Summarised consolidated annual financial results

for the year ended 31 December 2023

HULAMIN

Think future. Think aluminium.

Highlights

Softer global markets and business simplification resulted in volumes being 15% down at 169 149 tons.

Improved mix; local sales at **51%** making up 86 252 tons with can stock at 60% of total local sales.

Total can stock at **51%** up 3% from prior period.

Normalised EBITDA down by **7%** to R620 million.

Cash flow from operations up **503%** at R363 million.

R311m capital expenditure 35% up from prior period with increased spend on expansion projects.

Mark Gounder
Chief Executive Officer

Mark Gounder, Hulamin's Chief Executive Officer, commented:

"The group experienced challenging trading conditions with softer global markets impacting demand resulting in pricing pressure for common alloys, export can and plate products. Our simplification strategy proved effective as it enabled an agile response to changing markets. We were able to substantially protect full-year profitability and free cash flow by improving the product mix to focus on higher margin products, undertaking planned plant shuts to reduce production capacity in line with constrained demand, reducing fixed costs and reducing metal purchases to manage working capital. These actions, together with the benefit of a weaker average exchange rate, assisted profitability and cash flow in a challenging macro environment.

2024 has commenced with similar trends, with export markets under continued short-term pressure while customer demand locally is proving resilient. The group continues to focus on stable plant performance, simplification and investment into future capacity primarily in the local can stream."

ENQUIRIES

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Business overview

Group turnover declined by 13% to R13.8 billion (2022: R15.9 billion) due principally to a 15% decline in Group volumes to 180 066 tons (2022: 211 328 tons) and a 13% lower average rand LME aluminium price. Aluminium metal is a pass-through cost as Hulamin buys aluminium and adds value to the metal prior to sale to the customer. A reduction in the average rand LME price thus reduces revenue but, as a pass-through cost, this is not a driver of profitability over time.

The volume decline was largely attributable to the Group's simplification strategy as the Group consciously reduced hotband sales. Hotband is a lower value- add product which attracts comparatively low margins. The reduction in hotband sales enabled the Group to use the plant capacity towards more processed products which attract better margins. Displaced hotband contributed 44% of the total decline in volumes, with the remainder of the volume decline attributable to softer export demand in all product categories. The focus on an improved product mix saw total can sales (export and local) contribute 51% to Rolled Products volumes compared to 48% in the prior period. Can sales remain a strategic focus for the business as this is a long-term structural growth market globally albeit that export markets remain constrained in the short-term. The increase in can sales supported increased scrap consumption which improves margins.

Proactive cost management, which included a reduction in fixed costs and taking strategic planned plant shuts, was a focus to protect profitability and cash flow. The results were assisted by an exchange rate which was 13% weaker on average for the year. Metal Price Lag, which is the timing difference between the purchase and selling price of metal, positively impacted EBIT by R47 million (2022: loss of R26 million).

The net effect was that normalised EBITDA declined by R46 million to R620 million (2022: R666 million). Normalised EBIT declined by R78 million to R486 million (2022: R563 million).

The net interest charge increased by 61% to R147 million (2022: R92 million) due to higher incremental interest rates and average debt levels during the year due to additional working capital requirements.

Net earnings were 10% lower at R272 million (2022: R300 million) impacted by the lower EBITDA and higher net interest charge.

HEPS decreased by 11% to 88 cps (2022: 99 cps). Normalised HEPS, which excludes Metal Price Lag and material non-trading items, decreased by 27% to 77 cps (2022: 105 cps).

The Group continued its investment in plant reliability whilst also prioritising expansion capacity for the local can product stream. Capital expenditure for the year amounted to R311 million, being R81 million higher than the prior year.

Net debt, excluding lease liabilities, decreased from R836 million to R804 million due to reduced stock holding and an improved debtors mix. Stock was a focus to ensure that Q1 sales in 2024 can be properly supported.

