HULAMIN

Think future. Think aluminium.

Summarised preliminary consolidated financial results

for the year ended 31 December 2022

Highlights

Turnover increased by 22% to R16 billion on group sales of 211 328 tons

Local sales up 7% to 94 651 tons with richer product mix

Normalised headline earnings per share up 28% to 105 cents per share

Normalised EBITDA increased by 339% to R667 million

Geoff Watson, Hulamin's Interim Chief Executive Officer, commented:

"The improved trading results experienced in H1 of 2022 continued into H2. The focus in H2 has been to improve the product sales mix and capitalise on the continued structural growth in demand for aluminium beverage cans. This saw local sales volumes increase by 7% to 94 651 tons. Pricing was increased to offset commodity pricing and inflation. This, together with a weaker exchange rate and a stable cost base, saw normalised headline earnings per share increase by 28% to 105 cents per share.

The 2023 year has commenced with solid customer demand particularly in the local and export beverage can markets, stable product margins and a weaker exchange rate. Hulamin is also benefitting from a more stable plant performance. 2023 has accordingly started positively."

Enquiries

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Business overview

Group turnover grew by 22% to R16 billion (2021: R13 billion) on group sales volumes of 211 328 tons (2021: 221 600 tons). Local beverage can sales grew 7 045 tons (14%) as aluminium packaging continues to grow share of total beverage packaging market. Contracted prices for can stock firmed as can makers globally looked to secure raw material supply. This resulted in higher sales volumes from the sale of beverage can material and improved margins over the comparable period. These product streams also support increased scrap consumption with consequential benefits for margins. Tight cost management has dampened the impact of commodity and energy inflation resulting in a stable cost base. The exchange rate weakened by 11% and this aided performance. The outcome was that normalised EBIT improved to R565 million (2021: R66 million).

The net interest charge increased 40% to R91 million (2021: R65 million) due to higher market interest rates and increased average debt levels during the year driven predominantly by the higher average Rand aluminium price.

The taxation charge increased significantly to R140 million expense (2021: R111 million credit) as 2021 benefitted from the once-off raising of a deferred tax asset which produced a benefit of R115 million (being 37 cents per share) in 2021.

The result is that normalised headline earnings per share increased 28% to 105 cents per share(2021: 82 cents per share).

The principal difference between headline earnings per share and normalised headline earnings per share is the metal price lag, which is the profit or loss arising on the timing difference between the purchase and selling price of metal. Metal price lag can be volatile but over time largely balances out. The metal price lag in 2022 was a loss of R26 million (2021: profit of R426 million). The large swing in the metal price lag resulted in headline earnings per share decreasing 46% to 99 cents per share (2021: 182 cents per share). The metal price lag contributed to 147 cent per share change in the headline earnings per share.

As reported at the interim net borrowings increased from R651 million to R1.223 billion as at 30 June 2022 due largely to steep commodity price increases as a result of geopolitical tensions. In H2 the group generated positive net free cash flows of R387 million reducing net borrowings to R836 million as at 31 December 2022.

Conclusion

The conditions that contributed to the improved performance in 2022 have continued into 2023 as at the date of this report.

TP Leeuw
Chairman

G Watson
Interim Chief Executive Officer

Pietermaritzburg
6 March 2023

Summarised preliminary consolidated statement of financial position

as at 31 December 2022

	Notes	2022 R'000	Restated 2021 R'000	Restated 2020 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1 036 601**	906 770	825 058
Right-of-use assets		**51 864**	37 476	44 550
Intangible assets		**33 251**	34 875	33 162
Retirement benefit asset		**49 365**	47 313	63 084
Deferred tax asset	6	**106 109**	129 586	15 449
Investment in insurance arrangement	10	**5 802**	–	–
Other assets	10	**33 926**	32 150	8 482
Investments accounted for using the equity method	9	**71 582**	74 980	58 635
		1 388 500	1 263 150	1 048 420
Current assets				
Inventories		**3 439 403**	3 016 097	2 279 899
Trade and other receivables		**1 409 270**	1 442 901	1 097 335
Derivative financial assets		**3 107**	9 791	7 708
Cash and cash equivalents		**81 294**	149 474	38 045
Other assets		**–**	–	4 523
Income tax asset		**–**	102	12 873
		4 933 074	4 618 365	3 440 383
Non-current assets classified as held for sale		**–**	–	14 250
Total assets		**6 321 574**	5 881 515	4 503 053
EQUITY				
Stated capital and consolidated shares		**1 817 627**	1 817 627	1 817 627
Treasury shares		**(35 863)**	(35 863)	(35 863)
BEE reserve		**32 471**	28 547	24 576
Employee share-based payment reserve		**38 598**	48 170	57 321
Hedging reserve		**–**	(4 217)	1 724
Retained earnings		**1 380 228**	1 068 611	461 093
Total equity		**3 233 061**	2 922 875	2 326 478

