

Audited group results for the year ended 31 December 2012



HULAMIN



Attributable earnings
+66%
to R133 million

Headline EPS
+128%
which includes employer allocation of R118 million from pension fund conversion

Cash flow before financing activities positive at
R72m

Condensed Consolidated Balance Sheet

	2012 R'000	2011 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	4 673 697	4 915 087
Intangible assets	63 437	47 499
Investments in associates and joint ventures	-	40 581
Retirement benefit asset	177 179	37 615
Deferred tax asset	29 560	21 225
	4 943 873	5 062 007
Current assets		
Inventories	1 515 612	1 306 702
Trade and other receivables	945 223	1 069 739
Derivative financial assets	46 990	60 747
Cash and cash equivalents	29 596	19 900
	2 537 421	2 457 088
Total assets	7 481 294	7 519 095
EQUITY		
Share capital and share premium	1 817 434	1 727 643
BEE reserve	174 686	174 686
Employee share-based payment reserve	101 099	105 750
Hedging reserve	(8 898)	8 322
Retained earnings	2 692 424	2 653 224
	4 776 745	4 669 625
LIABILITIES		
Non-current liabilities		
Non-current borrowings	556 948	628 284
Deferred tax liability	969 782	940 205
Retirement benefit obligations	192 758	169 740
	1 719 488	1 738 229
Current liabilities		
Trade and other payables	718 974	816 251
Current borrowings	215 131	200 325
Derivative financial liabilities	49 443	94 360
Income tax liability	1 513	305
	985 061	1 111 241
Total liabilities	2 704 549	2 849 470
Total equity and liabilities	7 481 294	7 519 095
Net debt to equity (%)	15,5	17,3

Condensed Consolidated Income Statement

Note	2012 R'000	2011 R'000
Revenue	6 541 997	6 905 444*
Cost of sales	(5 895 049)	(6 398 110)
Gross profit	646 948	507 334
Other gains and losses	41 938	85 246*
Selling, marketing and distribution expenses	(361 621)	(355 282)
Administrative and other expenses	(82 713)	(67 353)
Operating profit	244 552	169 945
Net finance costs	(62 909)	(61 910)
Share of profits of joint ventures	181	1 187
Profit before tax	181 824	109 222
Taxation	(49 276)	(29 546)
Net profit for the year	132 548	79 676
Headline earnings		
Net profit for the year	132 548	79 676
(Profit)/loss on disposal of property, plant and equipment	(15 419)	2 985
Impairment of property, plant and equipment	84 057	3 690
Reversal of impairment of investment in joint venture	-	(4 361)
Loss on sale of investment in joint venture	3 793	-
Tax effects of adjustments	(22 763)	(1 869)
Headline earnings attributable to shareholders	182 216	80 121
Earnings per share		
Basic (cents)	42	25
Diluted (cents)	41	25
Headline earnings per share		
Basic (cents)	57	25
Diluted (cents)	57	25
Currency conversion		
Rand/US dollar - average	8,22	7,27
Rand/US dollar - closing	8,47	8,11

* Prior year information has been reclassified. Refer note 3.

Condensed Consolidated Statement of Comprehensive Income

	2012 R'000	2011 R'000
Net profit for the year	132 548	79 676
Cash flow hedges, net of tax	(17 220)	(30 518)
Total comprehensive income for the year	115 328	49 158

Condensed Consolidated Statement of Changes in Equity

	2012 R'000	2011 R'000
Balance at beginning of year	4 669 625	4 609 534
Total comprehensive income for the year	115 328	49 158
Shares issued	25	1 831
Redemption of B ordinary shares	(129)	-
Consolidated "A" and "B" class shares	-	(3 018)
Value of employee services	(1 878)	17 125
Settlement of employee share incentives	(6 017)	(4 127)
Tax on employee share incentives	(209)	(878)
Total equity	4 776 745	4 669 625

Condensed Consolidated Cash Flow Statement

	2012 R'000	2011 R'000
Cash flows from operating activities		
Operating profit	244 552	169 945
Net interest paid	(65 510)	(65 933)
(Profit)/loss on disposal of property, plant and equipment	(15 419)	2 985
Non-cash items:		
Depreciation, amortisation and impairment of property, plant and equipment	306 486	213 388
Other non-cash items	(169 708)	175 302
Income tax payment	(20 338)	(19 774)
Changes in working capital	(181 671)	(188 839)
	98 392	287 074
Cash flows from investing activities		
Additions to property, plant and equipment	(82 319)	(134 449)
Additions to intangible assets	(15 621)	(17 495)
Proceeds on disposal of property, plant and equipment	34 926	-
Decrease in investment in joint ventures	36 969	16 854
	(26 045)	(135 090)
Cash flows before financing activities	72 347	151 984
Cash flows from financing activities		
Borrowings repaid	(56 530)	(154 227)
Shares issued	25	1 831
Redemption of B ordinary shares	(129)	-
Settlement of share options	(6 017)	(4 127)
	(62 651)	(156 523)
Net increase/(decrease) in cash and cash equivalents	9 696	(4 539)
Cash and cash equivalents at beginning of year	19 900	24 439
Cash and cash equivalents at end of year	29 596	19 900

