Nampak
packaging excellence

SUMMARISED CONSOLIDATED FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 MARCH 2020

SALIENT FEATURES

Headline earnings per share for continuing and discontinued operations

0.3 cents

(2019: 115.7 cents)

Cash generated from total operations

R667m

up 277%

Gross proceeds from asset disposals

R2.0bn

- R1.6bn for Glass and R0.4bn (€28m) for Cartons Nigeria
- Nampak Plastics Europe sold

Continued liquidity — strong cash transfers

R1.6bn

from Angola and Nigeria

KEY FINANCIAL INDICATORS FOR CONTINUING OPERATIONS

Revenue decreased to

R6.5bn

down by 17%

Impairments of

R3.0bn

relating to Nigeria and Angola

Loss per share

408.9c

including impairment charge of R3.0bn

Trading profit reduced by

39%

to R633m

Headline earnings per share

7.0 cents

CEO'S COMMENTARY

Overall weaker economic demand in our key markets, continued pressure on consumers' disposable income and net impairments of R3.0 billion limited our results for the period. The Metals division was the most negatively impacted, while the Paper division was able to improve its trading margins. Although the Nigerian outlook has since deteriorated, Bevcan Nigeria performed pleasingly as volumes continued to grow, but the performance of Divfood, Bevcan Angola and Bevcan South Africa were below expectations, as a result of total market contractions and loss of a key customer during the previous year. The South African Plastics business returned to profitability as its turnaround strategy continued to pay off and performed in line with expectations.

R2.0 billion gross proceeds from the disposal of non-core assets and healthy cash transfers from Angola and Nigeria during this period facilitated the reduction of debt, as the Group continued to rationalise its portfolio. Net proceeds, after costs to sell and contractual true up costs, amounted to R1.6 billion.

The Group's market capitalisation remains below its net asset value. A detailed review of the value-in-use for the Group's various cash generating units was performed. These valuations have taken into account the margin pressure resulting from over-capacity in Nigeria, the significantly reduced spending power of the Angolan consumer as wage inflation has been lagging the devaluation in the Kwanza, the recent collapse of the oil price and the impact of COVID-19 on the market growth potential in Angola and Nigeria. Our assessments have resulted in impairments of R3.0 billion with R2.2 billion attributable to Nigerian goodwill and R0.8 billion to an asset impairment in Angola.

Nampak's focus is on limiting the added pressure posed by the COVID-19 pandemic on already burdened economies, by prioritising cost saving measures across the Group, preserving cash, reducing capital expenditure and assessing alternatives to improve profitability, in order to competitively reposition our business after the pandemic.

Our strategic objectives include a significant simplification of the business, thereby reducing our overall risk profile and aligning funding structures with the underlying value creation within each business unit. We aim to reduce overall earnings volatility through optimisation of our regional footprint, our business portfolio and also our capital structure.

DETAILED COMMENTARY

Trading conditions for the first half of 2020 have been challenging, as a result of weaker economic conditions and increased competition in the Group's key markets. Demand in South Africa was lower than expected over the festive season and weak economic growth continued into 2020. Bevcan Nigeria performed well, with good operating efficiencies and pleasing demand, despite a slowing economy. The Angolan economy has been materially impacted by currency devaluations since April 2018, with lagging wage inflation impacting consumers' buying power, resulting in significantly lower demand during the period. Hyperinflation, currency shortages and lack of economic growth in Zimbabwe added to restrained Group performance.

We continued to rationalise our portfolio and raised gross cash proceeds of R2.0 billion from the disposal of three businesses, which will be used to reduce US dollar debt. The sale of Glass to a B-BBEE empowered purchaser was concluded on 31 March 2020, with gross cash proceeds of R1.6 billion received on 31 March 2020. In terms of the sale of business agreement these gross proceeds are subject to adjustment for true ups relating to final working capital and other agreed asset adjustments to the purchase price, which are expected to result in net proceeds of R1.4 billion. The Cartons Nigeria disposal resulted in proceeds of R0.4 billion (€28 million) being received by the Group and being available to reduce US Dollar denominated interest-bearing debt. Nampak Plastics Europe (NPE) was disposed for a nominal value, inclusive of one year's contribution to the NPE benefit pension fund, with the disposal being inclusive of transferring the employer's liability to the defined benefit pension fund. The transaction avoided further operating losses and a significant cash requirement of approximately R0.6 billion for replacement capital expenditure.

While tough economic conditions have inhibited revenue and trading profit growth, cash generation improved, albeit partially offset by a small working capital outflow, primarily as a consequence of lower trade creditors reflective of the Group adjusting its procurement to cater for lower expected demand. Capital expenditure remains tightly controlled, with the most significant expenditure during the period being related to the conversion of the steel beverage line in Angola to aluminium. There was, and will continue to be, a greater focus on simplifying continuing operations by rationalising and consolidating sites, reviewing product portfolios and optimising the workforce.

Operating profit of R287 million, fell 68% and was adversely impacted by tough trading conditions, increased competition and foreign exchange movements.

A detailed review of the value-in-use for the Group's various cash generating units was performed. The total market sizes in Nigeria and Angola have been adversely impacted by the recent decline in oil prices, potential resultant foreign currency shortages and the impact of COVID-19. Both the Angolan and Nigerian markets are in the short term anticipated to grow much slower than previously expected. Existing overcapacity in Nigeria has resulted in incremental pricing pressure. Our assessments have resulted in impairments of R2.2 billion attributable to Nigerian goodwill and an asset impairment of R0.8 billion in Angola.

Nampak was designated as an essential services provider under South Africa's initial lockdown regulations. Our plants have continued to operate in most markets during the unprecedented restrictions imposed to curtail the spread of COVID-19, but have been impacted by the ban on the sale of alcohol and reduced consumer demand. The health of our employees has been prioritised and to ensure that all remain safe while performing their duties, we introduced screening measures, additional protection equipment and the promotion of social distancing in our plants. Where possible, employees continue to work remotely. Employees' contributions, in the form of salary sacrifices and taking leave while remaining committed and resilient through this difficult time, have not gone unnoticed and are greatly valued.

MEASURES TO MITIGATE THE IMPACT OF COVID-19 ON THE 2020 FINANCIAL YEAR

National lockdowns, to delay the spread of the virus and allow Governments to prepare to handle the expected increase in infections, were announced towards end March and during April 2020 for most of our key markets in Africa.

The management and administration of the business continued to function well during the lockdown, with employees working remotely where possible, using the Group's digital platforms.

While most of our operations continued to operate, the prohibition of alcoholic beverage sales during lockdown in South Africa, a general shift towards preserving cash by customers and softer demand for goods considered non-essential have negatively impacted on the utilisation of key operations. The primary impact of COVID-19 on the Group is on product lines related to alcohol packaging and some smaller non-essential packaging products, which will lead to adverse impacts on the Group's revenue and gross profits potentially placing profitability under pressure.

Significantly weaker overall demand was experienced since the last week of March and onwards to date. Changing consumption patterns by consumers while on lockdown has resulted in greater demand for food cans, but reduced demand for beverage cans and cartons for alcoholic beverages. During the lockdown period to date, our average factory utilisation levels were significantly below normal seasonally adjusted levels, and Group revenue was more than 50% below the prior year for the month of April.

With the lockdown being adjusted to level 3 effective 1 June 2020 in South Africa and resulting in 8 million people returning to work, this should lead to more activity from consumers. The announcement also permits the consumption of alcohol, which is expected to initially result in a surge in alcoholic beverage sales and then the renewal of regular alcohol sales, which will positively impact on revenue and profitability of the Group.

Nampak swiftly implemented measures from the end of March in order to mitigate some of the COVID-19 impact on the second half of the year. These include a salary sacrifice for all employees for a period of three months, ranging from 30% for executive and non-executive directors, down to 15% for junior management.

Other actions include a freeze on most capital expenditure, other than that approved and committed to date, a focus to optimise working capital in order to bring inventory levels in line with reduced demand, optimising trade finance arrangements and extended payment terms with suppliers, the rightsizing of operations in line with reduced demand, considering fast tracking of restructuring activities for loss-making businesses and increased scrutiny of all expenditure.

Management continues to monitor the ongoing impact of COVID-19 on the business and will continue to take further steps to minimise its impact on the 2020 financial year.

DETAILED COMMENTARY CONTINUED

GROUP FINANCIAL PERFORMANCE FOR CONTINUING OPERATIONS

R million	H1 2020	H1 2019	% change
Revenue	**6 519**	7 882	(17)
Trading profit	**633**	1 032	(39)
Operating profit	**287**	894	(68)
Profit before net impairments	**117**	742	(84)
Net impairment (losses)/reversals	**(3 040)**	43	(>100)
(Loss)/profit before taxation	**(2 923)**	785	(>100)
(Loss)/profit for the period	**(2 858)**	844	(>100)
Cash generated from operations [1]	**667**	177	>100
(Loss)/earnings per share (cents)	**(408.9)**	137.4	(>100)
Headline earnings per share (cents)	**7.0**	130.0	(95)

[1] From total operations.

REVENUE

Group revenue is down 17%, primarily due to weaker economic conditions in South Africa, Angola and Zimbabwe, coupled with the limited impact of COVID-19 on the month of March 2020. South Africa experienced lower than expected demand over the festive season and into the new year. Angola was adversely affected by a significant currency devaluation and the lack of foreign exchange and softer demand in the Plastic businesses in Zimbabwe limited revenue growth.

TRADING PROFIT

Trading profit fell 39% to R633 million. Trading profit from the Metals division was down 42%, as Divfood made a significant trading loss, the Kwanza devaluation reduced demand as a consequence of the decline in the consumers' buying power in Angola and the overall beverage can market declined in South Africa. Bevcan Nigeria performed well but the market and the outlook started deteriorating from January 2020 onwards with US Dollar liquidity becoming constrained. The turnaround in Plastics South Africa gained momentum, but was offset by a decline in profitability from Zimbabwe Plastics, with trading profit for the Plastics division being down 10%.

RECONCILIATION OF OPERATING PROFIT TO TRADING PROFIT

The table below sets out a reconciliation between operating and trading profit and highlights the adjusting items for the respective periods. These items consist of losses and gains which do not arise from normal trading activities or are of such a size, nature or incidence that their disclosure is relevant to explain the performance for the period and are excluded from operating profit. Nampak has consistently over the last five years fully disclosed the components of such gains/losses to assist the users of the financial statements in their analysis. Returns on net assets and invested capital based on both trading and operating profits are included in the interim financial statements.

R million	H1 2020	H1 2019
Operating profit	**287**	894
Adjusted for:		
Capital items	**46**	(65)
Net loss/(profit) on disposal of businesses/property	**129**	(65)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(83)**	—
Net impact of devaluation in Zimbabwe	**29**	123
Net foreign exchange devaluation losses in operations	**120**	948
Gain on recognition of Reserve Bank of Zimbabwe financial instrument	**—**	(941)
Expected credit loss provision on RBZ financial instrument	**46**	116
Monetary adjustment for hyperinflation in Zimbabwe	**(137)**	—
Net devaluation losses arising from Angolan and Nigerian exchange rate movements	**219**	21
Retrenchment and restructuring costs	**52**	12
Cash transfer and liquid bond disposal losses	**—**	47
Trading profit	**633**	1 032

Capital items include a net loss of R129 million on the disposal of the Glass, Cartons Nigeria and Nampak Plastics Europe businesses. This was partially offset by R83 million received in respect of an insurance claim for asset replacements in the Plastics division related to a fire in the previous financial year at an in-plant operation at a customer's premises.

