



# HULAMIN

## Condensed Income Statement

	Note	2008 R'000	2007 R'000
<b>Revenue</b>		<b>7 119 973</b>	<b>6 568 371</b>
Cost of sales		(6 235 460)	(5 815 546)
<b>Gross profit</b>		<b>884 513</b>	<b>752 825</b>
Other operating income		60 312	7 630
Selling and marketing expenses		(355 859)	(271 571)
Administrative expenses		(123 515)	(108 848)
<b>Operating profit before corporate structuring costs</b>		<b>465 451</b>	<b>380 036</b>
Corporate structuring costs	7	-	(168 389)
<b>Operating profit</b>		<b>465 451</b>	<b>211 647</b>
Share of joint venture's and associate company's profit		1 111	216
Finance costs		(118 253)	(85 262)
<b>Profit before tax</b>		<b>348 309</b>	<b>126 601</b>
Tax	4	(79 527)	(89 131)
<b>Net profit</b>		<b>268 782</b>	<b>37 470</b>
<b>Attributable to:</b>			
Ordinary shareholders		268 782	40 761
Minority interest		610	(3 291)
		<b>268 782</b>	<b>37 470</b>
<b>Headline earnings</b>			
Net profit for the year attributable to ordinary shareholders		268 782	40 761
Profit on sale of property, plant and equipment		(703)	(886)
Tax effects of adjustments		197	-
<b>Headline earnings attributable to shareholders</b>		<b>267 666</b>	<b>39 875</b>
<b>Earnings per share (cents)</b>	8		
Basic		124	19
Diluted		123	19
<b>Headline earnings per share (cents)</b>			
Basic		124	18
Diluted		123	18
<b>Dividend per share (cents)</b>			
Interim paid		41	48
Final declared		28	18
		13	30
<b>Currency conversion</b>			
Rand/US dollar average		8,27	7,05
Rand/US dollar closing		9,41	6,84

## Condensed Cash Flow Statement

	2008 R'000	2007 R'000
<b>Cash flows from operating activities</b>		
Operating profit	465 451	211 647
Interest paid	(189 088)	(100 373)
Profit on disposal of property, plant and equipment	(703)	(886)
Non-cash items:		
Depreciation and amortisation	176 354	182 025
Other non-cash items	41 676	169 178
Tax payments	(136 661)	(13 359)
Movements in derivatives	94 738	34 052
Change in working capital	(486 088)	(142 388)
	<b>(34 321)</b>	<b>339 896</b>
<b>Cash flows from investing activities</b>		
Expenditure on property, plant and equipment	(707 870)	(392 529)
Expenditure on intangible assets	(6 193)	(5 067)
Proceeds on disposal of property, plant and equipment	1 207	886
Investments	(5 185)	(6 336)
Acquisition of minority interest in subsidiary	(35 000)	-
	<b>(753 041)</b>	<b>(403 046)</b>
<b>Cash flows from financing activities</b>		
Borrowings raised/(repaid)	914 439	(362 529)
Capital contribution	1 424	436 605
Settlement of share options net of reversals	(5 174)	(12 316)
Dividends paid	(127 267)	(39 498)
	<b>783 422</b>	<b>22 262</b>
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>	<b>(3 940)</b>	<b>(40 888)</b>
Balance at beginning of period	671	41 559
<b>Cash, cash equivalents and bank overdrafts at end of period</b>	<b>(3 269)</b>	<b>671</b>

## Notes

- 1. Basis of preparation**  
The audited group financial statements for the year ended 31 December 2008, from which these condensed financial statements are derived, are prepared in accordance with International Financial Reporting Standards. The principal accounting policies and methods of computation adopted are consistent with those of the previous year, except for the adoption of IFRIC 14 in the current year which did not have a material impact on the financial statements. These condensed financial statements are prepared in terms of IAS 34 – Interim financial reporting.
- 2. Comparative figures**  
In the current year, metal price lag figures have been included in cost of sales to provide enhanced functional presentation. In prior years metal price lag figures were shown in a separate line in the income statement, and these have been restated in line with the current classification. Accordingly the 2007 comparative cost of sales figure has reduced by R22,1 million.

	Revenue R'000	Operating profit R'000	Total assets R'000
<b>2008</b>			
Hulamin Rolled Products	6 288 157	453 510	7 296 674
Hulamin Extrusions	831 816	11 941	373 838
<b>Group total</b>	<b>7 119 973</b>	<b>465 451</b>	<b>7 670 512</b>

Inter-segmental revenue amounted to R59 301 000 in Hulamin Rolled Products and R16 255 000 in Hulamin Extrusions.

