a conversion margin as compensation for its costs of casting, rolling, extruding and finishing its various products.

Conversion margin and costs (currency risk)

The group's conversion margins, particularly in its Rolled Products segment, are largely denominated in US Dollar and Euro. Certain of its manufacturing and distribution costs are also foreign currency-denominated.

The group does not hedge these exposures and its profits are therefore impacted by currency levels on its conversion margins net of foreign-denominated costs.

Aluminium purchases and sales (metal price and currency risk)

The price of aluminium purchased by the group and sold to its customers is typically based on the monthly average US Dollar LME price in the month prior to the month of delivery. It usually takes about three months to produce and invoice the semi-fabricated products sold to customers and during this period the quoted LME price may increase or decrease. Similarly, the Rand fluctuates against the US Dollar during this period, resulting in the purchase price of aluminium in Rand differing from the price realised upon sale.

On an unhedged basis, this can result in a high level of profit and loss volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales. However, there is a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.

The group uses derivative instruments, forwards and swaps, to reduce these profit and loss exposures. The group applies a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the metal lag. Eliminating 100% of the price risk with derivatives would create a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements.

The unhedged fluctuation in the US Dollar aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits. During the current financial year the group made a pre-tax gain of R4 million from metal price lag (2017: R150 million gain). This net gain was made up of Dollar-denominated gains on the purchase and subsequent sale of metal offset by losses on derivative instruments.

Foreign-denominated receivables, payables and import transactions (currency risk)

The group hedges its currency exposures on foreign-denominated receivables and payables from invoice date to expected receipt or payment date and on import transactions from the date of commitment.

INTEREST RATE RISK

The group is exposed to interest rate risk with respect to its borrowings which carry variable rates. Net interest payments of R80 million were 19% lower than that incurred in the prior year (including interest capitalised of R7 million).

MATERIAL ITEMS IMPAIRMENT ASSESSMENT OF ROLLED PRODUCTS ASSETS

International Accounting Standard (IAS) 36 requires that management assess the carrying value of assets at every reporting date for possible impairment in value where an indicator of impairment exists. Where the share price of a listed entity trades at a discount to its underlying net asset value such an indicator is triggered and management are obliged to determine the value in use of the assets and should this be below their carrying value, make an appropriate adjustment.

Hulamin is focused on improving returns to shareholders. We are actively managing this through delivering EBITDA performance, tighter control over capital expenditure, paying down debt levels and now additionally through imposing a higher hurdle rate for improvement projects.

Mounting uncertainty in the macro environment and the associated rise of risk indicators, has also supported increasing the company's weighted average cost of capital (WACC) to more accurately value the company's internal forecasts of future cash flows.

This WACC increase results in material changes to the valuation of assets and, as a consequence, an impairment charge of R1.376 billion has been applied to Hulamin Rolled Products and R74 million to Hulamin Extrusions.

Full details are provided in note 5.3 to the financial statements and the determination was reviewed by the company's external auditors. Key sensitivities are explained in the note and the Rand/US Dollar exchange rate assumed is a key determinate of the value in use of the assets due to the impact of the exchange rate on profitability. The valuation assumed a rise in the average Rand/US Dollar exchange rate from R14.27 in 2019 to R15.06 in 2023.

ACCOUNTING POLICIES NEW ACCOUNTING STANDARDS

The group's accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from the International Financial Reporting Interpretations Committee (IFRIC) and circulars. The group maintains the view that the standards set the minimum requirements for financial reporting.

During the year, the group adopted the IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from contracts with customers". The adoption of these standards has impacted the financial statements, which effects have been set out in note 9.8. The adoption of amendments to other standards has not had a material impact on the group.

The group has assessed the impact of IFRS 16 "Leases", which will come into effect for the year ending 31 December 2018. The impact of this standard has been further described in note 1.2 to the financial statements.

RESTATEMENT OF PRIOR YEAR FINANCIAL INFORMATION

The financial performance of Hulamin Rolled Products is exposed to the impact of metal price lag and accordingly implements a hedging programme to balance the cash flow and profit effects of this lag.

In order to apply hedge accounting as envisaged in IAS 39, the group has historically designated the sale, and not the purchase of the inventory, as the hedged item. This designation causes a mismatch between changes in fair value of the hedged item (which includes rolling margins, geographic premiums and transport costs) and the hedge instrument (which only relates to the commodity portion of the sale).

We have reviewed the application of hedge accounting in terms of the IAS 39 standard and believe that the expectation of prospective hedge effectiveness as envisaged in the accounting standard is not appropriately satisfied and could therefore create volatility which would be expected to breach the effectiveness guidelines provided in IAS 39. The comparative results have consequently been restated.

There is no cumulative impact on earnings and also no impact on cash resulting from this restatement. Hulamin's commodity risk management programme is highly effective. Hulamin plans to adopt the new financial instruments standard IFRS 9, in 2019, which will overcome the limitations of IAS 39.

The comparative results have consequently been restated. The impact of this is set out in note 9.7 of the financial statements.

SUPPLEMENTARY INFORMATION: FREE CASH FLOW (ADJUSTED)

Basis of preparation

The cash flow generated from operations and cash flow from investing activities which equates to cash flows before financing activities of Hulamin ("free cash flow") adjusted for the impact of the inclusion of a significant customer payment ("free cash flow (adjusted)") included in the report of free cash flow (adjusted) for the year ended 31 December 2018 has been prepared for illustrative purposes only and because of its nature may not fairly present Hulamin's cash flows.

The free cash flow (adjusted) is based on cash flows before financing activities for the year ended 31 December 2018.

The free cash flow (adjusted) has been prepared to illustrate the free cash flow adjusted for the impact of a significant customer payment that was due to the group and was fully authorised by the customer and scheduled to be paid on that same date. However, the customer's intra-day bank limit caused the entire payment batch to be blocked and therefore this payment only concluded in early January 2019. The directors of Hulamin feel that this anomaly misrepresents the group's cash flows for the 2018 financial year.

The free cash flow (adjusted) is presented in accordance with the JSE Listings Requirements. The free cash flow (adjusted) has not been prepared using the accounting policies of Hulamin and does not comply with IFRS.

The directors of Hulamin are responsible for the free cash flow (adjusted) included in the report of free cash flow (adjusted) for the year ended 31 December 2018.

Ernst & Young Inc.'s independent reporting accountants' report on the report of free cash flow (adjusted) for the year ended 31 December 2018 is available for inspection at Hulamin's registered office.