The net impact of devaluation losses in Zimbabwe of R29 million comprises R120 million net foreign exchange losses in operations and a R46 million top up of the expected credit loss provision on the RBZ financial instrument, offset by a hyperinflationary gain of R137 million on net monetary items.

Foreign exchange losses of R219 million, resulting from currency movements in Angola and Nigeria, are primarily due to the significant devaluation in the Kwanza during the period. Retrenchment costs of R52 million were incurred and relate primarily to Divfood.

DETAILED COMMENTARY CONTINUED

OPERATING PROFIT

The operating profit of R287 million has been adversely impacted by tough trading conditions, increased competition placing pressure on margins and foreign exchange movements. Trading margins in the period have declined to 9.7% from 13.1%, primarily due to reduced margins in Metals.

NET IMPAIRMENT (LOSSES)/REVERSALS

The carrying value of the Bevcan Nigeria goodwill was re-assessed at the half year, taking into account changes in market conditions post 30 September 2019, with a resultant impairment of goodwill of R2.2 billion (US$130.4 million) being required. While volumes in Nigeria have continued to grow to date, the previous foreign exchange currency shortage experienced from 2016 to 2018 has slowed economic growth, resulting in overcapacity in the medium term in a total market that is lower than previously anticipated. Post this impairment the carrying value of goodwill attributed to Bevcan Nigeria is R1.8 billion (US$102.6 million).

Depressed consumer demand, as a consequence of the significant fall in the oil price, lagging wage inflation and changes in pricing dynamics in the Angolan market, has necessitated an asset impairment of R858 million (US$51.4 million) in Bevcan Angola.

In addition, the sudden decline in the oil price, potential liquidity constraints and the overall impact of COVID-19 increasing risk has added to the increase in the weighted average cost of capital has affected both these markets and impacted the resultant impairment.

TAXATION

The tax benefit for the period increased to R65 million, from a tax benefit of R59 million in the prior period, with an effective rate of 2.2%. The effective tax rate has been significantly impacted by the impairment of the Bevcan Nigeria goodwill and the asset impairment in Angola. The normalised tax rate is 20.8% for the period, compared to 19.6% in the prior year.

EARNINGS

The loss of R2.9 billion for the period for continuing operations has been significantly impacted by the R3.0 billion net impairment in the period. Earnings per share of 137.4 cents in the prior period fell to a loss per share of 408.9 cents, impacted by impairments, foreign exchange losses and the impact of hyperinflation in Zimbabwe. Headline earnings for continuing operations of 7.0 cents per share declined from 130.0 cents in the prior period.

A net profit of R470 million from discontinued operations was achieved.

FINANCIAL POSITION AND COVENANT RELAXATION

The sudden weakening in the Rand versus the US Dollar in late March 2020 resulted in a dislocation in the spot closing rate of R17.80:US$1 on 31 March 2020, compared to the average rate of R15.04:US$1, and reflected a 17% devaluation in the six month period ended 31 March 2020. This movement adversely impacted the net interest bearing debt to EBITDA funding covenant. This is due to EBITDA being translated at the average rate, while US Dollar debt is translated at the reporting period's closing spot rate. The Group's EBITDA primarily reduced due to a sizeable loss made by Divfood, a significant slow-down in the Angolan economy and lower profitability in the South African beverage can market.

The Group's covenants were within the relaxed covenant limits with net debt: EBITDA of 3.3 times being below the 3.5 times negotiated threshold and the interest cover of 4.1 times being above the revised requirement of 3.25 times.

	Covenant limits		Achieved
Covenant	31 Mar 2019 and 30 Sep 2019	**31 Mar 2020**	**31 Mar 2020**
Net debt: EBITDA	≤ 3.0x	**≤ 3.5x**	**3.3x**
EBITDA: interest cover	≥ 4.0x	**≥ 3.25x**	**4.1x**

The Group negotiated a covenant relaxation for the interim reporting period to accommodate a potential further weakening in the Rand to the US Dollar during March 2020 in light of the possibility of the expected downgrade of South Africa's sovereign credit rating by Moody's, which did indeed take place on 27 March 2020. The net debt: EBITDA covenant for the 31 March 2020 measurement period was relaxed from 3.0 times to 3.5 times, while the EBITDA interest cover for the reporting period was relaxed from a minimum of 4.0 times to 3.25 times.

Compliance with debt covenants continues to be closely managed with the consortium of the Group's funders and the US private placement noteholders.

FUNDING, GEARING AND SHORT TERM LIQUIDITY

The Group remains well funded with significant headroom in its total banking facilities with the use of this headroom being restricted by current EBITDA levels. Gearing of 109% at 31 March 2020 has increased from 68% at September 2019 and has been adversely impacted by the sudden weakening in the Rand US Dollar exchange rate late in the period and the significant impairments in Nigeria and Angola. This has resulted in a higher net debt on translation of the US Dollar denominated interest bearing debt at the reporting date. Strong short term liquidity is reflected in the current and acid test ratios of 1.7 times and 1.1 times respectively. Short term liquidity ratios will strengthen further once the US$115 million due to the USPP noteholders in May 2020, which is reflected in current liabilities, is settled by an existing unutilised long term facility that was created when the Group's revolving credit facility was secured in September 2018.

LIQUIDITY AND CASH TRANSFERS IN THE REST OF AFRICA

Nampak has seen continued foreign currency liquidity in Angola and Nigeria although this liquidity came under pressure towards the end of the period under review. R1.6 billion was transferred during the period, representing a cash transfer rate of 124% of the opening cash balance. R842 million and R794 million was transferred from Angola and Nigeria respectively.

Cash levels in Nigeria were maintained at the optimal level required to fund day-to-day operations and R794 million was timeously transferred. This limited exposure to potential Naira currency movements.

In Angola, cash balances reduced to the Rand equivalent of R477 million, with a transfer of R794 million since September 2019. US Dollar linked Kwanza bonds have provided effective protection against the Kwanza/US Dollar devaluation, with 56% of the Kwanza cash balances currently hedged. The requirement to have US Dollar imports supported by cash backed letters of credit contributed to the reduction in the proportion of hedged cash in country. These bonds continued to be settled on time and in full by the Angolan government. Where early redemption has been possible the average discount has been below 3%.

During the period under review, Zimbabwe was the only country where Nampak experienced severe problems with foreign currency liquidity. It should be noted that the Group has not provided further funding to Nampak Zimbabwe since April 2018, with the respective Zimbabwean operations being cash generative and self-funding.

31 March 2020	Angola [2]	Nigeria [2]	Sub-total	Zimbabwe [6]	Total
Opening cash on hand — 30 Sep 2019 (Rm)	1 041	217	1 258	57	1 315
Cash on hand (Rm)	477	379	856	68	924
Hedged cash (Rm)	266	—	266	— [4]	266
% cash hedged	56	—	31	— [4]	29
Cash transferred (Rm)	842	794 [5]	1 636	—	1 636
Cash transfer rate (%) [1]	81	366	130	—	124

30 September 2019	Angola	Nigeria	Sub-total	Zimbabwe	Total
Opening cash on hand — 30 Sep 2018 (Rm)	2 307	300	2 607	1 190	3 797
Cash on hand (Rm)	1 041	217	1 258	57 [3]	1 315
Hedged cash (Rm)	742	—	742	— [4]	742
% cash hedged	71	—	59	— [4]	56
Cash transferred (Rm)	1 747	1 458	3 205	43	3 248
Cash transfer rate (%) [1]	76	486	123	4	86

31 March 2019	Angola	Nigeria	Sub-total	Zimbabwe	Total
Opening cash on hand — 30 Sep 2018 (Rm)	2 307	300	2 607	1 190	3 797
Cash on hand (Rm)	1 474	215	1 689	466	2 155
Hedged cash (Rm)	717	—	717	— [4]	717
% cash hedged	49	—	42	— [4]	33
Cash transferred (Rm)	1 105	663	1 768	27	1 795
Cash transfer rate (%) [1]	48	221	68	2	47

[1] Cash transfer rate is the amount of cash transferred compared to cash on hand at the end of the previous reported period.

[2] Constrained liquidity towards the end of the period.

[3] Net of a devaluation adjustment amounting to R1.1 billion, due to the introduction of the Zimbabwean Dollar.

[4] US$67 million hedge secured with the Reserve Bank of Zimbabwe to repay legacy debt intercompany on a 1:1 basis over a period of five years in quarterly payments, commencing on 31 March 2021. An expected credit loss ratio of 85% was raised in 2019 with an effective 85% expected credit loss ratio and at a 90% level, taking into account hyperinflation adjustments.

[5] Includes a repayment on the intercompany loan pursuant to the disposal of Cartons Nigeria.

[6] No liquidity, trading funded by customers and export sales.

FOREIGN EXCHANGE RATE MOVEMENTS

Nampak has sizeable operations outside South Africa and is exposed to various foreign currency movements. The Nigerian Naira remained stable for most of the period, but devalued 7% against the US Dollar during March, while the Angolan Kwanza devalued by 46% against the US Dollar over the period. These movements led to foreign exchange losses to the extent that assets were not hedged.

The Zimbabwean Dollar (ZWL) devalued by 65% and was capped at ZWL25:US$1, after sharp declines in early March to limit inflation in the country. Foreign exchange losses for the interim period amount to R153 million.

DETAILED COMMENTARY CONTINUED

US Dollar functional currency operations in the Rest of Africa benefited from weaker local currencies. US Dollar denominated debt increased upon translation, adversely affected by the 17% weakening of the South African Rand against the US Dollar since September 2019.

Currency movements for key markets:

	Average rates				Closing rates			
Currency	31 Mar 2020	31 Mar 2019	% change vs Mar 2019 [1]	30 Sep 2019	31 Mar 2020	30 Sep 2019	% change vs Sep 2019 [1]	31 Mar 2019
ZAR/US$	**15.04**	14.15	(6.3)	14.35	**17.80**	15.17	(17.3)	14.50
NGN/US$	**363.75**	362.50	(0.3)	361.55	**387.51**	362.04	(7.0)	360.23
AOA/US$	**493.22**	315.40	(56.4)	333.94	**567.04**	389.49	(45.6)	326.11
ZWL/US$	**17.34**	2.54	(>100)	5.01	**25.00**	15.20	(64.5)	3.01
ZAR/GBP	**19.29**	18.32	(5.3)	18.30	**22.07**	18.65	(18.3)	18.90
ZAR/EUR	**16.61**	16.11	(3.1)	16.18	**19.53**	16.54	(18.1)	16.27

[1] Negative and positive percentage changes indicate devaluations and strengthening positions respectively compared to the relevant comparative period.

CAPITAL EXPENDITURE

Capital expenditure for continuing operations increased 13% to R407 million, mainly as a result of the conversion of the line in Angola from steel to aluminium. The Group is adopting a cash conservation approach, resulting in an even more stringent review of capital expenditure. The forecast capital expenditure for the year is between R650 and R750 million, exchange rate dependent. Such expenditure will be kept to an absolute minimum for the short to medium term, without compromising the Group's asset base. It is expected that capital expenditure for the next financial year would be significantly lower.