	Notes	2022 R'000	Restated 2021 R'000	Restated 2020 R'000
LIABILITIES				
Non-current liabilities				
Lease liabilities		**46 715**	41 456	47 251
Deferred tax liability		**1 474**	902	2 070
Retirement benefit obligations		**206 956**	205 931	202 899
		255 145	248 289	252 220
Current liabilities				
Trade and other payables		**1 814 962**	1 892 276	1 114 788
Current borrowings		**916 839**	800 076	789 053
Lease liabilities		**15 379**	11 467	20 514
Income tax liability		**84 122**	5 837	–
Derivative financial liabilities		**2 066**	695	–
		2 833 368	2 710 351	1 924 355
Total liabilities		**3 088 513**	2 958 640	2 176 575
Total equity and liabilities		**6 321 574**	5 881 515	4 503 053

Note 12 provides details with respect to the prior year restatement.

Summarised preliminary consolidated statement of profit or loss

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Revenue from contracts with customers	3(c)	**15 930 269**	13 014 883
Cost of goods sold		**(13 939 931)**	(11 328 626)
Cost of services provided		**(102 198)**	(48 889)
Gross profit		**1 888 140**	1 637 368
Selling, marketing and distribution expenses		**(807 077)**	(653 478)
Administrative and other expenses		**(547 556)**	(527 959)
Impairment of loans in joint ventures reversed/(raised)	9	**–**	14 932
Impairment losses reversed/(raised) on financial assets		**736**	4 430
Gains/(losses) on financial instruments related to trading activities	4	**(862)**	22 005
Other gains and losses	5	**(3 330)**	40 704
Operating profit		**530 051**	538 002
Interest income		**10 755**	9 356
Interest expense		**(102 211)**	(64 825)
Profit before share of joint venture profits		**438 595**	482 533
Share of net loss of joint ventures accounted for using the equity method	9	**1 192**	(2 258)
Profit before tax		**439 787**	480 275
Taxation	6	**(140 077)**	110 985
Net profit for the year attributable to equity holders of the company		**299 710**	591 260
Basic earnings per share	(cents)	**97**	192
Diluted earnings per share	(cents)	**91**	180

Summarised preliminary consolidated statement of comprehensive income

for the year ended 31 December 2022

	2022 R'000	2021 R'000
Net profit for the year attributable to equity holders of the company	**299 710**	591 260
Other comprehensive income/(loss) for the year	**9 174**	(3 567)
Items that may be reclassified subsequently to profit or loss:	**4 217**	(5 941)
Cash flow hedges transferred to the statement of profit or (loss)	**25 673**	(34 354)
Cash flow hedges remeasured	**(19 815)**	32 430
Cost of hedging	**–**	(6 328)
Income tax relating to these items	**(1 641)**	2 311
Items that will not be reclassified to profit or loss:	**4 957**	2 374
Remeasurements of retirement benefit obligations	**6 885**	3 956
Remeasurements of retirement benefit asset	**–**	(41)
Income tax relating to these items	**(1 928)**	(1 541)
Total comprehensive profit for the year attributable to equity holders of the company	**308 884**	587 693

Summarised preliminary consolidated cash flow statement

for the year ended 31 December 2022

	Note	2022 R'000	2021 Restated R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**198 430**	293 933
Interest paid		**(100 915)**	(68 382)
Interest received		**3 682**	3 763
Income taxes refund/(paid)		**(41 017)**	15 232
Net cash inflow from operating activities		**60 180**	244 546
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(222 329)**	(147 619)
Additions to intangible assets		**(8 824)**	(12 599)
Proceeds on disposal of property, plant and equipment		**–**	55 000
Proceeds from repayments of loan granted to investment accounted for using equity method		**8 230**	1 893
Net cash outflow from investing activities		**(222 923)**	(103 325)
Cash flows before financing activities ("free cash flow")		**(162 743)**	141 221
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings*		**116 763**	11 023
Payment of principal portion of lease liabilities		**(16 587)**	(15 352)
Payment of customs deposits		**–**	(32 150)
Net cash inflow/(outflow) from financing activities		**100 176**	(36 479)
Net (decrease)/increase in cash and cash equivalents		**(62 567)**	104 742
Cash and cash equivalents at beginning of year		**149 474**	38 045
Effects of exchange rate changes on cash and cash equivalents		**(5 613)**	6 687
Cash and cash equivalents at end of year		**81 294**	149 474