	2007 R'000	2007 R'000	2007 R'000
<b>2007</b>			
Hulamin Rolled Products	5 791 457	207 042	5 965 256
Hulamin Extrusions	776 914	4 605	364 949
<b>Group total</b>	<b>6 568 371</b>	<b>211 647</b>	<b>6 330 205</b>

Inter-segmental revenue amounted to R46 489 000 in Hulamin Rolled Products and R21 493 000 in Hulamin Extrusions.
- 3. Segmental analysis**  

	2008 R'000	2007 R'000	2007 R'000
<b>2008</b>			
Hulamin Rolled Products	6 288 157	453 510	7 296 674
Hulamin Extrusions	831 816	11 941	373 838
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- 4. Tax**  
The tax charge/(relief) included within these financial statements is:

	2008 R'000	2007 R'000
Normal	76 255	111 103
Deferred	21 101	(27 078)
Deferred – rate change adjustment	(30 506)	-
STC	12 477	5 106
	<b>79 527</b>	<b>89 131</b>

Normal rate of taxation  
Adjusted for:  
BEE and IFRS 2 costs  
Other non-allowable items  
Deferred – rate change adjustment  
STC

	2008 R'000	2007 R'000
Normal rate of taxation	28,0%	29,0%
BEE and IFRS 2 costs	0,1%	31,3%
Other non-allowable items	-	6,1%
Deferred – rate change adjustment	(8,9%)	-
STC	3,7%	4,1%
	<b>22,9%</b>	<b>70,5%</b>

# AUDITED RESULTS AND FINAL DIVIDEND DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2008

- Operating profit (before corporate structuring costs) up 22% to R465 million (2007: R380 million)
- Normalised headline earnings per share increased by 16%
- Volumes reduced by 7% in Rolled Products
- Improved sales mix and margins in Rolled Products
- Final dividend of 13 cents per share

## Condensed Balance Sheet

	Note	2008 R'000	2007 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		4 763 295	4 166 987
Intangible assets		29 515	26 162
Investments in associates and joint ventures		10 080	3 784
Deferred tax asset		11 697	16 373
		<b>4 814 587</b>	<b>4 213 306</b>
<b>Current assets</b>			
Inventories		1 325 284	964 145
Trade and other receivables		1 060 013	1 013 603
Derivative financial assets		360 022	47 005
Cash and cash equivalents		66 174	92 146
		<b>2 811 493</b>	<b>2 116 899</b>
Assets of disposal group held for sale	6	44 432	-
		<b>2 855 925</b>	<b>2 116 899</b>
<b>Total assets</b>		<b>7 670 512</b>	<b>6 330 205</b>
<b>EQUITY</b>			
Share capital and share premium		990 916	989 492
BEE reserve		174 686	174 686
Employee share-based payment reserve		48 933	21 085
Hedging reserve		101 652	988
Retained income		2 443 959	2 307 900
<b>Equity holders' interest</b>		<b>3 760 146</b>	<b>3 494 151</b>
Minority interest		0	35 142
<b>Total equity</b>		<b>3 760 146</b>	<b>3 529 293</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	9	898 595	663 611
Deferred income tax liabilities		926 359	894 203
Retirement benefit obligations		119 512	107 505
		<b>1 944 466</b>	<b>1 665 319</b>
<b>Current liabilities</b>			
Trade and other payables		692 180	734 665
Current borrowings	9	914 465	257 042
Derivative financial liabilities		315 589	47 626
Income tax liability		43 666	96 260
		<b>1 965 900</b>	<b>1 135 593</b>
<b>Total liabilities</b>		<b>3 910 366</b>	<b>2 800 912</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7 670 512</b>	<b>6 330 205</b>
<b>Net debt to equity</b>		<b>46,5%</b>	<b>23,5%</b>

