

ALUWORKS LIMITED RIGHTS ISSUE ANNOUNCEMENT

Aluworks Limited is a cold rolled aluminium products manufacturer in Tema. It basically sources raw aluminium from VALCO and manufactures sheets and discs (circles) to the specification of its customers who make aluminium roofing sheets, aluminium cooking pots and pans, aluminium flat plates, signboards, number plates and so on. It is a local indigenous business that employs just below 300 people but has below it in the extended supply chain a whole army of businesses and people who depend on Aluworks Limited for supplies of its products to both in Ghana and around West Africa.

In the last few years we have also had serious encroachment from China and the Far East on the demand for our products which we have worked hard to circumvent. Despite this Aluworks Limited has always made profit at operational level. Initiatives to counter this threat are already well planned. These include for example getting Government to institute countervailing measures on imports of Aluminium products from China to counter serious export rebates i.e. subsidies granted by the government of China and thus to even the playing field. This has been progressed rather far including receiving blessing from the World Trade Organisation (WTO) to do so. We hope that the new Government will implement this early in its new term. With these initiatives demand we will derive over the next few years, although below what we should ideally be experiencing will be enough to ensure good profitability going forward.

Prior to 2006/7 when the energy crisis, credit crunch and the world recession set in, Aluworks Limited was a very strong business. Management has had to contend with very many debilitating conditions since, including having to import raw material when VALCO shut for various reasons. Happily VALCO has been re-opened since early in 2011 and is unlikely to close again.

During the period since a lot of work has gone into cost savings and in improving efficiency, and happily the company is on the verge of strong profitability once again. The company makes appreciable profit at operational level but due to having to service certain loans from the commercial banks, the ensuing financial charges have always overwhelmed the accrued profit. The loans were taken prior to 2006/7 for projects which subsequently were not able to achieve their objectives due to the economic climate already alluded to. Over the years these financial costs have proved a huge burden and a detriment to the progress of the company.

Aluworks Limited is therefore embarking on a rights issue to commence on the 25th of February and to close on the 22nd of March 2013, principally to raise further capital to retire the balances of the commercial loans on its books, and to provide further working capital to support expansion of the business. Once the loan portfolio has been re-structured the interest expense and exchange losses accruing on them will be drastically cut and will allow the profitability of Aluworks Limited to come through to net results and further allow Aluworks limited to resume paying dividends to shareholders, something it has been unable to do since 2006/7. This Rights Issue is therefore an important plank in the strategy to restore the value of Aluworks to its shareholders and requires all the support that it can get.

As a case in point, a shareholders circular is currently being circulated amongst shareholders. It contains past accounts that show the effect of financing costs on the profitability of the company. It also shows a forecast of results for the year 2012. The forecast was drawn up in the middle of 2012. At the time of this announcement, the actual outturn for 2012 has proven significantly different from the forecast as in the circular and indeed much better. This is a result of the hard work that we have continued to do and will continue to do. Due to its significance this announcement is also to set the record straight and to assure shareholders that the Directors and Management of Aluworks Limited have every confidence in the future of the company. The difference in the forecast and actual results are as follows.

| <u>2012 Results</u> | <u>Forecast (June) Result</u> <u>(as shown in the Circular)</u> | <u>Latest (December) Estimate</u> <u>(pre-audit results)</u> |
|----------------------------------|--|---|
| Volume Sold (metric tonnes) | 8,500 | 7,843 |
| | GH¢'000 | GH¢'000 |
| Revenue | 54,857 | 49,681 |
| Cost of Sales | <u>(50,405)</u> | <u>(42,534)</u> |
| Gross Profit/ (Loss) | 4,451 | 7,147 |
| Gross Profit Margin | 8.1 % | 14.4 % |
| Other Income | 253 | 104 |
| General and Admin Expenses | <u>(3,617)</u> | <u>(3,605)</u> |
| Operating Profit | 1,087 | 3,646 |
| Operating Profit % | 1.98 % | 7.3 % |
| Net Interest Expense | (2,024) | (2,033) |
| Exchange Loss | <u>(4,132)</u> | <u>(3,779)</u> |
| Profit/ (loss) before tax | (5,072) | (2,166) |
| Taxation | - | - |
| Profit/ (Loss) after tax | <u>(5,078)</u> | <u>(2,166)</u> |

This illustrates that Aluworks Limited is doing even better than we ourselves expected and we believe we are on the verge of strong success and future profitability.

It is on this basis that we submit that Aluworks Limited needs good support to ensure that its potential is realised despite all the difficulties in its way due to the economic conditions and the onslaught of encroachments from the Chinese.

Our quality is the main Unique Selling Point (USP) that differentiates us within the region and has kept our business at a reasonable level, now set to grow again.

Issued, January 2013, by the Management of Aluworks limited, Heavy Industrial Area, Tema, Ghana.