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

Note 12 provides details with respect to the prior year restatement

Summarised preliminary consolidated notes to the cash flow statement

for the year ended 31 December 2022

		Note	2022 R'000	2021 Restated R'000
A	**Cash generated from operations**			
	Profit before tax		**439 787**	480 275
	Net interest cost		**91 456**	55 469
	Operating profit		**531 243**	535 744
	Adjusted for non-cash flow items:			
	Depreciation		**79 948**	68 131
	Depreciation of right-of-use assets		**12 193**	7 585
	Amortisation of intangible assets		**10 448**	10 884
	Impairment of financial assets		**(736)**	(4 430)
	(Reversal of impairment)/impairment of loans to joint ventures		**–**	(14 932)
	(Profit)/loss on disposal of property, plant and equipment		**7 749**	(39 505)
	Share of net (profit)/loss losses of Joint Ventures accounted for using the equity method		**(1 192)**	2 258
	Net movement in retirement benefit asset and obligations		**5 858**	22 718
	Value of employee services received under share schemes		**6 503**	8 703
	Foreign exchange losses/(gains) on cash and cash equivalents		**5 613**	(6 687)
	Currency exchange translation on foreign debtors and creditors		**(5 173)**	(8 062)
	Fair value adjustment on investment in insurance arrangement		**(3 757)**	–
	Other non-cash items		**1 489**	(3 086)
	Cash generated before working capital changes		**650 186**	579 321
	Changes in working capital	B	**(451 756)**	(285 388)
	Cash generated from operations		**198 430**	293 933
B	**Changes in working capital**			
	Increase in inventories		**(423 305)**	(736 195)
	Decrease/(increase) in trade and other receivables		**38 615**	(324 424)
	Decrease in derivatives		**13 912**	6 864
	(Decrease)/Increase in trade and other payables		**(80 978)**	768 367
			(451 756)	(285 388)

Note 12 provides details with respect to the prior year restatement

Summarised preliminary consolidated statement of changes in equity

for the year ended 31 December 2022

	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 2020 Restated	1 817 627	(35 863)	1 724	57 321	24 576	461 093	2 326 478
Net profit for the year	–	–	–	–	–	591 260	591 260
Other comprehensive (loss)/income net of tax:							
– Cash flow hedges	–	–	(5 941)	–	–	–	(5 941)
– Retirement benefit assets and obligations	–	–	–	–	–	2 374	2 374
Equity settled share-based payment schemes:							
– Value of employee services	–	–	–	4 733	3 971	–	8 704
– Settlement and forfeiture of employee share incentives	–	–	–	(13 884)	–	13 884	–
– Vesting of A1 ordinary shares							
– Acquisition of treasury shares							
Dividend paid							
Balance at 31 December 2021	1 817 627	(35 863)	(4 217)	48 170	28 547	1 068 611	2 922 875
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**299 710**	**299 710**
Other comprehensive income net of tax:							
– Cash flow hedges	**–**	**–**	**4 217**	**–**	**–**	**–**	**4 217**
– Retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**4 957**	**4 957**
Equity settled share-based payment schemes:							
– Value of employee services	**–**	**–**	**–**	**2 579**	**3 924**	**–**	**6 503**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(12 151)**	**–**	**6 950**	**(5 201)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2022	**1 817 627**	**(35 863)**	**–**	**38 598**	**32 471**	**1 380 228**	**3 233 061**

Summarised preliminary consolidated notes to the statement of changes in equity

for the year ended 31 December 2022

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 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 did not purchase shares (2021: Nil shares).

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.

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.