DIVISIONAL PERFORMANCE

	Revenue		Trading profit		Trading margin (%)	
R million	H1 2020	H1 2019	H1 2020	H1 2019	H1 2020	H1 2019
Metals	**4 553**	5 698	**429**	737	**9.4**	12.9
Plastics	**1 438**	1 570	**157**	174	**10.9**	11.1
Paper	**528**	614	**133**	94	**25.2**	15.3
Corporate services	**—**	—	**(86)**	27	**—**	—
Continuing operations	**6 519**	7 882	**633**	1 032	**9.7**	13.1
Glass	**791**	764	**88**	89	**11.1**	11.6
Plastics Europe	**131**	572	**(18)**	(73)	**(13.7)**	(12.8)
Discontinued operations	**922**	1 336	**70**	16	**7.6**	1.2
GROUP TOTAL	**7 441**	9 218	**703**	1 048	**9.5**	11.4

METALS

Revenue for the Metals division decreased by 20% to R4.6 billion, due to softer demand in South Africa and Angola. Trading profit fell largely as a result of the loss of a key Divfood customer, a significant drop in demand in Angola, as well as increased competition in a subdued South African beverage can market.

Bevcan South Africa's volumes fell as the total beverage can market contracted due to reduced consumer spending in an overall weak economy, lower sales of ends into the Angolan operation and competitor ramp-ups. Trading profits were negatively impacted due to reduced sales volumes, but were offset by cost savings initiatives and savings resulting from business overhead restructuring. Bevcan SA continued to defend its market position with operational excellence initiatives and a continued focus on reducing overhead costs. The loss of a key customer at Divfood in South Africa impacted volumes and profitability due to lower utilisation of the lines, and resulted in a loss for the period. Added to this, there was a slow start of imported fish for local canning and lower demand for meat and fruit cans. Diversified can volumes performed better and revenue in tinplate aerosols and shoe polish cans increased. Metal closures were incorporated into Divfood from 1 October 2019 to gain synergies on raw materials inputs.

A sizeable trading loss was made by Divfood, compared to breakeven in the prior period, and was the key contributor to lower trading margins for the South African Metals business. The rationalisation of Divfood is progressing as planned, in order to reduce its overhead structure. Consultations with employees, trade unions and other stakeholders continue. The operations are being streamlined to consolidate the cost base significantly and return the business to profitability. Retrenchment costs amounted to R49 million in the first half, with further costs expected in the second half.

Bevcan Nigeria performed well as volumes grew despite a slowing economic environment. Both revenue and trading profit grew in line with increased volumes. Operational and capital improvements underway are expected to increase total capacity for this plant by approximately 30%, to close to 1 billion cans per annum. Safety remains a priority and the plant is approaching 3.5 million incident free hours — the highest achievement for the Group currently. Demand for general metals packaging was weak during the period, resulting in reduced profitability for the general metals business in Nigeria.

DETAILED COMMENTARY CONTINUED

Bevcan Angola's revenue almost halved as consumer demand reduced significantly due to a weakening Angolan economy. The Kwanza devalued by 46% for the 6 month period and the Angolan economy continues to be affected by high inflation and low oil prices. In response, management reduced overhead costs in reaction to lower volumes, with the most significant cost saving measure being the reduction of headcount by almost 50% to date. The line 1 conversion from steel to aluminium had to be temporarily halted due to COVID-19 lockdown measures implemented in March. This delay is not expected to have any negative impact on operations under current low demand levels.

PLASTICS

Revenue and trading profits fell by 8% and 10% respectively due to lower consumer demand in South Africa and Zimbabwe.

Plastics South Africa performed resiliently in light of a tough economic environment and lower demand from customers in the second quarter, especially in drums and liquid bottles. Revenue fell marginally, impacted by a fire at a key customer's premises during April 2019. Demand for closures increased, driven by the water segment and allocation increases in the motor oil market. Crates also grew from increased allocation on beverage crates. The restructuring of this business saw it return to profitability, from a loss in the prior period. Liquid cartons was negatively impacted by weak demand for cartons in the traditional beer market.

Plastics in the Rest of Africa largely comprises of Zimbabwe operations. Demand in this market was lower due to the challenging economic conditions caused by currency shortages and declining disposable income. This limited the supply of raw materials and lowered revenue and trading profit.

PAPER

Revenue fell 14%, while improvements in overhead cost structures in Central and East Africa and robust trading at Hunyani led to an improved trading margin.

Hunyani performed well despite lower seasonal volumes. This business is less impacted by shifts in disposable income in Zimbabwe as it supplies tobacco cases. A good crop, similar to the prior year, is expected.

Demand in Zambia and Malawi was down, leading to lower revenue, but improved trading profit due to restructurings implemented over the past 18 months and foreign exchange gains in Zambia.

Trading performance by region is as follows:

	Revenue		Trading profit		Trading margin (%)	
R million	**H1 2020**	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019
South Africa	**4 304**	5 092	**232**	432	**5.4**	8.5
Rest of Africa	**2 215**	2 790	**487**	573	**22.0**	20.5
Corporate services	**—**	—	**(86)**	27	**—**	—
Continuing operations	**6 519**	7 882	**633**	1 032	**9.7**	13.1
South Africa (Glass)	**791**	764	**88**	89	**11.1**	11.6
Europe	**131**	572	**(18)**	(73)	**(13.7)**	(12.8)
Discontinued operations	**922**	1 336	**70**	16	**7.6**	1.2
GROUP TOTAL	**7 441**	9 218	**703**	1 048	**9.5**	11.4

OUTLOOK

COUNTRY SPECIFIC

SOUTH AFRICA

Trading conditions remain weak in South Africa, as the national lockdown has continued on a phased approach. The ban of alcohol sales is expected to negatively impact revenue and trading profits for Bevcan SA, as a significant portion of beverage cans produced are sold to alcohol customers. Conical paper cartons for opaque beer will also be lower than forecast. The slowdown in the Angolan economy will also impact Bevcan SA's sales of beverage can ends to Angola.

Gains in the second half, due to stocking up and a general uplift in canned food consumption during lockdown period, are expected to benefit Divfood. Demand for food cans is forecast to increase due to improved fish import volumes for local packing, as canneries ramp up production in the second half. The rationalisation of Divfood division continues and further restructuring costs will be incurred.

Lacklustre demand is expected to continue in the third quarter, but some recoveries are likely in the last quarter. The Plastics and Paper businesses will continue to focus on cost reduction, maintaining margins and defending their market positions.

A detailed benchmarking exercise and alignment with labour market rates is expected to result in further employment cost reductions.

DETAILED COMMENTARY CONTINUED

REST OF AFRICA

Bevcan Nigeria is expected to continue supplies to the majority of its customers during the COVID-19 pandemic, as a significant portion of the beverage cans sold are for malt drinks and not alcoholic beverages. Volumes and profitability are, however, expected to be negatively impacted in light of a slowdown in economic activity due to COVID-19. Low oil prices and the devaluation of the Naira after the interim period are also expected to impact the availability of foreign exchange currencies, as oil is a major source of foreign currency in the country. As a result of COVID-19 and negative macro-economic conditions, it is expected that future market growth will be lower than previous expectations. It is expected that demand for general metal packaging will remain under pressure for the rest of the year.

In Angola volumes are expected to remain low in the short term due to the COVID-19 pandemic. Management will continue to actively manage overheads and minimise the impact on profitability throughout this difficult economic period. Lower oil prices are also expected to reduce the availability of foreign exchange currency as this country is heavily dependent on oil revenue.

In order to protect the Group's balance sheet and in light of anticipated foreign currency shortages resulting from the lower oil price, raw materials will only be supplied to both Angola and Nigeria to the extent that these businesses can obtain the required foreign exchange to fund the importation of raw materials.

Currency shortages in Zimbabwe and limited disposable income will continue to impede on the profit realisation potential in the plastics businesses, while the expected healthy tobacco crop will preserve the Paper business. Performance in other African economies will be somewhat impacted by a number of external factors, although cost management and growth initiatives are expected to mitigate most of these impacts.

The growth potential from a joint venture with Elopak of Norway, for expansion into the sub-Sahara Africa market for fresh and aseptic beverage products, is expected to yield some growth momentum.

GENERAL

There is widespread global uncertainty associated with the COVID-19 pandemic. We are closely monitoring the situation and adapting the business as required.

In particular, uncertainty surrounds supply chain disruption and travel bans, which have the potential for significantly impacting the results of the Group.

As a significant proportion of all material used in our production processes is imported from foreign suppliers, potential changes in exchange rates, labour laws or policies affecting the cost or supply of goods could negatively impact our cost of production and the timely availability of the desired quantity of raw materials. Furthermore, delays in production or shipping of product, whether due to work slow-downs, work stoppages, strikes, port congestion, labour disputes, product regulations and customs inspections, public health crises or other factors, could also have a negative impact on future operating results and resultant cash flows.

If the COVID-19 outbreak continues and results in a prolonged period of travel, commercial and other similar restrictions, or a delay in production or distribution operations at any or all of our suppliers' facilities, we could experience supply chain disruptions.

While we continue to monitor the situation on a daily basis, it is currently unknown whether the outbreak will meaningfully disrupt our inventory shipments or meaningfully impact manufacturing at any of our suppliers' plants. To date, based on discussions with various suppliers, we are not anticipating significant supply chain disruptions. However, should this situation change, it is unlikely that we will be able to develop alternate sourcing quickly on favourable terms, if at all, which could result in increased costs, loss of sales and a potential loss of customers, adversely impacting margins and ultimately the results of our operations.

Following on the above, a number of discussions have been held with customers across the spectrum. To date, with the exception of non-essential producers, the majority of essential goods producers have indicated an intention to continue production or supply of goods to the market. In some cases, there has been an increase in the demand for essential goods packaging. However, it should be noted that the full impact of COVID-19 cannot be established at this point in time and may have a significant influence on future demand, which in turn will impact on profitability and consequently cash flow.

In addition to the aforementioned, the devaluation of emerging market currencies, in particular the Rand, could positively impact earnings on translation in the future, but negatively or positively impact the translation of US Dollar denominated debt, depending on the spot rate at year-end. To the extent possible, cost increases as a result of the devaluation will be factored into future selling prices. At this point in time, the customer base's ability to absorb price increases is uncertain.

The extent of the impact of COVID-19 on our business and financial results will depend largely on future developments, including the rate at which the lockdown is lifted, the spread of the outbreak and the related impact on consumer confidence and spending, all of which are highly uncertain and cannot be predicted.

RESTATEMENT OF PRIOR PERIOD RESULTS

Following a lengthy process, an agreement with the Reserve Bank of Zimbabwe (RBZ) was signed on 27 September 2019 in terms of which the RBZ undertook to facilitate the repayment of intercompany balances owing by Nampak Zimbabwe Limited to Nampak International Limited in equal quarterly repayments over a period of five years commencing in March 2021. During the September 2019 year-end process it was determined that this agreement amounted to a plan to settle the intercompany balances and therefore the requirements set out by IAS 21 for net investment in a foreign operation had not been met. Accordingly, in terms of IFRS the loan could not be treated as part of the Group's net investment in its foreign operations and currency losses on the loan were reflected in the Group's income statement. At 31 March 2019 however, an implemented repayment plan was not yet in place and the Nampak Group interim results were prepared on the basis that the criteria of IAS 21 were met and the loan was accordingly accounted for as part of the group's net investment in its foreign operations.

DETAILED COMMENTARY CONTINUED

Based on a subsequent review as well as legal and accounting advice, it has been determined that the September 2019 agreement with the RBZ had the effect of substantively supporting a previous legal agreement with the RBZ that existed at 31 March 2019, but had not been implemented. Despite the earlier agreement not being implemented, legal advice indicates that the agreement was valid and a plan for repayment of the loan thus also existed at 31 March 2019. In order to recognise this retrospective interpretation, an error in the interim reporting as at 31 March 2019 requires a restatement. The restatement is immaterial at an earnings level (3 cents per share), but material for certain line items in the financial statements. The effects of this are set out in the notes of the summarised financial statements for the 31 March 2020 interim period.