Notes

- Basis of preparation**
The audited group financial statements for the year ended 31 December 2012, from which these condensed consolidated financial statements are derived, have been prepared in accordance with International Financial Reporting Standards, under the supervision of the Chief Financial Officer, Mr C D Hughes 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 previous annual financial statements. Hulamin has not adopted any new or revised accounting standards in the current year which have impacted the reported results.
- Operating segment analysis**
The group is organised into two major operating segments, namely Hulamin Rolled Products and Hulamin Extrusions.
REVENUE
Hulamin Rolled Products: 5 852 892
Hulamin Extrusions: 689 105
Group total: 6 541 997
OPERATING PROFIT
Hulamin Rolled Products: 253 531
Hulamin Extrusions: (8 979)
Group total: 244 552
TOTAL ASSETS
Hulamin Rolled Products: 7 230 731
Hulamin Extrusions: 250 563
Group total: 7 481 294
- 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. Cash flow hedge gains and losses relating to the hedging of sales transactions are recorded in revenue. The loss of R51,6 million previously recorded in other gains and losses in the prior year has been reallocated to revenue.
- Taxation**
The tax charge included within these condensed financial statements is:
Normal: 21 547
Deferred: 27 729
49 276
Normal rate of taxation: 28,0%
Adjusted for: Exempt income, non-allowable and other items: (0,9)%
Effective rate of taxation: 27,1%
- Earnings per share**
The weighted average number of shares used in the calculation of basic and diluted earnings per share are as follows:
Weighted average number of shares used for basic EPS: 317 510 700
Share options: 4 521 585
Weighted average number of shares used for diluted EPS: 322 032 285
- Commitments and contingent liabilities**
Capital expenditure contracted for but not yet incurred: 37 852
Operating lease commitments: 3 246
Guarantees and contingent liabilities: 300

Commentary

Turnover decreased to R6,54 billion in 2012 (2011: R6,91 billion) on lower sales from Hulamin Rolled Products, which totalled 194 000 tons (208 000 tons in 2011). In April 2012, a fault developed in the Camps Drift Hot Finishing Mill motor and the resulting stoppage caused a loss of approximately 25 000 tons, or 11% of annual sales, equating to an estimated operating loss of R154 million. An accrual of R93 million (before tax) has been made in respect of the resulting insurance claim.

Operating profit increased by 44% to R245 million, which includes the employer allocation of R164 million (R118 million after tax) arising out of the successful conversion and outsourcing of the Hulamin Pension Fund, offset by the R84 million impairment of mothballed and underperforming assets. With Rand aluminium prices being fairly stable, the metal price revaluation declined from a loss of R34 million in 2011 to a loss of R2 million in 2012, after recording a profit of R15 million in the first six months of 2012. The weakening of the Rand towards the end of the year has contributed to the improved financial results.

Interest paid increased marginally to R63 million, and borrowings decreased to R742 million (2011: R809 million). Earnings improved by 66% to R133 million and headline earnings per share increased by 128% to 57 cents per share.

Headline earnings excluding the employer allocation from the pension fund of R118 million, amounted to R64 million. This was 19% more than the 2011 headline earnings, excluding the R26 million prior year insurance receipt, of R54 million. The board has decided not to declare a final dividend.

The continuing application of Hulamin's manufacturing excellence programme delivered further operational benefits, particularly in improved throughput from the remelt and twin roll caster operations, cold rolling speeds and in foil performance.

International market performance remained uncertain throughout 2012 as growth moderated in China and weaker manufacturing in Europe specifically, impacted on both international demand and margins.

Domestic demand for both rolled and extruded products remained under pressure as the competitiveness of South African manufacturing continued to be eroded by rising costs and competition from aggressively priced imports.

Aluminium beverage cans in South Africa
As announced in November 2012, Hulamin has concluded an agreement with Nampak for the supply of aluminium can body stock from 2013 to 2015. This agreement follows two years of product development and discussions with role players in the South African beverage industry and the decision to move from steel-bodied to all-aluminium cans. Hulamin looks forward to further growth from this sector as the benefits of the aluminium can are established in the market.

Solar projects
In December 2012, Hulamin Extrusions concluded an agreement for the supply of extruded aluminium sections to be used in the construction of solar photo-voltaic installations. This will provide an encouraging growth opportunity for Hulamin Extrusions in an otherwise depressed local architectural market that is experiencing a flood of imports.

Rolling slab and extrusion billet supply
Hulamin produces the majority of its rolling slab requirements in its own facilities in Pietermaritzburg, and sources the balance from BHP Billiton's Bayside smelter. Hulamin has continued to engage BHP Billiton on the future of slab supply from Bayside and agreement has been reached to extend rolling slab supply to the end of June 2013. Discussions continue in search of a long-term solution to the local supply of rolling slab. Hulamin continued to import the majority of its extrusion billet requirements in 2012.

Prospects
In 2013, Hulamin will commence supply of aluminium can body stock in the local market. Although the volumes will only become meaningful from 2014, growth in local beverage can demand indicates an opportunity for local sales growth in excess of 50% by 2016.

Improved operating performance remains a key priority and opportunities to improve cost competitiveness further are being identified. Hulamin will continue its drive to advance manufacturing capacity utilisation and efficiency through better equipment reliability and product quality performance.

Market conditions continued to be subdued in 2013, placing pressure on margin and mix optimisation. A gradual improvement in demand is anticipated.

Retirement of Chief Financial Officer
Charles Hughes will be retiring on 31 May 2013 after 33 years with the company, during which time he served Hulamin with dedication, strong leadership and incisive judgement. David Austin, former CFO of Macsteel International Trading, has been appointed as Chief Financial Officer of Hulamin with effect from 1 March 2013.

ME Mkwanzani
ME Mkwanzani
Chairman
21 February 2013

RG Jacob
RG Jacob
Chief Executive Officer

Corporate Information

HULAMIN LIMITED
("Hulamin" or "the group")
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210

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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 Mkwanzani (Chairman), LC Cele, VN Khumalo, TP Leeuw, JB Magwaza
NNA Matyuzza, SP Ngwenya, PH Staudé, GHM Watson

Executive directors:
RG Jacob (Chief Executive Officer), CD Hughes, MZ Mkhize

Company Secretary
W Fitchat

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