

CONFIDENTIAL DRAFT NOT FOR RELEASE

CAPRAL
ALUMINIUM

SHAPING THE FUTURE

2016
FULL YEAR RESULTS
PRESENTATION



23 FEBRUARY 2017
CAPRAL LIMITED

GENERAL INFORMATION

Important Notes

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

Trading EBITDA is the Statutory EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are LME and Premium revaluation, and costs relating to restructuring that are non-recurring in nature.

Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.



OVERVIEW OF RESULTS

FULL YEAR TO DECEMBER 2016

\$20.3m Trading EBITDA¹
\$21.1m EBITDA

- Trading EBITDA¹ of \$20.3m (2015: \$13.0m)
- EBITDA of \$21.1m (2015: \$5.1m)
- Revenue up 5.5% on 2015
- Volumes up 9.7%
- Strong housing market driving volume increase

Net Profit of \$14.4m

- Net Profit after tax of \$14.4m (2015: \$2.5m loss) includes:
 - LME and Premium revaluation of \$1.0m
 - Depreciation and amortisation costs of \$5.9m
 - Finance costs of \$0.9m

Strong Cash Flow and Dividend declared

- Operating Cash Flow \$15.6m
- Fully franked dividend of 1.25 cps declared

Housing market remained strong, industrial markets are improving

- Dwelling commencements increased to 226,500 in 2016²
 - Detached housing and medium density steady
 - High density (apartments) up 9%
- Non-residential building activity improved by 7%²
- Business conditions in the industrial sectors are slowly improving

Highly competitive environment

- Investigation into dumping of aluminium extrusions from Vietnam and Malaysia delivered preliminary duties of ~13% in October 2016. Expect finalisation in first half of 2017
- Excess domestic extrusion capacity remains

Safety performance remains key focus

- TRIFR³ of 15.5 (2015: 13.3)
- LTI frequency rate of 3.2 (2015:4.0)
- Ongoing focus on strong safety culture and leading safety indicator management

¹ See Important Notes (Page 2) and reconciliation of EBITDA (page 4)

² Source: BIS Shrapnel Dec 2016 forecast (two quarters delayed)

³ TRIFR is total reportable lost time and medically treated injuries per million work hours

FINANCIAL SUMMARY

TWELVE MONTHS TO DECEMBER 2016

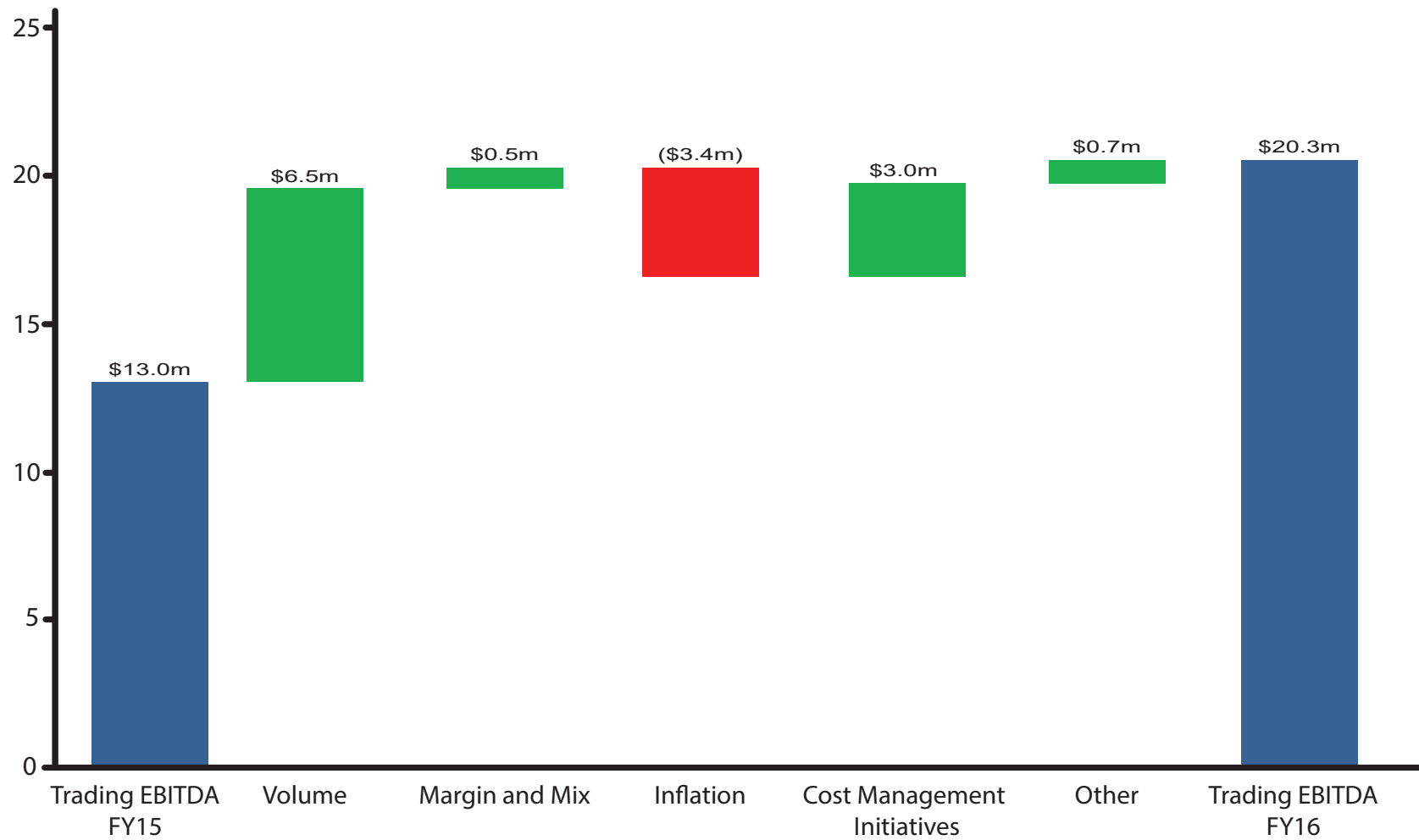
	2016	2015
Sales Volumes - External ('000 tonnes)	63.4	57.8
	\$m	\$m
Sales Revenue	424.8	402.6
Trading EBITDA¹	20.3	13.0
Restructuring related cost	-	(0.7)
LME Revaluation ²	1.0	(7.0)
Other one off costs ²	(0.2)	(0.2)
EBITDA	21.1	5.1
Depreciation/Amortisation	(5.9)	(6.4)
EBIT	15.3	(1.3)
Finance Cost	(0.9)	(1.2)
Statutory Profit/(Loss) after Tax	14.4	(2.5)