Conclusion and prospects

The simplification strategy adopted in 2023 has provided us with a strong foundation. This enabled the Group to invest in maintaining reliable plant performance and investing in growth, essentially in the can product stream, despite the market being constrained in the short-term.

TP Leeuw
Chairman

Pietermaritzburg
4 March 2024

M Gounder
Chief Executive Officer

Pietermaritzburg
4 March 2024

Summarised consolidated statement of financial position

as at 31 December 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1 250 384**	1 036 601
Right-of-use assets		**56 625**	51 864
Intangible assets		**77 550**	33 251
Retirement benefit asset		**55 063**	49 365
Deferred tax asset	6	**72 186**	106 109
Investment in insurance arrangement	10	**5 504**	5 802
Other long-term assets	10	**6 618**	33 926
Investments accounted for using the equity method	9	**71 556**	71 582
		1 595 486	1 388 500
Current assets			
Inventories		**3 129 772**	3 439 403
Trade and other receivables		**1 282 279**	1 409 270
Derivative financial assets		**18 532**	3 107
Cash and cash equivalents		**189 855**	81 294
Other short-term assets		**31 515**	–
		4 651 953	4 933 074
Total assets		**6 247 439**	6 321 574

	Notes	2023 R'000	2022 R'000
EQUITY			
Stated capital and consolidated shares		**1 817 627**	1 817 627
Treasury shares		**(35 863)**	(35 863)
BEE reserve		**36 395**	32 471
Employee share-based payment reserve		**46 808**	38 598
Hedging reserve		**8 042**	–
Retained earnings		**1 665 565**	1 380 228
Total equity		**3 538 574**	3 233 061
LIABILITIES			
Non-current liabilities			
Lease liabilities		**51 875**	46 715
Deferred tax liability		**–**	1 474
Retirement benefit obligations		**204 326**	206 956
		256 201	255 145
Current liabilities			
Trade and other payables		**1 446 832**	1 814 962
Current borrowings		**994 014**	916 839
Lease liabilities		**11 640**	15 379
Income tax liability		**178**	84 122
Derivative financial liabilities		**–**	2 066
		2 452 664	2 833 368
Total liabilities		**2 708 865**	3 088 513
Total equity and liabilities		**6 247 439**	6 321 574

Summarised consolidated statement of profit or loss

for the year ended 31 December 2023

		Notes	2023 R'000	2022 R'000
Revenue from contracts with customers		3(c)	**13 795 628**	15 930 269
Cost of goods sold			**(11 816 174)**	(13 939 931)
Cost of services provided			**(95 634)**	(102 198)
Gross profit			**(1 883 820)**	1 888 140
Selling, marketing and distribution expenses			**(738 335)**	(807 077)
Administrative and other expenses			**(643 477)**	(547 556)
Impairment losses reversed on financial assets			**1 901**	736
Losses on financial instruments related to trading activities		4	**(1 646)**	(862)
Other gains/(losses)		5	**29 756**	(3 330)
Operating profit			**532 019**	530 051
Interest income			**13 359**	10 755
Interest expense			**(160 703)**	(102 211)
Profit before share of joint venture profits			**384 675**	438 595
Share of net (loss)/profit of joint ventures accounted for using the equity method		9	**(4 046)**	1 192
Profit before tax			**380 629**	439 787
Taxation		6	**(108 828)**	(140 077)
Net profit for the year attributable to equity holders of the company			**271 801**	299 710
Basic earnings per share	(cents)	2.2	**88**	97
Diluted earnings per share	(cents)	2.2	**83**	91

Summarised consolidated statement of comprehensive income

for the year ended 31 December 2023

	2023 R'000	2022 R'000
Net profit for the year attributable to equity holders of the company	**271 801**	299 710
Other comprehensive income for the year	**19 618**	9 174
Items that may be reclassified subsequently to profit or (loss):	**8 042**	4 217
Cash flow hedges transferred to the statement of profit or (loss)	**8 513**	25 673
Cash flow hedges remeasured	**2 503**	(19 815)
Income tax relating to these items	**(2 974)**	(1 641)
Items that will not be reclassified to profit or (loss):	**11 576**	4 957
Remeasurements of retirement benefit obligations	**15 858**	6 875
Income tax relating to these items	**(4 282)**	(1 918)
Total comprehensive profit for the year attributable to equity holders of the company	**291 419**	308 884

