HULAMIN

Think future. Think aluminium.

SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER

2020

HIGHLIGHTS

Group sales volumes impacted by Covid-19 decreased by 24% to 166 000 tons

Loss per share decreased to 75 cents from 380 cents in 2019

Headline loss per share decreased to 68 cents from 76 cents in 2019

Normalised EBITDA down 129% to a loss of R89 million

R484 million free cash outflow on higher Rand Aluminium price, lower capital expenditure

Balance sheet protected, although debt/equity declined to 35% (2019: 11%)

Turnaround actions ongoing

Richard Jacob, Hulamin's Chief Executive Officer, commented:

"Hulamin faced strong headwinds during 2020. Local and export sales were impacted by Covid-19 related slowdowns across the local and global economies. Lockdown in South Africa and across the globe impacted sales of all products and resulted in the inability to operate until Hulamin Rolled Products was issued an "essential services" certificate in mid-April. The lockdown-driven ban on alcohol sales in the local market further impaired sales of beverage can material in our largest market, South Africa. Following the partial lifting of lockdown restrictions during the second half of 2020, all operations returned to operating profitability in the final quarter as volumes improved.

Hulamin Extrusions completed its turnaround plans. Following the closure of its Oliefantsfontein site, which has subsequently been sold, the business has consolidated operations successfully in Pietermaritzburg and returned to profitability in the second half.

Order books are more healthy again. Demand for beverage can products is particularly firm. Both Hulamin Rolled Products and Hulamin Extrusions are therefore focused on returning to full manufacturing volumes, although Hulamin Rolled Products will undertake a comprehensive maintenance shutdown during the first half of 2021. Sales volumes, together with the level of the Rand against the US Dollar will play a key role in determining 2021 performance.

Thank you to Laren Farquharson, who tirelessly stood in as CFO, following the resignation and departure of Anton Krull from 1 November 2020. I am also pleased to welcome Mark Gounder, who has taken over as CFO from 1 April 2021."

ENQUIRIES

Hulamin	033 395 6911
Richard Jacob, CEO	082 806 4068
Meganathan Gounder, CFO	078 803 8838
Ayanda Mngadi, Group Executive Corporate Affairs	061 284 1289

COMMENTARY

Hulamin started 2020 facing multiple headwinds. Following disruption to our USA supply chain in mid-2019, this was soon followed by news of a pending anti-dumping case being filed by the US Aluminum Association. Simultaneously, news emerged of the outbreak of a bird-flu-like pandemic that emerged in Wuhan, China and had begun spreading aggressively across the globe.

Although the contagion took some months, both to take effect as well as for countermeasures to be implemented, 2020 very quickly became the year of Covid-19. Initially, Hulamin markets in the EU were affected. Within one to two months, the pandemic had spread throughout the world, and by late-March, the South African Government had imposed severe lockdown regulations. These included a prohibition on the sale of alcohol, curfews, travel bans and other actions that directly and indirectly negatively impacted Hulamin's operations.

Operational review

Although Hulamin quickly managed to reestablish USA demand for Heat Treated Plate, distribution of other products took time to return. Rumours of an anti-dumping case against importers into the USA added a level of risk aversion to the market. Consequently, first quarter volumes remained constrained, in line with 2019. Hulamin Extrusions continued implementing its turnaround plans by advising customers of the pending closure of operations at its Olifantsfontein site. During Q1, a new management team started implementing turnaround actions, upskilling employees and introducing new and improved cost saving routines and disciplines.

By the end of March, our President had declared a national disaster in terms of the National Disaster Management Act of 2002. Shortly thereafter, Hulamin Rolled Products secured CIPC authority to operate at 50% capacity, although this proved impossible. With the ports closed due to the lockdown, this affected 60% to 70% of export products. Hulamin Extrusions was forced to close for approximately five weeks until lockdown restrictions were lifted sufficiently (its products failed to fall into the essential services categories). Consequently, Q2 volumes were disrupted, with the direct impact on profits and cash flows.

Later in April, the port of Durban had reopened for trade and international demand was improving. Local demand had by now suffered a major fall-off, in line with global markets. The alcohol ban, general risk aversion, a significant drop in economic activity and general reversion to essential services only all contributed to lower Group sales.

Following this exceptionally slow start, operations began to gain momentum in the second half. Hulamin Rolled Products quarterly annualised volumes started the year at 153 000 tons, followed by 112 000 tons in Q2, then improved to 166 000 tons in Q3 and 184 000 tons by Q4. The final annual volumes achieved of 155 000 tons, although approximately 25% to 30% below recent performance, illustrated the improving trend following the massive Covid-related disruption in the first three quarters.

Local annual can stock volumes declined by 49%, largely on the back of the lockdown alcohol ban. Export can stock volume was largely unchanged from the prior year. Total local Rolled Products sales were 36% lower and Hulamin Extrusions sales were 25% lower.

In 2019, Hulamin developed and began implementing important turnaround plans in all operations. In Hulamin Rolled Products, these actions centered around cost reduction, rebuilding US market sales and working capital management. Good work started in 2019 and continued into 2020, allowing cost reduction targets to be achieved and distribution channels to be rebuilt. Sustainable, annual cost reductions in excess of R200 million have been achieved, while our direct route to market strategy has resulted in further cost savings and a full order book by the end of 2020. Disrupted volumes in the first half of 2020 resulted in losses and cash outflows.

Challenges remain for Hulamin Rolled Products. In the short term, these focus on plant reliability and volume throughput, while operating with leaner resources and lower costs. In parallel, automotive market development activities are planned to improve the mix of higher value products.

Hulamin Extrusions' turnaround plan centered on consolidating operations in Pietermaritzburg (and selling the Olifantsfontein site). Although this reduced available capacity and therefore revenue, the resulting cost savings provided the basis for improved profitability. In the first half of 2020, low volumes and residual costs from the Olifantsfontein site contributed to a loss being recorded at half-year. However, increases in efficiency, throughput and market demand supported the ongoing turnaround, and the performance of Hulamin Extrusions in the second half evidenced the success of implementing the turnaround actions, recording R60 million cost savings.

Financial performance

Group sales volumes in 2020 were 24% lower, at 166 000 tons (2019: 219 000 tons); Rolled Products' sales declined by 24% to 155 000 tons (204 000 tons in 2019). Hulamin Extrusions volumes also declined. Group turnover totalled R8.6 billion, which is 20% lower than the R10.7 billion recorded in 2019.

The London Metals Exchange price of aluminium, which mainly affects working capital and metal price lag, firmed from USD1 770 per ton at the end of 2019 to USD2 018 per ton at the end of 2020. A metal price lag profit of R112 million was therefore recorded in 2020 (2019 loss: R68 million). The Rand price of Aluminium rose by 18% by the end of 2020. When combined with lower availability of customer supply chain finance in a year of tight liquidity, net working capital ended R341 million higher than 2019. Capital expenditure was reduced to R140 million (from R311 million in 2019).

Hulamin's inventory hedging programme is designed to remove volatility in earnings when the value of aluminium rises and falls, to more accurately reflect the operating performance of the business. While smoothing profit performance, this hedging programme, by its nature, introduces cash flow volatility. The board resolved to suspend the metal price hedging programme due to unpredictable trading conditions.

Turnover declined by 20% and volumes by 24%. Freight and commission costs reduced by 24%, in line with volume. Aluminium and other material costs declined largely in line with turnover by 25%. After excluding impairment charges from the prior year, other expenses decreased by 13% largely assisted by the manpower and other cost reduction actions that started in 2019. Total manufacturing costs in 2020 were approximately R460 million lower than in 2019.

Headline loss improved to R210 million from R240 million in the prior year.