DIRECTORS

Mr. EE Smuts was appointment as an executive director and Chief Executive Officer of Nampak Limited with effect from 6 January 2020, following the resignation of Mr. AM de Ruyter with effect from 6 January 2020.

Mr E Ikazoboh and Ms IN Mkhari retired as non-executive directors, effective 12 February 2020. Ms. Lesego Sennelo, an independent non-executive director and member of the audit and risk committee, was appointed as a member of the Nampak Limited social, ethics and transformation committee with effect from 15 May 2020.

DIVIDEND

In line with previous communications the board has decided not to resume dividends to shareholders until debt levels are significantly reduced.

On behalf of the Board

PM Surgey
Chairman

EE Smuts
Chief executive officer

GR Fullerton
Chief financial officer

Bryanston
29 May 2020

SPONSOR

UBS South Africa (Pty) Limited

FORWARD-LOOKING STATEMENTS

Certain statements in this document are not reported financial results or historical information, but forward-looking statements. These statements are predictions of or indicate future events, trends, future prospects, objectives, earnings, savings or plans. Examples of such forward-looking statements include, but are not limited to, statements regarding volume growth, increases in market share, exchange rate fluctuations, shareholder return and cost reductions. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "believe", "continue", "anticipate", "ongoing", "expect", "will", "could", "may", "intend", "plan", "could", "may", and "endeavour". By their nature, forward-looking statements are inherently predictive, speculative and involve inherent risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. If one or more of these risks materialise, or should underlying assumptions prove incorrect, our actual results may differ materially from those anticipated. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. These factors include, but are not limited to: changes in economic or political conditions and changes to the associated legal, regulatory and tax environments; lower than expected performance of existing or new products and the impact thereof on the Group's future revenue, cost structure and capital expenditure; the Group's ability to expand its portfolio; skills shortage; changes in foreign exchange rates and a lack of market liquidity which holds up the repatriation of earnings; increased competition, slower than expected customer growth and reduced customer retention; acquisitions and divestments of Group businesses and assets and the pursuit of new, unexpected strategic opportunities; the extent of any future write-downs or impairment charges on the Group's assets; the impact of legal or other proceedings against the Group; uncontrollable increases to legacy defined benefit liabilities and higher than expected costs or capital expenditures. When relying on forward-looking statements to make investment decisions, you should carefully consider both these factors and other uncertainties and events. Forward-looking statements apply only as of the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

R million	Notes	**Unaudited 6 months ended 31 Mar 2020**	Restated* Unaudited 6 months ended 31 Mar 2019	Change %	Audited Year ended 30 Sep 2019
Continuing operations					
Revenue		**6 518.9**	7 882.4	(17)	14 642.4
Operating profit before items below		**315.5**	1 016.2	(69)	1 439.3
Net impact of devaluation in Zimbabwe	4	**(28.8)**	(122.6)		(1 037.3)
Net foreign exchange losses in Zimbabwe operations		**(120.2)**	(948.2)		(1 944.5)
Monetary adjustment for hyperinflation — Zimbabwe		**137.0**	—		831.5
Gain on recognition of Reserve Bank of Zimbabwe financial instrument		**—**	941.3		794.5
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument		**(45.6)**	(115.7)		(718.8)
Operating profit	4	**286.7**	893.6	(68)	402.0
Finance costs	5	**(252.3)**	(217.4)		(376.2)
Finance income	5	**84.0**	66.2		129.9
Share of net loss from associates and joint ventures		**(1.0)**	(0.9)		(1.4)
Profit before net impairment (losses)/reversals on goodwill, plant and equipment		**117.4**	741.5	(84)	154.3
Net impairment (losses)/reversals	6	**(3 040.3)**	43.4		(148.2)
(Loss)/profit before tax		**(2 922.9)**	784.9	(>100)	6.1
Income tax benefit/(expense)	7	**65.3**	58.9		(395.8)
(Loss)/profit for the period from continuing operations		**(2 857.6)**	843.8	(>100)	(389.7)
Discontinued operations					
Profit/(loss) for the period from discontinued operations	8.5	**470.4**	(190.5)		(1 123.9)
(Loss)/profit for the period		**(2 387.2)**	653.3	(>100)	(1 513.6)
Other comprehensive income/(expense), net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange gain/(loss) on translation of foreign operations	9	**411.1**	(440.3)		(713.2)
Gain/(loss) on cash flow hedges		**79.7**	(7.2)		(65.9)
Items that will not be reclassified to profit or loss					
Net actuarial gain/(loss) from retirement benefit obligations		**33.3**	—		(14.7)
Other comprehensive income/(expense) for the period, net of tax		**524.1**	(447.5)	>100	(793.8)
Total comprehensive (expense)/income for the period		**(1 863.1)**	205.8	(>100)	(2 307.4)
(Loss)/profit attributable to:					
Owners of Nampak Ltd		**(2 166.9)**	695.5	(>100)	(851.6)
Non-controlling interests in subsidiaries		**(220.3)**	(42.2)		(662.0)
Total		**(2 387.2)**	653.3	(>100)	(1 513.6)
Total comprehensive (expense)/income attributable to:					
Owners of Nampak Ltd		**(941.9)**	520.2	(>100)	(1 132.9)
Non-controlling interests in subsidiaries		**(921.2)**	(314.4)		(1 174.5)
Total		**(1 863.1)**	205.8	(>100)	(2 307.4)
(Loss)/earnings per share					
Basic (cents per share)					
Continuing operations		**(408.9)**	137.4	(>100)	42.2
Discontinued operations		**72.9**	(29.6)		(174.3)
Total		**(336.0)**	107.8	(>100)	(132.1)
Diluted (cents per share)					
Continuing operations		**(406.9)**	136.9	(>100)	42.0
Discontinued operations		**72.6**	(29.5)		(173.5)
Total		**(334.3)**	107.4	(>100)	(131.5)

* Refer note 2.4.

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

R million	Notes	**Unaudited 31 Mar 2020**	Restated* Unaudited 31 Mar 2019	Audited 30 Sep 2019
ASSETS				
Non-current assets				
Property, plant and equipment and investment property		**8 426.6**	7 738.0	7 195.2
Goodwill and other intangible assets		**2 214.8**	3 754.6	3 904.3
Joint ventures, associates and other investments		**22.4**	25.3	21.0
Deferred tax assets		**109.0**	651.7	429.3
Liquid bonds and other loan receivables	11	**192.3**	1 572.2	862.2
		10 965.1	13 741.8	12 412.0
Current assets				
Inventories		**3 363.6**	3 261.2	3 388.5
Trade and other current receivables		**2 855.3**	2 980.6	2 628.8
Tax assets		**17.1**	21.7	133.3
Liquid bonds and other loan receivables	11	**270.5**	11.9	40.1
Bank balances and deposits		**3 493.6**	1 966.2	1 462.7
		10 000.1	8 241.6	7 653.4
Assets classified as held for sale		**37.6**	2 685.6	2 394.2
Total assets		**21 002.8**	24 669.0	22 459.6
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**35.5**	35.5	35.5
Capital reserves		**(67.0)**	(61.1)	(76.1)
Other reserves		**1 831.0**	24.7	(86.3)
Retained earnings		**5 433.7**	10 601.5	9 059.2
Shareholders' equity		**7 233.2**	10 600.6	8 932.3
Non-controlling interests		**(1 357.9)**	137.6	(722.4)
Total equity		**5 875.3**	10 738.2	8 209.9
Non-current liabilities				
Loans and other borrowings	12.1	**7 847.1**	7 683.0	6 132.8
Retirement benefit obligation		**866.0**	1 473.2	923.9
Deferred tax liabilities		**438.9**	342.8	528.3
Other non-current liabilities		**15.6**	93.6	17.8
		9 167.6	9 592.6	7 602.8
Current liabilities				
Trade payables, provisions and other current payables		**3 370.7**	3 339.2	3 651.7
Tax liabilities		**93.0**	118.8	14.5
Loans, other borrowings and bank overdrafts	12.2	**2 496.2**	287.9	1 954.1
		5 959.9	3 745.9	5 620.3
Liabilities directly associated with assets classified as held for sale		**—**	592.3	1 026.6
Total equity and liabilities		**21 002.8**	24 669.0	22 459.6

* Refer note 2.4.

CONDENSED GROUP STATEMENT OF CASH FLOWS

R million	Notes	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Cash generated from operations before working capital changes	13.1	**742.6**	1 101.3	1 703.5
Net working capital changes	13.1	**(75.6)**	(924.5)	(705.3)
Cash generated from operations	13.1	**667.0**	176.8	998.2
Net interest paid		**(211.7)**	(228.6)	(506.4)
Income tax paid		**(86.2)**	(68.9)	(228.3)
Cash flows from operations		**369.1**	(120.7)	263.5
Dividends paid		**—**	—	(0.1)
Net cash generated from/(utilised in) operating activities		**369.1**	(120.7)	263.4
Capital expenditure	15	**(407.1)**	(359.7)	(734.8)
Replacement		**(349.8)**	(301.4)	(517.0)
Expansion		**(57.3)**	(58.3)	(217.8)
Net proceeds on the disposal of businesses	8.5	**1 599.2**	—	—
Decrease in liquid bonds for hedging purposes		**517.9**	1 461.5	1 469.2
Other investing activities		**52.9**	146.4	98.9
Net cash generated before financing activities		**2 132.0**	1 127.5	1 096.8
Net cash repaid in financing activities	13.2	**(449.5)**	(235.3)	(563.9)
Net increase in cash and cash equivalents		**1 682.5**	892.2	532.9
Net cash and cash equivalents at beginning of period		**1 358.4**	1 836.8	1 836.8
Translation of cash in foreign subsidiaries		**142.9**	(754.8)	(1 011.3)
Net cash and cash equivalents at end of period	13.3	**3 183.8**	1 974.2	1 358.4

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

R million	Note	Unaudited 6 months ended 31 Mar 2020	Restated* Unaudited 6 months ended 31 Mar 2019	Audited Year ended 30 Sep 2019
Opening balance		**8 209.9**	10 612.5	10 612.5
Adjustment to opening retained earnings — adoption of new standards	2.2	**(221.3)**	(89.2)**	(89.2)**
Share-based payment expense		**9.1**	9.1	(5.9)
Share grants exercised		**(4.0)**	—	—
Treasury shares disposed		**4.0**	—	—
Capitalised ECL provision		**(156.6)**	—	—
Disposal of businesses		**(102.7)**		
Total comprehensive (expense)/income for the period		**(1 863.1)**	205.8	(2 307.4)
Dividends paid		**—**	—	(0.1)
Closing balance		**5 875.3**	10 738.2	8 209.9
Comprising:				
Share capital		**35.5**	35.5	35.5
Capital reserves		**(67.0)**	(61.1)	(76.1)
Share premium		**268.9**	268.9	268.9
Treasury shares		**(511.7)**	(515.7)	(515.7)
Share-based payments reserve		**175.8**	185.7	170.7
Other reserves		**1 831.0**	24.7	(86.3)
Foreign currency translation reserve		**2 378.2**	1 401.5	1 368.9
Financial instruments hedging reserve		**68.9**	49.2	(10.8)
Recognised actuarial losses		**(518.6)**	(1 412.7)	(1 427.4)
Share of non-distributable reserves in associates and joint ventures		**—**	3.7	—
Other		**(97.5)**	(17.0)	(17.0)
Retained earnings		**5 433.7**	10 601.5	9 059.2
Shareholders' equity		**7 233.2**	10 600.6	8 932.3
Non-controlling interests		**(1 357.9)**	137.6	(722.4)
Total equity		**5 875.3**	10 738.2	8 209.9

* Refer note 2.4.

