

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

AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016 AND CASH DIVIDEND DECLARATION

- Headline Earnings per share up 222% to 119 cps
- Record sales of 232 000 tons
- Strong cash flow of R415 million
- Best ever safety performance (LTIFR: 0.09 and TRCFR: 0.27)

Richard Jacob, CEO, commented:

"This record set of results is based on a much improved and more consistent manufacturing performance, tighter capital discipline and a weaker Rand against the US Dollar. In spite of a stronger currency environment in the second half, Hulamin performed particularly well in this period, improving HEPS from 48 cps in the first half of 2016 to 71 cps in the second, and improving cash flow from R33 million to R382 million over the same period."

ENQUIRIES

Hulamin	033 395 6911
Richard Jacob, CEO	082 806 4068
Anton Krull, CFO	071 361 0622
CapitalVoice	
Johannes van Niekerk	082 921 9110

COMMENTARY

Group sales volumes for 2016 increased 17% to 232 000 tons. Hulamin Rolled Products was the major contributor to this performance, improving sales volumes by 19% to 214 000 tons. Manufacturing output was consistent throughout the period, while improved product yields, lower unit costs and a higher level of value added products made significant contributions to the improved profitability.

Market conditions in which Hulamin trades, both in South Africa and around the globe, remained tentative throughout 2016. Selling prices (rolling margins) in US Dollars in the second half improved on levels achieved in the first half. For the full year, however, margins were softer than in 2015. The London Metal Exchange aluminium price continued to rise through the second half of 2016 to close at \$1 713 per ton. This resulted in a metal price lag profit of R50 million for the full year (2015: loss of R161 million).

Turnover increased to R10.1 billion (2015 R8.4 billion) driven by the higher sales volume, an average Rand LME price that increased by 24% during the year under review and the weakening of the Rand against the US Dollar.

Local demand for beverage can stock products started the year under pressure and recovered somewhat in the second half to end the year at a similar level to 2015. The increased demand for can stock in the second half allowed us to source additional volumes of scrap. Now that the recycling facility is fully commissioned and contributing to overall business performance, albeit ramping up to full capacity in conjunction with the growth in sales of can body stock, we are increasing our activities in sourcing all forms of scrap.

Rolled Products manufacturing conversion costs per ton declined in real terms by 10.7% (4.3% nominally). Total manufacturing costs (excluding metal price lag) rose by 14% to R3.1 billion. Aside from the increased variable costs such as packaging, material costs, alloying elements and certain components of energy cost, which are also sensitive to currency and commodity prices, we maintained tight controls over employment, maintenance and energy costs.

Earnings before interest and taxation (EBIT) rose by 110% to R622 million. Comparative operating profit (before metal price lag) was 20% higher at R567 million. Net interest charges increased by 30% to R87 million, as a result of higher average levels of debt. Attributable earnings were consequently 135% higher at R385 million for the year (Headline Earnings per Share (HEPS) was 119 cents compared to 37 cents in 2015). Normalised HEPS improved by

116% to 119 cents.

Cash flow before financing activities improved sharply to R415 million (2015: R420 million outflow), after R328 million capital expenditure and interest payments of R102 million (including capitalised interest of R15 million).

Operational performance at the Isizinda cast house continued to improve. This asset contributes to improved energy efficiency (receiving molten metal from Hillside Aluminium), lower overall cost of rolling slab and more efficient use of working capital through increased flexibility.

Hulamin Extrusions performance also improved compared to the prior period. During 2016, we approved a capital investment plan for Hulamin Extrusions and the repositioning of the business in the very dynamic local market.

Dividend

The board has declared a final dividend of 15 cents per share for 2016 (before withholding tax).

Transformation

We contribute to a new sustainable economic order in South Africa through our conduct in business, one that broadens economic participation and addresses social injustice, racism, poverty and inequality among other development objectives. Following the conclusion of the Black Economic Empowerment ownership transaction in 2015, Hulamin has made further progress in 2016 in the areas of management control and employment equity. As a result, 81% of line management are now black (62% of whom are African and 23% are African women). We continue to build a world-class management team that is well placed to lead Hulamin into the future.

Prospects

Hulamin expects to maintain the improved sales and manufacturing performance achieved in 2016, into 2017. Should the Rand continue to firm against the US Dollar, however, this is likely to put pressure on financial performance. We expect healthy demand for our products throughout 2017 in market conditions that we expect to remain uncertain.