COMMENTARY CONTINUED

Turnaround actions

Commencing in 2019, Hulamin Rolled Products implemented a turnaround plan with the following goals:

- Cost reduction. Approximately R300 million annual savings.
- Rebuild the USA route to market (distribution channel), following the breakdown of the exclusive agency arrangement. This action was designed to access customer demand for Hulamin products in the USA and thereby ensure that Hulamin Rolled Products has sufficient orders for full capacity utilisation.
- Releasing of cash from working capital (inventory reduction from the high of 55kt in June to 46kt achieved by the end of 2019). From holding excess inventory during 2019, Hulamin has reduced and maintained inventory levels during the height of the Covid-19 crisis.

The local and global Covid-19 crisis impacted local and international demand as well as our ability to maximise plant throughput and capacity utilisation.

In Hulamin Extrusions, following two volume disrupted years and the consequent losses and cash outflows, we developed a turnaround plan focusing on cost reduction. It became clear during this investigation that the costs associated with running two sites exceeded the value that a two-site operation brings. Consequently, the turnaround actions in Hulamin Extrusions comprised the following:

- Close the Olifantsfontein operation, eliminating all associated costs.
- Maximise volume in Pietermaritzburg, thereby improving profitability and cash flows (slightly lower volume at significantly reduced cost).

Following the Olifantsfontein plant closure in late 2019, a number of assets, dies and personnel were transferred to Pietermaritzburg. Although the site was closed, a number of residual costs remained, compounding the trading losses incurred in the first half of 2020. Early in 2020 the site was put on the market and an agreement of sale concluded in Q2, and transferred early in 2021. Hulamin Extrusions has shown a pleasing return to profitability following the successful implementation of its turnaround plans.

Farewells

In 2020, we unfortunately had so say goodbye to a number of key people in the Hulamin team. We pride ourselves in retaining key talent, and therefore departures are somewhat rare, sad events. Retiring from the board, we sadly are forced to say “God-speed” to Nomgando “Mfundisi” Matyumza, whose warmth and insight served the company to great effect. We will most certainly miss her affectionate and engaging personality, having been particularly close to the executive in her duties as Chairman of the Remuneration and Nomination and Audit Committees. My executive colleagues and I will sorely miss her.

Moses Zamani Mkhize served as Managing Director of Hulamin Rolled Products until his retirement in February 2020. Having worked himself up through the ranks from apprentice electrician, Moses joined the Hulamin Board as an executive director on listing in 2007. We will all miss his deep insights, incredible operational experience and gentle demeanour. We wish him all the best in the next phase of his life.

Anton Krull served as Chief Financial Officer with passion and diligence since 2016 until his resignation in mid-2020. Prior to that, he served as Financial manager for approximately 10 years. We will miss his insights, conservatism and strategic wisdom as he furthers his career in the United Kingdom. We look forward to our new CFO, Mark Gounder, who joins Hulamin from 1 April 2021, bringing his experience, insights as well as his broad range of skills and talents. We thank the Board and Nomination Committee for their prioritising this appointment.

Having served as Company Secretary for 17 years, Willem Fitchat has indicated his desire to retire and to make way for new talent. I am looking forward to the arrival of Sharon Ramoetlo, who has also served on a number of boards in both the private and public sectors, has agreed to make herself available as Company Secretary.

Metal supply

Hulamin and South32 signed a five-year agreement in 2015 for the supply of molten and solid ingot aluminium. This was to supply operations in Richards Bay and Pietermaritzburg. Negotiations progressed constructively, culminating in Hulamin and South32 signing conditional agreements for the period 2020 to 2028 with mutually acceptable and similar commercial terms to the previous agreement, with several improvements designed to improve operational efficiencies for both parties.

A critical outstanding condition was the finalisation of electricity supply agreements between Hillside and Eskom. In 2020, delays in mandating the National Energy Regulator of South Africa (NERSA) prevented this agreement from becoming unconditional. We look forward to moving from the existing temporary extensions (now in place until July 2021), to the full agreement coming into force now that the required changes to legislation to allow NERSA to evaluate the agreement and move on to the required approval.

Prospects

The turnaround actions that were started 2019 have largely been implemented. We expect that the disruptive effect of the Covid-19 pandemic to slowly dissipate during 2021, particularly as global vaccine rollouts take effect. Order books are healthy in both Hulamin Rolled Products and Hulamin Extrusions. Should the economic environment remain stable in 2021, we expect that the return to profitability will continue. Although many cost reduction efforts have been successfully implemented, the full benefits have been obscured by the firmer Rand and the gradual return to full capacity that will be interrupted by a planned maintenance shutdown.

TP Leeuw
Chairman

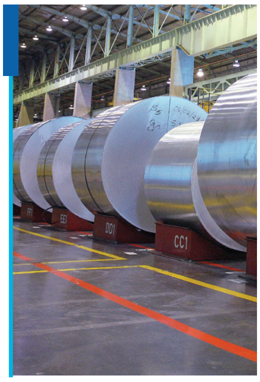
RG Jacob
Chief Executive Officer

Pietermaritzburg
13 April 2021

GROUP OVERVIEW

Hulamin Rolled Products, Hulamin Containers and Richards Bay Cast House together form the Rolled Products operating division which is responsible for semi-fabrication and fabrication of rolled aluminium products and forms the Rolled Products reportable segment. Hulamin Extrusions comprises the Extrusions operating division which is responsible for the semi-fabrication of extruded aluminium products and forms the Extrusions reportable segment.

Hulamin Rolled Products



Principal activity

Hulamin Rolled Products produces a range of technologically sophisticated sheet, coil and plate products focusing on high-quality, tight tolerance and complex products.

Production facilities include re-melting and recycling facilities, direct-chill ingot casting, continuous casters, hot, cold and foil rolling mills and further finishing processing lines, all based in Pietermaritzburg, KwaZulu-Natal.

Key markets

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 transportation, engineering, and building and construction markets.

Key Strategic Focus Areas

- Operational performance and cost competitiveness.
- Rolling slab and melting ingot supply.
- Secondary melting processing.
- Local market growth and opportunities.
- High value products.

Hulamin Extrusions

Principal activity

Based in Pietermaritzburg, KwaZulu-Natal, Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

Key markets

Hulamin Extrusions supplies the local engineering and architectural markets.

Key Strategic Focus Areas

- Security of billet and secondary metal supply
- Cost competitiveness
- Market growth and opportunities

Hulamin Containers

Principal activity

Hulamin Containers, a downstream business, is a leading producer of standard and customised rigid aluminium foil containers for the catering industry and for household use.

Hulamin Containers is based in Pietermaritzburg, KwaZulu-Natal, with sales and distribution offices in Johannesburg and Cape Town.

Key markets

Hulamin Containers supplies the local packaging and container market.

Key Strategic Focus Areas

- Operational performance and cost competitiveness
- Local and international market growth and opportunities

Richards Bay Cast House

Principal activity

Through its aluminium casting facility in Richards Bay, the cast house supplied Hulamin Rolled Products with aluminium rolling slab.