Summarised consolidated cash flow statement

for the year ended 31 December 2023

	Notes	2023 R'000	2022 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**685 907**	198 429
Interest paid		**(159 372)**	(100 879)
Interest received		**4 431**	3 646
Income taxes paid		**(167 712)**	(41 017)
Net cash inflow from operating activities		**363 254**	60 180
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(253 179)**	(222 329)
Additions to intangible assets		**(58 418)**	(8 824)
Proceeds on disposal of property, plant and equipment		**909**	–
Refund of insurance arrangement relating to change in shareholding		**478**	–
Proceeds from repayments of loan granted to investment accounted for using equity method		**1 105**	8 230
Net cash outflow from investing activities		**(309 105)**	(222 923)
Cash flows before financing activities ("free cash flow")		**54 148**	(162 743)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings		**77 175**	116 763
Payment of principal portion of lease liabilities		**(16 714)**	(16 587)
Net cash inflow from financing activities		**60 461**	100 176
Net increase/(decrease) in cash and cash equivalents		**114 609**	(62 568)
Cash and cash equivalents at beginning of year		**81 294**	149 474
Effects of exchange rate changes on cash and cash equivalents		**(6 048)**	(5 613)
Cash and cash equivalents at end of year		**189 855**	81 293

Summarised notes to the consolidated cash flow statement

for the year ended 31 December 2023

		Notes	2023 R'000	2022 R'000
A	**Cash generated from operations**			
	Profit before tax		**380 629**	439 787
	Net interest cost		**147 344**	91 456
	Profit before tax after interest		**527 973**	531 243
	Adjusted for non-cash flow items:			
	Depreciation of property, plant and equipment		**104 625**	79 948
	Depreciation of right-of-use assets		**16 046**	12 193
	Amortisation of intangible assets		**14 119**	10 448
	Impairment of financial assets		**(1 901)**	(736)
	Loss on disposal of property, plant and equipment		**741**	7 749
	Share of net loss/(profit) of Joint Ventures accounted for using the equity method		**4 046**	(1 192)
	Net movement in retirement benefit asset and obligations		**7 530**	5 858
	Value of employee services received under share schemes		**15 638**	6 503
	Foreign exchange (profit)/losses on cash and cash equivalents		**6 048**	5 613
	Currency exchange translation on foreign debtors and creditors		**6 820**	(5 173)
	Fair value adjustment on investment in insurance arrangement		**(181)**	(3 757)
	Other non-cash items		**(2 157)**	1 489
	Cash generated before working capital changes		**699 347**	650 186
	Changes in working capital	B	**(13 440)**	(451 756)
	Cash generated from operations		**685 907**	198 430
B	**Changes in working capital**			
	Decrease/(Increase) in inventories		**279 590**	(423 305)
	Decrease in trade and other receivables		**131 426**	38 615
	(Increase)/Decrease in derivatives		**(14 988)**	13 912
	(Decrease) in trade and other payables		**(409 468)**	(80 978)
			(13 440)	(451 756)

Summarised consolidated statement of changes in equity

for the year ended 31 December 2023

	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 as 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)
Balance as at 31 December 2022	**1 817 627**	**(35 863)**	**–**	**38 598**	**32 471**	**1 380 228**	**3 233 061**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**271 801**	**271 801**
Other comprehensive income net of tax:							
– cash flow hedges	**–**	**–**	**8 042**	**–**	**–**	**–**	**8 042**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**11 576**	**11 576**
Equity settled share-based payment schemes:							
– Value of employee services	**–**	**–**	**–**	**11 714**	**3 924**	**–**	**15 638**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(3 504)**	**–**	**1 960**	**(1 544)**
Balance as at 31 December 2023	**1 817 627**	**(35 863)**	**8 042**	**46 808**	**36 395**	**1 665 565**	**3 538 574**