E: BEE reserve

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

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 preliminary consolidated financial statements

for the year ended 31 December 2022

1. Basis of preparation of summarised preliminary consolidated financial statements

The summarised preliminary consolidated financial results of the group for the year ended 31 December 2022 have been prepared using the framework concepts, the recognition and measurement requirements of IFRS and contain the presentation and disclosures required by IAS 34, 'Interim Financial Reporting' , 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 and the Companies Act No. 71 of 2008, under the supervision of the Chief Financial Officer, Mr Mark Gounder CA(SA). The summarised preliminary consolidated financial results are prepared in thousands of South African Rand (R'000) on the historical cost basis, except for the measurement of financial instruments, the valuation of share-based payments and retirement benefit assets and obligations.

The group's independent auditor, Ernst & Young Inc. (EY), has issued an unmodified audit opinion on the group's consolidated and separate financial results for the year ended 31 December 2022. The audit was conducted in accordance with International Standards on Auditing. These summarised preliminary consolidated financial results 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 preliminary 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.

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 2022 are detailed in the commentary included with these condensed financial statements and include the following:

- The net profit attributable to shareholders of the group for the year ended 31 December 2022 amounted to R300 million (2021: net profit R591 million).
- Earnings per share amounted to 97 cents (2021: earnings per share of 192 cents).
- Headline earnings per share of 99 cents (2021: headline earnings per share of 182 cents).
- Normalised headline profit per share of 105 cents (2021: normalised earnings per share 82 cents).
- Metal price lag ("MPL") loss of R26 million was recorded in 2022 (2021: gain of R426 million), as the Rand aluminium price decreased during 2022.

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

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.

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.

(a) Segmental revenue, earnings and other disclosure

	2022			2021		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	**Hulamin Rolled Products R'000**	**Hulamin Extrusions R'000**	**Group R'000**
Revenue from contracts with customers: External	**15 100 262**	**830 007**	**15 930 269**	12 297 688	717 195	13 014 883
Timing of revenue recognition:						
– At a point in time	**14 998 119**	**830 007**	**15 828 126**	12 248 800	717 195	12 965 995
– Over time	**102 143**	**–**	**102 143**	48 889	–	48 889
Revenue by product market	**15 100 262**	**830 007**	**15 930 269**	12 297 688	717 195	13 014 883
Building and construction	**119 444**	**581 783**	**701 227**	125 682	66 142	191 824
General engineering	**5 588 398**	**68 454**	**5 656 852**	4 579 137	457 105	5 036 242
Packaging	**8 312 865**	**–**	**8 312 865**	6 667 143	–	6 667 143
Other	**(2 703)**	**–**	**(2 703)**	26 438	–	26 438
Earnings						
EBITDA**	**631 946**	**694**	**632 640**	539 523	85 079	624 602
Depreciation and amortisation	**(90 434)**	**(12 155)**	**(102 589)**	(79 574)	(7 026)	(86 600)
Operating profit/(loss)	**541 512**	**(11 461)**	**530 051**	459 949	78 053	538 002
Interest income	**10 755**	**–**	**10 755**	9 356	–	9 356
Interest expense	**(89 018)**	**(13 193)**	**(102 211)**	(57 557)	(7 268)	(64 825)
Profit/(loss) before share of joint venture profits	**463 249**	**(24 654)**	**438 595**	411 748	70 785	482 533
Share of net losses on joint ventures accounted for using the equity method	**1 192**	**–**	**1 192**	(2 258)	–	(2 258)
Profit/(loss) before tax	**464 441**	**(24 654)**	**439 787**	409 490	70 785	480 275
Taxation	**(138 424)**	**(1 653)**	**(140 077)**	88 321	22 664	110 985
Net profit/(loss) for the year	**326 017**	**(26 307)**	**299 710**	497 811	93 449	591 260
Reconciliation of net profit/(loss) (used in calculating earnings per share) to headline earnings/(loss)						
Net profit/(loss) for the year	**326 017**	**(26 307)**	**299 710**	497 811	93 449	591 260
(Profit)/loss on disposal of property, plant and equipment	**7 749**	**–**	**7 749**	1 311	(40 816)	(39 505)
Proportional share of profit on disposal of property,plant and equipment by joint venture	**–**	**–**	**–**	(2 734)	–	(2 734)
Tax effect	**(2 170)**	**–**	**(2 170)**	(367)	11 428	11 061
Headline earnings/(loss) for the year	**331 596**	**(26 307)**	**305 289**	496 021	64 061	560 082