Key Strategic Focus Areas

- Cost competitiveness
- Security of liquid metal supply
- Developing the aluminium hub in Richards Bay

SUMMARISED PRELIMINARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**813 097**	813 570
Right-of-use assets		**44 550**	17 108
Intangible assets		**33 162**	13 157
Retirement benefit asset		**63 084**	95 560
Deferred tax asset	8	**15 449**	93 130
Lease receivable	14	**8 482**	–
Investments accounted for using the equity method	13.3	**58 635**	–
		1 036 459	1 032 525
Current assets			
Inventories		**2 333 828**	2 176 408
Trade and other receivables		**1 097 335**	804 415
Derivative financial assets		**7 708**	88 661
Cash and cash equivalents		**38 045**	126 207
Lease receivable	14	**4 523**	–
Income tax asset	8	**12 873**	17 562
		3 494 312	3 213 253
Non-current assets classified as held for sale	10	**14 250**	14 250
TOTAL ASSETS		**4 545 021**	4 260 028
EQUITY			
Stated capital and consolidated shares		**1 817 627**	1 817 580
Treasury shares		**(35 863)**	(22 000)
BEE reserve		**24 576**	24 576
Employee share-based payment reserve		**57 321**	63 305
Hedging reserve		**1 724**	12 505
Retained Earnings		**503 061**	674 342
Total equity		**2 368 446**	2 570 308
LIABILITIES			
Non-current liabilities			
Non-current borrowings		**–**	–
Lease liabilities		**47 251**	34 405
Deferred tax liability		**2 070**	16 990
Retirement benefit obligations		**202 899**	225 007
		252 220	276 402
Current liabilities			
Trade and other payables		**1 114 788**	1 005 121
Current borrowings		**789 053**	352 083
Lease liabilities		**20 514**	12 088
Derivative financial liabilities		**–**	44 026
		1 924 355	1 413 318
Total liabilities		**2 176 575**	1 689 720
Total equity and liabilities		**4 545 021**	4 260 028

SUMMARISED PRELIMINARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
Revenue from contracts with customers	3(c)	**8 548 878**	10 708 581
Cost of goods sold		**(7 843 237)**	(9 929 196)
Cost of services provided		**(20 730)**	(76 066)
Gross profit		**684 911**	703 319
Selling, marketing and distribution expenses		**(469 749)**	(520 020)
Administrative and other expenses		**(205 179)**	(290 670)
Impairment of loans	13.3	**(3 724)**	–
Net impairment losses on financial assets		**(5 068)**	(1 906)
Impairment of property, plant and equipment and intangible assets	5	**(8 432)**	(1 302 898)
Gains and losses on financial instruments related to trading activities	6	**(70 242)**	79 571
Other gains and losses	7	**4 993**	(88 800)
Operating loss		**(72 490)**	(1 421 404)
Interest income		**9 071**	8 021
Interest expense		**(45 965)**	(56 513)
Loss before share of joint venture profits		**(109 384)**	(1 469 896)
Share of net losses of joint ventures accounted for using the equity method	13.3	**(1 565)**	–
Loss before tax		**(110 949)**	(1 469 896)
Taxation	9	**(119 490)**	265 355
Net loss for the year attributable to equity holders of the company		**(230 439)**	(1 204 541)
Basic loss per share	(cents)	**(75)**	(380)
Diluted loss per share	(cents)	**(75)**	(380)

SUMMARISED PRELIMINARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	2020 Audited R'000	2019 Audited R'000
Net loss for the year attributable to equity holders of the company	**(230 439)**	(1 204 541)
Other comprehensive income for the year	**19 637**	46 807
Items that may be reclassified subsequently to profit or loss:	**(10 781)**	18 785
Cash flow hedges transferred to the statement of profit or (loss)	**210 379**	(54 750)
Cash flow hedges (reversed)/created	**(213 515)**	57 039
Cost of hedging	**(11 838)**	23 801
Income tax relating to these items	**4 193**	(7 305)
Items that will not be reclassified to profit or loss:	**30 418**	28 022
Remeasurements of retirement benefit obligations	**31 399**	35 478
Remeasurements of retirement benefit asset	**153**	955
Income tax relating to these items	**(1 134)**	(8 411)
Total comprehensive loss for the year attributable to equity holders of the company	**(210 802)**	(1 157 734)

SUMMARISED PROVISIONAL CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**(280 184)**	625 512
Interest paid		**(60 438)**	(62 754)
Interest received		**8 358**	8 021
Income taxes paid		**(28 232)**	(37 492)
Net cash (outflow)/inflow from operating activities		**(360 496)**	533 287
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(131 432)**	(305 095)
Additions to intangible assets		**(8 848)**	(6 222)
Proceeds from lease receivable		**2 950**	–
Net proceeds from repayments of loan granted to investment accounted for using equity method		**20 496**	–
Net cash outflow from the group as a result of loss of control of Isizinda		**(7 346)**	–
Net cash outflow from investing activities		**(124 180)**	(311 317)
Cash flows before financing activities ("free cash flow")		**(484 675)**	221 970
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings		**–**	(54 000)
Net proceeds from/(repayment) current borrowings*		**436 970**	(413 700)
Settlement of employee share incentives schemes		**–**	(305)
Payment of principal portion of lease liabilities		**(11 668)**	(14 675)
Dividends paid		**–**	(58 202)
Acquisition of treasury shares		**(13 816)**	(22 000)
Settlement payments in respect of share-based payment – Isizinda		**–**	(50 000)
Net cash inflow/(outflow) from financing activities		**411 486**	(612 882)
Net decrease in cash and cash equivalents		**(73 189)**	(390 912)
Cash and cash equivalents at beginning of year		**126 207**	525 981
Effects of exchange rate changes on cash and cash equivalents		**(14 973)**	(8 862)
Cash and cash equivalents at end of year		**38 045**	126 207

* *Movement in the current borrowings represents the net movement on the Nedbank facility which is drawn down or settled on a daily basis.*

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Notes	2020 Audited R'000	2019 Audited R'000
A: Cash generated from operations			
Loss before tax		**(110 949)**	(1 469 896)
Net interest cost		**36 894**	48 492
Operating loss		**(74 055)**	(1 421 404)
Adjusted for non-cash flow items:			
Depreciation of property, plant and equipment		**48 392**	107 625
Depreciation of right-of-use assets		**8 691**	16 483
Amortisation of intangible assets		**7 153**	12 116
Impairment of financial assets		**5 068**	–
Impairment of loans to joint ventures	13.3	**3 724**	–
Impairment of property, plant and equipment, intangible assets and right of use asset	5	**8 432**	1 302 898
Loss on disposal of property, plant and equipment	7	**–**	26 455
Loss arising from loss of control in Isizinda	13.1	**11 207**	–
Gain on liquidation of pension fund		**(16 000)**	–
Share of net losses of joint ventures accounted for using the equity method	13.3	**1 565**	–
Net movement in retirement benefit asset and obligations		**41 921**	48 002
Value of employee services received under share schemes		**22 756**	6 968
Foreign exchange losses/(gains) on cash and cash equivalents		**14 973**	8 862
Gain on sale of investment		**–**	(2 655)
Currency exchange translation on foreign debtors and creditors		**(5 482)**	9 200
Settlement of share-based payment – Isizinda		**–**	65 000
Other non-cash items		**(3 253)**	(479)
Cash generated before working capital changes		**75 092**	179 071
Changes in working capital	B	**(355 276)**	446 441
Cash (used in)/generated from operations		**(280 184)**	625 512
B: CHANGES IN WORKING CAPITAL			
(Increase)/decrease in inventories		**(157 620)**	86 139
(Increase)/decrease in trade and other receivables		**(277 533)**	702 704
Increase in derivatives*		**21 953**	18 726
Increase/(decrease) in trade and other payables		**57 924**	(361 128)
		(355 276)	446 441

* *The increase in derivatives was reclassified into working capital from cash generated before working capital changes to reflect the group hedging strategy with respect to working capital.*

