



**HULAMIN**

Think future. Think aluminium.

**Audited Financial Results**  
for the year ended 31 December  
and Cash Dividend Declaration

**2017**



# HIGHLIGHTS

- Record sales of 233 000 tons
- Record production and sales in Hulamin Rolled Products of 215 000 tons
- Improved liquidity following strong cash flow of R296 million
- Comparable earnings up 33%, in constant currency terms, on strong operational performance
- Headline earnings per share lower by 13% due to stronger currency
- Dividend of 15 cents per share maintained

Richard Jacob, CEO, commented:

“We report another year of record sales and improved manufacturing performance following the previous record set in 2016, against a backdrop of continuing tough market conditions and a stronger Rand. This was achieved through an ongoing focus on manufacturing excellence with a specific emphasis on cost reduction and tight capital discipline. This resulted in a second consecutive year of strong cash flows and a further reduction in borrowings.”

## ENQUIRIES

Hulamin	033 395 6911
Richard Jacob, CEO	082 806 4068
Anton Krull, CFO	071 361 0622
CapitalVoice	
Johannes van Niekerk	082 921 9110

# COMMENTARY

Hulamin delivered another year of record sales in Hulamin Rolled Products. Hulamin Extrusions sales were flat. Both businesses faced challenging local market conditions, although improved demand for beverage can products enabled Hulamin Rolled Products to increase its local sales by 22%.

Manufacturing output benefitted from a continued and consistent focus on lean manufacturing, while cost reduction initiatives, higher volumes, improved efficiencies and a substantial metal price lag benefit largely compensated for the reduction in Rand rolling margin, driven by the stronger currency. US Dollar rolling margins were in line with 2016.

Market conditions, both in South Africa and in export markets, remained uncertain throughout 2017. Local demand was particularly subdued, driven by the fall-off in fixed capital investment. In the USA, conditions are particularly uncertain following the imposition by the International Trade Commission of actions against the import of aluminium foil, and standard sheet and coil from China.

During the year under review, the London Metal Exchange (LME) aluminium price continued to rise averaging at \$1 968 per ton (2016: \$1 604) and closing at \$2 242 per ton (2016: \$1 713). This resulted in a metal price lag benefit of R150 million for the full year (2016: R50 million).

Turnover increased modestly to R10,2 billion (2016: R10,1 billion) driven by the higher sales volume, flat US Dollar rolling margins, and the higher average LME aluminium price. These increases were however countered by the 10% stronger average Rand exchange against the US Dollar to R13,32 recorded during the year (2016: R14,73).

Demand for beverage packaging continued to increase following the upturn in the second half of 2016. This increase facilitated further improvements in aluminium recycling and Hulamin's contribution to entrepreneurial and enterprise development in this segment. Commissioning of the scrap cleaning line was completed in the first half of the 2017 year. This together with

efficiency and process improvements allowed for record scrap volumes being processed during 2017 and lays the foundation for further increases in the ramp-up to full design capacity.

Conversion costs in Rolled Products decreased by 5,3% to R2,9 billion, representing a reduction of 10,1% in real terms. Manufacturing costs per unit contracted by 5,9% (2016: 4,3%). A further conversion of gas supply to compressed natural gas, reducing waste and rightsizing manpower and outside contracting costs, operating supplies and material costs contributed to the reduced manufacturing cost.

Earnings before interest and taxation (EBIT) declined by 13% to R538 million, and decreased by 16% to R517 million on a comparable basis, after adjusting for a R25 million insurance receipt in 2017. Comparable operating profit (assuming constant R/USD) was 27% higher at R784 million (comparable earnings, on a constant currency basis, were 33% higher at R507 million). Net interest charges decreased by 10% to R78 million, mainly due to the capitalisation of borrowing costs attributable to capital work in progress. Attributable earnings were 14% lower at R332 million for the year. Headline earnings per share (HEPS) and normalised HEPS declined by 13% to 104 cents.

Cash flow before financing activities amounted to R296 million (2016: R415 million), after R261 million capital expenditure and interest payments of R99 million (including capitalised interest of R21 million).

Operational performance at the Isizinda cast house maintained its high level. This operation forms an important part of Hulamin's metal supply and recycling operations. Initiatives to capitalise on a range of aluminium processing opportunities at Isizinda continue in association with the Richards Bay Industrial Development Zone.

Hulamin Extrusions performance was disappointing in tough trading conditions. During 2016, we approved a capital investment plan for Hulamin Extrusions and the repositioning of the business in the very dynamic local market.

# COMMENTARY CONTINUED

## DIVIDEND

The board has declared a final dividend of 15 cents per share for 2017 (before withholding tax) (2016: 15 cents per share) payable on Monday, 26 March 2018 to shareholders included in the share register on Friday, 23 March 2018.

