SENS ANNOUNCEMENT

Nampak Limited
(Incorporated in the Republic of South Africa)
Registration Number: 1968/008070/06
Share Code: NPK
ISIN: ZAE 000071676
("Nampak" or "the Company")

VOLUNTARY TRADING UPDATE FOR THE FIVE MONTHS TO 28 FEBRUARY 2019

Macroeconomic environment in key markets

South African gross domestic product (GDP) growth slowed down to 0.8% in 2018, following an increase of 1.4% in 2017. While the last two quarters in 2018 had positive growth, higher interest rates in the first quarter of 2019, the inflationary impact of fluctuating fuel prices, electricity tariff increases, high unemployment and various levy and tariff hikes will further put pressure on disposable consumer income. This current economic climate is not expected to change before the elections to be held in May 2019. This rather constrained economic environment is not, however, completely negative as consumers have been resorting to trading down to value and in-house brands, as well as purchasing greater volumes of canned fish and vegetables, both of which trends have been favourable.

Angola has gone through a major devaluation of its currency, the Kwanza, against key foreign currencies which has had the intended effect of improved liquidity. The Kwanza has devalued by more than 85% against the US Dollar since 1 September 2017. As expected, this has resulted in significant producer price inflation, which has driven up consumer price inflation while wage inflation has lagged. As a result of this concatenation of events, demand for beverage cans has softened as consumers prioritise their purchases until wage inflation catches up and full purchasing power returns. This trend is expected to take between 12 and 18 months to normalise, based on Nampak's experience in the Nigerian economy. Liquidity in Angola remains strong with sufficient foreign currency available and transferred from this operation to support the operations.

Nigeria is well on its way to recovery as 2018 fourth quarter growth improved to 2.4% year-on-year lifting annual growth for the year to 1.9%. GDP growth, excluding oil, was even higher at 2.7% y-o-y for the quarter, largely driven by the agricultural and services sectors. This momentum in economic activity has continued into the new year, with Bevcan volumes at Nampak's Nigeria plant reaching record production levels. The consumer is expected to remain resilient in 2019 and beyond, and Nampak is consequently investigating the viability of doubling name plate capacity to two billion cans per annum. The NAFEX market continues to operate well and foreign currencies are freely available for trading.

The Reserve Bank of Zimbabwe (RBZ) announced in its monetary policy statement that it would establish an inter-bank foreign exchange market, effective from 20 February 2019, to formalise the trading of RTGS balances and bond notes with US Dollars and other currencies. Willing buyers and sellers of foreign currency will access the new market-based exchange platform through banks and bureaux de change. This is expected to unlock liquidity and bring about certainty in the foreign exchange market in future to improve the competitiveness of the Zimbabwean economy. Nampak is evaluating in detail the impact of this recent announcement on its operations, but views this as a development that should in the fullness of time lead to improvements in liquidity as experienced in Nigeria and more recently Angola. The company is considering the impact of undertakings by the RBZ to honour legacy debt on a 1:1 basis, as well as an agreement reached with the RBZ to lock in the exchange rate of RTGS to the US Dollar on an equal basis for an amount of USD57 million representing approximately 67% of the in-country cash balances at year end thereby providing a significant improvement in hedged portion of the in-country cash balances. These implications, as well as the fact that Nampak has provided a significant portion of the funding to the Zimbabwean operations from its offshore treasury and procurement operation and owns 51% of Nampak Zimbabwe, are expected to moderate the impact of a potential devaluation on earnings. Consideration is further being given to whether there has been a change in Nampak’s functional currency in Zimbabwe, and dependent on the outcome, this may further influence the extent of any potential devaluation of in-country monetary items including cash balances. Businesses in Zimbabwe continue to operate and margins and volumes have been expanding.

<u>Divisional update</u>

<u>Continuing operations</u>

METALS

The South African beverage can market is growing at low, single digits. Volumes are being impacted by a new entrant as expected since it commenced deliveries to customers in late 2018. A second entrant is expected to commission its plant in the second half of the 2019 calendar year. In response, Nampak reduced its name plate capacity by 11% and removed an old tin plate line that was located in Epping, Western Cape which was largely used for peak demand. Savings from the closure of this line began flowing in the second half of 2018 and the full impact of lower operating costs will be seen in 2019. Operations excellence and other cost reduction initiatives will also lead to stable margins for Bevcan South Africa. Divfood is experiencing mixed demand. Improved vegetables and fish volumes have been offset by, lower meat and diversified can volumes. Overall volumes were slightly positive.

The Rest of Africa produced varying results – in Nigeria volumes grew ahead of expectations; while the devaluation of the Kwanza has led to softer demand in the short term in Angola.

Bevcan Nigeria continues to achieve good volume growth driven by the malt category, an increase in Nampak's market share and growth in the underlying market for beverage cans. The consumer remains resilient and after five quarters of positive growth, the Nigerian economy is well on its way to recovery. The beverage can line is now approaching full utilisation and the second line will soon be considered if demand continues to remain buoyant. General metals packaging volumes have also improved in line with positive consumer demand trends being experienced.

