



HULAMIN

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Unaudited results for the half-year ended 30 June 2015

HIGHLIGHTS

- Operating profit down 34% on 16% lower sales
- Bayside casthouse taken over by Isizinda Aluminium (a Hulamin/Bingelela consortium) on 1 July 2015
- Cash outflow of R575 million driven by investments and capital expenditure
- Recycling furnace started up on time and on budget in May 2015

COMMENTARY

FINANCIAL AND OPERATING PERFORMANCE

Sales volumes for the six months to 30 June 2015 totalled 93 000 tons, 16% lower than the corresponding period's 110 000 tons. Electricity supply curtailments, compounded by quality rework on two product lines, disrupted output of rolled products, which in turn constrained sales volumes, particularly in the first quarter. A major planned maintenance shutdown was successfully carried out in May, also impacting on production and sales.

Turnover accordingly decreased to R3,93 billion (2014: R4,06 billion). The Rand weakened by 11% to an average of R11,92/USD (2014: R10,71/USD) supporting Rand revenues and counteracting the effects of domestic cost inflation.

Locally, the economy has remained soft and low priced products, largely from Asia, are placing pressure on both sales volumes and prices. Internationally, demand for rolled products and prices in our key streams and markets remained steady. Asian markets are extremely competitive at present due to significant overcapacity in the region and we have reduced our activity there accordingly.

The price of aluminium, as quoted on the London Metal Exchange, has fallen sharply in recent months due to an oversupplied global market with excess capacity. As a semi-fabricator and processor of aluminium products, Hulamin does not produce aluminium itself and purchases its metal requirements from smelters, particularly South 32's Hillside operation in Richards Bay. The sharp fall in the aluminium price created a R55 million metal price lag charge in the current period.

Manufacturing costs are 3% lower than the prior year. Operating profit declined to R138 million, or 34% lower compared to the prior year as a result of the lower sales volumes and the material metal price lag loss mentioned above.

Production improved in the second quarter, in spite of the planned maintenance shutdown undertaken on key plant and equipment that included a number of upgrades and improvements. All engineering work was successfully completed.

There was a cash outflow from operations of R129 million (2014: R304 million inflow), largely as a result of lower profits and increased working capital requirements. Capital expenditure consumed R265 million and the group's initial investment in Isizinda Aluminium amounted to R101 million. These elements, together with the payment of dividends declared in respect of the 2014 financial year of R80 million, resulted in a total cash outflow of R575 million that was funded by increased borrowings.

ISIZINDA ALUMINIUM

The acquisition of the Bayside casthouse by Isizinda Aluminium, the combined Hulamin and Bingelela consortium, from South 32 has been completed as planned, with operations having been successfully handed over on 1 July 2015. We expect a seamless transition under new ownership at the Bayside casthouse with largely the same personnel in place that has operated the facility for the past few years.

Not only does this strategic transaction secure Hulamin's local supply of rolling slab, but, under Isizinda Aluminium, the Bayside casthouse is developing into a broad-range aluminium hub, providing the opportunity to re-introduce the local supply of products such as extrusion billet and wire rod, which have been imported since 2009, to support industrialisation in Richards Bay, the growth of the domestic aluminium industry and economic growth throughout Southern Africa.

NEW HULAMIN B-BBEE TRANSACTION AND ESOP

Shareholders approved a new B-BBEE transaction, including an employee share ownership scheme (ESOP), on 23 April 2015. The transaction, which is subject to the fulfilment of the remaining conditions precedent, is expected to be effective during the third quarter of 2015.

ELECTRICITY SHORTAGES

The impact of load curtailment on operations was significantly lower in April following a particularly disruptive February and March period, despite the frequency having increased. This is attributed to Hulamin having successfully commissioned a set of 6MW generators that allows the Pietermaritzburg plant to run close to normal operation during periods of 10% load curtailment (stage one and two), while we have also improved our capacity planning capability.

COMMENTARY continued

ALUMINIUM RECYCLING PLANT

With the growth in consumption of all-aluminium cans and the attractiveness of collecting and recycling used beverage cans, Hulamin approved an investment of R300 million in 2013 in scrap recycling capacity. Most of this equipment has been successfully installed and started up on time and on budget in May 2015. The final phase of the investment is the installation of scrap cleaning and separation capability that is scheduled for start-up before the end of 2015. Hulamin procured about 5 000 tons of scrap in the six months under review.