SUMMARISED PROVISIONAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

Notes	Stated capital and Consolidated shares A R'000	Treasury shares B R'000	Hedging reserve C R'000	Employee Share-based payment reserve D R'000	BEE reserve E R'000	Retained earnings F R'000	Total equity R'000
Balance at 31 December 2018	**1 817 580**	**–**	**(6 280)**	**57 914**	**51 776**	**1 881 631**	**3 802 621**
Net loss for the year	–	–	–	–	–	(1 204 541)	(1 204 541)
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	–	–	18 785	–	–	–	18 785
– retirement benefit assets and obligations	–	–	–	–	–	28 022	28 022
Equity settled share-based payment schemes:							
– Value of employee services	–	–	–	6 968	–	–	6 968
– Settlement and forfeiture of employee share incentives	–	–	–	(1 577)	–	1 272	(305)
– Settlement of equity-settled share based payment	–	–	–	–	(27 200)	27 200	–
– Tax on employee share incentives	–	–	–	–	–	(1 040)	(1 040)
– Acquisition of treasury shares	–	(22 000)	–	–	–	–	(22 000)
Dividend paid	–	–	–	–	–	(58 202)	(58 202)
Balance at 31 December 2019	**1 817 580**	**(22 000)**	**12 505**	**63 305**	**24 576**	**674 342**	**2 570 308**
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**230 439**	**(230 439)**
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	**–**	**–**	**(10 781)**	**–**	**–**	**–**	**(10 781)**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**30 418**	**30 418**
Equity settled share-based payment schemes:							
– Value of employee services	**–**	**–**	**–**	**22 756**	**–**	**–**	**22 756**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(28 740)**	**–**	**28 740**	**–**
Vesting of A1 ordinary shares	**47**	**(47)**					
Acquisition of treasury shares	**–**	**(13 816)**	**–**	**–**	**–**	**–**	**(13 816)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**1 817 627**	**(35 863)**	**1 724**	**57 321**	**24 576**	**503 061**	**2 368 446**

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidation shares represent shares held under various BEE transactions.

B: Treasury shares

Shares in the company held by a wholly-owned group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains and losses are recognised in the group statement of profit or loss or the statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. During the year the group purchased 7 638 806 shares (2019: 8 183 539 shares). The total cost of R13 816 000 (2019: R22 000 000) including after-tax transaction costs and excluding the vesting of A1 ordinary shares, was deducted from shareholder equity. The total reduction in paid-up capital was R35 863 000 (2019: R22 000 000).

C: Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to revenue as part of the hedging relationship or reclassified to profit or loss as appropriate. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in revenue when it is recognised.

D: Employee share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. On settlement the value of the reserve is transferred to retained earnings. A deferred tax asset on outstanding grants is recognised where the grants are in-the-money, with the deferred tax on the portion above the fair value of the option being recognised directly in retained earnings.

(i) 2015 Hulamin Employee Share Ownership Plan (ESOP)

On 22 December 2015, the ESOP Trust subscribed for 4 721 600 A1 ordinary and 26 755 733 A2 ordinary shares. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within stipulated Patterson Bands.

The fair value of the share-based payments considers an effective grant price of RNil for the A1 shares and an effective grant price of the 30-day VWAP of the group's ordinary shares on grant date (R5.83) for the A2 shares, with the grant price reduced by dividends accruing to those shares over the vesting period.

On the 17 December 2020, Hulamin concluded an extension to the BEE Transaction detailed above. In terms of the BEE Extension Transaction, the BEE Transaction was extended for a further five years and two months for the 26 755 733 A2 ordinary shares and an additional 4 721 600 A3 ordinary shares were authorised. The shares were issued to the ESOP Trust in January 2021. In terms of IFRS2, Hulamin has treated the BEE Extension Transaction as a modification of the existing BEE Transaction and the valuation of the BEE Extension Transaction reflects the market observables at the modification date as noted below. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within the stipulated Patterson Bands.

On the 22 December 2020 and in terms of the BEE Transaction, the 4 721 600 A1 ordinary shares vested as ordinary issued shares of Hulamin. At the 31 December 2020, these shares are held by the ESOP Trust pending distribution and have been treated as treasury shares. This resulted in a release of R25 900 000 from the group employee share based payment reserve into retained earnings.

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Risk free rate	8.58%	5%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	62 months
Contractual life	60 months	62 months

Vesting conditions:

- Time — Five Years and Two months
- Non-market — None
- Market — Share price

E: BEE reserve

The BEE reserve is used to recognise the grant date fair value of options issued to identified BEE participants (Strategic Partners) and Isizinda BEE participants.

(i) Strategic Partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The Strategic BEE partners, through Imbewu SPV 14 (Pty) Ltd, subscribed for 9 018 000 B1 ordinary, 9 018 000 B2 ordinary shares, and 18 036 000 B3 ordinary shares at a total cost of R361 000. The fair value of the transaction at grant date is R20 000 000, which was expensed in full in the 2015 financial year. The share-based payments charge is based on the number of B1 and B2 ordinary shares. The fair value of the B1 share-based payments considers an effective grant price of 50% of the 30-day volume-weighted average price (VWAP) (R5.83) of the group's ordinary shares on grant date, while the fair value of the B2 share-based payments is based on an effective grant price of 100% of the same VWAP.

On 17 December 2020, Hulamin concluded an extension to the BEE Transaction detailed above. In terms of the BEE Extension Transaction, the BEE Transaction was extended for a further five years and two months. In terms of IFRS2, Hulamin has treated the BEE Extension Transaction as a modification of the existing BEE Transaction and the valuation of the BEE Extension Transaction reflects the market observables at the modification date as noted below. The determined fair value of the BEE Extension Transaction at grant date was R10 100 000 and was expensed in full in the 2020 financial year.

The fair value of the transaction was determined using a Black Scholes valuation model using the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Expected option life	Five Years	Five years and two months
Lock in period	Three Years	N/A
Risk free rate	8.58%	5%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	NIL
Expected remaining life	0 months	62 months
Contractual life	60 months	62 months

Vesting conditions:

- Time — Five Years and Two months
- Non-market — None
- Market — Share price

F: Retained earnings

The retained earnings represent the cumulative historic profit and loss reinvested in the group. No restrictions exist on the use of the retained income.

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. Basis of preparation of summarised provisional consolidated financial statements

The summarised provisional consolidated financial statements of the group for the year ended 31 December 2020 are prepared in accordance with the requirements of the JSE Limited Listing Requirements for provisional reports, the requirements of the Companies Act of South Africa, the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the Companies Act No. 71 of 2008 and also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the summarised provisional consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous provisional consolidated annual financial statements and have been prepared under the supervision of the Chief Financial Officer, Mr M Gounder CA(SA).

The group's independent auditor, Ernst & Young Inc. (EY), has issued an unmodified audit opinion on the group's consolidated and separate financial statements for the year ended 31 December 2020. The audit was conducted in accordance with International Standards on Auditing. These summarised provisional consolidated financial statements 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 provisional consolidated financial statements are correctly extracted from the underlying audited financial statements. The auditor's report does not necessarily report on all the information contained in this announcement. Shareholders are therefore advised that, in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the company's registered office. This is also available on the company's website, www.hulamin.com.

The accounting policies adopted are in terms of International Financial Reporting Standards and are consistent with those of the previous financial year, except for the adoption of new and amended standards as set out below.

(a) New and revised standards and interpretations in issue and effective which are applicable to the group

A number of new or amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) New and revised standards in issue but not yet effective which are applicable to the group

The following amendments were issued but are not yet effective and have not been early adopted. These amendments are not expected to have a material impact on the group:

- Amendments to IAS 16 effective 1 Jan 2022 – Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to IAS 37 effective 1 Jan 2022 – Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to IAS 1 Effective 1 Jan 2022 – Classification of Liabilities as Current or Non-Current
- Amendment to IFRS 16 effective 1 June 2020 – Covid-19 – Related Rent Concessions'

2. Significant changes in the current reporting period

The significant events and transactions that have impacted the group results for the year ended 31 December 2020 are detailed in the commentary included with these condensed financial statements and include the following:

- A positive metal price lag of R112 million (2019: negative of R68 million) refer note 3 (a) & (b), resulting from an increase in the aluminium price during 2020 (this was partially offset by the Rand strengthening against the US Dollar in the second half of the financial year);
- A negative R114 million relating to aluminium futures and currency hedges not qualifying for hedge accounting in 2020;
- A cost associated with the BEE Extension Transaction amounting to R15 million;
- A receipt of the employee surplus account from the Tongaat Hulett Pension Fund amounting to R16 million; and
- A derecognition of previously recognised deferred tax asset of R76.9 million

3. Reportable segment analysis and revenue from contracts with customers

The group's reportable segments have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and are predominantly based on business segment hierarchy which is representative of the internal reporting used for management purposes. The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions. The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. Isizinda Aluminium (Pty) Ltd ('Isizinda') sold its slab assets to Hulamin Rolled Products and as such these activities remain integrated within the Hulamin Rolled Products segment. Reportable segments are based and managed in South Africa.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. Transactions between segments are carried out at arm's length and are eliminated on consolidation. Transactions which represent the sale of a particular segment's finished goods to another segment do not occur and as such no inter-segment revenue is earned.