	2018 R million	2017 R million
Cash flows before financing activities (a)	90	296
In transit cash (b)	208	–
Free cash flows (adjusted) (c)	298	296

- (a) Row (a) presents the cash flows before financing activities extracted from the audited financial statements for the year ended 31 December 2018.
- (b) Row (b) represents the financial impact of the late payment from the customer on the cash flows before financing activities.
- (c) Row (c) represents the free cash flow (adjusted) as at 31 December 2018.

GOING CONCERN

The Board has formally considered the going concern assertion for the group and is of the opinion that it is appropriate for the forthcoming year.

CONCLUSION

Hulamin has again recorded an improved underlying financial performance, building on its improving record of the last few years, supported by a record production and sales performance, together with the impact of improved conversion margins, a focused cost optimisation programme, and prudent management of capital expenditure. This has resulted in the generation of R90 million free cash flow in 2018 (and a cumulative R800 million of free cash flow over the past three years). Free cash flow (adjusted) of R298 million and cumulative R1 billion of free cash flow adjusted over the past three years¹.

This permitted a further decrease in Hulamin's net borrowings, as well as the declaration of an increased dividend and the announcement of a share repurchase programme.

¹ Free cash flow (adjusted) over each of the three years is provided on page 9 under the cash flow section.



Performance management

- 80 Our Approach to Governance
- 84 Remuneration Report



Performance management

Hulamin views the implementation of good corporate governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

53%

Representation of independent non-executive directors.



Our approach to governance

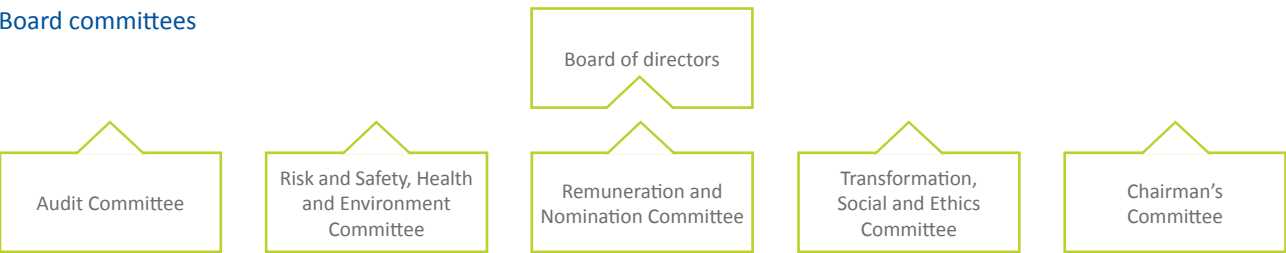
GOVERNING STRUCTURE AND DELEGATION

Hulamin views the implementation of good governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

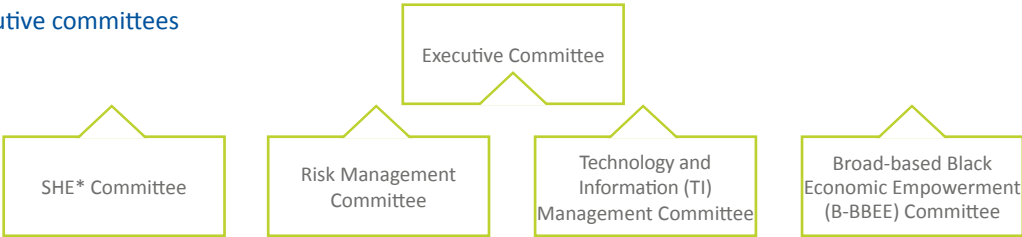
The board has delegated, through formal terms of reference, specific matters to a number of committees whose members and chairman are appointed by the Board. There is full disclosure of matters handled by the committees to the Board.

The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. For further information on the core responsibilities and composition of our committees refer to our separate Governance Report available on our website.

Board committees



Group executive committees



In driving the strategy the Executive Committee’s overarching trade-off has been against the objective of generating free cash flow. Below is further context to the considerations the Executive Committee had to make during the 2018 financial-year.

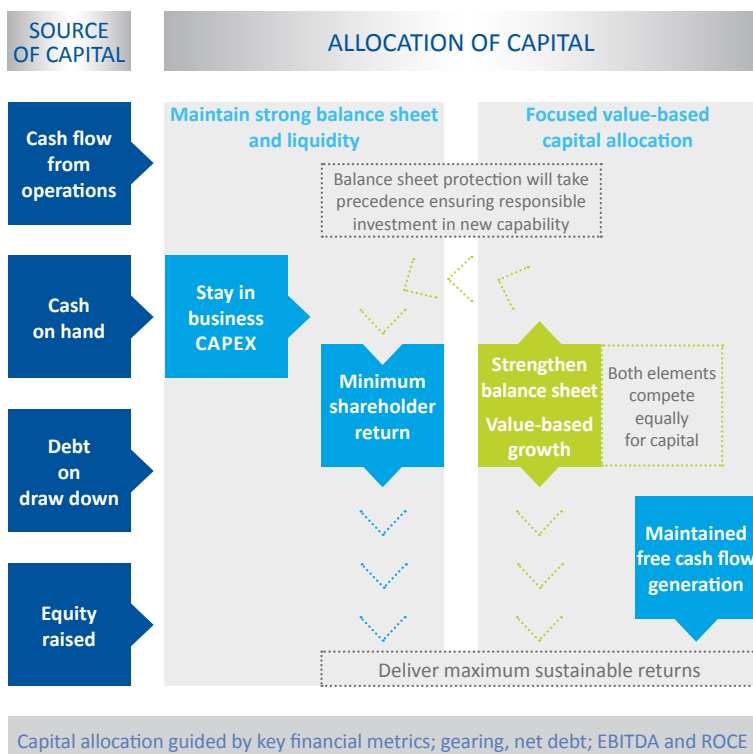
Generating free cash flow to build capability in preparation for a high growth, innovative and green group portfolio	
Understanding the trade-off	The trade-offs made in 2018
Generating free cash flow for future investment requires forgoing of a myriad of short-term benefits and investment decisions to maximise cash generation. The Executive Committee has needed to make decisions during the current financial year that are cash conscious to ensure that sufficient free cash flow is generated to implement the strategic objectives as set out by the Board.	Improved capital discipline has resulted in lower allocation of funding to manufactured capital. The Executive Committee continues to monitor the performance, age and obsolescence of our manufactured capital to ensure that sufficient capital is made available to maintain operations in the short-term whilst building for new capabilities. Investment in a working capital optimisation programme has had negative earnings impact during the current financial year but has assisted in unlocking free cash flow. Through the programme the Executive Committee has made decisions regarding optimal safety stock levels, discounts foregone from early settlement discounts and discounts given to our customers. The Executive Committee believes our people are key to our success and has not traded the skills and expertise of our workforce to improve future free cash flow generation.
R800 million cumulative free cash flow generated	Related capitals:   

Our strategic intent is further detailed on page 34 of this report.