US EXPORT MARKET

Hulamin is a beneficiary of preferential access to markets in the USA via the Africa Growth and Opportunities Act (AGOA) and Generalized System of Preferences (GSP) legislation. Hulamin participated in the renewal process that resulted in AGOA being renewed for 10 years from 1 October 2015 and GSP being renewed retrospectively to 2017 on 29 June 2015. This is a positive development as the US, whose economy continues to strengthen, remains an important market for Hulamin's products.

DIVIDEND

In line with the company's dividend policy, the Board has declared a gross interim dividend of 8,0 cents per ordinary share in respect of the six months ended 30 June 2015 (2014: gross final dividend of 25,0 cents per ordinary share).

PROSPECTS

Hulamin expects manufacturing operations in the second half of 2015 to benefit from the corrective measures implemented to date, with challenging market conditions expected to continue in both local and international markets.



M E Mkwanazi
Chairman

Pietermaritzburg
27 July 2015



R G Jacob
Chief Executive Officer

CASH DIVIDEND DECLARATION

Notice is hereby given that the directors have declared an interim gross cash dividend of 8,0 cents (6,80000 cents net of dividend withholding tax) per ordinary share for the six months ended 30 June 2015.

The dividend has been declared from income reserves. A dividend withholding tax of 15% will be applicable to all shareholders who are not exempt.

The issued share capital at the declaration date is 319 596 836 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	Friday, 14 August 2015
Shares commence trading "ex" dividend	Monday, 17 August 2015
Record date	Friday, 21 August 2015
Payment date	Monday, 24 August 2015

Share certificates may not be dematerialised or rematerialised between Monday, 17 August 2015 and Friday, 21 August 2015, both days inclusive.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
Revenue		3 930 015	4 061 434	8 038 918
Cost of sales		(3 641 777)	(3 608 287)	(7 119 966)
Gross profit		288 238	453 147	918 952
Selling, marketing and distribution expenses		(171 421)	(211 586)	(403 104)
Administrative and other expenses		(55 194)	(49 686)	(88 781)
Impairment (charge)/reversal		(4 345)	–	43 405
Other gains and losses		81 220	18 477	114 661
Operating profit		138 498	210 352	585 133
Interest income		1 023	1 100	2 453
Interest expense		(31 326)	(28 716)	(48 160)
Profit before tax		108 195	182 736	539 426
Taxation	4	(32 458)	(52 828)	(154 498)
Net profit for the period		75 737	129 908	384 928
Headline and normalised earnings				
Net profit for the period		75 737	129 908	384 928
(Profit)/loss on disposal of property, plant and equipment		(72)	(118)	6 498
Impairment charge/(reversal) of property, plant and equipment and intangible assets		4 345	–	(43 405)
Tax effects of adjustments		(1 196)	33	10 334
Headline earnings		78 814	129 823	358 355
Transaction costs		2 727	–	7 450
Past service costs credit adjustment		–	–	(11 272)
Normalised earnings		81 541	129 823	354 533
Earnings per share	5			
Basic	(cents)	24	41	120
Diluted	(cents)	23	40	118
Headline earnings per share				
Basic	(cents)	25	41	112
Diluted	(cents)	24	40	110
Normalised earnings per share				
Basic	(cents)	26	41	111
Diluted	(cents)	25	40	109
Dividend per share	(cents)	8	–	25
Currency conversion				
Rand/US dollar average		11,92	10,71	10,85
Rand/US dollar closing		12,27	10,60	11,58

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
Net profit for the period	75 737	129 908	384 928
Other comprehensive income for the period	5 932	13 231	28 037
Items that may be reclassified subsequently to profit or loss	5 831	11 911	37 919
Cash flow hedges transferred to income statement	(9 186)	43 480	43 480
Cash flow hedges created	17 285	(26 936)	9 186
Income tax effect	(2 268)	(4 633)	(14 747)
Items that will not be reclassified to profit or loss	101	1 320	(9 882)
Remeasurement of retirement benefit obligation	-	-	(12 991)
Remeasurement of retirement benefit asset	140	1834	(733)
Income tax effect	(39)	(514)	3 842
Total comprehensive income for the period	81 669	143 139	412 965