The devaluation of the Kwanza in excess of 85% in Angola since 1 September 2017 with the currency only devaluing 7% since 1 October 2018 has led to significant producer price inflation, which in turn has meant higher consumer price inflation and consumers' purchasing power being eroded. Volumes have been negatively impacted and while wages are adjusting to catch-up to the impact of the devaluation, demand in the short to medium term is expected to remain soft. This is similar to what was experienced in Nigeria upon the devaluation of the Naira against the US Dollar. Demand is expected to be constrained until wage inflation is reflected in new salaries and wages where after demand is expected to return to former levels.

PLASTICS

Plastics South Africa is performing as expected during a period characterised by lower market volumes for rigids partly being offset by improved volumes from cartons. Plastics in the Rest of Africa largely comprises Zimbabwean operations, viz. Megapak and CMB. High volume demand continues at these operations bolstered by increasing exports to neighbouring countries. Plastics UK volumes continue to be impacted by reduced demand resulting from backward integration by a key customer and an overall weaker dairy market.

PAPER

Demand at Hunyani in Zimbabwe remains strong and was supported by regional exports, but inflationary pressures are starting to impact the cost of raw materials. While liquidity is an ongoing challenge, robust trading is expected to continue as long as raw materials can be sourced. Carton volumes in Nigeria in the half year have remained strong. The impact of the elections, customer inventory levels and possible legislation changes may dampen volumes going forward. Volumes in Zambia and Malawi have increased, driven by growing consumer demand. Bullpak in Kenya has put in a creditable performance in spite of softer market conditions.

Discontinuing operation

GLASS

Volumes for glass have remained relatively flat, constrained by production output. The period under review has been characterised by higher beer and favoured alcoholic beverages' volumes, while demand for carbonated soft drinks and wine bottles has reduced. Electricity supply from Ekurhuleni had started to improve after the plant experienced ongoing fluctuations and supply disruptions throughout 2018. The recent load shedding has once again changed this. While the plant itself has not been load shed, the impact on the quality of electricity (voltage fluctuation) with load shedding in the surrounding areas has been significant.

The rotary uninterruptible power supply system has been instrumental in mitigating any impact of these issues.

Following the decision by the Nampak Board and the announcement to the market in March 2018 to dispose of the Glass business, a process was initiated and has progressed as anticipated. As noted in the SENS announcement dated 28 February 2019, Nampak entered into an exclusivity arrangement with a preferred bidder, after review of the offers from eligible bidders. Nampak has now entered into negotiations in respect of the potential disposal of the Glass business.

The preferred bidder is a black South African-owned company and is supported by a large international corporation with significant glass expertise. The process is on track with a view to conclude a sale and purchase agreement by April 2019. The preferred bidder is responsible for its own financing of the transaction and is not reliant on Nampak in connection with any of its funding. The transaction, if concluded, will be subject to competition authority approval as it is considered a large merger under South African competition law.

Liquidity and cash transfers in the Rest of Africa

Nampak has seen continued foreign currency liquidity in Angola and Nigeria. Cash balances in these two countries reduced to R1.9 billion from R2.6 billion at the end of September 2018 due to good cash transfers during the period. R1.5 billion was transferred for the five months ended 28 February 2019 from these two countries with R936 million and R529 million being transferred from Angola and Nigeria respectively. There is currently no restriction on the transfer of cash from Nigeria. Kwanza availability is at times the constraint in the Angolan economy particularly when US Dollars are made available by in country banking partners, but insufficient Kwanza are available at the dates on which the US Dollar Kwanza bonds either mature or can be converted to cash ahead of maturity dates.

Of the Rand equivalent of R1.6 billion cash balance in Angola, 43% remains hedged and protected against further devaluations through USD-Kwanza linked bonds. The new Angolan requirements for letters of credit supporting future imports to be cash backed in country has led to higher cash in-country cash balances and a reduction in the cash levels hedged by US-linked Kwanza bonds. The changed import laws have, however, ensured that foreign exchange for such imports is secured before the importation of such goods with no additional build-up of in-country cash relative to unsettled imports expected. Whilst lower cash balances are hedged, the majority of the devaluation is deemed to have already occurred, confirming the effectiveness of the Group's hedging strategy as it protected against a R1.6 billion loss in FY2018. The bonds have a medium-term maturity profile to protect against further currency adjustments as the Kwanza finds a new stable level.

The cash balance in Zimbabwe has remained relatively stable at R1.3 billion compared to the R1.2 billion at the end of September 2018.

Since April 2018, no further credit extension by any Nampak entity has been provided to Nampak's businesses in Zimbabwe. The availability of foreign currency in Zimbabwe remains challenging and only R27 million or 2% of the opening cash position was transferred from Zimbabwe for the five months to February 2019. Imports into Zimbabwe are being funded by US Dollars provided by customers.