Summarised consolidated notes to the statement of changes in equity

for the year ended 31 December 2023

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 companies 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 (2022: 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 consolidated financial statements

for the year ended 31 December 2023

1. Basis of preparation of summarised consolidated financial statements

The summarised consolidated financial results of the Group for the year ended 31 December 2023 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 Interim Chief Financial Officer, Ms Pravashni Nirghin CA(SA). The summarised 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 2023. The audit was conducted in accordance with International Standards on Auditing. These summarised 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 summary, including ensuring that the summarised 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 summary. 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 2023 are detailed in the commentary included with these summarised financial statements and include the following:

- The net profit attributable to shareholders of the Group for the year ended 31 December 2023 amounted to R272 million (2022: net profit R300 million).
- Earnings per share amounted to 88 cents (2022: earnings per share of 97 cents).
- Headline earnings per share of 88 cents (2022: headline earnings per share of 99 cents).
- Normalised headline profit per share of 77 cents (2022: normalised earnings per share 105 cents).
- Metal price lag ("MPL") profit of R47 million was recorded in 2023 (2022: loss of R26 million), as the Rand aluminium price increased during 2023.

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.

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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

(a) Segmental revenue, earnings and other disclosures

	2023			2022		
	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	**12 916 441**	**879 187**	**13 795 628**	15 100 262	830 007	15 930 269
Revenue by product market						
Automotive and transport	**1 019 685**	**204 161**	**1 223 846**	1 082 258	179 770	1 262 028
Building and construction	**71 417**	**63 586**	**135 003**	632 773	581 783	1 214 556
General engineering	**4 317 724**	**611 440**	**4 929 164**	5 075 069	68 454	5 143 523
Packaging	**7 497 417**	**–**	**7 497 417**	8 312 865	–	8 312 865
Other	**10 198**	**–**	**10 198**	(2 703)	–	(2 703)
Earnings						
EBITDA**	**665 609**	**1 200**	**666 809**	631 945	694	632 639
Depreciation and amortisation	**(117 134)**	**(17 656)**	**(134 790)**	(90 434)	(12 155)	(102 589)
Operating profit/(loss)	**548 475**	**(16 456)**	**532 019**	541 511	(11 461)	530 050
Interest income	**13 359**	**–**	**13 359**	10 755	–	10 755
Interest expense	**(160 656)**	**(47)**	**(160 703)**	(89 017)	(13 193)	(102 210)
Profit/(loss) before share of joint venture	**401 178**	**(16 503)**	**384 675**	463 249	(24 654)	438 595
Share of net profit/(loss)of joint ventures	**(4 046)**	**–**	**(4 046)**	1 192	–	1 192
Profit/(loss) before tax	**397 132**	**(16 503)**	**380 629**	464 441	(24 654)	439 787
Taxation	**(109 065)**	**237**	**(108 828)**	(138 424)	(1 653)	(140 077)
Net profit/(loss) for the year	**288 067**	**(16 266)**	**271 801**	326 017	(26 307)	299 710
Reconciliation of net profit/(loss)						
Net profit/(loss) for the year	**288 067**	**(16 266)**	**271 801**	326 017	(26 307)	299 710
(Profit)/loss on disposal of property, plant and equipment	**1 118**	**(377)**	**741**	7 749	–	7 749
Tax effect	**(302)**	**102**	**(200)**	(2 170)	–	(2 170)
Headline earnings/(loss) for the year	**288 883**	**(16 541)**	**272 342**	331 596	(26 307)	305 289

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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

