HULAMIN

AUDITED RESULTS
for the year ended 31 December 2009

- Fourth quarter sales volumes rebound
- Operating profit reduced from R465 million to R244 million
- HEPS reduced from 124 cents to 42 cents
- Rolled Products expansion completed on schedule
- Focus on mix improvement

Condensed Income Statement

	Note	2009 R'000	2008 R'000
Revenue		4 499 582	7 119 973
Cost of sales		(3 895 842)	(6 235 460)
Gross profit		603 740	884 513
Other gains and losses		53 968	60 312
Selling and marketing expenses		(323 438)	(355 859)
Administrative expenses		(90 296)	(123 515)
Operating profit		243 974	465 451
Net finance costs		(113 813)	(118 253)
Share of profits of associates and joint ventures		383	1 111
Profit before tax		130 544	348 309
Taxation	4	(40 911)	(79 527)
Net profit for the year		89 633	268 782
Attributable to:			
Equity holders of the company		89 633	268 172
Non-controlling interests		–	610
		89 633	268 782
Headline earnings			
Net profit for the year attributable to shareholders		89 633	268 172
Loss/(profit) on sale of property, plant and equipment		2 731	(703)
Tax effects of adjustments		(765)	197
Headline earnings attributable to shareholders		91 599	267 666
Earnings per share (cents)	5		
Basic		42	124
Diluted		41	123
Headline earnings per share (cents)			
Basic		42	124
Diluted		42	123
Dividends per share (cents)		–	41
Interim paid		–	28
Final declared		–	13
Currency conversion			
Rand/US dollar average		8,42	8,27
Rand/US dollar closing		7,39	9,41

Condensed Statement of Comprehensive Income

	2009 R'000	2008 R'000
Net profit for the year	89 633	268 782
Cash flow hedges, net of tax	(102 174)	100 664
Total comprehensive (loss)/income for the year	(12 541)	369 446
Attributable to:		
Equity holders of the company	(12 541)	368 836
Non-controlling interests	–	610
	(12 541)	369 446

Condensed Statement of Changes in Equity

	2009 R'000	2008 R'000
Shareholders' interest	3 744 279	3 760 146
Balance at beginning of year	3 760 146	3 494 151
Share of total comprehensive (loss)/income for the year	(12 541)	368 836
Shares issued	1 639	1 424
Value of employee services	29 492	29 670
Settlement of employee share incentives	(7 547)	(5 174)
Tax on employee share incentives	1 627	(2 246)
Dividends paid	(28 537)	(127 267)
Purchase of non-controlling interest	–	752
Non-controlling interests	–	–
Balance at beginning of period	–	35 142
Share of total comprehensive income for the year	–	610
Purchase of non-controlling interest	–	(35 752)
Total equity	3 744 279	3 760 146

Condensed Balance Sheet

		2009 R'000	2008 R'000
ASSETS			
Non-current assets			
Property, plant and equipment		4 979 278	4 763 295
Intangible assets		29 874	29 515
Investments in associates and joint ventures		10 463	10 080
Deferred tax asset		13 899	11 697
		5 033 514	4 814 587
Current assets			
Inventories		1 015 029	1 325 284
Trade and other receivables		695 228	1 060 013
Derivative financial assets		97 970	360 022
Income tax asset		8 048	–
Cash and cash equivalents		64 413	66 174
Assets of disposal group held for sale		–	44 432
		1 880 688	2 855 925
Total assets		6 914 202	7 670 512
EQUITY			
Share capital and share premium		992 555	990 916
BEE reserve		174 686	174 686
Employee share-based payment reserve		74 097	48 933
Hedging reserve		(522)	101 652
Retained earnings		2 503 463	2 443 959
Total equity		3 744 279	3 760 146
LIABILITIES			
Non-current liabilities			
Non-current borrowings		763 496	898 595
Deferred tax liability		912 876	926 359
Retirement benefit obligations		132 946	119 512
		1 809 318	1 944 466
Current liabilities			
Trade and other payables		580 420	692 180
Current borrowings		709 822	914 465
Derivative financial liabilities		70 363	315 589
Income tax liability		–	43 666
		1 360 605	1 965 900
Total liabilities		3 169 923	3 910 366
Total equity and liabilities		6 914 202	7 670 512
Net debt to equity	(%)	37,6	46,5

