



# HULAMIN

Think future. Think aluminium.

## AUDITED RESULTS

for the year ended 31 December 2015



# COMMENTARY

Sales volumes for the year to 31 December 2015 totalled 198 000 tons, 7% lower than the corresponding period's 214 000 tons. Energy supply was inconsistent, with disruptions to both electricity and gas supplies impacting negatively on manufacturing output. This was compounded by planned maintenance activity, plant upgrades and quality rework on two product lines in the first half. Despite these challenges, sales of rolled products increased by 13% in the second half with improvements in process control, yields, equipment reliability and capacity planning.

Market conditions in South Africa and in Hualamin's major export markets were steady at the start of 2015, resulting in selling prices (rolling margins) improving in the first half. However, the slowdown in China's domestic economy resulted in a number of Hualamin's China-based competitors significantly increasing their exports into Hualamin's traditional US and European markets during the year. The resulting over-supply, coupled with a Chinese primary aluminium price that was lower than the London Metal Exchange price, resulted in major over-supply in many of these markets. As a consequence, rolling margins dropped significantly but appear to have now stabilised at lower levels. The effects of this over-supply have been seen most rapidly in Hualamin's standard product exports to the USA and Europe and have spilled over to a number of end-user markets, albeit to a lesser extent.

Turnover increased to R8,40 billion (2014 R8,04 billion) in spite of the lower sales volume and lower USD Aluminium price. The Rand weakened by 18% to an average of R12,76/USD, increasing Rand revenues and partially offsetting the effects of domestic cost inflation.

Locally, the economy continued to soften during 2015. Demand however, increased from both beverage packaging and automotive markets, which are the largest volume sectors and thus local sales increased by 18% to 70 000 tons (2014: 59 400 tons) mostly as a result of increased can body stock sales.

The total price of aluminium includes the London Metal Exchange price as well as international geographic premiums, which both declined through 2015. Hualamin is exposed to US Dollar changes in the value of its aluminium inventory, known as the metal price lag effect and is reported in Rand. As a consequence of the decline in the US Dollar aluminium price, the metal price lag recorded a loss of R161 million in 2015 (2014: R53 million profit), a year-on-year reversal of R214 million.

Manufacturing costs were 17% higher than the prior year, driven mainly by higher US Dollar denominated costs, and the consolidation of costs from the Isizinda joint venture. Comparable costs increased by 10%. Earnings before interest and taxation (EBIT) were 50% lower compared to the prior year and operating profit before metal price lag was 14% lower at R456 million.

Production volumes and efficiencies improved in the second half, in spite of two major gas disruptions arising from a fire at a refinery that also led to a planned maintenance over-run at the same refinery. Hualamin has lodged a substantial insurance claim to compensate for the volume lost and increased costs arising from these shortages of supply. Engineering work on the conversion to Compressed Natural Gas was successfully completed in 2015.

Following the acquisition of the Bayside cashhouse by the Isizinda consortium, accounts for the Isizinda/Hualamin joint venture were consolidated for the first time. Although Hualamin only owns 40% of the equity in Isizinda, it is deemed a subsidiary of Hualamin in terms of IFRS as Hualamin is financing its development. The notable impacts of this change include a cash outflow of R41 million, being the acquisition of working capital and an additional R49 million relating to the purchase of plant and equipment that is reported on the balance sheet under property, plant and equipment.

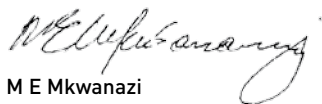
The cash outflow before financing activities amounted to R420 million (2014: R183 million inflow), and was impacted by lower profits and increased capital expenditure (including the recycling project) and included Hualamin's share of the Isizinda acquisition and the associated working capital. Cash flow in the second half of 2015 was neutral in spite of ongoing capital expenditure.

## DIVIDEND

Given the current uncertain market and economic outlook, the board has decided not to declare a final dividend for 2015.