M E Mkwanazi
Chairman

R G Jacob
Chief Executive Officer

Pietermaritzburg

23 February 2017

Condensed Consolidated Balance Sheet as at 31 December 2016

	2016 R'000	2015 R'000
ASSETS		
Non-current assets		
Property, plant and equipment	3 263 500	3 166 800
Intangible assets	69 086	66 917
Retirement benefit asset	117 397	142 292
Deferred tax asset	25 463	20 260
	3 475 446	3 396 269
Current assets		
Inventories	1 825 221	1 784 805
Trade and other receivables	1 513 096	1 384 390
Derivative financial assets	64 445	8 457
Cash and cash equivalents	75 627	70 158
Income tax asset	2 603	12 461
	3 480 992	3 260 271
Total assets	6 956 438	6 656 540
EQUITY		
Share capital and share premium	1 817 580	1 817 580
BEE reserve	51 776	51 224
Employee share-based payment reserve	55 852	45 707

Hedging reserve	15 506	(92 122)
Retained earnings	2 405 974	2 032 128
Total equity	4 346 688	3 854 517
LIABILITIES		
Non-current liabilities		
Non-current borrowings	162 000	216 000
Deferred tax liability	516 533	486 765
Retirement benefit obligations	258 879	227 997
	937 412	930 762
Current liabilities		
Trade and other payables	1 141 011	806 210
Current borrowings	490 444	829 401
Derivative financial liabilities	15 168	235 650
Income tax liability	25 715	-
	1 672 338	1 871 261
Total liabilities	2 609 750	2 802 023
Total equity and liabilities	6 956 438	6 656 540
Net debt to equity	%	13.3
		25.3

Condensed Consolidated Income Statement

	Note	2016 R'000	2015 R'000
Revenue		10 099 349	8 394 986
Cost of sales		(8 957 621)	(7 855 025)
Gross profit		1 141 728	539 961
Selling, marketing and distribution expenses		(443 881)	(382 204)
Administrative and other expenses		(144 892)	(111 050)
Other gains and losses		68 559	248 773
Operating profit		621 514	295 480
Interest income		1 309	2 085
Interest expense		(88 005)	(68 577)
Profit before tax		534 818	228 988
Taxation	3	(149 885)	(65 274)
Net profit for the year attributable to equity holders of the company		384 933	163 714
Headline earnings			
Net profit for the year attributable to equity holders of the company		384 933	163 714
(Profit)/loss on disposal of property, plant and equipment		(6 093)	10 538
Bargain purchase gain		-	(51 868)
Tax effects of adjustments		897	(3 123)
Headline earnings attributable to equity holders of the company		379 737	119 261
Normalised Earnings			
Headline earnings attributable to equity holders of the company		379 737	119 261
BEE share-based costs		-	20 000
Transaction costs		-	5 455
Post retirement medical aid past service costs adjustments		-	4 857
Equity-settled share-based payment: Isizinda		552	27 224
Normalised earnings		380 289	176 797
Earnings per share (cents)	4		
Basic		120	51
Diluted		117	50
Headline earnings per share (cents)	4		
Basic		119	37
Diluted		116	36
Normalised earnings per share (cents)	4		
Basic		119	55
Diluted		116	54
Dividends per share (cents)			
Interim		-	8
Final		15	-
Currency conversion			
Rand / US dollar average		14.73	12.76
Rand / US dollar closing		13.61	15.56

Condensed Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	2016	2015
	R'000	R'000
Net profit for the year attributable to equity holders of the company	384 933	163 714
Other comprehensive (loss)/income for the year	93 851	(78 063)
Items that may be reclassified subsequently to profit or loss	107 628	(98 736)
Cash flow hedges transferred to income statement	127 948	(9 186)
Cash flow hedges created	21 535	(127 947)
Income tax effect	(41 855)	38 397
Items that will not be reclassified to profit or loss	(13 777)	20 673
Remeasurement of retirement benefit obligation	(14 032)	25 134
Remeasurement of retirement benefit asset	(5 103)	3 578
Income tax effect	5 358	(8 039)
Total comprehensive income for the year attributable to equity holders of the company	478 784	85 651

Condensed Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

	2016	2015
	R'000	R'000
Balance at beginning of year	3 854 517	3 833 817
Total comprehensive income for the year	478 784	85 651
Value of employee services	26 998	16 777
Settlement of employee share incentives	(12 436)	(24 397)
Tax on employee share incentives	(1 727)	(3 096)
Share-based payment costs on 2015 BEE transaction	-	20 000
Equity-settled share-based payment: Isizinda	552	31 224
Dividends paid	-	(105 459)
Total equity	4 346 688	3 854 517