(a) Segmental revenue, earnings and other disclosures continued

	2023			2022		
	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	**288 883**	**(16 541)**	**272 342**	331 596	(26 307)	305 289
Metal price lag	**(47 084)**	**–**	**(47 084)**	25 670	–	25 670
Tax effect	**12 713**	**–**	**12 713**	(7 188)	–	(7 188)
Normalised headline earnings/(loss) (note A)	**254 512**	**(16 541)**	**237 971**	350 078	(26 307)	323 771
Share of (net profit)/loss of joint ventures	**4 046**	**–**	**4 046**	(1 192)	–	(1 192)
Interest expense	**160 656**	**47**	**160 703**	89 017	13 193	102 210
Interest income	**(13 359)**	**–**	**(13 359)**	(10 755)	–	(10 755)
Taxation	**96 654**	**(339)**	**96 315**	147 762	1 653	149 415
Normalised EBIT (note A)	**502 509**	**(16 833)**	**485 676**	574 910	(11 461)	563 449
Depreciation and amortisation	**117 134**	**17 656**	**134 790**	90 434	12 155	102 589
Normalised EBITDA (note A)	**619 643**	**823**	**620 466**	665 344	694	666 038
Total assets	**5 943 910**	**303 529**	**6 247 439**	6 084 325	237 249	6 321 574
Total liabilities	**2 525 759**	**183 106**	**2 708 865**	2 986 195	102 318	3 088 513
Other disclosures						
Additions to property, plant and equipment and intangible assets	**409 855**	**22 321**	**432 176**	208 074	23 078	231 152
Investment in joint ventures accounted for by the use of equity method	**71 556**	**–**	**71 556**	71 582	–	71 582
Currency conversion:						
Rand/US dollar average			**18.46**			16.38
Rand/US dollar closing			**18.54**			16.96

* *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.

Revenue from transactions with a single external customer amount to 10% or more of the entity's revenue, the total revenue from such customer amounts to R3 152 331 (2022: R3 553 332).

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

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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:

	2023 Number of shares	2022 Number of shares
Weighted average number of shares used for basic EPS*	**308 496 091**	308 496 091
Bonus shares	**4 606 916**	1 197 848
Share options	**15 155 398**	18 413 823
Weighted average number of shares used for diluted EPS**	**328 258 405**	328 107 762

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

** *In 2023, 19 762 314 potential ordinary shares were dilutive (2022: 19 611 671 potential ordinary shares were dilutive).*

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

		2023 Gross R'000	2023 Net of tax R'000	2022 Gross R'000	2022 Net of tax R'000
Net profit/(loss) for the year		**–**	**271 801**	–	299 710
Adjustments		**741**	**526**	7 749	5 579
– Loss/(Profit) on disposal of property, plant and equipment		**741**	**526**	7 749	5 579
Headline earnings			**272 327**		305 289
Earnings per share					
Basic	(cents)		**88**		97
Diluted	(cents)		**83**		91
Headline earnings per share					
Basic	(cents)		**88**		99
Diluted	(cents)		**83**		93
Normalised headline earnings per share					
Basic	(cents)		**77**		105
Diluted	(cents)		**72**		99

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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

(b) Note A: Earnings per share ("EPS") continued

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 1/2023 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.

	2023 R'000	2022 R'000
Analysis of revenue by product market:		
Automotive and transport	**1 223 846**	1 262 028
Building and construction	**135 003**	701 227
General engineering	**4 929 164**	5 656 852
Packaging	**7 497 417**	8 312 865
Other	**10 198**	(2 703)
	13 795 628	15 930 269
Geographical analysis of revenue:		
South Africa	**7 135 045**	7 873 749
North America	**2 489 086**	3 862 281
Europe	**3 101 763**	3 485 092
Asia*	**(13 635)**	187 024
Middle East	**203 576**	30 453
Australasia	**464 476**	350 754
South America	**414 020**	86 305
Rest of Africa	**1 297**	54 611
	13 795 628	15 930 269

* *The negative net revenue for Asia is due to credit notes processed in the current year which exceeds the gross revenue, the credit notes will be utilised in the 2024 year.*

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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.