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

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

(a) Segmental revenue, earnings and other disclosure continued

	2022			2021		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Reconciliation of headline earnings/(loss) to normalised EBITDA**						
Headline earnings/(loss) for the year	**331 596**	**(26 307)**	**305 289**	496 021	64 061	560 082
Restructuring costs	**–**	**–**	**–**	(1 385)	(446)	(1 831)
Metal price lag	**25 670**	**–**	**25 670**	(425 927)	–	(425 927)
Tax effect	**(7 188)**	**–**	**(7 188)**	119 647	125	119 772
Normalised headline earnings/(loss) (note A)	**350 078**	**(26 307)**	**323 771**	188 356	63 740	252 096
Interest expense	**89 018**	**13 193**	**102 211**	57 557	7 268	64 825
Interest income	**(10 755)**	**–**	**(10 755)**	(9 356)	–	(9 356)
Taxation	**147 762**	**1 653**	**149 415**	(207 601)	(34 217)	(241 818)
Normalised EBIT* (note A)	**576 103**	**(11 461)**	**564 642**	28 956	36 791	65 747
Depreciation and amortisation	**90 434**	**12 155**	**102 589**	79 574	7 026	86 600
Normalised EBITDA (note A)**	**666 537**	**694**	**667 231**	108 530	43 817	152 347
Total assets	**6 084 325**	**237 249**	**6 321 574**	5 602 716	278 799	5 881 515
Total liabilities	**2 986 195**	**102 318**	**3 088 513**	2 840 337	118 303	2 958 640
Other disclosures						
Additions to property, plant and equipment and intangible assets	**208 074**	**23 078**	**231 152**	138 564	21 651	160 215
Currency conversion						
Rand/US dollar average			**16.38**			14.79
Rand/US dollar closing			**16.96**			15.90

* *Earnings before interest and taxation.*

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

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 64% (2021: 10 largest constituted 63%) of total group revenue.

Note 3(c) provides the geographic breakdown of the Group's revenue.

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

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

(b) Earnings per share ('EPS')

Basic earnings per share 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 EPS 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 when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Weighted average number of shares

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 is as follows:

	Number of shares 2022	Number of shares 2021
Weighted average number of shares used for basic EPS*	**308 496 091**	308 496 091
Share options	**19 611 671**	19 084 418
Weighted average number of shares used for diluted EPS**	**328 107 762**	327 580 509

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

** *In 2022, 19 611 671 potential ordinary shares were dilutive (2021: 19 084 418 potential ordinary shares were dilutive).*

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

	2022		2021	
	Gross R'000	Net R'000	Gross R'000	Net R'000
Net profit for the period	**–**	**299 710**	–	591 260
Adjustments	**7 749**	**5 579**	(42 239)	(31 178)
– Proportional share of profit on sale of property, plant and equipment by joint venture	**–**	**–**	(2 734)	(2 734)
– Profit/(loss) on disposal of property, plant and equipment	**7 749**	**5 579**	(39 505)	(28 444)
Headline earnings		**305 289**		560 082

		2022 R'000	2021 R'000
Reconciliation of headline earnings to normalised earnings			
Headline earnings/(loss) for the year		**305 289**	560 082
Restructuring costs		**–**	(1 831)
Metal price lag		**25 670**	(425 927)
Tax effect		**(7 188)**	119 772
Normalised headline earnings		**323 771**	252 096
Headline earnings per share			
Basic	(cents)	**99**	182
Diluted	(cents)	**93**	171
Normalised headline earnings per share			
Basic	(cents)	**105**	82
Diluted	(cents)	**99**	77

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

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

(b) Earnings per share ('EPS') continued

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

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 1/2021 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, normalised EBITDA and normalised headline earnings per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2022 annual financial statements.

Normalised headline earnings per share is calculated by dividing normalised headline earnings by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings 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, normalised EBITDA, headline earnings per share and normalised headline earnings per share is not an IFRS requirement and these may not be directly comparable with the same or similar measures disclosed by other companies.

(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.