Condensed Consolidated Cash Flow Statement
for the year ended 31 December 2016

	2016	2015
	R'000	R'000
Cash flows from operating activities		
Operating profit	621 514	295 480
Net interest paid	(101 792)	(86 943)
(Profit)/loss on disposal of property, plant and equipment	(6 093)	10 538
Non-cash items:		
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	186 000	148 661
Other non-cash items	(58 308)	85 545
Income tax payment	(127 972)	(49 735)
Changes in working capital	165 679	(279 771)
	679 028	123 775
Cash flows from investing activities		
Additions to property, plant and equipment	(314 856)	(472 358)
Government grant	57 047	-
Acquisition of business in business combination	-	(100 170)
Additions to intangible assets	(13 551)	(15 480)
Proceeds on disposal of property, plant and equipment	7 681	44 679
	(263 679)	(543 329)
Cash flows before financing activities	415 349	(419 554)
Cash flows from financing activities		
(Repayment of) / Proceeds from non-current borrowings	(54 000)	270 000
(Repayment of) / Proceeds from current borrowings	(338 957)	89 257
Settlement of employee share incentives	(12 436)	(24 397)
Proceeds to settle equity option	-	4 000
Dividends paid	-	(105 459)
	(405 393)	233 401
Net increase / (decrease) in cash and cash equivalents	9 956	(186 153)
Cash and cash equivalents at beginning of year	70 158	249 106
Effects of exchange rate changes on cash and cash equivalents	(4 487)	7 205
Cash and cash equivalents at end of year	75 627	70 158

Notes

1. Basis of preparation

The audited group financial statements for the year ended 31 December 2016, 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 listing requirements, under the supervision of the Chief Financial Officer, Mr AP Krull 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 2015 financial statements.

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.

	2016	2015
	R'000	R'000

2. Operating Segment Analysis

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

	2016	2015
	R'000	R'000
REVENUE		
Hulamin Rolled Products	9 237 127	7 554 622
Hulamin Extrusions	862 222	840 364
Group total	10 099 349	8 394 986
OPERATING PROFIT		
Hulamin Rolled Products	587 318	282 908
Hulamin Extrusions	34 196	12 572
Group total	621 514	295 480
TOTAL ASSETS		
Hulamin Rolled Products	6 663 575	6 335 986
Hulamin Extrusions	292 863	320 554
Group total	6 956 438	6 656 540

3. Taxation

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

Normal	163 518	40 082
Deferred	(13 633)	25 192
	149 885	65 274
Normal rate of taxation	28.0%	28.0%
Adjusted for:		
Exempt income, non-allowable and other items	0.0%	0.5%
Effective rate of taxation	28.0%	28.5%

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	Number of shares
	2016	2015
Weighted average number of shares used for basic EPS	319 596 836	319 596 836
Share options	9 064 508	7 666 904
Weighted average number of shares used for diluted EPS	328 661 344	327 263 740

	R'000	R'000
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5. Dividends per share

Dividends per share declared		
Interim dividend: nil (2015: 8 cents on 319 596 836 ordinary shares)	-	25 568
Final dividend: 15 cents on 319 596 836 ordinary shares (2015: nil)	47 940	-
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2015: nil)	708	-
Total	48 648	25 568

The final dividend was declared subsequent to year end and therefore has not been provided for in the group financial statements.

6. Commitments and contingent liabilities

Capital expenditure contracted for but not yet incurred	109 734	202 632
Operating lease commitments	30 782	41 034

AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc., have issued their opinion on the group's financial statements for the year ended 31 December 2016. 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 ensuring that the condensed consolidated financial statements are correctly extracted from the underlying audited financial statements.

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared a final gross cash dividend of 15.0 cents (12.0000 cents net of dividend withholding tax) per ordinary share for the year ended 31 December 2016.

The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 319 596 836 ordinary shares and 4 721 600 A1 ordinary shares. The income tax number of the company is 9522-526-71-5.

The salient dates for the dividend will be as follows:

Last day of trade to receive a dividend	Monday, 20 March 2017
Shares commence trading ex-dividend	Wednesday, 22 March 2017
Record date	Friday, 24 March 2017
Payment date	Monday, 27 March 2017

Share certificates may not be de-materialised or rematerialised between Wednesday, 22 March 2017 and Friday, 24 March 2017.

CORPORATE INFORMATION

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

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Moses Mabhida Road, Pietermaritzburg, 3201; PO Box 74, Pietermaritzburg, 3200

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Securities exchange listing
South Africa (Primary), JSE Limited

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; 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), CA Boles*(1), LC Cele*, VN Khumalo, TP Leeuw*, N Maharajh*(2),
NNA Matyumza*, Dr B Mehlomakulu*(3), SP Ngwenya, PH Staude*, GHM Watson*, GC Zondi(#)(4)

Executive directors:
RG Jacob (Chief Executive Officer), AK Krull (Chief Financial Officer)(4), MZ Mkhize

*Independent non-executive director
Alternate non-executive director
Note 1:Appointed on 1 October 2016
Note 2:Appointed on 1 September 2016
Note 3:Appointed on 1 November 2016
Note 4: Appointed on 1 May 2016
J B Magwaza and D A Austin resigned as directors effective 30 April 2016.

Company Secretary
W Fitchat

Date of SENS release: 27 February 2017