REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS FOR THE YEAR ENDED 30 JUNE 2020 AND DIVIDEND ANNOUNCEMENT

Registration number 1951/000799/06 | ISIN: ZAE000007480 | Share code: TPC
(Transpaco or the group)

A leading manufacturer, recycler and distributor of plastic and paper packaging products

NET ASSET VALUE PER SHARE 2 066 CENTS ■ TOTAL HEPS UP 41,5% TO 243,9 CENTS ■ TOTAL DIVIDEND PER SHARE 111 CENTS

INTRODUCTION

Notwithstanding an extremely challenging year due to a lacklustre economy, compounded by the Covid-19 pandemic, Transpaco performed well above expectations improving performance by 20,6%.

Although revenue fell by 1,6% operating profit increased 26,2%. Transpaco's ability to grow revenue was affected by the closure of Transpaco Recycling, the impact of the Covid-19 lockdown and poor trading conditions due to the state of the economy and reduced consumer spend.

Through stringent cost control, continued focus on margins and sound working capital management, operating margins increased to 5,8% (June 2019: 4,5%).

Transpaco's paper division, including general packaging distribution, was negatively affected by South Africa's economic difficulties and the Covid-19 pandemic whilst the plastic division performed above expectations.

DISCONTINUED OPERATIONS (SEE NOTE 1)

On 30 September 2019 the board of directors approved a decision to discontinue all recycling manufacturing operations carried out by Transpaco Recycling (Pty) Limited. Due to international and local market forces in the plastic recycling industry Transpaco was no longer deriving any benefit from remaining in the post-consumer recycling market. Selling price levels were restricted due to prevailing virgin polymer prices while energy, labour and distribution costs, amongst others, kept rising. With no likelihood of the situation improving in the short to medium term, and in order to stem losses, the board decided to discontinue the operation and sell the plant and equipment. The majority of the plant and equipment was sold during the financial year with the balance shortly thereafter.

IFRS RENTAL AGREEMENT IMPACT

The amendments to lease accounting in terms of IFRS 16 had a negative effect on earnings and headline earnings amounting to R1 362 000 or 4,1 cents for both earnings and headline earnings per share.

FINANCIAL RESULTS

Total operations	June 2020	June 2019	% increase/ (decrease)
Revenue (R'm)	**1 953,8**	1 985,1	(1,6)
Operating profits (R'm)	**113,4**	89,9	26,1
Total comprehensive income (R'm)	**69,0**	57,2	20,6
Headline earnings (R'm)	**80,2**	56,7	41,5
Earnings per share (cents)	**209,7**	173,9	20,6
Headline earnings per share (cents)	**243,9**	172,3	41,5
Diluted headline earnings per share (cents)	**243,9**	172,3	41,5
Net asset value per share (cents)	**2 066**	1 940	6,5

CONTINUING OPERATIONS

Transpaco's continuing operations achieved HEPS of 277,5 cents (December 2019: 187,8 cents) – an increase of 47,7% on revenue growth of 0,7%.

The weighted average number of shares in issue in calculating EPS and HEPS is 32 886 000 (June 2019: 32 886 000).

Cash generated from operations increased to R245,9 million (June 2019: R124,5 million). Cash and cash equivalents at year-end were R60,8 million (June 2019: R36,7 million). Efficient working capital management minimised net interest paid and resulted in Transpaco's net interest-bearing debt-to-equity position improving to 2,7% (June 2019: 10,5%), resulting in a sound balance sheet.

EXPANSIONS AND DEVELOPMENTS

Britepak, Transpaco's printed folded carton and pharmaceutical package insert business, expanded capacity with the installation of an additional plant to cater for several long-term contracts.

Transpaco's pallet wrap operation installed a new extrusion line, placing the business at the forefront of pallet stabilisation film production. We are now the only company in South Africa capable of producing 57-layer film, a product far superior to any available locally.