	2022 R'000	2021 R'000
Analysis of revenue by product market		
Automotive and transport	**1 262 028**	1 093 236
Building and construction	**701 227**	191 824
General engineering	**5 656 852**	5 036 242
Packaging	**8 312 865**	6 667 143
Other*	**(2 703)**	26 438
	15 930 269	13 014 883
Geographical analysis of revenue		
South Africa	**7 873 749**	6 040 616
North America	**3 862 281**	2 730 193
Europe	**3 485 092**	3 308 491
Asia	**187 024**	141 217
Middle East	**30 453**	160 747
Australasia	**350 754**	365 469
South America	**86 305**	59 446
Rest of Africa	**54 611**	208 704
	15 930 269	13 014 883

* *This includes IFRS 9 hedge adjustments that affects revenue and changes dependant on the adjustment for that year.*

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

4. 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 certain derivative financial instruments.

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

The effective portion of cash flow hedge gains and losses are recorded initially in the hedge reserve and released to 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.

	2022 R'000	2021 R'000
Foreign exchange gains on debtors and creditors balances	**12 032**	7 414
Foreign currency denominated cash balances	**(5 613)**	6 687
Valuation adjustments on non-derivative items	**6 419**	14 101
Foreign exchange contracts	**(7 281)**	3 352
Commodity futures	**–**	4 552
Valuation adjustments on derivative items	**(7 281)**	7 904
Gains and losses on financial instruments related to trading activities	**(862)**	22 005

5. Other gains and losses

	2022 R'000	2021 R'000
Profit on disposal of property, plant and equipment	**(7 749)**	39 505
Other*	**4 419**	1 199
	(3 330)	40 704

* *Other includes fair value gain on insurance captive of R3.8m for the current year.*

6. Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

Non-deductible expenses for the current and comparative year comprise legal and professional expenses incurred in respect of capital projects.

	2022 R'000	2021 R'000
Current income tax expense	**119 804**	3 551
Deferred income tax expense	**20 273**	(114 534)
Foreign capital gains tax	**–**	–
	140 077	(110 985)
Effective tax rate	**31.8%**	-23.1%

For the year ended 31 December 2022, the group had both assessed losses and deductible temporary differences for which a deferred tax asset was recognised as there was sufficient taxable temporary differences and sufficient taxable profits in future to absorb a portion of the tax asset.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. During the period, based on an assessment of future cash flows and taxable profits, management is of the view that there are sufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and, as a result, the group has recognised 140.1 million deferred tax assets (2021: 142.3 million).

The group's unrecognised assessed loss as at 31 December 2022 is R38.5 million (FY2021: R32.5 million).

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

7. 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 its related parties are disclosed below:

	2022 R'000	2021 R'000
Lease rental expense paid to joint venture	**3 432**	3 432
Utilities and services charge paid to joint venture	**11 857**	10 551
Balance due from Isizinda	**74 213**	78 803
(Reversal of impairment)/Impairment of loan to Isizinda	**–**	(14 932)
Interest income from Isizinda	**7 072**	5 593

8. Commitments and contingent liabilities

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

	2022 R'000	2021 R'000
Property, plant and equipment	**38 445**	23 235

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 2022 (2021: Rnil).

9. Interests in joint ventures

The Group has a 38.7% investment in joint venture, Isizinda. 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.

A sale agreement for the land and buildings is currently being negotiated with traction expected in the 2023 financial period. The total equity accounted investment amounted to R71.5 million (2021: R74.9 million) expected to be settled upon finalisation of sale of land and buildings.

10. Financial assets

(a) Long-term deposit

A R32.1 million (USD2 million) deposit was made with an insurance company to secure a customs bond in relation to US exports. This deposit cannot be recalled for a period of two years and is disclosed as a non-current asset. The long-term deposit is carried at amortised costs and its carrying value reflects fair value. The carrying amount as at 31 December 2022 is R33.9 million (2021: 32.1 million)

(b) Investment in insurance cells

During the 2022 financial period, Hulamin entered into an insurance arrangement with Madison Risk Group ("MRG") Insurance whereby Hulamin became a shareholder of the MRG Arrangement in both the South African company called Group Risk Holdings and the MRG Insurance license in the Ilse of Man. Hulamin's share of the equity is 5.75 %.

As at 31 December 2022, the investment at fair value amounted to R5.8 million. The investment is held at fair value through profit and loss using level 2 fair value hierarchy.

11. 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).
- 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 2021). 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 I 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 2021).

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.

12. Restatement and representation of the financial results for the year ended 31 December 2022

The group continued with their ongoing assessment of financial internal controls in 2022 which included an assessment of the existing accounting practices and policies. The group identified an error in its classification of certain items of strategic spares as Inventory instead of Property, Plant and Equipment. Accordingly, the group corrected this error by reclassifying the identified items of Strategic Spares from Inventory (IAS 2) to Property, plant and equipment with IAS 16.