Condensed Cash Flow Statement

	2009 R'000	2008 R'000
Cash flows from operating activities		
Operating profit	243 974	465 451
Net interest paid	(170 409)	(189 088)
Loss/(profit) on disposal of property, plant and equipment	2 731	(703)
Non-cash items:		
Depreciation and amortisation	197 733	176 354
Other non-cash items	(82 156)	136 414
Income tax payment	(66 949)	(136 661)
Changes in working capital	599 333	(486 088)
	724 257	(34 321)
Cash flows from investing activities		
Additions to property, plant and equipment	(351 811)	(707 870)
Additions to intangible assets	(3 554)	(6 193)
Proceeds on disposal of property, plant and equipment	3 534	1 207
Increase in investment in associates and joint ventures	–	(5 185)
Acquisition of non-controlling interest in subsidiary	–	(35 000)
	(351 831)	(753 041)
Cash flows from financing activities		
Borrowings (repaid)/raised	(339 742)	892 407
Shares issued	1 639	1 424
Settlement of share options net of reversals	(7 547)	(5 174)
Dividends paid	(28 537)	(127 267)
	(374 187)	761 390
Net decrease in cash and cash equivalents	(1 761)	(25 972)
Balance at beginning of year	66 174	92 146
Cash and cash equivalents at end of year	64 413	66 174

Notes

1. Basis of preparation

The audited group financial statements for the year ended 31 December 2009, from which these condensed financial statements are derived, are prepared in accordance with International Financial Reporting Standards. These condensed financial statements are prepared in terms of IAS 34 – Interim Financial Reporting. The principal accounting policies and methods of computation adopted are consistent with those of the previous annual financial statements, except for the adoption of the following new and revised standards during the current financial year which are applicable to the group:

IAS 1 (revised) – Presentation of Financial Statements. This standard requires non-owner changes in equity to be presented separately from owner changes in equity in a separate performance statement. In terms of this standard, entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The group has elected to present two performance statements.

IFRS 8 – Operating Segments. IFRS 8 replaces IAS 14 – Segment Reporting. This new standard requires the adoption of a 'management approach' according to which segment information is presented on the same basis as that used for internal reporting purposes.

Amendments to IFRS 7 – Financial Instruments: Disclosures. These amendments require enhanced disclosures of fair value measurement and liquidity risk.

2. Operating segment analysis

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

	2009 R'000	2008 R'000
Revenue		
Hulamin Rolled Products	3 881 393	6 288 157
Hulamin Extrusions	618 189	831 816
Group total	4 499 582	7 119 973
Inter-segment revenue		
Hulamin Rolled Products	9 550	59 301
Hulamin Extrusions	6 959	16 255
Operating profit		
Hulamin Rolled Products	239 377	453 510
Hulamin Extrusions	4 597	11 941
Group total	243 974	465 451
Total assets		
Hulamin Rolled Products	6 554 198	7 296 674
Hulamin Extrusions	360 004	373 838
Group total	6 914 202	7 670 512

3. Other gains and losses

The group is exposed to fluctuations in aluminium prices, interest rates and exchange rates, and hedges these risks with derivative financial instruments. Other gains and losses reflect the fair value adjustments arising from these derivative financial instruments and non-derivative financial instruments classified as fair value through profit and loss in terms of IAS 39.

4. Taxation

The tax charge/(relief) included within these condensed financial statements is:

		2009 R'000	2008 R'000
Normal		12 382	76 255
Deferred		25 675	21 101
Deferred – rate change adjustment		–	(30 506)
STC		2 854	12 677
		40 911	79 527
Normal rate of taxation	(%)	28,0	28,0
Adjusted for:			
Deferred – rate change adjustment	(%)	0,0	(8,9)
STC	(%)	2,2	3,7
Other non-allowable items	(%)	1,1	0,1
	(%)	31,3	22,9

5. Earnings per share

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

	Number of shares 2009	Number of shares 2008
Weighted average number of shares used for basic EPS	215 931 041	215 668 708
Share options	2 897 707	2 248 287
Weighted average number of shares used for diluted EPS	218 828 748	217 916 995

6. Commitments and contingent liabilities

	2009	2008
Capital expenditure contracted for but not yet incurred	112 557	302 273
Operating lease commitments	21 090	36 052
Guarantees and contingent liabilities	22 594	22 471

7. Borrowings

The borrowing facilities of the group comprise long-term facilities of R855 million, which are repayable by 2014, and short-term facilities totalling R750 million, which will reduce by R200 million on 1 January 2011. The repayment of borrowings during the year improved the group's debt to equity ratio from 46,5% to 37,6%.

The board is evaluating the group's funding structure, including the raising of additional equity and the restructuring of the long term facilities.

Commentary

Market conditions for Hulamin's products were challenging in all market sectors during the year, although some improvement was noted in international markets towards the end of the year. Annualised sales volumes are returning to pre-contraction levels, notwithstanding the unscheduled interruption to production at the Camps Drift hot mill in July due to the premature failure of a critical component.

Local demand and the global plate and brazing sheet markets remained weak throughout 2009 which led to the overall product mix shifting away from the niche, high value products towards more standard distributor type products. Poor demand in the first half of the year, together with the hot mill break down resulted in sales volumes for the year reducing by 20% to 159 000 tons. This, together with the effect of a lower average Rand aluminium price, resulted in turnover reducing from R7,1 billion to R4,5 billion.