The entry of Transpaco Cores and Tubes into the paper straw market has proved successful with possible expansion likely in the future.

The refuse bag division has successfully entered the export market securing a substantial contract, commencing during the 2021 financial year.

Transpaco Flexibles continues to manufacture retail shopping bags, utilising post-consumer recycled material that supports current circular economy environmental initiatives.

PROSPECTS

Transpaco expects trading conditions to remain challenging as the South African trading environment is anticipated to remain difficult in the short to medium term.

Management will continue its proven business strategy of maintaining strict financial control, generating revenue growth and increasing profitability.

When identified, strategic acquisition opportunities will be pursued.

TRANSFORMATION

Transpaco's tenth black economic empowerment audit reflected the group as a level 2 value added contributor, an improvement from level 4 the previous year. Transpaco is a YES Programme employer.

DIVIDEND

The board has declared a final gross cash dividend out of income reserves of 78,0 cents per share, resulting in total dividends of 111,0 cents per share for the year ended 30 June 2020 (June 2019: 80 cents per share). After applying the dividend withholding tax of 20% a net final dividend of 62,40000 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration is 32 886 359 ordinary shares. The Income Tax reference number is 9975/112/71/6.

The salient dates for the dividend are as follows:

Last date to trade shares *cum* dividend	Monday, 21 September 2020
Shares trade *ex* dividend	Tuesday, 22 September 2020
Record date	Friday, 25 September 2020
Payment date	Monday, 28 September 2020

Share certificates may not be dematerialised or rematerialised between Tuesday, 22 September 2020 and Friday, 25 September 2020, both days inclusive.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The group's annual financial results have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements and the Companies Act 71 of 2008 of South Africa. The principal accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2019, except for the new standards adopted as detailed below. The group did early adopt the IFRS 16 Covid-19 rent concessions amendment.

The condensed consolidated results do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual financial statements for the year ended 30 June 2020. The presentation and disclosure complies with International Accounting Standard (IAS) 34.

The fair value of the financial assets and liabilities approximate the carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing borrowings are not materially different from their calculated fair values due to market-related rates embedded into the terms of these borrowings.

The adoption of IFRS 16, which became effective in the current period, has resulted in a change to accounting policies and disclosure.

IFRS 16 *LEASES*

IFRS 16 introduces changes to lessee accounting as it removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The group adopted IFRS 16 with effect from 1 July 2019.

IFRS 16 impacted most significantly the group's leases relating to property, plant, equipment and vehicles.

The Group has used the following expedients permitted by the standard: a. Modified retrospective adoption – no comparatives required to be disclosed; b. Exemption of short-term leases and leases for low value assets; c. Portfolio approach applied to classes of leases that have similar characteristics. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on adoption date was 9%.

As a result of IFRS 16, R68.4 million of right-of-use assets and R72.4 million of lease liabilities were recorded on 1 July 2019.

The transition related to the capitalising of property, plant and equipment onto the statement of financial position in the form of a right-of-use asset, together with the corresponding lease liability. Changes to the statement of comprehensive income resulted in the current operating lease costs being replaced by an amortisation of the right-of-use asset and calculated lease finance costs on the interest line. Other areas of the statutory metrics that have been impacted by the adoption of the standard include operating profit, EBITDA and earnings per share.

COVID-19 IMPACT

Transpaco has considered whether there are any adjustments, changes in judgments, estimates and risk management required to be reported in the condensed consolidated results as a result of Covid-19 and the lockdown. To date no material issues have been identified save for reduced sales during the lockdown.

REVIEW BY INDEPENDENT AUDITORS

The group's auditors Ernst & Young Inc. have reviewed the provisional condensed consolidated financial information for the year. The unmodified review report is available for inspection at Transpaco's registered office. The review was performed in accordance with ISRE 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* Any reference to future financial performance included in this announcement has not been reviewed or reported on by the group's external auditors. The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the group's registered office.