LEADERSHIP ROLES AND FUNCTIONS

The board is led by an independent non-executive chairman. The role of the chairman is distinct and separate from that of the Chief Executive Officer and the separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers and that an appropriate balance of power and authority exists on the board. The Hualamin group board provides strategic leadership to the group with due regard to all stakeholders.

The Executive Committee is responsible for delivering the strategic objectives set by the board of directors. The group executive committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and 10 other suitably qualified and experienced members of senior management. The Executive Committee strives to allocate capital and resources in the best way possible to create sustained value for all stakeholders. Given the constrained and interconnected nature of the capitals we rely on, we must make tough choices about where to allocate our resources to generate sustained value.

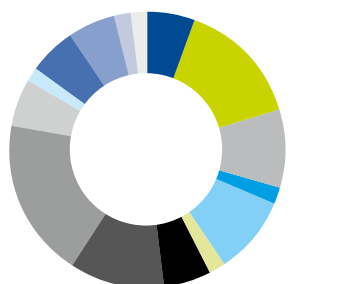


Board demographics



ACI: African, Coloured and Indian

Board skills composition



THE BOARD AT A GLANCE

The Board is the custodian of corporate governance. The Board has adopted the King IV Report on Corporate Governance for South Africa. Our embodiment of each of the principles contained in the code is available in our Governance Report that is available on our website.

The Board's primary role and responsibility is to bring independent, informed and effective judgement and leadership to bear on the material decisions of the company. The Board comprises the appropriate balance of knowledge, skills, experience and independence to effectively discharge its roles and responsibilities. The diversity in its membership across various attributes creates value by promoting better decision-making and effective governance.

Refer to our website for a detailed resume of the Board of Directors. Further information about our board is provided in our Governance Report that is available on our website.

The Board at a glance

	Year of appointment	Age	Audit	Risk and SHE*	Remuneration and Nomination	TSE [^]	Chairman's Committee
Independent non-executive directors							
ME Mkwana (Chairman) ¹	2007	64		Member	Member		Chairperson
TP Leeuw (Chairman) ¹	2007	55	Chairperson ³	Member	Member		Chairperson
CA Boles	2016	49	Member ⁶		Member		
RL Larson	2017	63		Member ⁷			
N Maharajh	2016	52	Chairperson ⁴	Member ¹⁰			Member ¹⁰
NNA Matyuma	2010	55	Member		Chairperson		Member
Dr B Mehlomakulu	2016	46		Member ⁸		Member ⁹	
AT Nzimande ²	2017	48				Member	
PH Staude	2007	65		Chairperson			Member
GHM Watson	2011	67		Member	Member		Member
Non-executive directors							
VN Khumalo	2006	56				Chairperson	Member
SP Ngwenya	2007	65				Member	
GC Zondi (Alternate)	2016	45					
Executive directors							
RG Jacob (CEO)	2010	53		Member		Member	
AP Krull (CFO)	2016	44		Member			
MZ Mkhize	2007	57		Member			

Directors ages are quoted as at 31 December 2018

* Safety, Health and Environment.

[^] Transformation, Social and Ethics

¹ ME Mkwana resigned as Chairman of the Hulam Board with effect from 30 April 2018, and TP Leeuw was appointed Chairman with effect from 1 May 2018.

² AT Nzimande resigned with effect from 30 June 2018 from the Hulam Board.

³ TP Leeuw resigned as Chairman of the Audit Committee with effect from 30 April 2018.

⁴ N Maharajh was appointed Chairperson of the Audit committee with effect from 1 May 2018.

⁵ TP Leeuw was appointed as a member of the Remco with effect from 1 May 2018.

⁶ CA Boles was an invitee to the Audit Committee up to 30 April 2018, and appointed as a member of the Audit Committee with effect from 1 May 2018.

⁷ RL Larson was appointed as a member of the Risk and SHE Committee with effect from 1 April 2018.

⁸ Dr B Mehlomakulu was appointed as a member of the Risk and SHE Committee with effect from 1 April 2018.

⁹ Dr B Mehlomakulu was appointed as a member of the TSE Committee with effect from 1 September 2018.

¹⁰ N Maharajh was appointed as a member of the Risk and SHE Committee and the Chairman's Committee with effect from 1 May 2018.

THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

The Transformation, Social and Ethics Committee's key responsibilities are:

- Recommend to the Board the strategies and policies to be adopted to ensure the group's Transformation, Social and Ethics targets are achieved.
- Align the group's Transformation, Social and Ethics strategy with its overall business strategy.
- Monitor the implementation and efficacy of the employment equity, black management development, black equity ownership, preferential procurement, skills and enterprise development and socio-economic initiatives of the group.
- Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships.
- Review policies and statements on ethical standards, the code of conduct for suppliers and service providers and on whistle-blowing.

Key areas of focus of the committee during the reporting period are set out in Annexure A of the AGM notice.

Key areas of future focus will be to monitor the implementation of the transformation plan.

Further details on this, and other committees, can be found in our governance report at www.hulam.co.za

VALUE CREATION THROUGH GOVERNANCE

ACTIVITIES

- **Leadership, ethics and corporate citizenship**
- **Strategy, performance and reporting**
- **Risk, oversight and compliance**
- **Remuneration**
- **Stakeholder relations**
- **Corporate governance**

Provides responsible, accountable and transparent leadership and holds the executive committee accountable for the performance against strategic objectives

VALUE CREATED

Culture

Being good,
by doing good

Delivering strategy

See page 36
of this report

Delivering stakeholder value

See page 24
of this report

Remuneration and nomination committee report

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Composition of the committee:

Chairman (remuneration):

NNA Matyumza

Chairman (nominations):

ME Mkwanazi (until 26 april 2018)

TP Leeuw (from 26 april 2018)

Other members:

CA Boles

GH Watson

PART A:

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2018 financial year on behalf of the Remuneration and Nomination Committee ("Remco"). The purpose of this report is to provide the stakeholders with a detailed summary of the organization-wide philosophy and policy pertaining to remuneration at Hulamini Limited ("Hulamini" or the "company"). In accordance with Hulamini's dedication to being a responsible corporate citizen, this report has been aligned to follow best practice reporting standards incorporating the King IV Report on Corporate Governance ("King IV") and the Johannesburg Stock Exchange ("JSE") Listings Requirements.

