

2014 Half Year Results Presentation

21 AUGUST 2014

CAPRAL LIMITED

This presentation includes forward-looking estimates that are subject to risks, uncertainties and assumptions outside of Capral's control and should be viewed accordingly.

OVERVIEW OF RESULTS

SIX MONTHS TO JUNE 2014

\$2.6m Trading profit in first half

- Trading EBITDA¹ profit of \$2.6m (2013: \$0.7m loss)
- Volumes up 7% on H1 2013 (excluding OSA acquisition impact)
- Improved housing market driving volume increase
- Billet premium increases are adversely impacting margins

Net loss of \$2.1m

- Net loss of \$2.1m includes:
 - LME adjustment (net of Forex impact) of negative \$0.3m
 - Abnormal costs of \$0.2m
 - Depreciation of \$3.6m
 - Finance costs of \$0.6m

Key housing market has turned upwards

- Dwelling commencements on track to hit 184,350 YE June 2014²
 - Detached residential housing up 12%
 - Other residential (apartments) up 16%
 - Rebound in NSW and QLD, WA remains strong
- Non-residential building activity improved
- Business conditions remain soft in the manufacturing, marine and transport sectors

Highly competitive environment

- Strong prevailing AUD sustained low priced imports
- Continued suspected dumping of aluminium extrusions
- Excess domestic capacity continues to adversely impact margins

Safety performance continues to improve

- Reportable injuries continue to fall, TIFR³ improved by ~65% to 4.5
- Ongoing focus on leading safety indicator management

¹ Trading EBITDA (non-IFRS measure) is Statutory EBITDA adjusted for items that management assess as unrelated to the underlying performance of the business and allows for a more relevant comparison between financial periods

² Source: BIS Shrapnel May/June 2014 forecast

³ TIFR is total injuries per million work hours

FINANCIAL SUMMARY

SIX MONTHS TO JUNE 2014

	H1 2014	H1 2013
Sales Volumes - External ('000 tonnes)	27.0	20.6
	\$m	\$m
Sales Revenue	176.3	141.2
Trading EBITDA¹	2.6	(0.7)
Restructuring cost	-	(2.3)
LME Revaluation/ Forex ²	(0.3)	(1.1)
Impairment of Assets	-	(41.5)
Abnormals ²	(0.2)	(0.6)
EBITDA	2.1	(46.2)
Depreciation/Amortisation	(3.6)	(6.0)
EBIT	(1.5)	(52.2)
Finance Cost	(0.6)	(0.4)
Loss after Tax	(2.1)	(52.6)

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² Included in other expenses

BALANCE SHEET REMAINS STRONG

Improved Operating Cash Flow

6 months to	\$m Jun 14	\$m Jun 13
EBITDA	2.1	(46.1)
Working Capital	(4.3)	(5.2)
Finance Cost	(0.6)	(0.4)
Equity Compensation Amortisation	0.3	0.6
Impairment	-	41.5
Other	0.2	(0.2)
Operating Cash Flow	(2.3)	(9.8)
Capex Spend	(1.6)	(1.5)
Acquisition	(2.9)	-
Increase/ (Decrease) in Net Cash	(6.8)	(11.3)

Balance sheet with a positive net cash balance¹

¹ Intramonth debt levels up to \$20.3m

	\$m Jun 14	\$m Dec 13	\$m Jun 13
Net Assets	107.7	109.5	94.8
Net Cash	7.8	14.6	8.5
Franking Credits	27.1	27.1	27.1
Accumulated unrecognised tax losses	292.8	287.3	288.9