APPROVAL AND PREPARATION

The preparation of the group's reviewed interim condensed consolidated results was supervised by Louis Weinberg CA(SA) (Chief Financial Officer).

On behalf of the board

DJJ Thomas	**PN Abelheim**	**L Weinberg**
Chairman	Chief Executive	Chief Financial Officer

1 September 2020

DIRECTORS

DJJ Thomas (Chairman)*; PN Abelheim (Chief Executive); L Weinberg (Chief Financial Officer); HA Botha**; SR Bouzaglou; B Mkhondo**; SP van der Linde (Lead Independent Director) **

** Non-executive* *** Independent non-executive*

Transpaco Limited Registration number: 1951/000799/06 Share code: TPC ISIN: ZAE000007480
Auditor Ernst & Young Inc. **Company Secretary** HJ van Niekerk **Sponsor** Investec Bank Limited
Registered Office 331 6th Street, Wynberg, Sandton **Transfer Secretary** Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg **Website** www.transpaco.co.za

STATEMENT OF COMPREHENSIVE INCOME

R'000	Note	Reviewed 12 months June 2020	% change	Restated# 12 months June 2019
CONTINUING OPERATIONS				
Revenue		**1 905 764**	0,7	1 892 316
Cost of sales		**(1 217 294)**		(1 270 223)
Profit before operating costs and depreciation		**688 470**	10,7	622 093
Operating costs		**(481 254)**	1,0	(486 051)
Depreciation		**(71 326)**	(82,6)	(39 061)
Operating profit		**135 890**	40,1	96 981
Finance income		**2 088**	62,7	1 283
Finance costs		**(12 859)**	(4,2)	(12 345)
Profit before taxation		**125 119**	45,6	85 919
Taxation		**(33 632)**	(42,3)	(23 641)
Profit for the year from continuing operations		**91 487**	46,9	62 278
DISCONTINUED OPERATIONS				
Loss for the period from discontinued operations	1	**(22 533)**	(342,7)	(5 090)
Profit for the year		**68 954**	20,6	57 188
Other comprehensive income		**–**		–
Total comprehensive income		**68 954**	20,6	57 188
Weighted average ranking number of shares in issue ('000)		**32 886**		32 886
Diluted weighted average ranking number of shares in issue ('000)		**32 886**		32 886
Continuing operations				
Earnings per share (cents)		**278,2**	46,9	189,4
Diluted earnings per share (cents)		**278,2**	46,9	189,4
Headline earnings per share (cents)		**277,5**	47,7	187,8
Diluted headline earnings per share (cents)		**277,5**	47,7	187,8
Total operations				
Earnings per share (cents)		**209,7**	20,6	173,9
Fully diluted earnings per share (cents)		**209,7**	20,6	173,9
Headline earnings per share (cents)		**243,9**	41,5	172,3
Fully diluted headline earnings per share (cents)		**243,9**	41,5	172,3
Dividend per share (cents)#		**111,0**	38,8	80,0
#Includes interim dividend of 33 cents (June 2019 – 30 cents) and a dividend declared after the period of 78 cents (June 2019 – 50 cents)				
Reconciliation of headline earnings (R'000)				
Continuing operations				
Basic earnings		**91 487**		62 278
Profit on disposal of property, plant and equipment		**(234)**		(510)
Headline earnings		**91 253**	47,7	61 768
Total operations				
Basic earnings		**68 954**		57 188
Impairment on property, plant and equipment		**11 846**		–
Profit on disposal of property, plant and equipment		**(597)**		(512)
Headline earnings		**80 203**	41,5	56 676

 # Restated as required by IFRS 5 in relation to the treatment of Transpaco Recycling as a discontinued operation. Refer to notes 1 and 2.