Despite difficult local and international market conditions, and the volatile South African currency, Hulamini delivered a strong manufacturing performance with best-ever production and sales volumes. In this context, the total STI bonus paid was limited by the business not achieving certain financial performance targets. The 2015 share appreciation right scheme ("SARS") award scheduled to vest in 2018 did not vest as a result of missing financial performance targets in 2017.

REMCO FOCUS AREAS 2018

In addition to its normal responsibilities, the Remco was faced with challenging policy changes, particularly in relation to the implementation of new corporate governance principles and amended JSE Listings Requirements.

ROUTINE ACTIVITIES

- Approve annual salary increases based on the market, inflation, company and individual performances, taking current market benchmarks into account
- Approve Short- and Long-Term Incentive scheme awards and performance conditions
- Review and recommend non-executive directors ("NED") fees to the shareholders
- Review and recommend Remco terms of reference to the Board
- Review the Remuneration Policy and Remuneration report

NNA MATYUMZA
Chairperson



NON-ROUTINE ACTIVITIES

- Approved new share incentive scheme being the equity-settled conditional share plan ("ECSP") for recommendation to the shareholders – approved at the annual general meeting
- Considered the requirements for a Fair and Ethical pay framework in order to structurally address the concept of "Equal pay for work of equal value"
- Reviewed succession planning for the CEO and Executive

The Remco has obtained the support, advice and opinions of external advisors on various remuneration-related matters. The Remco is satisfied with the constructive, objective and independent advice received.

MANAGEMENT REMUNERATION – A DYNAMIC CONTEXT

Issues around executive remuneration, disparities in pay and transparent disclosure remain topics with widely diverse opinions in South Africa. Cognisant of these issues, the Remco has continued to implement initiatives and policy changes in line with King IV and the JSE Listings Requirements.

With the introduction of the new ECSP in 2018, the previous 2007 schemes (SARS, long-term incentive plan ("LTIP"), and deferred bonus plan ("DBP")) were discontinued, and no further awards will be made under these old schemes.

In addressing the requirements of the Employment Equity Act 55 of 1998 with regards the principle of equal pay for work of equal value, the Remco has initiated a Fair and Ethical Pay framework. In addition to this, when annual salary increments are applied, adjustments are weighted in favour of employees at lower remuneration levels.

In line with best practice, King IV and the JSE Listings Requirements, we will continue to submit the remuneration policy (part B) and the implementation report (part C) for separate, non-binding advisory votes at AGMs.

SHAREHOLDER ENGAGEMENT

In line with best practice and our value of remuneration being aligned with shareholders and their interests, we regularly engage with shareholders, in 2018 specifically on the design of the revised long-term incentive scheme.

APPRECIATION

The Remco is satisfied that we properly executed our duties in terms of our mandate for FY2018. At the AGM held on 26 April 2018, Hulamini received a 98.55% non-binding advisory vote in favour of both its remuneration policy and implementation report.

We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamini and, particularly, the Remco, are steadily continuing on the journey of implementing best practice standards in our remuneration reporting and disclosure.

NNA Matyumza
Chairman of the Remuneration and Nomination Committee

PART B: THE FORWARD-LOOKING REMUNERATION POLICY

The Remco is a subcommittee of the Board of the company (the “Board”) with delegated authority. Hulamin’s remuneration policy is reviewed annually by the Remco and submitted for approval by the Board. The Remco responsibilities and actions are set out and governed in its terms of reference, read together with Hulamin’s remuneration policy and other applicable documents.

The Remco meets at least three times per annum. The Remco members and their meeting attendance record is detailed below:

Member	6 Feb Scheduled	22 Feb Special	14 Jun Scheduled	8 Nov Scheduled	5 Dec Special
NNA Matyumza	✓	✓	✓	✓	✓
CA Boles	✓	✓	✓	✓	✓
TP Leeuw (from 26 April 2018)	N/A	N/A	✓	✓	✓
ME Mkwana (to 26 April 2018)	✓	✓	N/A	N/A	N/A
GH Watson	✓	✓	✓	✓	✓

In 2018, scheduled Remco meetings were held on 6 February, 14 June, and 8 November. In addition to the scheduled meetings, Special Remco meetings were held on 22 February and 5 December, shortly before Board meetings, in order to approve recommendations to the board.

Invitees from management who are invited to attend Remco meetings are excused when their respective remuneration is discussed and they also do not take part in any voting at the Remco meeting.

REMUNERATION PHILOSOPHY

The purpose of the remuneration policy is to provide principles and guidelines on an organisation-wide remuneration structure, including the management of remuneration practices that enable Hulamin to attract, motivate, retain and reward the best talented employees as a key component of the integrated human resources strategies which support the achievement of Hulamin’s strategic objectives. The philosophy serves to align the interests of management and shareholders and is clearly communicated to employees concerned.

Hulamin’s remuneration philosophy aims to:

- Encourage a culture of enterprise and innovation through providing appropriate individual and company short-term and long-term performance related rewards that are fair and responsible.
- Promote positive outcomes across the economic, social and environmental context in which Hulamin operates.
- Promote an ethical culture and responsible corporate citizenship.

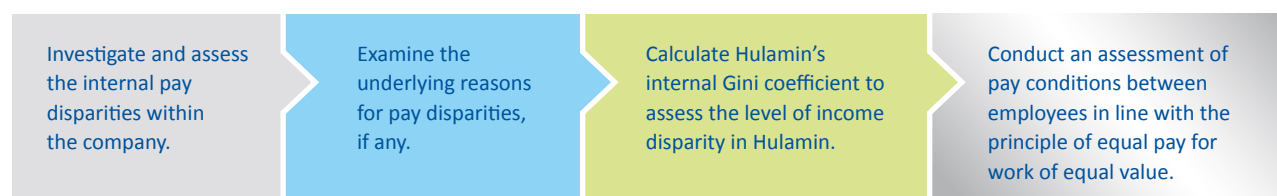
Hulamin’s remuneration philosophy is aligned with the principle of “pay for performance” within the boundaries of the company’s risk appetite, while avoiding the risks associated with undue windfalls or penalisation as a result of factors outside of employees’ locus of control. Variable pay should be only partially affected by the performance of a particular operation in which an employee works where factors outside the employee’s control affect the company’s financial results (e.g. commodity price or currency fluctuations), so as to find a balance between alignment with shareholder interests and employee rewards.

FAIR AND RESPONSIBLE REMUNERATION

The Board, supported by the Remco, gives due consideration to the principle of fair and responsible remuneration. As there are wide ranging opinions on the topic, the Remco reviews and approves initiatives, policies and arrangements to give effect to this principle (in line with best practice and the company’s strategic objectives).