## PROSPECTS

Hualamin expects the momentum gained from improved manufacturing performance in the second half of 2015 to continue in 2016, with weak market conditions expected to persist both locally and internationally. The risk of energy disruption is now lower due to the installation of standby generators and the commencement of the conversion from LPG to CNG. The reported decline in international conversion prices is expected to be partially offset by actions and initiatives currently being taken to preserve cash, optimise sales and achieve cost efficiencies while benefiting from a weaker Rand against the US Dollar.



**M E Mkwanazi**

Chairman

Pietermaritzburg  
22 February 2016



**R G Jacob**

Chief Executive Officer

## AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's financial statements for the year ended 31 December 2015. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. 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. These condensed consolidated financial statements, although not audited, have been derived from the group's audited financial statements and are consistent, in all material respects, with the group's audited financial statements. The directors take full responsibility for the preparation of this announcement, including the condensed consolidated financial statements.

# CONDENSED CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 R'000	2014 R'000
<b>Revenue</b>		<b>8 394 986</b>	8 038 918
Cost of sales		(7 855 025)	(7 119 966)
<b>Gross profit</b>		<b>539 961</b>	918 952
Selling, marketing and distribution expenses		(382 204)	(403 104)
Administrative and other expenses		(111 050)	(88 781)
Impairment reversal		-	43 405
Other gains and losses		248 773	114 661
<b>Operating profit</b>		<b>295 480</b>	585 133
Interest income		2 085	2 453
Interest expense		(68 577)	(48 160)
<b>Profit before tax</b>		<b>228 988</b>	539 426
Taxation	3	(65 274)	(154 498)
<b>Net profit for the year attributable to equity holders of the company</b>		<b>163 714</b>	384 928
<b>Headline earnings</b>			
Net profit for the year attributable to equity holders of the company		163 714	384 928
Loss on disposal of property, plant and equipment		10 538	6 498
Impairment reversal		-	(43 405)
Bargain purchase gain		(51 868)	-
Tax effects		(3 123)	10 334
<b>Headline earnings attributable to equity holders of the company</b>		<b>119 261</b>	358 355
<b>Normalised earnings</b>			
Headline earnings attributable to equity holders of the company		119 261	358 355
Share-based payment cost on 2015 transaction		20 000	-
Transaction costs		5 455	7 450
Post-retirement medical aid past service costs adjustments		4 857	(11 272)
Equity-settled share-based payment: Isizinda		27 224	-
<b>Normalised earnings</b>		<b>176 797</b>	354 533
<b>Earnings per share</b>	4		
Basic	(cents)	51	120
Diluted	(cents)	50	118
<b>Headline earnings per share</b>	4		
Basic	(cents)	37	112
Diluted	(cents)	36	110
<b>Normalised earnings per share</b>	4		
Basic	(cents)	55	111
Diluted	(cents)	54	109
<b>Dividends per share</b>			
Interim	(cents)	8	-
Final	(cents)	-	25
<b>Currency conversion</b>			
Rand/US dollar average		12,76	10,85
Rand/US dollar closing		15,56	11,58

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>Net profit for the year attributable to equity holders of the company</b>	163 714	384 928
<b>Other comprehensive (loss)/income for the year</b>	(78 063)	28 037
Items that may be reclassified subsequently to profit or loss	(98 736)	37 919
Cash flow hedges transferred to income statement	(9 186)	43 480
Cash flow hedges created	(127 947)	9 186
Income tax effect	38 397	(14 747)
Items that will not be reclassified to profit or loss	20 673	(9 882)
Remeasurement of retirement benefit obligation	25 134	(12 991)
Remeasurement of retirement benefit asset	3 578	(733)
Income tax effect	(8 039)	3 842
<b>Total comprehensive income for the year attributable to equity holders of the company</b>	<b>85 651</b>	<b>412 965</b>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
Balance at beginning of year	3 833 817	3 402 810
Total comprehensive income for the year	85 651	412 965
Ordinary shares issued	-	34
Value of employee services	16 777	15 156
Settlement of employee share incentives	(24 397)	(2 796)
Tax on employee share incentives	(3 096)	7 044
Share-based payment costs on A ordinary shares redeemed	-	3 624
Share-based payment costs on 2015 BEE transaction	20 000	-
Equity-settled share-based payment: Isizinda	31 224	-
De-consolidation of structured entity	-	(5 020)
Dividends paid	(105 459)	-
<b>Total equity</b>	<b>3 854 517</b>	<b>3 833 817</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