	2023 R'000	2022 R'000
Foreign exchange gains on debtors and creditors balances	**17 507**	12 032
Foreign currency denominated cash balances	**(6 048)**	(5 613)
Valuation adjustments on non-derivative items	**11 459**	6 419
Foreign exchange contracts	**(13 105)**	(7 281)
Valuation adjustments on derivative items	**(13 105)**	(7 281)
Gains and losses on financial instruments related to trading activities	**(1 646)**	(862)

5. Other gains and losses

	2023 R'000	2022 R'000
Loss on disposal of property, plant and equipment	**(741)**	(7 749)
Proceeds on insurance claims**	**24 335**	–
Other*	**6 162**	4 419
	29 756	(3 330)

* *Other includes a gain which is from the difference between right-of-use asset and lease liability from an early termination of a lease incurred in the current year.*

** *Proceeds relates to an insurance payout for business interruptions that occurred in July 2021.*

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.

		2023 R'000	2022 R'000
South African normal taxation:			
Current			
Current year charge		**91 968**	120 005
Prior year under/(over) provision		**(8 179)**	(201)
Deferred			
Current year (credit)/charge		**23 296**	13 202
Change in tax rate adjustment		**–**	3 246
Prior year (over)/under provision		**1 743**	3 825
		108 828	140 077
South African income tax is levied on the company and its subsidiaries and not the Group.			
Tax rate reconciliation			
Normal rate of taxation	%	**27.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**(0.3)**	(0.2)
Prior year over provision	%	**(1.9)**	0.8
Expenses not deductible for tax purposes	%	**1.4**	0.6
Change in tax rate adjustment	%	**–**	0.7
Deferred tax asset not recognised	%	**2.4**	1.9
Effective rate of taxation		**28.6**	31.8

For the year ended 31 December 2023, 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.

During the 31 December 2023 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 R72.1 million (2022: R106.1 million) deferred tax assets.

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

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:

	2023 R'000	2022 R'000
Lease rental expense paid to joint venture	**4 061**	3 432
Utilities and services charge paid to joint venture	**11 571**	11 857
Loan to Isizinda	**77 938**	74 213
Interest income from Isizinda	**8 892**	7 072

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 8.3 in the full set of consolidated financial statements. There are no contracts with key management personnel except as detailed in note 8.3.

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

	2023 R'000	2022 R'000
Property, plant and equipment	**25 073**	38 445

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

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.

During February 2024, Hulamin acquired a further interest in Isizinda. Refer to events after the reporting period (note 13).

10. Financial assets

(a) Long-term deposit

A R32.1 million (USD 2 million) deposit was made in 2021 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.

During the 2023 financial year, a portion of the long-term asset was reclassified to current assets and disclosed as "short term other assets". The deposit is carried at amortised costs and its carrying value reflects fair value. The carrying amount as at 31 December 2023 is R38 million (2022: R33.9 million).

	2023 R'000	2022 R'000
Non-current asset		
Opening balance	**33 926**	32 150
Transferred to current assets	**(28 327)**	–
Foreign currency translation difference	**1 019**	1 776
Total	**6 618**	33 926
Current asset		
Opening balance	**–**	–
Transferred from non-current assets	**28 327**	–
Foreign currency translation difference	**3 188**	–
Total	**31 515**	–

10. Financial assets continued

(b) Investment in insurance cells

During the 2022 financial period, Hulamin entered into an insurance arrangement with Mutual Risk Group (MRG) whereby Hulamin becomes a shareholder of the MRG arrangement. In terms of the arrangement, two cell captive vehicles were established in South Africa (Group Risk Holdings) and the Isle of Man (MRG Insurance license) in order to manage the Group's own risk. The Group Risk Holdings (GRH) is the mutual cell captive insurer, appointed as the lead underwriter of all insurance claims. Hulamin is a direct shareholder in GRH thus classifying such an investment as a financial asset in terms of IFRS 9.

In March 2023, there was a reduction in shareholding of Hulamin's share of equity of these vehicles from 6.25% to 5.75%. This resulted in the Group being refunded for the reduction in shareholding.