## Condensed Statement of Changes in Equity

	2008 R'000	2007 R'000
Balance at beginning of period	3 494 151	2 912 318
Net profit	268 172	40 761
Share premium	1 411	474 292
Share capital issued	13	14 096
Consolidated "A" and "B" class shares	-	(91 783)
Share-based payment reserve:		
- BEE investor's share capital contribution	-	40 000
- IFRS 2 charge on introduction of BEE investors	-	134 686
- value of employee services	29 670	21 087
- share-based payment settled net of reversals	(5 174)	(12 319)
Cash flow hedges transferred to income statement	(988)	(7 749)
Cash flow hedges	101 652	988
Tax on share options	(2 246)	7 272
Dividends paid	(127 267)	(39 498)
Purchase of minority interest	752	-
Deferred tax on prior year common control transaction reversed	-	(11 960)
Normal tax on prior year common control transaction	-	11 960
<b>Shareholders' interest</b>	<b>3 760 146</b>	<b>3 494 151</b>
Minority interest in subsidiary	-	35 142
Balance at beginning of period	35 142	38 433
Share of profit/(loss)	610	(3 291)
Purchase of minority interest	(35 752)	-
<b>Equity</b>	<b>3 760 146</b>	<b>3 529 293</b>

- 5. Commitments and contingent liabilities**  
Capital expenditure commitments  
Contracted  
Approved but not contracted  
488 520 882 411
- 6. Assets of disposal group classified as held for sale**  
The following assets of Hulamin Engineering Systems have been presented as held for sale following the approval of the group's board to sell the business, which forms part of the Hulamin Rolled Products business segment. It is management's expectation that this business will be disposed of within the next 12 months.  
Property, plant and equipment  
Inventory  
8 377  
36 055  
44 432
- 7. Corporate structuring costs**  
The group completed a number of transactions in 2007 to facilitate the unbundling and listing of Hulamin Limited, and the introduction of broad-based BEE investors. The once-off costs relating to these transactions were as follows:  
Legal, tax, accounting and other costs related to the unbundling, listing and renaming of the group  
Costs in respect of partial early vesting of share incentives  
Share-based payment costs related to the introduction of broad-based BEE investors  
Share-based payment costs related to the MSOP and ESOP schemes  
- 19 026  
- 8 932  
- 134 686  
- 5 745  
- 168 389
- 8. Earnings per share**  
Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year. For purposes of diluted earnings per share, the weighted average number of shares in issue is adjusted for the dilutive effect of employee share options.  
**Reconciliation of denominators used for basic and diluted earnings per share:**  
Number of shares 2008  
Number of shares 2007  
Weighted average number of shares used for basic EPS  
Options  
215 668 708  
2 248 287  
215 589 370  
2 763 896  
Weighted average number of shares used for diluted EPS  
217 916 995  
218 353 266
- 9. Borrowings**  
The group increased borrowings in order to fund capital expenditure on the Rolled Products expansion project and an increase in working capital.  
The effect of the increased borrowings was a decrease in earnings per share and headline earnings per share of 13 cents.

## Commentary

Hulamin experienced a reduction of 6% in sales volumes compared with the previous year. The reduction arose in both the Rolled Products and Extrusion operations and was particularly pronounced in the second half of the year as the global recession took effect. The combination of firmer rolling margins, higher LME aluminium prices for much of 2008, and a weakening in the Rand/Dollar exchange rate did however result in turnover increasing by 8% from R6,6 billion to R7,1 billion.

In 2007 Hulamin incurred once-off costs of R168 million in respect of a Black Economic Empowerment shareholding structuring arrangement and the listing on the Johannesburg Stock Exchange. Ignoring the effect of those costs, the operating profit for 2008 reflects an increase of 22% over 2007 and represents a compound increase of 33% per annum over the last four years.

Borrowings increased sharply as a result of expenditure on the Rolled Products expansion project and an increase in working capital which was exacerbated by the higher aluminium prices. This higher level of borrowings caused finance costs to increase from R85 million to R118 million.

The 2008 attributable earnings include a benefit of R31 million which arose as a consequence of a reduction in the deferred tax liability, following the reduction of 1% in the national corporate tax rate. By contrast the attributable earnings in 2007 were abnormally low due to the above-mentioned structuring costs which were also largely not deductible from taxable income. These abnormal occurrences had a significant impact on the increase in attributable earnings from R41 million in 2007 to R268 million in 2008. Attributable earnings, excluding these abnormal factors, increased by 16%.

The company experienced a cash outflow from operations, after normal capital expenditure, of R93 million. Expenditure on the expansion project of R580 million (including capitalised interest and start-up costs), plus interest expensed of R118 million and dividends of R127 million, led to a net cash outflow of R918 million.

Net borrowings accordingly increased to R1,747 million, which is 47% of equity. Taking into account the increase in borrowings during the last year, and the current economic climate, the board believes that it is prudent to increase the extent of the dividend cover. The board therefore recommends that a final dividend of 13 cents per share be paid. This will result in a total dividend for the year of 41 cents which is covered 3 times by earnings of 124 cents per share.