The Remco ensures that executive remuneration (including the remuneration of prescribed officers) is congruent with overall employee remuneration.

The Remco makes recommendations to- and assists the Board in taking the following actions:



In striving to be a responsible corporate citizen, the company continuously considers initiatives to support the principle of fair and responsible remuneration and improve the employment conditions of all employees within the company.

REMUNERATION MIX

Structure of packages

The quantum, structure, composition and mix of remuneration packages supports the company's strategic objectives, is market related and is aimed at being competitive in the company's industry. To this end market surveys are conducted annually and used as input where action is required to ensure above principles are applied fairly to all stakeholders.

The appropriate mix between guaranteed and variable pay (including the short- and long-term elements of remuneration) are reviewed by the Remco and the Board from time to time taking market trends into consideration. The Remco ensures that the variable components of remuneration are designed to ensure an appropriate level of risk to the company and its long term objectives, avoiding any possible over-dependence on its variable components.

Note that at lower salary levels, the on-target remuneration mix is weighted towards TGP, and that variable pay constitutes a smaller proportion of total remuneration.

Guaranteed pay (TGP)

CASH SALARY

The major portion of guaranteed pay consists of a cash salary. Regular benchmarking exercises are conducted to ensure that Hulamín employees' cash salary is market related and appropriately competitive.

EMPLOYER CONTRIBUTIONS

Guaranteed pay also includes an employer contribution to a company-approved retirement fund and medical aid, as well as a cellular phone allowance based on the employee's grade, and a 13th cheque amounting to 10% of their annual basic salary for all employees from lower E-band and below.

PREMIUMS

It is recognised that market premiums may be necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's salary.

OTHER BENEFITS

In addition to retirement funding and medical aid, Hulamín offers retiring staff with a minimum of 10 years' service a gratuity based on the length of their service and their final salary, as well as general accident insurance for middle and senior management.

POSITIONING

Hulamín aims for guaranteed pay to be in line with the market median, recognising that there are cases of differentiation (i.e. within a range of the market median) based on individual performance and value to the business.

SALARY REVIEW AND INCREASES

Annual cash salary increases for individuals are largely inflationary adjustments. Other factors taken into consideration include: an individual's pay relative to the market, their performance and anticipated future value to the business. Performance ratings are normalised both within an employees' department, and between departments to ensure that ratings approximate a normal distribution. In cases where pay anomalies are identified, attention is given to adjusting the employee's pay in line with the market, their value to the business and their performance.

The aggregate of all annual increases is adopted as a firm upper limit not to exceed the average overall increase approved by the Board. Salary increases of executives are considered individually by the Remco when determining the average increase for other employees.

PERFORMANCE

Performance below expectations is not tolerated and actions (such as performance counselling or disciplinary actions) are taken to ensure that poor performers either improve their performance or exit the company. During the period while under-performance is being addressed, the employee's salary increases would be below average for their grade.

Variable pay

Short-Term Incentive Bonus (STI)

The primary purpose of the STI is to serve as a motivator of performance. Refinements to the STI are considered from time-to-time to improve the efficacy of the scheme.

The STI is based on a combination of corporate financial targets, divisional operational targets and individual performance.

Financial performance conditions are based on an equal weighting of Board-approved annual budgets by division:

- Earnings before interest and taxes ("EBIT"); and
- Operational cash flow

FINANCIAL CAPITAL

Encourages employees to meet the company's liquidity profile and future cash requirements for a more profitable business, ultimately increasing shareholder value.

Operational performance targets are based on the Board-approved annual budget by division:

- Sales volumes measured in tons intended to increase total sales.
- Manufacturing costs including employee costs, including overtime, discretionary costs and a "metals" component to encourage recycling of scrap metals.
- Rolling margins measured in USD per ton as a measure to improve quality of sales volumes.
- Overall recoveries as a percentage of throughput intended to improve efficiencies.
- Working capital as a percentage of revenue to reduce working capital.
- Safety performance.

MANUFACTURING CAPITAL

Encourages employees to meet the company's operational objectives aligning employees discretionary effort with company goals, ultimately increasing shareholder value

Individual Key Performance Areas ("KPA") address the achievement of strategic business objectives across the following general areas:

- Financial performance
- Budgetary/cost control
- Transformation
- Safety
- Risk management

The STI scheme consists of six different levels. The percentage of TGP payable under the six levels for on-target performance is reflected in the table opposite:

Position	Grade	STI on-target % of TGP	STI STRECH % of TGP
CEO	FU	60	150
CFO	FL	50	125
Other executives	FL	40	100
Senior management	EU	33	82.5
Senior management	EL	25	52.6
Middle management	DU – DL2	15	37.5

In the event of early termination of employment due to resignation or dismissal, there is no entitlement to a bonus payment. In the case of retirement, retrenchment and death in service there is a *pro rata* entitlement, paid to the participant at the year-end along with other participants.

The payment of bonuses for each component of the respective awards is determined independently from the other components.

The weightings of the targets are as follows:

Position	Grade	Financial performance	Operational performance	Safety performance	Individual performance
CEO	FU	60%	10%	10%	20%
CFO	FL	50%	20%	10%	20%
Executives	FL	40%	30%	10%	20%
Senior management	EU	30%	40%	10%	20%
Senior management	EL	20%	40%	10%	30%
Middle management	DU – DL2	10%	40%	10%	40%

The Remco and the Board have the discretion to decide on the payment or non-payment of performance incentive bonus awards.

Long-Term Incentives (LTIs – Share Incentive Schemes)

The variable pay component of Hulamín's remuneration packages is structured to include LTIs for executives and senior management that are market-related and linked to company performance.

The primary purpose of the LTIs is to incentivise employees to achieve the long-term objectives of the company, specifically objectives that have multi-year durations and to retain key talent.

Financial performance conditions are included in order to align with shareholder interests.

FINANCIAL CAPITAL

Performance measures drive increases in the value and return on the investments made by Hulamín's shareholders.

Equity-settled Conditional Share Plan ("ECSP")

The company introduced a new LTI for executives and qualifying management in 2018, being the ECSP.

The ECSP provides for three types of conditional shares:

1

RETENTION SHARES ("RS"), awarded selectively by the Remco to attract and retain executive and senior management, the vesting thereof is subject to the satisfaction of the employment condition. These are limited to 25% of an employee's TGP.

2

PERFORMANCE SHARES ("PS"), awarded only to executives and senior management, the vesting thereof being subject to satisfying performance conditions and the employment condition in line with the group's approach of performance related incentives.