Last day to trade	Monday, 19 March 2018
Shares trade ex dividend	Tuesday, 20 March 2018
Record date	Friday, 23 March 2018
Payment date	Monday, 26 March 2018

Share certificates may not be dematerialised or rematerialised between Tuesday, 20 March 2018 and Friday, 23 March 2018, both days inclusive.

Shareholders are advised of the following information:

- the dividend has been declared out of the 2017 profits;
- the local dividend tax rate is 20%;
- the gross local dividend is 15 cents per share;
- the net dividend amount for local shareholders is 12 cents per share:
  - exempt from payment of dividend tax is 15 cents per share;
  - liable to pay dividend tax is 12 cents per share;
- the issued share capital of the company is 319 596 836 ordinary shares and 4 721 600 A1 ordinary shares;
- the company's tax number is 9522526715.

## PROSPECTS

Efforts continue to maintain the improved sales and manufacturing performance in 2018. Further initiatives to improve rolling margins through focussing on a higher margin product mix are gaining momentum. The firming Rand will continue to impact financial performance negatively as foreign-denominated selling prices translate to lower Rand rolling margins.

Tade actions between the USA and China are currently creating positive demand momentum for Hulamin products in the USA. Hulamin's strong brand and reputation for good quality products and service, places the company in a good position to capitalise on improving US market conditions.

Hulamin enjoys the benefits of duty free access to the USA as a result of both the Africa Growth and Opportunities Act (AGOA) and General System of Preferences (GSP) legislation.

Hulamin notes with caution the proposed aluminium trade restricting recommendations issued by the US Commerce Secretary on 16 February 2018 that may impose value and/or volume constraints on aluminium imports into the USA. With 20% sales exposure to the USA, these recommendations may impact on Hulamin if and when adopted.

  
**ME Mkwazi**  
Chairman

Pietermaritzburg  
22 February 2018

  
**RG Jacob**  
Chief Executive Officer

# SUMMARISED CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended 31 December 2017

	Note	2017 R'000	2016 R'000
<b>Revenue</b>		<b>10 159 698</b>	10 099 349
Cost of sales		(9 115 128)	(8 957 621)
<b>Gross profit</b>		<b>1 044 570</b>	1 141 728
Selling, marketing and distribution expenses		(450 277)	(443 881)
Administrative and other expenses		(148 653)	(144 892)
Other gains and losses		92 326	68 559
<b>Operating profit</b>		<b>537 966</b>	621 514
Interest income		3 079	1 309
Interest expense		(80 704)	(88 005)
<b>Profit before tax</b>		<b>460 341</b>	534 818
Taxation	3	(128 109)	(149 885)
<b>Net profit for the year attributable to equity holders of the company</b>		<b>332 232</b>	384 933
<b>Headline earnings</b>			
Net profit for the year attributable to equity holders of the company		332 232	384 933
Loss/(profit) on disposal of property, plant and equipment		10 188	(6 093)
Reversal of impairment		(6 529)	–
Tax effects of adjustments		(2 852)	897
<b>Headline earnings attributable to equity holders of the company</b>		<b>333 039</b>	379 737
<b>Normalised earnings</b>			
Headline earnings attributable to equity holders of the company		333 039	379 737
Equity-settled share-based payment: Isizinda		–	552
<b>Normalised earnings</b>		<b>333 039</b>	380 289
<b>Earnings per share</b>	4		
Basic (cents)		104	120
Diluted (cents)		100	117
<b>Headline earnings per share</b>	4		
Basic (cents)		104	119
Diluted (cents)		101	116
<b>Normalised earnings per share</b>	4		
Basic (cents)		104	119
Diluted (cents)		101	116
<b>Dividends per share</b>	5		
Final (cents)		15	15
<b>Currency conversion</b>			
Rand/US dollar average		13,32	14,73
Rand/US dollar closing		12,38	13,61

# SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>Net profit for the year attributable to equity holders of the company</b>	<b>332 232</b>	384 933
<b>Other comprehensive income for the year</b>	<b>3 635</b>	93 851
Items that may be reclassified subsequently to profit or loss	(3 976)	107 628
Cash flow hedges transferred to income statement	(21 536)	127 947
Cash flow hedges created	16 014	21 536
Income tax effect	1 546	(41 855)
Items that will not be reclassified to profit or loss	7 611	(13 777)
Remeasurement of retirement benefit obligation	8 782	(14 032)
Remeasurement of retirement benefit asset	1 753	(5 103)
Income tax effect	(2 924)	5 358
<b>Total comprehensive income for the year attributable to equity holders of the company</b>	<b>335 867</b>	478 784

# SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Stated capital and consolidated shares R'000	Hedging reserve R'000	Employee share- based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 31 December 2015</b>	1 817 580	(92 122)	45 707	51 224	2 032 128	3 854 517
Net profit for the year					384 933	384 933
Other comprehensive income net of tax		107 628			(13 777)	93 851
Equity-settled share-based payment schemes			10 145		2 690	12 835
Equity-settled share-based payment: Isizinda				552		552
<b>Balance at 31 December 2016</b>	<b>1 817 580</b>	<b>15 506</b>	<b>55 852</b>	<b>51 776</b>	<b>2 405 974</b>	<b>4 346 688</b>
Net profit for the year					332 232	332 232
Other comprehensive income net of tax		(3 976)			7 611	3 635
Equity-settled share-based payment schemes			15 349		(720)	14 629
Dividend paid					(48 507)	(48 507)
<b>Balance at 31 December 2017</b>	<b>1 817 580</b>	<b>11 530</b>	<b>71 201</b>	<b>51 776</b>	<b>2 696 590</b>	<b>4 648 677</b>



# SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	2017 R'000	2016 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3 324 593	3 263 500
Intangible assets	64 144	69 086
Retirement benefit asset	127 054	117 397
Deferred tax asset	21 152	25 463
	3 536 943	3 475 446
<b>Current assets</b>		
Inventories	2 150 061	1 825 221
Trade and other receivables	1 241 963	1 513 096
Derivative financial assets	143 767	64 445
Cash and cash equivalents	111 472	75 627
Income tax asset	39 331	2 603
	3 686 594	3 480 992
Non-current assets held for sale	6 529	–
<b>Total assets</b>	<b>7 230 066</b>	<b>6 956 438</b>
<b>EQUITY</b>		
Share capital and share premium	1 817 580	1 817 580
BEE reserve	51 776	51 776
Employee share-based payment reserve	71 201	55 852
Hedging reserve	11 530	15 506
Retained earnings	2 696 590	2 405 974
<b>Total equity</b>	<b>4 648 677</b>	<b>4 346 688</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Non-current borrowings	108 000	162 000
Deferred tax liability	578 568	516 533
Retirement benefit obligations	266 767	258 879
	953 335	937 412
<b>Current liabilities</b>		
Trade and other payables	1 262 967	1 141 011
Current borrowings	320 699	490 444
Derivative financial liabilities	43 267	15 168
Income tax liability	1 121	25 715
	1 628 054	1 672 338
<b>Total liabilities</b>	<b>2 581 389</b>	<b>2 609 750</b>
<b>Total equity and liabilities</b>	<b>7 230 066</b>	<b>6 956 438</b>
Net debt to equity	%	6,8
		13,3

# SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

	2017 R'000	2016 R'000
<b>Cash flows from operating activities</b>		
Operating profit	537 966	621 514
Net interest paid	(99 113)	(101 792)
Loss/(profit) on disposal of property, plant and equipment	10 188	(6 093)
Non-cash items:		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	216 374	186 000
Other non-cash items	(48 830)	(58 308)
Income tax payment	(127 669)	(127 972)
Changes in working capital	68 250	165 679
	<b>557 166</b>	<b>679 028</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(256 427)	(314 856)
Government grant	–	57 047
Additions to intangible assets	(4 607)	(13 551)
Proceeds on disposal of property, plant and equipment	–	7 681
	<b>(261 034)</b>	<b>(263 679)</b>
<b>Cash flows before financing activities</b>	<b>296 132</b>	<b>415 349</b>
<b>Cash flows from financing activities</b>		
Proceeds from non-current borrowings	(54 000)	(54 000)
Repayment of current borrowings	(169 745)	(338 957)
Settlement of employee share incentives	(15 153)	(12 436)
Dividends paid	(48 507)	–
	<b>(287 405)</b>	<b>(405 393)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8 727</b>	<b>9 956</b>
Cash and cash equivalents at beginning of year	75 627	70 158
Effects of exchange rate changes on cash and cash equivalents	27 118	(4 487)
<b>Cash and cash equivalents at end of year</b>	<b>111 472</b>	<b>75 627</b>

# NOTES

for the year ended 31 December 2017

## 1. BASIS OF PREPARATION

These summarised financial statements, although not audited, have been derived from the group's audited financial statements and are consistent, in all material respects, with the group's audited financial statements. The directors take full responsibility for the preparation of this announcement, including ensuring that the summarised consolidated financial statements are correctly extracted from the underlying audited financial statements.

These summarised consolidated financial statements have been prepared in accordance with the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council, the framework concepts and the measurement and recognition requirements of the International Financial Reporting Standards (IFRS), the Companies Act 71 of 2008 and the JSE Listings Requirements, under the supervision of the Chief Financial Officer, Mr AP Krull CA(SA).