Operating profit reduced from R465 million to R244 million. Earnings in the second half of the year showed some improvement over the first half despite the pronounced strengthening of the Rand against the US dollar. Attributable earnings for the year reduced from R268 million to R90 million and headline earnings per share reduced from 124 cents to 42 cents.

Operating cash flow (before interest and tax) of R962 million benefited from a R599 million reduction in working capital. Inventories were reduced by 15 days (20%) and export debtors by 9 days (15%).

The net cash flow after dividends and capital expenditure, following the completion of the Rolled Products expansion, amounted to R338 million. Net borrowings reduced from R1 747 million to R1 409 million, which amounts to 38% of equity.

Hulamin is assessing a number of alternatives to optimise its capital structure. This may include raising equity capital as more appropriate longer term funding to support the continuing growth in rolled products sales. Consequently, the board has decided not to declare a dividend for the 2009 financial year.

Rolled Products

After a stronger second half, Rolled Products sales volumes, at 142 000 tons for the year, were 38 000 tons lower than 2008 and 51 000 tons below 2007. The interruption to the operation of the hot mill affected sales by approximately 10 000 tons.

Demand in all regions and sectors remained subdued in 2009 with sales in some sectors down by more than 50% from 2008 levels. Demand in the packaging sector is recovering well. The high value plate and brazing sheet markets are also starting to show some improvement but are not expected to recover fully during 2010. Domestic demand remains weak and local sales in 2009 were 22% below the comparative levels.

In response to these weak market conditions, Hulamin increased its sales of standard products in the USA and Europe and production capacity is fully committed for several months into the new financial year.

Manufacturing costs reduced by 7% as a result of cost reduction measures, lower production volumes and a reduction in gas prices. The structured implementation of sustainable cost reduction and efficiency improvement projects is progressing well and cumulative annualised benefits are approaching R80 million. Significant further progress is expected in the current year.

The R970 million expansion project has been successfully completed. This project has increased the rolled products capacity by approximately 20% and will also enable the business to improve its sales mix as market conditions improve.

The operating performance of the newly commissioned assets is encouraging, providing confidence that the project will deliver the expected financial returns as the capacity utilisation and product mix improves.

Extruded Products

The local demand for extruded products weakened sharply and Extrusion sales volumes were 17% below the previous year, despite an improvement in market share. The business continues to strengthen its market position in the architectural sector and achieved markedly higher sales in the second half of the year. Several market development and streamlining projects are in place which are expected to yield further improvements in 2010.

Rolling Slab and Extrusion Billet Supply

Hulamin sources sufficient locally-produced primary aluminium which it uses to produce the majority of its rolling slab and extrusion billet requirements. It has thus far also sourced some of its rolling slab and extrusion billet requirements from BHP Billiton.

During the year, BHP Billiton discontinued the supply of extrusion billet from the Bayside smelter to the South African extrusion industry. Hulamin has secured import supply of extrusion billet as replacement and produces the balance of its requirements in its own facilities.

BHP Billiton has also notified Hulamin that it intends to discontinue the supply of rolling slab from the end of 2010. Hulamin is proceeding with measures which will address its rolling slab requirements and will enable the business to achieve its medium-term growth targets. These include investment projects to increase Hulamin's own slab manufacturing capacity, the recommissioning of unused slab casting facilities, and limited quantities of imports. The latter two initiatives are not optimal long-term solutions and efforts to achieve a more attractive outcome to improve the beneficiation of aluminium produced in the region are continuing.

Prospects

Following the completion of the Rolled Products expansion project, Hulamin is now well positioned to further grow its sales volumes, improve its product mix and achieve further cost improvements in pursuit of its drive to achieve an attractive return on capital employed. The rate of growth in sales and earnings will be impacted by the strength of the global economic recovery, the final resolution of the rolling slab supply issues, and the relative value of the Rand against the major currencies.

M E Mkwanazi	A Fourie
Chairman	*Chief Executive*

11 February 2010

Audit opinion

The auditors, PriceWaterhouseCoopers Inc., have issued their opinion on the group's financial statements for the year ended 31 December 2009. The audit was conducted in accordance with International Standards on Auditing. They have issued an unmodified audit opinion. A copy of their audit report is available for inspection at the company's registered office. These condensed financial statements have been derived from the group financial statements and are consistent, in all material respects, with the group financial statements.

Corporate information

Registration number: 1940/013924/06
Share code: HLM
ISIN number: 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
E-mail: hulamin@hulamin.co.za

Securities exchange listings
South Africa (Primary), JSE Limited

Transfer secretaries
Computershare Investor Services (Proprietary) Limited
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:
L C Cele, V N Khumalo, T P Leeuw
J B Magwaza, N N A Matyumza (with effect from 1 March 2010)
M E Mkwanazi (Chairman)
S P Ngwenya, P H Staude

Executive directors:
A Fourie (Chief Executive Officer)
C D Hughes, M Z Mkhize