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
Balance at beginning of period	3 833 817	3 402 810	3 402 810
Total comprehensive income for the period	81 669	143 139	412 965
Shares issued	-	43	34
Value of employee services	7 883	6 982	15 156
Settlement of employee share incentives	-	-	(2 796)
Tax on employee share incentives	-	-	7 044
De-consolidation of structured entity	-	-	(1 396)
Dividends paid	(79 892)	-	-
Total equity	3 843 477	3 552 974	3 833 817

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		2 909 499	2 530 063	2 697 148
Intangible assets		55 592	45 189	59 777
Retirement benefit asset		140 529	153 056	138 854
Investments	6	100 672	–	–
Deferred tax asset		23 749	27 128	25 450
		3 230 041	2 755 436	2 921 229
Current assets				
Inventories		1 996 270	1 651 881	1 958 934
Trade and other receivables		1 122 926	1 050 161	1 037 909
Derivative financial assets		53 248	20 905	44 175
Cash and cash equivalents		54 951	39 984	249 106
Income tax asset		26 370	9 203	2 808
Asset held for sale		50 872	–	55 217
		3 304 637	2 772 134	3 348 149
TOTAL ASSETS		6 534 678	5 527 570	6 269 378
EQUITY				
Share capital and share premium		1 817 580	1 817 589	1 817 580
BEE reserve		–	174 686	–
Employee share-based payment reserve		49 294	36 702	41 411
Hedging reserve		12 445	[19 394]	6 614
Retained earnings		1 964 158	1 543 391	1 968 212
Total equity		3 843 477	3 552 974	3 833 817
LIABILITIES				
Non-current liabilities				
Non-current borrowings		48 059	–	–
Deferred tax liability		497 154	448 601	477 702
Retirement benefit obligations		239 476	232 708	236 369
		784 689	681 309	714 071
Current liabilities				
Trade and other payables		836 018	849 412	964 827
Current borrowings		1 019 102	427 004	686 144
Derivative financial liabilities		51 392	16 871	70 519
		1 906 512	1 293 287	1 721 490
Total liabilities		2 691 201	1 974 596	2 435 561
TOTAL EQUITY AND LIABILITIES		6 534 678	5 527 570	6 269 378
Net debt to equity	(%)	26	11	14

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
Cash flows from operating activities			
Operating profit	138 498	210 352	585 133
Net interest paid	(39 068)	(28 608)	(50 626)
(Profit)/loss on disposal of property, plant and equipment	(72)	(118)	6 498
Non-cash items:			
Depreciation and amortisation of property, plant and equipment	65 961	58 230	118 260
Impairment charge/(reversal)	4 345	–	(43 405)
Other non-cash items	(10 646)	(14 849)	65 754
Income tax payment	(37 172)	(21 712)	(84 714)
Changes in working capital	(251 162)	100 478	(78 854)
	(129 316)	303 773	518 046
Cash flows from investing activities			
Additions to property, plant and equipment	(262 631)	(68 543)	(305 572)
Additions to intangible assets	(2 739)	(10 736)	(29 992)
Proceeds on disposal of property, plant and equipment	79	125	206
Investments	(100 672)	–	–
	(365 963)	(79 154)	(335 358)
Cash flows before financing activities	(495 279)	224 619	182 688
Cash flows from financing activities			
Increase/(decrease) in borrowings	381 017	(377 478)	(118 338)
Shares issued	–	43	34
Redemption of A ordinary shares	–	–	(3 624)
Settlement of share options	–	–	(2 796)
Dividends paid	(79 893)	–	–
	301 124	(377 435)	(124 724)
Net (decrease)/increase in cash and cash equivalents	(194 155)	(152 816)	57 964
Cash and cash equivalents at beginning of period	249 106	192 800	192 800
De-consolidation of structured entity	–	–	(1 658)
Cash and cash equivalents at end of period	54 951	39 984	249 106

NOTES

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information of the group for the half-year ended 30 June 2015 has been prepared in accordance with IAS 34 – Interim Financial Reporting and the Companies Act No 71 of 2008, under the supervision of the Chief Financial Officer, Mr D A Austin CA(SA), and should be read in conjunction with the group's 2014 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards.