## AS AT 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	3 166 800	2 697 148
Intangible assets	66 917	59 777
Retirement benefit asset	142 292	138 854
Deferred tax asset	20 260	25 450
	<b>3 396 269</b>	<b>2 921 229</b>
<b>Current assets</b>		
Inventories	1 784 805	1 958 934
Trade and other receivables	1 384 390	1 037 909
Derivative financial assets	8 457	44 175
Cash and cash equivalents	70 158	249 106
Income tax asset	12 461	2 808
Asset held for sale	-	55 217
	<b>3 260 271</b>	<b>3 348 149</b>
<b>Total assets</b>	<b>6 656 540</b>	<b>6 269 378</b>
<b>EQUITY</b>		
Share capital and share premium	1 817 580	1 817 580
BEE reserve	51 224	-
Employee share-based payment reserve	45 707	41 411
Hedging reserve	(92 122)	6 614
Retained earnings	2 032 128	1 968 212
<b>Total equity</b>	<b>3 854 517</b>	<b>3 833 817</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Non-current borrowings	216 000	-
Deferred tax liability	486 765	477 702
Retirement benefit obligations	227 997	236 369
	<b>930 762</b>	<b>714 071</b>
<b>Current liabilities</b>		
Trade and other payables	806 210	964 827
Current borrowings	829 401	686 144
Derivative financial liabilities	235 650	70 519
	<b>1 871 261</b>	<b>1 721 490</b>
<b>Total liabilities</b>	<b>2 802 023</b>	<b>2 435 561</b>
<b>Total equity and liabilities</b>	<b>6 656 540</b>	<b>6 269 378</b>
<b>Net debt to equity</b>	(%) <b>25,3</b>	<b>11,4</b>

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>Cash flows from operating activities</b>		
Operating profit	295 480	585 133
Net interest paid	(86 943)	(50 626)
Loss on disposal of property, plant and equipment	10 538	6 498
Non-cash items:		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	148 661	74 855
Other non-cash items	85 545	65 754
Income tax payment	(49 735)	(84 714)
Changes in working capital	(279 771)	(78 854)
	<b>123 775</b>	<b>518 046</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(472 358)	(305 572)
Acquisition of business	(100 170)	-
Additions to intangible assets	(15 480)	(29 992)
Proceeds on disposal of property, plant and equipment	44 679	206
	<b>(543 329)</b>	<b>(335 358)</b>
<b>Cash flows before financing activities</b>	<b>(419 554)</b>	<b>182 688</b>
<b>Cash flows from financing activities</b>		
Proceeds from non-current borrowings	270 000	-
Proceeds from/(repayment of) current borrowings	89 257	(118 338)
Redemption of A ordinary shares	-	(3 624)
Ordinary shares issued	-	34
Settlement of employee share incentives	(24 397)	(2 796)
Proceeds to settle equity option	4 000	-
Dividends paid	(105 459)	-
	<b>233 401</b>	<b>(124 724)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(186 153)</b>	<b>57 964</b>
Cash and cash equivalents at beginning of year	249 106	192 800
De-consolidation of structured entity	-	(1 658)
Effects of exchange rate changes on cash and cash equivalents	7 205	-
<b>Cash and cash equivalents at end of year</b>	<b>70 158</b>	<b>249 106</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. BASIS OF PREPARATION

The audited group financial statements for the year ended 31 December 2015, from which these condensed consolidated financial statements are derived, have been prepared in accordance with International Financial Reporting Standards, the Companies Act 71 of 2008 and the JSE Listings Requirements, under the supervision of the Chief Financial Officer, Mr D A Austin CA(SA). These condensed consolidated financial statements have been prepared in terms of IAS 34 – Interim Financial Reporting.