The reclassification was limited to strategic spares not expected to be used within a year of being available for use and as such were reclassified to property, plant and equipment. The reclassification further resulted in reclassification between categories within the Statement of Cash flows i.e. cash generated from operating activities to investing activities. The resultant restatement had no impact on the previously reported Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The restatement was performed in accordance with IAS 1: Presentation of Financial Statements and is detailed in note 10 of the audited Group annual financial statements for the year ended 31 December 2022.

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

12. Restatement and representation of the financial results for the year ended 31 December 2022 continued

Statement of Financial Position

	Consolidated 2021			Consolidated 2020		
	Previously reported balance R'000	Restatement R'000	Restated balance R'000	Previously reported balance R'000	Restatement/ reclassification R'000	Restated balance R'000
ASSETS						
Non-current assets						
Property, plant and equipment	**889 037**	**17 733**	**906 770**	813 097	11 961	825 058
Right-of-use assets	**37 476**		**37 476**	44 550		44 550
Intangible assets	**34 875**		**34 875**	33 162	–	33 162
Retirement benefit asset	**47 313**		**47 313**	63 084		63 084
Deferred tax asset	**129 586**		**129 586**	15 449		15 449
Other assets	**32 150**		**32 150**	8 482		8 482
Investments accounted for using the equity method	**74 980**		**74 980**	58 635		58 635
	1 245 417	**17 733**	**1 263 150**	1 036 459	11 961	1 048 420
Current assets						
Inventories	**3 033 830**	**(17 733)**	**3 016 097**	2 291 860	(11 961)	2 279 899
Trade and other receivables	**1 442 901**		**1 442 901**	1 097 335		1 097 335
Derivative financial assets	**9 791**		**9 791**	7 708		7 708
Cash and cash equivalents	**149 474**		**149 474**	38 045		38 045
Other assets	**–**		**–**	4 523		4 523
Income tax asset	**102**		**102**	12 873		12 873
	4 636 098	**(17 733)**	**4 618 365**	3 452 344	(11 961)	3 440 383
Non-current assets	**–**	**–**	**–**	14 250		14 250
Total assets	**5 881 515**	**–**	**5 881 515**	4 503 053	–	4 503 053

The equity and the total liabilities were not affected by the restatement.

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

12. Restatement and representation of the financial results for the year ended 31 December 2022 continued

Statement of Cash flows

	2021			2020		
	Previously reported balance R'000	Restatement/ reclassification R'000	Restated balance R'000	Previously reported balance R'000	Restatement/ reclassification R'000	Restated balance R'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash generated from operations	**288 158**	**5 775**	**293 933**	(280 184)	11 961	(268 223)
Interest paid	**(68 382)**		**(68 382)**	(60 438)		(60 438)
Interest received	**3 763**		**3 763**	8 358		8 358
Income taxes refund/(paid)	**15 232**		**15 232**	(28 231)		(28 231)
Net cash inflow/(outflow) from operating activities	**238 771**	**5 775**	**244 546**	(360 495)	11 961	(348 534)
CASH FLOWS FROM INVESTING ACTIVITIES						
Additions to property, plant and equipment	**(141 844)**	**(5 775)**	**(147 619)**	(131 432)	(11 961)	(143 393)
Additions to intangible assets	**(12 599)**		**(12 599)**	(8 848)		(8 848)
Proceeds on disposal of property, plant and equipment	**55 000**		**55 000**	–		–
Proceeds from repayments of loan granted to investment accounted for using equity method	**1 893**		**1 893**	20 496		20 496
Proceeds from other assets (lease receivable)				2 950		2 950
Net cash outflow from the group as a result of loss in control of Isizinda				(7 346)		(7 346)
Net cash outflow from investing activities	**(97 550)**	**(5 775)**	**(103 325)**	(124 180)	(11 961)	(136 141)
Cash flows before financing activities ("free cash flow")	**141 221**	**–**	**141 221**	(484 675)	–	(484 675)

Notes to the summarised preliminary consolidated financial statements continued

for the year ended 31 December 2022

13. Going-concern assessment

The group results have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The directors believe that cash generated by the groups' operations, continued 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.