3

BONUS SHARES ("BS"), awarded to executives, senior and middle management, the value thereof will be determined as a percentage of the STI based on performance in the previous financial year, and the vesting thereof is subject only to meeting the employment condition.

In line with best practice, regular annual awards of Bonus Shares and Performance Shares are made to ensure long-term shareholder value creation and alignment with acceptable market norms. In addition, the award of Retention Shares is for use in cases where there is a specific need to attract or retain talent.

Annual awards target a market-related level of remuneration whilst considering the overall affordability thereof to the company.

Bonus Shares are not subject to additional performance conditions due to the fact that they have an "entry performance requirement", where the quantum of the Bonus Shares is determined with reference to the actual STI paid to the participant based on the prior financial year's performance.

The extent and nature of performance conditions applicable to the Performance Shares awarded in terms of the ECSP are approved by the Remco annually and included in the award letter to participants.

Performance Share awards made to the participants are subject to the following performance conditions, measured over a three-year performance period:

TOTAL SHAREHOLDER RETURN ("TSR")

- Weighted 1/3
- Measured against the JSE Small Cap Index over the three year vesting period, including dividends declared over the vesting period

RETURN ON CAPITAL EMPLOYED ("ROCE")

- Weighted 2/3
- Measured against the accumulated ROCE based on the prior year Board approved Business Plan
- The Board has discretion to adjust the base ROCE for major changes in Capital Employed during the vesting period.

Executives and senior managers may be offered annual LTI awards in terms of the annual allocation levels (as a % of TGP), based on the benchmarks set out below:

Position	Grade	BS as % of TGP	PS as % of TGP	Total ECSP award value as % of TGP
CEO	FU	24	36	60
CFO	FL	20	30	50
Other executives	FL	16	24	40
Senior management	EU	13	20	33
Senior management	EL	10	–	10
Middle management	DU	6	–	6

Dilution limit applicable to the ECSP

The ECSP is implemented within the shareholder approved dilution limit. The maximum aggregate number of shares that may be acquired by participants may not exceed 15 650 000 shares (5% of issued share capital), with the maximum for any one participant being 3 130 000 shares (1% of issued share capital).

The Remco will review the dilution limit usage and the headroom before an LTI award is made to ensure that the neither the company limit nor the individual limit is exceeded.

Manner of settlement of LTI awards

The rules provide for the following methods of settlement:

- Purchase shares off the market;
- Use of treasury shares;
- Issue new shares (within the dilution limit); and/or
- Cash settlement.

The company generally settles the awards through the purchase of shares in the market. The exact method of settlement is determined by the Remco with reference to the dilution limits and the business cycle.

Early termination of employment

Employees may be classified as either a “fault” leaver or a “no-fault” leaver depending on the circumstances whereby their employment is terminated. The provisions below apply to the ESCP as well as the legacy SARs.

NO-FAULT LEAVERS

Employees who terminate employment due to death, retrenchment or retirement (including ill-health), as well as the sale of a subsidiary company

No-fault leavers receive a pro-rated portion of unvested awards (accelerated vesting) to the extent that performance conditions (if any) were met, and in the case of vested SARs, must exercise within 6 months from the date of termination of employment.

FAULT LEAVERS

Employees who terminate employment due to resignation, or dismissal

Fault leavers forfeit all unvested awards as well as vested but unexercised SARs, to the extent that they remain unexercised on the date of termination of employment.

Legacy plans

Following the introduction of the ECSP in 2018, there remain a number of residual awards from Hulamín’s legacy plans for the time being – the SARS and the LTIP. No further grants will be made under the legacy plans.

The overall quantum of awards granted under the SARS and/or LTIP was determined by the Remco annually based on the LTI allocation methodology, taking into account relevant market trends, current business issues, and the limits contained in the rules and guidelines of the schemes.

The SARs were offered in the form of performance based conditional awards to eligible executives and senior managers. The performance conditions governing the vesting of the SARs were related to growth in headline earnings per share (relative to targets that were intended to be challenging but achievable), linked, to the company’s medium-term business plan, over three-year performance periods.

Under the LTIP, once-off shares were offered to executives and eligible senior employees in order to attract and retain top talent. These LTIP awards did not bear performance conditions, vested over a three-year period based on tenure and were specifically approved by the Remco.

2015 Employee Share Ownership Plan (“2015 ESOP”)

The objectives of the 2015 ESOP are primarily:

1

To attract and retain high calibre black employees at every level of the Hulamín business;

2

To create a sense of ownership amongst employees and engender an ownership culture within the greater Hulamín workforce;

3

To distribute a significant portion of the BEE transaction benefits amongst the widest possible group of beneficiaries who are critical to the sustained success of the business.

As Hulamín values its employees as key contributors to the ongoing performance and success of the business, all permanent South African based employees up to middle management (Paterson A band to lower D Band) and all permanent Black South African middle and senior management (Paterson upper D band and above) participate in the 2015 ESOP.

Participation is through two classes of “A” ordinary shares, 15% of which were issued with no strike price (“A1”) and 85% are appreciation rights (“A2”). During the vesting period both classes of share participate in dividends declared by the company. The A1 ordinary shares are entitled to a cash dividend, but for the A2 ordinary shares, the dividend is utilised to reduce the strike price of the right at the time of vesting.

Both classes of shares vest after five years. On vesting, the A1 ordinary shares will convert to Hulamín ordinary shares on a one-for-one basis. The appreciation of the A2 ordinary shares will be converted to Hulamín ordinary shares and the balance of the unvested portion of A2 ordinary shares bought back by the company at a nominal value.

EXECUTIVE CONDITIONS OF EMPLOYMENT

With the exception of notice periods, executives are employed under the same employment conditions as other staff.

The notice period for the CEO is no less than three months and the notice period for other executives is two months. Hulamín reserves the right to terminate an executive’s employment, without notice, for any cause recognised sufficient by law.

Executive employment contracts do not allow for payment of any additional benefits or balloon payments on termination, other than those of other staff employees.

In the event of early termination there is no automatic entitlement to bonuses or share-based incentives. Executives may, however, receive pro rata payment as allowed in terms of the “no-fault” provisions contained in the early termination clauses of the company’s incentive scheme rules.

In terms of executives' employment contracts there is no automatic severance compensation to executives due to a change of control. In such cases, the company's retrenchment policy will apply.

NON-EXECUTIVE DIRECTORS' ("NEDS") FEES

NEDs receive fees for serving on the Board and Board committees and do not have service agreements with the company. NED fees are paid in cash on a fixed retainer basis and an attendance fee per meeting. The Board typically holds five Board meetings per year and there are typically three meetings for each of the sub-committees of the Board throughout a financial year.