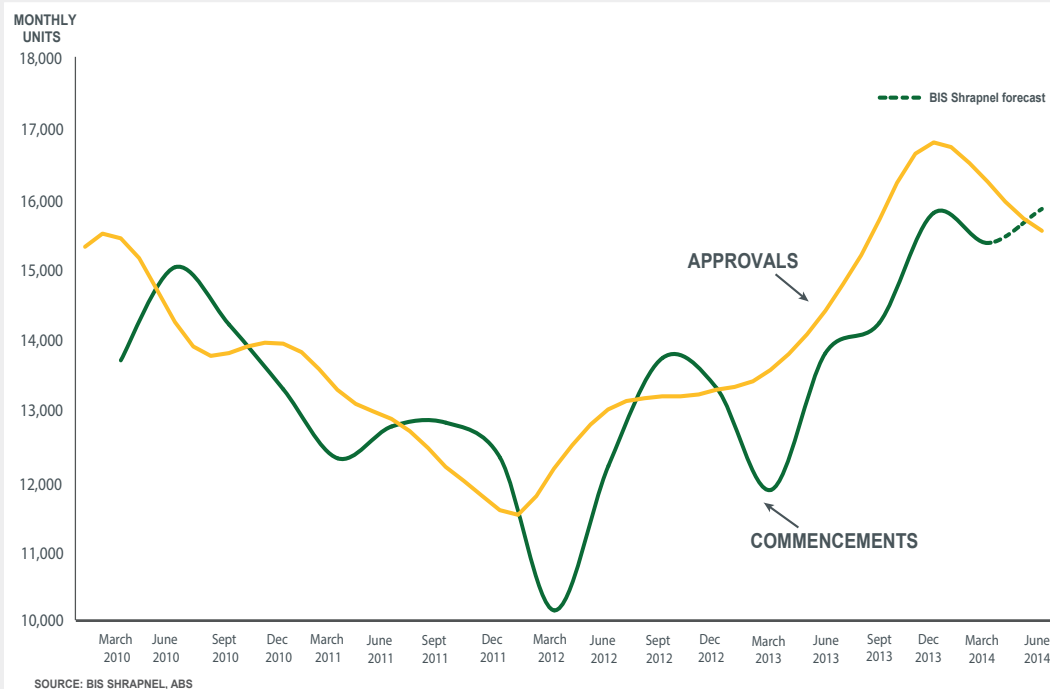
The finance facility with GE² is primarily utilised for working capital funding

Capral Finance Facilities	\$m Limit	Jun 14	\$m Balance Dec 13	Jun 13
GE Term Debt	30	Nil	Nil	Nil
GE Revolver	60	7.6	Nil	5.5
ANZ Overdraft	- ³	-	-	0.1

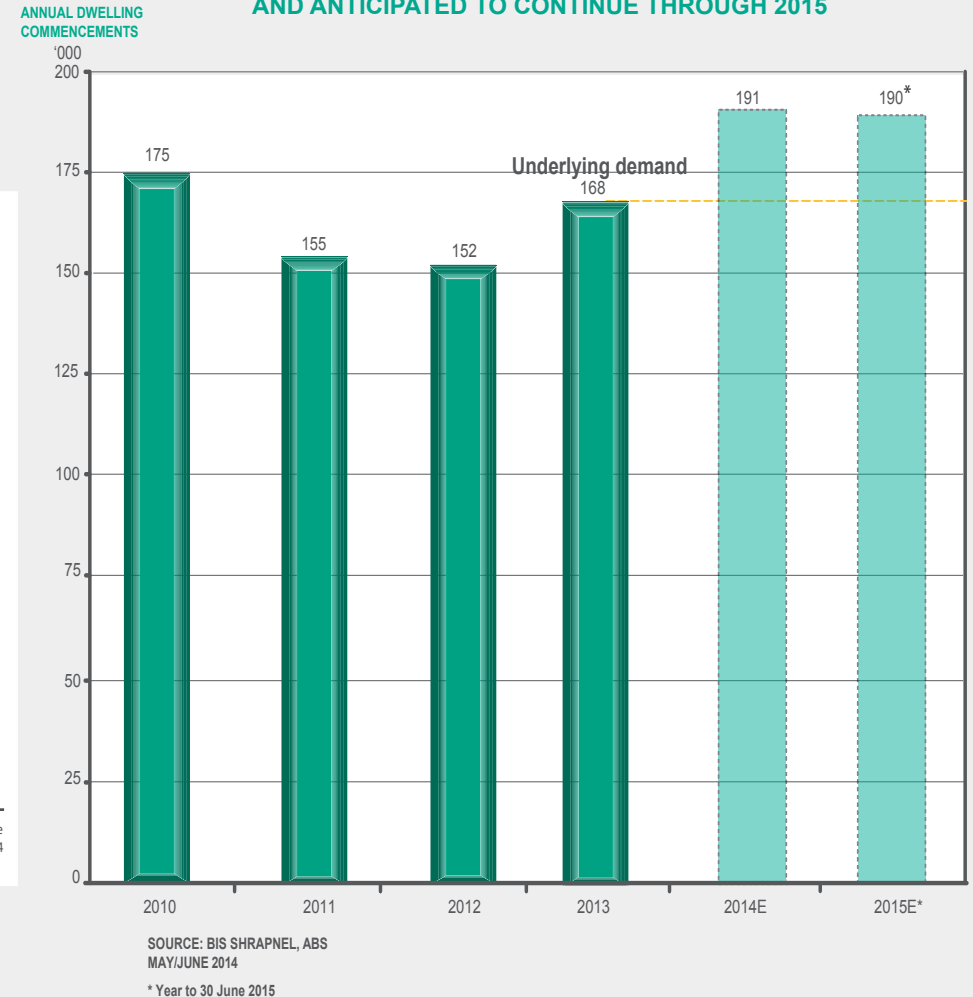
³ ANZ Overdraft facility cancelled by the group during 2013 (\$0.4m)