Hulamin Rolled Products

The year started with the LME Aluminium price at $2 815 per ton, reaching a high of $3 850 per ton and closing at $2 396 per ton on 30 June 2022. The higher LME Aluminium price in the first six months of the year placed pressure on working capital and "free" cash flows in the first six months of the reporting period.

This cash flow pressure was ably navigated by management together with the support of Hulamin's lenders, suppliers and customers.

Other challenging trading condition further arose from:

The global impact of the war in the Ukraine on shipping rates, commodity prices and general inflation on Hulamin's production costs, Hulamin has managed to mitigate these by optimising on product sales mix and negotiating pricing to mitigate these cost increases in order to maintain margins as evidenced by improved normalised earnings performance.

The group experience heavy load shedding in 2022 with resultant power interruptions requiring higher number of plant load reduction. Increased load shedding is expected to continue into 2023. The group has adopted risk mitigation through investment in diesel-operated generators to help reduce the plant downtime.

In the last quarter of 2022 Transnet Port terminals declared *force majeure* in the wake of protest action, of which impact export sales. This risk was however mitigated by the existing local demand for can stock.

Hulamin Richards Bay Casthouse liquid metal deliveries were impacted by the increase traffic to the Richards Bay Coal Terminal due to increased export demand, this overall affected HRB casthouse output.

Hulamin Operations continued to benefit from a 15% import duty on rolled aluminium products that came into effect in January 2021. This contributed towards an increase in demand for local products in 2022.

Hulamin Extrusions

The strong market performance from 2021 carried into 2022. However, by mid-year there was a downward pressure on volumes as a result of the KZN floods in April, and the reduction in customer volumes as a result of the end their Automotive Sector contracts. These customers are expected to return to "normal" volumes in 2023 as a result of alternative contracts being concluded in the Automotive sector to the benefit of those customers.

Despite these challenges Extrusions returned to strong volumes which have been carried through into the five-year business plan, and the increased certainty thereof is reflected in the discount rate.

The trading conditions and outlook for 2023 are as follows:

Strong local demand for aluminium rolled products has continued through 2022. For 2023 demand is expected to remain robust in most product categories, except automotive heat exchanger material where demand is expected to remain muted because of ongoing silicon chip shortages amongst automotive manufacturers.

Hulamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of distributor products referred to as common alloy. Global demand for aluminium rolled products has increased substantially during 2022 and looks set to continue through 2023 and beyond.

Liquidity and solvency

The group's net borrowings (excluding lease liabilities) were R836 million (2021: R651 million) and net debt was R898 million (2021: R703 million) at 31 December 2022. This represents a net debt to equity ratio of 28% (2021: 24%). The current ratio was 2.08 times while the debt to equity bank covenant as defined was 0.35 times.

Renegotiated debt facilities increased from R1.5 billion to R1.9 billion as at 31 December 2022. As at 31 December 2022, Hulamin's banking facilities of R1.9 billion comprise a committed working capital facility of R1.5 billion and a general banking facility ("GBF") of R400 million. The GBF is comprised of direct facilities of R250 million and indirect facilities (letters of credit and guarantee) of R150 million. This maturity date of the committed working capital facility was extended by three years to December 2026.

14. 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 relevant events during this period and concluded that they are non-adjusting events as determined in accordance with IAS 10, 'Events after the reporting period'. No material non-adjusting events were noted.

15. Dividends paid

Nil (2021: Nil) dividends were declared for the year ended 31 December 2022.

Corporate information

Hulamin Limited

(Incorporated in the Republic of South Africa)
Registration number: 1940/013924/06
Share code: HLM ISIN: ZAE000096210
Founded: 1940
Listed: 2007
Sector: Industrial Metals and Mining

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Securities exchange listing

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Transfer Secretaries

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Rosebank Towers
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Saxonwold, 2132

Sponsor

Questco Corporate Advisory Proprietary Limited
Ground Floor, Block C
Investment Plaza
10th Road
Hyde Park, 2196

Directorate

Non-executive directors

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*
N Maharajh*
Dr B Mehlomakulu*
SP Ngwenya
GC Zondi (Alternate)

Executive directors

GHM Watson, Interim Chief Executive Officer
M Gounder, Chief Financial Officer

** Independent non-executive directors*

Company Secretary

Zaza Ka-Malinga on behalf of Zibandakanye Consulting & Projects

Corporate information and investor relations

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Date of SENS release

6 March 2023

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Think future. Think aluminium.