** Relates to the adoption of IFRS 9: Financial Instruments on 1 October 2018.

NOTES

1. BASIS OF PREPARATION

The condensed interim financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the Companies Act of South Africa applicable to condensed financial statements. The Listings Requirements require interim reports to be prepared in accordance with and contain the information required by IAS 34 Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council.

The interim financial statements have been prepared under the supervision of the chief financial officer, GR Fullerton CA(SA).

2. ACCOUNTING POLICIES, NEW AND REVISED STANDARDS AND RESTATED COMPARATIVES

2.1 ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used are consistent with those applied for the Group's 2019 annual financial statements other than for the adoption of new standards.

2.2 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE AND EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

The following standards are effective for the current financial year:

IFRS 16: LEASES

With effect from 1 October 2019, the Group has applied IFRS 16: Leases.

IFRS 16 requires a lessee to recognise a right of use asset and lease obligations for all leases except for short term leases, or leases of low value assets which may be treated similarly to operating leases under the current standard IAS 17 if the exceptions are applied. A lessee measures its lease obligation at the present value of future lease payments, and recognises a right of use asset initially measured at the same amount as the lease obligation including costs directly related to entering into the lease. Right of use assets are subsequently treated in a similar way to other assets such as property, plant and equipment or intangible assets dependent on the nature of the underlying item.

The impact of adopting IFRS 16 on the March 2020 reported numbers is as follows:

R million	IFRS 16	IAS 17	Impact
Statement of comprehensive income — profit/loss			
Operating profit — increase	(67.3)	(99.1)	31.8
Rental payments — decrease	—	(99.1)	99.1
Depreciation — increase	(67.3)	—	(67.3)
Finance costs — increase	(68.6)	—	(68.6)
Loss before tax — increase	(135.9)	(99.1)	(36.8)
Income tax benefit — increase	38.1	27.7	10.3
Loss for the period — increase	(97.8)	(71.4)	(26.5)
Statement of financial position			
Equity (retained earnings) — decrease	(319.1)	(71.4)	(247.8)
Adoption — opening balance	(221.3)	—	(221.3)
Loss for the period	(97.8)	(71.4)	(26.5)
Net assets — decrease	(319.1)	(71.4)	(247.8)
Right-of-use asset — increase	1 300.8	—	1 300.8
Deferred tax asset — increase	124.2	27.7	96.4
Lease liability — increase	(1 645.0)[3]	—	(1 645.0)
Bank balance	(99.1)	(99.1)	—
Trading profit[1] — increase	(67.3)	(99.1)	31.8
EBITDA[2] — increase	—	(99.1)	99.1

[1] Trading profit is the main measure of profitability used for segmental reporting purposes.

[2] EBITDA is calculated before net impairment losses on property, plant and equipment and expected credit losses on loan receivables.

[3] Excludes additions and disposals during the period.

IFRIC 23: UNCERTAINTY OVER INCOME TAX TREATMENTS

With effect from 1 October 2019, the Group has applied IFRIC 23: Uncertainty over Income Tax Treatments.

The interpretation addresses the determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

NOTES CONTINUED

It specifically considers:

- whether tax treatments should be considered collectively;
- assumptions for taxation authorities' examinations;
- the determination of taxable profit/(loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- the effect of changes in facts and circumstances.

The adoption of IFRIC 23 had no impact on the March 2020 reported numbers.

2.3 NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS IN ISSUE BUT NOT YET EFFECTIVE FOR THE CURRENT FINANCIAL YEAR

No new standards have been issued that are effective for future financial years other than IFRS 17: Insurance Contracts relating to insurance and reinsurance contracts a company issues or holds. This standard is not expected to have any application to the Group. Minor revisions to IAS 1: Presentation of Financial Statements to be implemented with effect from 1 January 2020 are not expected to have a significant impact on the Group.

2.4 RESTATEMENT OF COMPARATIVES (MARCH 2019)

DISCONTINUED OPERATION

The Nampak Plastics Europe Limited business was recognised as a discontinued operation in terms of IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations as at 30 September 2019 and was disposed of effective 13 December 2019. Accordingly, comparatives have been restated. Refer note 8.1.

RESTATEMENT OF PRIOR PERIOD RESULTS

Following a lengthy process, an agreement with the Reserve Bank of Zimbabwe (RBZ) was signed on 27 September 2019 in terms of which the RBZ undertook to facilitate the repayment of intercompany balances owing by Nampak Zimbabwe Limited to Nampak International Limited in equal quarterly repayments over a period of five years commencing in March 2021. During the September 2019 year-end process it was determined that this agreement amounted to a plan to settle the intercompany balances and therefore the requirements set out by IAS 21 for net investment in a foreign operation had not been met. Accordingly, in terms of IFRS the loan could not be treated as part of the Group's net investment in its foreign operations and currency losses on the loan for the 2019 financial year were reflected in the Group's income statement. At 31 March 2019 however, an implemented repayment plan was not yet in place and the Nampak Group interim results at 31 March 2019 were prepared on the basis that the criteria of IAS 21 were met and the loan was accordingly accounted for as part of the group's net investment in its foreign operations.

Based on a subsequent review as well as legal and accounting advice, it has been determined that the September 2019 agreement with the RBZ had the effect of substantively supporting a previous legal agreement with the RBZ which had similar terms to the September agreement and that existed at 31 March 2019. This agreement was effective but not implemented due to suspensive conditions not being met. Despite the earlier agreement not being implemented, legal advice indicates that the agreement was valid and a plan for repayment of the loan thus also existed at 31 March 2019. In order to recognise this retrospective interpretation, an error in the interim reporting as at 31 March 2019 requires a restatement. The restatement is immaterial at an earnings level (3 cents per share), but material for certain line items in the financial statements. The effects of this are set out in the notes of the summarised financial statements for the 31 March 2020 interim period.

NOTES CONTINUED

The line items of the financial statements impacted by these events are as follows:

R million	Discontinued operation	Restatement of prior period results	Combined impact
Condensed Group statement of comprehensive income			
Revenue — decrease	(572.0)	—	(572.0)
Operating profit — increase/(decrease)	85.3	(50.0)	35.3
Finance costs — decrease	0.2	—	0.2
Profit before tax — increase/(decrease)	85.5	(50.0)	35.5
Income tax benefit — increase	—	12.9	12.9
Profit for the period from continuing operations — increase/(decrease)	85.5	(37.1)	48.4
Loss for the year from discontinued operations — increase	(85.5)	—	(85.5)
Profit for the period — decrease	—	(37.1)	(37.1)
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange loss on translation of foreign operations — decrease	—	650.1	650.1
Other comprehensive expense for the period, net of tax — decrease	—	650.1	650.1
Total comprehensive expense for the period — decrease	—	613.0	613.0
Profit attributable to:			
Owners of Nampak Ltd — decrease	—	(19.1)	(19.1)
Non-controlling interests in subsidiaries — decrease	—	(18.0)	(18.0)
Total — decrease	—	(37.1)	(37.1)
Total comprehensive income attributable to:			
Owners of Nampak Ltd — increase	—	315.3	315.3
Non-controlling interests in subsidiaries — increase	—	297.7	297.7
Total — increase	—	613.0	613.0
Earnings per share			
Basic (cents per share)			
Continuing operations — increase/(decrease)	13.3	(3.0)	10.3
Discontinued operations — decrease	(13.3)	—	(13.3)
Total — decrease	—	(3.0)	(3.0)
Diluted (cents per share)			
Continuing operations — increase/(decrease)	13.3	(3.0)	10.3
Discontinued operations — decrease	(13.3)	—	(13.3)
Total — decrease	—	(3.0)	(3.0)
Condensed Group statement of financial position			
ASSETS			
Non-current assets			
Liquid bonds and other loan receivables — increase	—	825.6	825.6
Total assets — increase	—	825.6	825.6
EQUITY AND LIABILITIES			
Capital and reserves			
Other reserves — increase	—	334.4	334.4
Retained earnings — decrease	—	(19.1)	(19.1)
Shareholders' equity — increase	—	315.3	315.3
Non-controlling interests — increase	—	297.7	297.7
Total equity — increase	—	613.0	613.0
Non-current liabilities			
Deferred tax liabilities — increase	—	212.6	212.6
Total equity and liabilities — increase	—	825.6	825.6
Condensed Group statement of changes in equity			
Total comprehensive income for the period — increase	—	613.0	613.0
Comprising:			
Foreign currency translation reserve — increase	—	334.4	334.4
Retained earnings — decrease	—	(19.1)	(19.1)
Shareholders equity — increase	—	315.3	315.3
Non-controlling interests — increase	—	297.7	297.7
Total equity — increase	—	613.0	613.0

2.5 2019 INTEGRATED REPORT

At the Group's last Annual General Meeting (AGM), a shareholder pointed out an error on page 40 of the 2019 Integrated Report under the graph headed 'Return on net assets' (RONA). Despite the correct graphical information presented, the following sentence was incorrect "Despite the decline, the RONA still exceeded the Group's weighted average cost of capital". This sentence should have been deleted and the error was due to wording inadvertently not being amended as the results were finalised. It was conceded as an error in the AGM and undertaking was given to mention the correction in the group's next set of financial results.

NOTES CONTINUED

3. CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 IMPAIRMENT OF ASSETS

BEVCAN NIGERIA GOODWILL IMPAIRMENT

As required by IAS 36: Impairments management considers impairment indicators as they arise and performs value in use calculations to determine if these indicators may result in asset impairments. Not withstanding the requirement in IAS 36 to test goodwill annually at the same time, and due to the drastic decline in the oil price since the beginning of March 2020, consequent risk associated with the naira exchange rate and subsequent potential liquidity constraints and pricing pressures coming from competitor activity in the Nigerian market, management has performed a comprehensive review of the value in use of the Bevcan Nigeria business and this has resulted in an impairment to the goodwill associated with the purchase of the Bevcan Nigeria operation.

At 31 March 2020, the directors have determined that goodwill should be impaired in the amount of US$130.4 million or the ZAR equivalent at 31 March 2020 of R2.2 billion.

BEVCAN ANGOLA ASSET IMPAIRMENT

As required by IAS 36: Impairments management considers impairment indicators as they arise and performs value in use calculations to determine if these indicators may result in asset impairments. In light of the drastic decline in the oil price since the beginning of March 2020, consequent devaluation in the Kwanza exchange rate and subsequent potential liquidity constraints, as well as volume pricing pressures coming from the consumers' lack of disposable income in the Angolan market, management has performed a comprehensive review of the value in use of the Bevcan Angola business and this has resulted in an impairment to assets in the Bevcan Angola operation.

At 31 March 2020, the directors have determined that assets should be impaired in the amount of US$51.4 million or the ZAR equivalent at 31 March 2020 of R0.9 billion.

GROUP MARKET CAPITALISATION BELOW CONSOLIDATED SHAREHOLDERS' EQUITY

A group sum-of-the-parts valuation was performed based on discounted cash flow valuation principles with individual operations/cash-generating units being tested for specific impairment. With the exception of Bevcan Nigeria and Bevcan Angola, no other impairments relating to specific cash-generating units have been identified.