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

3. Reportable segment analysis and revenue from contracts with customers continued

(a) Segmental revenue, earnings and other disclosures

	2020		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from contracts with customers: External	8 005 726	543 152	8 548 878
Timing of revenue recognition:			
– At a point in time	7 984 996	543 144	8 528 148
– Over time	20 730	–	20 730
Earnings			
EBITDA**	(4 808)	4 986	178
Impairment of property, plant and equipment and intangibles	–	(8 432)	(8 432)
Depreciation and amortisation	(60 888)	(3 348)	(64 236)
Operating loss	(65 696)	(6 794)	(72 490)
Interest received	9 071	–	9 071
Interest paid	(34 770)	(11 195)	(45 965)
Loss before share of joint venture profits	(91 375)	(17 989)	(109 384)
Share of net losses on joint ventures accounted for using the equity method	(1 565)	–	(1 565)
Loss before tax	(92 960)	(17 989)	(110 949)
Taxation	(119 490)	–	(119 490)
Net loss for the year	(212 450)	(17 989)	(230 439)
Reconciliation of net loss (used in calculating earnings per share) to headline earnings			
Net loss for the year	(212 450)	(17 989)	(230 439)
(Profit)/loss on disposal of property, plant and equipment	(13)	–	(13)
Impairment of property, plant and equipment and intangibles	–	8 432	8 432
Loss arising from loss of control in Isizinda	11 207	–	11 207
Profit on disposal of investment in Almin Metal Industries Limited	–	–	–
Tax effect	4	–	4
Headline loss for the year	(201 252)	(9 557)	(210 809)
Reconciliation of headline loss to normalised EBITDA**			
Headline loss for the year	(201 252)	(9 557)	(210 809)
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting	–	–	–
Restructuring costs	–	12 673	12 673
Metal price lag	(111 901)	–	(111 901)
Settlement of share-based payment - Isizinda	–	–	–
Tax effect	31 332	(3 548)	27 784
Normalised loss (note A)	(281 821)	(432)	(282 253)
Interest paid	34 770	11 195	45 965
Interest income	(9 071)	–	(9 071)
Taxation	88 354	3 348	91 702
Normalised EBIT* (note A)	(167 768)	14 111	(153 657)
Depreciation and amortisation	60 888	3 348	64 236
Normalised EBITDA (note A)**	(106 880)	17 459	(89 421)
Total assets	4 344 175	200 846	4 545 021
Total liabilities	2 040 199	136 376	2 176 575
Other disclosures			
Additions to property, plant and equipment and intangible assets Currency conversion	116 529	23 751	140 280
Rand/US dollar average			16.45
Rand/US dollar closing			14.62

(a) Segmental revenue, earnings and other disclosures continued

	2019		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from contracts with customers: External	9 957 173	751 408	10 708 581
Timing of revenue recognition:			
– At a point in time	9 881 107	751 408	10 632 515
– Over time	76 066	–	76 066
Earnings			
EBITDA**	104 766	(87 048)	17 718
Impairment of property, plant and equipment and intangibles	(1 266 979)	(35 919)	(1 302 898)
Depreciation and amortisation	(123 142)	(13 082)	(136 224)
Operating loss	(1 285 355)	(136 049)	(1 421 404)
Interest received	8 002	19	8 021
Interest paid	(47 460)	(9 053)	(56 513)
Loss before share of joint venture profits	(1324 813)	(145 083)	(1 469 896)
Share of net losses on joint ventures accounted for using the equity method	–	–	–
Loss before tax	(1324 813)	(145 083)	(1 469 896)
Taxation	265 820	(465)	265 355
Net loss for the year	(1 058 993)	(145 548)	(1 204 541)
Reconciliation of net loss (used in calculating earnings per share) to headline earnings			
Net loss for the year	(1 058 993)	(145 548)	(1 204 541)
(Profit)/loss on disposal of property, plant and equipment	26 455	–	26 455
Impairment of property, plant and equipment and intangibles	1 266 979	35 919	1 302 898
Loss arising from loss of control in Isizinda	–	–	–
Profit on disposal of investment in Almin Metal Industries Limited	–	(2 655)	(2 655)
Tax effect	(362 161)	–	(362 161)
Headline loss for the year	(127 720)	(112 284)	(240 004)
Reconciliation of headline loss to normalised EBITDA**			
Headline loss for the year	(127 720)	(112 284)	(240 004)
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting	24 835	–	24 835
Restructuring costs	75 757	38 639	114 396
Metal price lag	67 577	–	67 577
Settlement of share-based payment - Isizinda	65 000	–	65 000
Tax effect	(47 087)	(10 819)	(57 906)
Normalised loss (note A)	58 362	(84 464)	(26 102)
Interest paid	47 460	9 053	56 513
Interest income	(8 002)	(19)	(8 021)
Taxation	143 429	11 284	154 713
Normalised EBIT* (note A)	241 249	(64 146)	177 103
Depreciation and amortisation	123 142	13 082	136 224
Normalised EBITDA (note A)**	364 391	(51 064)	313 327
Total assets	4 032 486	227 542	4 260 028
Total liabilities	1 539 212	150 508	1 689 720
Other disclosures			
Additions to property, plant and equipment and intangible assets Currency conversion	280 242	31 075	311 317
Rand/US dollar average			14.45
Rand/US dollar closing			14.00

All non-current assets of the group are located in, or are attributable to, operations in South Africa.

Sales to the largest ten customers of the Hulamin Rolled Products segment accounts for 57% (2019: five largest constituted 47%) of total group revenue.

* *Earnings before interest and taxation.*

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

3. Reportable segment analysis and revenue from contracts with customers continued

(b) Loss per share ('LPS')

Basic LPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted LPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. Potential ordinary shares shall be treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

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

	2020 Number of shares	**2019 Number of shares**
Weighted average number of shares used for basic and diluted EPS*	**308 496 091**	317 287 805
Share options	**657 581**	4 543 138

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. Potential ordinary shares were antidilutive.*

Reconciliation of net loss (used in calculating loss per share) for the year to headline loss

	Gross R'000	**Net R'000**	**Gross R'000**	**Net R'000**
Net loss for the period	**–**	**(230 439)**	–	(1 204 541)
Adjustments	**19 626**	**19 630**	1 326 698	964 537
– Impairment loss on property, plant and equipment and intangible	**8 432**	**8 432**	1 302 898	948 144
– Gain on disposal of investment in Almin Metals Industries (note 6.2(i))	**–**	**–**	(2 655)	(2 655)
– Loss arising from loss of control in Isizinda (note 13.1)	**11 207**	**11 207**		
– Loss on disposal of property, plant and equipment	**(13)**	**(9)**	26 455	19 048
Headline loss		**(210 809)**		(240 004)

		2020 R'000	**2019 R'000**
Reconciliation of headline loss to normalised loss			
Headline loss for the year		**(210 809)**	(240 004)
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting		**–**	24 835
Restructuring costs		**12 673**	114 396
Metal price lag		**(111 901)**	67 577
Settlement of share-based payment – Isizinda (note 13)		**–**	65 000
Tax effect		**27 784**	(57 906)
Normalised headline loss		**(282 253)**	(26 102)
Headline loss per share			
Basic	(cents)	**(68)**	(76)
Diluted	(cents)	**(68)**	(76)
Normalised headline loss per share			
Basic	(cents)	**(91)**	(8)
Diluted	(cents)	**(91)**	(8)

(b) Loss per share ('LPS') continued

(i) Headline loss per share, normalised EBIT, normalised EBITDA and normalised headline loss per share

Headline loss 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 1/2019 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, EBITDA, normalised EBITDA and normalised headline loss per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2019 annual financial statements. Normalised headline loss per share is calculated by dividing normalised headline loss by the weighted average number of ordinary shares in issue during the year. Normalised headline loss is defined as headline earnings excluding (i) metal price lag and (ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the group. Normalised EBIT and EBITDA are similarly derived. The presentation of normalised EBIT, EBITDA, normalised EBITDA, headline loss per share and normalised headline loss per share is not an IFRS requirement and these may not be directly comparable with the same or similar measures disclosed by other.