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.

The accounting policies and methods of computation adopted are consistent with those used in the preparation of the group's 2014 annual financial statements.

Hulamin has not adopted any new or revised accounting standards in the current period which have had a material impact on reported results.

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
2. OPERATING SEGMENT ANALYSIS			
The group is organised into two major operating segments, namely Hulamin Rolled Products and Hulamin Extrusions.			
Revenue			
Hulamin Rolled Products	3 537 321	3 716 884	7 288 391
Hulamin Extrusions	392 694	344 550	750 527
Group total	3 930 015	4 061 434	8 038 918
Operating profit			
Hulamin Rolled Products	132 846	198 065	537 592
Hulamin Extrusions	5 652	12 287	47 541
Group total	138 498	210 352	585 133
Total assets			
Hulamin Rolled Products	6 178 141	5 206 966	5 897 340
Hulamin Extrusions	356 537	320 604	372 038
Group total	6 534 678	5 527 570	6 269 378

3. FOREIGN EXCHANGE AND COMMODITY PRICE RISK

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 accounted for as cash flow hedges, whereas the hedges of committed, fixed price sales are accounted for as fair value hedges.

Other gains and losses reflect the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments and non-derivative financial instruments.

The effective portion of cash flow hedge gains and losses are recorded in revenue when the sale occurs.

The lag between the price at which aluminium is purchased and subsequently resold gives rise to a gain or loss. Hulamin hedges 50% of this net exposure in terms of its hedging strategy. Included in cost of sales is a pre-tax metal price lag loss of R55 million (June 2014: R7 million loss, December 2014: R53 million gain) in respect of the unhedged portion of this exposure.

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
4. TAXATION			
The taxation charge included within these condensed interim financial statements is:			
Normal	13 610	13 997	83 603
Deferred	18 848	38 831	70 895
	32 458	52 828	154 498
Normal rate of taxation (%)	28,0	28,0	28,0
Adjusted for: (%)			
Exempt income, non-allowable and other items (%)	2,0	0,9	0,6
Effective rate of taxation (%)	30,0	28,9	28,6

5. EARNINGS PER SHARE (EPS)

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 are as follows:

	Number of shares June 2015	Number of shares June 2014	Number of shares December 2014
Weighted average number of shares used for basic EPS	319 596 836	319 432 181	319 515 636
Share options	8 592 876	5 650 784	6 860 351
Weighted average number of shares used for diluted EPS	328 189 712	325 082 965	326 375 987

NOTES continued

6. INVESTMENTS

Effective 30 June 2015, Isizinda Aluminium, a strategic partnership between Hulamín (40%) and the Bingelela consortium (60%), acquired the business and assets of the Bayside cashhouse from South32. The investment of R100,7 million represents Hulamín's initial equity and loan funding contribution to Isizinda Aluminium. The treatment of this investment in Hulamín's consolidated financials will be finalised by 31 December 2015.

	Unaudited Half-year 30 June 2015 R'000	Unaudited Half-year 30 June 2014 R'000	Audited Year ended 31 December 2014 R'000
7. COMMITMENTS AND CONTINGENT LIABILITIES			
Capital expenditure contracted for but not yet incurred	164 269	234 457	226 759
Operating lease commitments	44 698	35 012	39 896
Guarantees and contingent liabilities	-	300	-

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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CORPORATE INFORMATION AND INVESTOR RELATIONS

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DIRECTORATE

Non-executive directors

L C Cele*
S M G Jennings*
V N Khumalo
T P Leeuw*
J B Magwaza
N N A Matyumza*
M E Mkwanzazi, Chairman*
S P Ngwenya
P H Staude*
G H M Watson*
**Independent non-executive directors*

Executive directors

R G Jacob, Chief Executive Officer
D A Austin, Chief Financial Officer
M Z Mkhize, Manufacturing Director

COMPANY SECRETARY

W Fitchat
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