The accounting policies and methods of computation adopted are in terms of IFRS and are consistent with those used in the preparation of the group's 2016 financial statements.

Hulamin believes normalised earnings to more accurately reflect operational performance and is arrived at by adjusting headline earnings to take into account non-operational and abnormal gains and losses.

	2017 R'000	2016 R'000
<b>2. OPERATING SEGMENT ANALYSIS</b>		
The group is organised into two major operating segments, namely Hulamin Rolled Products and Hulamin Extrusions. The reporting segments are consistent with those reported in the group's 2016 financial statements.		
<b>REVENUE</b>		
Hulamin Rolled Products	9 284 845	9 237 127
Hulamin Extrusions	874 853	862 222
<b>Group total</b>	<b>10 159 698</b>	10 099 349
<b>OPERATING PROFIT</b>		
Hulamin Rolled Products	522 544	587 318
Hulamin Extrusions	15 422	34 196
<b>Group total</b>	<b>537 966</b>	621 514
Interest income	3 079	1 309
Interest expense	(80 704)	(88 005)
<b>Profit before tax</b>	<b>460 341</b>	534 818
<b>TOTAL ASSETS</b>		
Hulamin Rolled Products	6 870 355	6 663 575
Hulamin Extrusions	359 711	292 863
<b>Group total</b>	<b>7 230 066</b>	6 956 438

## 3. TAXATION

The tax charge included within these condensed consolidated financial statements is:

	2017 R'000	2016 R'000
Normal	66 347	163 518
Deferred	61 762	(13 633)
	<b>128 109</b>	149 885
Normal rate of taxation	%	28,0
Adjusted for:		
Exempt income, non-allowable deductions and other items	%	(0,2)
<b>Effective rate of taxation</b>	<b>%</b>	<b>27,8</b>

# NOTES

for the year ended 31 December 2017

## 4. EARNINGS PER SHARE (EPS)

The weighted average number of shares used in the calculation of basic and diluted earnings per share, headline earnings per share and normalised earnings per share are as follows:

	Number of shares 2017	Number of shares 2016
Weighted average number of shares used for basic EPS	319 596 836	319 596 836
Share options	11 471 925	9 064 508
Weighted average number of shares used for diluted EPS	331 068 761	328 661 344
Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).		
<b>Headline earnings</b>		
Net profit for the year	332 232	384 933
Adjustments	807	(5 196)
– Reversal of impairment on associate	(6 529)	–
– Loss/(profit) on disposal of property, plant and equipment	10 188	(6 093)
– Tax effect	(2 852)	897
<b>Headline earnings</b>	<b>333 039</b>	<b>379 737</b>

## 5. DIVIDENDS PER SHARE

Dividends per share declared:

	2017 R'000	2016 R'000
Final dividend: 15 cents on 319 596 836 ordinary shares (2016: 15 cents on 319 596 836)	47 940	47 940
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2016: 15 cents on 4 721 600 A1 ordinary shares)	708	708
Total	48 648	48 648

The final dividend was declared subsequent to year end and therefore has not been provided for in the group financial statements.

## 6. COMMITMENTS AND CONTINGENT LIABILITIES

	2017 R'000	2016 R'000
Capital expenditure contracted for but not yet incurred	42 527	109 734
Operating lease commitments	53 573	30 782

# CORPORATE INFORMATION

## **HULAMIN LIMITED**

("Hulamin", "the company" or "the group")

Registration number: 1940/013924/06

Share code: HLM

ISIN: ZAE000096210

## **BUSINESS AND POSTAL ADDRESS**

Moses Mabhida Road, Pietermaritzburg, 3201

PO Box 74, Pietermaritzburg, 3200

## **CONTACT DETAILS**

Telephone: +27 33 395 6911

Facsimile: +27 33 394 6335

Website: [www.hulamin.co.za](http://www.hulamin.co.za)

Email: [hulamin@hulamin.co.za](mailto:hulamin@hulamin.co.za)

## **SECURITIES EXCHANGE LISTING**

South Africa (Primary), JSE Limited

## **TRANSFER SECRETARIES**

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

## **SPONSOR**

Questco Corporate Advisory Proprietary Limited

1st Floor, Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, 2191

## **DIRECTORATE**

### **Non-executive directors**

ME Mkwanazi\* (Chairman),

CA Boles\*

RL Larson\*

VN Khumalo

TP Leeuw\*

N Maharajh\*

NNA Matyumza\*

Dr B Mehlomakulu\*

SP Ngwenya

AT Nzimande\*

PH Staude\*

GHM Watson\*

GC Zondi#

\* Independent non-executive directors

# Alternate non-executive director

### **Executive directors**

RG Jacob, Chief Executive Officer

AP Krull, Chief Financial Officer

MZ Mkhize

## **COMPANY SECRETARY**

W Fitchat