LEVERAGE TO RECOVERY IN RESIDENTIAL CONSTRUCTION

MONTHLY DWELLING APPROVALS AND QUARTERLY DWELLING COMMENCEMENTS



RECOVERY STARTED IN 2013
AND ANTICIPATED TO CONTINUE THROUGH 2015



ALUMINIUM EXTRUSION DEMAND IS RECOVERING FROM CYCLICAL LOW LEVELS



- Market has fallen ~20% from 2007 to 2013
- Recovery is visible in the new dwelling sector
- An increase in apartments relative to houses has increased the lag between approval and completion and reduced the intensity of aluminium extrusions
- Non-residential building activity improved by 5%¹
- Key Industrial sectors (manufacturing, marine and transport) remain soft

Note:

- Capral has an estimated share at 28% of the extrusion market
- New domestic extrusion capacity has been commissioned over recent years, including extrusion capability installed by traditional Capral customers
- Import market share has remained steady at approximately 40%

¹ Source ABS (value of work done - 12 months to March 2014 forecast BIS Shrapnel)

KEY STRATEGIC INITIATIVES

BUILD

On our strengths

- Best aluminium product offer
- Leading market share position
- Long term customer relationships
- Experienced and committed workforce
- Commitment to continuous improvement and customer service
- National extrusion manufacturing footprint
- National distribution network

OPTIMISE

What we do

- Continue to reduce cost base
- Complete OSA integration
- Lean manufacturing drive to world class productivity
- Optimise the supply chain to reduce inventory levels

GROW

In the future

- Leverage our technical expertise with key customers
- Improve customer interface tools
- Leverage the housing cycle upswing
- Grow the internal distribution channel to market
- Develop innovative new products
- Develop value-add capability both locally and overseas

CAPRAL HAS BEEN AT THE FOREFRONT OF A CAMPAIGN TO REFORM THE AUSTRALIAN ANTI DUMPING REGIME

The impact of the imposed anti dumping measures to date has been modest

- Case won in 2010 but the levels of duties imposed were low relative to Canada and USA
- Australian industry is concerned about a high level of ongoing circumvention by importers, including:
 - Duty Avoidance (e.g. transshipping, misclassification)
 - Duty Absorption (i.e. not passing duty through to customers and selling at a loss)

Dumping & Countervailing Duties (Avg)



Response

- The Australian Government has pursued a significant reform agenda in recent years, including the passing of six tranches of legislation
- A new stand-alone Anti Dumping Commission was established in June 2013
- New anti-circumvention legislation passed, effective 1 January 2014, to allow industry to lodge 'duty absorption' complaints

Key issues being pursued

- Achieve legislative change to enable the use of "surrogate" benchmarking methodology in Australia, similar to the USA, Canada and the E.U.
- Capral has lodged the first 'duty absorption' case in Australia, against the largest Chinese importer. Decision expected by end of 2014
- Full review of measures is underway. Capral is testing new subsidies and cost calculation methods in an effort to realise fairer overall measures

OUTLOOK

- Housing commencements are forecast* to be around 191,000 for the year to December 2014, up 14% on the prior year
- The AUD remains high by historical standards and favours imports of extrusions and fabricated aluminium products
- We continue to drive cost out of the business and cost saving initiatives are targeted to at least cover inflation
- The integration of the OneSteel Aluminium business is well advanced. Extrusion volumes have transferred to Capral presses. The consolidation of sites in Adelaide and Brisbane has been completed, with Sydney to be completed by year end
- Capral remains active on Anti-Dumping issues and is awaiting the outcome of an anti-circumvention case involving the largest Chinese exporter of extrusions into Australia
- Capral expects to remain net cash positive at 31 December 2014
- Trading EBITDA¹ is forecast to deliver a full year result of between \$8m and \$10m, provided that the upturn in housing commencements retains momentum and the industrial market does not deteriorate further

* BIS Shrapnel May/June 2014 forecast

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