Attendance at additional sub-committee meetings is remunerated at the standard remuneration rate for attendance at scheduled meetings of such committees. Attendance fees for *ad hoc* Board committee's meetings are equivalent to those earned by members of the Remco. Disbursements for reasonable travel and subsistence expenses are reimbursed to NEDs in line with the reimbursement policy for employees.

Fees for NEDs are reviewed on an annual basis taking into account the responsibilities borne by NEDs as well as relevant external market data. Fees are recommended by the Remco and are submitted to the Board for approval, and finally recommended to the shareholders for approval at each AGM.

NEDs are to retain their independence and as such do not receive payments linked to the company's performance nor do they participate in the company's incentive schemes.

The proposed fees will be tabled before shareholders for approval by special resolution at the AGM on 25 April 2019:

Role	Present fees to 31 July 2019		Proposed fees from 1 August 2019		% change
	Annual retainer Rand	Attendance per meeting Rand	Annual retainer Rand	Attendance per meeting Rand	
Chairman of the Board	454 680	38 970	477 410	40 920	5.0
Member of the Board	166 140	14 240	174 450	14 950	5.0
Chairman of the audit committee	119 570	17 080	125 550	17 930	5.0
Member of the audit committee	69 480	9 930	72 950	10 430	5.0
Invitee of the audit committee		9 930		10 430	5.0
Chairman of the risk and safety, health and environment committee	82 560	11 790	86 690	12 380	5.0
Member of the risk and safety, health and environment committee	45 310	6 480	47 580	6 800	5.0
Invitee of the risk and safety, health and environment committee		6 480		6 800	5.0
Chairman of the Remco	82 560	11 790	86 690	12 380	5.0
Member of the Remco	45 310	6 480	47 580	6 800	5.0
Invitee of the Remco		6 480		6 800	5.0
Chairman of the transformation, social and ethics committee	82 560	11 790	86 690	12 380	5.0
Member of the transformation, social and ethics committee	45 310	6 480	47 580	6 800	5.0
Invitee of the transformation, social and ethics committee		6 480		6 800	5.0
Chairman of an <i>ad hoc</i> Board committee	82 560	11 790	—	12 380	5.0
Member of an <i>ad hoc</i> Board committee	45 310	6 480	—	6 800	5.0
Invitee of an <i>ad hoc</i> Board committee		6 480		6 800	5.0
Fees for international NEDs (€)	30 797	2 638	31 320	2 680	1.6
Fees for international NEDs (\$)	31 163	2 670	31 720	2 720	1.9

VOTING AND SHAREHOLDER ENGAGEMENT

Voting on the remuneration policy and implementation report

In line with best practice, King IV and the JSE Listings Requirements, the remuneration policy and the implementation report (as contained in the annual integrated report) must be tabled for two separate non-binding advisory votes by shareholders at the AGM.

Shareholder engagement

Hulamin is committed to fair, responsible and transparent remuneration and as such invites shareholders to engage with the company on remuneration-related matters.

In the event that 25% or more of the shareholders vote against either or both the remuneration policy, or the implementation report, the Remco will commence engagement with dissenting shareholders and ascertain their reasons and legitimate concerns underlying their votes. In order to do so, the Remco must extend an invitation to dissenting shareholders in the Stock Exchange News Service ("SENS") announcement together with the results of the AGM, which invitation must include the manner, date and timing of engagement.

Manners of engagement may include:

1

Emails, written correspondence, telephone calls, video conference calls, one-on-one meetings, investor roadshows and other methods of communication to the relevant contact persons at the shareholders, after the AGM concerned (and throughout the financial year), regarding the reasons for the dissenting votes.

2

Responses to shareholder queries explaining, in more detail, the elements of the remuneration policy that caused concern. Where appropriate, the Board may resolve to amend certain elements of the remuneration policy to align the policy to market norms.

PART C: THE IMPLEMENTATION OF THE 2017 REMUNERATION POLICY

This implementation report is subject to an advisory vote by shareholders at the AGM dated 25 April 2019.

TGP

The Remco approved an average salary increase mandate of 6.4% of cash salary for the executive, and 6.9% increase for other monthly paid employees. The weekly paid and artisan employees are subject to wage negotiations with the bargaining council. The Remco is satisfied that the increase levels for executive directors are in line with increase levels throughout the company.

STI OUTCOMES

The table below sets out the STI performance outcomes for 2018:

Performance measure	Actual achievement %
Financial	71.7
Operational	88.9
Safety	50.8
Individual (average)	96.8

The table below sets out the STIs the executive directors and prescribed officers were paid for the 2018 financial year, based on the achievement of performance targets, vs their possible STI awards for On-target company performance:

Participant	On-target STI		FY2018 Actual STI	
	Rands	% of TGP	Rands	% of TGP
RG Jacob (CEO)	3 336 679	60	1 269 239	23
AP Krull (CFO)	2 069 804	50	933 026	23
MZ Mkhize (executive director)	1 581 654	40	1 037 249	26
DR Weisz ¹ (prescribed officer)	1 297 729	40	395 764	12
HT Molale ¹ (prescribed officer)	1 329 788	40	375 421	11

¹ HT Molale was prescribed officer to 28 February in his capacity as MD of Hulamin Extrusions. From 1 March, DR Weisz assumed the role of prescribed officer when taking over the role of MD of Hulamin Extrusions. Full STI bonus amounts are disclosed.

LTI OUTCOMES

The 2015 SARS was due to vest in 2018, and consequently the performance condition was measured over the three-year performance period. The actual 2017 HEPS of 104 cps did not meet the required HEPS target of 137 cps and consequently the 2015 SARS award lapsed.

The 2015 LTIP PC award performance conditions were measured over the three-year performance period. The actual ROCE of 8.9% exceeded the minimum target performance and resulted in 57.5% vesting of the 50% ROCE performance condition. The TSR ranking of Hulamini over the three-year performance period resulted in 44.4% of the 50% TSR performance condition, resulting in a combined 50.96% vesting of the 2015 LTIP PC.

Both the 2015 DBP and LTIP NPC awards were not subject to performance conditions and vested after the three-year tenure condition was satisfied.

Unvested LTIs

The table below discloses the value of each executive director and prescribed officers' LTIs, whether allocated, settled, or forfeited, as well as the indicative value of awards not yet settled.