¹ See Important Notes (page 2)

² Included in other expenses

TRADING EBITDA BRIDGE

Trading EBITDA \$m



BALANCE SHEET REMAINS STRONG

Positive operating cash flow driven by improved earnings

12 months to	\$m Dec 16	\$m Dec 15	\$m Dec 14
EBITDA	21.1	5.1	11.0
Working Capital	(5.0)	2.9	(1.2)
Acquisition Restructuring Costs	-	-	(2.2)
Finance Cost	(0.9)	(1.2)	(1.2)
Equity Compensation Amortisation	0.3	0.6	0.7
Other	0.1	(0.1)	0.6
Operating Cash Flow	15.6	7.3	7.7
Capex Spend	(4.3)	(3.7)	(3.0)
Acquisition	-	-	(2.8)
Increase/ (Decrease) in Net Cash	11.3	3.6	1.9

	\$m Dec 16	\$m Dec 15	\$m Dec 14
Net Assets	125.3	110.7	112.9
Net Cash ¹	31.4	20.1	16.5
Franking Credits	27.1	27.1	27.1
Accumulated unrecognised tax losses	286.6	297.6	289.6

Robust financial position

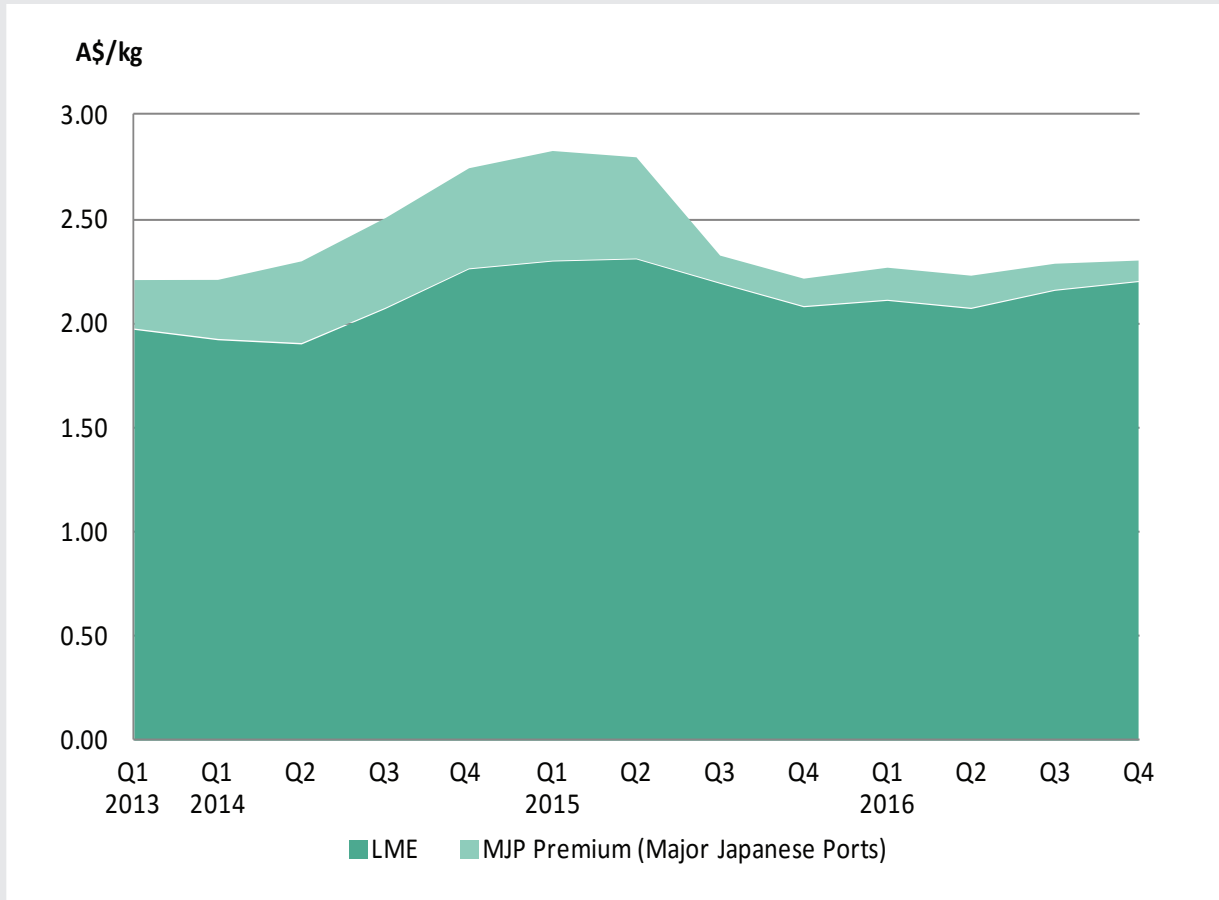
¹ Intra month average net cash level \$8.9m, \$2.4m maximum net debt level

The finance facility is used for intra month funding

Capral Finance Facilities	\$m Limit	Drawn Down Dec 16	Dec 15
GE Revolver ¹	60	Nil	Nil

¹ \$50.5m refinancing completed with ANZ in January 2017

METAL COSTS HAVE BEEN STABLE THROUGHOUT 2016



Source: London Metal Exchange, Reserve Bank of Australia, Reuters

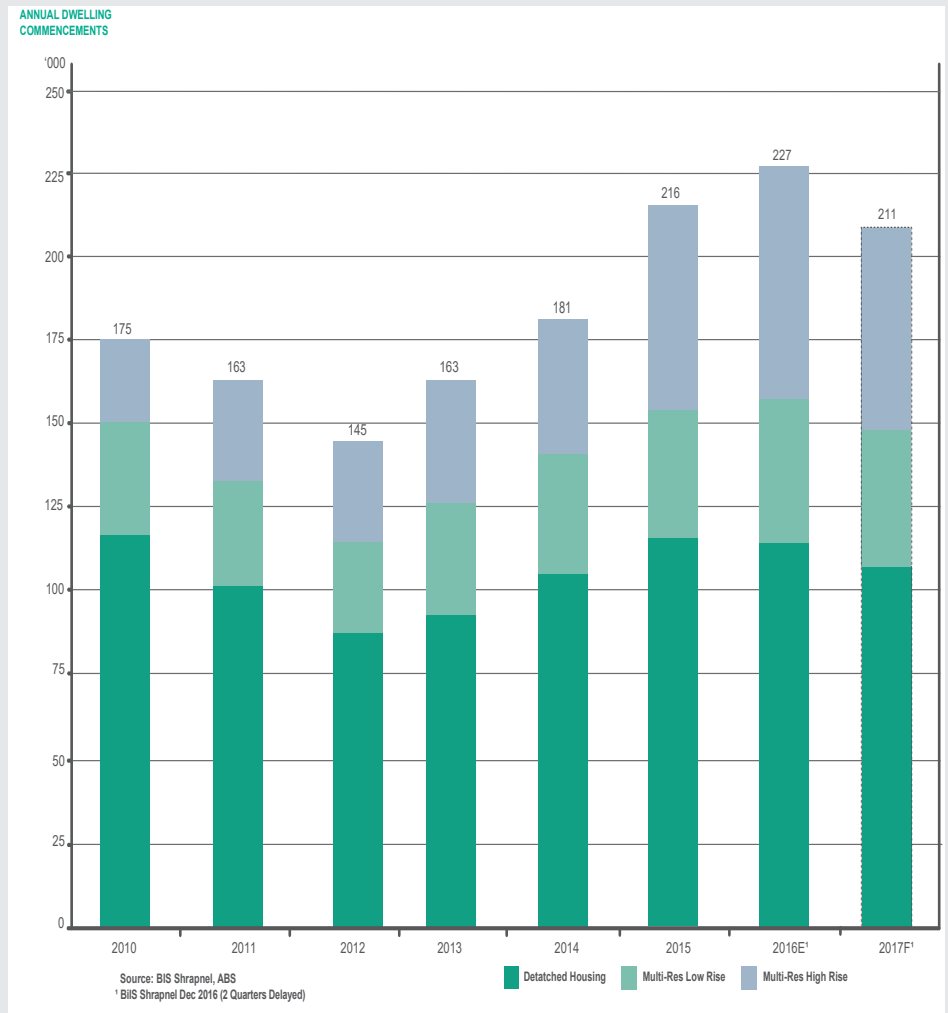
- Metal costs reached multi-year highs in H1 2015 but Premiums collapsed during the second half of 2015
- Metal costs in 2016 have generally been stable but LME increased late in the year and has continued to rise in early 2017