As at 31 December 2023 the investment at fair value amounted to R5.5 million. The investment is held at fair value through profit and loss using level 3 fair value hierarchy.

	2023 R'000	**2022 R'000**
Opening balance	**5 802**	–
Refund of prior year change in shareholding	**(478)**	–
Additions	**–**	2 045
Fair value recognised through profit/loss	**180**	3 757
Closing balance	**5 504**	5 802

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); 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 2022). 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 2022).

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.

Notes to the summarised consolidated financial statements continued

for the year ended 31 December 2023

12. 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 Operations

The improved trading conditions from 2022 continued into the first six months of the reporting period. There was continued focus on its simplification strategy with a focus on can products, weaker exchange rate and stabilising the cost base which positively contributed positively to the earnings. During the next few months into the second half of the year, there was a downturn in the can market due to economic challenges which put slight pressure on cash flow. This cash flow pressure was ably navigated by management together with the support of Hulamin's lenders, suppliers and customers. In the last months of the year, a recovery of the local can market was experienced with an uptake of sales furthermore positively contributing to earnings.

Other challenging trading condition further arose from:

- Rapid and sharp global decline in demand, especially can and common alloy, resulting in significant price pressure (20%).
- Local infrastructure, especially ports, remain a challenge in transporting goods.
- Two-week strike experienced by Hulamin.

Hulamin Operations continued to benefit from a 15% import duty on rolled aluminium products which was imposed from January 2021. This contributed towards an increase in demand for local products in 2023. This is expected to continue in 2024.

Hulamin Extrusions

The strong market performance for H1 of 2023 was underpinned by strong demand in the solar market following the domestic solar panel rebate announced by the government. However, by mid-year there was a downward pressure on volumes as a result of uncertainty in the local marketing leading to the reduction in customer volumes especially due to the impact of load shedding on the economy and issues relating to ports and logistics. In the latter part of the year, volumes increased as one of Extrusion's key customers relocated more work locally and this is expected to increase further into 2024.

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.

Liquidity and solvency

The Group's net borrowings were R804 million (2022: R836 million) and net debt was R867 million (2022: R897.6 million) at 31 December 2023. This represents a net debt to equity ratio of 25 % (2022: 28%). The current ratio was 1.9 times while the debt to equity bank covenant as defined was 0.34 times.

As at 31 December 2023, Hulamin's banking facilities of R2.1 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 R400 million and indirect facilities (letters of credit and guarantee) of R200 million. This maturity date of the committed working capital facility was extended by three years to December 2026.

13. 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 other tha the latest chnage in control noted below:

Business combination

In February 2024, Hulamin Operations (Pty) Ltd acquired 58.7% of equity interest for a consideration of R18 million which was previously held by Bingelela Capital (Pty) Ltd, as part of a strategic business decision. This was accounted for in 2023 as a joint venture. This resulted in Hulamin Operations holding a 100% shareholding in Isizinda. Isizinda (Pty) Ltd is based in Richards Bay, KwaZulu-Natal and is a property-owning company which derives its revenue from rental income.

The initial accounting for the business combination is incomplete, further details will be presented in the 2024 interim financial statements.

14. Dividends paid

Nil (2022: Nil) dividends were declared for the year ended 31 December 2023.

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

South Africa (Primary) JSE Limited

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, Biermann Avenue, Rosebank, 2196
Private Bag X9000 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
GH Watson**
GC Zondi (Alternate)

Executive directors
M Gounder, Chief Executive Officer^
P Nirghin, Interim Chief Financial Officer#

** Independent non-executive directors*
*** Interim Chief Executive Officer until 30 November 2023*
^ Appointed Chief Executive Officer on 1 December 2023
 # Appointed Interim Chief Financial Officer on 1 December 2023

Company Secretary

Luvivi (Pty) Ltd
** Appointed as Company Secretary on 1 August 2023*

Corporate information and investor relations

BA Mngadi
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Date of SENS release

4 March 2024

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HULAMIN
Think future. Think aluminium.