(c) Disaggregation of revenue from contracts with customers

Revenue has been disaggregated into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. The group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region.

	2020 R'000	2019 R'000
Analysis of revenue by product market:		
Automotive and transport	**1 542 497**	1 194 723
Building and construction	**150 267**	259 207
General engineering	**2 254 509**	3 702 585
Packaging	**4 587 401**	5 552 066
Other	**14 204**	–
	8 548 878	10 708 581
Geographical analysis of revenue:		
South Africa	**2 950 413**	4 659 035
North America	**1 258 694**	2 207 098
Europe	**2 894 756**	2 435 942
Asia	**421 198**	376 207
Middle East	**222 358**	86 285
Australasia	**99 256**	75 611
South America	**80 700**	430 022
Rest of Africa	**621 503**	438 381
	8 548 878	10 708 581

4. Termination benefits

	2020 R'000	2019 R'000
Termination benefits can be attributable as follows:		
Hulamin Rolled Products	**7 839**	75 757
Hulamin Extrusions	**–**	38 639
	7 839	114 396

The business turnaround plan for the Hulamin Rolled products and Hulamin Extrusions divisions in 2019 included a strategy to reduce costs which resulted in the loss of 250 jobs. An agreement was reached with the local union representatives in November and October 2019 respectively, which specified the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. Of the total cost of restructuring raised in 2019 of R114 million, R105 million was settled in 2019 and the balance was settled in the current year.

5. Impairment of property, plant and equipment and intangible assets

	2020 R'000	2019 R'000
Isizinda Aluminium property, plant and equipment – note (a)(i)	**–**	13 032
Extrusions Olifantsfontein property, plant and equipment – note (a)(ii)	**8 432**	5 789
Rolled Products cash generating unit – note (b)(i)	**–**	1 253 947
Extrusions cash generating unit – note (b)(ii)	**–**	30 130
Total impairment charge	**8 432**	1 302 898
Taxation	**–**	(354 754)
Net impairment charge	**8 432**	948 144

(a) Impairment assessment – Individual assets

(i) Isizinda Aluminium property, plant and equipment (Rolled Products Segment)

The current economic downturn in the property market served as an indicator for impairment. An impairment test was conducted, and it was determined that the carrying amount of land and buildings did not exceed the recoverable value of the property and as such the property was not impaired. The recoverable amount was determined to be R81.5 million (2019: R68.7 million). The fair value of the property is level 3 in the valuation hierarchy. The fair value of the property was determined with reference to market related rental prices per square meter, accepted vacancy rates and maintenance costs per square meter. An independent valuator was used to determine the fair value less costs to sell.

(b) Cash generating unit impairment assessment

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period under review. In the circumstances, and as required by IAS 36, management have assessed the recoverable amounts of the assets (or cash-generating units to which they belong) net of liabilities at the period end. The recoverable amount was determined to be value-in-use. The assessment compared the estimated value in use based on forecast future cash flows to the carrying amount.

(i) Rolled Products cash generating unit

The key economic and business assumptions used in the value-in-use calculation are consistent with those used in the budget and the five-year business plan approved by the board of directors. Adjustments were made to the business plan forecasts to ensure compliance with the value in use methodology required by IAS 36. The group forecasts that free cash flows will improve in future periods. Key assumptions include:

	2020	2019
Comparison of key assumptions		
Weighted average cost of capital		
– before tax	**21.5%**	22.4%
– after tax	**16.1%**	16.9%

		In year five		Compound annual growth rate	
		2020	2019	2020	2019
Annual average	(ZAR/USD)	**16.94**	16.04	**0.6%**	2.0%
Sales volume	(tons)	**235 000**	235 000	**8.7%**	2.9%
Rolling margins indexed against 2018	(USD/ton)	**107**	98	**1.9%**	1.8%
Total manufacturing costs indexed against 2018	(USD)	**98**	93	**5.8%**	1.1%
Working capital investment indexed against 2018	(USD)	**130**	120	**3.7%**	5.0%

A pre-tax discount rate of 21.5% (post-tax 16.1%) was used in the calculation and this rate has decreased from the pre-tax 22.4% (post-tax 16.9%) used in 2019. The decrease in the discount rate is due to:

- Decreases in the component elements of the discount rate, particularly a decrease in the government bond rate and an increase in debt/equity reflecting higher peer gearing levels in recent times.
- These factors were partly offset by an increase in the market risk premium due to the higher level of uncertainty that exists across most market participants in current times.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2022 and with reference to inflation differentials thereafter, with the ZAR: USD rate rising from an annual average of R15.50 in 2021 to R16.94 in 2025.

Although sales volumes are forecast to peak at levels similar to what was forecast in December 2019, the recovery from the lower Covid-19 2020 volumes will reduce cash flows in the next five years.

(i) Rolled Products cash generating unit continued

Rolling margin forecasts include anticipated changes in both market conditions and the product mix. The pressures on sales volume also impact selling prices and the sales mix. Selling prices will be maintained in the next few years while sales volume recovers in a post-Covid-19 world economy amidst the finalising of anti-dumping duties levied on rolled aluminium into the USA. The preliminary anti-dumping findings confer a relative advantage for Hulamin over most competing imports into the USA and forecast volumes assume that the final ruling will have a similar effect.

Partially offsetting the lower volumes in the period of recovery from Covid-19 is the effect of import duty on aluminium imports into RSA that is effective from 2021. This duty is expected to improve domestic sales volume for much of the next five years.

Sensitivity analysis

The determination of the value in use for Hulamin Rolled Products, and any resulting impairment, is particularly sensitive to:

Discount rate: A 1% increase in the post-tax discount rate may result in an impairment charge, before tax, of up to R218 million*

Rolling margins: A reduction in average rolling margins of 5,0% for each year in the forecast period may result in an impairment charge, before tax, of up to R1 312 million*.

Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period may result in an impairment charge, before tax, of up to R1 141 million.

* *The recognition of impairment charges is subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R701 million (2019: R646 million).*

(ii) Extrusions cash-generating unit

Following the restructuring of the business in H2 of 2019, and the closure of the Olifantsfontein plant, 2020 was the year to rebuild the business. Unfortunately, the Extrusions cash generating unit experienced difficult trading conditions in the first half of 2020 as the country went into lockdown to curb the infection rate of Covid-19. However, this changed significantly in the second half of 2020 as the business and economy recovered. The market uncertainty impacting the achievement of these cash flows remains high and this is reflected in the discount rate. The carrying value of the assets therefore exceeds the recoverable amount by R34 million. The impairment charge was NIL based on the fair value less costs of disposal of individual assets.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use was estimated using a pre-tax discount rate of 23.3% (2019: 23.6%), post tax 16.8% (2019: 17.4%). The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

Sensitivity analysis

The determination of the value in use for Hulamin Extrusions, and any resulting impairment, is particularly sensitive to:

Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R8.6 million* (2019: R12 million).