	LTI scheme	Date awarded	Vesting date	Opening number	Granted during the year	Grant price Rand	Settled during the year	Lapsed during the year	Closing number	Cash value Rand	Indicative value Rand
EXECUTIVES											
RG Jacob (CEO)	DBP	8 May 15	7 May 18	17 319	–	6.84	17 319			88 327	–
	SARS	24 Apr 14	23 Apr 17	633 100		6.90	–		633 100		–
	SARS	23 Apr 15	22 Apr 18	396 925		8.20	–	396 925			–
	SARS	22 Apr 16	21 Apr 19	744 440		6.30	–		744 440		–
	SARS	26 Apr 17	25 Apr 20	604 005		6.50	–		604 005		–
	LTIP PC	23 Apr 15	22 Apr 18	146 625		8.20	146 625			388 544	–
	LTIP NPC	23 Apr 15	22 Apr 18	48 875		8.20	48 875			254 150	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	321 279	6.22	–	–	321 279		1 410 415
	ECSP – BS	26 Jul 18	25 Jul 21	–	117 649	6.22	–	–	117 649		516 479
AP Krull (CFO)	LTIP NPC	1 May 16	30 Apr 19	145 370		5.75	–		145 370		–
	SARS	26 Apr 17	25 Apr 20	327 554		6.50	–		327 554		–
	ECSP – PS	26 Jul 18	25 Jul 21	–	199 660	6.22	–	–	199 660		876 507
	ECSP – BS	26 Jul 18	25 Jul 21	–	78 538	6.22	–	–	78 538		344 782
MZ Mkhize (Director)	SARS	25 May 11	24 May 14	261 503		6.91		261 503			–
	SARS	25 Feb 13	21 Oct 15	241 172		4.56			241 172		–
	SARS	24 Apr 14	23 Apr 17	201 780		6.90	–		201 780		–
	SARS	23 Apr 15	22 Apr 18	138 555		8.20	–	138 555			–
	SARS	22 Apr 16	21 Apr 19	313 573		6.30	–		313 573		–
	SARS	26 Apr 17	25 Apr 20	304 817		6.50	–		304 817		–
	LTIP PC	23 Apr 15	22 Apr 18	61 030		8.20	61 030			161 725	–
	LTIP NPC	23 Apr 15	22 Apr 18	20 343		8.20	20 343	–		105 784	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	152 571	6.22	–	–	152 571		669 787
	ECSP – BS	26 Jul 18	25 Jul 21	–	57 682	6.22	–	–	57 682		172 347

Remuneration and nominations committee report continued

	LTI scheme	Date awarded	Vesting date	Opening number	Granted during the year	Grant price Rand	Settled during the year	Lapsed during the year	Closing number	Cash value Rand	Indicative value Rand
PRESCRIBED OFFICERS											
HT Molale (MD Hulamini Extrusions to 28 February)	SARS	24 Apr 14	23 Apr 17	150 157		6.90	–		150 157		–
	SARS	23 Apr 15	22 Apr 18	117 625		8.20	–	117 625	–		–
	SARS	22 Apr 16	21 Apr 19	265 954		6.30	–	25 954	265 954	–	
	SARS	26 Apr 17	25 Apr 20	258 285		6.50	–		258 285		–
	LTIP PC	23 Apr 15	22 Apr 18	51 811		8.20	51 811			133 335	–
	LTIP NPC	23 Apr 15	22 Apr 18	17 270		8.20	17 270			89 804	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	128 275	6.22	–	–	128 275		563 127
	ECSP – BS	26 Jul 18	25 Jul 21	–	52 006	6.22	–	–	52 006		228 306
	ECSP – RS	26 Jul 18	25 Jul 21	–	133 620	6.22	–	–	133 620		586 592
DR Weisz (MD Hulamini Extrusions from 1 March)	SARS	24 Apr 14	23 Apr 17	170 607		6.90			170 607		–
	SARS	23 Apr 15	22 Apr 18	117 620		8.20	–	117 620	–		–
	SARS	22 Apr 16	21 Apr 19	265 944		6.30	–		265 944		–
	SARS	26 Apr 17	25 Apr 20	258 032		6.50	–		258 032		–
	LTIP PC	23 Apr 15	22 Apr 18	51 811		8.20	51 809			137 290	–
	LTIP NPC	23 Apr 15	22 Apr 18	17 270		8.20	17 270			89 804	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	125 183	6.22	–	–	125 183		549 553
	ECSP – BS	26 Jul 18	25 Jul 21	–	39 259	6.22	–	–	39 259		172 347

EXECUTIVE REMUNERATION

The table below sets out the single figure remuneration (i.e. TGP (Basic salary and company contributions), STI and LTI) received by executive directors and prescribed officers in 2018 and 2017, respectively.

	Cash salary Rands	Company contributions Rands	STI Rands	LTI Rands	Total Rands
2018					
RG Jacob (executive)	4 821 624	739 508	1 269 239	642 694	7 473 065
AP Krull (executive)	3 557 424	582 184	933 026	–	5 072 634
MZ Mkhize (executive)	3 310 776	643 359	1 037 249	267 509	5 258 893
DR Weisz (prescribed officer)	2 771 232	473 091	395 764	227 094	3 868 181
HT Molale (prescribed officer)	2 787 144	537 325	375 421	227 100	3 926 990
Total	17 248 200	2 975 468	4 010 699	1 364 397	25 599 763
2017					
RG Jacob (executive)	4 527 744	684 327	1 939 516	1 609 507	8 806 094
AP Krull (executive)	3 333 144	545 132	1 281 770	–	5 160 046
MZ Mkhize (executive)	3 102 228	602 334	943 774	598 066	5 246 402
HT Molale (prescribed officer)	2 629 668	505 292	782 612	445 059	4 362 631
Total	13 592 784	2 337 085	4 947 672	2 652 632	23 575 173

NED FEES

The table below sets out the fees paid to NEDs in 2018:

Name	Retainer fees 2018 Rands	Attendance fees 2018 Rands	Total fees 2018 Rands
ME Mkwanazi	198 380	108 520	306 900
TP Leeuw	488 378	195 590	683 968
VN Khumalo	262 615	144 160	406 775
AT Nzimande	100 215	25 780	125 995
NNA Matyumza	329 983	110 280	440 263
SP Ngwenya	205 022	74 240	279 262
PH Staude	262 615	89 990	352 605
GHM Watson	588 799	248 692	837 492
N Maharajh	297 972	101 370	399 342
CA Boles	250 437	118 840	369 277
B Mehlomakulu	209 387	88 080	297 467
B Larson (note 5)	442 126	189 827	631 953
Total	3 635 903	1 495 369	5 131 300

APPROVAL

This report was approved by the Remco on 14 February 2019 and the Board on 28 February 2019. The Remco as well as the Board are satisfied that there were no material deviations from the 2017 remuneration policy during the 2018 financial year.