The accounting policies and methods of computation adopted are consistent with those used in the preparation of the group's 2014 financial statements, except for the adoption of the following amended standard, as described below:

Amendment to IAS 19, 'Employee benefits' aimed at simplifying the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

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

### 2. OPERATING SEGMENT ANALYSIS

The group is organised into two major operating segments, namely Hulamin Rolled Products and Hulamin Extrusions.

#### Revenue

Hulamin Rolled Products	7 554 622	7 288 391
Hulamin Extrusions	840 364	750 527

<b>Group total</b>	<b>8 394 986</b>	8 038 918
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#### Operating profit

Hulamin Rolled Products	282 908	537 592
Hulamin Extrusions	12 572	47 541

<b>Group total</b>	<b>295 480</b>	585 133
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#### Total assets

Hulamin Rolled Products	6 335 986	5 897 340
Hulamin Extrusions	320 554	372 038

<b>Group total</b>	<b>6 656 540</b>	6 269 378
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### 3. TAXATION

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

Normal	40 082	83 603
Deferred	25 192	70 895

	<b>65 274</b>	154 498
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Normal rate of taxation	(%)	<b>28,0</b>	28,0
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Adjusted for:

Exempt income, non-allowable and other items	(%)	<b>0,5</b>	0,6
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Effective rate of taxation	(%)	<b>28,5</b>	28,6
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# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 4. EARNINGS PER SHARE

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 2015	Number of shares 2014
Weighted average number of shares used for basic EPS	<b>319 596 836</b>	319 515 636
Share options	<b>7 666 904</b>	6 860 351
Weighted average number of shares used for diluted EPS	<b>327 263 740</b>	326 375 987

### 5. BUSINESS COMBINATION

On 1 July 2015, Isizinda Aluminium (Pty) Ltd acquired the Bayside casthouse business from Hillside Aluminium (Pty) Ltd, part of the South32 Limited group of companies. This strategic transaction secures Hualamin's local supply of rolling slab for the next five years and beyond, and the Bayside casthouse in Richards Bay will be developed into a broad range aluminium hub in order to re-introduce the local supply of extrusion billet and wire rod to stimulate and support industrialisation in Richards Bay, the growth of the domestic aluminium industry and economic growth throughout Southern Africa.

	2015 R'000	2014 R'000
<b>6. COMMITMENTS AND CONTINGENT LIABILITIES</b>		
Capital expenditure contracted for but not yet incurred	<b>202 632</b>	226 759
Operating lease commitments	<b>41 034</b>	39 896

# CORPORATE INFORMATION

## HULAMIN LIMITED

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

Registration number: 1940/013924/06

Share code: HLM

ISIN: ZAE000096210

## BUSINESS AND POSTAL ADDRESS

Moses Mabhida Road, Pietermaritzburg, 3201

PO Box 74, Pietermaritzburg, 3200

## CONTACT DETAILS

Telephone: +27 33 395 6911

Facsimile: +27 33 394 6335

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

E-mail: [hulamin@hulamin.co.za](mailto:hulamin@hulamin.co.za)

## SECURITIES EXCHANGE LISTING

South Africa (Primary), JSE Limited

## TRANSFER SECRETARIES

Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001

PO Box 61051, Marshalltown, 2107

## SPONSOR

Rand Merchant Bank (A division of FirstRand Bank Limited)

1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196

PO Box 786273, Sandton, 2146

## DIRECTORATE

### Non-executive directors

ME Mkwanazi\* (Chairman)

LC Cele\*

SMG Jennings\*\*

VN Khumalo

TP Leeuw\*

JB Magwaza

NNA Matyumza\*

SP Ngwenya

PH Staude\*

GHM Watson\*

\* *Independent non-executive director*

# *Resigned on 30 September 2015*

### Executive directors

RG Jacob (Chief Executive Officer)

DA Austin (Chief Financial Officer)

MZ Mkhize

## COMPANY SECRETARY

W Fitchat

Date of SENS release: 22 February 2016



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