3.2 IMPACT OF RESERVE BANK OF ZIMBABWE AGREEMENT AND EXPECTED CREDIT LOSS ASSESSMENT

Nampak International Limited (NIL), based in the Isle of Man, is the main holding company for the African operations and provides treasury and procurement support to the African operations. At 30 September 2019, NIL was owed US$67 million by Nampak Zimbabwe Limited (NZL). No further funding has been provided by NIL to NZL since April 2018 with NZL being self-funding from that date.

In order to protect shareholder interests from foreign currency devaluation on NZL's dollar denominated liabilities to NIL, management secured an agreement with the Reserve Bank of Zimbabwe (RBZ) on 27 September 2019 in terms of which the RBZ undertook to repay US$67 million relating to historic inter-group funding owed by NZL to NIL over a period of five years in quarterly repayments commencing on 31 March 2021. In terms of IFRS 9: Financial Instruments the group recognised a financial asset at amortised cost based on the economic substance of the contract. As at 30 September 2019 an expected loss provision of 85% was applied to the agreement after having regard to the prevailing economic challenges and financial uncertainty in Zimbabwe. This was supported by the outlook of the World Bank and International Monetary Fund and related to the ability of the Zimbabwean economy to recover from its economic crisis. This assessment of the RBZ credit risk has not changed and therefore the expected credit loss provision of 85% of the RBZ financial asset continues to be recognised at 31 March 2020. Refer note 11.

With effect from 13 March 2020, NZL ceded its rights to repayment of the US$67 million owed to it by RBZ to NIL in full and final settlement of its liability to NIL. This transaction has not changed the group's legal rights to receive payments under the RBZ agreement and has removed the exposure of NZL to further foreign currency losses related to its dollar denominated liability to NIL.

3.3 DEFERRED TAX ASSETS

Deferred tax assets are recognised to the extent that it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, interest, inflation and taxation rates, and competitive forces.

NOTES CONTINUED

4. INCLUDED IN OPERATING PROFIT FOR CONTINUING OPERATIONS

R million	Unaudited 6 months ended 31 Mar 2020	Restated unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Depreciation	**298.4**	191.0	460.7
Amortisation	**10.2**	13.4	24.6
Net translation loss recognised on financial instruments	**265.2**	1 008.3	2 131.8
Net loss arising from Angolan, Nigerian and Zimbabwean exchange rate movements	**338.9**	969.6	2 156.6
Net (gain)/loss arising from normal operating activities	**(73.7)**	38.7	(24.8)
Reconciliation of operating profit to trading profit [1]			
Operating profit	**286.7**	893.6	402.0
Adjusted for capital [2] and other items [3] (excluding net impairment (losses)/reversals separately disclosed)	**346.6**	138.6	1 155.7
Capital items	**46.7**	(65.3)	(67.3)
Net loss on disposal of business	**129.4**	—	—
Net profit on disposal of property	**—**	(65.3)	(67.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	—	—
Foreign exchange devaluations, restructuring and other items	**299.9**	203.9	1 223.0
Net impact of devaluation in Zimbabwe	**28.8**	122.6	1 037.3
Net foreign exchange losses in Zimbabwe operations	**120.2**	948.2	1 944.5
Monetary adjustment for hyperinflation — Zimbabwe	**(137.0)**	—	(831.5)
Gain on recognition of Reserve Bank of Zimbabwe financial instrument	**—**	(941.3)	(794.5)
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument	**45.6**	115.7	718.8
Net devaluation loss arising from Angolan and Nigerian exchange rate movements	**218.7**	21.4	212.1
Retrenchment and restructuring costs	**52.4**	11.5	43.6
Cash transfer and liquid bond disposal losses	**—**	48.4	48.4
Other	**—**	—	(118.4) [4]
Trading profit	**633.3**	1 032.2	1 557.7

[1] Trading profit is the main measure of profitability used for segmental reporting purposes and includes foreign exchange movements on forward exchange contracts.

[2] Capital items relate to items that are adjusted for in the headline earnings per share calculation.

[3] Other items are defined as losses/(gains) which do not arise from normal trading activities or are of such a size, nature or incidence that their disclosure is relevant to explain the performance for the period.

[4] Primarily relates to the reversal of provisions that were no longer applicable.

5. NET FINANCE COSTS — CONTINUING OPERATIONS

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Loans and borrowings	**(170.4)**	(198.9)	(347.7)
Overdraft facilities and other	**(13.3)**	(18.5)	(28.5)
Finance costs before capitalised lease liabilities	**(183.7)**	(217.4)	(376.2)
Capitalised lease liabilities	**(68.6)**	—	—
Finance costs	**(252.3)**	(217.4)	(376.2)
Liquid bonds	**58.7**	49.0	106.7
RBZ receivable	**19.9***	—	—
Bank balances and other	**5.4**	17.2	23.2
Finance income	**84.0**	66.2	129.9
Net finance costs	**(168.3)**	(151.2)	(246.3)

* Relates to the write-up of the asset carried at amortised cost at the effective interest rate applicable.

NOTES CONTINUED

6. NET IMPAIRMENT (LOSSES)/REVERSALS

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Impairment of goodwill relating to Bevcan Nigeria	**(2 176.4)**	—	—
Impairment of plant and equipment relating to Bevcan Angola	**(857.5)**	—	—
Other net impairment (losses)/reversals*	**(6.4)**	43.4	(148.2)
Total	**(3 040.3)**	43.4	(148.2)

* Includes impairment (reversals)/losses on liquid bonds (US dollar indexed Angolan Kwanza bonds).

Note 3.1 deals with critical judgements and key sources of estimation uncertainty and provides details regarding the impairment of the Bevcan Nigeria goodwill and the Bevcan Angola asset impairment. At 31 March 2020, the directors have determined that the goodwill relating to Bevcan Nigeria should be impaired in the amount of US$130.4 million or the ZAR equivalent at 31 March 2020 of R2.2 billion. In addition, at 31 March 2020, the directors have determined that Bevcan Angola's assets should be impaired in the amount of US$51.4 million or the ZAR equivalent at 31 March 2020 of R0.9 billion.

7. TAX RATE RECONCILIATION

%	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Statutory group tax rate	**28.0**	28.0	28.0
Foreign tax rate differential	**(21.1)**	(15.5)	(13.9)
Withholding and other foreign taxes paid	**8.7**	6.1	6.2
Disallowed expenses and other	**5.2**	1.0	(6.8)
Normalised tax rate	**20.8**	19.6	13.5
Tax effects of the following:			
Impairment of Bevcan Nigeria goodwill	**(12.3)**	—	—
Impairment of assets — Angola	**(3.4)**	—	—
Reversal of deferred tax asset and deferred tax not recognised in Angola	**(2.4)**	(33.4)	33.3
Loss on disposal of Nampak Cartons Nigeria Limited	**(1.5)**	—	—
Adjusted tax rate before Zimbabwe	**1.2**	(13.8)	46.8
Tax effect of Zimbabwe conversion to RTGS	**—**	6.3	—
Tax effect of Zimbabwe hyperinflation, exchange losses and loan receivable	**1.0**	—	6 441.7
Effective group tax rate	**2.2**	(7.5)	6 488.5

8. DISPOSAL OF DISCONTINUED OPERATIONS AND OTHER DISPOSAL GROUPS HELD FOR SALE

8.1 DISCONTINUED OPERATION — NAMPAK PLASTICS EUROPE LIMITED

On 28 August 2019, the Nampak Limited board took a decision to dispose of Nampak Plastics Europe Limited following a protracted period of continued poor performance and cash consumption. Additionally, the business faced further challenges with regard to its capital investment requirements and the deficit funding associated with its defined benefit pension plan. The Group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 30 September 2019 and therefore classified the disposal group as held for sale and as a discontinued operation at that date. A formal disposal process was managed by independent professional advisers in the United Kingdom with the disposal concluded and effective 13 December 2019.

Nampak Plastics Europe Limited was previously reported in the Plastics operating segment for segmental reporting purposes.

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Results of the discontinued operation			
Revenue	**131.3**	571.5	974.2
Operating expenses other than depreciation, amortisation and impairment expenses	**(155.9)**	(638.3)	(1 231.9)
EBITDA[1]	**(24.6)**	(66.8)	(257.7)
Depreciation and amortisation[2]	**—**	(18.5)	(32.9)
Impairment of plant and assets classified as held for sale	**(12.6)**	—	(362.8)
Net finance costs	**—**	(0.2)	0.2
Loss before tax	**(37.2)**	(85.5)	(653.2)
Attributable income tax benefit	**—**	—	—
Net loss for the period before disposal effect	**(37.2)**	(85.5)	(653.2)
Net profit on disposal of discontinued operation	**552.0**	—	—
Net profit/(loss) for the period	**514.8**	(85.5)	(653.2)
The profit on disposal of the discontinued operation was calculated as follows:			
Proceeds on disposal	**—**[3]		
Net liabilities disposed	**301.6**		
Property, plant and equipment	**(36.1)**		
Inventories	**(24.5)**		
Trade and other current receivables	**(323.2)**		
Bank and cash	**(27.9)**		
Retirement benefit obligation	**538.3**		
Trade payables, provisions and other current payables	**175.0**		
Profit on disposal before items below	**301.6**		
Disposal costs	**(128.0)**		
Translation reserve recycled	**378.4**		
Net profit on disposal	**552.0**		
Cash flows of the discontinued operation			
Net cash flows from operating activities	**(73.3)**	(176.0)	(314.9)
Net cash flows from investing activities excluding disposal	**(13.8)**	(104.7)	(162.7)
Net cash flow from disposal	**(155.9)**	—	—
Bank and cash balances disposed	**(27.9)**	—	—
Disposal costs	**(128.0)**	—	—
Net cash flows	**(243.0)**	(280.7)	(477.6)

[1] EBITDA is calculated before net impairments.

[2] Depreciation and amortisation ceased on classification of Nampak Plastics Europe as a discontinued operation and disposal group held for sale.

[3] Disposed for a nominal sum.

8.2 DISCONTINUED OPERATION — NAMPAK GLASS DIVISION

On 16 February 2018, the Nampak Limited board took a decision to dispose of the Nampak Glass division. The Group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations as at 31 March 2018 and therefore classified the business as held for sale and as a discontinued operation at that date. A sale of business agreement was concluded on 26 September 2019 with a suitable buyer and the required filing was made with the competition authorities. The sale was concluded effective 31 March 2020 and proceeds of R1 571.0 million were received. Following working capital and other adjustments in terms of the agreement, R156.4 million is required to be remitted to the purchaser.

Glass is the only operation in the Glass operating segment for segmental reporting purposes.

NOTES CONTINUED

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Results of the discontinued operation			
Revenue	**790.9**	764.4	1 517.6
Operating expenses other than depreciation, amortisation and impairment expenses	**(703.1)**	(675.5)	(1 580.0)
EBITDA[1]	**87.8**	88.9	(62.4)
Depreciation and amortisation[2]	**—**	—	—
Impairment of assets classified as held for sale	**(0.3)**	(136.8)	(336.0)
Net finance costs	**(101.1)**	(98.1)	(200.1)
Loss before tax	**(13.6)**	(146.0)	(598.5)
Attributable income tax (expense)/benefit	**(5.2)**	41.0	127.8
Net loss for the period before disposal effect	**(18.8)**	(105.0)	(470.7)
Net loss on disposal of discontinued operation	**(25.6)**	—	—
Net loss for the period	**(44.4)**	(105.0)	(470.7)
The loss on disposal of the discontinued operation was calculated as follows:			
Proceeds on disposal	**1 571.0**		
Working capital and other adjustments	**(156.4)**		
Adjusted proceeds on disposal	**1 414.6**		
Net assets disposed	**(1 375.7)**		
Property, plant and equipment	**(923.4)**		
Intangible assets	**(2.7)**		
Inventories	**(536.5)**		
Trade and other current receivables	**(208.7)**		
Capitalised lease liability	**104.1**		
Trade payables, provisions and other current payables	**191.5**		
Profit on disposal	**38.9**		
Disposal costs	**(64.5)**		
Net loss on disposal	**(25.6)**		
Cash flows of the discontinued operation			
Net cash flows from operating activities	**(18.3)**	89.5	121.5
Net cash flows from investing activities excluding disposal	**(63.1)**	(57.7)	(92.4)
Net cash flow from disposal	**1 350.1**	—	—
Adjusted proceeds on disposal	**1 414.6**	—	—
Disposal costs	**(64.5)**	—	—
Net cash flows	**1 268.7**	31.8	29.1

[1] EBITDA is calculated before net impairments.