STATEMENT OF FINANCIAL POSITION

R'000	Note	Reviewed 12 months June 2020	Audited 12 months June 2019
ASSETS			
Non-current assets		**549 309**	435 852
Property, plant and equipment		**397 508**	349 713
Right-of-use assets		**65 237**	–
Intangibles		**17 855**	17 855
Goodwill		**64 182**	64 182
Deferred taxation		**4 527**	4 102
Current assets		**561 486**	641 346
Inventories		**210 489**	215 718
Trade and other receivables		**289 927**	375 858
Taxation receivable		**248**	1 872
Cash and cash equivalents		**60 822**	47 898
Disposal group assets classified as held for sale	2	**10 062**	–
TOTAL ASSETS		**1 120 857**	1 077 198
EQUITY AND LIABILITIES			
Capital and reserves		**679 515**	637 856
Issued share capital		**328**	328
Share premium		**11 019**	11 019
Distributable reserve		**668 168**	626 509
Non-current liabilities		**143 691**	117 249
Interest-bearing borrowings		**53 684**	75 597
Lease liability		**51 410**	–
Deferred income		**2 614**	9 071
Deferred taxation		**35 983**	32 581
Current liabilities		**297 365**	322 093
Trade payables and accruals		**210 300**	251 234
Employment benefit liabilities		**36 046**	28 242
Current portion of interest-bearing borrowings		**25 521**	28 152
Current portion of lease liability		**19 714**	–
Deferred income		**1 133**	2 009
Taxation payable		**4 651**	1 241
Bank overdraft		**–**	11 215
Disposal group liabilities classified as held for sale	2	**286**	–
TOTAL EQUITY AND LIABILITIES		**1 120 857**	1 077 198
Number of shares in issue ('000)			
Number of shares		**32 886**	32 886
Salient features			
Net asset value per share (cents)		**2 066**	1 940
Operating margin (%)		**5,8**	4,5
Net interest-bearing debt: equity ratio (%)		**2,7**	10,5

STATEMENT OF CHANGES IN EQUITY

R'000	Share capital	Share premium	Distributable reserve	Total
Balance at 30 June 2018	328	11 019	608 784	620 131
Profit for the year	–	–	57 188	57 188
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	57 188	57 188
Dividend paid	–	–	(39 463)	(39 463)
Balance at 30 June 2019	328	11 019	626 509	637 856
Profit for the year	–	–	68 954	68 954
Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	68 954	68 954
Dividend paid	–	–	(27 295)	(27 295)
Balance at 30 June 2020	**328**	**11 019**	**668 168**	**679 515**

CAPITAL COMMITMENTS

R'000	Reviewed 12 months June 2020	Audited 12 months June 2019
Capital expenditure authorised and contracted		
Property, plant and equipment	**17 783**	6 146

STATEMENT OF CASH FLOWS

R'000	Reviewed 12 months June 2020	Audited 12 months June 2019
Cash flow from operating activities		
Cash generated from operations	**245 927**	124 451
Dividends paid	**(27 295)**	(39 463)
Finance income received	**2 088**	1 284
Finance costs paid	**(12 859)**	(12 345)
Taxation paid	**(25 644)**	(23 420)
Net cash inflow from operating activities	**182 217**	50 507
Cash flow used in investing activities		
Proceeds on disposal of property, plant and equipment	**7 070**	1 617
Expansion and replacement of property, plant and equipment	**(112 333)**	(47 037)
Net cash outflow from investing activities	**(105 263)**	(45 420)
Cash flow used in financing activities		
Payment of principal portion of lease liability	**(28 270)**	–
Proceeds from borrowings	**71 422**	64 775
Repayment of borrowings	**(95 967)**	(93 627)
Net cash outflow from financing activities	**(52 815)**	(28 852)
Net movement in cash for the year	**24 139**	(23 765)
Cash and cash equivalents at the beginning of the year	**36 683**	60 448
Cash and cash equivalents at the end of the year	**60 822**	36 683