28 FEBRUARY 2019				**LIMITED LIQUIDITY**	
	Angola	**Nigeria**	**Sub-total**	**Zimbabwe**	**TOTAL**
Cash on hand	R1 601m	R255m	R1 856m	R1 314m	R3 170m
Hedged cash	R695m	–[2]	R695m	R798m[3]	R1 493m
% cash hedged	43%	–[2]	37%	61%[3]	47%
Cash transferred	R936m	R529m	R1 465m	R27m	R1 492m
Cash transfer rate[1]	41%	176%	56%	2%	39%

30 SEPTEMBER 2018				**LIMITED LIQUIDITY**	
	Angola	**Nigeria**	**Sub-total**	**Zimbabwe**	**TOTAL**
Cash on hand	R2 307m	R300m	R2 607m	R1 190m	R3 797m
Hedged cash	R2 166m	–[2]	R2 166m	–[3]	R2 166m
% cash hedged	94%	–[2]	83%	–[3]	57%
Cash transferred	R1 807m	R1 574m	R3 381m	R87m	R3 468m
Cash transfer rate[1]	83%	190%	112%	13%	94%

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

[2] Cash balances in Nigeria are no longer considered restricted as a consequence of the liquidity that has been provided by the introduction of the NAFEX market.

[3] USD57 million hedge secured (representing approximately 67% of 30 September 2018 balance) with Zimbabwean Reserve Bank before new Monetary Policy announcement was made on 20 February 2019. New policy indicates that legacy debts relating to imports will be honoured on a one for one basis with the US Dollar.

Foreign exchange movements

Nampak has sizeable operations outside of South Africa and is exposed to various foreign currency movements. As a result, Nampak’s performance for the five months ended 28 February 2019 has been impacted by foreign currency movements. The Naira remains fairly stable and there has been no devaluation in the Nigerian Naira. In Angola, the devaluation of the Kwanza that commenced in early 2018 through a series of controlled auctions by the Central Bank, continued throughout the 2018 calendar year and into the new year, albeit at a slower pace. For the five months ended 28 February 2019, the Kwanza devalued by 7%. This is expected to lead to some foreign exchange losses relative to unhedged monetary items.

The weakening of the South African Rand average rates will benefit the translation of foreign earnings for Rest of Africa territories, as well as Europe. Closing rates have not materially shifted since the end of the 2018 financial period. Foreign denominated debt will be impacted at the reporting date by fluctuations in closing exchange rates at the reporting date.

Currency movements for key markets:

	Average rates				**Closing rates**			
Currency	28 Feb 2019	31 Mar 2018	% change	30 Sep 2018	28 Feb 2019	30 Sep 2018	% change	31 Mar 2018
ZAR/GBP	18.19	17.35	4.8%	17.61	18.66	18.43	1.2%	16.62
ZAR/EUR	16.08	15.36	4.7%	15.58	16.01	16.41	(2.4%)	14.57
ZAR/USD	14.11	12.78	10.4%	13.11	14.07	14.14	(0.5%)	11.86
NGN/USD	363.03	359.75	0.9%	360.61	361.07	362.79	(0.5%)	360.00
AOA/USD	313.72	189.76	65%	222.09	322.07	300.72	7.1%	218.64

Financial position

Nampak secured its financial position after implementing a R12.5 billion long-term committed revolving credit facilities and short term loan agreement (RCF) during the 2018 financial year. 45% of these facilities have been utilised to date with 55% remaining available for settlement of debt in the short to medium term.

As at February 2019, the Group’s key covenants of net debt: EBITDA being less than 3 times and interest cover greater than 4 times have been met. The policy developments in Zimbabwe do not impact debt covenants, as the new RCF had stricter requirements that excluded 100% of cash balances from Zimbabwe from the covenant calculations, amongst other revisions.

Nampak has a target gearing range of 40%-60%. As at 30 September 2018 Nampak had a net gearing ratio of 37%. Gearing is closely managed.

Impact of load shedding

The majority of Nampak’s operations have not been impacted by load shedding as local municipalities have prioritised the continued supply of electricity in and around manufacturing hubs. A number of smaller operations mainly for Plastics have been impacted to date, and production is being planned around expected power outages.

Ongoing portfolio management

In addition to the sale of the Glass division, further portfolio rationalisation opportunities are being pursued in order to sharpen the focus on strategic and profitable substrates. Further announcements will made in due course.

Board appointments

Following the retirement of Mr RC Anderson and Prof PM Madi with effect 6 February 2019, two new directors, Messrs SP Ridley and CD Raphiri have been appointed to board of the company with effect from 1 March 2019.

Pre-close conference call

Nampak management will hold a pre-close telephonic conference call on Wednesday, 27 March 2019 at 15:00 Central Africa Time (GMT+2) to discuss this trading update and address questions from the investment community.
Nampak will release its interim results for the six months ending 31 March 2019 on the Stock Exchange News Service on or about 29 May 2019. Nampak will be in closed period from 1 April 2019 until 30 May 2019.
Shareholders are advised that the financial information contained in this announcement has not been audited, reviewed or reported upon by Nampak's external auditors.

Bryanston
27 March 2019
Sponsor: UBS South Africa (Pty) Ltd

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.*