[2] Depreciation and amortisation ceased on classification of Nampak Glass as a discontinued operation and disposal group held for sale.

8.3 DISPOSAL GROUPS HELD FOR SALE — NAMPAK CARTONS NIGERIA LIMITED AND NAMPAK PROPERTIES NIGERIA LIMITED

On 5 February 2019, the Nampak Limited board took a decision to dispose of its interests in Nampak Cartons Nigeria Limited and Nampak Properties Nigeria Limited. The Group met the criteria of IFRS 5: Non-current Assets Held for Sale and Discontinued Operations for both businesses as at 31 March 2019, and therefore classified these businesses as disposal groups held for sale at that date. The board resolved to approach several packaging industry players to invite proposals for the disposal of the businesses. Negotiations were concluded on 2 April 2019 with the signing of an agreement with the AR Packaging group. The sale was subject to normal conditions precedent that are appropriate in a transaction of this nature and was ultimately completed effective 31 December 2019.

These disposal groups were not recognised as discontinued operations in accordance with the above standard as they neither represented a separate major line of business or geographical area of operations. They therefore continued to be reported in the Paper operating segment for segmental reporting purposes.

R million	Unaudited 6 months ended 31 Mar 2020
The loss on disposal of the disposal groups was calculated as follows:	
Proceeds on disposal	444.0
Net assets disposed	(285.2)
Property, plant and equipment	(114.8)
Deferred tax asset (Nampak Cartons Nigeria)	(14.7)
Inventories	(98.4)
Trade and other current receivables	(87.0)
Tax assets	(5.0)
Bank and cash	(39.9)
Deferred tax liability (Nampak Properties Nigeria)	16.5
Trade payables, provisions and other current payables	58.1
Profit on disposal before items below	158.8
Disposal costs	(31.3)
Translation reserve recycled	(275.7)
Net loss on disposal	(148.2)
Net cash flows on disposal of the disposal groups	
Proceeds on disposal	444.0
Bank and cash balances disposed	(39.9)
Disposal costs	(31.3)
Net cash flow from disposal	372.8

8.4 DISPOSAL GROUPS HELD FOR SALE — MEGAPAK CRATES AND DRUMS BUSINESSES

On 30 May 2018, the board took a decision to dispose of the Megapak business consisting of the Drums and Crates businesses. The Group met the criteria of IFRS 5: Non-current Assets Held for Sale for the Drums and Crates disposal groups as at 30 May 2018 and 31 July 2018 respectively, and therefore classified these businesses as disposal groups held for sale at those dates. During the prior year, the disposal of the majority of the Megapak Crates and Drums businesses was halted after the businesses completed a restructuring process and secured a contract from a major soft drinks manufacturer for a period of three years. Consequently, the net operating assets of these businesses other than the net operating assets pertaining to the intermediary bulk container business were reclassified to their respective asset and liability classes on the statement of financial position. The assets of the intermediary bulk container business were disposed effective 25 November 2019.

These disposal groups are not recognised as discontinued operations in accordance with the above standard as they neither represent a separate major line of business or geographical area of operations. They therefore continued to be reported in the Plastics operating segment for segmental reporting purposes.

R million	Unaudited 6 months ended 31 Mar 2020
The profit on disposal of the disposal group was calculated as follows:	
Proceeds on disposal	32.2
Net assets disposed	(13.4)
Plant and equipment	(8.2)
Inventories	(0.6)
Trade and other current receivables	(4.6)
Net profit on disposal	18.8
Net cash flow on disposal of disposal group	
Proceeds on disposal	32.2

NOTES CONTINUED

8.5 SUMMARY OF RESULTS FROM DISCONTINUED OPERATIONS AND NET CASH FLOWS ON DISPOSAL OF DISCONTINUED OPERATIONS AND OTHER DISPOSAL GROUPS

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Profit/(loss) for the period from discontinued operations			
Nampak Plastics Europe Limited	**514.8**	(85.5)	(653.2)
Nampak Glass division	**(44.4)**	(105.0)	(470.7)
Total	**470.4**	(190.5)	(1 123.9)
Net cash flow from disposal of discontinued operations and other disposal groups			
Nampak Plastics Europe Limited	**(155.9)**	—	—
Nampak Glass division	**1 350.1**	—	—
Nampak Cartons Nigeria Limited and Nampak Properties Limited	**372.8**	—	—
Megapak Crates and Drums businesses	**32.2**	—	—
Total	**1 599.2**	—	—

9. EXCHANGE GAIN/(LOSS) ON TRANSLATION OF FOREIGN OPERATIONS

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Translation of net assets of Zimbabwe	**(1 227.1)**	(559.5)	(1 012.1)
Translation of net assets of foreign operations excluding Zimbabwe	**1 638.2**	119.2	298.9
Total	**411.1**	(440.3)	(713.2)

10. DETERMINATION OF HEADLINE EARNINGS AND HEADLINE EARNINGS PER SHARE

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Continuing operations			
(Loss)/profit attributable to equity holders of the company for the period	**(2 637.3)**	886.0	272.3
Less: preference dividend	**—**	—	(0.1)
Basic (loss)/earnings	**(2 637.3)**	886.0	272.2
Adjusted for:			
Net impairment losses on plant, equipment, goodwill and other intangible assets	**3 048.2**	4.8	197.7
Net loss on disposal of businesses	**129.4**	—	—
Net profit on disposal of property, plant, equipment and intangible assets	**(1.7)**	(71.5)	(71.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	—	—
Tax effects and non-controlling interests	**(410.5)**	18.7	(49.8)
Headline earnings for the period	**45.4**	838.0	348.8
Headline earnings per ordinary share (cents)	**7.0**	130.0	54.1
Diluted headline earnings per share (cents)	**7.0**	129.4	53.8
Continuing and discontinued operations			
(Loss)/profit attributable to equity holders of the company for the period	**(2 166.9)**	695.5	(851.6)
Less: preference dividend	**—**	—	(0.1)
Basic (loss)/earnings	**(2 166.9)**	695.5	(851.7)
Adjusted for:			
Net impairment losses on plant, equipment, goodwill and other intangible assets, and assets classified as held for sale	**3 061.1**	141.6	896.5
Net profit on disposal of businesses	**(397.0)**	—	—
Net profit on disposal of property, plant, equipment and intangible assets	**(1.7)**	(71.6)	(68.3)
Insurance proceeds for asset replacements in respect of a fire at the Rigids Dundee plant	**(82.7)**	—	—
Tax effects and non-controlling interests	**(410.7)**	(19.6)	(101.3)
Headline earnings/(loss) for the period	**2.1**	745.9	(124.8)
Headline earnings/(loss) per ordinary share (cents)	**0.3**	115.7	(19.4)
Diluted headline earnings/(loss) per share (cents)	**0.3**	115.2	(19.3)

11. LIQUID BONDS AND OTHER LOAN RECEIVABLES

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Liquid bonds [1]	**265.6**	697.7	723.1
Reserve Bank of Zimbabwe financial instrument [2]	**155.5**	825.6	129.1
Equipment sales receivables [3]	**26.8**	39.2	28.9
Other loan receivables	**14.9**	21.6	21.2
Total liquid bonds and other loan receivables	**462.8**	1 584.1	902.3
Less: Amounts receivable within one year reflected as current	**270.5**	11.9	40.1
Liquid bonds	**265.6**	—	25.3
Equipment sales receivables	**2.1**	9.9	5.8
Other loan receivables	**2.8**	2.0	9.0
Non-current liquid bonds and other loan receivables	**192.3**	1 572.2	862.2

[1] Liquid bonds relate to US dollar indexed Angolan Kwanza bonds. As at 31 March 2020 the Angolan Kwanza equivalent of US$14.9 million (March 2019: US$49.4 million; September 2019: US$49.4 million) had been hedged through these bonds in order to protect the Group against further Angolan Kwanza devaluation. Interest rates earned are between 7.0% and 7.8%.

[2] The Reserve Bank of Zimbabwe financial instrument relates to an arrangement in terms of which an amount of US$66.8 million owing by Nampak Zimbabwe Limited on its trade account to Nampak International Limited, a direct subsidiary of Nampak Limited, which will be settled in 12 quarterly payments of US$5.6 million by the Reserve Bank of Zimbabwe (RBZ). Repayments commence 31 March 2021 and zero interest is earned on the outstanding balance. Due to the long-term nature of this receivable and the uncertainty around the RBZ being able to access foreign currency to honour this agreement, the receivable balance has been provided at an expected credit loss rate of 85%.

[3] Finance lease receivables are repayable from 2020 to 2025. Interest rates earned are between 7.0% and 11.4%.

12. LOANS AND OTHER BORROWINGS

12.1 LOANS AND OTHER BORROWINGS — NON-CURRENT

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Secured loans [1]			
Local	**1 985.4**	1 980.4	1 982.9
Foreign	**6 494.9**	5 934.1	5 876.2
Total secured loans	**8 480.3**	7 914.5	7 859.1
Capitalised lease liabilities	**1 553.2**	—	—
Total non-current loans and other borrowings	**10 033.5**	7 914.5	7 859.1
Less: Amounts due within one year reflected as current	**2 186.4**	231.5	1 726.3
Secured loans [2]			
Local	**(5.0)**	(5.0)	(5.0)
Foreign	**2 032.9** [3]	236.5	1 731.3
Capitalised lease liabilities	**158.5**	—	—
Net non-current loans and borrowings	**7 847.1**	7 683.0	6 132.8

[1] Secured by guarantees issued by the Nampak Limited Group. These facilities are subject to covenants relating to interest cover and liquidity of the Nampak Limited Group. The Nampak Limited Group was within the relaxed covenant requirements for the 31 March 2020 measurement period. No liabilities have been recognised for outstanding guarantees. Interest rates charged are 8.1% on the local loans, and 4.1% on the foreign loans.

[2] Included in the current portion of loans repayable within one year is the following year's amortisation of transaction fees capitalised previously as part of the carrying amount of secured loans.

[3] The foreign current portion will be settled on 28 May 2020 utilising a specifically designated long-term facility which will further improve the Group's short-term liquidity ratios.