Earnings before tax: A 5% decrease in earnings before tax may result in an additional impairment charge, before tax, of up to R12 million* (2019: R10 million).

* *The recognition of additional impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R22 million (2019: R18 million).*

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

6. Gains and losses on financial instruments related to trading activities

The group is exposed to fluctuations in aluminium prices and exchange rates and hedges these risks with derivative financial instruments. The group applies hedge accounting to gains and losses arising from changes in fair value of certain derivative financial instruments.

Hedges of forecast sales transactions, where effective, are accounted for as cash flow hedges.

The effective portion of cash flow hedge gains and losses are recorded in revenue from contracts with customers when the sale occurs.

Other gains and losses includes, *inter alia*, the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments (including the ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains..

	2020 R'000	2019 R'000
Foreign exchange gains on debtors and creditors balances	**24 526**	(9 200)
Foreign currency denominated cash balances	**(14 973)**	(8 862)
Valuation adjustments on non-derivative items	**9 553**	(18 062)
Foreign exchange contracts: firm commitments, debtors and creditors balances	**(124 179)**	76 527
Commodity futures	**44 384**	21 106
Valuation adjustments on derivative items	**(79 795)**	97 633
Gains and losses on financial instruments related to trading activities	**(70 242)**	79 571

7. Other gains and losses

	2020 R'000	2019 R'000
Loss on disposal of property, plant and equipment	**13**	(26 455)
Loss arising from loss of control in Isizinda (note 13)	**(11 207)**	–
Gain on liquidation of pension fund	**16 000**	–
Gain on disposal of investment in Almin Metal Industries	**–**	2 655
Other	**187**	–
Settlement of share-based payment – Isizinda	**–**	(65 000)
	4 993	(88 800)

8. Taxation

The group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed consolidated statement of profit or loss are:

		2020 R'000	2019 R'000
Current income tax expense		**30 157**	28 156
Deferred income tax expense		**89 333**	(293 976)
Foreign capital gains tax		**–**	465
		119 490	(265 355)
Effective tax rate	(%)	**(107.7)**	18.1

A deferred tax asset is recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Similarly, a deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

For the year ended 31 December 2020, the group had both assessed losses and deductible temporary differences for which a deferred tax asset was not recognised as there was significant uncertainty that there would be sufficient taxable temporary differences and sufficient taxable profits in future to absorb the tax asset As a result group has not recognised any deferred tax assets and has reversed all previously recognised deferred tax assets in respect of Hulamin Operations amounting to R76 million.

The group's unrecognised deferred tax asset as at 31 December 2020 is R272 million.

9. Dividends per share

Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2020 R'000	2019 R'000
Dividends per share declared		
Final dividend: Nil cents on 324 318 436 ordinary shares (2019: Nil cents on 319 596 836 ordinary shares)	**–**	–
Final dividend: Nil cents on 4 721 600 A1 ordinary shares prior to conversion to ordinary shares (2019: Nil cents on 4 721 600 A1 ordinary shares)	**–**	–
Total	**–**	–

10. Non current asset held for sale

	2020 R'000	2019 R'000
Investment in associate – Almin	**–**	–
Property, plant and equipment – Extrusions Olifantsfontein (note 5.1(b))	**14 250**	14 250
	14 250	14 250

A During the 2018 financial year, the group received an offer from a third party to acquire the 49% interest which it holds in Almin. The sale was approved by the Board and was expected to be completed within 12 months from year-end. All conditions of sale have since been satisfied and the associate was disposed of in 2019.

B In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which included the intended disposal of the property, plant and equipment of its Olifantsfontein operation.

It was further determined that the assets relating to the Olifantsfontein plant were going to be recovered principally through sale rather than through use. The sale of these assets was highly probable. The Board of Directors engaged in an active programme to locate a buyer and had committed on a plan to sell the assets. The sale of these assets was realised in 2021.

11. Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Further details of such transactions and balances can be found in the Company financial statements. Details of transactions between the group and the pension fund are disclosed below:

	2020 R'000	2019 R'000
Interest paid to pension fund	**–**	388
Lease rental income received from joint venture	**1 201**	–
Utilities and services charge received from joint venture	**11 769**	–
Loan to Isizinda	**75 103**	–
Impairment of loan to Isizinda	**3 724**	–
Interest income from Isizinda	**5 791**	–

12. Commitments and contingent liabilities

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2020 R'000	2019 R'000
Property, plant and equipment	**52 681**	84 824

Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.

The group has no contingent liabilities as at 31 December 2020 (2019: Rnil).

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

13. Interests in joint ventures

13.1 Loss of control

The shareholders of Isizinda, namely Bingelela Capital Proprietary Limited ("Bingelela") and Hulamin Operations Proprietary Limited ("Hulamin Operations"), agreed on a restructure of Isizinda during the 2019 financial year, whereby, *inter alia:*

(i) Hulamin acquired the rolling slab casting business and assets from Isizinda, effective 1 January 2020, and entered into a lease agreement with Isizinda to continue operating this casting facility. All funds derived by Isizinda from the proceeds of the rolling slab casting business and assets shall be applied in the reduction of Isizinda's indebtedness to Hulamin.

(ii) Hulamin, in the prior year, advanced the sum of R50 million to Isizinda who used these funds to declare and pay a dividend of R35 million to Bingelela. The balance of R15 million was paid into an escrow account and will be declared as a dividend and paid to Bingelela upon conclusion of a new metal agreement between Hulamin and the Hillside operation of South32. This is considered probable.

The sale of the slab assets from Isizinda to Hulamin results in a change in the relevant activities of Isizinda to that of a property management company for which unanimous consent is required to make any decisions with regards to the relevant activities.

Accordingly, upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10, have changed materially and as of 1 January 2020, management has assessed that Hulamin will no longer control Isizinda in terms of the requirements of IFRS 10.

The loss on loss of control represents the difference between the net assets deconsolidated and the fair value of the investment in joint venture.

	R'000
Total disposal consideration	**84 373**
Carrying amount of net assets deconsolidated	**(95 580)**
Loss arising from loss of control before and after income tax	**(11 207)**

13.2 Fair value of remaining investment

The fair value of the identifiable assets and liabilities of Isizinda held by the group as at the date of derecognition were:

	R'000
Property, plant and equipment	**77 798**
Trade debtors	**228 787**
Cash and cash equivalents	**7 346**
Income tax asset	**2 757**
Total assets	**316 688**
Deferred tax liabilities	**15 280**
Trade creditors	**207 384**
Current borrowings	**94 024**
Total liabilities	**316 688**
Total identifiable net assets at fair value	**–**

Calculation of fair value:

(i) Land and buildings: The recoverable value was determined with reference to market-related rental prices per square meter, accepted vacancy rates and maintenance cost per square meter to determine a value in use of unoccupied land and buildings. Inputs were obtained from third party property market reports. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

The following significant unobservable inputs have the greatest impact in determining the fair value:

Rental price per square meter	R20.18
Maintenance cost per square meter R5.65	R5.65
Vacancy rates	4.00%
Capitalisation rate	12.50%

(ii) Plant and machinery: The fair value of idle plant and machinery was determined with reference to the selling price of similar items of plant and machinery adjusted for the cost to dispose. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

13.2 Joint arrangements continued

(iii) The fair value of the remaining investment in joint venture and the loan granted to Isizinda recognised on 1 January 2020 was:

	Fair value at derecognition R'000
Fair value of Hulamin Operation's share of the equity component (38.7%)	–
Fair value Hulamin Operation's loan to Isizinda, classified as follows:	
Current	**45 643**
Non-current	**38 730**
	84 373

The fair value of the loan to Isizinda was determined with reference to a value in use model of the business and the future cash flows have been estimated using a discount rate of 15.73%. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

The fair value is sensitive to changes to these unobservable inputs. Changes to these inputs might result in a significantly higher or lower fair value measurement.