RESIDENTIAL CONSTRUCTION DRIVING STRONG MARKET

MONTHLY DWELLING APPROVALS AND QUARTERLY DWELLING COMMENCEMENTS



RECOVERY STARTED IN 2013. MULTI-RES ANTICIPATED TO SLOW IN 2017. DETACHED HOUSING REMAINED STABLE



ALUMINIUM EXTRUSION DEMAND HAS RECOVERED FROM CYCLICAL LOW LEVELS AND IS EXPECTED TO REMAIN AT CURRENT LEVELS



- Extrusion Market in 2016 has grown and is expected to remain at these levels through 2017 due to the pipeline of residential work and a lift in non-residential construction
- The residential sector is strong with approvals exceeding ~230,000 dwellings¹
- 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 demand increased by 7%¹
- Key industrial sectors (manufacturing, marine and transport) are slowly improving

Note:

- Capral has an estimated 29% share of the Australian Aluminium extrusion sales volume
- Import market share has fallen to around 34% of the extrusion market, from a high of 40%
- Excess domestic extrusion capacity still exists but utilisation has improved

¹ Source: BIS Shrapnel year ending December 2016 forecast (Dec 2016)

KEY STRATEGIC INITIATIVES

BUILD

On our strengths

- Widest aluminium product offer
- Large scale extrusion capability
- National distribution network
- Committed and experienced people

OPTIMISE

What we do

- Continue to reduce cost base
- Lean manufacturing drive to world class productivity
- Optimise the supply chain to reduce inventory levels
- Invest in technology to improve competitiveness

GROW

In the future

- Leverage our technical expertise with key customers
- Develop innovative new products and value-add opportunities
- Capitalise on positive anti-dumping outcomes

ANTI-DUMPING MEASURES HAVING A POSITIVE IMPACT ON VOLUME

The impact of the initial anti-dumping measures was modest

- Case won in 2010 but the levels of duties imposed on Chinese imports were low
- Circumvention activities diminished the impact

Response and Action

- A sustained campaign has resulted in reforms to federal legislation and methodology
- Continuation of measures review finalised in October 2015. Anti-Dumping Commission found ongoing dumping by Chinese importers and increased measures were imposed for a further five years to 2020
- Imports from China have reduced but imports from Vietnam and Malaysia have risen
- Price suppression continues to have an adverse impact on local extruders

Key issues being pursued

- New case initiated by the Anti-Dumping Commission against Vietnam and Malaysia in August 2016
- Preliminary affirmative decision imposed temporary duties of ~13%
- Expect investigation to finalise first half of 2017
- Continue to interact with Government around strengthening the anti-dumping regime
- Continue to monitor and pursue anti-circumvention/non compliance activities

OUTLOOK

- Housing commencements are forecast¹ to be around 211,450 for the 2017 year, down 7% on the strong 2016 market. Detached housing down 4% and multi-residential down 10%
- Extrusion market expected to remain reasonably strong through 2017 due to pipeline of residential work and increase in non-residential
- Further material strengthening of the AUD above USD\$0.75 will be a negative for local manufacturing and Capral's competitive position against imports
- Anti-dumping measures assist volume but prices remain suppressed
- Capral expects to generate positive operating cash flow in 2017, and be net cash positive at year end
- Full year 2017 Trading and Statutory EBITDA² is forecast, absent any unforeseen events, to be between \$19m and \$22m
- On this basis, Capral would again be in a position to consider a franked dividend

¹ BIS Shrapnel Dec 2016 forecast (two quarters delayed)

² See Important Notes (Page 2)