12.2 LOANS, OTHER BORROWINGS AND BANK OVERDRAFTS — CURRENT

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Current portion of loans and borrowings (see above)	**2 186.4**	231.5	1 726.3
Bank overdrafts	**309.8**	56.4	227.8
Total	**2 496.2**	287.9	1 954.1

NOTES CONTINUED

13. CONDENSED GROUP STATEMENT OF CASH FLOWS ANALYSIS

13.1 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS (CONTINUING AND DISCONTINUED OPERATIONS)

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
(Loss)/profit before tax	**(2 447.3)**	553.4	(1 245.6)
Continuing operations	**(2 922.9)**	784.9	6.1
Discontinued operations	**475.6**	(231.5)	(1 251.7)
Adjustment for:			
Depreciation and amortisation	**313.4**	222.9	518.2
Net profit on disposal of businesses, property, plant, equipment and intangible assets	**(398.7)**	(71.6)	(68.0)
Financial instruments fair value adjustment	**(70.4)**	7.9	29.8
Net defined benefit plan expense	**28.5**	50.8	116.4
Impairment losses	**3 053.2**	141.6	896.5
Reversal of impairment losses	**—**	(48.2)	(49.5)
Net unrealised foreign exchange losses in Zimbabwe operations	**120.2**	875.6	1 944.5
Monetary adjustment for hyperinflation — Zimbabwe	**(137.0)**	—	(831.5)
Gain on recognition of Reserve Bank of Zimbabwe financial instrument	**—**	(941.3)	(794.5)
Expected credit loss provision on Reserve Bank of Zimbabwe financial instrument	**45.6**	115.7	718.8
Inventory write off	**—**	—	172.2
Share of net loss in associates and joint ventures	**1.0**	0.9	1.4
Share-based payment expense	**12.6**	12.6	(8.2)
Net finance costs	**269.4**	249.5	446.2
Retirement benefits, contributions and settlements	**(47.9)**	(68.5)	(143.2)
Cash generated from operations before working capital changes	**742.6**	1 101.3	1 703.5
Net working capital changes	**(75.6)**	(924.5)	(705.3)
Decrease/(increase) in inventories	**353.5**	(260.5)	(384.1)
Increase in trade and other current receivables	**(148.0)**	(403.7)	(158.2)
Decrease in trade and other current payables	**(281.1)**	(260.3)	(163.0)
Cash generated from operations	**667.0**	176.8	998.2

13.2 NET CASH PAID IN FINANCING ACTIVITIES

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Non-current borrowings raised	**—**	150.0	294.2
Non-current borrowings repaid	**(351.9)**	(635.3)	(858.1)
Net current borrowings raised	**1.5**	250.0	—
Lease payments under IFRS 16	**(99.1)**	—	—
Total	**(449.5)**	(235.3)	(563.9)

13.3 NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

R million	**Unaudited 6 months ended 31 Mar 2020**	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Cash and cash equivalents	**3 493.6**	2 030.6	1 586.2
Bank balances and deposits per statement of financial position*	**3 493.6**	1 966.2	1 462.7
Bank balances and deposits classified as held for sale	**—**	64.4	123.5
Bank overdrafts	**(309.8)**	(56.4)	(227.8)
Total	**3 183.8**	1 974.2	1 358.4

* Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R66.7 million (March 2019: R467.0 million; September 2019: R57.3 million) which is regarded as having limited transferability.

NOTES CONTINUED

14. CARRYING AMOUNT OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments as presented on the statement of financial position are measured as follows:

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
At fair value — level 2			
Financial assets			
Derivative financial assets[1]	**125.7**	139.0	26.2
Financial liabilities			
Derivative financial liabilities[1]	**—**	22.6	11.3
At amortised cost			
Financial assets	**6 686.0**	6 391.9	5 091.1
Non-current liquid bonds and other loan receivables	**192.3**	1 572.2	862.2
Trade and other current receivables[2]	**2 729.6**	2 841.6	2 602.6
Current liquid bonds and other loan receivables	**270.5**	11.9	40.1
Bank balances and deposits	**3 493.6**	1 966.2	1 586.2
Financial liabilities	**13 714.0**	11 287.5	11 727.3
Non-current loans and other borrowings	**7 847.1**	7 683.0	6 132.8
Trade and other current payables[3]	**3 370.7**	3 316.6	3 640.4
Current loans, other borrowings and bank overdrafts	**2 496.2**	287.9	1 954.1

[1] Derivative financial assets and liabilities consist of forward exchange contracts and commodity futures. Their fair values are determined using the contract exchange rate at their measurement date, with the resulting value discounted back to the present value.

[2] Excludes derivative financial assets (disclosed separately), prepayments and trade and other current receivables presented as part of assets classified as held for sale.

[3] Excludes derivative financial liabilities (disclosed separately), provisions and trade and other current payables presented as part of liabilities directly associated with assets classified as held for sale.

15. CAPITAL EXPENDITURE, COMMITMENTS AND CONTINGENT LIABILITIES

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Capital expenditure	**407.1**	359.7	734.8
Expansion	**57.3**	58.3	217.8
Replacement	**349.8**	301.4	517.0
Capital commitments	**161.4**	625.6	454.5
Contracted	**126.1**	153.3	300.2
Approved not contracted	**35.3**	472.3	154.3
Lease commitments (including sale and leaseback transaction)	**22.9**	2 984.6	3 086.6
Land and buildings	**9.0**	2 964.0	3 041.9
Other	**13.9**	20.6	44.7
Contingent liabilities — customer claims and guarantees	**9.3**	6.5	11.2

16. SHARE STATISTICS

	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Ordinary shares in issue (000)	**689 812**	689 812	689 812
Ordinary shares in issue — net of treasury shares (000)	**645 081**	644 729	644 730
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	**644 935**	644 727	644 727
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	**648 142**	647 650	647 934

NOTES CONTINUED

17. KEY RATIOS AND EXCHANGE RATES

17.1 KEY RATIOS

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
EBITDA[1] — continuing operations	**595.3**	1 098.0	887.3
Net gearing			
— based on total net borrowings (%)	**109**	41	68
— based on net borrowings excluding impact of IFRS 16 capitalised finance leases (%)	**82**	41	68
Current ratio (times)	**1.7**	2.5	1.5
Current ratio (including non-current portion of liquid bonds[2]) (times)	**1.7**	2.7	1.6
Acid test ratio (times)	**1.1**	1.8	1.0
Acid test ratio (including non-current portion of liquid bonds[2]) (times)	**1.1**	1.9	1.1
Net debt: EBITDA — debt covenants (times)	**3.3**	2.7	2.9
EBITDA: Interest cover — debt covenants (times)	**4.1**	7.0	4.5
Return on equity — continuing operations (%)	**(30.0)**	17.6	2.8
Return on net assets — continuing operations			
— based on trading profit (%)	**9.2**	15.4	11.4
— based on operating profit	**4.2**	13.3	3.0
Return on invested capital — continuing operations			
— based on trading profit (%)	**6.7**	10.3	7.9
— based on operating profit	**2.1**	6.2	2.8
Return on invested capital — continuing and discontinuing operations (%)			
— based on trading profit	**7.4**	10.5	7.7
— based on operating profit	**3.6**	9.0	0.2
Net asset value per ordinary share (cents)[3]	**1 121**	1 644	1 385
Tangible net asset value per ordinary share (cents)[3]	**778**	1 062	780

[1] EBITDA is calculated before net impairment losses on property, plant and equipment and expected credit losses on loan receivables.

[2] Calculated as the non-current portion of liquid bonds can be converted back into cash within three months.

[3] Calculated on shareholders' equity and ordinary shares in issue, net of treasury shares.

17.2 EXCHANGE RATES

Key currency conversion rates used for the periods concerned were as follows:

R million	Unaudited 6 months ended 31 Mar 2020	Unaudited 6 months ended 31 Mar 2019	Audited year ended 30 Sep 2019
Rand/UK pound			
Average	**19.29**	18.32	18.30
Closing	**22.07**	18.90	18.65
Rand/Euro			
Average	**16.61**	16.11	16.18
Closing	**19.53**	16.27	16.54
Rand/US dollar			
Average	**15.04**	14.15	14.35
Closing	**17.80**	14.50	15.17
Naira/US dollar			
Average	**363.75**	362.50	361.55
Closing	**387.51**	360.23	362.04
Kwanza/US dollar			
Average	**493.22**	315.40	333.94
Closing	**567.04**	326.11	389.49
RTGS dollar/US dollar			
Average	**17.34**	2.54	5.01
Closing	**25.00**	3.01	15.20

18. RELATED PARTY TRANSACTIONS

Group companies, in the ordinary course of business, entered into various purchase and sale transactions with associates, joint ventures and other related parties. The effect of these transactions being not significant, is included in the financial performance and results of the Group.

19. EVENTS AFTER THE REPORTING DATE

On 11 March 2020, the World Health Organisation declared COVID-19 a pandemic triggering various government interventions in order to stem the spread of the virus. As most of the countries that we operate in are in the early stages of the pandemic, the full impact of the pandemic on our operations and the economies of the countries in which they operate will only be known over time. These effects will be wide ranging, from short-term impacts as a result of lockdown measures in some countries, partial lockdown and curfew measures in other countries and restricted travel and trade among various nations as well as the medium-to-long term impacts that will be suffered globally and across our markets.

In South Africa, with effect from 27 March 2020, a nation-wide lockdown was initiated and extended to the end of April 2020. Certain sectors of the economy returned in a phased manner from 1 May 2020. There is still no clarity on the duration and manner in which the national lockdown will be lifted. It is difficult to determine the impact that this will have on the already weakened consumer environment. The effects of COVID-19, while largely unknown in terms of exact financial impact, is expected to be significant to the Group, in the short-term. Items considered include restructuring and retrenchment impacts, leases and onerous contracts, potential impacts on site closures, recoverability of deferred tax assets, sustainable earnings and the potential impacts on our human capital.

The impact of COVID-19 on the Group results for the six months to 31 March 2020 was not material. However, coupled with the global oil price decline, pricing and volume pressure from customers, further exchange rate and liquidity volatility and uncertainty of the timing of recovery in the Nigerian and Angolan economies, it has resulted in the recognition of the impairments of the Bevcan Nigeria goodwill, as well as the asset impairment in Bevcan Angola as disclosed.

The board has assessed the impact of COVID-19 on the Group's solvency and liquidity position through various scenario planning reviews. Key factors impacting the scenarios include the currently depressed oil price, related rates of recovery of the Nigerian and Angolan economies, the short to medium-term impacts of COVID-19 as well as the rand dollar exchange rate impact on the dollar denominated component of the Group's debt.

The Group has significant banking facilities with adequate headroom, albeit that the use of this headroom, is currently impacted by a declining EBITDA and weak rand at 31 March 2020. Strong short-term liquidity ratios were boosted by the gross proceeds of R2.0 billion received from various disposals in the period. Active management of the funding covenants with the Group's banking partners and US Private Placement noteholders, reviews of the capital structure, management of working capital, restriction of further capital expenditure and cost management are considered key priorities.

Taking into account the aforementioned, the going concern assumption, as adopted in the preparation of the interim condensed consolidated financial statements for the Group, remains applicable. The Group will continue to monitor its position as more data becomes available and circumstances change.

ADMINISTRATION

NAMPAK LIMITED

(Registration number 1968/008070/06)

(Incorporated in the Republic of South Africa)

Share code: NPK

ISIN: ZAE 000071676

INDEPENDENT NON-EXECUTIVE DIRECTORS

M Surgey, E Ikazoboh (resigned with effect from 12 February 2020), IN Mkhari (resigned with effect from 12 February 2020), K Mzondeki, CD Raphiri, SP Ridley and LJ Sennelo (appointed with effect from 22 November 2019).

EXECUTIVE DIRECTORS

EE Smuts (appointment as executive director and Chief Executive Officer of Nampak Limited with effect from 6 January 2020) and GR Fullerton (Chief financial officer).

COMPANY SECRETARY

IH van Lochem

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