DISCONTINUED OPERATIONS

NOTE 1

R'000	Reviewed 12 months June 2020	% change	Audited 12 months June 2019
Revenue	**48 018**		92 823
Expenses	**(58 682)**		(99 936)
Operating loss	**(10 664)**		(7 113)
Finance income	**–**		1
Impairment loss recognised on the remeasurement to fair value less costs to sell	**(11 846)**		–
Loss before tax from discontinued operations	**(22 510)**		(7 112)
Taxation			
Related to pre-tax loss from the ordinary activities for the period	**(23)**		2 022
Related to remeasurement to fair value less costs to sell	**–**		–
Loss for the year from discontinued operations	**(22 533)**		(5 090)
Loss per share from discontinued operations (cents)	**(68,5)**	(342,7)	(15,5)
Diluted loss per share from discontinued operations (cents)	**(68,5)**	(342,7)	(15,5)
Headline loss per share from discontinued operations (cents)	**(33,6)**	(117,0)	(15,5)
Diluted headline loss per share from discontinued operations (cents)	**(33,6)**	(117,0)	(15,5)
Discontinued operations			
Loss for the year from discontinued operations	**(22 533)**		(5 090)
Impairment on property, plant and equipment	**11 846**		–
Profit on disposal of property, plant and equipment	**(363)**		(2)
Headline loss	**(11 050)**		(5 092)
Cash flows from discontinued operations			
Net cash flows from operating activities	**(4 877)**		2 096
Net cash flows from investing activities	**4 874**		(2 100)
Net cash flows from financing activities	**–**		–
Net cash flows	**(3)**		(4)

NOTE 2 Net assets directly associated with disposal group

The major classes of assets and liabilities of Transpaco Recycling (Pty) Limited held for sale as at 30 June 2020 are as follows:

	R'000
Assets	
Property, plant and equipment	**9 386**
Trade and other receivables	**676**
Disposal group assets classified as held for sale	**10 062**
Liabilities	
Trade payables and accruals	**286**
Disposal group liabilities classified as held for sale	**286**
Net assets directly associated with disposal group	**9 776**

SEGMENTAL ANALYSIS

R'000	Plastic products	Paper and board products	Properties and group services	Continuing operations	Discontinued operations	Total operations
Revenue from customers – 2020	**1 041 067**	**864 697**	**–**	**1 905 764**	**48 018**	**1 953 782**
Revenue from all customers	1 098 488	928 983	–	2 027 471	51 885	2 079 356
Less revenue from internal customers	57 421	64 286	–	121 707	3 867	125 574
Revenue from customers – 2019	**1 009 650**	**882 666**	**–**	**1 892 316**	**92 823**	**1 985 139**
Revenue from all customers	1 078 236	938 566	–	2 016 802	104 155	2 120 957
Less revenue from internal customers	68 586	55 900	–	124 486	11 332	135 818
Operating profit/(loss) – 2020	**96 261**	**26 728**	**12 901**	**135 890**	**(22 510)**	**113 380**
Operating profit/(loss) – 2019	42 608	36 904	17 469	96 981	(7 113)	89 868
Profit/(loss) before tax – 2020	**92 583**	**21 416**	**11 120**	**125 119**	**(22 510)**	**102 609**
Profit/(loss) before tax – 2019	39 349	36 394	10 176	85 919	(7 112)	78 807
Capital expenditure – 2020	**51 990**	**56 441**	**7 705**	**116 136**	**1 437**	**117 573**
Capital expenditure – 2019	25 558	10 425	8 950	44 933	2 104	47 037
Assets – 2020	**502 320**	**447 325**	**161 150**	**1 110 795**	**10 062**	**1 120 857**
Assets – 2019	525 668	341 887	152 412	1 019 967	57 231	1 077 198
Liabilities – 2020	**191 799**	**218 680**	**30 577**	**441 056**	**286**	**441 342**
Liabilities – 2019	187 367	130 899	105 565	423 831	15 511	439 342