**Rolled Products**  
Rolled Products sales slowed in the second half of the year and sales volumes for 2008 were accordingly 13 000 tons below the 2007 level. Operating profit (before 2007 structuring costs) improved from R358 million to R453 million driven by improvements in the sales mix and more favourable exchange rates.

Total sales into Hulamin's preferred niche sectors were similar to prior years and thus the 13 000 tons reduction in sales volumes arose mainly from standard distributor type products. Sales in the local market grew strongly in the first half of the year but reduced again in the second half on the back of weaker demand from the automotive sector and destocking in the distributor sector. Local sales for the full year were similar to the 2007 levels.

Manufacturing costs increased by 25%. Significant increases were experienced in energy and alloying costs, which rose by 57% and 204% respectively, as a result of increases in the price of gas, electricity and magnesium and other hardeners while all other costs increased by 10%. A number of cost reduction projects are in progress which will further strengthen the company's competitive cost position. Structural cost improvements exceeding R50 million per annum have been achieved in 2008 and further improvements are expected in 2009.

**Rolled Products expansion project**  
Work on the expansion project has progressed well. Several elements of the project have already been completed on schedule. It is expected that the remaining elements will also be completed on schedule although sharp cost increases have been experienced in some areas and are likely to cause the final project cost to exceed the original budget cost by approximately 2%. In spite of this, the final installed cost will be considerably below current replacement cost.

The number of people employed on the project has reduced from a peak of 746 to 320 at the end of 2008. The safety performance by the project team has continued to be exceptional. Only a single lost time injury has been experienced during the 1 672 033 hours worked on the project since inception, resulting in a lost-time injury frequency rate of 0,12.

The expansion project is being completed at a time when market conditions are weak and thus the initial ramp up of capacity will be slower than originally planned. The commissioning of this additional capacity will be managed in line with prevailing market conditions. In addition to creating additional capacity, the project also creates opportunities to achieve an improved sales mix and operating unit cost reductions.

**Extrusions**  
Sales volumes in 2008 were similar to the previous year as local demand for extrusions was impacted by the continued weakening in residential construction while some segments of the industrial market were impacted by the import of end-products from China. Operating profit (before corporate structuring costs) decreased from R22 million to R12 million due to metal price movements and continuing market development costs.

Hulamin has repurchased the 30% shareholding in Hulamin Extrusions that was acquired by Hydro Aluminium in 1997. The effective date of the repurchase was 1 December 2008.

**Future prospects**  
The aluminium industry has considerable exposure to several of the industries that have been most severely affected by the global downturn in business activity. These include, inter alia, the automotive, transport, building and construction industries. The global recession is therefore having severe consequences throughout the industry, resulting in significant capacity curtailments by both primary and semi-fabricated producers.

Hulamin is responding to the sharply weaker market conditions by reducing output in a manner which will maintain its growth capability. This has entailed extending the plant closure over the Christmas period, eliminating overtime work in areas affected by declining sales volumes, and reducing manufacturing activities to a five-day week where appropriate. Recruitment has been frozen and contract positions have largely been eliminated.

Hulamin has a robust business model, which generates returns that are above the industry average and which are expected to improve further as the business progresses towards its full potential. This rate of progress will be affected by the global recession which also introduces considerable uncertainty into business forecasting. The company expects lower sales volumes for 2009, particularly during the first quarter while customers across all regions and market sectors continue to reduce their inventory levels. It is however expected that the benefits of an improving product mix, cost reduction projects and a weaker exchange rate will continue to underpin future earnings.

**M E Mkwana**  
Chairman  
9 February 2009  
**A Fourie**  
Chief Executive

**Audit opinion**  
The auditors, PriceWaterhouseCoopers Inc., have issued their opinion on the group's financial statements for the year ended 31 December 2008. 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.

**Dividend declaration**  
Notice is hereby provided that the board has declared a final dividend (number 04) of 13 cents per share for the year ended 31 December 2008 to shareholders registered at the close of business on Friday, 6 March 2009.

The salient dates of the declaration and payment of this final dividend are as follows:  
Last day to trade ordinary shares "cum" dividend  
Ordinary shares commence trading "ex" dividend  
Record date  
Payment date  
Friday, 27 February 2009  
Monday, 2 March 2009  
Friday, 6 March 2009  
Monday, 9 March 2009

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday, 2 March 2009 and Friday, 6 March 2009, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom paying agent will be paid in British currency at the ruling exchange rate at the close of business on Wednesday, 4 March 2009.