13.3 Joint arrangements

13.3.1 Initial recognition and subsequent measurement

The group applies IFRS 11, "Joint Arrangements" to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for applying the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the group's net investment in joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains/losses on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

13.3.2 Investment in Isizinda Aluminium Proprietary Limited ("Isizinda")

During the current year, the group obtained a 38.7% investment in joint venture Isizinda through the loss of control over Isizinda as detailed in note 13.1. Isizinda is a separate structured vehicle incorporated and operating in South Africa. The primary activity of Isizinda is the management of properties, including the maintenance thereof, disposal of properties and other assets, sourcing, vetting and ongoing maintenance of tenants, and determining the terms for lease agreements.

In determining whether an entity has control or joint control over an investee, one needs to determine what the investee's relevant activities are and who can direct those activities. The relevant activities are those that significantly impact the economic performance or returns over the investee entity. The memorandum of incorporation and shareholders agreement requires that the management and decision-making over Isizinda's operations requires unanimous consent of all shareholders. Hulamin Operations holds a protective right to prevent dividend payments before settlement of its loan by Isizinda. This protective right does not prevent the counterparty from exercising its rights regarding the management of Isizinda's operations and decision-making thereon.

IFRS 11.8 provides guidance that all parties control an arrangement when they must act together to direct the activities that significantly affect the returns of the arrangement. As the decision-making over Isizinda's relevant activities requires unanimous consent of both Hulamin Operations and Bingelela, neither party can make decisions on Isizinda's operations independently of the other party. Therefore, Isizinda is jointly controlled by Hulamin Operations and Bingelela.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations Proprietary Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

13. Interests in joint ventures continued

13.3 Joint arrangements continued

13.3.2 Investment in Isizinda Aluminium Proprietary Limited ("Isizinda") continued

Summarised financial information in relation to the joint venture is presented below:		Prop share – 38.75% R'000	100% R'000
Summarised statement of financial position			
Current		–	–
Cash and cash equivalents		64	165
Other current assets		2 532	6 543
Total current asset		2 596	6 708
Financial liabilities (excluding trade payables)		29 065	75 102
Total current liabilities		35 828	92 580
Non-current		–	–
Property, plant and equipment		33 529	86 638
Total non-current asset		33 529	86 638
Net assets		296	766
Summarised statement of comprehensive income		–	–
Revenue from contracts with customers		561	1 450
Finance costs		(2 242)	(5 793)
Finance income		96	248
Loss before tax		(3 562)	(9 205)
Income tax expense		1 997	5 160
Loss after tax		(1 565)	(4 045)
Total comprehensive loss		(1 565)	(4 045)
Reconciliation of summarised financial information presented to the carrying amount of the joint venture		–	
Opening net assets on 1 January 2020		–	
Adjusted total comprehensive loss for the year		(1 565)	
Loan balance attributable to joint ventures*		63 924	
Impairment on loans to joint ventures		(3 724)	
Carrying value		58 635	
Interest in joint venture	(%)	38.7	

* *The loan to Isizinda was subordinated in favour of other creditors and as such at year-end the full loan was non-current.*

14. Lease receivable

The group entered a lease arrangement as a lessor in the current year, which is considered a finance lease. The group leases property, plant and machinery and as substantially all the risks and rewards of ownership have transferred, they are classified as finance leases. The lease receivable arises due to a leasing agreement entered into with Bingelela Alloys. This lease represents a finance lease under the requirements of IFRS 16 and the related property, plant and machinery item subject to the lease was derecognised and the lease receivable recognised. This lease is over a period of years.

15. Financial assets and liabilities

The classification of financial instruments has not changed since the last reporting date.

Loans and receivables, which include trade receivables, are measured at amortised cost less impairment losses, which are recognised in the statement of profit or loss.

Financial liabilities (excluding liabilities designated in a hedging relationship) that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost. These consist of trade and other payables, interest-bearing borrowings and lease liabilities.

The fair values of derivative assets and liabilities are calculated as the difference between the contracted value and the value to maturity at the statement of financial position date. The value to maturity of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date. The value to maturity of commodity futures is determined by reference to quoted prices at the statement of financial position date.

IFRS 13 requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability,
- Either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All fair values disclosed in these financial statements, excluding non-current assets held for sale, are recurring in nature and all derivative financial assets and liabilities are level 2 in the valuation hierarchy (consistent with December 2019). For assets and liabilities that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level 1 input that is significant to the fair value measurement as a whole) at the end of each reporting period. Key inputs used in the determination of the fair value relate to London Metal Exchange aluminium prices and currency exchange rates (consistent with December 2019).

There were no transfers between Level 1 and Level 2 fair value measurements during the year, and no transfers into or out of Level 3 fair value measurements during the year.

The carrying amount of each financial asset and liability approximates its fair value.

16. Going concern assessment

The group results have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. Despite the deterioration in the group's liquidity position during 2020, the directors believe that cash generated by the groups' operations, identified cash preservation activities and the committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due.

Although Hulamin is currently able to operate fully under alert level 1, a number of uncertainties prevail as a result of the impact of Covid-19 on local and international economies. These uncertainties include:

- Turmoil in the world economy and the possible adverse impact over the short to medium term on the demand for Hulamin's products, particularly alcoholic beverage packaging and automotive heat exchange products;
- Possible further extensions of the lockdown periods and/or a delay in ramping up South African operations with an impact on local market demand;
- Extended lockdown and delayed return to normal capacity by our key international customers and the economies in which they operate;
- Ongoing health and wellbeing of our employees; and
- Financial market disruptions and access to funding.

These uncertainties have been included in management's scenarios and forecasts in assessing going concern.

The directors believe that the group has adequate resources to continue as a going concern for the foreseeable future.

NOTES TO THE SUMMARISED PROVISIONAL CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

17. Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the events during this period and concluded that although there are no material events that have occurred subsequent to the end of the reporting period to the date of approval of year-end results which may have an impact on the group's reported financial position at that date, the following noteworthy events have occurred:

a) The sale of the Hulamin Extrusions site in Gauteng and receipt of the proceeds. This follows the closing of this site (as detailed in the prior year report) and concentration of extrusion activity at the Pietermaritzburg site;

b) The economic impact of the foreign trade duties imposed on aluminium imported into RSA;

c) 4 721 600 A3 ordinary shares arising from the BEE Extension Transaction were issued to the ESOP trust in January 2021;

d) The continuing impact of COVID-19;

e) The final phase of the anti-dumping investigation and announcement of the final dumping order; and

f) Finalisation of the pricing and terms of the metal supply agreement.

CORPORATE INFORMATION

HULAMIN LIMITED

(Incorporated in the Republic of South Africa)
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

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
Email: 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

Private Bag X9000
Saxonwold
2132

Sponsor:

Questco Corporate Advisory Proprietary Limited
First Floor Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
Johannesburg
2191

Directorate:

Non-executive directors:

TP Leeuw * (Chairman), CA Boles*, VN Khumalo, RL Larson*, N Maharajh*, NNA Matyumza*, Dr B Mehlomakulu*, SP Ngwenya, GHM Watson*, GC Zondi#

**Independent non-executive director*
 # Alternate non-executive director

NNA Matyumza retired with effect 31 July 2020

Executive directors:

RG Jacob (Chief Executive Officer)
AP Krull (Chief Financial Officer) resigned with effect 31 October 2020
MZ Mkhize retired with effect 29 February 2020

Company Secretary :

W Fitchat

Date of SENS release

14 April 2021

ince

HULAMIN

Think future. Think aluminium.

www.hulamin.co.za